

CABINET

TUESDAY, 13 JULY 2021

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling,
Carl Maynard, Rupert Simmons and Bob Standley

A G E N D A

1 Minutes of the meeting held on 29 June 2021 (*Pages 3 - 4*)

2 Apologies for absence

3 Disclosures of interests

Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.

5 Reconciling Policy, Performance and Resources - State of the County (*Pages 5 - 124*)
Report by the Chief Executive

6 Highway Services Re-procurement Project (*Pages 125 - 392*)
Report by Director of Communities, Economy and Transport

7 Internal Audit Annual Report and Opinion 2020/21 (*Pages 393 - 410*)
Report by Chief Operating Officer

8 Any other items considered urgent by the Chair

9 To agree which items are to be reported to the County Council

PHILIP BAKER
Assistant Chief Executive
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5 July 2021

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Agenda Item 1

CABINET

MINUTES of a meeting of the Cabinet held on 29 June 2021 at Council Chamber, County Hall, Lewes

PRESENT Councillors Keith Glazier (Chair)
 Councillors Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling,
 Carl Maynard, Rupert Simmons and Bob Standley

Members spoke on the items indicated

| | |
|---------------------------|-----------------------------------|
| Councillor Bennett | - items 5 and 6 (minutes 3 and 4) |
| Councillor Collier | - item 5 (minute 3) |
| Councillor Daniel | - item 5 (minute 3) |
| Councillor Denis | - Items 5 and 6 (minutes 3 and 4) |
| Councillor Field | - item 5 (minute 3) |
| Councillor Maples | - item 5 (minute 3) |
| Councillor Maynard | - items 5 and 6 (minute 3 and 4) |
| Councillor Osborne | - item 5 (minute 3) |
| Councillor Shuttleworth | - item 5 (minute 3) |
| Councillor Standley | - item 5 (minute 3) |
| Councillor Swansborough | - item 5 (minute 3) |
| Councillor Georgia Taylor | - item 5 (minute 3) |
| Councillor Tutt | - items 5 and 6 (minutes 3 and 4) |
| Councillor Ungar | - items 5 and 6 (minutes 3 and 4) |
| Councillor Webb | - items 5 and 6 (minutes 3 and 4) |

1 MINUTES OF THE MEETING HELD ON 20 APRIL 2021

- 1.1 The minutes of the Cabinet meeting held on 20 April 2021 were agreed as a correct record.

2 REPORTS

- 2.1 Copies of the reports referred to below are included in the minute book.

3 COUNCIL MONITORING 2020/21 - YEAR END

- 3.1 The Cabinet considered a report by the Chief Executive.

- 3.2 It was RESOLVED to note the end of year monitoring position for the Council

Reason

- 3.3 The report set out the Council's position and year end provisional outturns for the Council Plan targets, revenue budget, capital programme, savings plan together with strategic risks for 2020/21

4 HEALTH AND SOCIAL CARE INTEGRATION

- 4.1 The Cabinet considered a report by the Director of Adult Social Care

- 4.2 It was RESOLVED to:

1) confirm the Council's ongoing lead role and commitment to integrated care and improving population health focussed on East Sussex, and working in a pan Sussex context and to develop further plans with the local NHS to maintain this approach;

2) note the proposed legislation requires the Council to be a member of the Sussex Integrated Care System (ICS) and the plans and timetable to operate the ICS in shadow form from October 2021;

3) agree to nominate the Director of Adult Social Care to sit on the shadow NHS Sussex ICS Board to represent the County Council's full range of interests; and

4) agree to nominate the Chair of the Health and Wellbeing Board and the Chair of the Health Overview and Scrutiny Committee to attend the shadow Sussex ICS Partnership Forum.

Reason

4.3 Through our history of partnership working in East Sussex we have strong foundations in place to take forward increased integration of commissioning and delivery of services for the population of East Sussex. Responding to the pandemic during 2020/21 has also changed the way we work together as a health and social care system and has accelerated our integrated working.

4.4 Legislation set out in the forthcoming Health and Care Bill will significantly change the way we work together as a health and social care system to commission and deliver integrated care and improve the health of our population. Cabinet has agreed recommendations for the County Council to discharge its role appropriately under these new arrangements. In doing so the Council will ensure that our place-based health and social care partnership continues to work together to deliver our shared long term aim of improved health and integrated care for our population, and make an effective contribution to health and care and restoration and recovery of services during 2021/22.

5 ASHDOWN FOREST TRUST FUND 2020/21

5.1 The Cabinet considered a report by the Chief Operating Officer.

5.2 It was RESOLVED to note the report and the Ashdown Forest Trust Income and Expenditure Account for 2020/21 and Balance Sheet as at 31 March 2021.

Reason

5.3 To note the final accounts for the Ashdown Forest Trust for 2020/21

6 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

6.1 It was agreed that items 5 and 7 be reported to the County Council.

[Note: The items being reported to the County Council refer to minute numbers 3 and 5]

Agenda Item 5

| | |
|---------------------------|---|
| Report to: | Cabinet |
| Date: | 13 July 2021 |
| By: | Chief Executive |
| Title of report: | Reconciling Policy, Performance and Resources (RPPR) – State of the County |
| Purpose of report: | To update Members on the issues which need to be taken into account in the priority and budget setting process for 2022/23 and beyond |

RECOMMENDATIONS:

Cabinet is recommended to:

- i. note the evidence base on demographics (appendix 1) and the national and local policy outlook (appendix 2);
 - ii agree the revised Medium Term Financial Plan as the basis for financial planning (appendix 3);
 - ii agree officers review the Capital Strategy and Programme as set out in appendix 4;
 - iv agree the priority outcomes and delivery outcomes (appendix 5) as the basis of the Council's business and financial planning, subject to the amendment set out in paragraph 4.4;
 - v agree to receive reports on more detailed plans for 2022/23 and beyond in the autumn when there is greater certainty about future resources; and
 - vi request officers bring forward proposals in the autumn for a financial strategy that includes options for further investment in highways, infrastructure and climate change.
-

1. Background

1.1 The State of the County report is part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, its integrated business and financial planning cycle. The report sets out the current context and provides an overview of the latest position in preparation for more detailed planning for 2022/23 and beyond. It builds on our recent year-end monitoring report to reflect on our achievements over the last year, the challenges in the year ahead arising from both local and national factors and, in light of this, begins to refine our plans to guide our business planning and budget setting processes.

1.2 This report contains the normal elements included in the State of the County report: the demographic evidence base; the national and local policy context; Medium Term Financial Plan and Capital Programme. It gives our up to date understanding of how we will need to continue to respond to the wide range of policy, demographic and financial drivers which influence the outlook for the Council, including the implications of Covid-19, both in the short and longer-term.

1.3 Significant uncertainty continues to dominate the context within which we are working. The ongoing impact of Covid-19 remains hard to predict, both in terms of the potential for further waves of infection, and the scale and nature of the undoubtedly far-reaching implications on our residents and businesses which will influence need and therefore demand for our services. The financial outlook remains unclear with a further one-year financial settlement anticipated for 2022/23 and key national reforms having been subject to further delay. The national policy agenda continues to evolve rapidly, with legislative and policy changes that respond to the UK's departure from the EU and new global positioning, societal changes brought and exacerbated by the pandemic, and the climate emergency. This is alongside a range of public service reforms signalled by Government, the impacts of which are not yet fully clear.

1.4 The Council spends over £800m gross each year (£400m net) and it is vital that these resources are deployed, in partnership with others, in the most effective way to support our priorities and core service provision. By managing our resources carefully over many years, and with the additional Government Covid support we could not have predicted, we have been able to maintain stability in service provision through the period of the pandemic and our current position is secure. However, the financial outlook in the medium term remains very challenging and uncertain. We have a limited window of opportunity now to consider any further preparations we can make for the period ahead, including any areas for one-off investment which would help us better manage future demand for services.

1.5 Against this background the report sets out the proposed lobbying and communications focus to help us ensure that the Government is aware of the needs of our county and the urgent need for a sustainable multi-year funding settlement for local government as a whole, and Adult Social Care specifically, if we are to maintain core services in the future in light of growing demand and ever diminishing resources.

2. Current Position

2.1 The County Council plays a key role in the quality of life of the residents, communities and businesses of East Sussex through services, employment, purchasing and how we work in partnership with others. The past year has placed an even sharper focus on this essential role as local families, communities and businesses sought support to deal with the impacts of Covid-19. It has been a year of extreme challenge but also significant achievements, from supporting the local health and care and education sectors with the challenges they faced, to adapting our own services and ways of working at pace to cope effectively with the emergency. Our assessments of the ongoing levels of need arising from the pandemic are constantly being refined and will continue to influence our plans as we better understand the longer-term implications and our role in recovery.

2.2 In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. This includes:

- The impact of operating in an economy recovering from the Covid driven recession. The Government will have to consider how it begins to pay off the borrowing it has undertaken during the pandemic – this could mean a mixture

of higher taxation, with possible impact on economic recovery, and reductions in public service expenditure. Both would impact on the Council's income and ability to spend.

- The shape of the post-Brexit and post-Covid economic and policy agenda, the impact of new post-EU funding regimes and the Government's Levelling Up programme.
- Specific uncertainty over the future of local government funding, and delays to key reforms. The level of Government funding that ESCC will receive from 2022/23 onwards is not confirmed; Spending Review 2020 was for a single year and therefore funding for this planning period will be announced at Spending Review 2021 which is likely to be in the autumn. Additionally, the Fair Funding Review and Business Rate Retention reform have now been confirmed delayed until at least 2022/23. These are significant areas of change that currently are not fully understood and cannot be fully quantified but will have potentially significant financial impact.
- The lasting impact the pandemic will have on young people in terms of education and employment opportunities.
- The growing impact of climate change, the national and local commitments to achieve carbon neutrality and the introduction of a range of new measures through the Environment Bill.
- The impact of Government reviews and reforms of public services – for example legislative developments in health and social care integration, measures to support NHS recovery post-Covid, structural changes in Public Health, reviews of children's social care and Special Educational Needs and Disability (SEND), and the nature of planned reforms to Adult Social Care and the role of local government in the future.
- Significant national policy developments related to infrastructure, transport and planning and, locally, the re-procurement of our highways contract and refresh of our Local Transport Plan.
- The opportunity to build on positive work with our public and Voluntary and Community Sector (VCS) partners during the pandemic to further develop our ability to tackle issues in partnership in the future, including building community wellbeing and responding to the increased need that is likely to persist in our communities for some time to come.
- The ongoing need to support post-Covid recovery and adjustment, both in our services and for society and the economy, against a backdrop of residual risk of further waves of infection and the potential need for an ongoing vaccination programme.
- The opportunity to adapt the back office support provided to the organisation to ensure it remains relevant and resilient in light of changing national and local priorities.

- Reviewing the way that we work and accelerating our planned changes to move towards a more hybrid way of working, and evolving our working practices to ensure we have modern, flexible workspaces and workstyles.

2.3 The local and national policy context at Appendix 2 sets out the latest thinking on these and other current issues, although plans will continue to develop over the summer as more information emerges.

2.4 Against a background of ever diminishing resources and increasing demand, especially in social care, the Council has made significant savings over the past 10 years to live within our means. Taking these difficult decisions in a timely way, together with one-off additional support from Government, has enabled the Council to weather the Covid storm without needing to propose further savings at a time when our communities were in acute need of our support. Sound financial management has placed the Council in a relatively stable position for the current year and provided us the ability to offer support to the county's immediate Covid recovery. However, the outlook in the medium term is far more challenging and there remains a significant gap between the income we expect to receive and the costs of providing core services. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future. Further detail on the financial outlook is provided at paragraph 5.

2.5 In all our activities, and in planning for the future, the County Council continues to work to our guiding principles that:

- What we do represents good value for money;
- Our activities are transparent and we can be held to account;
- We operate as One Council and focus on key areas for County Council action;
- We prioritise the investment available for front line service delivery by maximising the resources available to us through treasury management, working to secure sustainable national funding and working in partnership with other organisations;
- We work towards achieving carbon neutrality in our activities as soon as possible and take account of the climate impact of what we do;
- We remain focused on delivering our priority outcomes;
- We carry out all we do professionally and competently; and
- We remain ambitious, optimistic and realistic about what can be achieved.

3. Demographic and Demand Changes and Financial Background

3.1 Appendix 1 sets out the key factors affecting the County in relation to demography, housing, deprivation, health, the environment and economy, and the impact these are having on demand for our services. The main issues driving demand are:

- **Older People** - form a high proportion of the population of the County which has an impact on the demand for services and the Council's finances. The older population is at greater risk from Covid-19 and its longer-term health implications.

- **Children and Young People** – since 2018 our numbers of looked after children have remained fairly stable, however our active participation in the National Transfer Scheme has seen a rise in the number of Unaccompanied Asylum Seeking Children looked after by the authority. The number of children and young people with Education, Health and Care Plans (EHCPs) has continued to increase over the last six years, the majority of the increase is due to increasing numbers of young people in the Key Stage 5 and post 19 age groups with EHCPs.
- **Economy**- the percentage of people claiming unemployment benefits has risen due to the pandemic and its impact on the economy. Younger adults have been particularly affected, with 10.2% claiming unemployment benefits. Parts of the County have higher percentages of people employed in the retail and wholesale and accommodation and food sectors than the national average, these are sectors that have been more affected by both Covid-19 restrictions and the impact of Brexit.
- **Climate change** – CO2 emissions were falling in all sectors in East Sussex except transport before the pandemic. Although we had the lowest emissions of carbon dioxide per person of all the County Council areas in England, further reductions will be needed.

3.2 Covid-19 has affected levels of demand for our services and the short-term impact of the pandemic can be seen across a number of themes in Appendix 1. However, the longer-term effects will take longer to emerge, and for some key indicators the latest available data is from before the pandemic.

3.3 The ongoing pandemic continues to have an impact on Business As Usual in-year, and therefore there are budget adjustments required which are set out in Appendix 3 section N. Quarter 1 monitoring will provide an update to this.

4. Council Priority Outcomes

4.1 The Council's business and financial planning is underpinned by its four priority outcomes, which provide a clear focus for decisions about spending and savings and direct activity across the Council.

4.2 The current four priority outcomes are:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources in the short and long term.

The priority outcome that the Council makes the “best use of resources in the short and long term” is a test that is applied to all activities to ensure sustainability of our resources, both in terms of money and environmental assets.

4.3 The priority outcomes, and their subsidiary delivery outcomes, were reviewed and updated during 2020/21 to ensure that the priorities we are working to deliver, and the way we measure the performance of our activities and services, remain

appropriate in the new post-Covid operating context which will continue to form the backdrop for our work in the medium term.

4.4 Our ongoing work to respond to climate change as an organisation has been reflected within the ‘making best use of resources in the short and long term’ priority outcome and its associated delivery outcomes. It is recommended that the wording of the priority be changed to ‘making best use of resources now and for the future’ to better reflect the greater emphasis that is being placed on addressing and adapting to climate change. This will ensure that the future impact of the choices we make about using resources is actively considered across all that we do, as well as the here and now. Cabinet is asked to review the current priority and delivery outcomes (appendix 5) and agree them as the basis for future business and financial planning, subject to this amendment.

4.5 Our Core Offer also continues to underpin our business and financial planning. It represents a level of service below which we should not go in order to meet the needs of residents, not only for the services we provide but to play our part in supporting them in their wider health and wellbeing needs. This includes access to well-paid jobs, decent affordable housing and good mental and physical health. The Core Offer was also reviewed during 2020/21 and some changes made to reflect new responsibilities arising from Covid to ensure it remained up to date.

5. Medium Term Financial Plan, Savings and Reserves

5.1 The Medium Term Financial Plan (MTFP) and associated updates is set out at Appendix 3.

5.2 The updated MTFP has a revised total deficit of £18.415m by 2024/25 (with a £1.734m deficit in 2022/23), compared to £14.448m when the budget was set in February 2021. The MTFP will be developed during the RPPR process and, through scenario planning of future funding and pressures, may take us to a balanced or surplus position in 2022/23, whilst maintaining an overall reduced deficit over the life of the MTFP.

5.3 Outside of the MTFP a potential risk should be noted around the Local Council Tax Reduction scheme: Lewes District Council approved at its Cabinet meeting on 10 June 2021 to commence the statutory consultation process to make changes to their Local Council Tax Reduction Scheme. The proposal will see a move from 80% to 100% reduction in a person’s Council Tax liability, if qualifying conditions are met. This report projects an annual loss of Council Tax income for the County Council of £989,000. If implemented this would increase the overall deficit on the Medium Term Financial Plan currently presented.

5.4 An update on savings is provided at Appendix 3, section 2. The impact of Covid-19 and funding implications has enabled a review of the deliverability of these targets. The detailed savings schedule at Appendix 3a shows revised planned savings of £4.561m, after the removal of Children’s Services safeguarding savings, and slipped savings from previous years of £2.874m bringing the total to £7.435m.

5.5 Appendix 3 also provides an update on reserves which total £136.4m as at 1 April 2021. Given the level of financial and operational uncertainty, the level of

reserves is still considered reasonable given the General Fund Balance (£10.0m), an in-year budgeted contingency (£4.0m), and the balance estimated to be remaining on the Financial Management Reserve (£25.1m).

5.6 With the impact of COVID-19 providing the opportunity to reset the 2021/22 budget and release £8.855m (Appendix 3, reference N) as a one off reserve contribution, proposals will be brought forward in the autumn for potential further one-off investment in highways, infrastructure and climate change. These will be either aligned to the MTFP or the refresh of the Capital Strategy and investment principles as appropriate.

6. Capital Programme

6.1 The approved Capital Programme has now been updated to reflect the 2020/21 outturn and other updates in accordance with the approved governance and variation process, revising the gross programme down to £527.5m to 2029/30. The details are set out in Appendix 4, together with the revised programme.

6.2 As well as updating the programme for year end and approved variations, the appendix also outlines areas of work that are being developed in priority basic need areas, including highways, Environmental and Social Governance (ESG), school places and Special Educational Needs and Disability (SEND) provision. The programme is already supported by borrowing of £227.9m to 2029/30 which has an associated revenue impact. Revised targets and new need are likely to add to this and any impact will be presented for consideration.

6.3 Further updates will be made to the programme and Capital Strategy as part of the RPPR 2022/23 process to extend the programme by a further two years to maintain a 10-year planning horizon and to link into and support the Council's other strategies.

7. Lobbying and Communications

7.1 Our track record of running our services effectively and efficiently, coupled with additional one-off Government support during the pandemic, has meant we have been able to provide relative stability for our residents during the Covid emergency. This strong local foundation and temporary national funding also enables us to support recovery, prepare for the future and respond to additional demand in the short-term. We will continue to engage with local communities, organisations and networks to understand the changing nature of need in the county. This includes the disproportionate impact of Covid-19 on some groups and how this may influence the future demand for support services for some time to come.

7.2 However, the medium term outlook remains highly challenging. We face a significant financial gap, the uncertain impact of national reforms in major service areas and a lack of clarity on long-term funding arrangements, particularly for Adult Social Care, which makes planning for the future difficult. In the context of this ongoing uncertainty, and the potential for volatility in future funding as the impact of the Covid pandemic continues to unfold on the economy and public purse, our lobbying will continue to call for certainty of future funding for local government, and funding that is appropriately reflective of local need. This will be paramount to

ensuring we secure adequate resource to deliver what will be required to support East Sussex residents, communities and businesses with the core services they require, including opportunities to continue positive preventative work that could most effectively manage future demand for services.

7.3 We will continue to work with local MPs and local, regional and national partners to make this case. Through work with South East 7 partners we will highlight the particular strengths and needs of the South East and the benefits of investment in the region through a joint approach to lobbying at regional level.

8. Next Steps

8.1 Work will continue over the summer to further refine our understanding of the medium term impacts on our services of the coronavirus pandemic, national reforms and the financial resources that will be available to us in the coming years. We will continue to press the case for a multi-year financial settlement which enables us to plan ahead with more certainty but if there is a further one year settlement we will use our RPPR process to plan accordingly

8.2 We will report back to Members in the autumn with an updated assessment of our service demand and funding expectations to inform more detailed business and budget planning for 2022/23 and beyond.

8.3 Members will continue to be consulted on plans as they are developed through Cabinet, County Council, Scrutiny Committees, Whole Council Forums and specific engagement sessions throughout the 2021/22 Reconciling Policy, Performance and Resources process.

BECKY SHAW
Chief Executive

State of the County 2021

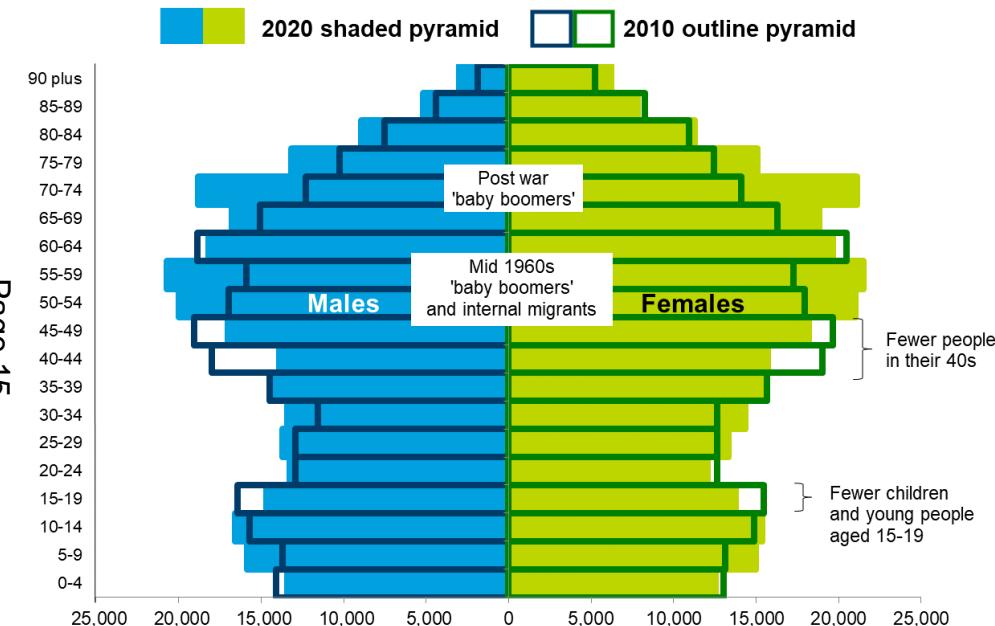
Focus on East Sussex

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Age and sex

The population of East Sussex was estimated to be 558,852 in mid-2020 (ONS mid-year estimates, 2020). East Sussex has a much older age profile compared to England and the South East. 26% of the county's population is aged 65 or over, compared to 19% in England and 20% regionally. The median age of the county is 48.4, compared to the national average of 40.2



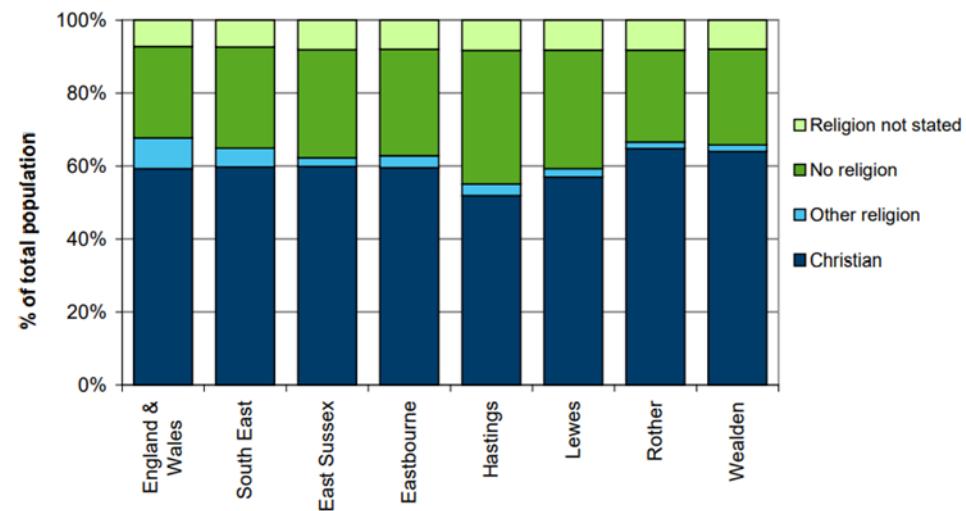
52% of the county's population was estimated to be female and 48% male, similar to the national split. However, for those aged 65 and over it was estimated that 55% of the population was female and 45% male.

Gender identity

It is estimated that nationally around 1 per cent of the population might identify as trans or non-binary (Source: Stonewall). For East Sussex this would be approximately 5,600 people.

Religion

For the 2011 Census 60% of the population in East Sussex stated their religion was Christian. 0.8% of the population stated their religion was Islam, 0.4% Buddhism and 0.3% Hinduism. 30% of the population stated they had no religion.

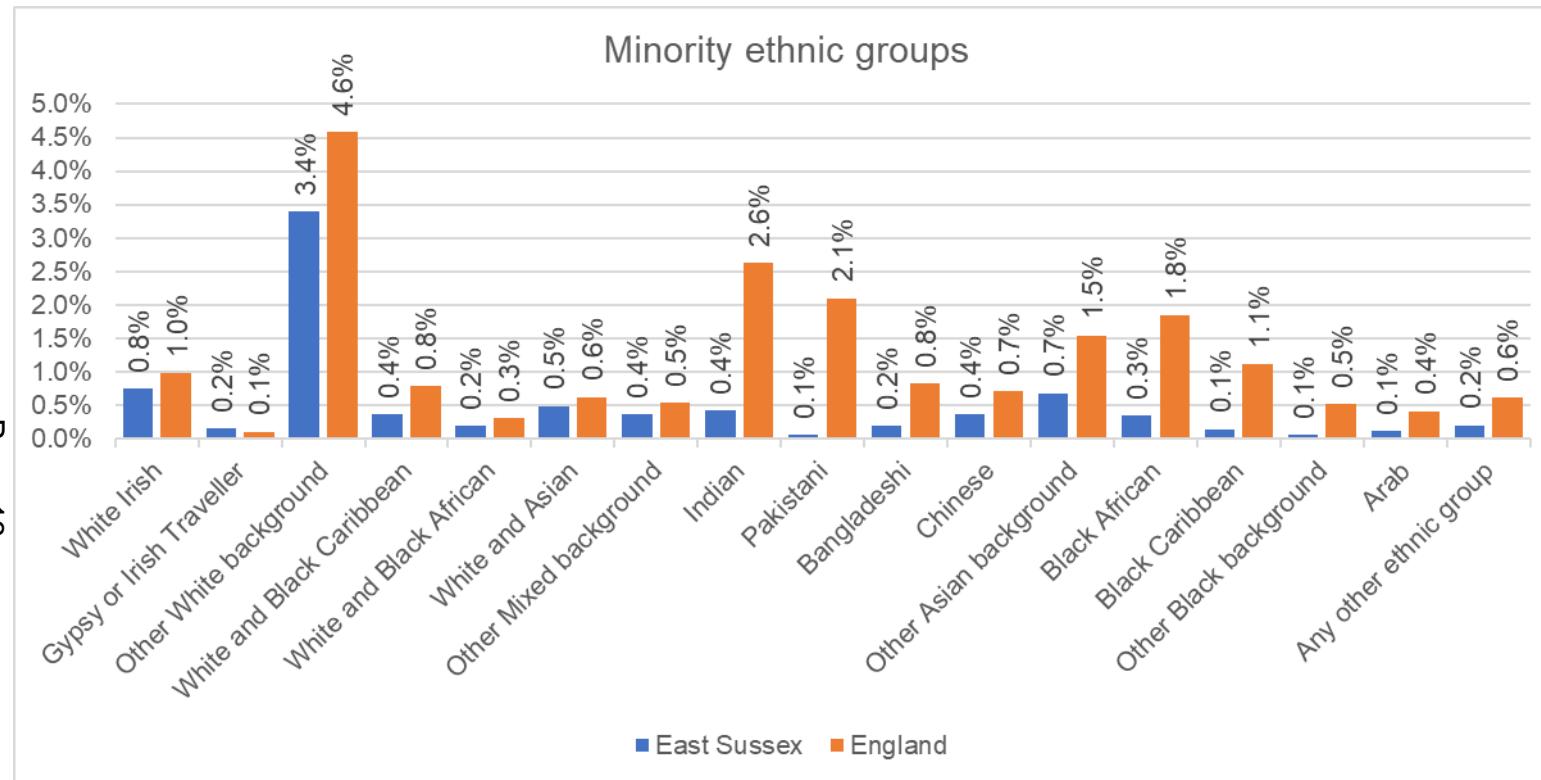


Marital status

The latest data for marital status is from the 2011 Census. 29.1% of respondents were single, 48.7% were married or in a civil partnership. 2.7% of respondents were separated from their partners, 10.7% were divorced or had been in a civil partnership which was dissolved. The remaining 8.7% of respondents were widowed.

Ethnicity

The latest ethnicity data for the county is from the 2011 Census. At the time 91.7% of the county's population identified as White British, compared to the regional average of 85.2% and the national average of 80.5%.



Disability

The 2011 Census is the latest comprehensive data we have on the number of people with a disability in the county. Our local projections suggest that by 2032 there will be over 130,000 people with a disability in East Sussex.

| Protected characteristic: Disability | East Sussex | Eastbourne | Hastings | Lewes | Rother | Wealden |
|--|------------------------|-------------------|-----------------|--------------|---------------|----------------|
| Limiting long-term illness (LLTI) - 2011 | 107,145 | 20,831 | 19,956 | 19,054 | 21,242 | 26,062 |
| Projected LLTI - 2017 | 114,741 | 22,407 | 20,822 | 20,400 | 21,744 | 29,367 |
| Projected LLTI - 2032 | 143,930 | 26,642 | 24,655 | 25,435 | 27,006 | 40,192 |
| Projected disability - 2017 | 98,608 | 19,414 | 17,419 | 17,578 | 18,904 | 25,293 |
| Projected disability - 2032 | 130,210 | 24,396 | 21,594 | 22,968 | 24,721 | 36,531 |
| Disability Living Allowance (DLA) and Personal Independence Payments (PIP) (All claimants, February 2020) | 32,190 | 6,921 | 7,596 | 5,641 | 5,496 | 6,536 |

Sources: LLTI data: 2011 Census; Disability and limited long-term illness projection:, 2017 based East Sussex County Council Projections, DLA and PIP claimants: DWP StatXplore.

Pregnancy and maternity

The ONS births data provides an indication of the number of women in East Sussex who may be pregnant or on maternity.

| Protected characteristic: Pregnancy and maternity | East Sussex | Eastbour ne | Hastings | Lewes | Rother | Wealden |
|--|------------------------|------------------------|-----------------|--------------|---------------|----------------|
| Live births - 2019 | 4,677 | 915 | 1,005 | 796 | 721 | 1,240 |
| Births per 1,000 females - 2019 | 8.4 | 8.8 | 10.8 | 7.7 | 7.5 | 7.7 |

Population Change

Population 2021 (562,750) + Births (18,760) – Deaths (26,830) + Migration in (145,320) – Migration out (119,340) = Population 2025 (580,650)

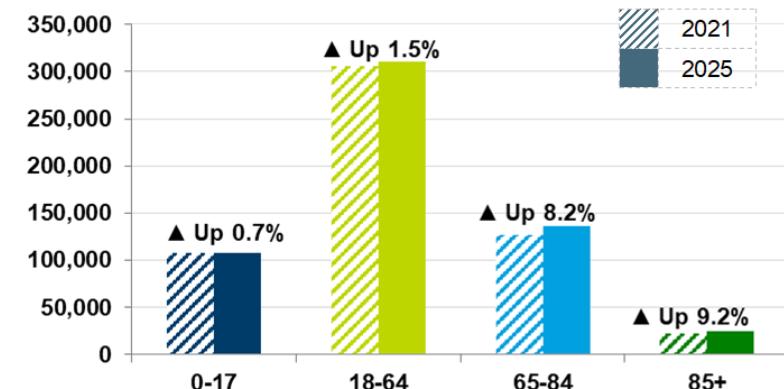
Population change 2021-2025: compared to 2021, by 2025 there will be:

| | |
|--|--|
| | 17,900 more people living in East Sussex (+3.2%) |
| | An increase of 0.7% (700 people) in the number of children and young people |
| | An increase of 1.5% (4,690 people) in the working age population |
| | 8.2% (10,430) more people aged 65 and over |
| | In East Sussex 4.3% of people will be aged 85+, a greater proportion than England, 2.7% . Ranked 1st in England for the highest proportion of population 85+, (ONS estimate 2019) |

In 2025 we expect that just over half of our population will be aged 18-64, with over a quarter aged 65 and over.

| Age Range | East Sussex | England |
|-----------|-------------|---------|
| 0-17 | 18.6% | 21.1% |
| 18-64 | 53.6% | 59.2% |
| 65-84 | 23.6% | 17.0% |
| 85+ | 4.3% | 2.7% |

Projected population by age 2021-2025



| Age Range | 2021 | 2025 | Change |
|------------|---------|---------|--------|
| 0-17 | 107,270 | 107,970 | 700 |
| 18-64 | 306,360 | 311,050 | 4,690 |
| 65-84 | 126,430 | 136,860 | 10,430 |
| 85+ | 22,690 | 24,770 | 2,080 |
| All people | 562,750 | 580,650 | 17,900 |

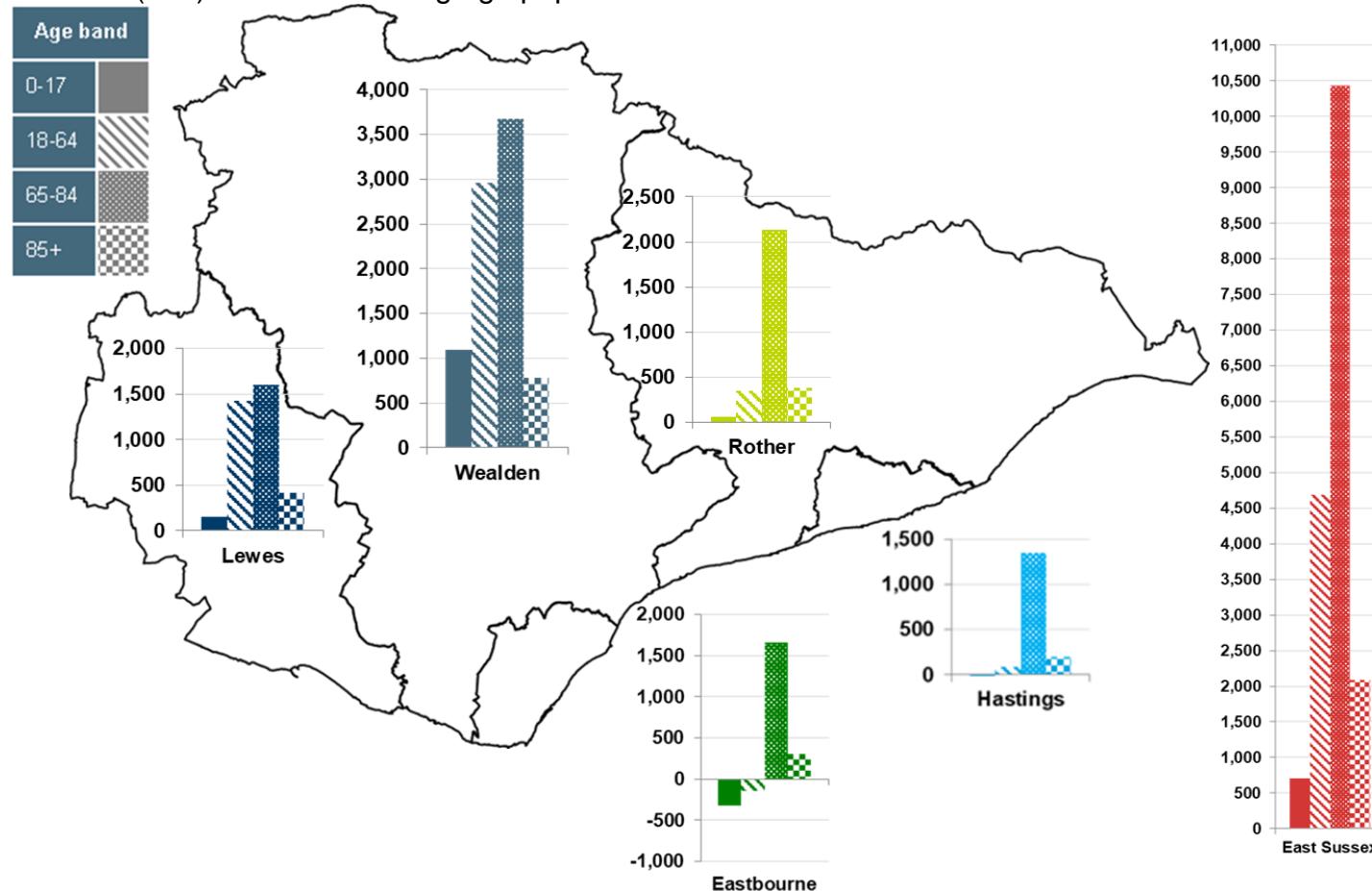
Note: These population projections are based on pre-pandemic data, so do not reflect any demographic changes due to COVID-19.

Source: ESCC population projections (dwelling led) March 2021. All figures rounded to the nearest 10 and therefore may not sum.

District population change

By 2025 there will be:

- an increase of 12.5% (780) more people aged 85+ in Wealden; the smallest increase will be in Eastbourne, 6.6% (310).
- 9.8% (3,680) more people aged 65-84 in Wealden, and 8.1% (1,360) more people in Hastings, Lewes will see a 6.9% (1,600) increase
- Wealden will also see the largest increase in the working age population (18-64), of 3.3% (2,970)
- Eastbourne will see a 0.2% (140) fall in the working age population



Source: ESCC population projections (dwelling led) March 2021. All figures rounded to the nearest 10 and therefore may not sum.

Older people moving in and out of East Sussex 2015-19

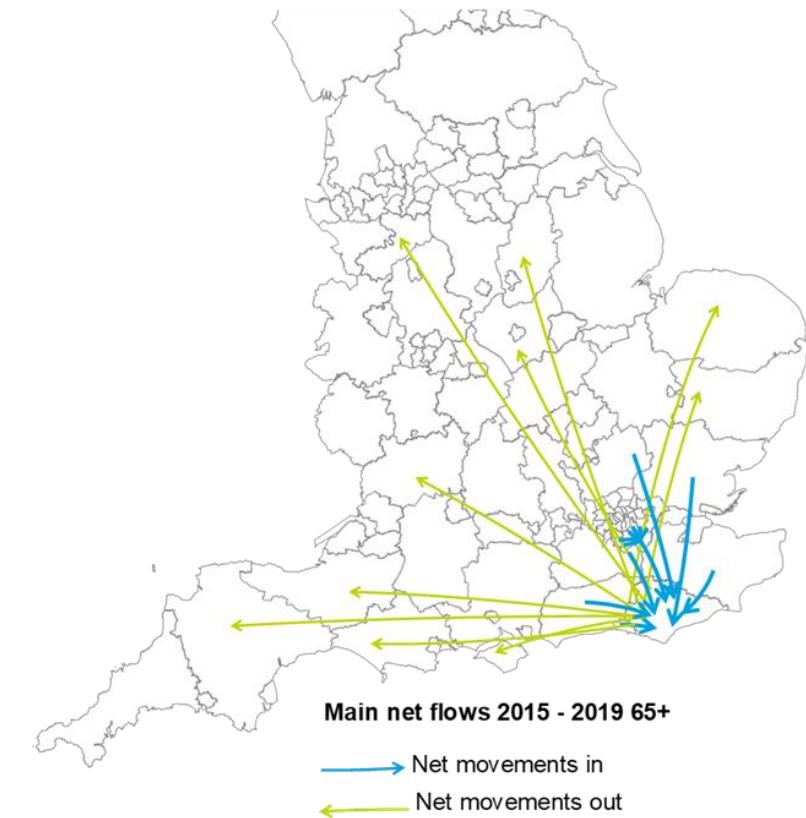
- **14,266** people aged 65+ moved into East Sussex from elsewhere in England between 2015 - 2019. **9,944** moved out of the county, making the net increase **4,322**
- The largest net inflow of people arrived from Kent, Brighton and Hove, Croydon and Surrey
- The largest net outflow of people aged 65+ was to Devon, with **88** more people moving there than coming to East Sussex; second was Somerset with a total of **63**
- Households of people aged 60+ have the highest average levels of disposable income, when compared to all other households
- The average life expectancy at 65 for people in East Sussex is a further **20.8** years
- Between 2015 - 2019 there was a net increase of 15,000 people of all ages moving into East Sussex; 4,500 0-17; 6,100 18-64; and 4,300 65+. 5,500 of these people were from Brighton and Hove with more young people moving into East Sussex from Brighton and Hove than moving out.

 Areas with highest net inflow of internal migration 65+ 2015 - 2019

| Area | In | Out | Net |
|-----------------|-------|-------|-----|
| Kent | 2,393 | 1,733 | 660 |
| Brighton & Hove | 1,216 | 594 | 622 |
| Croydon | 541 | 94 | 447 |
| Surrey | 948 | 554 | 394 |
| Bromley | 480 | 131 | 349 |
| West Sussex | 1,716 | 1,536 | 180 |
| Sutton | 205 | 66 | 139 |
| Merton | 162 | 23 | 139 |
| Bexley | 175 | 56 | 119 |
| Hertfordshire | 278 | 161 | 117 |
| Essex | 319 | 207 | 112 |
| Greenwich | 124 | 22 | 102 |

 Areas with highest net outflow of internal migration 65+ 2015 - 2019

| Area | In | Out | Net |
|---|-----|-----|-----|
| Devon | 216 | 304 | -88 |
| Somerset | 118 | 180 | -62 |
| Gloucestershire | 84 | 136 | -52 |
| Isle of Wight | 70 | 118 | -48 |
| Norfolk | 227 | 270 | -43 |
| Suffolk | 146 | 179 | -33 |
| Dorset, Bournemouth, Christchurch and Poole | 122 | 153 | -31 |
| Lincolnshire | 160 | 190 | -30 |
| Cheshire East | 23 | 46 | -23 |
| Nottinghamshire | 45 | 63 | -18 |

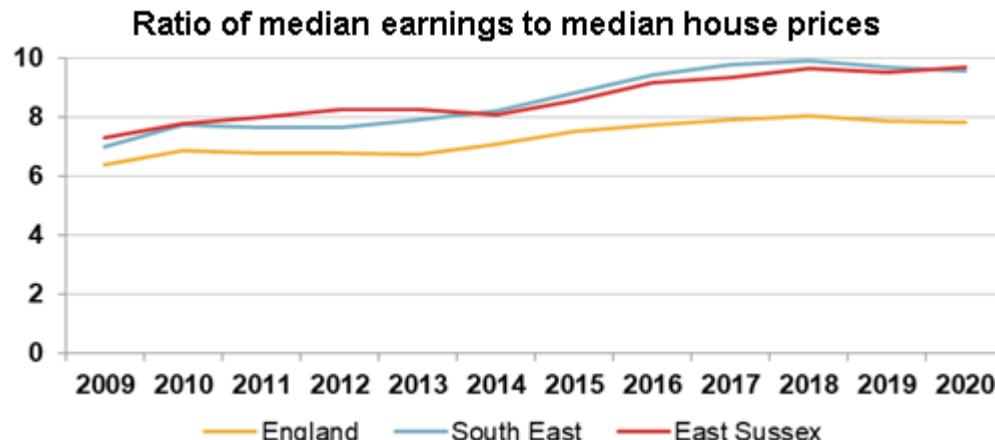


Sources: ONS 'Internal migration: detailed estimates by origin and destination local authorities, age and sex', and ENRICH and the National Institute for Health Research (NIHR)

Housing affordability in 2020

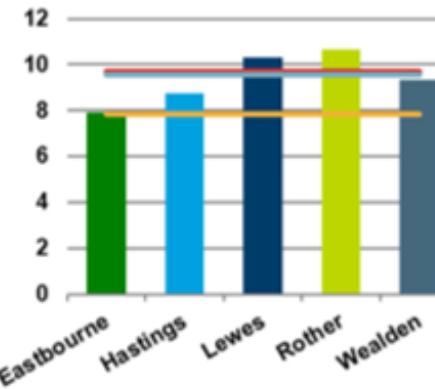
- In East Sussex the median average house price was £285,000, 9.5 times the average annual earnings of residents, which were £30,116
- In England the median average house price was £245,000, 7.7 times average annual earnings, which were £31,766.

The average ratio of median earnings to median house prices in East Sussex was similar to the South East average.



However, the median average house prices in Lewes and Rother were over 10 times average annual earnings of residents, in Eastbourne median average house prices were just under eight times the average annual earnings of residents.

Ratio: median earnings to median house prices 2020

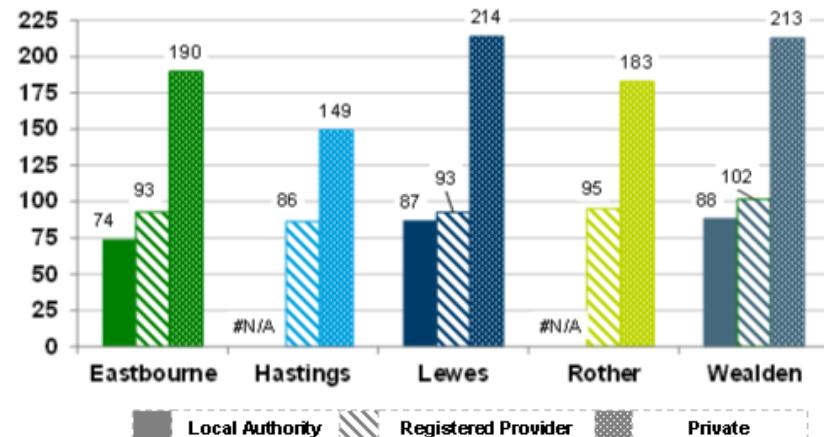


Ratio: lower quartile earnings to lower quartile house prices 2020



The cost of renting varies across the county. The average private rent per week in Lewes was £214 in 2019/20, compared to £149 in Hastings.

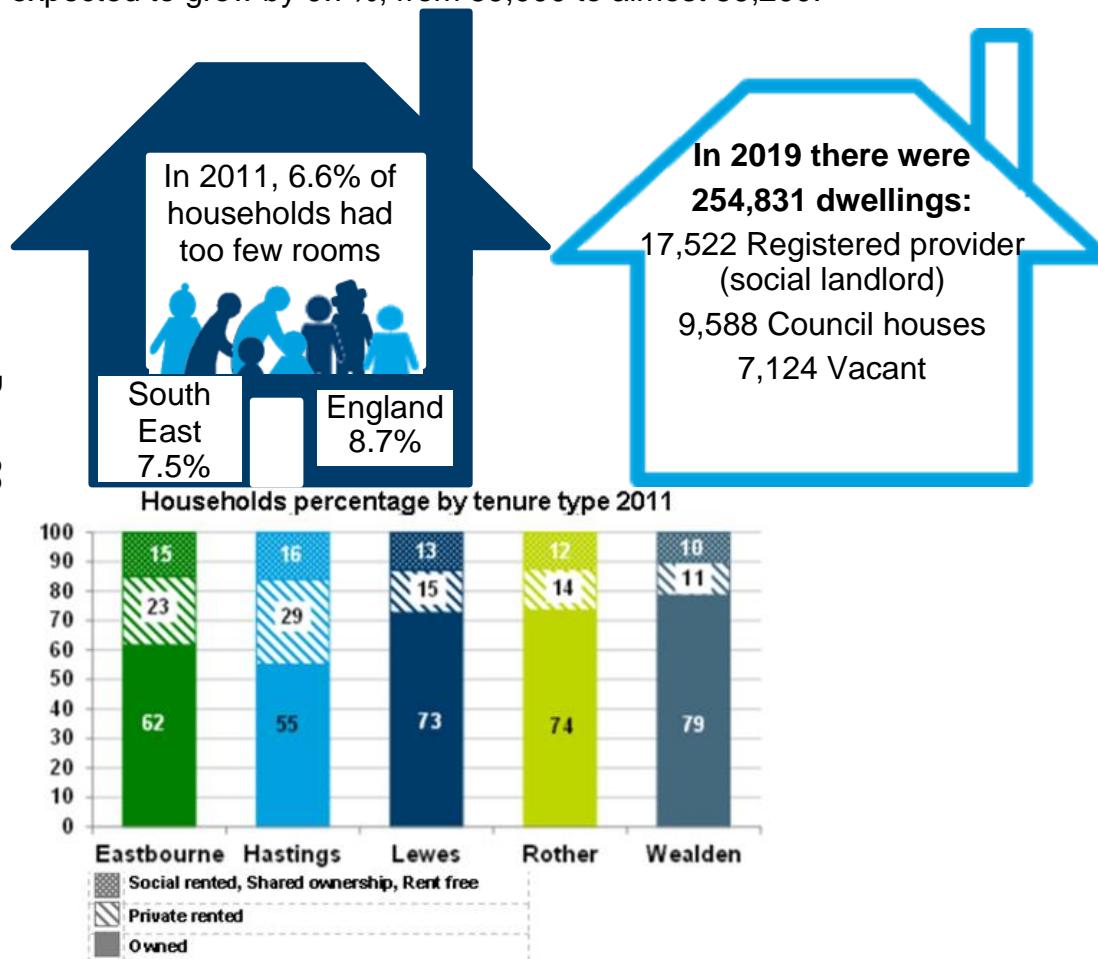
Housing affordability - renting
Average rent £ per week 2019/20



Note: Hastings and Rother do not have any LA housing stock. Source: ONS Private rental market summary statistics; MHCLG Live tables on rents, lettings and tenancies.

Households

The number of households in East Sussex is expected to grow from around 250,600 in 2021 to 261,400 in 2025, an increase of 4.3% (ESCC household projections by type, dwelling led). The number of households with children is expected to grow by 0.7%, from 59,000 to almost 59,200.



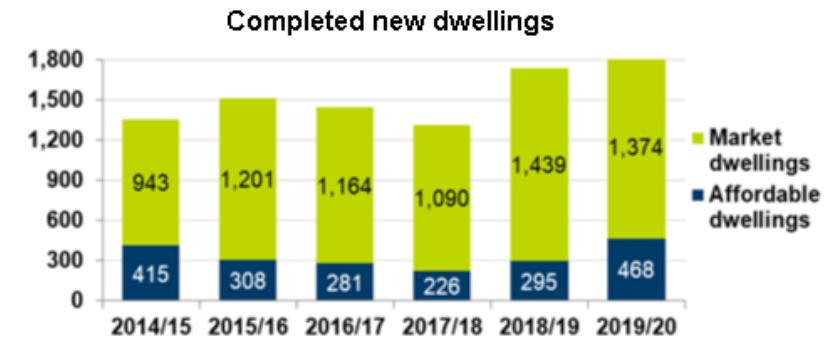
Households in temporary accommodation

There was an increase in the number of households in temporary accommodation across the county between 2017/18 and 2019/20.

| | 2017/18 | 2018/19 | 2019/20 |
|--------------------------|------------|------------|------------|
| Eastbourne | 114 | 201 | 171 |
| Hastings | 92 | 145 | 203 |
| Lewes | 80 | 96 | 87 |
| Rother | 69 | 56 | 53 |
| Wealden | 40 | 18 | 30 |
| East Sussex total | 395 | 516 | 544 |

New dwellings

In 2019/20 there were 1,842 dwellings completed in East Sussex, an increase on previous years.



Source: ESCC Housing Monitoring Database, Lewes District Council housing monitoring system

Sources: Census 2011, MHCLG live tables on dwelling stock including vacants.

Note: Affordable housing includes housing for social rent, shared ownership, low cost home ownership and sub-market rent.

Local Plans produced by district and borough councils and the South Downs National Park Authority show the level and distribution of planned growth across the county. Currently around 2,000 new homes are proposed per year alongside additional employment workspace. Local Plans are being reviewed and may have to consider higher housing targets to meet the assessed need.

| Local Plans (adoption date) | Number of dwellings over plan period |
|--|--------------------------------------|
| Eastbourne: Core Strategy Local Plan (February 2013) | 5,022 (2006-2027) - 239 per year |
| Hastings: The Hastings Planning Strategy (February 2014) | 3,400 (2011-2028) - 200 per year |
| Lewes: Joint Core Strategy (June 2016) | 6,900 (2010-2030) - 345 per year |
| Rother: Core Strategy (September 2014) | 5,700 (2011-2028) - 335 per year |
| Wealden: Core Strategy (February 2013) | 9,440 (2006-2027) - 450 per year |

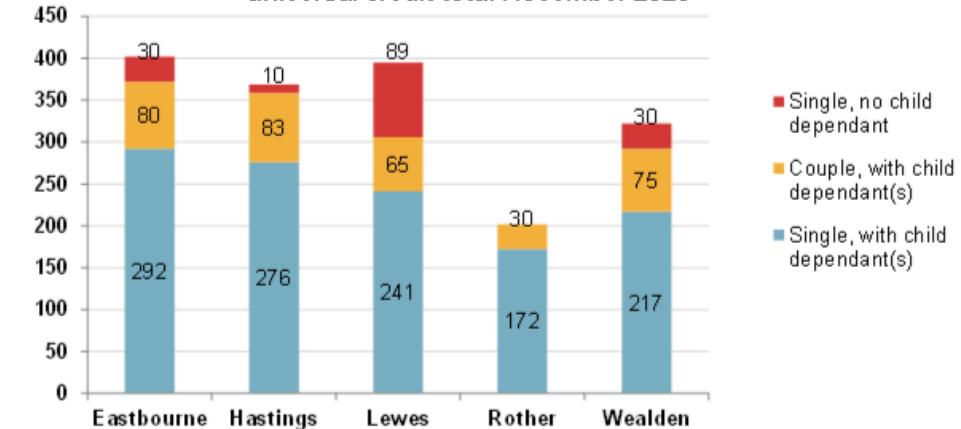
The Benefit Cap

The Benefit Cap is a limit on the total amount of benefit most people aged 16-64 can get, it is applied through Housing Benefit or Universal Credit. When it was introduced the cap was £26,000 per annum for couples and parents with children and £18,200 for single people without dependent children. It reduced to £20,000 and £13,400 in November 2016 and remained at that for 2020.

The number of households in East Sussex affected by the Benefit Cap increased from 647 in February 2020 to 1,640 in November 2020.

| | Households affected by the Benefit Cap | | | | | | | |
|--------------------|--|--------|--------|--------|--------|--------|--------|--|
| | Feb-15 | Feb-16 | Feb-17 | Feb-18 | Feb-19 | Feb-20 | Nov-20 | |
| Eastbourne | 28 | 17 | 100 | 114 | 125 | 164 | 391 | |
| Hastings | 51 | 52 | 177 | 167 | 162 | 171 | 372 | |
| Lewes | 37 | 22 | 108 | Sup | 125 | 110* | 350 | |
| Rother | 12 | 9 | 70 | 72 | 88 | 87 | 204 | |
| Wealden | 21 | 22 | 102 | 81 | 105 | 115 | 323 | |
| East Sussex | 149 | 122 | 557 | 434 | 605 | 647 | 1,640 | |

Households subject to the benefit cap, housing benefit and universal credit total November 2020



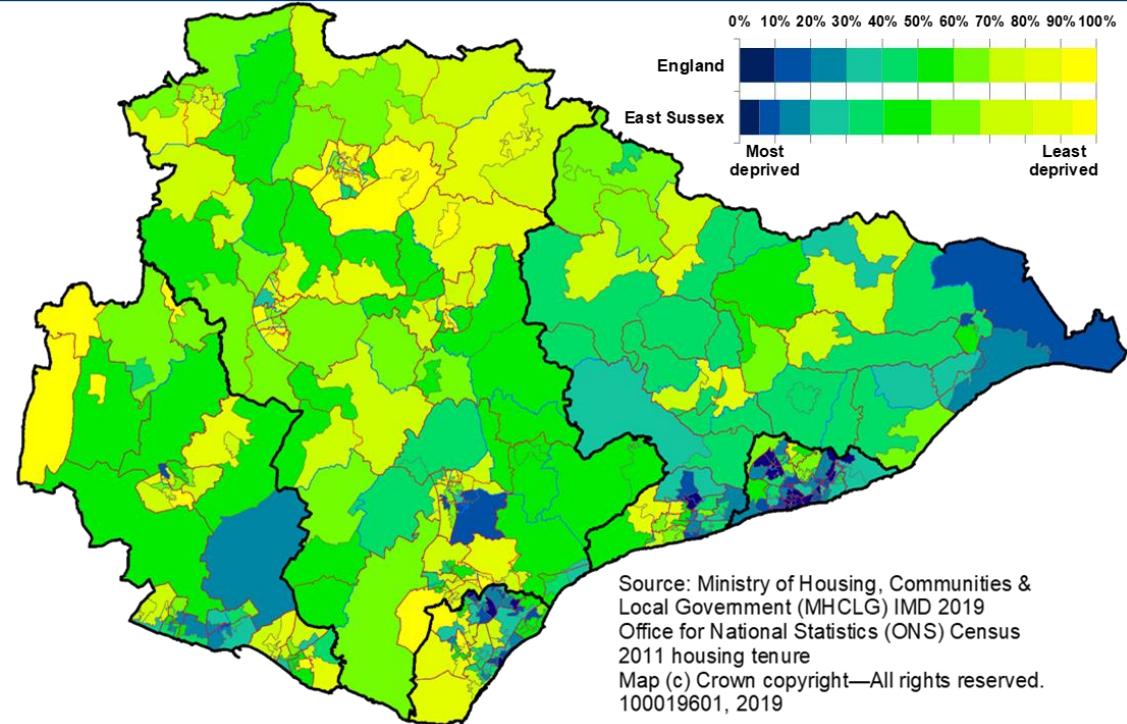
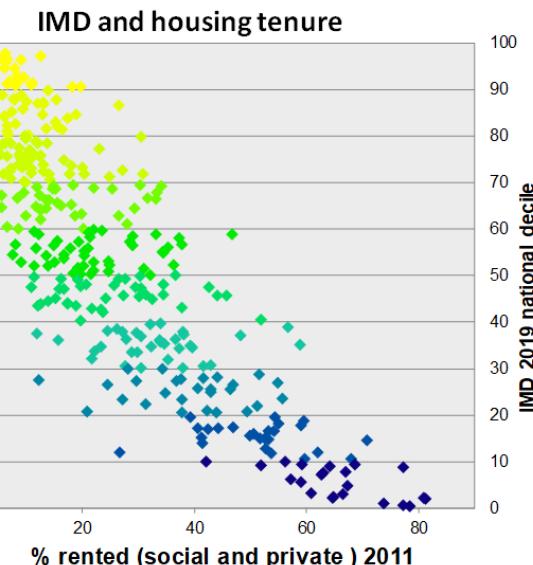
Where a family is considered to be intentionally homeless by a local housing authority (district or borough council) Children's Social Care must ensure that a child is not destitute. This may require provision of temporary housing. These families cannot claim Housing Benefit or Universal Credit to help with their housing costs, so the full cost is met by the County Council. East Sussex Children's Services spent £0.3m on such families in 2020/21.

Index of Multiple Deprivation (IMD) 2019 and housing

IMD measures relative deprivation for people living in small areas in England called Lower-layer Super Output Areas (LSOA). There are 32,844 LSOA averaging 1,500 residents ranked 1 (most deprived) to 32,844 (least deprived). IMD are weighted toward income/employment deprivation.

Deprivation is by decile i.e. dividing the 32,844 areas into 10 equal groups from most deprived 10% to least deprived 10%. As a relative measure there will always be this even range across England.

In East Sussex there are 329 LSOAs, 22 are in the most deprived 10% nationally, 16 of these are in Hastings, 4 Eastbourne, and 2 Rother. 21 LSOA are in the least deprived 10%, 13 are in Wealden, 6 Lewes, and 2 Eastbourne. People that are more deprived may produce higher demand for Council and other public services. Deprived LSOAs are characterised by poorer health and disability, lower skills, educational disadvantage, higher crime and drug misuse.



Source: Ministry of Housing, Communities & Local Government (MHCLG) IMD 2019
Office for National Statistics (ONS) Census 2011 housing tenure
Map (c) Crown copyright—All rights reserved.
100019601, 2019

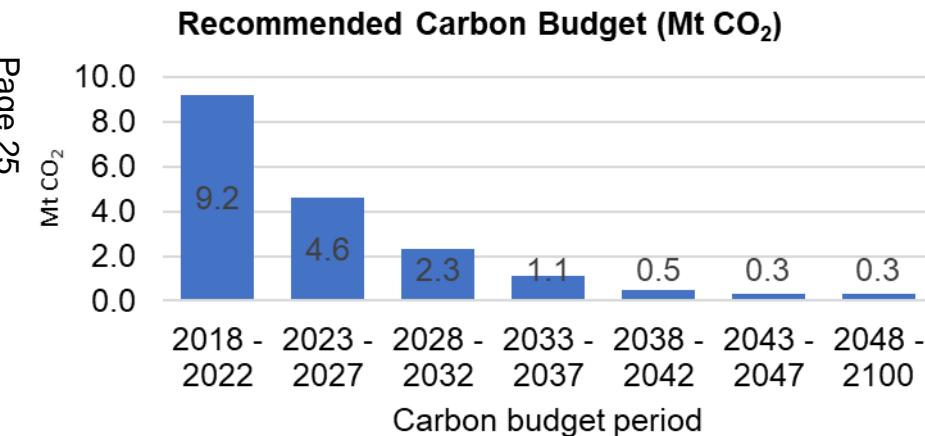
Areas of high deprivation correlate with rented housing that is meeting a need for low cost housing. This includes concentrations of social rented tenures (up to 70%) and private rented tenures (up to 68%), and both (up to 81%). Measures of deprivation include the indoor living environment, and in these areas, more properties (excluding social housing) may be in poor condition or without central heating, leading to higher heating costs and other negative outcomes.

The relationship with housing tenure type means that the areas of high deprivation may not change IMD decile quickly unless there are significant housing developments or a process of gentrification. Where household income increases people are likely to move to other areas and be replaced by people with greater need for low cost housing. In the least deprived LSOA home ownership is highest, up to 95.2%. However, deprived people may be found in all areas, and not all people in a deprived area will be deprived, as suggested by the more even mix of tenure types across middle level deprivation areas.

The Cumulative CO₂e emissions budget

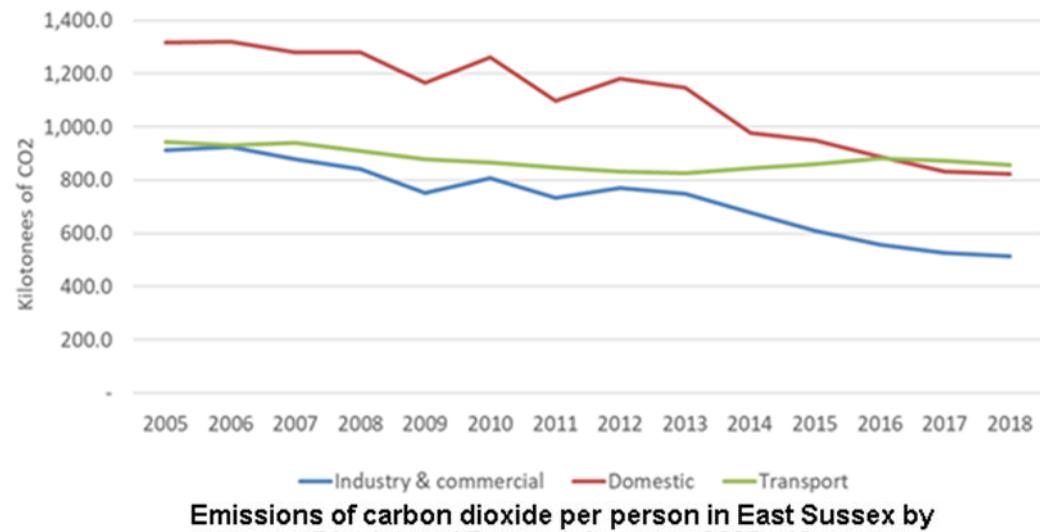
Carbon dioxide (CO₂) emissions in East Sussex fell by about 35% between 2005 and 2018, while the population grew by about 8%. This excludes emissions that occur outside the area due to demand for goods and services that are consumed in the county. This reduction is similar to the national reduction, and driven by the same changes, e.g. the switch from coal to gas and renewables to generate electricity

For East Sussex to contribute to keeping the increase in global average temperature below 1.5°C above pre-industrial levels requires cutting emissions across East Sussex by an average of about 13% per year, which roughly equates to cutting total emissions in half every 5 years.

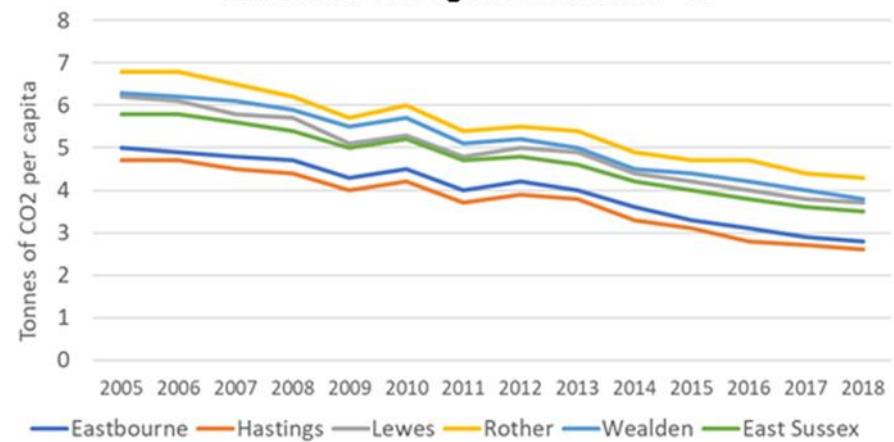


Source: Tyndall Centre for Climate Change, 2020.

CO₂e Emissions by sector 2005 - 2018 in East Sussex

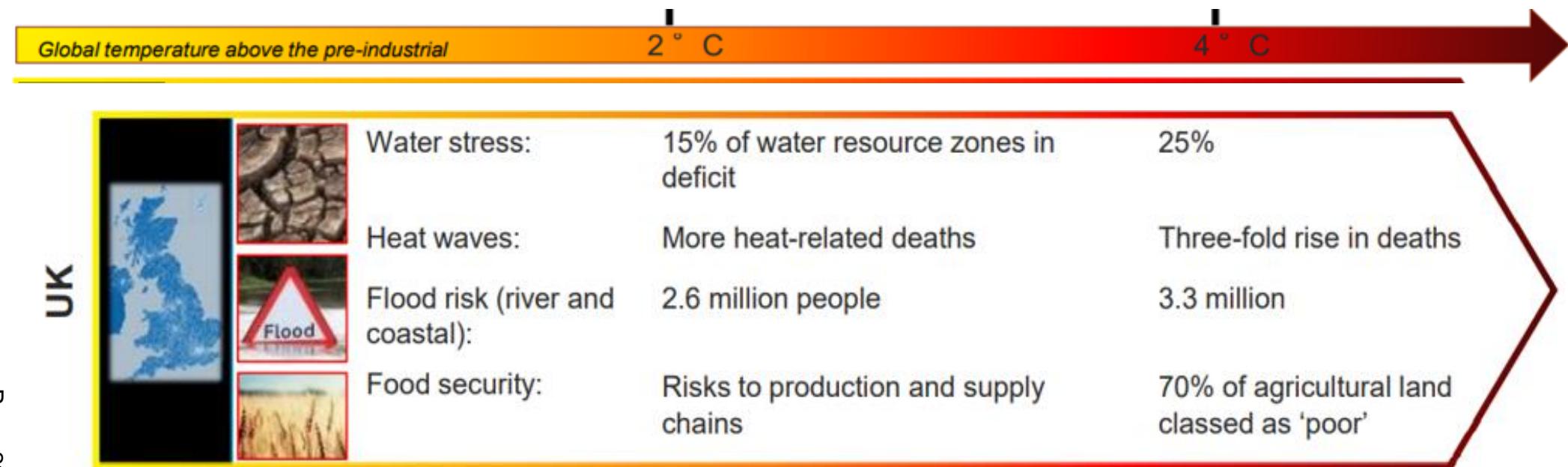


Emissions of carbon dioxide per person in East Sussex by District and Borough between 2005 - 18



East Sussex had the lowest emissions of carbon dioxide per person of any County Council area in England in 2018 (BEIS, 2020)

Climate adaptation



National risks from different levels of climate change (source: Met Office, 2020)

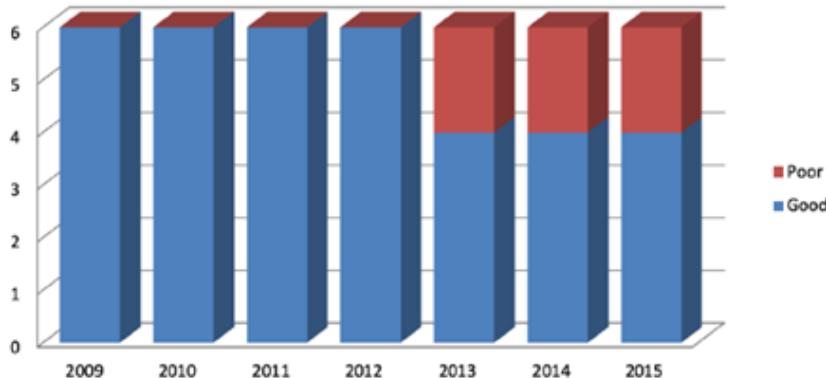
Even if global warming can be limited to 1.5°C, significant additional investment will be needed in measures to adapt to the effects of climate change that are already locked in due to past emissions of greenhouse gases.

UK Met Office predictions of the effects of climate change in East Sussex include hotter and drier summers, milder and wetter winters, more droughts, more flooding and more intense and frequent storms. This is predicted to lead to an increase in heat-related deaths, particularly amongst the elderly, damage to essential infrastructure, increased cost of food, disruption to supply chains and service provision, greater coastal erosion and impact on coastal habitats.

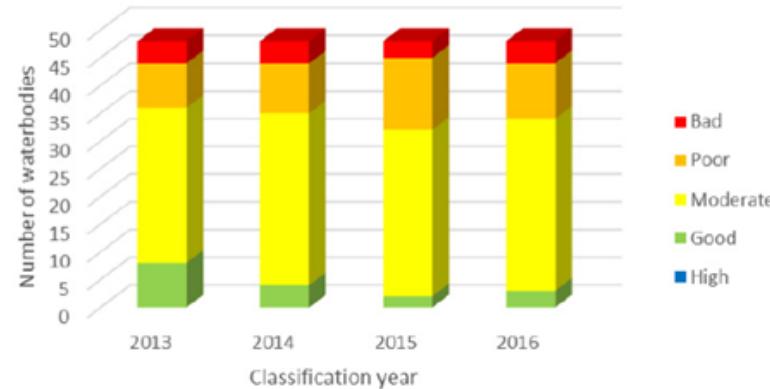
Water quality

Water pollution is mostly caused by land management practices (e.g. agricultural run-off), wastewater treatment plants, and urban and highway run-off. The quality of waterbodies has deteriorated in recent years. The quality of some ground waters, which provide about 70% of drinking water, have deteriorated due to rising nitrate levels, mostly due to historic farming practices. The quality of bathing waters has generally improved.

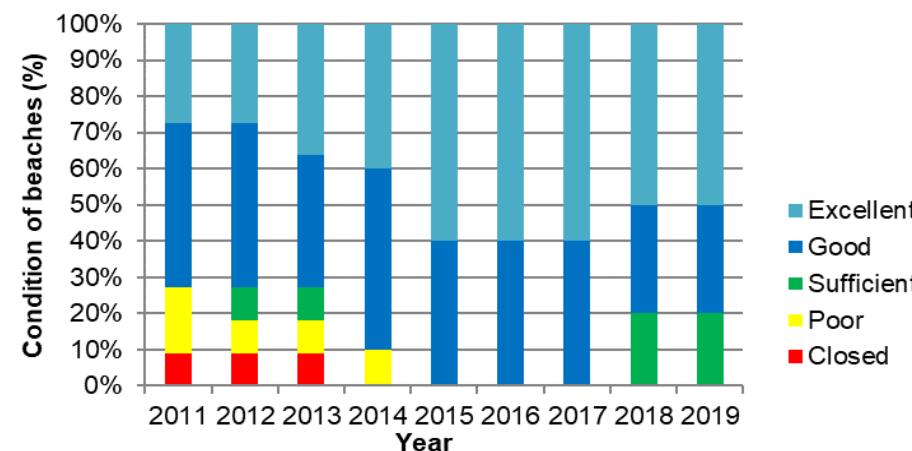
Overall ecological status of Groundwater bodies in East Sussex



Overall status of surface water bodies in East Sussex



Condition of the 10 monitored beaches in East Sussex



Designated sites and reserves

East Sussex has a rich natural environment, with over two thirds of the county being covered by one or more environmental designations. The table shows how much of the county is covered by which type of designation.

| Designated sites and reserves | | % of East Sussex |
|-------------------------------|--|------------------|
| International | Ramsar | 3.2 |
| | Special Area of Conservation (SAC) | 3.6 |
| | Special Protection Area (SPA) | 2.7 |
| National | Area of Outstanding Natural Beauty (AONB) | 43.5 |
| | National Nature Reserve (NNR) | 0.2 |
| | National Park | 12.0 |
| | Site of Special Scientific Interest (SSSI) | 7.6 |
| Local | Country Park | 0.3 |
| | Local Geological Site (LGS) | 0.4 |
| | Local Nature Reserve (LNR) | 0.7 |
| | Local Wildlife Site (LWS) | 4.7 |
| | Notable Road Verge | 0.0 |
| Reserve/ Property | Environmental Stewardship Agreement | 15.6 |
| | National Trust | 0.9 |
| | RSPB Reserve | 0.1 |
| | Sussex Wildlife Trust Reserve | 0.6 |
| | Woodland Trust | 0.2 |

Habitats

The key habitats in East Sussex are grassland, arable farmland and woodland.

| Habitat | % of East Sussex |
|----------------------------|------------------|
| Water bodies | 1.5 |
| Arable | 22.7 |
| Grassland | 40.0 |
| Heathland | 0.9 |
| Intertidal | 0.7 |
| Coastal | 0.4 |
| Built up Areas and Gardens | 9.1 |
| Woodland | 19.9 |
| Other | 4.8 |

State of County Report – Ecology

Protected Areas

Over half of the county is designated for its landscape value, either as part of a National Park or an Area of Outstanding Natural Beauty. There are 65 Sites of Special Scientific Interest (SSSI), covering about 8% of the county, which recognises and protects their biological and or geological value. About half of these SSSIs are additionally designated as being internationally important for biodiversity, either as a Special Area of Conservation (SAC) under the Habitats Directive, a Special Protection Area (SPA) under the Birds Directive, or a Ramsar site (an internally important wetland site).

There are 26 Local Nature Reserves (LNRs), four National Nature Reserves (NNRs) – considered to be the “jewel in the crown” of SSSIs, and 285 Local Wildlife Sites (LWS).

About a third of the county supports priority habitats, which are identified as being of principal importance for conservation.

Condition

About three quarters of the SSSIs are in favourable or favourable recovering condition and the rest have either been partially destroyed or are in unfavourable condition. About half of the LWS are currently known to be in positive conservation management.

Assets at Risk

Sussex Nature Partnership Natural Capital Investment Strategy 2019 identifies the following priority habitats as being at high risk, because they:

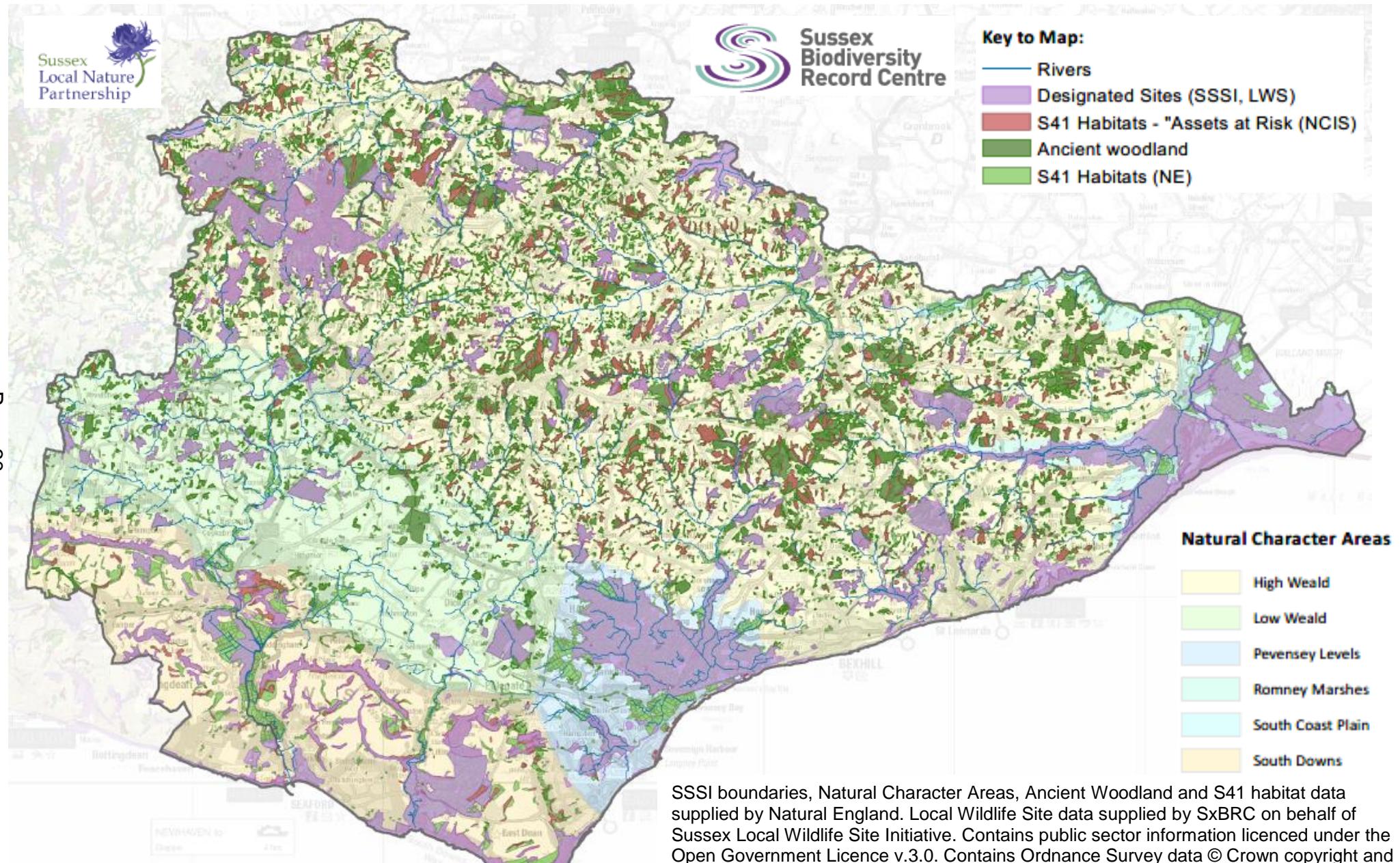
- a) Are not adequately protected under existing mechanisms
- b) Are fragile or vulnerable and/or already highly fragmented
- c) May be of particular significance in a Sussex context

- d) Are irreplaceable or not easily recreated (either on-site or elsewhere) if destroyed.

- Lowland heath – particularly significant in East Sussex, notably at Ashdown Forest, due to small amounts present in the south of England, the fragmentation of the habitat type (especially outside Ashdown Forest) and provides a range of benefits, notably clean water).
- Mudflats and saltmarsh – these habitats provide a range of benefits yet are under increasing pressure from climate change, development and construction of hard sea defences. The national picture is one of medium risk, but the East Sussex context (with high levels of coastal squeeze) increases the risk to these habitats and the benefits they provide. There are small amounts at Newhaven Tide Mills, Cuckmere Estuary and Rye Harbour.
- Vegetated shingle – a globally restricted and internationally important habitat, for which East Sussex is a stronghold in the UK, mostly at Rye Harbour.
- Reedbed, fen and grazing marsh – small and highly fragmented areas remain in East Sussex, notably at Pevensey, yet they have the potential to provide a wide range of benefits, particularly flood risk mitigation in flood plains and provision of clean water.
- Floodplain woodlands – a fragmentated habitat type which plays a very important role in floodplain function.
- Species rich grassland – highly fragmented and those areas outside formal designated areas have little/no protection from further loss. These areas are a priority for loss to development.

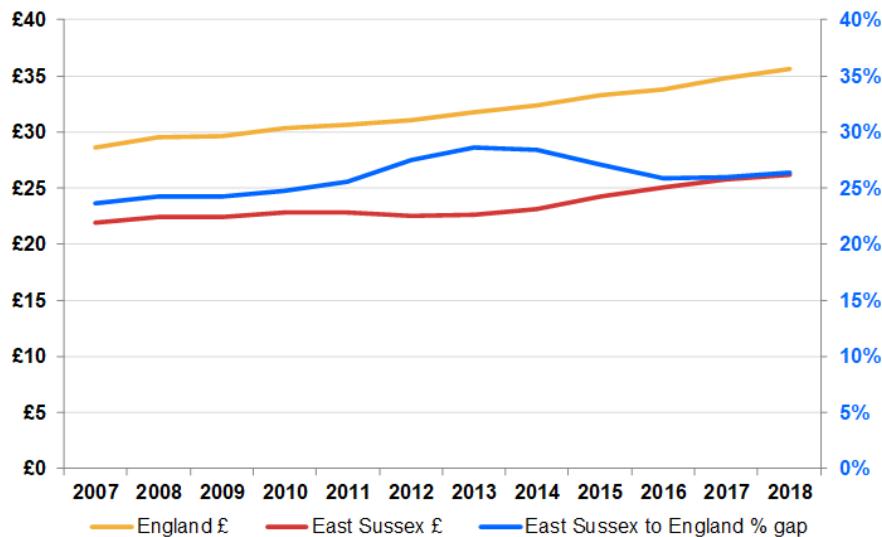
Nature Recovery Network Mapping

The map below shows the fragmented state of the most important species rich S41 Habitats that are to be conserved under section 41 of the NERC Act.



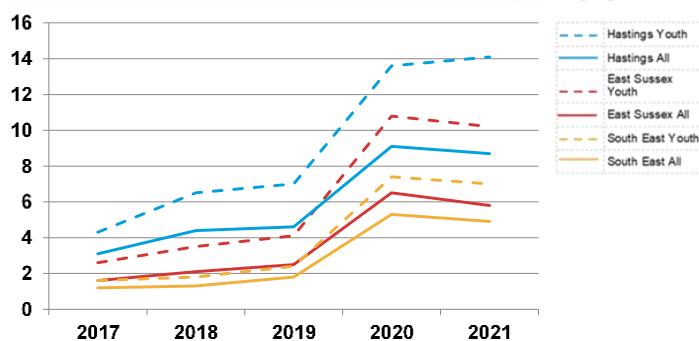
GVA per hour

Gross Value Added (GVA) per hour measures the value of goods or services produced in an area per hour worked in that area. Note that revised GVA data was released in December 2019 which substantially changes the GVA attributed to East Sussex.



Source: ONS Subregional productivity: labour productivity indices by UK NUTS2 and NUTS3 subregions

Unemployment rate: percentage of adult and youth population

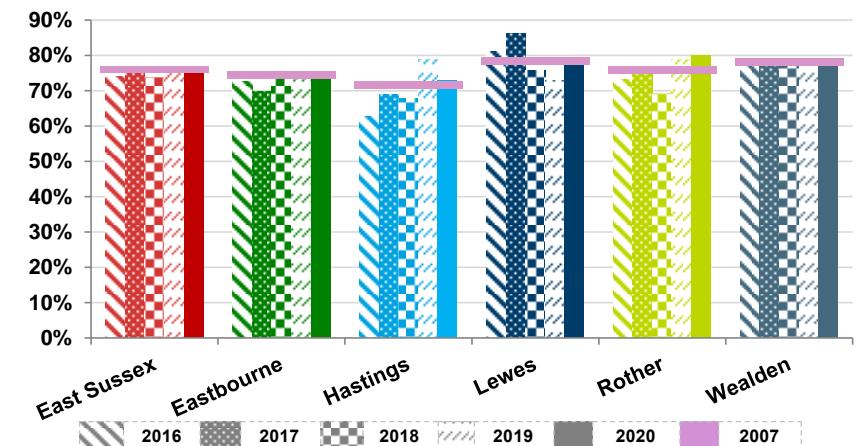


Sources: NOMIS Claimant Count by Age

Employment

- 76.3% of working age population (age 16-64) in employment 2020 (down from 77.0% in 2019), England 75.7%, South East 78.3%
- County employment is now above the pre-recession level of 76.0% in 2007
- Employment in Lewes rose by 5.6% in 2020 to 77.1%, however they are below their peak in 2017
- Employment levels in Hastings decreased by 7.7% in 2020 to 72.9%, however they still remain above the pre-recession level
- Employment in Eastbourne fluctuated after the recession; but has been relatively stable since 2017 at rates similar to before the recession

Percentage of working age population in employment



Sources: ONS

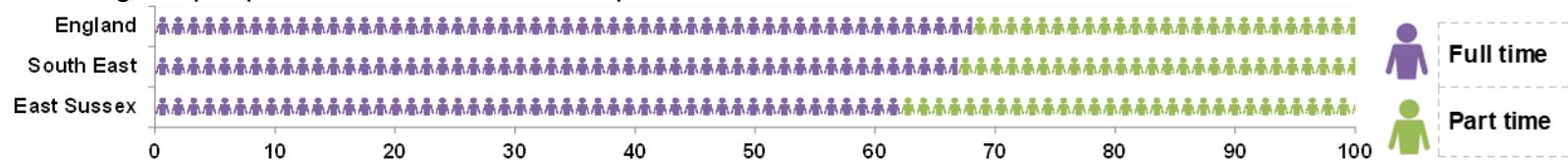
Annual Population Survey

Unemployment

- Claimant Count includes people on Universal Credit and JSA. At May 2021, East Sussex 5.8%, South East 4.9%
- Youth (18-24) unemployment is higher, 10.2%, with Hastings having the highest rate in the county, 14.1%
- Rates for both the whole of the working age population and younger people increased significantly in 2020 during the COVID-19 pandemic but in most instances have decreased slightly in 2021

Earnings

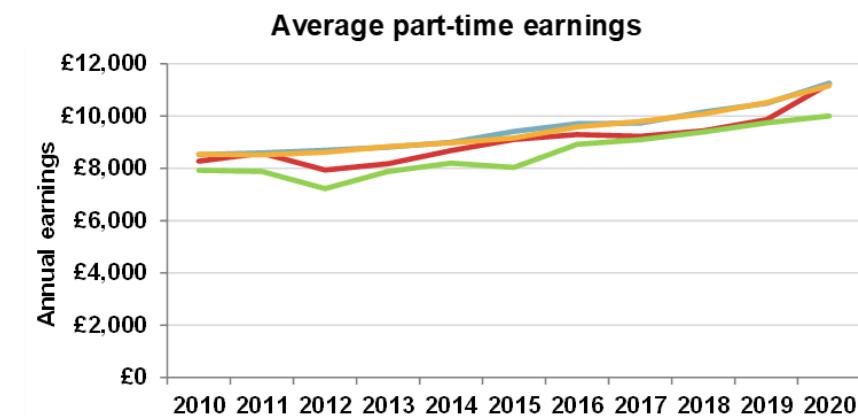
Percentage of people who work full time and part-time



| Average (median) full time earnings | | | | | | |
|-------------------------------------|-----------------|---------|------------------|-----------------|---------|------------------|
| | Workplace-based | | | Residence-based | | |
| | 2010 | 2020 | % Change 2010/20 | 2010 | 2020 | % Change 2010/20 |
| Eastbourne | £25,120 | £30,013 | 19.5% | £25,598 | £31,555 | 23.3% |
| Hastings | £21,700 | £24,031 | 10.7% | £21,711 | £26,336 | 21.3% |
| Lewes | £23,931 | £29,355 | 22.7% | £27,898 | £31,031 | 11.2% |
| Rother | £21,371 | £23,567 | 10.3% | £26,024 | £29,084 | 11.8% |
| Wealden | £23,341 | £26,999 | 15.7% | £30,792 | £34,747 | 12.8% |

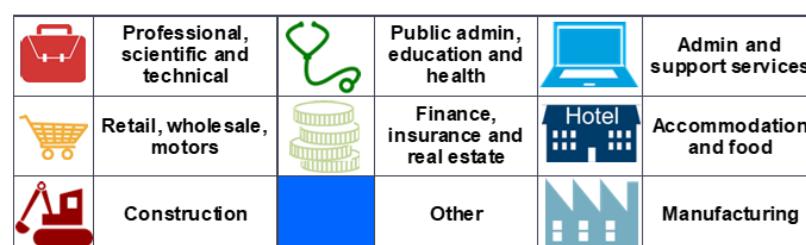
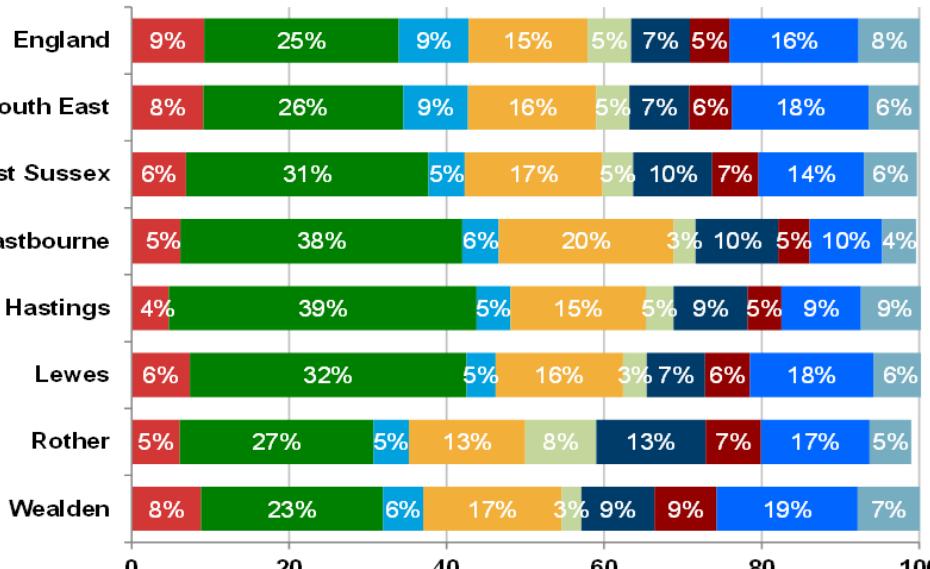


| Average (median) part time earnings | | | | | | |
|-------------------------------------|-----------------|---------|------------------|-----------------|---------|------------------|
| | Workplace-based | | | Residence-based | | |
| | 2010 | 2020 | % Change 2010/20 | 2010 | 2020 | % Change 2010/20 |
| Eastbourne | £8,735 | £11,628 | 33.1% | £7,867 | £9,665 | 22.9% |
| Hastings | £8,010 | £9,177 | 14.6% | £7,404 | £9,334 | 26.1% |
| Lewes | £9,281 | £9,993 | 7.7% | £9,570 | £12,224 | 27.7% |
| Rother | £6,372 | £9,997 | 56.9% | £7,678 | £9,281 | 20.9% |
| Wealden | £7,513 | £11,265 | 49.9% | £8,212 | £11,002 | 34.0% |



Data for annual earnings are not available for some areas. For these areas annualised weekly earnings are used and are recorded in bold italics. Annualised weekly earnings are not produced on an identical basis to annual earnings and are therefore not directly comparable.

Employment by industry



Other includes: Arts, entertainment and recreation; Other service activities; Agriculture, fishing, mining and utilities; Transportation and storage; Information and communication.

Source: Business Register and Employment Survey (BRES) 2019

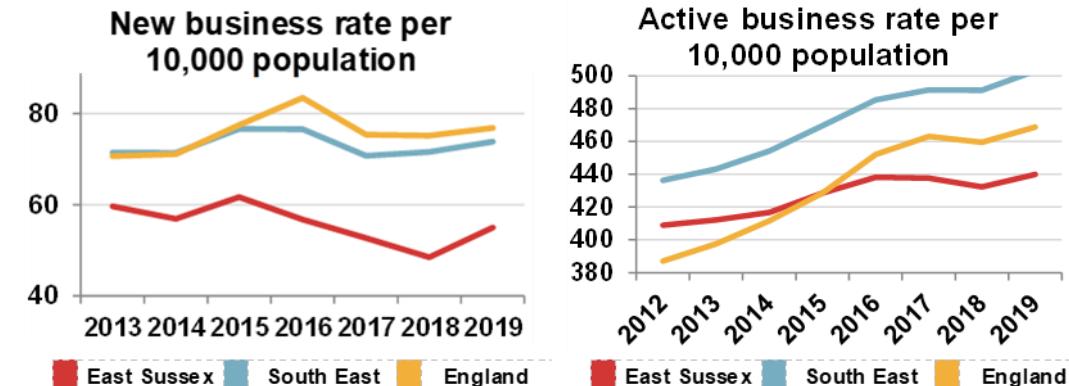
eSussex Broadband

The eSussex project, led by the Council, is delivering internet connectivity for homes and businesses in the county by investing in fibre infrastructure. Three contracts, worth over £32m in total, have been connecting premises which are not considered commercially viable by private providers. The third contract began delivering at pace in March 2020 has connected almost 6,000 premises in 2020/21.

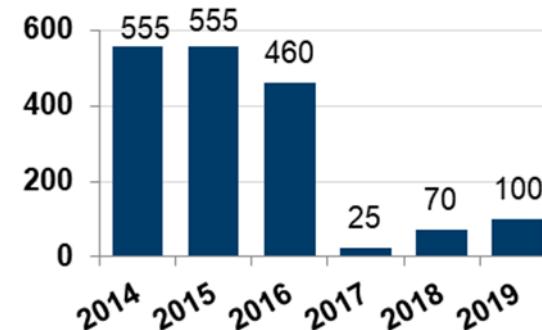
Superfast coverage, in spring 2021 is 98% (Source: ESCC Broadband team)

Businesses

In 2019 there were 2,545 business starts and 2,445 business closures. The East Sussex new business registration rate per 10,000 people increased by 13.4% between 2018 and 2019 to 55. The highest rate was in Wealden 60.8, whilst the lowest was in Rother 47.8 (Source ESCC Business demography, districts, ESCC New business registration rate, districts).



East Sussex Business births - deaths



Source: ONS Business Demography data.
Nomis mid-year estimate population data

Meeting business needs

Innovative firms employ a higher share of Science, Technology, Engineering, Art and Maths (STEAM) graduates. There are six Skills East Sussex (SES) business-led sector task groups for:

- Engineering
- Land-based
- Construction
- Creative and digital industries
- Visitor economy
- Health and social care.

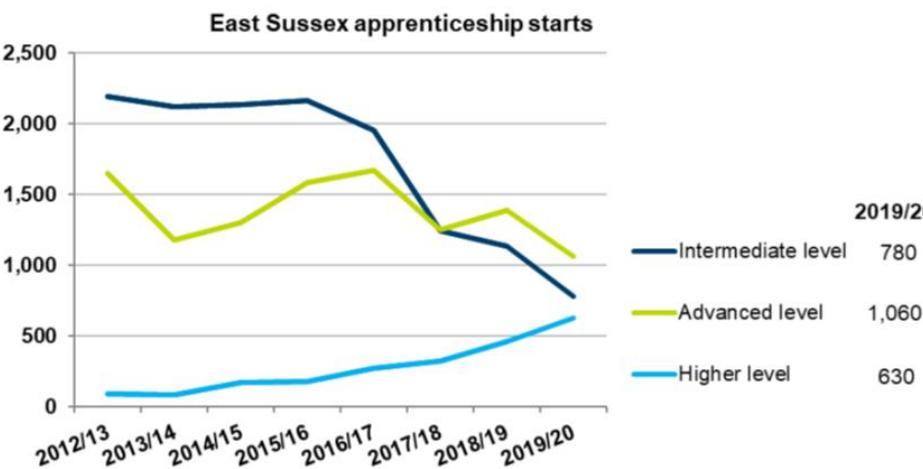
The Careers Hub has continued to develop its online resources in 2020, with the website receiving over 1,700 views of the seven Open Doors workplace virtual tours during the year (Source: ESCC Economic Development).

10,000 young people, parents and carers tuned in to watch a Virtual Careers Hub event 'What's Next in Sussex' in late 2020 (Source: ESCC Economic Development).

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Apprenticeships

There have been **16,600** apprenticeship starts in East Sussex since 2015 (Source: Department for Education).



Apprenticeship starts in East Sussex in 2019/20 were **down 17%**.

Higher level apprenticeship starts in 2019/20 **rose by 37%**.

(Source: Department for Education further education data library, apprenticeships)

Apprenticeship Levy East Sussex County Council December 2020:

1.1% of staff apprentices, against the 2.3% target

Placing us **6th** highest nationally amongst county councils

Qualifications of working age population 2019

Qualification levels are broadly in line with England and South East averages. Lewes and Wealden have a significantly higher proportion of better qualified people compared with other districts in the county.

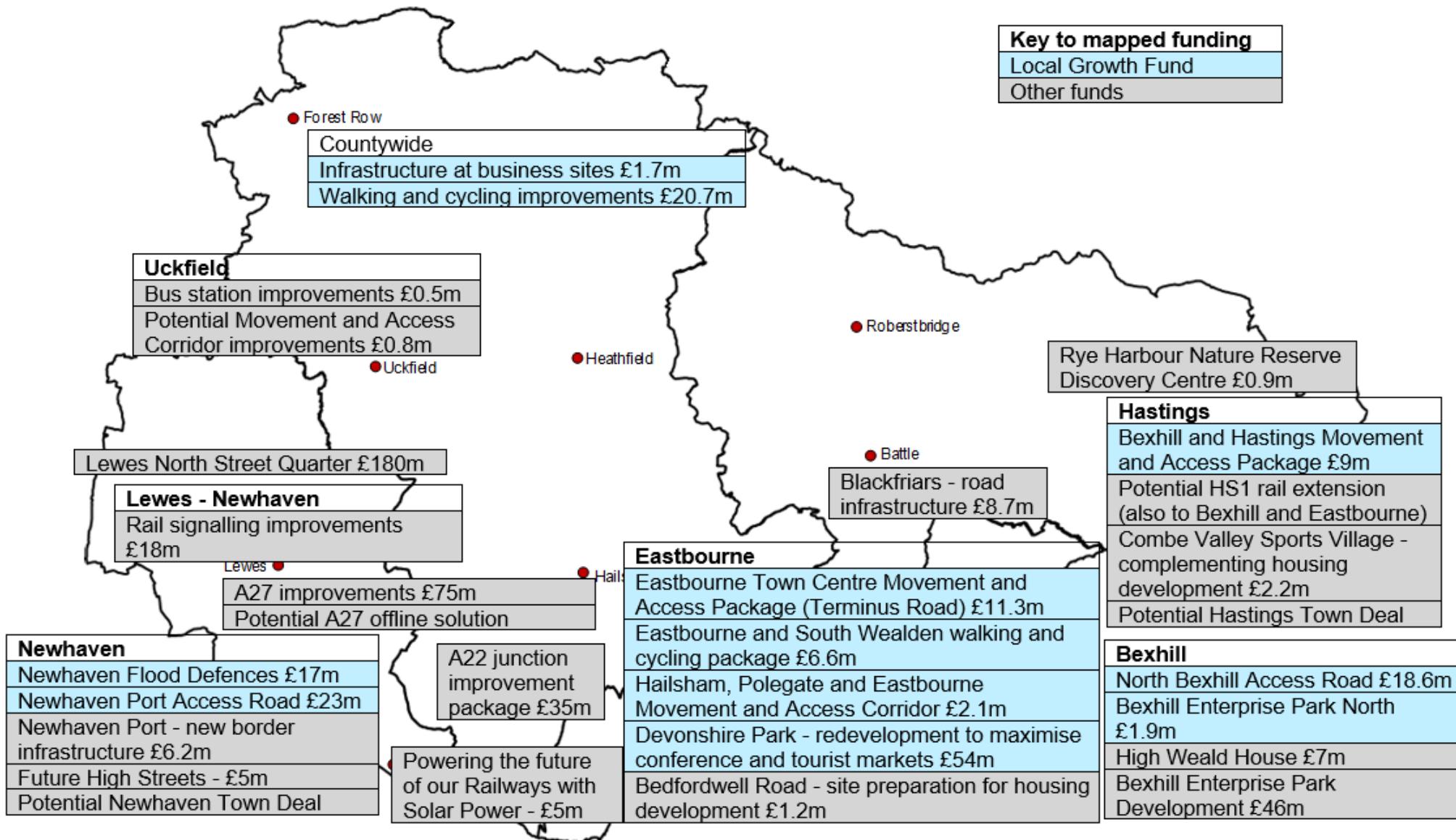
Qualifications of working age population 2020

| | None | Level 1 | Level 2 | Level 3 | Level 4+ | Other |
|--------------------|-------|---------|---------|---------|----------|-------|
| England | 6.2% | 10.0% | 16.9% | 18.5% | 42.8% | 5.7% |
| South East | 4.9% | 9.7% | 17.1% | 18.6% | 44.9% | 4.8% |
| East Sussex | 6.2% | 12.1% | 20.4% | 19.8% | 36.8% | 4.7% |
| Eastbourne | 9.2% | 11.9% | 21.4% | 16.0% | 32.5% | 8.9% |
| Hastings | 11.2% | 14.0% | 20.6% | 19.1% | 29.1% | 6.0% |
| Lewes | 8.5%* | 9.4% | 23.7% | 21.8% | 40.0% | 2.9% |
| Rother | 9.3% | 17.7% | 22.4% | 11.5% | 34.8% | 4.2% |
| Wealden | 1.9% | 9.5% | 16.4% | 26.3% | 43.2% | 2.6% |

Note: Survey data, confidence intervals apply e.g. up to +/- 3.8% for East Sussex, with potentially much larger confidence intervals for District and Borough areas. Therefore, care should be taken when reading these results. None: No academic or professional qualifications

Source: ONS Nomis Annual Population Survey: Qualifications of working age population, 2020 *2020 data for Lewes unavailable, so 2019 figure used.

Infrastructure: This map focuses on projects which will improve the infrastructure in East Sussex.

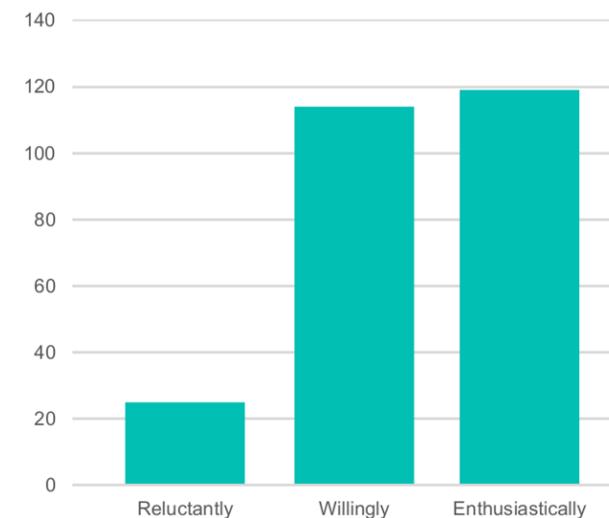
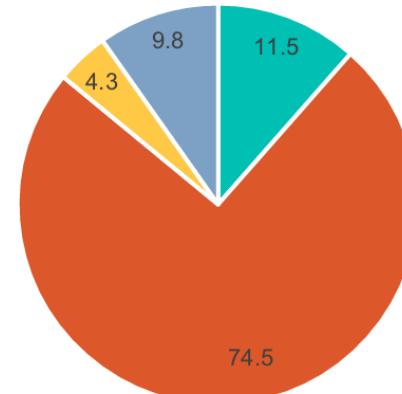


Working well from home in East Sussex

A collaborative project including Team East Sussex and the University of Sussex and representatives from: Locate East Sussex, East Sussex County Council, Local Business Consultants. A survey was conducted in March to June 2021 of employees, employers, and self-employed people in East Sussex to understand the local situation and needs of home-workers. There were 263 respondents with useable data across East Sussex (90%) and Brighton & Hove (10%).

Do you think your organisation will encourage working from home in the longer-term (e.g. after current government restrictions are eased)?

- Yes, I think my organisation are likely to encourage conducting all work from home for the foreseeable future
- Yes, I think my organisation are likely to encourage at least some amount of home-working for the foreseeable future
- Not sure
- No, I think my organisation is likely to discourage working from home in the future



Are you currently working from home Reluctantly/ Willingly/ Enthusiastically?

Next steps

1. Separate focus groups for employers, employees, self-employed in July.
2. With information from focus-groups and in partnership with local business consultants, we will develop a 'toolkit' to support ongoing WFH.

Source: University of Sussex

Voluntary, Community and Social Enterprise sector work and responding to COVID-19

The Voluntary, Community and Social Enterprise (VCSE) sector across the county continued to respond to the needs of people, families and communities in 2020, adapting their services and support in line with government guidance. Collaboration and partnership working between organisations and sectors become a key feature in meeting the growing needs of people and communities.

Partners from both the VCSE and public sectors established several grant funding programmes aimed at helping VCSE organisations access funds to meet growing needs. During the year close to £2m was allocated to VCSE organisations across the county to enable them to adapt to the needs of people, families, and communities.

During the year we have seen the VCSE sector demonstrated great agility, the ability to work at pace, collaborate and work in partnership.

Some of the organisations the Council has funded or supported during the pandemic



Community Hubs

Community Hubs in each District and Borough brought together VCSE organisations and the public sector, providing services, signposting, establishing referral pathways, as well as delivering essential services and support. The Community Hubs have had contact with over 7,000 people in East Sussex (Source: ESCC VCSE Team).

Volunteering

Volunteering continued to be an essential part of the response to the pandemic, with both local and national recruitment programmes being established to assist people in giving their time to organisations based in their community or area. 196,000 adults, 46% of the population, volunteered at least once in the past year; with 115,000 volunteering at least once a month. These volunteers contribute an estimated 9.6m volunteer hours per annum, with a value of £110m (Source: 'The contribution and value of the VCSE sector in East Sussex' Institute for Voluntary Action Research 2021).

Foodbanks

Foodbanks played a key role in ensuring people experiencing hardships had access to food and other items, with VCSE organisations working alongside foodbanks to collect and restock supplies throughout the year. As the year progressed projects began focusing on helping people address food issues through online cooking classes, recipe cards and food parcels with all the ingredients to cook nourishing meals.
Page 38 Foodbanks in East Sussex have seen an increase of over 150% in the number of people receiving a food parcel, with 7,313 people receiving a parcel in May 2020 (4,383 adults and 2,930 children). Source: ESCC VCSE Team.

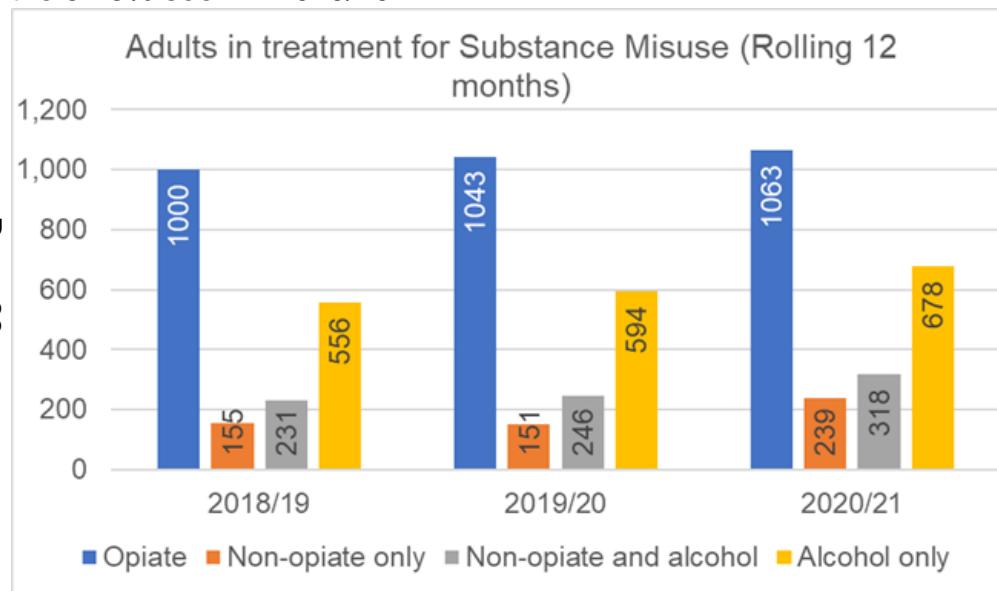
Financial, Benefit and Debt Advice

Services experienced substantial increases in people requiring financial support as government guidance impacted on jobs, finance, and the growing levels of debt.

Drug and alcohol-related harm

The number of people receiving substance misuse treatment in the 12 months to end-February 2021 increased by 11.8% to 2,253.

From this group, 28.9% were receiving treatment for alcohol dependence, similar to the proportion in 2019/20 and remaining slightly higher than the national average (27%). 47.2% of people were receiving support solely for opiate dependence, a decrease against the 51.5% seen in 2019/20.



When compared to national figures, people in East Sussex are less likely to re-present to services following successful completion of treatment with 4.2% of opiate users re-presenting (vs 4.9% national average), 24.2% of non-opiate users (vs. 32.5%) and 24.2% of alcohol users (vs. 35.3%).

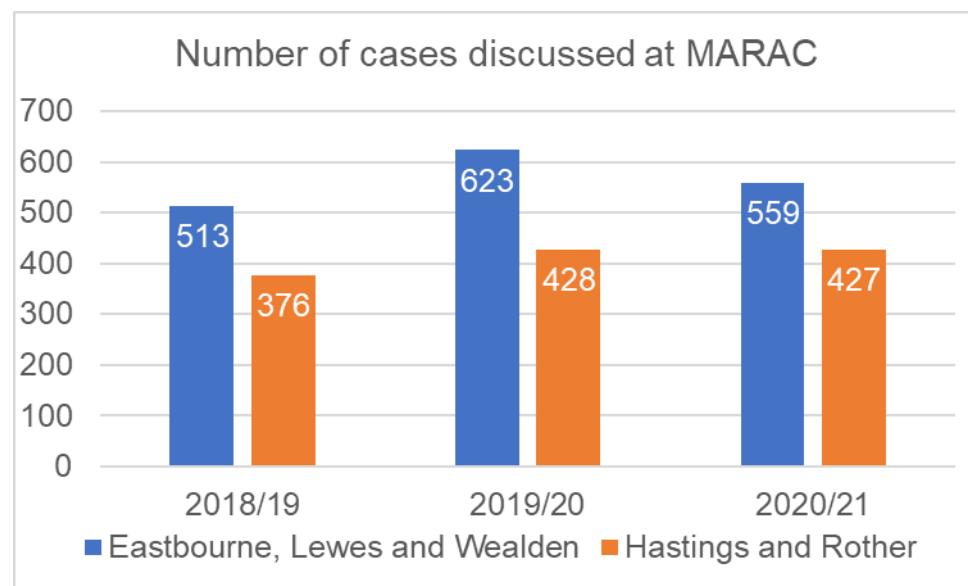
There was a small increase of 7.7% in the number of young people accessing ESCC's Under-19s substance misuse service, from 117 in 2019 to 126 in 2020.

Modern slavery and human trafficking

43 adults and 54 minors (those aged under 18) who were potential victims of modern slavery and human trafficking were referred through the National Referral Mechanism in 2020, compared to 39 adults and 63 minors in 2019. The decrease in referrals for minors may be due in part to the restrictions caused by the COVID-19 pandemic. Criminal exploitation was the most commonly reported type of exploitation in 2020, particularly for young men.

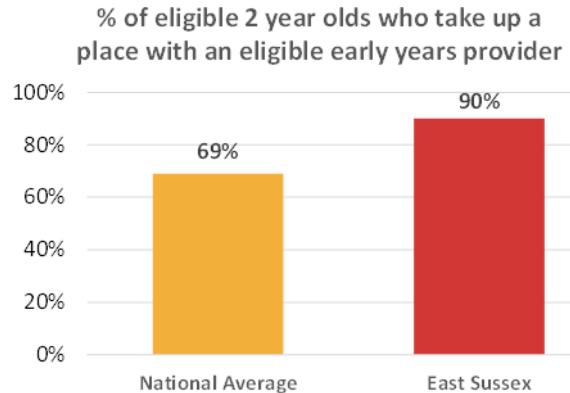
MARAC cases

Multi-Agency Risk Assessment Conferences are held to discuss high risk cases involving domestic violence and abuse, sexual violence and abuse, or stalking, harassment and harmful practices. Nationally there was an increase in cases of 9% between 2019/20 and 2020/21, however in East Sussex there was a decrease of 6.2%. There were 7,328 referrals to community domestic abuse services between January 2019 and the end of December 2020, an increase of 26 on the previous calendar year.



Due to the cancellation of all assessments, tests and exams in England (from Early Years through to Post 16) in academic year 2019-20, data on attainment is not available.

Early Years

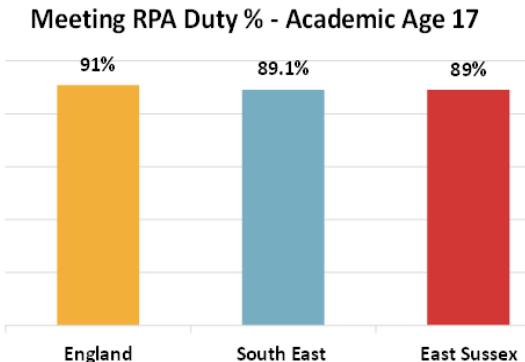
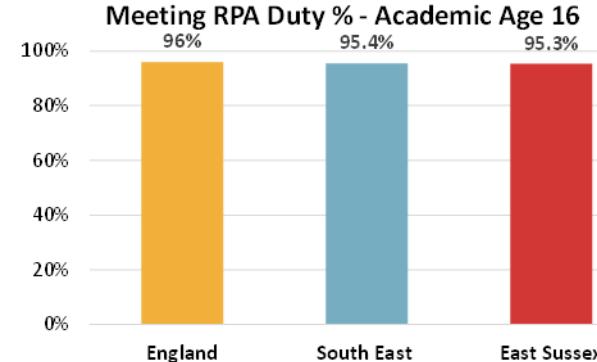


~~East Sussex received 1,545 applications for a funded place for eligible 2-year olds in the spring 2021 funding period. Of these, 228 children were not eligible to receive funding. 90% (1198) of the remaining 1,317 eligible children have accessed a place with an early years provider, compared to the national average of 69%.~~

Raising the Participation Age (RPA)

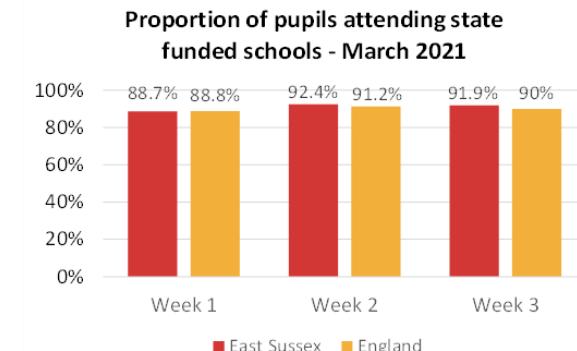
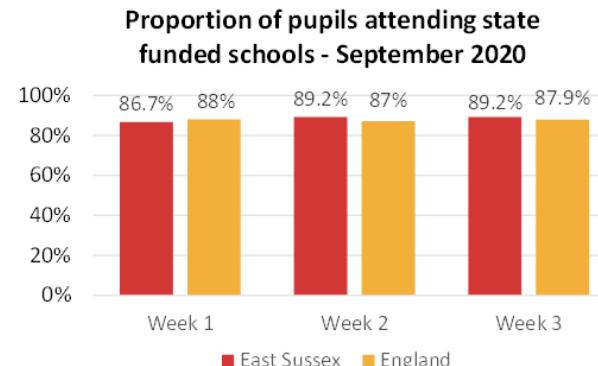
95.3% of young people at academic age 16 (year 12) and 89% age 17 (year 13) are either participating in education, training or employment with training, or undertaking re-engagement provision. This has been achieved by working with key partners to help address the impact of COVID. This has included frequent and intensive support from the Youth Employability Service (YES) who offer support to children and young people who are not in education, employment or training (NEET) or at risk of becoming NEET. YES interactions

have doubled in the past year from 15,000 to 30,000. 87% of looked after children (LAC) academic age 16 are participating in education, training or employment with training. For academic age 17, 75% of LAC are participating. Caseworkers, Through Care and YES have continued to work with the young people to maintain their current placements. They also ensured appropriate pathways into higher education, further training or employment.



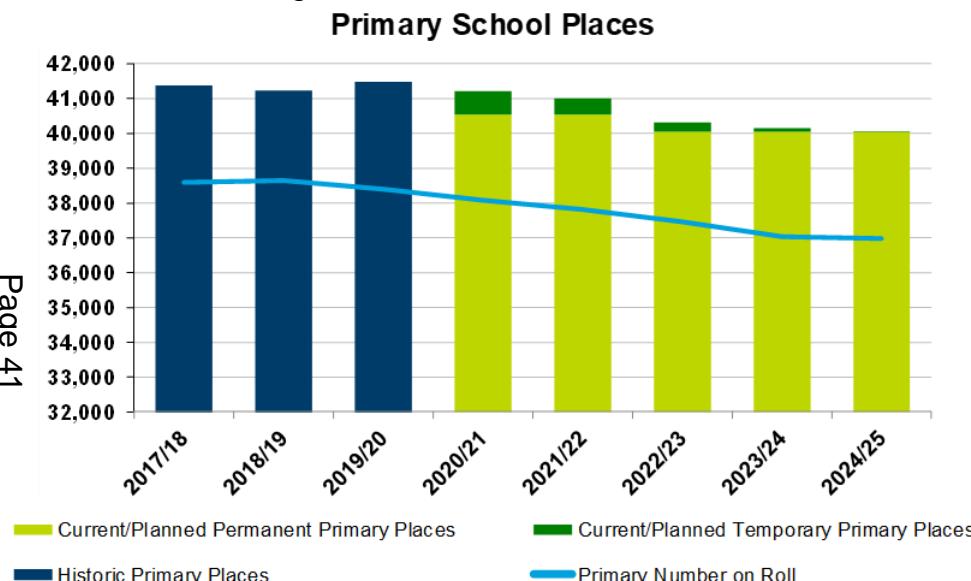
Attendance

In September 2020 (when all state-funded East Sussex schools reopened to all pupils), attendance increased from 86.7% in week 1, (1.3 percentage points below the national average) to 89.2% in week 2 (2.2 percentage points above the national average), a difference of 2.5%. Similarly, March 2021 saw the reopening of schools to all pupils following the January 2021 lockdown. Here, there was an increase in attendance from 88.7% in week 1 to 92.4% in week 2 which took attendance levels slightly above the national average. This is particularly positive as pre-Covid attendance levels were slightly lower than the national average.



Primary School Places

- Total numbers of pupils in primary schools peaked in 2018/19 and are now in decline
- There will be a net reduction in capacity of 1,140 places, between 2020/21 and 2024/25, as a result of previous temporary capacity being removed when no longer required and some undersubscribed schools reducing their Published Admission Numbers.

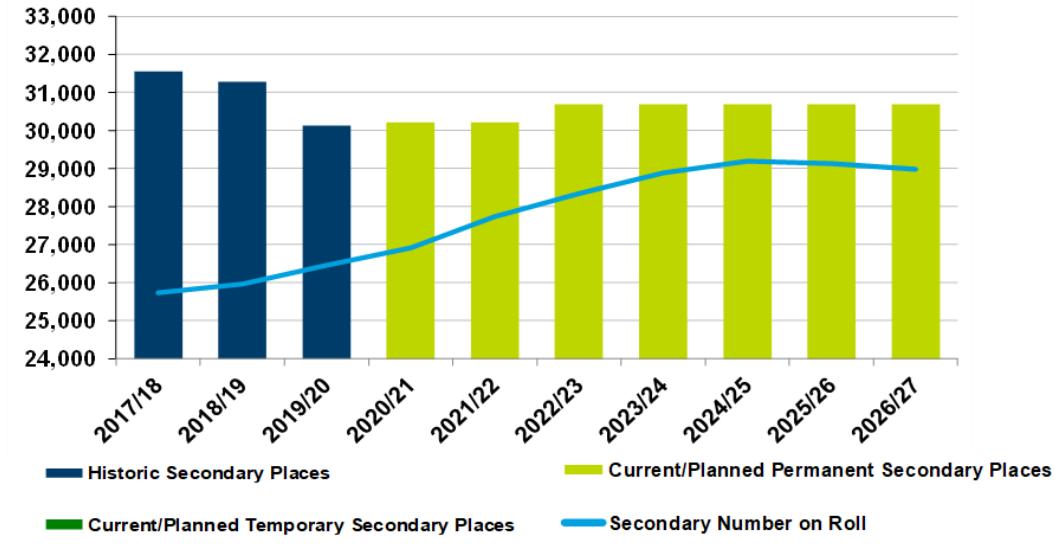


Secondary School Places

- Secondary pupil numbers are expected to continue to increase and peak around 2024/25
- 480 additional permanent places will be added between 2020/21 and 2026/27 to meet forecast demand in local areas.

Source: ESCC Pupil Forecasting Model 22 July 2020.

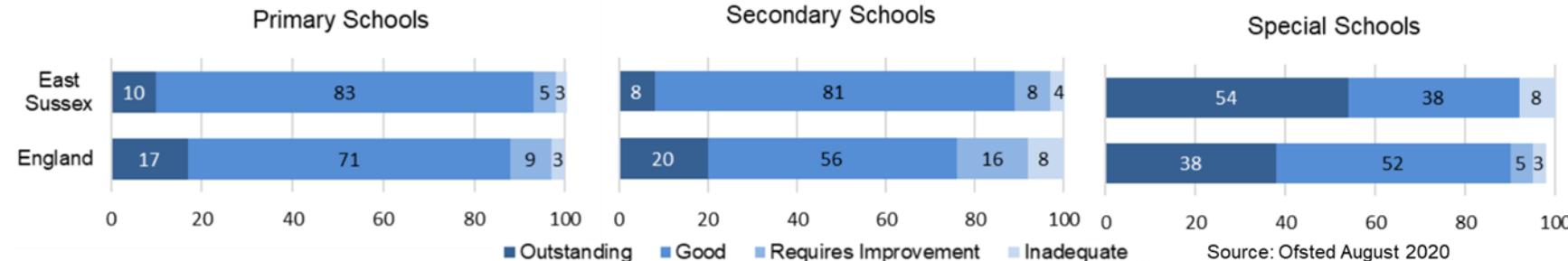
Secondary School Places



Source: ESCC population projections by age and gender (dwelling led) April 2021, numbers rounded to 10

| Projected change in youth population | | | | | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------------------|--------|--------|--------|--------|--------|--------------------|
| | 2021 | 2021 | 2022 | 2024 | % change 2021-2024 | 2025 | 2025 | 2026 | 2027 | 2029 | % change 2025-2029 |
| 0-3 | 20,220 | 20,000 | 19,980 | 19,980 | -1.2% | 20,120 | 20,370 | 20,560 | 20,730 | 20,880 | +3.8% |
| 4-10 | 42,740 | 42,160 | 41,450 | 41,030 | -4.0% | 40,910 | 40,660 | 40,380 | 40,160 | 40,060 | -2.1% |
| 11-15 | 32,210 | 32,740 | 33,200 | 33,470 | +3.9% | 33,520 | 33,580 | 33,340 | 32,980 | 32,590 | -2.8% |
| 16-17 | 12,110 | 12,490 | 12,940 | 13,170 | +8.8% | 13,430 | 13,700 | 14,030 | 14,190 | 14,070 | +4.8% |

State funded schools percentage overall effectiveness Ofsted 2020



East Sussex pupils

14.2% of East Sussex pupils are of Black and Minority Ethnic (BME) backgrounds (January 2021) compared to **31.9%** in England (January 2020). Source: School Census.

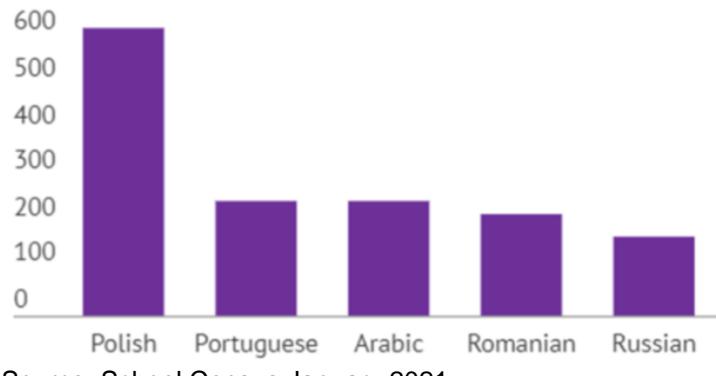
20.5% of East Sussex pupils are known to be eligible for Free School Meals (January 2021) The latest England figure is **17.3%** (January 2020). Source: School Census.

Page 42

First languages of East Sussex pupils

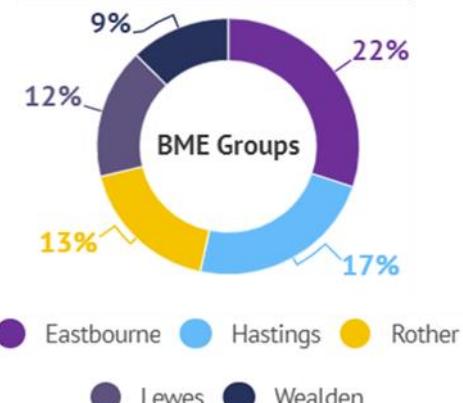
6.1% of pupils were recorded as having English as an additional language. This is where the pupil has been exposed to a language other than English during early development and continues to be exposed to this language in the home or in the community.

Polish is the most commonly recorded first language, other than English, across the County.



Percentage of pupils of BME backgrounds by district and borough

There has been a 2.1% increase in the school BME population since 2014.



Note: BME in this chart relates to all non-White British pupils
Source: School Census January 2021

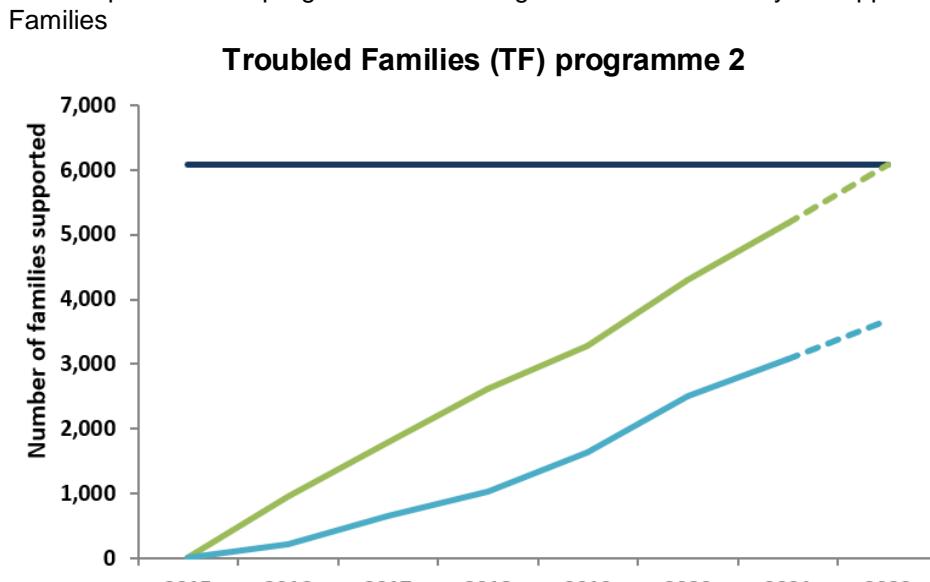
Troubled Families results



The national Troubled Families programme (TF2)* runs from 2015 to 2022

- Troubled Families promotes whole family working which is now a core element of Children's Services delivery
- Payment by Results outcomes are achieved when families reach significant and sustained progress thresholds in six key areas
- Successful family outcomes impact positively on all priority outcomes and reduce demand for other services
- By the end of 2020/21, 5,180 families had received or were receiving support and 3,080 had achieved Payment by Results outcomes.

*From April 2021 the programme has changed its name nationally to Supporting Families



— TF 2 Target
 - - - TF 2 Engagement Performance
 - - - TF 2 Payments by Results Performance

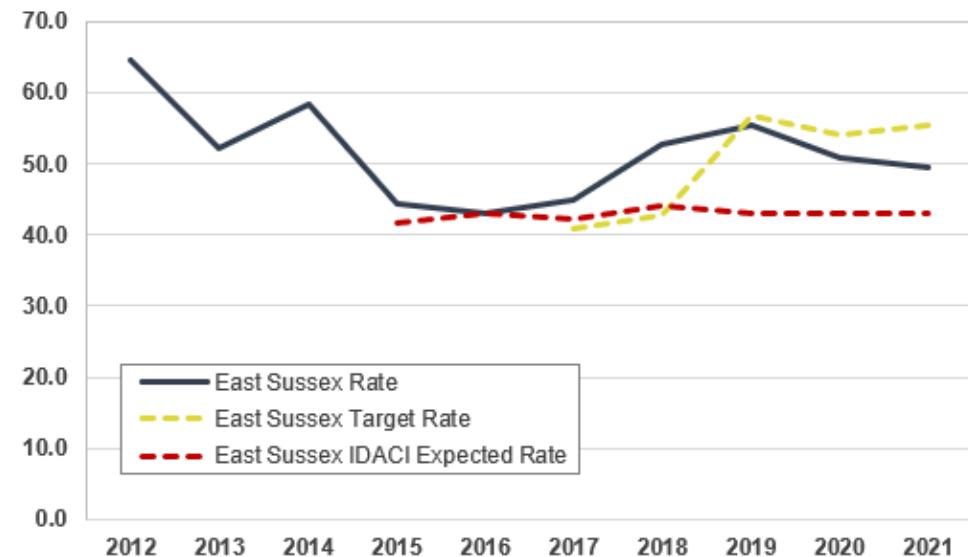
- - - TF 2 Engagement Performance Projected
 - - - TF 2 Payments by Results Performance Projected

Child Protection (CP) Plans



- At the end of March 2021, the number of children with CP plans was **525**, a rate of **49.4** per 10,000 children
- This is above the expected rate benchmarked for child deprivation; the Income Deprivation Affecting Children Index (IDACI) but is linked to the relatively low numbers of children who are in care placements. The focus continues to be ensuring the right children are made subject to plans for the right amount of time, with continued targeted work to ensure plans are progressed in a timely way.

Children with a Child Protection Plan
Rate per 10,000 0-17 year olds

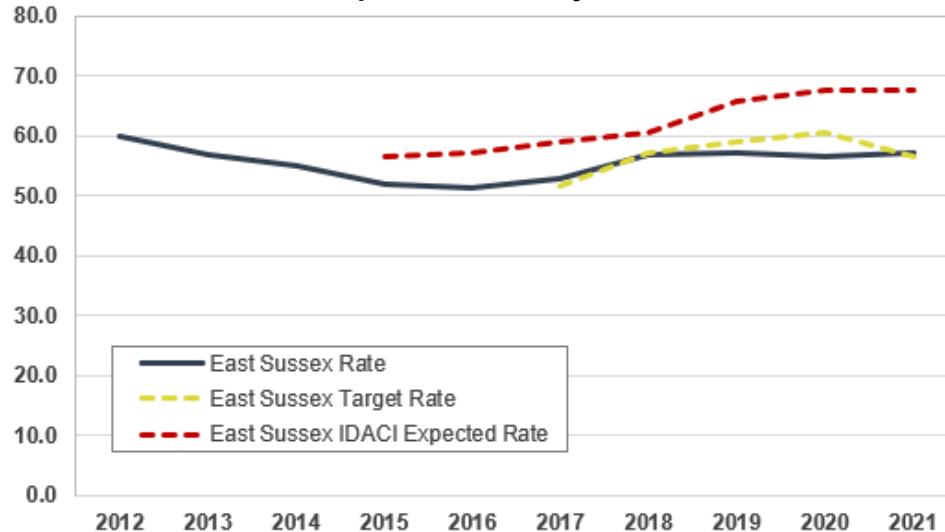


Source for all: ESCC Children's Services

Looked After Children

- Since 2018 LAC numbers have remained fairly stable, with **612** children looked after at the end of March 2021 (57.6 per 10,000 children)
- Our active participation in the National Transfer Scheme has seen a rise in Unaccompanied Asylum Seeking Children, currently accounting for 9% of LAC within the county
- Our strategy of using Early Help and CP plans to keep children at home is connected to the rate of Looked After Children (LAC)

Looked After Children
Rate per 10,000 0-17 year olds



Special Educational Needs (SEN) and Disability

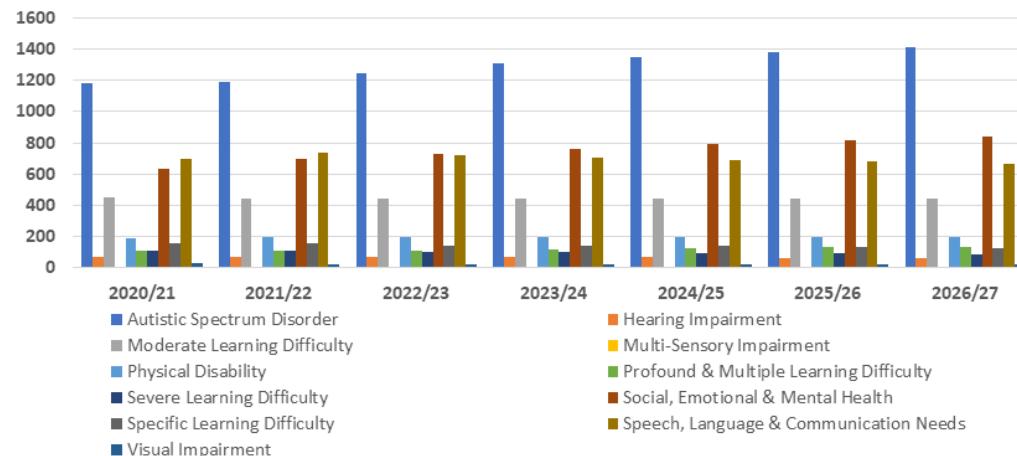
From 2017 to 2020, the number of requests for statutory assessments increased by 54% and the demand for specialist placements for children with SEND continue to grow. Over 40% of all children and young people aged 0-25 with Education Health and Care Plans (EHCPS) in East Sussex are placed in special schools which is over 3% higher than the England average. Council funded high-cost placements at Independent and Non-Maintained Special Schools (INMSS) have increased significantly since 2015 and account for 8.8% of all EHCPS – greater than the England average of 6.1%. This means that the expenditure for placements in INMSS in East Sussex is significantly higher than national averages.

EHCPS of SEN maintained by the Council increased by **60%** from 2010 (**2,280**) to 2021 (**3,640**):

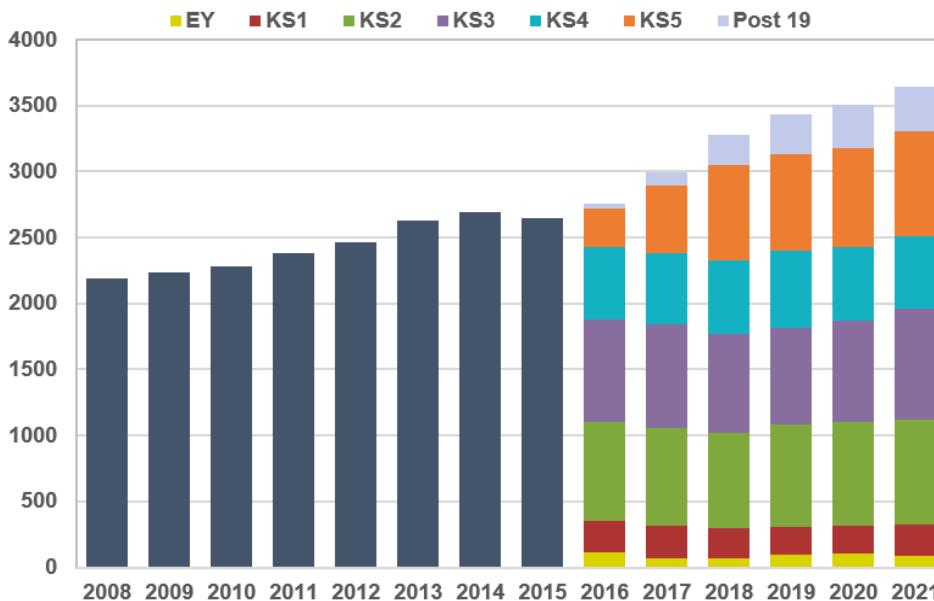
- The vast majority of the increase since 2015 has been in the Key Stage 5 and Post 19 groups
- Numbers are currently forecast to rise to approximately **3,700** by 2022 and **4,000** by 2027
- Just 31% of newly-issued EHCPS are placed in mainstream schools (compared to a national average of 37%). This has been a shift since 2014 when the majority of children with EHCPS were placed in mainstream schools.
- There has been a significant increase in the number of children with autism as a primary need. Numbers of children with autism have increased significantly since 2016 (by around 500 children to 2021) and this trend is set to continue.
- In response to the increased demand for specialist provision, the county has secured agreement for four new free schools (three special schools and one alternative provision). Two of these, an alternative provision school and a special free school for children with social, emotional and mental health needs and autism opened in September 2020, another is due to open in September 2021 and another in September 2022.
- For 2020, East Sussex EHC Plans as a percentage of population aged 0-25 is in line with National Averages for the first time.

- The overall number of children with SEND (but without an EHCP) has risen to 11.7% (from 9.2% in 2016).

Forecast Young People (Age 5-25) with EHC Plans by Primary Need



Young people with a Statement or EHC Plan



Note: Until Sep-14 a Statement of SEN could remain in place until the young person reached the age of 19. Since the SEND reforms were introduced from Sep-14 EHC Plans can remain in place until the young person reaches the age of 25.

Covid-19 impacts – Early Help and Social Care

- With the lockdown and the closure of schools in January 2021 the average number of contacts to the Single Point of Advice (SPOA) dropped to 206. Since the opening of schools on 8 March 2021 this has increased to 248 which is in line with pre COVID-19 levels. There has been a significant increase in the number of contacts for children with emotional wellbeing / mental health difficulties.
- Referrals into the social work teams have remained broadly stable overall, proportions have seen an adjustment as the schools re-opened. Police referrals have decreased and referrals from schools have increased once more. We have continued to work with children on Child in Need (CIN) plans seeing more than 85% throughout. For children subject to CP plans contact levels have been even higher at an average of 95%. Social work staff resumed face to face visiting in September 2020.
- During the last lockdown there was a rise in children subject to CP Plans through the first school half term of 2021 to a rate per 10,000 of 53.0 (564 children). Targeted work continues to focus on a safe reduction in the number of plans now more children are in school. As at 31 March 2021 the number of children on a CP plan had reduced to a rate of 49.4 (525).
- The Contact Service has continued to provide contact for children in the care system to see their birth families, using a wide variety of creative virtual methods such as video diaries, story reading over Skype etc. and then resuming face to face sessions where this could be delivered safely. The service has prioritised physical contact for parents and babies and contact as part of the assessment during care proceedings. Some children have found virtual contact sessions much easier to cope with.

Covid-19 impacts – Schools

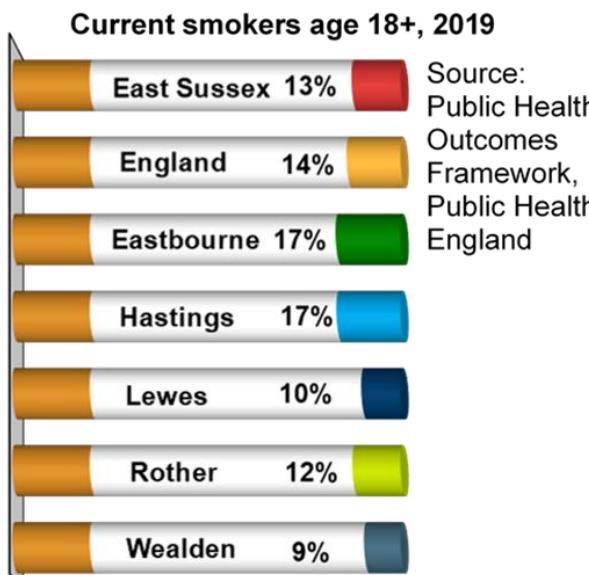
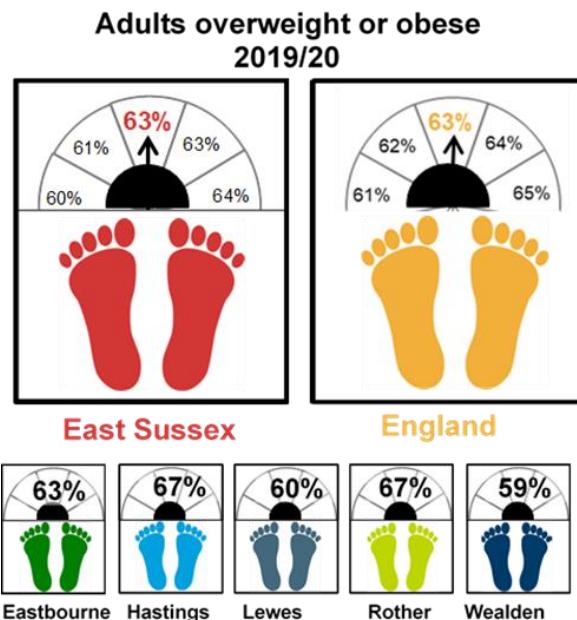
- No assessments for Early Years Foundation Stage or Key Stage 2.
- No GCSE or A level exams will be taken this summer.
- For academic year 2020/21 GCSE and A level awards, schools and colleges are being asked to provide centre assessment grades for their students.
- The Department for Education will not be publishing data on outcomes from academic year 2020/21, nor producing any league tables. The Council will only have limited access to school by school data which cannot be verified or used for accountability purposes.

Support for schools for the academic year 2020/21, has focused on:

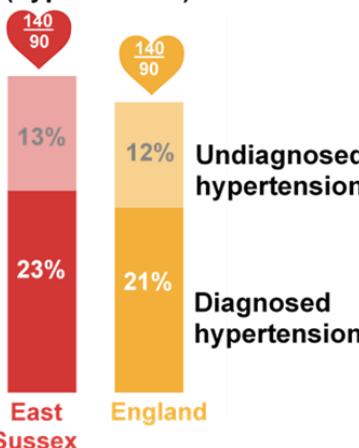
- Close liaison with schools and early years to maintain provision for keyworker and vulnerable pupils during periods of lockdown and support full reopening.
- Increased support for schools, through the Primary and Secondary Boards, to support the delivery of high quality remote education.
- Increased support for vulnerable pupils, including safeguarding and ensuring attendance.
- Working closely with schools and Public Health to support asymptomatic COVID-19 testing and provide clear communications for families.
- Managing the impact of COVID-19 on early years providers and ensuring that we maintain sufficient places for the future supporting young people into education, employment and training during a period of rising unemployment and economic downturn that will disproportionately impact 18-24 year olds.

Support for emotional wellbeing and mental health

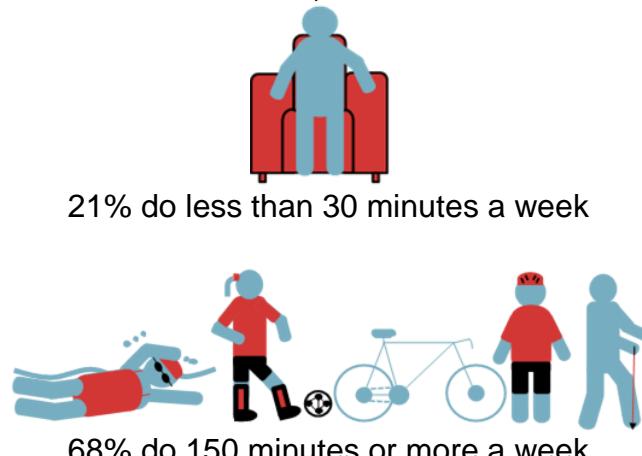
- 42 mainstream schools and three specialist schools are part of the Mental Health Support Teams (MHST) programme. Overall contacts with children and young people increased, from 175 in December 2020 to 219 by February 2021. This has reduced waiting lists for the service across all three teams.
- The Educational Psychology Service (EPS) has offered a telephone helpline that enables parents/carers to access support for managing the emotional wellbeing and home learning of their children during lockdown.
- A confidential telephone service was made available for members of staff in leadership roles in East Sussex schools throughout the COVID-19 pandemic.
- The Schools Mental Health and Emotional Wellbeing Adviser has maintained regular communications to schools to promote Mental Health and Emotional Wellbeing toolkits, online resources and training/support.



People with high blood pressure (hypertension) 2016/17



Physical activity amongst adults in East Sussex, 2018/19:



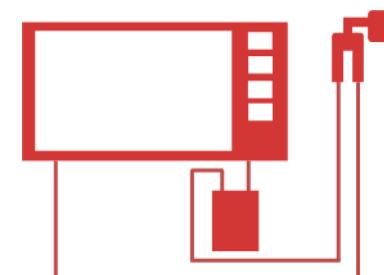
Mental health

It is estimated that **1 in 6** people will have a mental health condition at any one time

Covid-19 hospital numbers



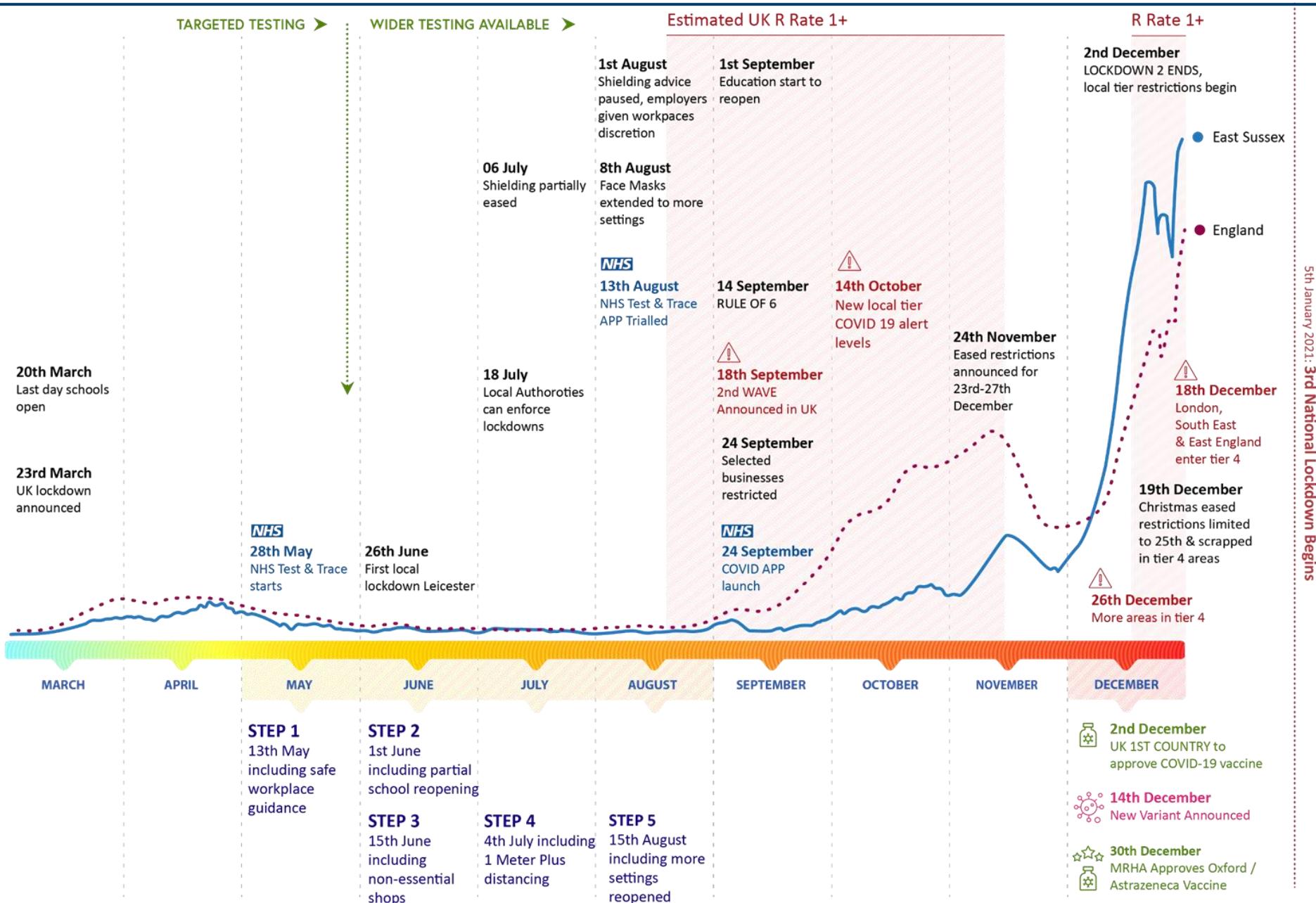
2,108 people have been admitted to East Sussex Healthcare NHS Trust hospitals with COVID-19 since the start of the pandemic.



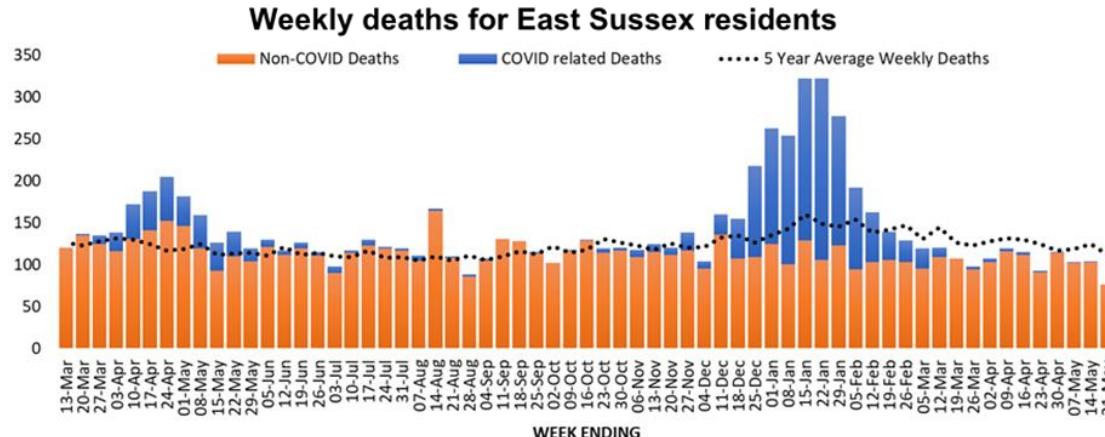
At the height of the second wave there were 27 people in mechanical ventilation beds in East Sussex Healthcare NHS Trust hospitals.

Source: Coronavirus in the UK NHS dashboard, gov.uk

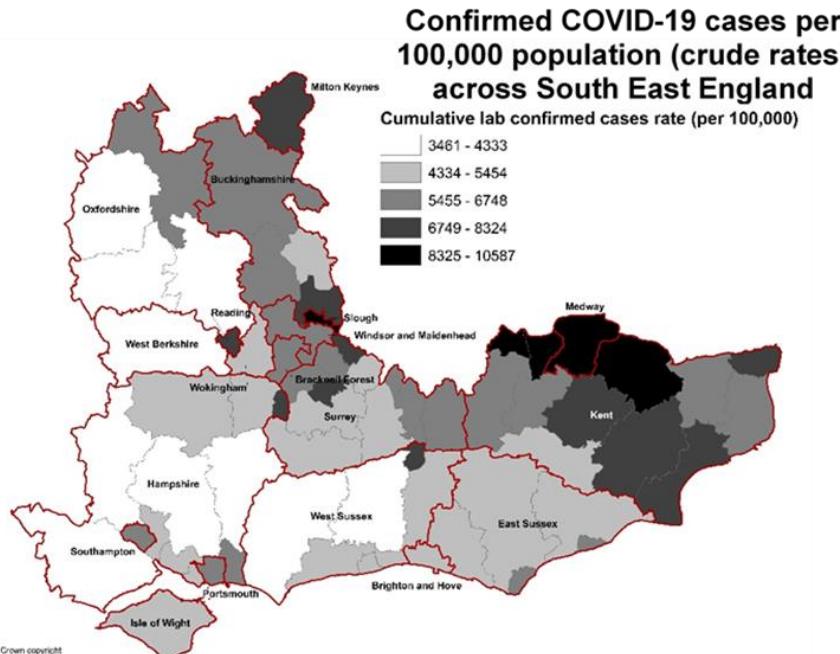
Note: East Sussex residents are also served by other NHS Trusts, such as Brighton and Sussex University Hospitals NHS Trust, and Maidstone and Tunbridge Wells NHS Trust. East Sussex residents in hospitals run by those trusts are not included in these statistics. Residents of surrounding counties may also come to East Sussex hospitals so could possibly be included in the figures above.



NOTE: the latest data is available from Public Health England



Source: ONS



Source: Public Health England. Data as at 07/06/2021

National findings on risk factors associated with poorer outcomes

Studies looking at outcomes of patients with COVID-19 and analysis of death certificates suggests that there is an increased risk of an adverse outcome for patients with the following:



Numbers of people identified by the NHS as needing to shield and the percentage registered for help (as at 25 June 2020)



- Eastbourne ● Hastings ● Lewes ● Rother ● Wealden

Source: Ministry of Housing, Communities & Local Government

 Increasing diagnosis rates with increasing age
Of confirmed cases, persons aged 80 and over:

Working age **males** with COVID-19 are twice as likely to die compared to females

Local authorities with the highest diagnosis and death rates are mostly urban

Persons living in the **most deprived** areas have higher diagnosis rates and more than double the death rate compared to those in less deprived areas

 Diagnosis rates highest in people from **Black ethnic** groups with the highest death rates among those of Black and Asian ethnic groups

Source: Disparities in the risk and outcomes of COVID-19, Public Health England, June 2020

Population and health

Compared to 2021, by 2025 there will be:

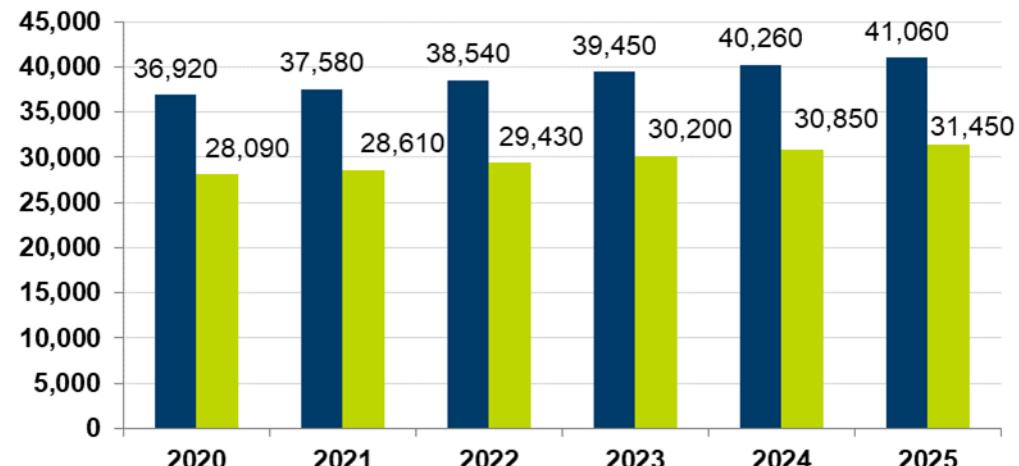
- An increase in the population of working age people (age 18-64) of **4,690** (1.5%)
- A countywide increase in older people (age 65+) of **12,510** (8.4%) from **149,113** to **161,623**
 - Eastbourne: 1,965 more (up 7.4%) biggest increase in age 75-84 (**19.8%**)
 - Hastings: **1,557** more (up 8.1%), a decrease in 65-74 (-0.3%), but 7.5% in 85+ and **23.1%** in 75-84
 - Lewes: **2,014** more (up 7.3%) biggest increase in age 75-84 (**19.6%**)
 - Rother: **2,525** more (up 7.9%), small decrease in 65-74 (-2.2%), **22.6%** rise in 75-84
 - Wealden: **4,450** more (up 10.2%), **21.8%** rise in 75-84 and 12.5% rise in 85+
 - 41,060** older people (age 65+) projected to have a limiting long term illness whose day to day activities are limited a little (up 9.1%), **31,450** limited a lot (up 9.8%)



- 12,340** older people (65+) projected to have dementia (up 9.7%)

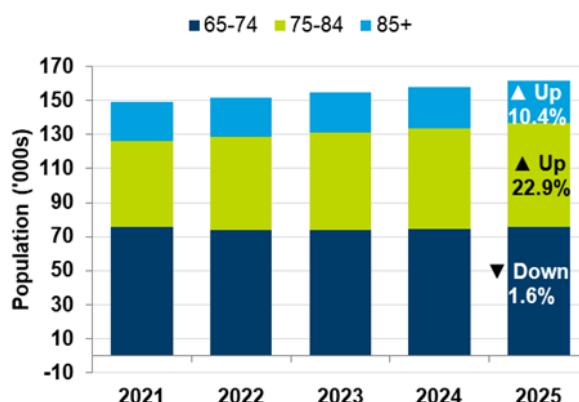
Older people (age 65+) with a limiting long term illness projections

■ Limited a little ■ Limited a lot

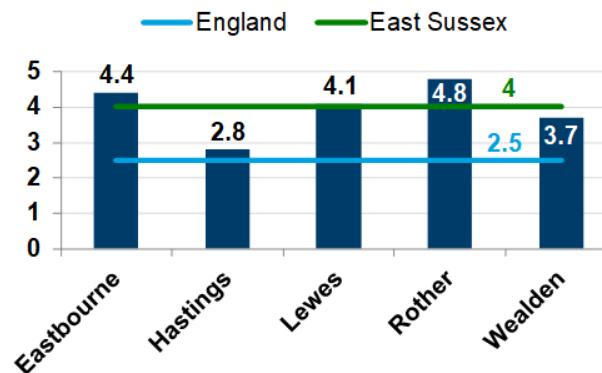


Source: POPPI, www.poppi.org.uk

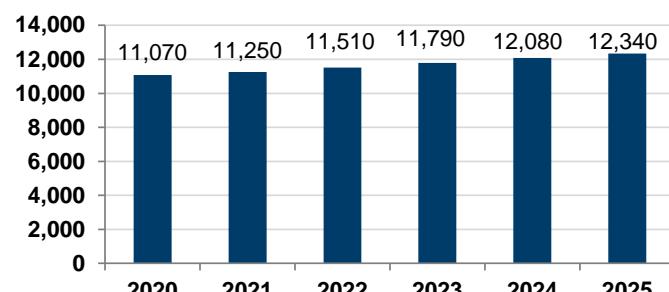
Increase in older people 2021-2025



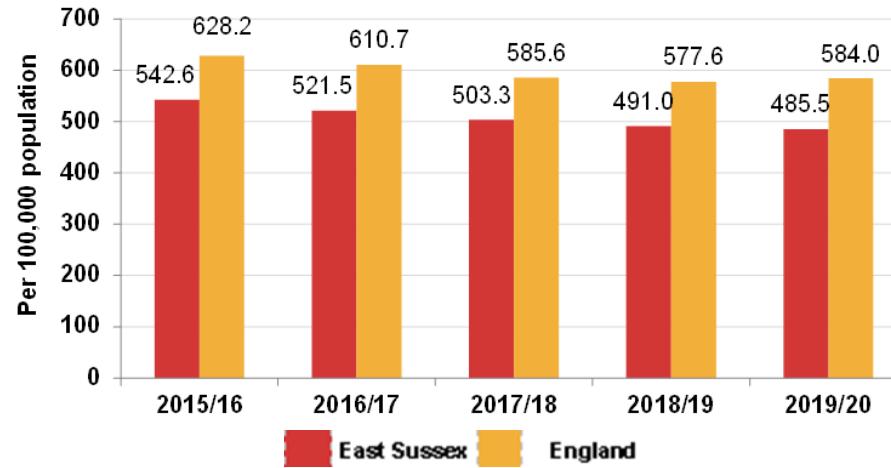
Population % 85+ (mid 2019 est)



Older people (age 65+) with dementia projections

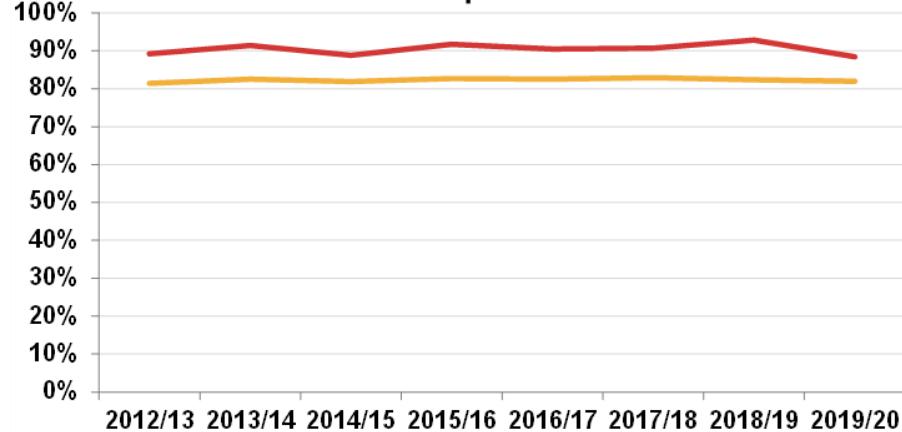


Long-term support needs met by admission to residential and nursing homes (Older people 65+)



Source: NHS Digital Adult Social Care Outcomes Framework data ASCOF 2A2. Note: New definition 2014/15 onwards, not comparable to previous years.
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Older people (65+) still at home 91 days after discharge from hospital



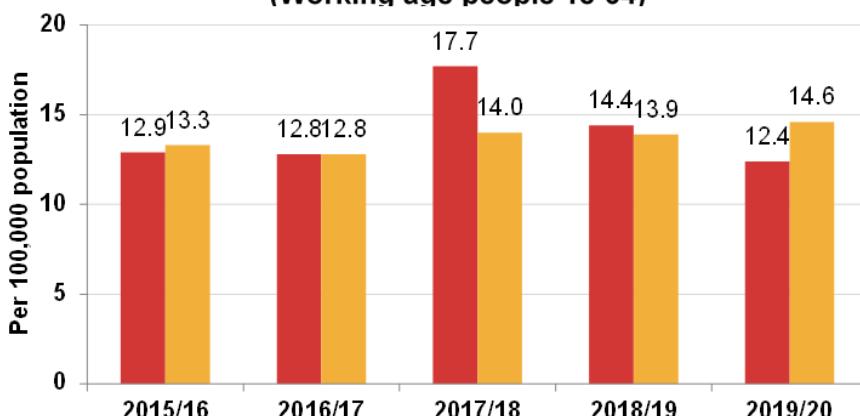
Source: NHS Digital Adult Social Care Outcomes Framework ASCOF 2B1

Community care and promoting independence

- Permanent admissions of working age people (18-64) to long term residential care reduced in 2019/20 and are now below the national average
- Permanent admissions of older people (age 65+) reduced again 2019/20 and remain significantly below the rate for England
- The proportion of older people (age 65+) still at home 91 days after discharge from hospital into reablement/rehabilitation services decreased in 2019/20 to **88.4%**, but still remains significantly above the national figure of 82.0%
- 93.3%** of people who received short-term services during the year, required no ongoing support or support of a lower level; significantly higher than the national average of 79.5%

Source: NHS Digital Adult Social Care Outcomes Framework data

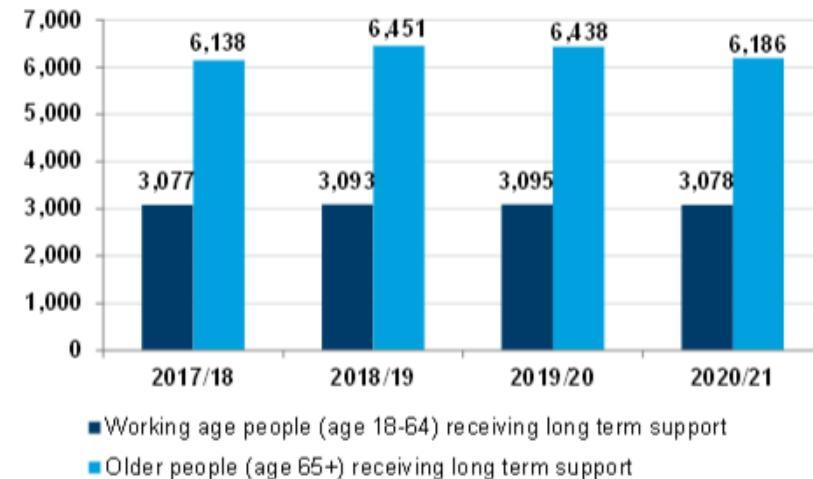
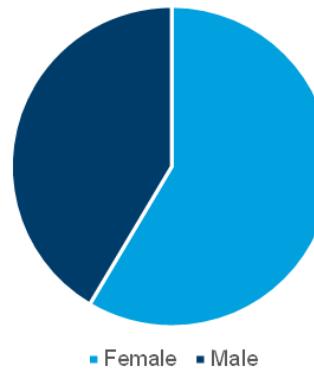
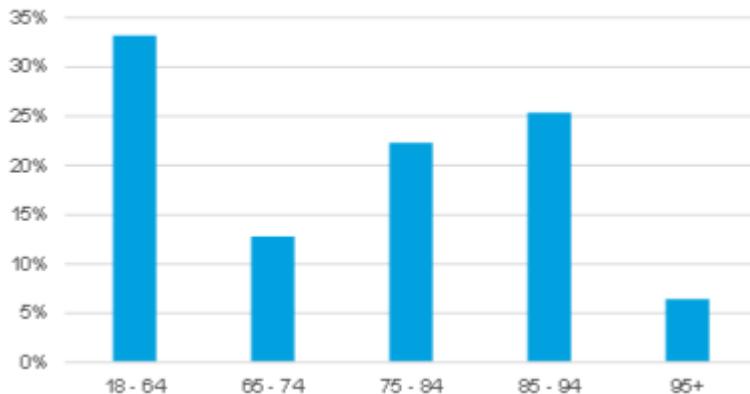
Long-term support needs met by admission to residential and nursing care homes (Working age people 18-64)



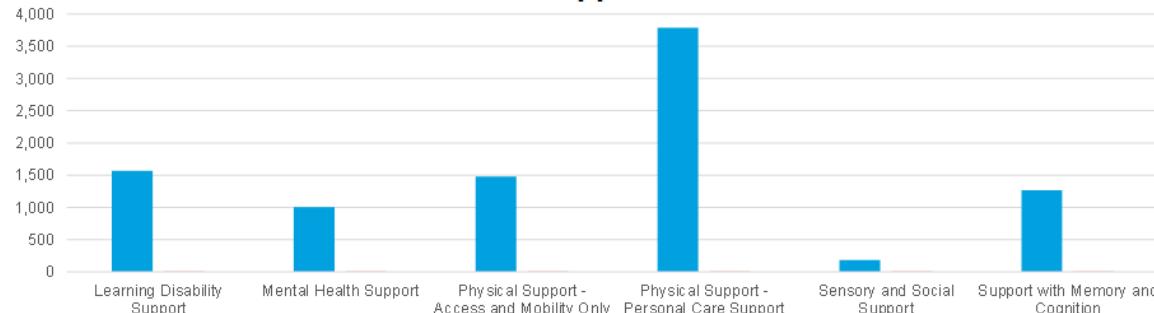
Source: NHS Digital Adult Social Care Outcomes Framework data ASCOF 2A1. Note: New definition 2014/15 onwards, not comparable to previous years.

People receiving long term support

Age of clients



Client's support needs

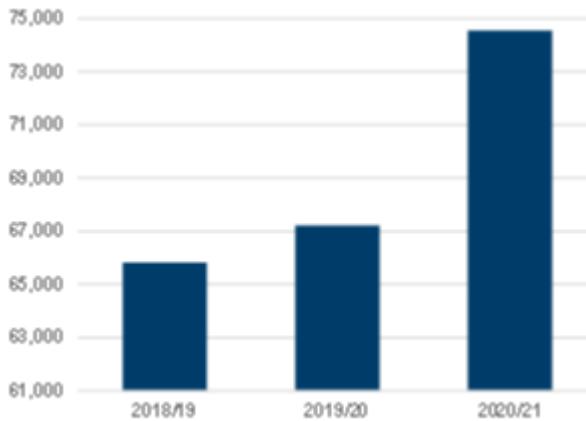


The total number of clients receiving long term support has decreased by **2.8%** in 2020/21 to **9,264**.

Source: Health and Social Care Connect

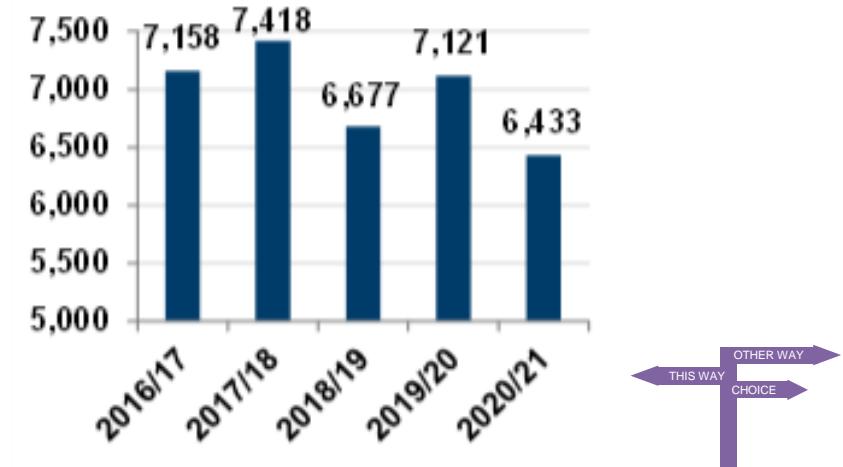
Long term support encompasses any service or support which is provided with the intention of maintaining quality of life for an individual on an ongoing basis, and which has been allocated on the basis of eligibility criteria/policies (i.e. an assessment of need has taken place) and is subject to regular review.

Source: East Sussex Health and Social Care Connect

Requests for support: Access contacts handled

- The Access team in Health and Social Care Connect (HSCC) handled **74,540** contacts in 2020/21, an increase of **6,640 (10%)** compared to 2019/20.

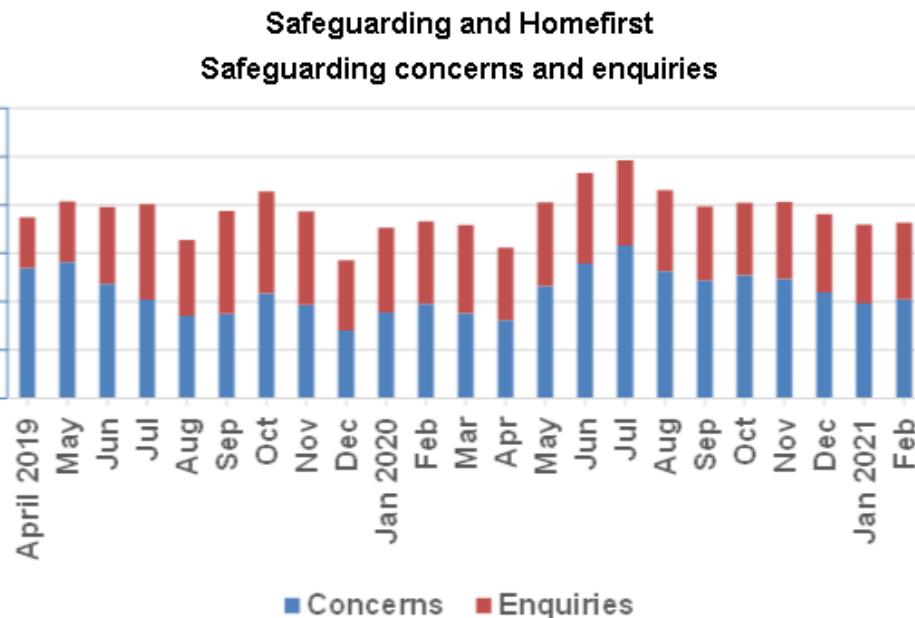
Source: East Sussex Health and Social Care Connect

Carers receiving support

- The total number of carers receiving support has decreased by **9.7%** in 2020/21. This is due to decreased incoming contacts and re-focusing of work to support hospital discharges, home care closures and the Clinically Extremely Vulnerable (CEV) population.
- Carers receive support including Information, Advice and Other Universal Services / Signposting

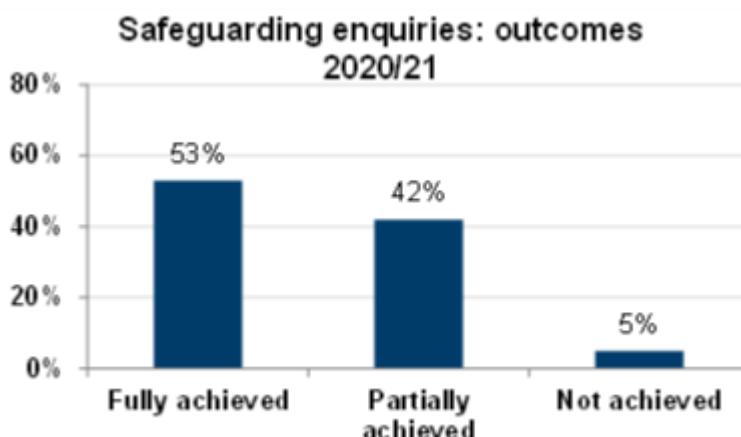
Source: East Sussex Health and Social Care Connect

Safeguarding

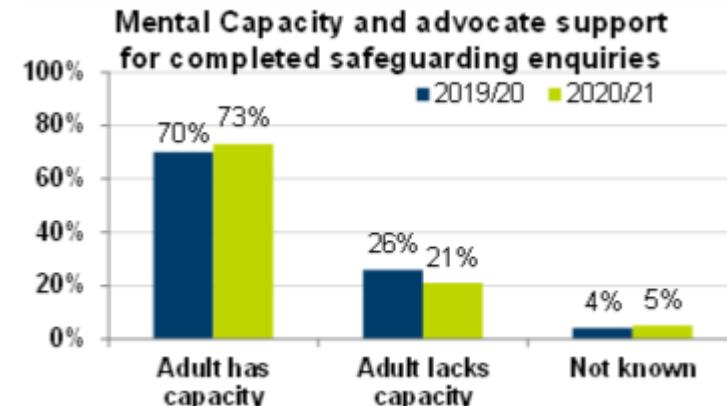


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95% of safeguarding enquiries resulted in the expressed outcomes being achieved or partially achieved in 2020/21.



There has been a decrease in the percentage of safeguarding enquiries for adults who lack capacity between 2019/20 and 2020/21 (26% to 21%)



Source for all: East Sussex Adult Social Care and Health

Integrating health and social care

With our partners we are shaping the next steps for strengthening joint working to meet the needs of the diverse communities within East Sussex, to improve population health and impact on social and economic wellbeing more broadly to help reduce health inequalities.

We are part of the Sussex Health and Care Partnership (SHCP), the Integrated Care System for Sussex, alongside the upper tier and unitary authorities, CCGs and NHS Provider Trusts in West Sussex and Brighton and Hove. Further details of the SHCP can be found on its website <https://www.sussexhealthandcare.uk/>

COVID-19 Impacts – Adults

- Adult Social Care and Health (ASC&H) have continued to undertake a range of pandemic-related work, including: testing; local contact tracing and Outbreak Control; flu vaccinations; Care Homes Support (including capacity and workforce); support to Clinically Extremely Vulnerable (CEV) people, as well as maintaining our core business.
- ASC&H continues to work in close partnership with East Sussex Healthcare NHS Trust (ESHT), and the other Acute Trusts that support East Sussex residents, to support the timely discharge of patients from hospital into care homes and back into the community.
- The Department has also continued to provide support to keep vulnerable adults safe within our communities. Many staff have, by necessity, continued to work in offices and operational buildings whilst others have continued to provide support remotely. Face-to-face Safeguarding, Care Act and Mental Health Act Assessments have continued within our communities, using appropriate infection control measures.

Care Homes:

- The challenges faced by care homes have been significant and varied, including the challenge of Personal Protective Equipment (PPE) provision during the first wave; managing significant outbreaks of COVID-19 amongst residents and staff; and supporting residents, care staff and families through loss and bereavement.
- The department has supported a range of care homes with the provision of temporary staff; meals; deep cleaning; infection prevention and control guidance; psychological wellbeing support for staff; regular information bulletins; weekly virtual huddles where current issues are discussed with local clinicians.
- In May 2020, the Sussex Health and Care Partnership (SHCP) established the Sussex Black, Asian and Minority Ethnic Disparity Programme in response to the evidence emerging from the Office for National Statistics around the disproportionate impact of COVID-19 on Black, Asian and Minority Ethnic communities. A key part of the Programme has been the development of the Sussex Care Homes BAME Staff Network. This network is supported by the Sussex Health and Care Partnership which includes all Sussex NHS Organisations and the three Local Authorities. The purpose of the network is to provide a place for care home staff to bring new perspectives and fresh ideas that helps drive change and progress. In this space, staff are able to:
 - Celebrate a range of diversity through social events and activities;
 - Facilitate informal relationships with other BAME care home workers in Sussex;
 - Reflect on the last few months and how the pandemic has made an impact on BAME lives and communities; and
 - Access peer support through discussions about lived experiences.
 - Receive guidance and signposting to appropriate services, if desired; and
 - Work with employers to ensure that BAME staff have a consistent and positive experience in the home(s) they work in.

Practical support to residents who are shielding or vulnerable:

At the start of the pandemic there were 21,672 people registered as Clinically Extremely Vulnerable (CEV). As a result of a new Risk Model, developed by central Government, this figure increased to 38,169 by the time shielding ended on 31 March 2021. We made contact with individuals identified as needing to shield and provided information, advice and practical support either directly or through the five district and borough Community Hubs.

Self-isolation:

ASC&H have implemented support to residents required to self-isolate in East Sussex. The basic support offer is broadly similar to that which is currently offered to CEV individuals (albeit shorter term and potentially more urgent) and covers:

- assisting people with access to food;
- befriending and wellbeing services;
- mental health support; and
- delivery of prescriptions.

ASC Contact Strategy:

In addition to support offered to CEV and other vulnerable people, a contact strategy specific to ASC&H clients and carers was devised to offer reassurance and signposting to local support during the current lockdown. We also took the opportunity to share key messages on the COVID-19 vaccination programme, and to collect email addresses for future contacts.

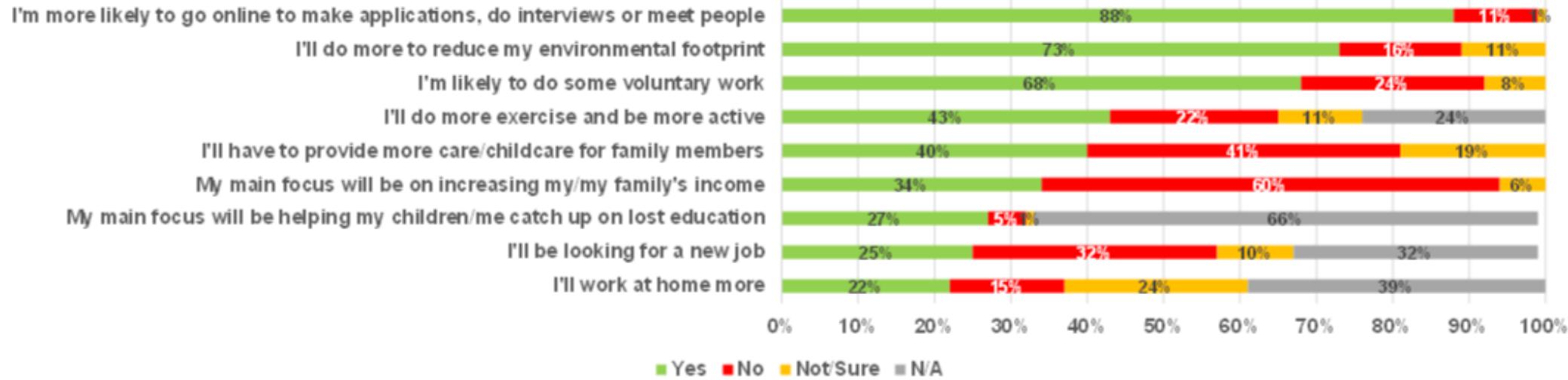
Future ways of working:

New ways of working for ASC&H services were required as a result of COVID-19. This included provision of devices and tools to enable staff to work from home wherever possible; use of digital tools to enable remote assessments, meetings etc; the use of data and insight to inform our COVID response, including the management of Clinically Extremely Vulnerable clients; and a move towards more electronic communication.

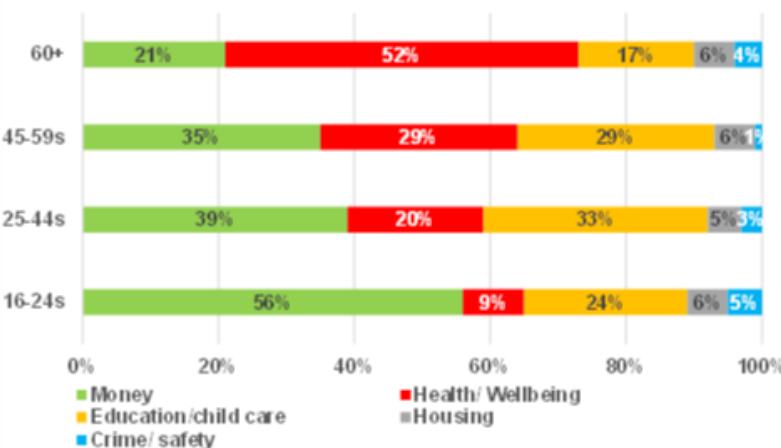
We will build on the changes made as a result of COVID-19 to ensure that that people are able to engage with services in a way that meets their needs, for example by using digital tools to access advice and information to support decision making.

The Council conducted a survey in November/December 2020 to assess the impact of COVID-19 on the attitudes, and behaviours of people in East Sussex, now and in the future.

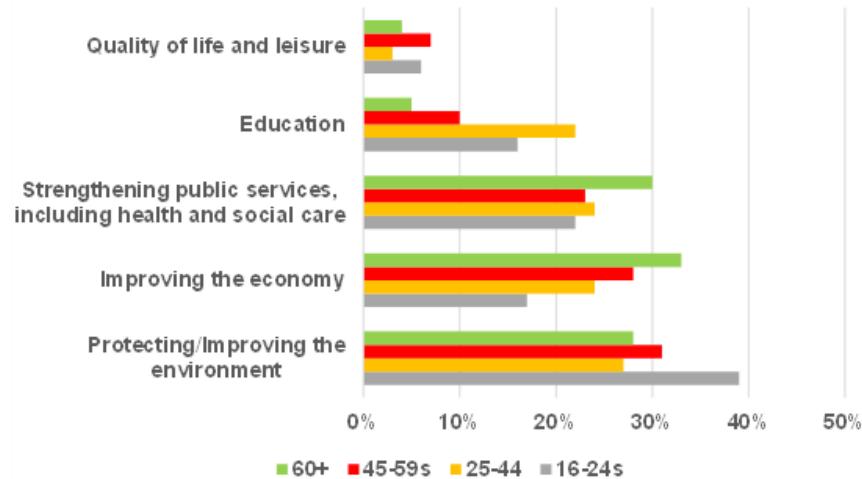
In the year to come, which of the following, do you expect will apply to you



Which area of you, or your families, life is your greatest concern at the moment

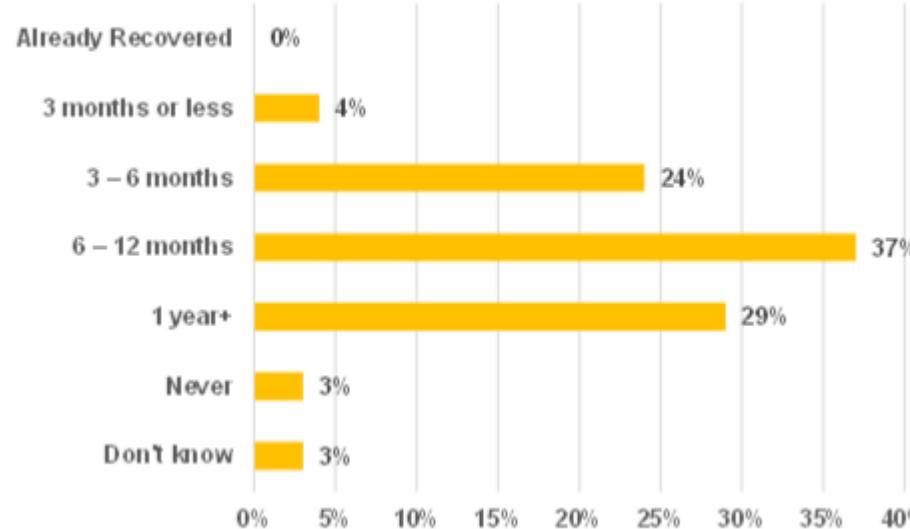


As East Sussex rebuilds from the effects of coronavirus, which one of these would be your priority



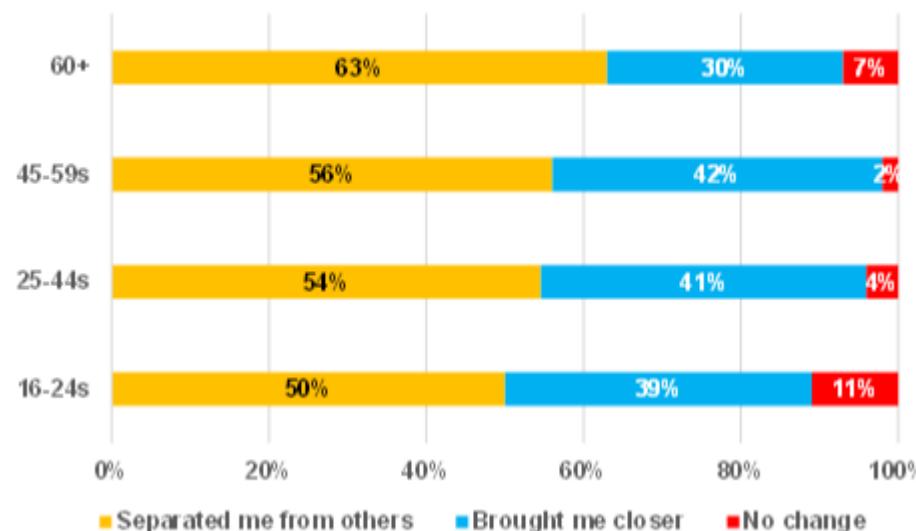
Source: East Sussex Coronavirus Survey Report 2020

How long do you think it will be before you, and your family fully recover from COVID-19

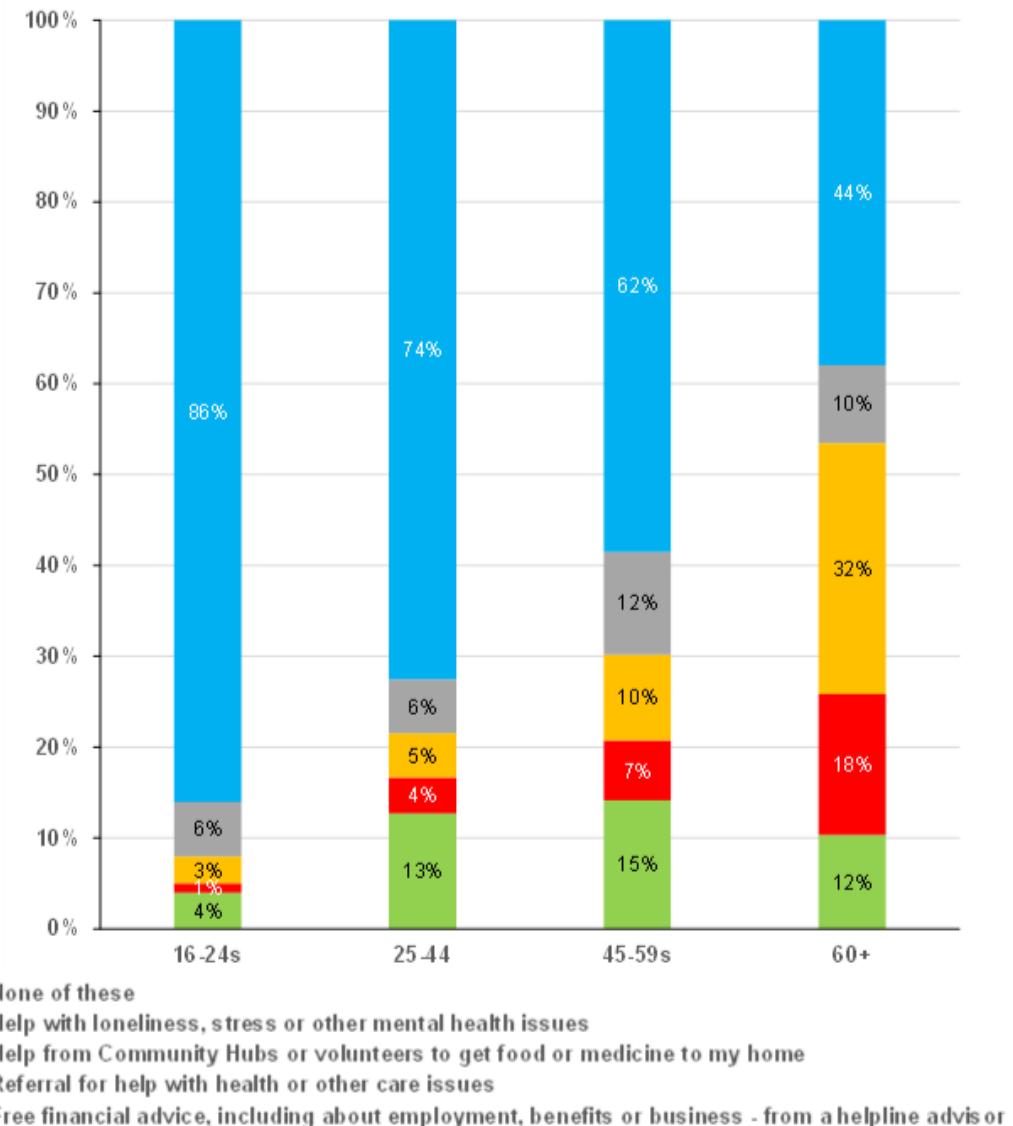


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How has COVID-19 changed your relationships with your local community



Initiatives people expect to use in the next six months



We use a wide range of data to help us understand the context for our plans and the impact we are having through our work and in partnership. A selection of this data is listed below. Years are financial (April-March) or academic (September-August) unless otherwise stated.
 Key: CY – calendar year (January-December), NA – data not available.

| Measure | 18/19 outturn | 19/20 outturn | 19/20 England |
|--|------------------|------------------|------------------|
| Percentage of working age residents (16-64 year olds) with a level 4 or higher qualification (HNC, HND, degree etc.) (CY) | 35.6% | 36.8% | 42.8% |
| Percentage of working age residents (16-64 year olds) with no qualifications or qualified only to NVQ1 (CY) | 19.2% | 18.3% | 16.1% |
| Annual gross full time earnings, median average (residence based) | £29,345 | £30,116 | £31,766 |
| Percentage of working age population (16-64 year olds) in employment | 73.6% | 80.1% | 76.2% |
| People claiming unemployment related benefits (alternative claimant count) percentage of population 16-64 year old at February | 3.0% (2020) | 6.3% (2021) | 6.6% (2021) |
| New business registration rate per 10,000 people over 16 (CY) | 48.5 | 55 | 76.9 |
| New houses built, total completed / total affordable | 1,734 / 295 | 1,842 / 468 | N/A |
| Average Attainment 8 score per pupil state funded secondary schools (assessment/calculated grade) | N/A | 48.5 | 50.2 |
| Percentage of pupils who achieved a 9-5 pass in English and maths GCSEs (assessment/calculated grade) | N/A | 47.4% | 49.9% |
| Average point score (APS) per entry for level 3 exams including A levels (16-18 year olds) | N/A | 34.86 | 37.96 |
| Attainment of A level students (age 16-18) average point score (APS) per entry, best 3 | N/A | 35.65 | 38.90 |
| Attainment of A level students (age 16-18) % achieving grades AAB or better at A level, of which at least two are in facilitation subjects | N/A | 15.3% | 24.2% |
| Rate per 10,000 (aged 0-17 population) of Looked After Children | 56 | 56 | 67 |
| Rate per 10,000 (aged 0-17 population) of children with a Child Protection Plan | 53.5 | 50.4 | 42.8 |
| Percentage of children who ceased to be looked after adopted during the year ending 31 March | 16% | 16% | 11% |

| Measure | 18/19 outturn | 19/20 outturn | 19/20 England |
|---|------------------|------------------|------------------|
| Hospital admissions caused by unintentional and deliberate injuries in children aged 0-14 years, rate per 10,000 resident population | N/A | 100.3 | 91.2 |
| Percentage of children aged 4-5 years with excess weight (overweight or obese) LA by postcode of child | 23.4% | 23.0% | 23.0% |
| Percentage of children aged 10-11 years with excess weight (overweight or obese) LA by postcode of child | 28.2% | 32.0% | 35.2% |
| Percentage of adults (aged 18+) classified as overweight or obese | 62.5% | 62.6% | 62.8% |
| Proportion of people who use Adult Social Care services who feel safe | 72.7% | 70.9% | 70.2% |
| Proportion of people (65 and over) who were still at home 91 days after discharge from hospital | 92.8% | 88.4% | 82.0% |
| Long-term support needs of younger adults (aged 18-64) met by admission to residential and nursing care homes, per 100,000 population per year | 14.4 | 12.4 | 14.6 |
| Long-term support needs of older adults (aged 65 and over) met by admission to residential and nursing care homes, per 100,000 population per year | 491.0 | 485.5 | 584.0 |
| Proportion of older people aged 65 and over who received reablement services following discharge from hospital | 2.9% | 3.1% | 2.6% |
| The outcome of short-term services: sequel to service: proportion of people who received short-term services during the year, where no further request was made for ongoing support or support of a lower level | 92.2% | 93.3% | 79.5% |
| Proportion of people who use Adult Social Care services who find it easy to find information about support | 75.5% | 75.7% | 68.4% |
| Social isolation: percentage of adult social care users who have as much social contact as they would like | 49.2% | 52.4% | 45.9% |
| Emergency hospital admissions due to falls in people aged 65 and over per 100,000 | N/A | 2,488 | 2,222 |
| Suicide rate per 100,000 of population, three year average | 13.7 (16-18) | 13.5 (17-19) | 10.1 (17-19) |
| Number of people killed or seriously injured on the roads (CY) | 408 (2019) | 293 (2020) | N/A |

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National and Local Policy Outlook 2021

1. Introduction and Contents

1.1. The work of the County Council, in terms of the services we deliver and the way they are delivered, is informed and influenced by a continually changing operating context. This context includes national priorities, policy and legislation set by Government; economic, social and health trends (set out in more detail in Appendix 1); and local priorities, programmes and partnerships.

1.2. This appendix outlines the current and anticipated developments in this operating context, which will need to be taken into account in our Reconciling Policy, Performance and Resources (RPPR) planning for the 2022/23 financial year and beyond. Nationally, new Government policy and legislation is focussed on responding to Britain's exit from the European Union (EU); the wide-ranging impact of the COVID-19 pandemic on people, the economy and public services; and climate change. Government has also announced a range of public service reform initiatives, including for health and social care. Locally, we are responding to the same developments and Government reforms, whilst also adapting services to embed learning from, and positive ways of working during, the pandemic. Further detail on all of these areas is provided below.

1.3. This appendix does not necessarily need to be read in order. It is intended to be a reference document for Members to look to for detail on key national and local developments impacting East Sussex County Council (ESCC), throughout the coming months of business and budget planning. There is a broad range of detailed content covered and Members may wish to navigate directly to sections using the contents below. There are also markers included throughout where topics link to other areas of the appendix.

1.4. There are sections on:

- **Overall Context**, covering:
 - the national response to COVID-19 (page 3)
 - an overview of the national and local economic outlook (page 4)
 - the national strategy for economic recovery (page 5)
 - impacts of Brexit (pages 6 and 21)
- **Adult Social Care and Health (ASCH)**, covering:
 - the impact of COVID-19 on Adult Social Care services, the local care market and mental health and plans for local recovery (page 6)
 - plans for partnership working to improve community wellbeing (page 8)
 - national changes and reforms expected to impact delivery of ASCH services in future – including of the social care system, the Mental Health Act, the National Strategy for Disabled People and the national health and social care data strategy (page 9)
 - national reform, local progress and next steps that will inform our work to integrate health and social care services (page 10)

- **Public Health**, covering:
 - the local approach to COVID-19 outbreak control and management, including testing, tracing, vaccines and infection control (page 12)
 - national public health reforms (page 13)
 - investment in weight management services (page 13)
 - partnership working to reduce health inequalities (page 13)
- **Children's Services**, covering:
 - national policy developments expected to impact future provision of children's services, including, the national Review of Children's Social Care, review and regulation of the Children's Social Care market and providers, the Leadsom Review into early years services and plan for Family Hubs (page 14)
 - delivery of the Supporting Families Programme (page 14)
 - support for Unaccompanied Asylum Seeking Children and the National Transfer Scheme (page 15)
- **Education and Special Educational Needs and Disability (SEND)**, covering:
 - partnership working to support pupil progress and achievement, including on post-COVID catch-up (page 16)
 - support for increasing numbers of Electively Home Educated children (page 17)
 - enhanced support for young people's mental health and emotional wellbeing in schools (page 17)
 - proposed changes to the High Needs Funding Formula (page 18)
 - Government policy on academisation (page 18)
 - the Ofsted review of sexual abuse in schools (page 18)
 - the national SEND Review and new SEND inspection framework (page 19)
- **Communities**, covering:
 - local plans for implementation of the Domestic Abuse Act 2021 (page 19)
 - national and local plans for tackling Violence Against Women and Girls (page 20)
 - tackling drug misuse in Hastings (page 20)
 - the potential impact of the Police, Crime, Sentencing and Courts Bill (page 21)
 - anticipated post-COVID demand for library services (page 21)
 - the work of Trading Standards on the pandemic and preparations for post-Brexit border changes (page 21)
 - emergency planning support for COVID-19 recovery (page 22)
 - national planning reforms (page 22)
- **Highways and Transport**, covering updates on:
 - the East Sussex Highways contract re-procurement project (page 22)
 - the new 'Bus Back Better' National Bus Strategy (page 23)
 - the new Local Cycling and Walking Infrastructure Plan (page 24)
 - Transport for the South East (page 24)

- the Williams-Shapps Review of Rail (page 24)
 - the Government's Transport Decarbonisation Plan (page 25)
 - the planned refresh of the Local Transport Plan (page 25)
 - High Speed 1 rail extension (page 25)
 - Highways England Programmes (page 26)
- **Economy**, covering:
 - support for local economic recovery from COVID-19 and adapting to Brexit (page 26)
 - the UK Community Renewal, Shared Prosperity and Levelling Up funds (page 26)
 - the Local Enterprise Partnership review (page 27)
 - local work on, and national reforms to, skills provision (page 28)
 - COVID-19 and Brexit impacts on Gatwick and Newhaven Ports (page 28)
 - national and local work on cultural sector recovery (page 29)
 - the Product Security and Telecommunications Infrastructure Bill (page 29)
- **Environment and Climate Change**, covering:
 - the United Nations Climate Change Conference of Parties (COP) 26 (page 30)
 - ESCC's net zero response (page 30)
 - ESCC's Climate Change adaptation work (page 31)
 - the anticipated impact of the Environment Bill (page 32)
- **Workforce**, covering the return to offices plan and workstyles review (page 32)
- **Supporting Services**, covering updates on:
 - the Managing Back Office Systems programme (page 33)
 - the Orbis partnership (page 33)
 - Strategic Property Asset Collaboration in East Sussex (SPACES) (page 34)
 - ESCC Property Asset Management (page 34)
 - development of ESCC's digital strategy (page 35)
 - the Procurement Green Paper and Bill (page 35)
 - ESCC's work on social value (page 36)
 - arrangements for Member committee meetings (page 36)
 - the Redmond Review of local authority audit (page 36)
- **Finance**, covering the strategic reviews impacting local authority funding (page 36)

2. Overall Context

COVID-19

2.1. In February, the Government published its 'COVID-19 Response – Spring 2021' which outlined a phased 'roadmap' out of lockdown. The decision to progress at each step of the roadmap has been based on meeting four tests: that vaccine

deployment continues successfully, vaccines are effective in reducing hospitalisations and deaths, infection rates do not risk unsustainable pressure on the NHS, and the assessment of risks is not changed by new Variants of Concern. The Government's intention is that the relaxation of restrictions is cautiously managed so that further lockdowns are not required in future.

2.2. In light of increasing cases of the Delta COVID-19 variant and hospitalisations, full progress to step 4 of the roadmap (removing limits on social contact, opening remaining business premises and removing limits on large events) has been deferred to 19 July to provide time for all adults over the age of 18 to have been offered their first vaccine. Continuation of restrictions, including social distancing and wearing face coverings impacts the way we deliver a number of Council activities and services.

2.3. There will need to be a longer-term, national approach to managing the ongoing presence of COVID-19 in the population and potential future increases in infections. We can expect the approach, and any need for future restrictions or Government interventions, to be informed by the effectiveness of vaccinations and treatments, emergence of any further Variants of Concern and the impact of future infection rates on the NHS. The Government has established a new UK Health Security Agency (see 4.9 - 4.10 below) which will combine elements of NHS Test and Trace, the Joint Biosecurity Centre and Public Health England and in its initial phase of operation, will continue to provide scientific, intellectual and operational leadership in the COVID-19 response. ESCC's ongoing approach to outbreak control and management is set out at 4.2 – 4.8 below.

2.4. Parts of the Government's approach to recovery from COVID-19 are outlined throughout this appendix. Longer-term impacts on ESCC services and changes to working brought by the pandemic are also outlined throughout.

Economic Outlook

2.5. The Office for Budget Responsibility (OBR) has assessed the impact and provided forecasts on the impact of COVID-19 on the UK economy and public finances throughout the pandemic. The latest forecast in March projected that rollout of vaccines and easing of public health restrictions would fuel a rapid recovery in economic output this year, with Gross Domestic Product (GDP) returning to pre-pandemic output by the middle of 2022, six months faster than previously forecast in November 2020.

2.6. The forecast noted that the Coronavirus Job Retention Scheme (furlough), grants for the self-employed, and grants and guaranteed loans to businesses have played an important role in keeping viable businesses going, but have to some extent delayed, rather than avoided, unemployment and business insolvencies. These are expected to arise when Government support ends later this year.

2.7. 60,400 jobs in East Sussex were being supported by furlough or the self-employed support scheme at 31 January 2021. The latest provisional figures from Her Majesty's Revenues and Customs (HMRC) suggest this had decreased to just over 42,000 at the end of April. We expect this number to have reduced further at the next data publication as lockdown restrictions have eased and retail, hospitality and

leisure businesses have returned to operation. The true extent of the impact of COVID-19 on local employment, and in turn on demand for local services, will not be clear until Government employment support ends later this year.

2.8. The pandemic has already led to a sharp increase in the number of people claiming unemployment related benefits:

- 18,450 people in East Sussex were claiming Universal Credit (UC) (searching for work) or Job Seeker's Allowance (JSA) in May 2021.
- This was down 5.9% on the previous month, but up 102% (9,315 claimants) on March 2020.
- 5.8% of our working age population were claiming UC (searching for work) or JSA in May, lower than the rate in England (6.1%) but higher than the rate for the South East region (4.9%).
- Youth unemployment has been rising faster – 10.2% of people aged 18-24 were claiming UC (searching for work) or JSA in May 2021, compared with 4.9% in March 2020.

2.9. We would anticipate an increase in local unemployment to result in an increase in demand for support across our services. Detail on the developments informing our approach to supporting economic recovery and local businesses is set out at section 9 of this appendix.

National Economic Recovery

2.10. The Queen's Speech in May set out the Government's programme for the new Parliamentary session, with a focus on delivering a pandemic recovery that 'makes the UK stronger, healthier and more prosperous.' The speech re-affirmed that the Government is committed to 'build back better', harnessing opportunities and learning from the COVID-19 pandemic; as well as responding to existing societal issues and those arising from the pandemic.

2.11. The central ambition to the Government's plans for COVID-19 recovery, particularly economic recovery, is to 'level up' the country. In the Queen's Speech, this was defined as 'boosting jobs, driving growth and innovation, increasing opportunity for everyone, and ensuring everyone has access to excellent public services, regardless of where they live.' A Levelling Up White Paper is to be delivered later this year, with policy interventions to improve livelihoods and opportunity. This may have implications, and present opportunities, for ESCC's work to drive sustainable economic growth. The Levelling Up White Paper replaces the previously planned Devolution and Local Recovery White Paper, which had been expected to tie Government's plans for economic recovery and renewal to agreement of new devolution deals. The Levelling Up White Paper will be developed by a joint No.10 – Cabinet Office Unit, and informed by Neil O'Brien, MP for Harborough, whom the Prime Minister has appointed as national Levelling Up Advisor. Other key elements of the Government's levelling up agenda include the Levelling Up Fund (see 9.6 – 9.8 below), UK Community Renewal Fund (see 9.4 – 9.5. below) and Towns Fund.

2.12. The Levelling Up White Paper follows the Treasury's Plan for Growth, published earlier this year. This set out that the Government's three pillars of growth are infrastructure, skills and innovation; and that Government's ambition for

economic growth is to deliver three strategic aims: level up the whole of the UK (through regenerating struggling areas, for example), support the transition to net zero (growing net zero industries and creating new ones); and support the vision for ‘Global Britain’ (championing openness to fair and free trade, for example). These strategic aims will need to be considered in our planning and work, such as in making bids to Government funding for economic development.

Brexit

2.13. The UK fully ceased to be a member of the EU on 31 December 2020 when the transition period came to an end. A new Trade and Cooperation Agreement with the EU was agreed in December 2020, governing arrangements between the EU and UK on a range of areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters. The long-term impact of this agreement on the UK’s economy and public services remains to be seen, including the opportunities it could present for new policy making and legislative development.

2.14. A key area of impact for East Sussex will be in implementation of new border checks at Newhaven Port. After the trade deal was agreed, the Government published a Border Operating Model to outline how the borders would be managed in future. Within this model, it was intended to begin documentary checks on goods from 1 April 2021 and physical checks on goods from 1 July 2021. However, these requirements have been delayed until 1 October 2021 (documentary checks) and 1 January 2022 (physical checks). At the time of writing, we are awaiting the publication of an amended Border Operating Model to reflect this announcement. ESCC Trading Standards continue to liaise with the Port and UK Border Force to prepare for these checks (see further detail at 7.14 – 7.15 below).

3. Adult Social Care and Health

Coronavirus Impact and Recovery

3.1. The following sections outline the key developments impacting, or expected to impact, Adult Social Care and Health (ASCH) services during recovery from the coronavirus pandemic.

COVID-19 ASCH Recovery

3.2. *Adult Social Care & Health Programme:* To consider how the department could continue to provide services to those who need them safely, effectively and efficiently during the coronavirus pandemic, an Adult Social Care and Health Programme was established. In the wake of COVID-19, the programme (due to end in August 2021) is taking the opportunity to look back to understand, reflect and reprioritise our approach, ensuring that any efficiencies and lessons learnt are built into future service provision. The programme covers all aspects of ASCH, from initial contact and assessment, through to financial assessment and service delivery. Specific work is taking place to embed the benefits of increased use of technology in ASCH services during the pandemic (see 12.13 below for more detail).

3.3. We know that COVID-19 has disproportionately affected certain groups in society including those with learning disabilities, mental health problems, long-term

health conditions, and from some minority ethnic groups. ASCH is involved in a number of initiatives to support different groups, including through additional research, targeted communications, prioritisation of support and support to staff.

3.4. *Long-covid*: a significant proportion of people infected with COVID-19 will experience continuing symptoms or ‘long-covid’ and there is evidence some will have complex health needs months after they fell ill. This may have profound consequences on the demand for social care services. There is limited understanding of how long these healthcare needs last and ASCH will work alongside the NHS COVID-19 Recovery programme to ensure a joint approach is taken to health and social care needs.

3.5. *NHS Recovery*: The NHS and County Council, as part of the Integrated Care System, are developing local health and care priorities that reflect the needs of the local population and maximise hospital capacity to inform a plan for recovery. The plan will outline how the health and care system meets new care demands and reduces the backlogs that are a direct consequence of the pandemic, whilst supporting staff recovery and taking further steps to address inequalities in access, experience and outcomes.

Care Market Support and Resilience

3.6. During the pandemic, the challenges faced by the care market have been significant and have varied according to the type of service. Council staff have liaised closely with providers throughout to support them to adapt their services and meet people’s needs in alternative ways to ensure residents remain supported.

3.7. There has been an increase in homecare placements of approximately 15% during the COVID-19 pandemic, in part due to temporary closure of care homes to new admissions due to COVID-19 outbreaks. As a result of furlough and unemployment in other sectors, recruitment to home care roles increased significantly and the homecare market has been able to meet the increased demand. The block hour arrangement with three of the County Council’s lead providers (commissioning blocks of time up front), which is usually limited to short term busy periods, is in place and has been throughout the pandemic, to help patients return home from hospital when they are medically ready.

3.8. COVID-19 has brought into sharp focus the challenges facing independent sector providers. A Market Resilience and Sustainability Project Group has been established to look at areas of the social care market where concerns have been identified in terms of overall capacity; ability to meet the needs of our local population; and general concerns about market sustainability.

Compulsory vaccinations for care home staff

3.9. The Government has announced that people working in Care Quality Commission (CQC) registered care homes will need to be fully vaccinated with two doses of a COVID-19 vaccine from October, unless they are medically exempt. The decision is subject to Parliamentary approval and a subsequent 16-week grace period. It will apply to all workers employed directly by a care home or care home provider, those employed by an agency and deployed by a care home, and volunteers deployed in a care home. We will work with providers to monitor the

impact of the new requirement on recruitment and retention within the local care sector.

Mental Health Recovery Action Plan

3.10. The Government has committed £500m to expand mental health services as part of the Mental Health and Wellbeing Recovery Action Plan. This fund aims to respond to the impact of the pandemic on the mental health of the public, specifically targeting groups which have been most impacted, including those with severe mental illness, young people, and frontline staff.

3.11. Nationally, approximately forty percent of this funding will be used to accelerate delivery of key mental health commitments outlined in the NHS Long Term Plan in 2021/22, including extra support in the community for adults with severe mental illness. Funding will also be used to support prevention activities like debt advice, carers support, outreach to people facing loneliness and isolation and community groups.

3.12. ESCC will develop a person-centred approach, to mirror the Action Plan, focussing on resilience and self-help. Further integrated working between ESCC and the NHS, as well as the Voluntary, Community and Social Enterprise sector (VCSE), will enable people who use services and their carers to receive seamless, joined-up support. The Council will also use data and insight to achieve a joint understanding of provision across all sectors to help shape future market requirements that meet the needs of the population.

3.13. Early studies indicate that the pandemic affected those with pre-existing mental health conditions. Alongside this, prolonged social isolation and successive lockdowns have harmed people's mental and emotional wellbeing. It is in this context that a comprehensive review of the impact of loneliness and social isolation in East Sussex will shortly commence and will benefit from a reference group drawn from Members of the People Scrutiny Committee.

Development of a partnership approach to community wellbeing

3.14. Five Community Hubs were set up at the start of the pandemic to offer a local point of contact and support for people struggling to cope with the effects of the COVID-19 pandemic. Contact arrangements are still in place in each district and borough council and have been absorbed into existing contact centres to meet any ongoing need.

3.15. District and borough councils and VCSE sector have been central in providing localised support for residents and enabling community wellbeing. The County Council has provided leadership, facilitated the partnership approach, and administered a range of grants to support the resilience of local community services.

3.16. The County Council took the lead on supporting the residents identified as the Clinically Extremely Vulnerable (CEV) group, who were advised to shield during the pandemic. With the support of partner organisations, the Council ensured that CEV people were contacted and their needs assessed, ensuring access to information, food, medicines or basic support where this was required.

3.17. These partnerships, and the resultant work undertaken during the pandemic, are being developed to strengthen community wellbeing in the longer term. A partnership approach to community wellbeing will help us build on the collaborative work during the pandemic and continue to pool our resources and expertise across local government, the wider public sector and the VCSE sector to help our communities recover and thrive. Funding has been ringfenced to develop these approaches during 2021 and create a longer-term vision and model for community-based wellbeing.

Social Care Reform

3.18. The following sections outline national changes and reforms expected to impact delivery of ASCH services in future.

National reform

3.19. The Government has long committed to national reform of the adult social care system, to ensure provision is sustainable, equitably funded and affordable to those who require it. The Queen's Speech in May stated that proposals on social care reform will be brought forward by the Government but did not commit to legislation in this Parliament. This leaves local government still waiting for a tangible sustainable solution to the issues of demographic change and the increasing costs of care funding.

3.20. An inquiry has been launched by the Housing, Communities and Local Government Committee into the effect of COVID-19 on adult social care and the long-term funding required following the pandemic.

Reforming the Mental Health Act

3.21. The Government is proposing a wide range of changes to rebalance the Mental Health Act (MHA), the main piece of legislation that covers the assessment, treatment and rights of people with a mental health disorder, to put patients at the centre of decisions about their own care and ensure everyone is treated equally. The changes are based on four principles that have been developed with people with experience of the MHA. They are choice and autonomy (ensuring service users' views and choices are respected); ensuring the MHA's powers are used in the least restrictive way; therapeutic benefit (ensuring patients are supported to get better, so they can be discharged from the MHA); and treating the person as an individual.

3.22. ESCC will implement the changes outlined for local authorities within the Act alongside the Mental Health National Service Framework to improve the way mental health services are delivered. This will be reflected in both policy and practice to ensure people have a better experience when accessing information, assessment and treatment. In keeping with the new legislation, ESCC will develop services that people will value and use and enable them to seek help earlier.

National Strategy for Disabled People

3.23. The Cabinet Office's Disability Unit is developing a National Strategy for Disabled People with publication planned for later in 2021. The Disability Unit is working with different agencies (including disabled people, carers, parents and other people who have an interest in disability issues) to achieve practical changes that

will remove barriers and increase participation. The strategy will build on evidence and data, and critically, on insights from disabled people. It will include existing commitments, such as increasing special educational needs and disability funding; careers advice; internships and transition into work programmes; whilst identifying further opportunities to enable positive change.

3.24. The Council is committed to making practical changes to policies and guidance which strengthen disabled people's ability to participate fully in society. ESCC will ensure that the lived experience of the local population underpins policies by identifying what matters most to disabled people and disabled people's organisations and, in turn, use this insight to drive real change.

'Data Saves Lives' – health and social care data strategy

3.25. At the end of June, the Department for Health and Social Care (DHSC) published a new data strategy for the health and social care system, aiming to ensure the system is underpinned by high quality, readily available data. Building on the effective, innovative and timely use of data and insights in the pandemic response, the strategy aims to inspire collaboration within the NHS and between the NHS, adult social care and public health, to improve outcomes, people's experience of health and social care services and planning across sectors at the local and national level.

3.26. Commitments made in the strategy include introduction of a statutory duty for organisations within the health and care system to share anonymous patient data; and inclusion of adult social care providers (where they have digitised records) in shared health record solutions. The strategy is therefore expected to have implications for ESCC and social care in East Sussex and we will work with our partners to understand and respond to these. The Government's ambition to use data and insights to improve health outcomes and services aligns to the ambitions of the ASCH 'Being Digital Strategy' (see 12.13).

Health and social care integration

3.27. The following sections outlines progress, next steps and national reform on work to integrate health and social care services to achieve better outcomes, improve patient experience and use public funds more efficiently.

Integration and innovation – NHS White Paper and Health and Care Bill

3.28. The NHS White Paper 'Integration and Innovation: working together to improve health and social care for all' was published in February. It builds on policies set out in the NHS Long Term Plan and in the 'Integrating Care' paper published by the NHS in 2020. The White Paper forms the basis of a Health and Care Bill that will go through Parliament later in 2021 and is expected to become law by April 2022. The Government has explained that it is not intended as a comprehensive package of reforms and should be considered alongside broader reforms to social care (see 3.19 - 3.20), public health (see 4.9 – 4.10) and mental health (see 3.10 - 3.13 and 3.21 - 3.22).

3.29. The White Paper aims to remove some of the barriers to integration within the NHS, and between the NHS and local government and wider partners, through setting out a range of changes to accelerate improvements that need primary

legislation. An Integrated Care System (ICS) NHS body, with a unitary board, will be created to be accountable for NHS spending, performance and meeting patients' needs. NHS Trusts and Foundation Trusts will remain separate statutory bodies, with their functions and duties broadly unchanged.

3.30. The proposals in the White Paper recognise the need for two forms of integration: firstly, integration within the NHS to remove cumbersome barriers to collaboration, to make working together across the NHS an organising principle and move away from competition; and, secondly, integration between the NHS and others, principally local authorities, to improve health and wellbeing for local people. In line with the latter, a wider ICS Health and Care Partnership will have responsibility for developing a plan that addresses the broader health, public health, and social care needs of the system. The potential scope of this partnership work includes:

- working together to develop partnership approaches to community wellbeing (see 3.14 – 3.17 above);
- developing a systems approach to tackling loneliness and social isolation; and
- primary care developments and Primary Care Network delivery (including Population Health Management, multi-disciplinary team working and care coordination).

3.31. In line with this, system partners are shaping the next steps for strengthening joint working to meet the needs of the diverse communities within East Sussex, to improve population health and improve social and economic wellbeing more broadly to help reduce health inequalities.

3.32. Other proposals within the White Paper include:

- A duty to collaborate placed on NHS organisations (both ICSs and providers) and local authorities;
- Allowance of ministerial intervention in NHS service reconfigurations at any point of the process, as well as removing the current local authority referral process to avoid creating any conflicts of interest;
- A new duty for the CQC to assess local authorities' delivery of their adult social care duties;
- Embedding in law the 'Discharge to Assess' approach to discharging people from hospital. In East Sussex, this builds on our 'Home First' approach with the active principle of assessing a person's future care needs in their own home or care home to support their independence. This approach has been embedded during the pandemic; and
- The challenges faced in accessing comprehensive and accurate data from independent sector providers has been recognised. Data is to be collected through provider systems and existing data sets.

Local health and social care integration

3.33. There is a history and shared commitment to integrated working with the local NHS, as this provides the opportunity to deliver the best possible outcomes for residents and achieves the best use of collective public funding in East Sussex. ESCC is a lead member of the Health and Social Care Partnership, which is overseen by the East Sussex Health and Wellbeing Board. The partnership includes representation from: district and borough councils; East Sussex NHS Clinical

Commissioning Group (CCG); East Sussex Healthcare NHS Trust (ESHT); Sussex Community NHS Foundation Trust (SCFT); Sussex Partnership NHS Foundation Trust (SPFT); Primary Care Networks; Healthwatch; and the VCSE sector.

3.34. As well as having a lead role in the East Sussex system, local organisations are part of the wider Sussex Health and Care Partnership (SHCP). The SHCP was awarded ICS status in 2020. The NHS White Paper (see 3.28 - 3.32 above) intends for ICSs in England to have legal status from April, when they would absorb the healthcare commissioning functions of CCGs.

3.35. The East Sussex Health and Wellbeing Board has an agreed shared outcomes framework for our health and social care system. This steers our aims and planning in four key areas: population health and wellbeing; quality care and support; the experience of local people; and transforming services for sustainability.

3.36. The past year has seen work to further integrate our services to support people during the pandemic. This has included support and discharge hubs to ensure people leave hospital safely, at the right time and with the right care. Our integrated senior management and operating model for community health and social care, established in 2019/20, were vital in enabling our pandemic response. We also adapted the governance of our local health partnership to better enable our local response; supporting the Local Outbreak Control Plan, test and trace, care home resilience and the vaccination programme.

3.37. Partners are conducting a review of how the partnership and planning can be developed and further integrated this year. Next steps will be taken in the context of existing shared priorities and the changes set out in the White Paper. Plans will also take account of immediate priorities, including the need to continue to collaboratively manage the pandemic, support our care market and the ongoing recovery of NHS services (see 3.2 - 3.5 above).

4. Public Health

4.1. The following sections outline key local and national policy and operational developments impacting current and future provision of public health services in East Sussex.

Ongoing local outbreak control and management

4.2. There are key areas of new or increased work in Public Health, brought by the coronavirus pandemic, which we expect to be required for the foreseeable future. These are:

4.3. *Testing* - supporting the establishment of symptomatic and asymptomatic testing services for the East Sussex population. Central government developed the testing policy in an organic way to limit the spread of COVID-19. Community testing infrastructure is in place. However, the mobile, local and regional testing sites infrastructure is all currently managed/commissioned by the DHSC. With testing rates becoming considerably lower and use of some sites low, it is unclear what, if any, changes may occur and what role/responsibility may fall to local authorities.

4.4. *Tracing* - Our Local Tracing Partnership (LTP) covers East and West Sussex County Councils and district and borough councils. The LTP has responsibility for 'tracing' individuals who have tested COVID-positive (defined as a 'case') which the National Tracing Team have failed to contact. The work involves advising traced individuals of their results, self-isolation requirements and offering additional support to self-isolate to prevent transmission of the virus. The DHSC and national NHS Test and Trace have recently invited local authorities to submit an expression of interest to take on duties from the national NHS test and trace system. Detailed information is not yet available about funding to support this function. The future role and responsibilities of LTPs within the new Public Health System (see 4.9 – 4.10 below) is also not yet clear.

4.5. *Vaccines* - Both a Sussex-wide board and an East Sussex-based working group have been set up with the aim of increasing vaccine uptake. Aims include ensuring easy access and using tailored communications to promote positive messaging to the key target groups.

4.6. *Infection Control* - Our Infection Control and Prevention (IPC) Advisors have provided targeted support and advice to managers at care homes with less than 70% vaccination uptake and more general vaccine Q&A sessions in residential care home settings. IPC Advisors assist homes that have had an outbreak and provide support and advice to help contain the outbreak. IPC Advisors also support staff with guidance and queries.

4.7. The East Sussex Local Outbreak Control Plan is a live document and will continue to be updated in line with national guidance. The Local Outbreak Control Plan has been reviewed by Public Health England (PHE) and DHSC and was considered to have met or fully met all of the required criteria. Lessons learned locally and more widely contribute to the knowledge base and are applied, ensuring that the plan is informed by best practice.

4.8. Public Health staff will continue to provide professional and clinical advice and guidance to support many frontline Council services, residents and councillors, and to interpret Government guidance. This work increases every time that national measures change, e.g. lockdown changes, and when new guidance emerges.

National public health reforms

4.9. The pandemic prompted a Government review of national public health institutions, which decided that the functions of PHE for health security/protection (including against infectious diseases) and health improvement would be split. The health protection capabilities of PHE and NHS Test and Trace will combine into a new UK Health Security Agency (UKHSA) and its primary task will be to ensure the UK is well prepared for pandemics.

4.10. A new Office for Health Promotion will be created in the DHSC, under the professional leadership of the Chief Medical Officer. The Office for Health Promotion will help the whole health system focus on delivering greater action on prevention; and – working with a new cross-government ministerial board on prevention – it will drive and support the whole of Government to go further in improving health.

Transitions of services are due to take place over the summer and by Autumn 2021

it is intended that the transfer of staff to new destinations will be complete, the UKHSA will be fully operational and the DHSC Office for Health Promotion will be established. ESCC Public Health will need to continue to work with these bodies on local COVID-19 outbreak management and health promotion so will monitor and adjust to their creation as required.

Weight management funding

4.11. Government has provided local authorities an additional grant to tackle obesity, which has been brought to the fore by evidence of the link to an increased risk from COVID-19. Public Health has invested the 2021/22 Adult Weight Management Services Grant (just under £250k) the Council received to increase capacity within our integrated health and wellbeing service, One You East Sussex. As well as offering more places in its weight management programmes, One You East Sussex is subcontracting some activity to other providers across East Sussex. This will ensure that people across the county are able to access weight management support in a wide range of areas and settings.

Reducing health inequalities

4.12. The disproportionate impact of COVID-19 on some groups has strengthened the strategic need to ensure public health programmes focus on addressing known health inequalities and their causes. Local authorities share responsibility for reducing health inequalities with health system partners by addressing priorities and outcomes in local Joint Strategic Needs Assessments and health and wellbeing strategies. Other system partners, including third sector organisations, play a role in reducing health inequalities. ESCC's approach includes working across our wider partnerships, including with our emerging Primary Care Networks, district and borough councils and VCSE partners, to develop a coordinated approach to supporting prevention and wellbeing and acting together on the causes of ill-health and health inequalities.

5. Children's Services

5.1. The following sections outline national policy developments expected to affect future provision of children's services.

Review of Children's Social Care

5.2. The Government has commissioned an independent review of Children's Social Care which is described as "a once in a generation opportunity to transform the children's social care system and provide children with loving, safe and stable families". The review, which is scheduled to report in summer 2022, will look at the whole system of support, safeguarding, protection and care, and the child's journey into and out of that system, including relevant aspects of preventative services provided as part of early help. ESCC will contribute to the review as its recommendations could have significant implications for the way we deliver children's social care services in future.

5.3. Alongside the review, the Government has asked the Competition and Markets Authority to review current market activity and the role of independent/private placement provision for children within it.

5.4. From September, it will also become illegal to place any child under 16 in a setting that is not registered by Ofsted. Although this is a response to concerns about the quality of both the settings and the degree of oversight of children within them, it is likely to increase the difficulty in finding appropriate and legal options for children with very challenging and complex needs that registered providers are unwilling to accept. Furthermore, the Department for Education (DfE) launched a consultation on 24 May seeking views on proposed standards for unregulated provision for looked after children and care leavers aged 16 and 17.

Family Hubs

5.5. In March 2021, the Government published the Leadsom Review into early years services called “The best start for life: a vision for the 1,001 critical days.” The report stressed the importance of children having the best possible support as early as possible and the important role of staff such as health visitors and communication workers.

5.6. The review also links to a revised Government plan for the development of family hubs. Returning to an earlier children centre/Sure Start model, this would see services such as maternity, health visiting and benefits advice co-located and easily accessible to families; and help targeted at a lower level of need. In East Sussex we have undertaken a gap analysis against the principles of the new Family Hub model and the Early Help 0-19 service can meet some of the requirements but additional resources and further development in some areas would be needed to fully meet them all.

Supporting Families Programme

5.7. Supporting Families (previously called Troubled Families) is the national programme for the delivery of whole family support. Led by the Ministry for Housing, Communities and Local Government (MHCLG) the programme encourages local authorities to take a ‘whole family, whole system’ approach and promotes the use of data in planning and delivery of services to families. In East Sussex it is known as ‘Family Focus’ and keywork support is provided through our Early Help 0-19 Service. We have a target of 602 families for 2021/22. This is a minimum expectation of the number of families who will achieve their goals, making positive progress and enabling the Council to make payment by results claims.

5.8. Through the Children & Young People’s Trust (CYPT) we work with partners to promote our whole system, whole family approach, share workforce development opportunities and identify external funding streams to sustain family support programmes. Building on a series of workshops delivered during summer 2020, we are hosting a further round of workshops this summer to engage with partners across the multi-agency workforce about our shared experiences of supporting families and to develop our whole system, whole family work.

Unaccompanied Asylum Seeking Children National Transfer Scheme

5.9. In June, Kent County Council declared it could no longer safely accept new Unaccompanied Asylum Seeking Children (UASC) into its care. In response, the Government proposed changes to the National Transfer Scheme to encourage more authorities to accept transfers of UASC. These changes included increased funding and support for local authorities that accept UASC. Although we are not seeing the

same volume of UASC presenting in East Sussex as in Kent, we have seen an increase and are currently supporting 117 young people. This includes 53 under 18s and those over 18 who still require support from the County Council.

5.10. The National Transfer system is not a new process and East Sussex has played an active role in taking responsibility for UASC via this route since its inception in 2018 and will continue to do so when we have suitable placements available. Unless the Government mandate all local authorities to join a rota, East Sussex would not propose to volunteer to take part in the new voluntary rota that is being proposed since it will limit the flexibility that ESCC currently has to manage the transfer process effectively.

6. Education and Special Educational Needs and Disability

6.1. The following sections cover local and national developments impacting provision of education, education support and Special Educational Needs and Disability (SEND) services in East Sussex.

Pupil progress and achievement

6.2. Throughout the last year the Council has worked closely with schools, through the Primary and Secondary Boards, to support pupils with their learning. This has included a focus on standards and support to keep schools open for vulnerable and keyworker pupils during lockdowns. In addition, the Council has put in place a range of initiatives to support children and young people's education recovery.

6.3. The Primary Board allocated funding to develop reading and ensure that all pupils continue to make good progress. Leadership development was supported through the 'Stepping into Leadership' training and subject leader networks were developed across the curriculum. Since the start of this academic year (2020/21), members of the Secondary Board and the headteachers in their area groups have continued to collaborate closely on pupils' progress and achievement through high quality teaching, recognising and supporting students' individual needs, and engagement with 'hard to reach' families. The Secondary Board provided additional resource for targeted work with disadvantaged pupils and is working with Public Health to reduce persistent absence.

6.4. The Primary and Secondary Boards are also working together to support schools with the transition for Year 6 pupils into Year 7. There has also been close liaison between schools, colleges and the Youth Employability Service (YES) to support the transition of Year 11 students into Post-16 provision. Local authority advisers continue to work with school leaders to support their planning for educational recovery. A coaching programme and training have been put in place for primary and secondary leaders to support their wellbeing and resilience.

6.5. The Council will continue to work closely with the Primary and Secondary Boards to ensure that schools are able to access appropriate funds or resources which relate to the national school catch-up plan. The Government has committed to offering courses of free tuition for disadvantaged students and to an expansion of the 16-19 tuition fund, targeting key subjects such as maths and English. Other elements of the catch-up plan remain unclear and the boards will play a vital role in assessing

the impact and effectiveness of new initiatives within the context of our own local arrangements for educational recovery.

Increase in Electively Home Educated children and young people

6.6. The Council supports families who choose to electively home educate (EHE) their child with information, guidance and signposting. The EHE team ascertains the suitability of home education on an annual basis, to ensure that every child is receiving their educational entitlement. The EHE team also provides support where a family wants their child to attend school but feels they have to make the decision to EHE due to concerns about their child's provision at school.

6.7. The number of EHE children in East Sussex remains high at 1278. At the end of April 2021, the EHE team was working with an additional 279 children where the family had indicated a desire to electively home educate but the child was still on the roll of a school. This has now reduced to around 50 due to the team being increased by four EHE officers in recognition of the historic year-on-year rise in EHE numbers and the significant additional pressure related to COVID-19. The team works collaboratively with other Inclusion, Special Educational Needs and Disability (ISEND) services and Children's Social Care to return children to school where EHE is deemed unsuitable, and to maintain school placements where families express a desire to EHE due to concerns about provision. We continue to closely monitor EHE numbers and EHE is on the agenda of several strategic forums including the East Sussex Safer Children's Partnership.

Mental Health and Emotional Wellbeing

6.8. As COVID-19 restrictions are eased, it is anticipated that the increased need for Mental Health and Emotional Wellbeing (MHEW) support for schools and families will continue due to the long-term effects of stress and anxiety on wellbeing. Services are increasing their capacity to respond to MHEW needs with the provision of additional training for school and college staff and governors, funded by the Department for Education with a grant of £67k for East Sussex. An additional MHEW Schools Advisor has been appointed.

6.9. Consultation with stakeholders suggested that as well as training, schools and colleges need resources and activities to support emotional wellbeing. A series of toolkits are being developed; the first two will be launched at the MHEW schools conference in June and July. Topics include anxiety, self-harm and emotionally based school avoidance.

6.10. An externally commissioned schools' supervision programme will enhance the understanding of, need for and capacity of schools and colleges to provide supervision for members of staff. In addition, regular networking opportunities continue to be provided for senior leaders and governors to maintain their own wellbeing and further develop their skills in responding to the MHEW needs of children and young people, staff and parents/carers.

Funding to expand Mental Health Support Teams

6.11. Mental Health Support Teams (MHSTs) act on evidence-based interventions for mild to moderate mental health issues in schools. The teams' interventions complement the other support already on offer and support schools to develop a

whole school approach to supporting mental health. East Sussex already has three teams in the Havens, South Downs and Bexhill & Rother, covering 45 schools.

6.12. The MHST service received 272 referrals in the six months between November 2020 and April 2021, contacting 1,302 children and young people. A groupwork programme offer has been developed for schools that will provide psychoeducation to children, parents and school staff on a range of mental health issues including anxiety and depression alongside intervention groups for children. The team has a Specialist SEND practitioner in post who is working in three special schools offering an adapted cognitive behavioural therapy approach to the young people to support their mental health.

6.13. East Sussex has been awarded 2.25 new teams by NHS England. Team 1 for Hastings will be operational by September 2021, team 2 for Hastings from September 2022 and the 0.25 team by September 2023. Location of this team is still to be decided.

Consultation on the High Needs Funding Formula

6.14. This spring, the Government consulted on making changes to the funding formula for the allocation of the High Needs Block (the funding that local authorities use to make educational provision for children with SEND) at a national level. If implemented, these changes would see a significant shift in the way the grant is calculated for individual local authorities by incorporating the actual High Needs expenditure for the 2017/18 financial year into the allocation calculation for 2022/23. As East Sussex has effectively managed expenditure on the High Needs budget within the envelope of funding allocated since 2017/18, this change would result in a reduction of funding by over £900k (or 4%). East Sussex Schools' Forum has raised concerns with local MPs as well as through the national consultation on the proposals. At the time of writing we await the final decision on the 2022/23 grant allocation.

Government policy on academisation

6.15. The Education Secretary has, this year, set out a renewed commitment for schools to become academies and join multi-academy trusts. The Council continues to work with schools to support them to explore formal partnerships, including joining a multi-academy trust where appropriate. During the 2020/21 academic year two schools joined a multi-academy trust, and a further four schools have successfully applied for academy orders.

Ofsted review of sexual abuse in schools

6.16. The "Everyone's Invited" national campaign, launched in June 2020, has highlighted the issues of peer on peer harmful sexual behaviour in schools and colleges. In April, following increased national focus on the campaign, the Government announced that Ofsted would undertake a rapid review to determine whether schools and colleges have appropriate safeguarding processes in place. The review was published in June.

6.17. ESCC will consider with schools the findings of the review for any learning to inform our established approach. The Standard and Learning Effectiveness Service (SLES) and key partners, such as SWIFT Specialist Family Services and ISEND,

have worked together over recent years to develop an East Sussex protocol and toolkit for schools and colleges in managing these complex situations. The protocol includes a local authority based rapid response team which aims to offer timely support and guidance to school leaders when a situation emerges which threatens the smooth running of a school and creates vulnerabilities within the community. In addition, SLES has commissioned SWIFT Specialist Family Services to deliver a Sexual Risk Leads Training programme throughout this academic year (2020/21). This specialist training programme is designed for Designated Safeguarding Leads (DSLs) in schools so that they can better support children and young people involved in peer on peer harmful sexual behaviour, as well as respond to disclosures of child sexual abuse. To date, 40 DSLs have attended. The protocol and toolkit are fundamental elements of DSL and Whole School Safeguarding Training.

SEND Review and SEND inspection framework

6.18. A DfE review of the impact of SEND reforms introduced in 2014 is due to be published this summer to identify areas for improvement. The review was due to report last year but has been delayed due to COVID-19. The Council has contributed to the review through the consultation process. Any recommendations will be incorporated into local policy and practice.

6.19. Since 2016, Ofsted and the Care Quality Commission (CQC) have been undertaking Joint Area Inspections of SEND across each local authority area. The inspection covers, education, health, and care for children with SEND in England. Although a precise timeline has not been published, these are due to conclude this year, with a new inspection framework expected from 2022 onwards.

6.20. This framework will very likely be informed by the outcomes of the SEND review and learning from the outcomes of previous inspections which found a large number of local areas as having significant failings. East Sussex was last inspected in December 2016. The outcome of this was that we had no significant areas of concern. The recommendations for improvement were incorporated into our SEND Strategy. We will publish an updated SEND Strategy this year which will build on the progress we have made since 2016 as well as our plans for addressing gaps identified through the latest Joint Strategic Needs Assessment.

7. Communities

7.1. The following sections outline current and anticipated changes, locally and nationally, expected to impact and inform provision of services we deliver to communities in future.

Implementing the Domestic Abuse Act 2021

7.2. The Domestic Abuse Act 2021, which became law in April, covers all victims/survivors of domestic abuse regardless of their legally protected characteristics, while also stating that any guidance issued under the act must, so far as relevant, take account of the fact that the majority of victims of domestic abuse in England and Wales are female (excluding children treated as victims themselves). It sets out a definition in law of what constitutes domestic abuse, recognising that it can take the form of one or many of: physical or sexual abuse, violent or threatening behaviour, controlling or coercive behaviour, economic abuse and/or psychological, emotional or other abuse, carried out by a person who is personally connected to the victim.

7.3. The act places a duty on local authorities in England to provide support to victims of domestic abuse and their children within refuges and other forms of safe accommodation. This has been accompanied by Government funding of £1.07m for ESCC for the financial year 2021/22. The act also places a duty on each such authority to appoint a multi-agency domestic abuse Local Partnership Board. The Council intends to extend the remit of the Pan-Sussex Domestic Abuse Improvement and Multi-Agency Group into the new Local Partnership Board which will oversee the work to assess the need for refuges within each local authority area; develop and publish a strategy for the provision of this support (due in August 2021); and then monitor and evaluate the effectiveness of the strategy.

7.4. There is partnership working taking place between East and West Sussex County Councils to agree collective priorities and to jointly procure support in safe accommodation. This will ensure the needs of women and children, and the needs of underserved communities, are met as well as other requirements in the act that will impact on Council-provided and commissioned services (for example Child Contact Centres).

Violence Against Women and Girls

7.5. The Home Office is seeking views to help inform the development of the Government's next Tackling Violence Against Women and Girls (VAWG) Strategy. The consultation collates people's experiences and the expertise of relevant professionals, including staff working in social care, education, local government, public health and healthcare. Once the strategy is published, ESCC will devise a local response to implement improvements in the effort to provide interventions to address perpetrator behaviour and ensure that the Council and workforce is equipped to respond to the changing nature of these crimes and, most importantly, to support victims, survivors and their children.

7.6. ESCC is working toward [White Ribbon reaccreditation](#) (provided by the White Ribbon charity who lead in engaging with men and boys to end violence against women) to support men to take responsibility for reducing the level of violence against women by raising awareness and understanding.

Tackling drug misuse in Hastings

7.7. Hastings has been identified as one of four pilot areas across the country for a joint Home Office, DHSC and Public Health England initiative taking an intensive approach to tackling drug misuse in selected locations most affected, alongside national activity to disrupt the supply of drugs. The project aims to build on existing work and partnerships to improve health and reduce crime.

7.8. Hastings was selected due to high rates of heroin and crack cocaine use alongside high rates of drug-related deaths. Funding for the scheme commenced in the last financial year 2020/21 and will run until the end of the financial year 2022/23 and will see an investment of £5m in the town. The project is creating a whole system approach to tackling heroin and crack cocaine use by focussing on outcomes relating to police enforcement, diversion away from the criminal justice systems and treatment and recovery interventions.

Police, Crime, Sentencing and Courts Bill

7.9. The Police, Crime, Sentencing and Courts Bill has reached the Committee Stage in the House of Commons. Elements of the bill which will affect local authorities and Safer Communities Partnership working include a duty on local authorities, the police, criminal justice agencies, health and fire and rescue services to work together to prevent and reduce serious violence; and the introduction of Offensive Weapon Homicide Reviews and Serious Violence Reduction Orders. These will be used to prevent serious violence by equipping the police with new powers to stop and search those convicted of knife and offensive weapons offences. The Police, Crime, Sentencing and Courts Bill will place new duties on local authorities to tackle serious violence within a holistic public health approach. There is a partnership structure in place for tackling the issues raised and the Council is committed to implementing the guidance in respect of the new duty once it has been received.

7.10. It will also be important for this bill to complement the measures outlined in the Domestic Abuse Act (see 7.2 – 7.4 above), the forthcoming VAWG Strategy (see 7.5 – 7.6), the draft Victims Bill, as well as wider legislation and guidance, to ensure that simultaneous changes to the local government community safety landscape are considered collectively and carefully.

Library and Information Service

7.11. The Library and Information Service has maintained provision of services wherever possible in the pandemic and worked to ensure that the service continues to deliver on our priorities: improving child and adult literacy, supporting the economy, health and well-being and supporting those that are digitally excluded.

7.12. It is anticipated that the easing of lockdown could result in a surge in demand for some services and the library service is well placed to support with recovery. Early evidence suggests support will be needed in helping parents and children with educational catch up through homework clubs, supporting those that have found themselves socially isolated and helping people find new jobs. Key to the success of our offers and contribution to the recovery process will be ensuring that we market our services to those in need, using a variety of channels.

Trading Standards

7.13. Trading Standards, Sussex Police and the district and borough Environmental Health teams have worked closely together during the pandemic. A single point of contact has been established to enable queries and concerns about compliance from businesses and residents to be managed effectively, which will be continued.

7.14. As outlined above (see 2.14), Trading Standards are preparing for post-Brexit changes to border operations at Newhaven Port. Lewes District and Eastbourne Borough Councils are designated the Port Health Authority (PHA) for Newhaven and have been working with the Department for Environment, Food and Rural Affairs (DEFRA), the port and Trading Standards to recognise Newhaven Port as a Border Control Point to allow for the continued importation of high-risk food. Trading Standards is in liaison with the Port and UK Border Force to ensure adequate facilities are in place for product safety and feed imports.

7.15. Trading Standards will develop and implement a risk-based approach to inspection and monitoring. In addition, the team will liaise with Government agencies to co-ordinate our activities, both at Newhaven and elsewhere, as part of our market surveillance activities. We will also educate and support businesses and consumers in East Sussex to know about the changing regulatory framework and requirements brought about by exit from the EU.

Resilience and Emergency Planning

7.16. The Sussex Resilience Forum (SRF) (a partnership formed of organisations with a responsibility to prepare for and respond to any major emergency within East Sussex, West Sussex and Brighton & Hove) continues to provide a coordination and communications role in supporting the multi-agency response to the pandemic. The nature of the pandemic means we are likely to move in and out of response and recovery throughout 2021 while continuing our efforts to return to business as usual. The SRF will have a light touch coordination and communication role in the recovery phase. The recovery phase will be local authority led and will focus on local recovery in the three parts of Sussex, rather than the whole. Where there is a role for a pan-Sussex response, this will be co-ordinated by a Recovery Coordinating Group.

7.17. The ESCC Emergency Planning and Resilience team has undertaken a review of key tasks delayed by the pandemic and gaps in delivery have been addressed to support future delivery of the service post-pandemic.

Planning reforms

7.18. As announced in the Queens Speech in May, the Government is committed to reforming the planning system over the coming 12 months, and most likely beyond. These reforms are expected to be along the lines of the proposals set out in the Planning for the Future White Paper, which was published in September 2020. Such reforms are likely to significantly affect the County Council.

7.19. This impact will be in terms of how the County Planning Authority function (primarily dealing with waste and minerals planning matters) is undertaken, how the County Council secures the timely provision of infrastructure necessary to support new development (particularly education and transport), and how the Council performs its statutory planning consultee roles both for planning applications and Local Plans. Ensuring that the teams that perform these functions are able to respond to these changes and best represent the County Council's interests in planning decisions will be a key issue over the coming months.

8. Highways and Transport

8.1. The following sections cover local developments and new national policies and strategies that will impact the future provision and priorities of highways, transport services and transport infrastructure in East Sussex.

Highways contract re-procurement

8.2. The current highway maintenance contract is a seven-year contract awarded to Costain in April 2016. The contract does not allow for any extensions, by design, and therefore a new contract will need to be in place before the end of April 2023. A project team has been established, reporting to the Highway Re-procurement Board

and a Scrutiny Reference Group has been established from Members of the Place Scrutiny Committee to provide oversight and scrutiny of the project.

8.3. The project team is working to the Corporate Strategic Commissioning template and has completed the Outline Business Case (OBC), which was approved by Cabinet in January. The OBC is a high-level options appraisal that looked at a range of possible service delivery models through which the Council could deliver its future highways maintenance service beyond April 2023. It assessed the relative advantages, disadvantages and risks of different service delivery models. A long list of options was appraised, to inform the determination of a short list (two options) for consideration and further detailed development within the Detailed Business Case (DBC) stage to be presented to Cabinet in July.

8.4. Engagement of elected Members has been key to the success of this project, and a cross party Scrutiny Reference Group was established to input into the project. The Reference Group has held ten meetings and three briefing sessions to date, which have included an overview of the current contract, contract form, and business case development. The Reference Group signalled their approval of the options appraisal long list to shortlist and identified key priorities to be included in the DBC in their interim report. Scrutiny involvement will continue through the next stages of the project via a re-established Reference Group drawn from the new Place Scrutiny Committee membership.

Bus Back Better

8.5. In March 2021, the Government launched Bus Back Better, a new bus strategy for England outside London. It aims to rejuvenate local bus services, making them attractive for passengers, cheaper, easier to understand and use, faster, more reliable, and greener. It acknowledges the decades-long decline in bus patronage nationally and points to towns and cities which have bucked the trend, increasing passenger numbers with coordinated services and investment. Greater use of bus travel and more buses being zero emission will contribute to Government's central policy objectives of carbon net zero and levelling up. Central to the National Bus Strategy are new requirements for Local Transport Authorities (LTAs) to have a much stronger role in specifying and organising local bus services.

8.6. LTAs are expected to use the powers available in the Bus Services Act 2017 to achieve the aims of the strategy. Two potential routes are available – the development of a statutory Enhanced Partnership (EP) between LTAs and bus operators, or a franchising scheme. By the end of June 2021, Government expects all LTAs to commit to establishing an EP across their entire areas and for all operators to be in co-operation with the process. The EP, or a decision to progress with a franchising scheme should then be in place by April 2022. Government made available a £100k flat payment to assist local authorities, who request it, towards progressing an EP or franchising arrangement. We received this capacity funding in April. Further capacity funding will be available from the end of June once Government has received the notices of intent.

8.7. The strategy also places new requirements on LTAs to develop Bus Service Improvement Plans (BSIPs) by the end of October. This is to be updated annually and reflected in the Local Transport Plan and in other relevant local plans such as

local Cycling and Walking Infrastructure plans (more details on both below). The requirement to set up BSIPs and EPs with local bus operators, is to tight timescales, with actions on networks and services, fares and ticketing, passenger facilities, and highway bus priority measures. The strategy states that if a local authority fails to take this forward, they will lose out on their share of the £3bn of funding announced. They will also lose their current allocation of bus service operators grant (ESCC receives £426K pa), as well as expected revenue grants to support operators in maintaining services whilst passenger numbers recover post-COVID-19.

Local Cycling and Walking Infrastructure Plan

8.8. In response to the Government's Cycling and Walking Investment Plan and the more recent 'Gear Change' strategy, we have developed, with key local partners, a Local Cycling and Walking Infrastructure Plan (LCWIP). This sets out proposed local cycling and walking networks for the key coastal towns and the market towns within the county. It provides a basis for local authorities and their key partners to seek funding for cycling and walking infrastructure projects. The LCWIP will be considered by Cabinet in September 2021.

8.9. While we will work with our partners to explore and secure funding from various sources, one of the new main sources of funding will be the Department for Transport's (DfT) 'Capability Fund'. This Government funding is part of the £5bn available to local authorities over the next four years to provide greater access to buses and cycling and walking infrastructure.

Transport for the South East

8.10. Transport for the South East (TfSE) was established in 2017 by ESCC and partners, as a partnership to speak with one voice on the South East region's transport needs and priorities (see more information at - [Home - Transport for the South East](#)). TfSE's thirty-year Transport Strategy was submitted to Government in summer 2020, along with a proposal for TfSE to be granted statutory status as a sub-national transport body. While Government decided not to progress the proposal, DfT ministers have instructed officials to have regard to the strategy in developing new policy for the region.

8.11. Following confirmation of DfT funding for 2021-22, TfSE's main focus this year is on completing its programme of geographic and thematic studies. These will inform the development of a strategic investment plan for the region which will be published for public consultation in summer 2022. It will set out an integrated, long-term investment pipeline designed to deliver the vision at the heart of TfSE's Transport Strategy.

Williams-Shapps Review of Rail

8.12. The Williams-Shapps Plan for Rail, published by Government in May 2021, is intended to transform the railway, making it more efficient and responsive to the modern environment, catering to the needs of passengers and the freight industry. The plan will bring the network under a single leadership with the creation of a new public body called 'Great British Railways' which will run and plan the network, own the rail infrastructure, procure passenger services, and set and collect most fares and timetables. In addition, private partners will be contracted to operate trains, with franchising being replaced by Passenger Service Contracts; fares and tickets will be

simplified, including standardising mobile and online ticketing and flexible season tickets, and there will be better integration of rail with buses and cycling, as well as other forms of transport.

8.13. These changes will have a significant impact on passengers, businesses and the freight industry and it is important that as an authority we are involved in future processes associated with the plan to ensure these changes benefit our residents, those visiting East Sussex, and businesses operating in and out of the county.

Transport Decarbonisation Plan

8.14. Government is expected to publish its Transport Decarbonisation Plan this year which will set out the policies and plans needed to tackle transport related emissions with a vision for how a net zero transport system will benefit us all.

8.15. The Decarbonisation Plan will influence our own transport policies and plans for the county through the update to the East Sussex Local Transport Plan (see 8.16 below). To tackle transport related emissions, we will need to consider how we can use our cars less and ensure active travel (walking and cycling) and public transport become the preferred choice for our daily activities. Our Local Cycling and Walking Infrastructure Plan (see 8.8 – 8.9 above) and the requirement for the County Council to enter into an Enhanced Bus Partnership as well as develop a Bus Service Improvement Plan (see 8.5 – 8.7 above) will support this. Working with partners, we will need to consider our role and the potential approach to delivering electric vehicle charging infrastructure in the county as well as engage with bus operators on greening their fleet.

Local Transport Plan refresh

8.16. The East Sussex Local Transport Plan sets out our strategy and policies for how we plan to invest in improving transport and maintaining the roads in the county to meet transport needs. While our current Local Transport Plan covers 2011 to 2026, we plan to refresh it to reflect the national, regional and local policy changes of recent years that will influence how we plan and deliver transport in East Sussex in the future. This includes the County Council's declaration of a climate emergency, along with many of the developments referred in this section above (paragraphs 8.5 - 8.15). We will set out over the coming year how we plan to engage with stakeholders to help inform the update to the Plan.

High Speed Rail 1 (HS1) extension

8.17. Network Rail has recently completed their Kent and East Sussex Rail Connectivity study. Funded by DfT and the County Council, the study has considered four options to potentially improve rail connectivity to the Kent and East Sussex coast. Two of these options are in East Sussex; the first with partial line speed improvements on the Marshlink and the use of bi-mode (diesel or battery) trains, whilst the second involves further line speed improvements and the electrification of Marshlink. Both options include a new platform between platforms 2 and 3 at Ashford International and the track reconfiguration to enable trains to run between the HS1 link and Marshlink.

8.18. The study has informed the development of a Strategic Outline Business Case (SOBC) which sets out the strategic case for each option; the estimated costs;

an economic analysis of the benefits of each option relative to its cost, and recommendations on which options should be taken to the next development stage. The SOBC was submitted to Government in May 2021 for their consideration. It will be for Government to direct which options in the SOBC, if any, should be taken forward.

Highways England Programmes - A27 and A21

8.19. In 2020, Government published its second Roads Investment Strategy (RIS2), covering the period 2020 – 2025. RIS2 identifies that further work will be undertaken on developing proposals for the A27 between Lewes and Polegate as a potential pipeline scheme for construction between 2025 and 2030. This further work will be managed by Highways England and will commence this year. Alongside our partners, the County Council will continue to engage with Highways England on making the case for investment in a more comprehensive solution for this section of the strategic road network to improve the economic connectivity of the county.

8.20. RIS2 also included the development of a package of road safety improvements for the A21 corridor north of Hastings. Highways England commenced work on their safety package study in early 2021 and the measures will be rolled out over the life of RIS2. While not included in the RIS, we will continue to lobby and make the case to Government for improvements to the Kippings Cross to Lamberhurst, Flimwell and Hurst Green sections of the A21.

9. Economy

9.1. The following sections outline local developments and national policy and investment programmes that will affect the support we provide, with partners, to drive sustainable local economic growth and recovery.

9.2. The impacts of the COVID-19 outbreak on East Sussex businesses continue to be felt. Financial and other support is being provided by Government however the long-term impacts of the pandemic on our national and local economy will continue for some time to come. Business East Sussex (BES) (the East Sussex Growth Hub and part of the ESCC Economic Development Team – see more information here: [Home - Business East Sussex](#)) continues to identify priorities to support businesses to emerge stronger and more robust than before the pandemic and as the country transitions from our membership of the EU. The Economic Development team continues to invest in businesses by offering grants and loans, whilst commissioning a range of specialist support programmes aimed at helping businesses “pivot”, thrive and grow for the coming years.

9.3. Since its publication last summer, great strides have been made in delivering the Team East Sussex [Economy Recovery Plan](#) and helping businesses, people and communities recover from COVID-19. Between September 2020 and March 2021, £87.85m has been secured for investment in East Sussex. This is a combination of £53.47m of new money and a further £34.38m already secured that has been realigned to support business survival, reset and recovery.

UK Community Renewal and Shared Prosperity Funds

9.4. In March, at the Government’s Spring Budget, the prospectus for the pilot £220m UK Community Renewal Fund (UKCRF) was launched for the period April

2021 to March 2022. The UKCRF is a precursor to the much larger multi-annual UK Shared Prosperity Fund, planned to replace EU structural and development funding from April 2022, which will see the Government investing £1.5bn per year.

9.5. The purpose of this, mainly (90%) revenue funded, pilot is to seek innovative projects that can respond to the four investment themes of employment support, skills, business support and community/place shaping. Upper tier authorities are responsible for administering the fund, which involved co-ordinating the bidding process, appraising applications from stakeholders and then approving the submission list to Government by June 2021. ESCC received over 30 applications and prioritised 11 projects to the value of £5m. The outcomes of the County Council's submission will be known in July and successful projects must deliver by March 2022, with the upper tier authorities responsible for overseeing the programme management.

Levelling Up Fund

9.6. Government announced its £4.8bn Levelling Up Fund (LUF) earlier this year, which will provide funding to invest in local infrastructure that has a visible impact on people and their communities. The fund covers the period April 2021 to March 2024 (with some schemes funded up to March 2025 in exceptional circumstances) and is for bids of up to £20m capital funding (or more by exception). The LUF addresses the three investment themes of transport, regeneration and town centre, and cultural.

9.7. Each upper tier authority has the right to submit one bid on transport investment throughout the lifetime of the LUF programme. As such, the County Council has submitted a transport bid for funding to deliver the replacement of Exceat Bridge on the A259 near Seaford, which links two of our growth areas, Eastbourne and Newhaven, which are also within the highest priority areas for the LUF.

9.8. In addition, borough and district councils can put forward bids across all three investment themes but will need the support of the local transport authority for any bid that contain transport investments. All our East Sussex Borough and District Councils considered bid submissions for projects or packages in their respective areas around the three investment themes. All bids were submitted to Government in June with decisions expected this autumn. Further Levelling Up Fund bidding rounds are expected to follow in subsequent years but the timeframe for delivery will still be the same.

Local Enterprise Partnership Review

9.9. Local Enterprise Partnerships (LEPs) were introduced as a more locally-driven replacement for the nine regional development agencies abolished in 2010. The 38 LEPs are partnerships between councils, businesses and other stakeholders, driving productivity and job creation led by a business chair and board members who are leaders of local businesses and public bodies.

9.10. The Budget 2021 signalled change, with the Government undertaking to evolve the form and function of LEPs as they determine how best to support recovery, productivity, growth and business resilience. More detailed plans will be announced ahead of the summer Parliamentary recess, with a new operating model

to be at least partly in place by April 2022. The South East LEP, which covers East Sussex, Kent, Essex, Medway, Southend and Thurrock, is anticipating significant change as it moves to establish a refreshed focus without a capital programme to underpin it.

Skills

9.11. The Skills East Sussex (SES) Board and its wider stakeholders have continued to deliver a range of programmes to support people into work and training in response to the impact of the pandemic on the local workforce, including:

- Sector Based Work Academy Programmes (SWAPS) led by our local training providers are proving an effective tool for supporting those aged 18-25 into apprenticeships;
- the Department for Work and Pensions Kickstart programme has started to see young people moving into paid 6-month work placements in the county; and
- in July, Reed in Partnership, will start to deliver the Government funded - Restart programme, to address the needs of the long-term unemployed.

The SES Board is currently exploring new training and work opportunities that will be afforded by the move to net zero.

9.12. The Government has issued a new White Paper (Skills for Jobs) and the Post-16 Education Bill was presented to Parliament in May. The White paper aims to bridge current skill gaps by providing a Lifetime Skills Guarantee, placing employers in a more central role within the education system and investing in higher-level technical qualifications and apprenticeships. The paper presents a range of opportunities for East Sussex, including scope for the development of modular learning (where individuals access multiple modules of study, rather than taking a full degree or technical qualification in one go, providing greater flexibility in learning), lifelong learning grants for all adults to undertake technical or academic learning pathways, support with teacher recruitment and capital investment in Further Education facilities to improve the range and quality of local provision.

Gatwick and Newhaven Ports

9.13. The impact of the COVID-19 pandemic on international travel resulted in a significant decline in the number of passengers flying into and out of Gatwick during 2020 and the early part of 2021. This had knock-on impacts within the airport itself, with airlines shifting their operations elsewhere and job losses within the industry, but also within the wider business community and supply chains that serve the airport. With the gradual easing of the lockdown during 2021, it is expected that passenger numbers will start to grow but it may be some years before the number of flights out of the airport and consequently passenger numbers return to pre-COVID levels.

9.14. Due to the pandemic, Gatwick paused its plans to seek permission to utilise their northern runway for smaller aircrafts. Gatwick has recently recommenced work on these proposals, as a means of increasing the airport's capacity in the future to accommodate additional flights and passengers. We remain supportive of the expansion of Gatwick, and the potential economic benefits that this would bring to East Sussex, but on the proviso that the environment and social impacts, particularly air quality and noise, on the health and wellbeing of our local communities are

appropriately mitigated. New and emerging technology means benefits such as quieter fleets will help to reduce the impact of noise on local communities.

9.15. Newhaven and its port remains an important international gateway into the county. In December 2020, £6.2m of Government funding was secured from the Port Infrastructure Fund to build new border infrastructure at Newhaven Port for handling new customs and trading processes after Brexit. Part of the funding is being used to fund the final road infrastructure connection from the Port Access Road into the port land, to open up viable commercial space and maximise the benefits of the road. In addition, the Newhaven to Dieppe ferry was one of nine routes serving eight ports in the country to receive a Government freight contract aimed at increasing the country's import and export capacity after the EU transition. A third daily freight-only crossing started in early 2021 and this funding has secured the route's future.

Cultural sector recovery

9.16. Cultural and heritage destinations, visitor attractions and hospitality contribute to the East Sussex economy and support local health and wellbeing. These sectors were significantly affected by national restrictions in response to COVID-19. National bodies, such as Historic England and Arts Council England, are campaigning for continued financial support, with the £1.57bn Cultural Recovery Fund being the most significant form of financial support, which has seen two rounds of grants awarded so far (£5.4m to East Sussex). In June, the Government published its Tourism Recovery Plan to support a growing, dynamic, sustainable and world-leading tourism sector in all parts of the UK. The plan aims to recover domestic overnight trip volume and spend to 2019 levels by the end of 2022, and inbound visitor numbers and spend by the end of 2023.

9.17. Local tailored support has been developed, including South East Creatives business support and grants for Creative, Cultural and Digital companies, and SELEP investment in tourism recovery programmes. A pan-Sussex Culture and Tourism Recovery Group has been established which is looking to the future and planning for shared research and fundraising to support destination management organisations marketing campaigns. The group's work will be informed by the Government's national recovery plan. The SELEP Creative Workspace programme continues to respond to the need to re-purpose our high streets and address changes in work patterns.

Product Security and Telecommunications Infrastructure Bill

9.18. The Product Security and Telecommunications Infrastructure Bill, announced in the Queen's Speech 2021, is intended to accelerate and improve the deployment and use of digital communications networks. The Bill will support the installation, maintenance, upgrading and sharing of apparatus that enables better telecommunications coverage and connectivity. It will deliver reforms to the Electronic Communications Code to support faster and more collaborative negotiations for the use of private and public land for telecommunications deployment and put the right framework in place for the use of installed apparatus. We will monitor progress of the bill and potential impacts on ESCC's work to improve local digital connectivity.

10. Climate Change and Environment

10.1. The Council declared a climate emergency in 2019 and set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050. This is in line with the updated target for the UK agreed by Parliament in 2019. The severity of the climate crisis requires a shift in approach and now sees climate change initiatives as a part of everyday life. This has meant that work to tackle climate change and carbon emissions has become even more a part of ESCC's core business and we will see investment in carbon reduction increasingly as a basic need and key priority for the Council. As such, delivering net zero is a priority consideration in areas of work outlined throughout this appendix, including on transport planning (see section 8 above) and our review of how we work post-pandemic (see section 11 below).

10.2. The following sections outline local plans and partnerships; and national developments informing ESCC's response to climate change and environmental protection:

United Nations (UN) Climate Change Conference of Parties (COP) 26

10.3. The UK will host the COP26 summit in Glasgow in November, the UN's climate change conference. The UK Government is undertaking work with other UN nations to reach an agreement on how to tackle climate change. We expect Government funds and initiatives to be launched in the run-up to the conference, which may present opportunities for ESCC. The Government has also committed to publish its comprehensive net zero strategy on how it will meet the national net zero target in advance of the conference. Any agreement reached at the conference to tackling climate change in the next decade will inform the national approach to delivering net zero and some of ESCC's future plans.

ESCC net zero response

10.4. ESCC is a member of a partnership of private, public and educational sector organisations that make up the Environment East Sussex Board, which has prepared and is now implementing the East Sussex Environment Strategy 2020 (see more information here: [Environment Strategy 2020 – East Sussex County Council](#)). Progress against the aims and actions set out in the strategy will be monitored and reported over the course of the next year. Many of the aims and actions involve multi-agency/organisational responses and areas of work. Some of these actions complement other areas of work that the County Council is undertaking, in particular the Climate Emergency Action Plan. Of particular note for the coming year will be the development of a road map to net zero for the county.

10.5. ESCC's corporate [Climate Emergency Action Plan](#) was published in June 2020. This covers a two year period and a progress report is due to be prepared in September. Through the action plan, the County Council will be implementing measures that look to cut emissions from our buildings, transport and procurement, as well as investing in generating more renewable energy.

10.6. The Council will also be promoting and delivering support programmes that help residents and businesses identify and implement actions for reducing their carbon emissions. This will include programmes such as the Warm Home Service (more information available here: <https://warmeastsussex.org.uk>), Sussex Solar Together (more information available here: solartogether.co.uk) and Low Carbon

across the South East (LoCASE) (more information available here: [Low Carbon Across the South East](#)).

Climate Change adaptation

10.7. The Council, particularly through its Lead Local Flood Authority role, also has a role to play when it comes to adapting to the impacts of climate change. Projects that are underway, which the County Council is leading on, include the Seaford Property Level Resilience Project (working with homeowners to make adaptations to their properties, so that they are more resilient when flooding does occur) and the Southern Wealden and Eastbourne Dynamic Flood Risk Management project, which is a project that will run for the next 5-6 years and aim to improve knowledge and understanding of flood risk in this area so that better plans and interventions can be prepared that reduce homes' and businesses' vulnerability to flooding.

Environment Bill

10.8. In the 2021 Queen's Speech, the Government re-introduced its flagship Environment Bill to be progressed over the coming year, with any necessary secondary legislation following thereafter. The bill was previously introduced in the last Parliament and is planned to:

- Put the environment at the centre of policy making, making sure that this Government – and those in the future – are held accountable for making progress on environmental issues.
- Introduce a framework for legally-binding environmental targets and establish a new, independent Office for Environmental Protection.
- Introduce measures to revolutionise how we recycle; enhance local powers to tackle sources of air pollution; secure long-term, resilient water supplies and wastewater services; and protect nature and improve biodiversity.

10.9. Although amendments are expected to the bill as it progresses through Parliament, it is clear that many aspects of the bill will affect County Council functions. Proposals for changes to recycling have been consulted on and we await the outcome of the DERFA consultations on a deposit return scheme for drinks containers, extended producer responsibility and consistency in household and business recycling. We will work with colleagues in the borough and district councils to fully understand the impact on both the collection authorities and ESCC as the waste disposal authority.

10.10. Similarly, proposals around trebling tree planting by the end of this Parliament will have implications for the County Council as a landowner. The bill also currently proposes the need for biodiversity net gain to be mandated in any planning decisions taken, as well as the establishment of Local Nature Recovery Strategies. Although such reforms will complement parts of the East Sussex Environment Strategy (see 10.4 above), there are clearly resourcing implications for this. There is still some uncertainty as to how the burden will be split between lower and upper tier authorities, although ESCC, particularly through our position on the Local Nature Partnership, is maintaining a dialogue with DERFA to establish the practicalities for how such reforms will be addressed and appropriately resourced. It is anticipated that further clarity on addressing and progressing these reforms will be forthcoming over the next few months.

10.11. The Bill will also create a duty on ministers to have due regard to five environmental principles (the policy statement on environmental principles) when making Government policy in future. The Government consulted on the principles between March and June, which are:

- The integration principle which states that policy-makers should look for opportunities to embed environmental protection in other fields of policy that have impacts on the environment.
- The prevention principle means that government policy should aim to prevent, reduce or mitigate harm.
- The rectification at source principle means that if damage to the environment cannot be prevented it should be tackled at its origin.
- The polluter pays principle that those who cause pollution or damage to the environment should be responsible for mitigation or compensation.
- The precautionary principle states that where there are threats of serious or irreversible environmental damage, a lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

11. Workforce

Returning to offices plan and workstyles review

11.1. Following introduction of the Government's 'stay at home' message in March 2020, the Council moved quickly to support all staff to work from home where this was appropriate to their role. Routine projects to upgrade IT software and refresh equipment were already well progressed and this enabled the majority of staff to work remotely with relative ease.

11.2. The impact of the pandemic has provided an unprecedented opportunity to accelerate our planned changes to how we work in the future, and as the easing of the lockdown restrictions continues, the Council is planning future working arrangements and the safe return to the workplace.

11.3. Our reset and recovery planning includes considerations of working practices and models of service delivery. Using feedback from teams about the successes and challenges of working remotely over the last year, as well as the needs of the service, the Council has established a project to evolve its working practices and spaces to ensure we have modern and flexible workspaces that enable hybrid ways of working.

11.4. Human Resources and Organisational Development, Property and IT & Digital have been working collaboratively to provide a holistic response to changing working practices. There will be small changes to some of our physical spaces to create different types of workspaces, such as confidential zones, drop-in desk space, and adapting meeting rooms to maximise the effectiveness of hybrid meetings. IT & Digital will be rolling out a wider suite of video conferencing equipment in meeting rooms, as well as providing support to staff to increase digital competency and ensure we are getting the most out of the tools available. Underpinning these changes will be a suite of support to staff through training modules, a hybrid working policy and a toolkit of resources on the intranet.

11.5. New working practices will drive efficiency, as well as significantly reduce carbon emissions through a reduced requirement for staff travel. We also expect the success of hybrid working arrangements to enable us to attract and secure job applicants from a much wider geography than we have done traditionally, including outside of East Sussex.

11.6. The Council has also committed to enhancing its wellbeing offer to support staff during the pandemic, and we will continue to invest in supporting staff and managers as the way we work changes and develops.

12. Supporting Services

12.1. This section outlines current and anticipate developments and programmes of work within ESCC's support services.

Manging Back Office Systems

12.2. The Modernising Back Office Systems (MBOS) Programme was established to replace the Council's core finance and Human Resources (HR) systems. The current SAP system will no longer be supported by the supplier beyond 2027. Replacing a system originally implemented over fifteen years ago provides opportunities to take advantage of new technology better able to support an agile and flexible workforce, and to provide easily accessible data and insight to support management decision-making. The vision of the MBOS Programme is to "implement a suite of back office systems that best meet the current and future needs of the Council and which provides optimal return on investment".

12.3. The programme has undertaken an extensive and robust procurement process and recommended a preferred bidder for award of contract. The replacement system will deliver clear benefits, including a better user experience, undertaking transactional activity - freeing staff up to focus on more complex and value- added advice, and better availability of data and management reporting.

12.4. Following contract finalisation, the Programme will move to its implementation phase. Programme governance and resourcing is being refreshed to ensure that it is fit for purpose for a complex implementation involving the replacement of the organisation's critical finance, HR, recruitment and procurement systems. Closure of the programme is expected in late 2023 or 2024.

Orbis Partnership

12.5. The Orbis Partnership was set up to drive efficiencies in support functions through integration and standardisation, and to create greater operational resilience to deliver value for money and improved service delivery for the customer.

12.6. East Sussex and Surrey County Councils have been working in partnership on business services since 2015 through Orbis. Brighton & Hove City Council joined the partnership in May 2017 and Business Services budgets were integrated in April 2018. The partnership has achieved £13.9m ongoing savings since 2016/17 for the partner councils. A further £8.7m of one-off savings has also been delivered.

12.7. Orbis has been through a period of review and refresh to ensure the partnership fits the requirements of each partner, taking into consideration the

increased level of demand for strategic support and capacity from each of the sovereign authorities. The review has concluded that some services will return to sovereign control, and the IT and Digital, Procurement and Internal Audit functions will remain as integrated Orbis services. As a result of this, several changes will be implemented throughout 2021/22 with a new operating model and business plan being developed, and a new Inter-Authority Agreement to be signed by the three partners.

12.8. Moving forward we will have both an internal focus on how we run the partnership but, more importantly, a customer focus on meeting the needs and priorities of the three partner councils as they focus on COVID recovery. This includes:

- developments in service delivery and service user experience through the recovery activity;
- adoption and implementation of digital technologies to support Council priorities;
- further building the digital skills and confidence of the Council's workforce; and
- utilising automation to improve business processes and minimise dependency on manual and paper-based activities.

Strategic Property Asset Collaboration in East Sussex (SPACES)

12.9. SPACES is a partnership between local authorities, emergency services, health services, the VCSE and several Government departments in East Sussex. The programme was formed in 2011 as part of the East Sussex Strategic Partnership with the aim of collaboration on property based activity (such as co-location and land swaps) in order to make best use of public sector assets. A SPACES Strategy for 2021/22-2023/24 has been agreed, setting the ambition for SPACES to enable and drive wider outcomes such as regeneration, housing development, sustainability and health and social care integration. The partnership will also support the work of the workplace reset activity across partners.

12.10. Partners continue to deliver the One Public Estate (OPE) projects, having received £1.09m of Government funding across Phases 5, 6, 7 and 8. The projects are spread across all the East Sussex district and boroughs, with activities varying from emergency services co-location to town centre regeneration, office accommodation use across the public sector, provision of new training facilities and housing (including key worker accommodation). We will be looking to engage in the next round of OPE funding along with other external funding such as the Brownfield Land Release Fund.

Property Asset Management

12.11. The Council's new Asset Management Plan 2020-2025 contains an action plan to ensure operational assets are used efficiently. There is a property disposal workstream that provides capital receipts, which is integral to the Capital Strategy. There is a greater emphasis to ensure the Council's assets continue to reduce their carbon footprint and that capital investment is targeted to improve environmental sustainability. The Council's service needs will evolve following the coronavirus pandemic and this will affect the demands on its assets and the standards these need to be delivered to.

Digital technology

12.12. A Digital Strategy is being developed to provide a framework to connect corporate and departmental digital technology investment decisions and to provide a One Council view of the development of digital technology and skills. Building on the foundations that equipped the Council with the technology to maintain continuity of services and respond to new service demands during the COVID-19 pandemic period, it will set out a direction of travel to harness technology to support new ways of working and enable collaboration with partners. With residents and community outcomes central to the strategy, it will direct and support the adoption of digital technology to support the delivery of the Council's priorities.

12.13. Specific work is also taking place in ASCH to ensure the positive elements of digital practice implemented in response to COVID-19 are embedded longer-term. ASCH's 'Being Digital Strategy' covers four distinct strands – people (namely, clients and carers), practice, providers and partnerships. Through the use of technology, residents will be supported to have access to the information they need to make choices about their care, and to engage with services in a way and at a time that suits them. Staff will be supported, ensuring tools, systems and equipment are implemented and used to ensure effective and productive services. The strategy and its associated projects aim to improve outcomes for people and allow better co-ordination of care across the NHS and Social Care, a requirement outlined in the NHS White Paper (see 3.28 – 3.32 above). Children's Services are also developing a digital programme to embed positive outcomes from the use of digital technology during the pandemic.

12.14. A significant digital enabler for the Council will be the implementation of a replacement wide area network (a network extending over a large geographical area). The primary outcome will be an ultra-fast digital network that can be used by the Council and its schools, and potentially other public service partners in East Sussex. This upgraded infrastructure will support the Council's digital ambitions with faster, secure, and resilient connectivity to cloud hosted services. This investment in gigabit capable fibre infrastructure will further support the investment already made in improving broadband in East Sussex, as well as contributing significant social value.

Procurement Green Paper and Bill

12.15. Following the UK's exit from the EU, the Government is taking the opportunity to replace the current procurement regime, which was transposed from EU procurement directives. In the 2021 Queen's Speech, the Procurement Bill was announced which intends to simplify procurement in the public sector. This will overhaul the complex procurement procedures and replace them with three simple modern procedures. It will also work in conjunction with new National Procurement Policy Statement, which specifically states the importance of collaborative procurement arrangements like the one that currently exists as Orbis Procurement.

12.16. The Government believes the benefits will include increased transparency, simpler accessibility for suppliers, increasing consideration for wider social value and tackling unacceptable behaviour more easily (such as supplier fraud). These changes will take place over the next 18 months to two years and Orbis Procurement has been feeding into them via our links into the Local Government Association and wider networks.

Social Value

12.17. Our Social Value Measurement Charter continues to ensure that social value commitments such as apprenticeships, work experience, support for local community projects and environmental initiatives are secured through Council-procured contracts. To support our endeavours to deliver social value, a new East Sussex Social Value Policy will be developed and published in 2021 with revised targets for 2022/23. The new policy will provide a platform for the delivery of social value through good commissioning, procurement and contract management.

Member Services - virtual committee meetings

12.18. The temporary legislation permitting Members to attend meetings virtually during COVID-19 restrictions expired in May. Since then, the Council has made arrangements to hold essential meetings in person with appropriate COVID-19 safety measures in place in line with national guidance, Public Health advice and local risk assessment. We have also installed hybrid meeting equipment in the Council Chamber, which enables a level of remote attendance where this is permitted and agreed. Views are being sought by Government from local authorities on the longer-term future of virtual meetings through a call for evidence which the Council has responded to.

Redmond Review

12.19. In 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local authority audit as now practised and the transparency of local authority financial reporting. The Redmond Review put forward 23 recommendations to the Secretary of State for Housing, Communities and Local Government for consideration. Update reports have been presented to the Audit Committee.

12.20. The MHCLG will issue a final response later in the year, but in the meantime, it has launched consultations on the mechanism to be used to allocate the £15m announced to support local authorities to meet the rise in audit fees and new burdens resulting from the report, plus proposed changes to the current fee setting arrangements through Public Sector Audit Appointments Ltd.

12.21. A further consultation in the summer will provide the opportunity to respond to the recently announced proposal to move the leadership and oversight of the local audit sector to the new Audit, Reporting and Governance Authority, which will replace the Financial Reporting Council.

13. Finance

13.1. The pandemic, and resultant uncertainty has set back the Fair Funding Review (FFR) and Business Rates Retention (BRR), with the development of a multi-year local government settlement likely to be delayed for a further year.

13.2. The 'Fair Funding Review: a review of relative needs and resources' was launched in 2017 to review the baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The review concluded in 2018, and the Government has published a summary response. The Business Rates Retention Review was also launched in 2017 and concluded in

December 2018, although an outline Government response has not been published. The review considered how to get the right balance of risk and reward and mitigate volatility in the business rates retention system.

13.3. ESCC responded to both reviews and fed into influencing undertaken by national bodies such as the County Councils Network and Society of County Treasurers, emphasising the importance of ESCC receiving fair and appropriate funding to meet the future needs of residents; as well as the limitations of growth in business rates for meeting increased demand for services. Implementation of the reforms has been delayed by Brexit and again by the COVID pandemic.

13.4. No date has been announced for the delivery of the FFR and/or BRR. The Medium Term Financial Plan will be refreshed on the assumption of a further one-year local government settlement for 2022/23. The sustainability of the Council's finances in the longer-term is reliant on national reform of funding for Adult Social Care.

13.5. On 29 June 2021, MHCLG launched a consultation on 'more frequent revaluations' as part of the Fundamental Review of Business Rates. This consultation is seeking views on revising the current 5 year revaluations to 3 year revaluations and any measures required to enable this. It also seeks comments on proposed reform and streamlining of the appeals process. Responses are required by 24th August. Changes to the revaluation process will impact most significantly on Districts and Boroughs as the administering authorities. More frequent valuations would, however, potentially reduce the increase in rental valuations, due to a shorter time period elapsed between each revaluation, and therefore reduce appeals, providing more certainty of receipts.

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1. Medium Term Financial Plan (MTFP) Update

1.1 The MTFP has been updated for regularly calculated adjustments and the additional year 2024/25. The full MTFP is shown below:

| Medium Term Financial Plan | 2021/22 Approved Budget £million | 2022/23 Estimate £million | 2023/24 Estimate £million | 2024/25 Estimate £million |
|--|--|---------------------------------|---------------------------------|---------------------------------|
| TAXATION & GOVERNMENT FUNDING | | (416.745) | (422.570) | (430.850) |
| Business Rates (BR) (Inclusive of BR Pooling in 2020/21 & 2021/22) | (81.522) | (1.514) | (1.607) | (1.669) |
| Revenue Support Grant | (3.568) | 1.212 | 1.430 | 1.471 |
| Council Tax | (305.914) | (7.379) | (8.217) | (8.661) |
| Local Tax Income Guarantee for 2020/21 - split over 3 years | (1.047) | 1.047 | 0.000 | 0.000 |
| Local Council Tax Support Grant 2021/22 | (2.621) | 2.621 | 0.000 | 0.000 |
| Adult Social Care Precept | (4.486) | (4.655) | 0.000 | 0.000 |
| New Homes Bonus | (0.505) | 0.391 | 0.114 | 0.000 |
| Social Care Grant | (17.082) | 2.452 | 0.000 | 0.000 |
| TOTAL TAXATION & GOVERNMENT FUNDING | (416.745) | (422.570) | (430.850) | (439.709) |
| SERVICE PLAN | | | | |
| Service Expenditure | 365.210 | 381.374 | 385.539 | 399.323 |
| Investment of unallocated funding – Revenue | (0.746) | (1.707) | | |
| Inflation | | | | |
| Pay Award 2020/21 | 0.074 | | | |
| Contractual inflation (contract specific) | 0.539 | 0.993 | 2.459 | 0.888 |
| Normal inflation for contracts | 6.763 | 8.590 | 7.884 | 8.682 |
| Adult Social Care (ASC) | | | | |
| Growth & Demography | 3.413 | (3.413) | 3.413 | 3.917 |
| Future demand modelling net of attrition (Covid-related) | 1.133 | (1.133) | 1.133 | (0.365) |
| Pressures approved via protocol | (0.743) | | | |
| Winter Pressures | (2.586) | | | |
| Children's Services (CSD) | | | | |
| Dedicated Schools Grant | | 0.422 | | |
| Growth & Demography | 1.070 | 2.635 | 0.993 | |
| Looked After Children | 1.909 | | | |
| Disabled Access Regulations for Buses/Coaches | 0.043 | 0.098 | | |
| Home to School Transport | 0.523 | 0.523 | | |
| Looked After Children Placements (Covid-related) | 3.429 | | (0.795) | (0.789) |
| Pressures approved via protocol | 0.184 | (0.124) | (0.124) | 0.124 |
| SEND High Needs Block Additional funding | (0.814) | (2.138) | | |
| Social Worker Pay | | 1.493 | | |
| Communities, Environment & Transport (CET) | | | | |
| Waste Housing Growth | 0.236 | 0.238 | 0.198 | 0.185 |
| Street lighting Electricity/Re-payment of Investment | (0.655) | | | |
| Pressures approved via protocol | 0.262 | 0.014 | 0.015 | |
| Business Services (BSD) | | | | |
| IT & Digital Licences | 0.025 | | | |
| Pressures approved via protocol | 0.110 | 0.004 | 0.005 | |
| Modernising Back Office Systems (MBOS) | | | | 0.386 |
| Governance Services (GS) | | | | |

| Medium Term Financial Plan | 2021/22 Approved Budget £million | 2022/23 Estimate £million | 2023/24 Estimate £million | 2024/25 Estimate £million |
|---|---|--|--|--|
| Additional resource to support Equalities and Diversity | 0.060 | | | |
| Additional capacity in Legal Services to support Children's Social Care | 0.143 | | | |
| Potential Investment Areas | | | | |
| Voluntary Sector, Community Hubs, Shielded Group | 0.880 | | | |
| Support to economic development | 0.100 | 0.025 | (0.055) | |
| Savings | | | | |
| Savings 2020/21 - 2021/22 | (2.953) | | | |
| Temporary mitigations to savings | (0.298) | (0.388) | (0.100) | |
| Removal of CSD Safeguarding Savings | | 0.854 | | |
| Savings Slippage | 4.063 | (2.821) | (1.242) | |
| NET SERVICE EXPENDITURE | 381.374 | 385.539 | 399.323 | 412.351 |
| Corporate Expenditure | | 35.371 | 38.765 | 42.747 |
| Treasury Management | 18.709 | 1.221 | 1.500 | 0.500 |
| General Contingency | 3.980 | 0.050 | 0.070 | 0.080 |
| Contingency for Potential Pay Award | 2.071 | 2.511 | 2.400 | 2.434 |
| Contribution to balances and reserves | 0.648 | | | |
| Pensions | 8.423 | (0.400) | | |
| Apprenticeship Levy | 0.600 | | | |
| Levies & Grants | 0.940 | 0.012 | 0.012 | 0.012 |
| TOTAL CORPORATE EXPENDITURE | 35.371 | 38.765 | 42.747 | 45.773 |
| TOTAL PLANNED EXPENDITURE | 416.745 | 424.304 | 442.070 | 458.124 |
| CUMULATIVE DEFICIT/(SURPLUS) | 0.000 | 1.734 | 11.220 | 18.415 |
| ANNUAL DEFICIT/(SURPLUS) | 0.000 | 1.734 | 9.486 | 7.195 |

1.2 The movements in the MTFP since February 2021 are summarised below:

| | Ref | Estimate (£m) | | | |
|--|-----|---------------|--------------|--------------|---------------|
| | | 2022/23 | 2023/24 | 2024/25 | Total |
| Council 9 February 2021 DEFICIT/(SURPLUS) | | 7.071 | 7.377 | 0.000 | 14.448 |
| Normal Updates | | | | | |
| Business Rates Retention | A | (1.721) | (0.285) | (1.134) | (3.140) |
| Revenue Support Grant | B | 0.185 | 0.238 | 0.906 | 1.329 |
| Council Tax Base | C | | | (1.688) | (1.688) |
| Council Tax Inflation | D | | | (6.621) | (6.621) |
| Council Tax Collection Fund | E | (1.121) | 0.416 | (0.362) | (1.067) |
| Local Tax Income Guarantee for 2020-21 | F | 1.047 | | | 1.047 |
| Treasury Management (increase in capital funding) | G | | 0.500 | 0.500 | 1.000 |
| General Contingency | H | (0.010) | | 0.110 | 0.100 |
| Levies Increase | I | | | 0.012 | 0.012 |
| CSD: Lansdowne income loss payback | J | | | 0.124 | 0.124 |
| Pressures added to / (removed from) the MTFP | | | | | |
| Pay Award Added Year @ 2.0% | K | | | 2.434 | 2.434 |
| Contractual inflation (contract specific) | L | | | 0.888 | 0.888 |
| Normal inflation for contracts | M | 0.716 | 0.631 | 8.692 | 10.039 |
| ASC: Growth and Demography | N | (7.330) | (0.650) | 3.917 | (4.063) |
| ASC: Demand modelling net of attrition (Covid-related) | N | (0.768) | 1.265 | (0.365) | 0.132 |
| CSD: LAC Placements (Covid-related) | N | 0.795 | (0.006) | (0.789) | 0.000 |
| CSD: Social Worker Pay | O | 1.493 | | | 1.493 |
| CSD: Home to School Transport | P | 0.523 | | | 0.523 |
| BSD: Modernising Back Office Systems (MBOS) | Q | | | 0.386 | 0.386 |
| CET: Waste Housing Growth | R | | | 0.185 | 0.185 |
| Savings: Removal of CSD Safeguarding Savings | S | 0.854 | | | 0.854 |
| DEFICIT/(SURPLUS) AFTER NORMAL UPDATES | | 1.734 | 9.486 | 7.195 | 18.415 |

1.3 Scenario planning continues and will have a potential impact on this base position; two scenarios include 'likely' and 'less likely' updates:

| | Ref | Estimate (£m) | | | |
|--|-----|----------------|---------------|--------------|---------------|
| | | 2022/23 | 2023/24 | 2024/25 | Total |
| DEFICIT/(SURPLUS) AFTER NORMAL UPDATES | | 1.734 | 9.486 | 7.195 | 18.415 |
| Likely Updates | | | | | |
| Social Care Grant | T | (2.432) | 0.000 | 0.000 | (2.432) |
| 2021/22 Local Council Tax Grant | U | (2.094) | 2.094 | 0.000 | 0.000 |
| Revenue Support Grant – Remain Static | B | (1.251) | (1.398) | (1.408) | (4.057) |
| Pay Award @ 2.0% for 2021/22 | V | 0.476 | 0.023 | 0.024 | 0.523 |
| DEFICIT/(SURPLUS) AFTER LIKELY UPDATES | | (3.567) | 10.205 | 5.811 | 12.449 |
| - | | - | - | - | - |
| Less Likely Updates | | | | | |
| Pay Award @ 2.5% all years from 2022/23 | W | 0.633 | 0.664 | 0.687 | 1.984 |
| Business Rates Proceeds of Pooling 2022/23 | X | (1.584) | 1.584 | 0.000 | 0.000 |
| Business Rates Growth | Y | 0.000 | (0.118) | (0.110) | (0.228) |
| DEFICIT/(SURPLUS) AFTER LESS LIKELY UPDATES | | (4.518) | 12.335 | 6.388 | 14.205 |

Normal Updates:

A Business Rates Retention and Growth

The current planning assumptions on business rates have been updated to reflect the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2021 and to include 2024/25 (a movement from 1.37% to 1.61% in 2022/23; from 1.58% to 1.89% in 2023/24, and a rate of 1.88% in 2024/25). As is normal practice we update these figures again for the September rates as they are published per the RPPR process.

Growth is estimated each year at a zero increase (consistent with the 2020/21 outturn) of the business rates base (noting that the average in a normal year is 0.7%). Since Full Council, updated estimates on business rates income from District and Borough Councils (NNDR1 forecasts) have been received. This showed an improvement in income, as the deficits predicted though the LG Future modelling and the District/Boroughs forecasts have not emerged. However, much has changed since these estimates were made. Business rates will continue to be monitored along with the Collection Fund and reviewed alongside the District and Borough Councils' final accounts and their latest collection forecasts to understand the impact for 2022/23.

B Revenue Support Grant (RSG)

At final settlement government confirmed that the RSG would be increased in line with the increase to the small business rates multiplier. A normal update to RSG has been made to reflect the latest inflation estimates by the OBR published in March 2021 on the small business rates multiplier. This is consistent with normal updates to the MTFP.

However, ahead of funding reform and a multi-year settlement the government have compensated for the mechanism outlined above which creates negative RSG in some authorities. The current assumption is that there will be no funding reform and it will be a single year settlement for 2022/23, therefore within the likely scenarios we have assumed the government will compensate for negative RSG in the same way it has done in the last couple of years. This will continue until a multi-year settlement or funding reform.

C Council Tax Base Growth

Normal growth is being estimated at 0.9% for 2022/23 to 2024/25 in line with the average annual growth. This is offset by the continuing assumption that Council Tax Support reduces the base annually by 0.38% on average. Work is ongoing with Districts and Boroughs to understand the impact of Local Council Tax Reduction Schemes.

D Council Tax Inflation & Adult Social Care Precept

The assumption is a council tax increase of 1.99% in all years; the current limit before referendum is triggered post 2020/21. The Adult Social Care Precept assumption has been maintained at 1.5% in 2022/23 as part of the approved spreading of the allowable 3% across two years as announced at Spending Review 2020 (SR20).

E Council Tax Collection Fund

While we await the data and monitoring of council tax collection from District and Borough Councils the Council Tax Collection Fund has been updated to assume that there will be no Collection Fund surplus or deficit due for 2021/22 income during 2022/23. The actual figure will be confirmed within District and Borough Councils' final accounts and though review of the compensation scheme now the methodology has been published. While we think Collection Fund surplus will return, as it is a method for Districts and Boroughs to manage their cashflows, we are still forecasting the Collection Fund to be zero ahead of better modelling.

F Local Tax Income Guarantee for 2020-21

Additional COVID-19 support was announced at the SR20 as compensation for 75% irrecoverable loss of council tax and business rates revenues to be split over a 3-year period. This has been removed as the initial estimate is zero for the Council, as a result of Hastings reporting a change from a significant deficit to a collection above the budgeted Council Tax requirement; this is an improvement of £2.031m. We are currently investigating this; this may change with

G Treasury Management (increase in capital funding)

There is a potential exit cost on a CCLA Investment Management Ltd investment that the authority will have to account to revenue in 2023/24. Additionally, in 2024/25 the added year shows the revenue impact of continued borrowing required to fund the approved Capital Programme and Strategy. This will be reviewed and updated to reflect updates to the Capital Strategy as part of the RPPR process.

H General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management.

I Levies Increase

The figures are reflective of the latest estimates of the Flood & Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

J CSD: Lansdowne Special School income loss (includes payback in 2023/24)

Final year's entry of the payback of income loss from Lansdowne Special School.

K Contingency for Potential Pay Award

A normal update has been made in 2024/25 to maintain current assumptions for Pay Award contingency at 2.0%; this will be subject to any union pay claim and the negotiated offer.

L Contractual Inflation (contract specific)

The service inflation model has been updated for an additional year. The methodology provides inflation to services for large contracts as per the contract but does not provide for inflation on running costs or small contracts.

M Normal Inflation for Contracts

The service inflation model has been updated for an additional year using the inflation figures published by the OBR at the Budget Statement in March. Further modelling is being carried out regarding inflation sensitivity and significant price increases as a result of EU Exit and the Pandemic.

N ASC Growth and Demography, ASC Demand modelling net of attrition (Covid-related) and CSD Looked After Children (LAC) Placements (Covid-related)

As a consequence of 2020/21 outturn and carry forward of COVID-19 funding, there is an opportunity to review the 2021/22 budget approved by Full Council in February 2021. The final outturn (before transfers to reserves) for 2020/21 is shown at Table 1 below:

| Table 1 - Outturn | 2020/21 Outturn £m | |
|----------------------------------|--------------------|-----------------|
| | BAU | Covid |
| Adult Social Care | 3.976 | (45.722) |
| Safer Communities | 0.000 | (0.018) |
| Public Health | 0.000 | (0.044) |
| Business Services / Orbis | (0.027) | (1.178) |
| Children's Services | (0.585) | (13.217) |
| Communities, Economy & Transport | 1.295 | (5.982) |
| Governance Services | 0.060 | (0.024) |
| Subtotal Depts | 4.719 | (66.185) |
| Centrally Held Budgets | 6.828 | (0.656) |
| Corporate Funding | 0.242 | (0.555) |
| Subtotal Depts & Corp | 11.789 | (67.396) |
| Specific COVID-19 Funding | 0.000 | 47.131 |

| | | |
|---|---------------|---------------|
| General COVID-19 Funding | 0.000 | 20.265 |
| Total | 11.789 | 0.000 |
| General COVID-19 Funding carried forward | | 15.132 |

Adult Social Care (ASC): the outturn underspend position was primarily due to the level of client deaths being in excess of normal modelled levels; a unique and short-term impact of the pandemic. In 2021/22, the budget was increased by £3.413m for growth and demography and £1.133m for future COVID-19 related demand modelling. If the budget is maintained then ASC will underspend significantly, as the impact of client deaths continues to be felt in 2021/22 and 2022/23. It is therefore proposed to remove these two budget growth items for 2021/22 and 2022/23; in doing so this will push out the additional funding required by ASC to 2023/24. Additionally within ASC the budget for Community Hubs is not required in 2021/22 as the long term model is being worked up and investment not likely to be required in full until 2022/23, plus any legacy costs of last year can be covered by COVID funding; so there will be a one-off transfer to reserve.

Children's Services (CSD): In setting the budget for 2021/22, additional funding of £3.429m was identified to fund Looked After Children (LAC) pressures that arose due to the pandemic; in particular to fund 13 children. With the significant carry forward of COVID-19 funding, it is possible to fund this pressure from the grant and therefore it is proposed to remove the budget for 2021/22. The budget will be required in 2022/23, unless there remains COVID-19 funding available.

Workstyles: The continuation of remote working until at least September 2021 means that travel costs will remain lower than average this year. It is proposed that budgets are again adjusted for underspend on travel for the first 5 months of the year, ahead of a return to more normal activity from the Autumn. These budgets will be transferred to reserve to support the Future Workstyles Programme.

The impact of these adjustments will be to transfer £8.855m from service budgets to be held corporately. This will generate an underspend within corporate accounts which is proposed to be used:

- a) To offset the non receipt of Local Tax Income Guarantee funding council tax and business rates. This is a cashflow issue as we await the District and Borough QCR4 returns;
- b) To fund in-year service pressures; and
- c) Any balance remaining to be transferred to reserves.

The detailed budget adjustments are shown in the table below:

| Table 2 – budget adjustments | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|---------|---------|---------|---------|
| Carry forward of previous year's base adjustment | | (7.975) | | |
| Adult Social Care | | | | |
| Growth & Demography – remove original MTFP entries | (3.413) | (3.917) | (4.063) | |
| Add back with 2 year delay | | | 3.413 | 3.917 |
| Demand modelling net of attrition (Covid-related) - remove original MTFP entries | (1.133) | 0.365 | 0.132 | |
| Add back with 2 year delay | | | 1.133 | (0.365) |
| Community Hubs (reduced for one year only) | (0.880) | | | |
| Children's Services | | | | |
| LAC Placements (Covid-related) – remove original MTFP entries | (3.429) | 0.795 | 0.789 | |
| Add back following year | | 3.429 | (0.795) | (0.789) |

| Table 2 – budget adjustments | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|----------------|----------------|----------------|
| Corporate | | | | |
| Tax Income Guarantee adjustment - initial estimate | 0.000 | | | |
| Balance to reserve | 8.855 | | | |
| Workstyles | | | | |
| All Departments – estimated budget adjustments (in-year only) | (0.700) | | | |
| Transfer to reserve for Future Workstyles Programme | 0.700 | | | |
| Total Adjustments | 0.000 | (7.303) | 0.609 | 2.763 |

O CSD: Social Worker Pay

There is a national shortage of Children's Social Workers. Given the business critical nature of the service and to remain competitive on salaries, a market supplement of 10% is agreed for the next three years.

P CSD: Home to School Transport

As part of 2021/22 budget setting, a cost pressure of up to £1.0m was identified for statutory Home to School Transport, due to proportionately more solo and twin occupancy during 2020/21 which is forecast to continue into future years (within the overall expected total numbers of pupils requiring transport). This pressure is not related to Covid; rather it represents a trend of increased solo and twin journeys. Budget of £0.5m was added for 2021/22, however current forecasts have confirmed the pressures are at the upper level of those forecast previously. The pressure in 2021/22 will be managed via reserves and quarterly monitoring. Going forwards, an additional £0.5m has been added to the MTFP, subject to approval via Pressures Protocol.

Q BSD: Modernising Back Office Systems (MBOS)

A full procurement procedure to consider suppliers and systems that could provide a new Enterprise Resources Planning (ERP) platform for the next 10 years has been completed. Investment in a new ERP solution will change the ongoing system operating costs as the solution moves from an on-premise to a cloud-based solution and the support model evolves. A bid will be made through the Pressures Protocol to request inclusion in the MTFP from 2023/24.

R CET: Waste Housing Growth

The forecast pressure for 2024/25 has been added to the current plan. Further review and update will be required to reflect the latest modelling.

S Savings: Removal of CSD Safeguarding Savings

The impact of Covid-19 and funding implications has enabled the savings target for 2022/23 to be reassessed and removed.

Likely Updates for Consideration:

T Social Care Grant

£300m additional grant for adult and children's social care for 2021/22 was announced at the Spending Review (included in the 2021/22 position as £2.452m), alongside confirmation that the £1bn social care grant in 2020/21 will be rolled forward; (this is £14.6m included in our base budget for the life of the current parliament). Due to the increasingly likelihood of a one-year settlement for 2022/23, it is considered likely that the Social Care Grant will be maintained at the 2021/22 level.

U 2021/22 Local Council Tax Support Grant

The announced element of the Local Council Tax Grant as a result of 2020/21 collection and the reduction to the Council Tax base due to increased local Council Tax support caseload was £4.735m. In 2021/22 the reduction to the Council Tax base for Council Tax Support was

£2.968m; and £2.621m of anticipated Local Council Tax Support Grant had been assumed. The additional amount of £2.114m can be applied to 2022/23 as continued and further reductions to the Council Tax based due to increase Council Tax support caseload are expected.

V Pay Award: 2.0% in all years

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An assumption has been made for a 2% award in 2021/22 and its impact in future years.

Less Likely Updates for Consideration:

W Pay Award: 2.5% in all years

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An additional assumption has been made for a 2.5% award in all years.

X Business Rates Proceeds of Pooling 2022/23

Proceeds of pooling have been updated using published information from Districts and Boroughs Councils. Due to the increasingly likelihood of a one-year settlement for 2022/23, it is considered possible that the Business Rates pooling arrangements will be allowable in 2023/23, however this will be a county wide decision.

Y Business Rates Growth

Business Rates Growth has been assumed at 0% in all years due to the medium-term impact of the COVID-19 pandemic. A scenario has been presented that assumes some recovery with growth of 0.7% from 2023/24 based on historical normal growth figures.

2. Savings

2.1 Deliverability of savings has been reviewed, and the savings target for CSD Safeguarding in 2022/23 has been removed (as per para S above). Appendix 3a shows the detailed savings targets, plus slipped savings carried forward from previous years, of £7.435m by 2023/24. No new savings are proposed to be identified at this point in the RPPR process.

3. Reserves

3.1 The Council's approach to the management and accounting for earmarked reserves is set out in the Reserve Strategy adopted by the Cabinet in June 2017. The Reserves have been reviewed using the principles set out in the Policy ensuring that they are reflective of the Council's strategic agenda and the current financial risks and issues the Council faces through the medium term.

3.2 It is crucial to bear in mind that the reserves are the only source of financing to which the Council has access to fund risks and one-off pressures over a number of years. If the Council minimises the level of reserves too significantly there is a risk that in future, the ability to properly manage unforeseen or one off costs will be significantly hampered. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is limited.

3.3 Reserves are a key element of the Council's financial management arrangements. Reserves can be broadly categorised as follows:

- **General Fund Balance** - a working balance to manage in-year risks if they cannot be managed via other mitigations. It is best practice for a well-run authority to hold such a balance to assist in delivering services over a period longer than one financial year.
- **Earmarked Reserves** - funds that are held to meet known or anticipated future one-off requirements, facilitating transformation and the management and mitigation of future financial risk and uncertainty.

3.4 The table below sets out the estimated balances from RPPR in February 2021 compared to actual balances at 1 April 2021, plus the expected balances by 31 March 2025:

| | Estimated Balances at Feb 2021 1 Apr 2021 £m | Actual Balances 1 Apr 2021 £m | Movement | Estimated Balances 31 Mar 2025 £m |
|---|---|----------------------------------|-------------|--------------------------------------|
| Earmarked Reserves: | | | | |
| Held on behalf of others or statutorily ringfenced | 24.1 | 32.3 | 8.2 | 31.7 |
| Named Service Reserves | | | | |
| Waste Reserve | 16.1 | 16.1 | 0.0 | 5.0 |
| Capital Programme Reserve | 8.9 | 12.4 | 3.5 | 8.9 |
| Insurance Reserve | 5.9 | 7.4 | 1.5 | 5.4 |
| Subtotal named service reserves | 30.9 | 35.9 | 5.0 | 19.3 |
| Strategic Reserves | | | | |
| Financial Management | 37.0 | 50.1 | 13.1 | 25.1 |
| Priority Outcomes and Transformation | 6.9 | 8.0 | 1.1 | 3.4 |
| Subtotal strategic reserves | 43.9 | 58.1 | 14.2 | 28.6 |
| Total Earmarked Reserves | 98.9 | 126.4 | 27.4 | 79.5 |
| General Fund Balance | 10.0 | 10.0 | 0.0 | 10.0 |
| TOTAL RESERVES | 108.9 | 136.4 | 27.4 | 89.5 |

3.5 There are a number of movements on the balances at 1 April 2021 since they were last reported at RPPR in February 2021.

- **Held on behalf of others or statutorily ringfenced:** the key movements are an increase in schools balances of £5.5m and a contribution from Public Health (funded from ringfenced grant) of £2.5m.
- We hold **Named Service Reserves** set at a level determined by internal and actuarial review to allow the management of risk and transactional requirements within these areas. The balance on the Capital Programme Reserve has increased, mainly due to transfer of the Treasury Management underspend of £2.7m as reported at year end; this will however, as reported in appendix 4, be offset by reduced targets for S106 and Community Infrastructure Levy (CIL) funding. The increase in the Insurance Reserve is the result of a reduction in provisions required following actuarial review, therefore the balance of provision no longer required was transferred to reserve.
- Within **Strategic Reserves:-**
 - the **Financial Management** reserve manages the potential financial consequences of risks recognised in the Council's risk management arrangements and the Chief Finance Officer's (CFO) robustness statement and enables wider management of the medium-term financial strategy and the investment strategy. The main movements since February 2021 are slipped investments projects of £2.3m, transfer of the unused general contingency of £3.9m and transfer of the £5.2m general underspend as reported at year end.
 - the **Priority Outcomes and Transformation** reserve is set aside to fund the transformation programme to change, protect and improve Council services. The increase since RPPR is the result of a one-off contribution from ASC workstyles

budgets of £0.6m to be used for the Future Workstyles Programme, plus slippage on a number of projects totalling £0.5m.

3.6 The level of reserves held continues to be considered reasonable given we hold a General Fund Balance of £10.0m, an in-year budgeted contingency and by 2025 there is a balance of £25m estimated to be remaining on the Financial Management Reserve.

Savings 2021/22 to 2023/24

Appendix 3a

| | 2021/22 | 2022/23 | 2023/24 | Total | Slippage c/f from prior year(s) £'000 | Total Savings £'000 |
|----------------------------------|------------|--------------|--------------|--------------|--|------------------------|
| | £'000 | £'000 | £'000 | £'000 | | |
| Communities, Economy & Transport | 594 | 1,462 | 100 | 2,156 | 2,039 | 4,195 |
| Children's Services | 134 | 893 | 0 | 1,027 | 46 | 1,073 |
| Business Services / Orbis | 136 | 0 | 1,242 | 1,378 | 789 | 2,167 |
| Total Departments | 864 | 2,355 | 1,342 | 4,561 | 2,874 | 7,435 |

Communities, Economy & Transport

Children's Services

| East Sussex County Council - Savings 2021/22 to 2023/24 | | Gross budget | Net budget | Savings | | | | Protected characteristics | | | | | | | Slippage c/f from prior year(s) £'000 | |
|---|--|--------------|------------|---------|---------|---------|-------|---------------------------|------------|----------------------|-----------|------------------------------|-----------------------|-------------------|--|----|
| | | 2018/19 | 2018/19 | 2021/22 | 2022/23 | 2023/24 | Total | Age | Disability | Gender / Transgender | Ethnicity | Marriage / Civil Partnership | Pregnancy / Maternity | Religion / Belief | Sexual Orientation | |
| Activity | Savings Proposal and impact Assessment | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | | | | | | | |
| Children's Social Care | | | | | | | | | | | | | | | | |
| Early Help | Following Lead Member decisions and remodelling the Early Help Service, there will be a reduction in the family key work service, which has been deferred until 2021/22 and 2022/23. Savings will be generated in 2021/22 as a result of ceasing to run services from 10 children's centres and 2 nurseries. | 9,592 | 5,652 | 134 | 893 | | 1,027 | - | | - | - | - | - | | | 46 |
| TOTAL Children's Services | | | | 134 | 893 | 0 | 1,027 | | | | | | | | | 46 |

Business Services / Orbis

| East Sussex County Council - Savings 2021/22 to 2023/24 | | Gross budget | Net budget | Savings | | | | Protected characteristics | | | | | | | Slippage c/f from prior year(s) | | |
|---|---|--------------|------------|------------|----------|--------------|--------------|---------------------------|-------|-----|------------|----------------------|-----------|------------------------------|---------------------------------|-------------------|------------|
| | | | | 2018/19 | 2018/19 | 2021/22 | 2022/23 | 2023/24 | Total | Age | Disability | Gender / Transgender | Ethnicity | Marriage / Civil Partnership | Pregnancy /Maternity | Religion / Belief | |
| Activity | Savings Proposal and impact Assessment | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | | | | | | £'000 |
| Business Services: Orbis and Managed on Behalf of (MOBO) services: Finance, IT&D, Procurement, Property Services, HR and OD and Business Operations | The Advisory and Change areas of support are being analysed and presented to the 3 partner Councils to determine which elements need to form part of the Core Offer as they are essential in supporting the partners deliver their priorities, and which elements will no longer be provided. The aim would be to reduce spending as set out in this table although the details of how this might be achieved is still being developed. | 47,534 | 22,270 | 136 | | 1,242 | | 1,378 | | | | | | | | y | 789 |
| TOTAL Business Services / Orbis | | | | 136 | 0 | 1,242 | 1,378 | | | | | | | | | | 789 |

Capital Programme Update

1 Background

- 1.1 The capital programme 2020/21 to 2029/30 approved as part of the Budget in February 2021 had a total programme expenditure of £586.0m, funded from a combination of Formula Grants (£211.6m), Section 106/Community Infrastructure Levy (CIL) Contributions (£41.8m), Specific Project Grants (£44.8m), Capital Receipts (£19.0m), Reserves and revenue set aside (£40.9m) and borrowing (£227.9m).
- 1.2 The capital programme focusses on the delivery of targeted basic need to enable the Council to continue to deliver services as efficiently as possible. Basic need for the purposes of the capital programme is currently:
 - Place: ensuring we meet future need;
 - Asset Condition: maintaining our assets to an agreed level;
 - ICT Strategy: ensure that our ICT is fit for purpose for delivering modern council services in a digital era and protecting data.

- 1.3 Investment beyond basic need, including asset enhancements and strategic investments is considered separately via business cases. Business cases should support organisational strategic direction. Payback is expected as agreed in the Business Case and will annually be used to reduce the borrowing requirement as part of affordability management. As such these are not included in the capital programme until their overall impact, including funding implications, have been assessed and approved.

2 Capital Programme Update

Table 1 below summarises the gross movements to the approved capital programme since budget setting in February 2021, noting that the first 3 years of the programme to 2023/24 are approved, whilst the remaining years to 2029/30 are indicative to support longer term planning against priority outcomes for capital investment. The movements reflect the 2020/21 outturn position and other updates in accordance with the approved governance and variation process. The detailed programme is provided at Annex 1.

| Table 1 - Capital Programme (gross) movements (£m) | 2020/21 | MTFP Programme | | | 2024/25 to 2029/30 | Total |
|---|----------------|-----------------------|----------------|----------------|---------------------------|-----------------|
| | | 2021/22 | 2022/23 | 2023/24 | | |
| Approved programme at February 2021 | 78.735 | 92.085 | 65.581 | 52.822 | 296.755 | 585.978 |
| Approved Variations (see 2.2) | 2.534 | 9.094 | 1.311 | 0.082 | 0.000 | 13.021 |
| 2020/21 Net Slippage (2.4) | (9.723) | 8.921 | 0.474 | - | 0.328 | 0.000 |
| 2020/21 Underspend (2.4) | (0.357) | - | - | - | - | (0.357) |
| 2020/21 Covid-19 Related (2.4) | 1.156 | - | - | - | - | 1.156 |
| 2020/21 Expenditure (2.4) | (72.345) | - | - | - | - | (72.345) |
| Programme Reprofiles | - | (14.638) | 10.772 | 0.632 | 3.234 | 0.000 |
| Total Programme | 0.000 | 95.462 | 78.138 | 53.536 | 300.317 | 527.453 |

- 2.1 Net nil approved variations to the programme since Budget in February 2021 total a gross £13.021m and are summarised in Table 2 below:

| Table 2 – Net nil approved variations since February 2021 | Gross Variation (£m) |
|--|-----------------------------|
| Schools Delegated Capital Expenditure 2020/21 (Specific Grant and Section 106) | 1.521 |
| Bridge Assessment & Strengthening - Adopted Structures (Commutted Sums) | 0.313 |
| Other Integrated Transport Schemes (Additional Grant) | 0.022 |
| Emergency Active Travel Fund (Specific Grant) | 1.389 |
| The Keep Equipment (Revenue Set Aside) | 0.030 |
| Getting Building Fund Various (Local Enterprise Partnership (LEP) Specific Grant) | 4.366 |
| Eastbourne Fisherman's Quayside & Infrastructure Development Project (LEP Specific Grant) | 0.360 |
| Skills for Rural Businesses Post-Brexit (LEP Specific Grant) | 1.495 |
| Salix Solar Panel Scheme (Specific Grant and Revenue Set Aside) | 0.343 |
| Hastings Bexhill Movement and Access Programme (CIL Contribution) | 0.300 |
| Covid-19 Recovery: Libraries Targeted Support (Covid-19 Contain Outbreak Management Fund Specific Grant) | 0.250 |
| Additional Schools Condition Allocation Grant (Additional 2021/22 Specific Grant) | 1.076 |
| Lansdowne Phase 2 (Specific Grant Funding) | 0.126 |
| House Adaptations for Disabled Children's Carers Homes (Capital Reserve) | 0.110 |
| Modernising Back Office Systems implementation (Financial Management Reserve) | 1.320 |
| Total Gross Variations | 13.021 |

2.2 Despite the pressures due to the Covid-19 pandemic, in total 2020/21 capital expenditure was £72.3m. Against an approved programme (including net nil variations) of £81.3m, resulting in a net variation of £9.0m. A detailed report on outturn can be found in the end of year council monitoring report to Cabinet in June 2021. The variation comprises; slippage of £9.7m, reprofiled to future years, a (net nil) underspend of £0.4m on the planned programme, and £1.1m of additional costs associated with Covid-19 related pressures that will be funded by Covid-19 grant.

2.3 The revised programme also reflects reprofiles reviewed and approved by the Capital Strategic Asset Board (CSAB).

3 Programme Update and Review / RPPR Next Steps

3.1 In February 2021, Full Council approved the 20-year Capital Strategy which underpinned a nine-year planned capital programme established to achieve agreed targets for basic need investment in support of the Council Plan. This was as a result of the ten-year programme not being extended for an additional year. This was because it was not considered meaningful to do so; with the one-year Spending Review (SR) on 25 November 2020 only setting government department's revenue and capital budgets for 2021/22 and providing no certainty over future years capital grants. Work will now be progressed as part of RPPR 2022/23 to extend the programme by a further 2 years to maintain a 10-year planning horizon and link into and support the Council's other strategies.

The Capital Strategy will also be reviewed to ensure it continues to drive investment ambition in line with the Council's priorities and to include and embed equality impact assessments (EQIAs) as part of the capital RPPR process. Whilst also providing for appropriate capital expenditure, capital financing and treasury management within the context of sustainable, long-term delivery of services. Updates to the Capital Strategy approved in February 2021 included

the emerging relevance of Environment, Social and Governance (ESG) considerations. The strategy will now be further updated to support the climate emergency, declared by the Council in 2019, and its target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050. Work to tackle climate change has become a part of ESCC's core business due to national legislation and is a key priority for the Council, opportunities for investment will be considered as basic need.

- 3.2 The pressures and issues that Covid-19 has presented are unprecedented and has thrown many of the current planning assumptions off course. Over the summer, services will not only have to explore their revenue offer but whether the current targeted basic need investment and capital strategy remain appropriate to support the post Covid-19 service offer and Council Plan. Any ongoing pressures on the programme will continue to be reviewed as part of the Council's performance monitoring process and funding options will be considered if specific mitigations are not forthcoming.

As well as a general review and all services being asked to consider their specific investment need, there are a number of specific issues arising that are set out below: -

- **Highways Maintenance:** Highways condition survey work is currently being carried out to review the extent of any underlying deterioration to the county's road systems. Any additional investment in highways will be considered in the context of the Highways Assets Management Strategy, and consideration given to how additional investment could be achieved, its implications, and how value for money can be assured. In addition, the Highways Maintenance programme will be further informed by the Highways contract re-procurement, details of which is reported as part of a separate report to Cabinet in July 2021.
- **Special Education Needs and Disability (SEND) School Places:** The current capital budget allocation for Special Education Need provision is £3.2m over the MTFP period, however, this continues to be an area of pressure for local authorities and additional funding will be required in East Sussex. SEND provision is currently being reviewed to ascertain what level needs to be provided across the county to minimise the revenue impact of alternative expensive placements. The outcome of this will be considered as part of the wider review of the capital programme during the RPPR process this year to inform 2022/23 onwards.
- **Schools Basic Need:** School Basic need requirements are currently under review for the latest data available and impact of revised local plans by Districts and Boroughs. This will be considered as part of the wider review of the capital programme during the RPPR process this year to inform 2022/23 onwards.
- **Workstyles investment:** a joint review of investment need (including on IT&Digital) to support changing workstyles where the impact of the pandemic has provided opportunities to accelerate planned changes of new working practices.
- **Carbon Neutral Commitment:** The Council declared a climate emergency in 2020. Work will be undertaken to review potential additional investment in carbon reduction projects to support the Council's aims, such as achieving a 13% year on year carbon reductions within our estates, integration of carbon reduction schemes as part of the planned maintenance programme and transport decarbonisation.
- The performance of East Sussex in relation to **Learning Disability settled accommodation** is below the national average. The Council's strategy is to increase supported living provision for adults with a learning disability in East Sussex, in line with the principles of Building the Right Support (2015). A number of developments, which would require capital investment, are being considered that would introduce additional accommodation options for adults with a learning disability.

- 3.3 A **Levelling Up Fund** was announced by government as part of the Spending Review in November 2020 to provide investment funding to local authorities for infrastructure improvements such as town centre and high street regeneration, local transport projects, and cultural and heritage assets. The Council has submitted a bid for £8.0m from the fund to deliver

infrastructure works to replace Exceat Bridge on the A259 near Seaford. If the bid is successful, then the capital investment will be added to the capital programme in accordance with the approved governance and variation process.

- 3.4 As part of RPPR process at February 2021, the ongoing capital risk provision of £7.5m was approved. This risk provision is a permission to borrow for emerging risks and is managed through ensuring Treasury Management capacity rather than representing funds that are within the Council's accounts. Its utilisation, if approved by CSAB would, therefore, require additional borrowing and be reported through the RPPR process and quarterly monitoring in the normal way. There are a number of risks and uncertainties regarding the programme to 2023/24 and beyond which have necessitated holding a risk provision, these risks include:
- Excess inflationary pressures on construction costs;
 - Uncertainty about delivery of projects in the programme, e.g. highways and infrastructure requirements;
 - Any as yet unquantifiable impact of supply issues and cost increases associated to EU Exit and Covid-19;
 - Any as yet unknown requirements;
 - Residual project provision (previously removed) if required; and
 - Uncertainty regarding the level of government grants and the ability to meet CIL and S106 targets.

3.6 As part of the RPPR process Capital Strategic Asset Board (CSAB) will review the adequacy of the level of provision for risks in the current programme.

4 Funding Update

- 4.1 In total there has been £6.6m of **additional non-specific government funding** announced since the budget for highways and schools investment. In accordance with the approved Capital Strategy, this funding would normally be used to reduce the level of borrowing currently required to support the core programme as the Council funds in excess of the grant provided in these areas. However as noted at 3.4 above these areas are will be reviewed as part of the RPPR process this year and this funding will be held to support in the first instance, any emerging additional need. The increases are as follows:
- **Highways Maintenance Funding (Block and Pothole Funding):** The Department for Transport (DfT) announced the allocation of highways maintenance funding to local authorities for the financial year 2021/22 in February 2021. The Council's share being £13.375m, which represents an increase of £2.939m compared to that originally assumed in the capital programme.
 - **High Need Provision Capital Allocation:** The Council has received notification of new capital funding of £1.274m in 2021/22.
 - **Schools Basic Need Allocation:** The recently announced School Basic Need allocation to support the provision of new school places in 2022/23 has increased by £2.368m.
- 4.2 Work will also continue to review and update estimates of other sources of capital programme funding as follows:-
- **Borrowing:** The current approved Capital Programme of £527.5m includes a borrowing requirement of £227.9m to 2029/30. This will be updated as part of the RPPR process and in line with the Capital Strategy.
 - **Capital Receipts:** Review and refinement of Property Services schedule of capital receipts will be undertaken to ascertain if further receipts might be included in support of the programme as their risk reduces. This is supported by the work undertaken by property recently and successfully getting a number of surplus properties to the point of sale.
 - **Infrastructure Contributions (Section 106 and Community Infrastructure Levy):** Joint working across finance and CET will continue to identify and draw down contributions to support the planned programme. There continues, however, to be a risk that the current

target for Infrastructure Contributions to support the programme is too high. This is the result of increased burdens of planning system reform and the trend of Community Infrastructure Levy contributions focusing on transport infrastructure work not included within the programme (this is added via approved variation once identified and in line with the Capital Strategy), therefore the current target will be reduced where possible. As part of 2020/21 outturn it has therefore been proposed that the target is reduced by £2.7m, reflective of the additional contribution to Capital Reserve for 2020/21 from Treasury Management underspend.

5 Conclusion

- 5.1 This report provides an update on current approved capital programme as part of the annual RPPR cycle. Work will now be progressed as part of the RPPR 2022/23 process to extend the programme by a further 2 years to maintain the 10-year planning horizon and link into and support the Council's other strategies. The Capital Strategy and programme will be reviewed, considering other Council strategies and to include environmental considerations, and revised targeted basic need expectations once the outcome of the various reviews are known. As defined in the Capital Strategy, any requirements outside basic need will need to be supported by a business case.

ANNEX 1 – Detailed Capital Programme

| CAPITAL PROGRAMME 2021/22 to 2029/30 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 to 2029/30 £'000 | Total Programme £'000 |
|---|------------------|------------------|------------------|--------------------------------|-----------------------------|
| Older People's/LD Service Improvements (House Adaptations) | 50 | 50 | 50 | | 150 |
| Greenacres | 154 | | | | 154 |
| Adult Social Care Gross | 204 | 50 | 50 | | 304 |
| Scheme Specific Resource - Specific Funding | (154) | | | | (154) |
| Adult Social Care Net of Specific Funding | 50 | 50 | 50 | | 150 |
| SALIX Contract | 428 | 350 | 350 | 2,100 | 3,228 |
| Property Agile Works | 122 | 81 | | | 203 |
| Lansdowne Secure Unit - Phase 2 | 314 | | | | 314 |
| Special Educational Needs | 800 | 1,600 | 800 | | 3,200 |
| Special Provision in Secondary Schools | 730 | 150 | | | 880 |
| Disability Children's Homes | 242 | | | | 242 |
| Westfield Lane (delivered on behalf of CSD) | 466 | 724 | | | 1,190 |
| Core Programme - Schools Basic Need | 16,686 | 6,218 | 6,714 | 45,480 | 75,098 |
| Core Programme - Capital Building improvements | 8,163 | 12,907 | 7,982 | 47,892 | 76,944 |
| Core Programme - IT & Digital Strategy implementation | 9,068 | 14,410 | 10,999 | 33,065 | 67,542 |
| IT & Digital Strategy implementation (utilising automation) | 24 | | | | 24 |
| Business Services Gross | 37,043 | 36,440 | 26,845 | 128,537 | 228,865 |
| Scheme Specific Resource - Specific Funding | (742) | (350) | (350) | (2,100) | (3,542) |
| Scheme Specific Resource - S106 and CIL Contribution | (4,925) | (185) | (1,806) | | (6,916) |
| Business Services Net of Specific Funding | 31,376 | 35,905 | 24,689 | 126,437 | 218,407 |
| House Adaptations for Disabled Children's Carers Homes | 160 | 50 | 50 | | 260 |
| Schools Delegated Capital | 760 | 729 | | | 1,489 |
| Conquest Centre redevelopment | 47 | | | | 47 |
| Children's Services Gross | 967 | 779 | 50 | | 1,796 |
| Scheme Specific Resource - Specific Funding | (760) | (729) | | | (1,489) |
| Children's Services Net of Specific Funding | 207 | 50 | 50 | | 307 |
| Broadband | 2,364 | 3,300 | 200 | 2,783 | 8,647 |
| Salix Solar Panels | 257 | 86 | | | 343 |
| Bexhill and Hastings Link Road | 1,660 | 252 | | | 1,912 |
| BHLR Complementary Measures | 97 | 33 | | | 130 |
| Economic Intervention Fund - Grants | 388 | 512 | 385 | 1,003 | 2,288 |
| Economic Intervention Fund - Loans | 375 | 625 | 500 | 848 | 2,348 |
| Stalled Sites | 100 | 229 | | | 329 |
| EDS Upgrading Empty Commercial Properties | | 7 | | | 7 |
| Community Match Fund | 106 | 1,143 | | | 1,249 |
| Newhaven Port Access Road | 459 | 79 | 20 | 776 | 1,334 |
| Real Time Passenger Information | 139 | 91 | 60 | 61 | 351 |
| Queensway Depot Development (Formerly Eastern) | 818 | 273 | | | 1,091 |
| Hailsham HWRS | 146 | | | | 146 |
| The Keep | 97 | 49 | 96 | 849 | 1,091 |
| Other Integrated Transport Schemes | 3,574 | 4,535 | 3,069 | 18,114 | 29,292 |
| Exceat Bridge Replacement (Formerly Maintenance) | 551 | 368 | | | 919 |

Appendix 4

| | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------|
| Emergency Active Travel Fund - Tranche 1 | 6 | | | | 6 |
| Emergency Active Travel Fund - Tranche 2 | 1,443 | | | | 1,443 |
| Core Programme - Libraries Basic Need | 370 | 742 | 449 | 2,694 | 4,255 |
| Covid-19 Recovery - Libraries Targeted Support | 250 | | | | 250 |
| Core Programme - Highways Structural Maintenance | 16,812 | 17,521 | 18,047 | 120,236 | 172,616 |
| Core Programme - Bridge Assessment Strengthening | 1,249 | 1,339 | 1,708 | 10,834 | 15,130 |
| Core Programme - Street Lighting and Traffic Signals - life expired equipment | 1,713 | 1,545 | 1,592 | 10,587 | 15,437 |
| Street Lighting and Traffic Signals - SALIX scheme | 1,636 | | | | 1,636 |
| Core Programme - Rights of Way Surface Repairs and Bridge Replacement Programme | 627 | 615 | 465 | 2,995 | 4,702 |
| LEP/SELEP schemes - delivery not controlled by ESCC | | | | | |
| Eastbourne Town Centre Phase 2 | 1,637 | 937 | | | 2,574 |
| Bexhill Enterprise Park North | 1,940 | | | | 1,940 |
| Eastbourne/South Wealden Walking & Cycling Package | 525 | 2,402 | | | 2,927 |
| Hailsham/Polegate/Eastbourne Movement & Access Corridor | 456 | 663 | | | 1,119 |
| Hastings Bexhill Movement and Access Programme | 2,325 | 3,523 | | | 5,848 |
| Sidney Little Road Business Incubator Hub | 381 | | | | 381 |
| Skills for Rural Businesses Post-Brexit | 3,113 | | | | 3,113 |
| Bexhill Creative Workspace | 369 | | | | 369 |
| Eastbourne Fisherman's Quayside & Infrastructure Development Project | 1,440 | | | | 1,440 |
| Getting Building Fund - Fast Track Business Solutions | 3,500 | | | | 3,500 |
| Getting Building Fund - Observer Building | 778 | | | | 778 |
| Getting Building Fund - Restoring Winter Gardens | 1,324 | | | | 1,324 |
| Getting Building Fund - Creative Hub 4 Fisher Street | 107 | | | | 107 |
| Getting Building Fund - Riding Sunbeams | 2,527 | | | | 2,527 |
| Getting Building Fund - Sussex Innovation Falmer | 200 | | | | 200 |
| Getting Building Fund - UTC Maritime and Sustainable Technology Hub | 1,300 | | | | 1,300 |
| Getting Building Fund - Accessing Charleston | 89 | | | | 89 |
| Gross LEP/SELEP schemes sub total | 22,011 | 7,525 | | | 29,536 |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (151) | (633) | | | (784) |
| Net LEP/SELEP schemes sub total | 15,596 | 6,892 | | | 22,488 |
| Communities, Economy & Transport Gross | 57,248 | 40,869 | 26,591 | 171,780 | 296,488 |
| Scheme Specific Resource - Specific Funding | (6,331) | (2,319) | (82) | | (8,732) |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (881) | (738) | (110) | (395) | (2,124) |
| Communities, Economy & Transport Net of Specific Funding | 43,772 | 37,812 | 26,399 | 171,385 | 279,368 |
| Total Programme Gross | 95,462 | 78,138 | 53,536 | 300,317 | 527,453 |
| Scheme Specific Resource - Specific Funding | (7,987) | (3,398) | (432) | (2,100) | (13,917) |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (5,806) | (923) | (1,916) | (395) | (9,040) |
| Total Programme Net of Specific Funding | 75,405 | 73,817 | 51,188 | 297,822 | 498,232 |

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APPENDIX 5

Current Priority and Delivery Outcomes

The Council has four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term. Making best use of resources in the short and long term is the gateway priority through which any activity and accompanying resources must pass.

For each priority outcome there are specific delivery outcomes. These are referenced to performance measures in this Portfolio Plan.

Driving sustainable economic growth - delivery outcomes

1. East Sussex businesses are supported to recover and grow through the delivery of the Economy Recovery Plan
2. The county's employment and productivity rates are maximised
3. Individuals, communities and businesses thrive in East Sussex with the environmental and social infrastructure to meet their needs
4. The workforce has and maintains the skills needed for good quality employment to meet the needs of the future East Sussex economy
5. The value of our role as both a significant employer and a buyer of local goods and services is maximised
6. All children progress well from early years to school leaver and into education, training and employment

Keeping vulnerable people safe - delivery outcomes

7. All vulnerable people in East Sussex are known to relevant local agencies and services are delivered together to meet their needs
8. People feel safe at home
9. People feel safe with services
10. We work with the wider health and care system to support people affected by Covid-19 to achieve the best health outcomes possible

Helping people help themselves - delivery outcomes

11. Commissioners and providers from all sectors put people first when providing services and information to help them meet their needs
12. The most vulnerable get the support they need to maintain their independence and this is provided at or as close to home as possible
13. Through our work with others, individuals and communities are encouraged to maintain and develop local mutual support systems

Making best use of resources in the short and long term - delivery outcomes

14. To help tackle Climate Change East Sussex County Council activities are carbon neutral as soon as possible and in any event by 2050
15. Working as One Council, both through the processes we use and how we work across services

- 16.** Delivery through strong and sustained partnership working across the public, voluntary community, and private sectors to ensure that all available resources are used to deliver maximum benefits to local people
- 17.** Ensuring we achieve value for money in the services we commission and provide
- 18.** Maximising the funding available through bidding for funding and lobbying for the best deal for East Sussex

Agenda Item 6

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| | |
|-------------------------|--|
| Report to: | Cabinet |
| Date of meeting: | 13 July 2021 |
| By: | Director of Communities, Economy and Transport |
| Title: | Highway Services Re-procurement Project (HSRP) |
| Purpose: | To inform Cabinet of the outcomes and recommendations from the Detailed Business Case for the Highway Services Re-procurement Project |

RECOMMENDATION: Cabinet is recommended to:

- 1) Note the findings of the Detailed Business Case;**
 - 2) Agree Option 2, Integrated Contractor & Designer Contract as the preferred Service Delivery Model because it presents the best opportunity and the least risk to the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner;**
 - 3) Agree the contract duration option of an initial term of 6 years 11 months + 7 years optional extension; and**
 - 4) Agree that a contract is developed and prepared for tendering based on NEC4 form of contract that reflects the Council's requirements and clearly defines the service requirements and the Service Provider's responsibilities.**
-

1. Introduction

- 1.1 This report presents an overview of the main work and outcomes from the Detailed Business Case (DBC) for the re-procurement of the new Highway Infrastructure Services contract. The DBC has been developed using the Council's Strategic Commissioning approach and the HM Treasury Five Case Model. The DBC has developed the recommendations from the Outline Business Case (OBC) and the two options approved by Cabinet in January 2021. These were to develop further:
- Option 1: Separate Works (Contactor) Contract & Separate Designer Contract, and
 - Option 2: Integrated Single Provider Works & Design (current Service Delivery Model).

- 1.2 The DBC is essentially a detailed options appraisal of possible ways (service delivery models) that the Council can deliver its future highways services. A full copy of the DBC is attached to this report as Appendix 1, there are seven separate appendices that support the DBC, these have been complied together as one Appendix 2.

2. Context & Existing Arrangements

- 2.1 East Sussex County Council (the Council) is a designated Highways Authority under the Highways Act 1980 and has duty to maintain highways maintainable at public expense. These legal duties are the principle reasons why we have a Highways Service Provider in place. These legal duties are set out in more detail within Appendix 2 (see section 005 legal framework review).

- 2.2 In December 2015 Cabinet awarded a contract for delivery of highway maintenance and infrastructure services to Costain Ltd. Costain Ltd established an unincorporated Joint Venture (JV) with Jacobs (formerly CH2M) to deliver the services. The current Highway Infrastructure Services (HIS) Contract commenced on the 1st May 2016 and is due to end on 30 April 2023. The contract is for a fixed seven-year term with no extensions included by design.
- 2.3 The Council's Highway Asset Management Policy and strategic approach fundamentally underpins maintenance activity across our infrastructure to meet our legislative duties.
- 2.4 The service is committed to Asset Management as a means to deliver a more efficient and effective approach to management of highway infrastructure assets through longer term planning and ensuring that levels of service are defined and achievable for available budgets. It supports making the case for funding, for better communication with stakeholders, and facilitates a greater understanding of the contribution highway infrastructure assets make to economic growth and social well-being of local communities.
- 2.5 In 2016 the Council established the Contracts Management Group (CMG) as a specialist function to manage the contract. The CMG is critical to the successful day-to-day delivery of the commercial contract and ensuring overall contract compliance, governance, and administration of the contract. CMG fulfils a number of the contractual Project Manager duties which include approving payments, management reporting, claims, dispute resolution and programme management / acceptance.

3. Previous Arrangements

- 3.1 The Council's journey of Highway Services contracts has evolved since 2000, when our first two contracts for highways maintenance and design services were agreed. Both contracts were for 5 years with no extensions.
- 3.2 In 2005 – 2016 we then procured and awarded a highways maintenance contract for an initial term of 7 years which was extended for a further four years.
- 3.3 Alongside the main highways term maintenance contract, there were a number of other contracts including, the Fleet Maintenance and Special Structures contract, the Public and Amenity Lighting contract, and the traffic signals maintenance contract. All of these contracts expired in 2016.
- 3.4 The alignment of expiry dates in 2016 of these separate contracts enabled the current HIS Contract to be procured as single provider Service Delivery Model because the market had fully developed to provide the range of these services. In addition, a number of internal Council functions such as safety inspections, network management, design services, highway claims management and the contact centre were also included in the model.
- 3.5 In summary the scale, scope and contract durations of highways services have been increasing since 2000 in a planned strategy to ensure legal compliance with the Highways Act 1980, delivery of the Council Plan and Strategic Priorities and delivery of Value for Money (VfM) and continuous improvement.
- 3.6 In particular, for the customer (our residents and businesses) this integrated service delivery means that a single body engages with their enquiry, inspects it, schedules it, fixes it, inspects quality, and reports back to customer.

4. Scope of Services

- 4.1 This increased scope delivered and managed by a single provider is the unique selling point of the current HIS Contract that is in place with Costain. The HIS Contract with Costain is an end-to-end service for highway maintenance and includes the management of the following services;

| | |
|---|--|
| Core Activities (lump sums/fixed prices) | <ul style="list-style-type: none"> Control of vegetation Stakeholder Management Network Management Third Party Claims Drainage Maintenance Service Management Highway Asset Inspections |
| | <ul style="list-style-type: none"> Street Lighting & Traffic Signals Winter Service Road Markings Reactive & Emergency Response Structures Routine & General Maintenance |
| Work Activities (a range of payment options, lump sum, target cost, cost reimbursable) | |
| | <ul style="list-style-type: none"> Delivery of Capital Structural maintenance and improvement Programmes, including local transport improvement schemes Professional Services (Design) |

- 4.2 Through detailed analysis of the current service delivery model and further market insight, the scope of services to be procured through the future outsourced model remain the same as those currently provided by Costain.

5. Project Approach & Governance

- 5.1 The HCRP project commenced in January 2020 to re-procure a new contract for highway maintenance services.
- 5.2 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements.
- 5.3 A Scrutiny Member Reference Group (SMRG) has been established to ensure effective member engagement into the project.
- 5.4 A project plan has been developed by the project team and is the responsibility of the project manager to report progress of the plan to the Project Board. The plan covers all four stages of the project:

| Stage | Stage Name | Main Activities | Programme Dates |
|----------------|------------------------------|--|---|
| Stage 1 | Outline Business Case (OBC) | The analysis & planning stage (small options appraisal - long list to shortlist) | Cabinet Approval Completed Jan 2021 |
| Stage 2 | Detailed Business Case (DBC) | Detailed options appraisal of shortlist | Cabinet decision due 13 th July 2021 |

| | | | |
|----------------|----------------------------------|---|-----------------------------------|
| Stage 3 | Delivery of Procurement Strategy | Issue e-Notice to FTS | November 2021 |
| | | Procurement Period including possible Negotiation with Bidders | Nov 2021 – March 2022 |
| | | Evaluation of compliant tenders submitted Period | June 2022 – Sept 2022 |
| | | Contract Award and Notification of evaluation results to Bidders - Stand-still period | Cabinet decision due Oct/Nov 2022 |
| Stage 4 | Prepare and engage | Mobilisation and Training | Nov 2022 – April 2023 |
| | | Contract Start | 1 st May 2023 |

- 5.5 The conclusion of the DBC triggers the start of the next stage 3, namely, the Delivery of the Procurement Strategy which represents the Procurement ‘Do’ stage of the Strategic Commissioning process (see section 2.5.2 of Appendix 1).

6. Scrutiny Member Reference Group

- 6.1 The Place Scrutiny Committee formed a Member Reference Group to work alongside officers on the development of the new contract in keeping with the previous involvement the Committee has had in this area of work. The work of the Reference Group to date covers stages 1 to 2 of the Project.
- 6.2 The scope and terms of reference for the Reference Group’s work are contained in their report (see section 004, of Appendix 2) to the DBC. It should be noted that scope of the work on the HSRP is to determine the shape of the contracting arrangements for the implementation of the Council’s policies for highways. Matters of policy or funding are considered through the Council’s Reconciling Policy Performance and Resources (RPPR) process.
- 6.3 The work of the Reference Group has also included investigating the scope for improvements in the contract, these focussed on the areas of:
- The Performance Framework – which includes the Key Performance Indicators (KPIs) and the Service Performance Indicators (SPIs) for the new contract,
 - Highway Asset Inspections – which are part of the core services of the contract to keep the road network safe and serviceable for use, which includes the provision Highway Stewards,
 - Quality Assurance – How the quality of the work the contractor, and others who undertake work on the highway, is checked and maintained to ensure value for money and a right first-time approach, and
 - Stakeholder Engagement – to ensure that members of the public and other Stakeholders such as councillors, Parish Councils and other highway users can report issues, make enquires and access information in relation to the road network and are informed and effectively consulted on activities that relate to the road network in a timely, efficient and

accurate manner. The relationship between the contact centre customer team and our own corporate communications function will also be strengthened.

- 6.4 The Reference Group has commented extensively on these areas, drawing on their wider Member experience and ward case work. The DBC contains measures to improve the quality assurance, performance management and stakeholder engagement of the contract in response to the Reference Group's comments and recommendations.
- 6.5 It should be noted that the previous reference group wish their view and report be presented to Cabinet alongside any further comments that the new Place Scrutiny Committee may wish to say. In addition, the new Place Scrutiny Committee have recently resolved to establish a new reference group to support and advise the project going forward.

7. Performance Management & Monitoring

- 7.1 A robust performance management, incentivisation and governance arrangement is required to ensure the right level of service will be delivered by the future contractor. This is to ensure continuous improvement through innovation and efficiency in service delivery.
- 7.2 An outline performance framework has been developed, based on a review of the current framework, that will incentivise the contractor to deliver year on year efficiencies but penalise the contractor for poor performance. (see section 2.22 & 2.23 Appendix 1).
- 7.3 The new performance framework will have extra focus on measuring aspects of the service and ensure works are completed right first time, in order to achieve one of the key contract outcomes of quality assurance. This will be managed by the CMG, which will use their experience so far to provide a greater focus on performance monitoring and business improvement in order to drive continuous improvement throughout the contract duration. (see table 028 section 6.4.8 of Appendix 1).

8. Financial (Revenue & Capital) Implications

- 8.1 The Council currently spends approximately £40million per annum through the existing highway maintenance HIS contract with Costain which is expected to total £280million by the end of the Contract in April 2023. This comprises approximately £12m per annum for the Council's revenue budget and £28m per annum on average from the capital budget.
- 8.2 Currently there are no highways related savings targets against either of the revenue or capital budgets in the Council's 2021/22 Medium Term Financial Plan (MTFP). However, one of the Council's key priorities is to make the best use of resources. This is driven by the Local Government Act general duty which sets out that a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness.
- 8.3 The HSRP analysis completed to date seeks to ensure the Council's priority to make the best use of resources continues to be actively pursued. This will be achieved through the specifics of the contract design, such as risk allocation, payment options and incentivisation models.
- 8.4 There is a risk that when the Council goes to the market with the tender, market rates could be higher than the current contract rates due to an increase in inflation, potential increase in the contractors fee and change in tenderers commercial strategy. In short this could see core activity prices increase and is detailed in section 5.5 of the DBC. If this situation arises it will be managed through the RPPR process.

- 8.5 A full affordability assessment regarding the impact on future budget and/or service requirements can only be completed once the tender evaluation has been completed in October/November 2022. In addition, Cabinet agreement will be sought prior to the award of the contract.

9. DBC Conclusions & Recommendations

- 9.1 In order to determine how the Council best delivers its legal duties of the Highways Act 1980, as the local Highway Authority, a range of different Service Delivery Models (SDMs) have been appraised through the completion of both the OBC and DBC.
- 9.2 The evidence gathered shows that funding continues to be a challenge in improving the condition of the highway's asset, against a backdrop of increasing network usage and high stakeholder expectations of the service.
- 9.3 Quality control, effectiveness of communications and overall service efficiencies were three of the main areas for improvement identified by Members with potential solutions for improvement to be further investigated, designed and integrated into the development of the contract documentation at the next stage of the project.
- 9.4 The options appraisal summary (page 50 of Appendix 1), states that Option 2-Integrated Single Provider (Works & Design) represents the best opportunity for value for money for the future delivery of highways services in East Sussex.
- 9.5 Having completed the detailed options appraisal of 15 different SDMs across three stages, Option 2 has consistently scored the highest across all three stages of the options appraisal.
- 9.6 The Council has a good level of existing capability and capacity to move to an enhanced Option 2 without needing additional resources and provides us with the opportunity to consider a leaner, more efficient client structure.
- 9.7 The following are recommended for development in the next stage of the HSRP (Stage 3 – Delivery of the Procurement Strategy):
- 1 The Council selects Option 2, Integrated Contractor & Designer Contract (current SDM) as the preferred SDM because it presents the best opportunity and the least risk to the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner;
 - 2 Select the contract duration option of an initial term of 6 years 11 months + 7 years optional extension;
 - 3 Agree that a contract is developed and prepared for tendering based on NEC4 form of contract that reflects the Council's requirements and clearly defines the service requirements and the Service Provider's responsibilities.

10. Next Steps

- 10.1 The next steps are to start the preparations to launch the formal procurement process under PCR2015; this would involve, among others, developing all the necessary procurement documents for the process. A Contract Notice will be published on the Government's portal (FTS) in October/November 2021 that will commence the formal process of our engagement

with the market leading to the submission of tenders and a potential negotiation with the selected Bidders over their initial tenders and the evaluation of their final tenders to select and award the contract to the successful contractor.

- 10.2 At the same time as preparing the procurement documents at stage 3, we will continue to develop the performance criteria for inclusion in the NEC4 form of contract, refine the contract mechanisms, determine the service levels required, develop the organisational change plan and develop the asset management plan.
- 10.3 The following is a summary of the key activities and tasks to be completed in the delivery of the procurement strategy (stage 3):

- Prepare the procurement documents including the structure of a negotiation stage (in case it is needed) and the (a) evaluation criteria for the selection of Bidders and (b) award criteria for the evaluation of compliant tenders the Bidders will submit
- Test the performance management regime,
- Complete the evaluation of initial tenders received and decide if there is need to negotiate tenders submitted with Bidders.

11. Recommendation

11.1 Cabinet is asked to note the findings from the Detailed Business Case and to agree the proposals for the next stage of the project including the contract and tender documents based on the model set out in the DBC ready for tender in the October/November 2021.

Rupert Clubb
Director Economy, Transport & Environment

Contact Officer: Phil McCorry
Tel. No. 07701 394461
Email: phil.mccory@eastsussex.gov.uk

LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None

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APPENDIX 1

DETAILED BUSINESS CASE

HIGHWAYS SERVICE RE-PROCUREMENT PROJECT

(HSRP)

13 July 2021

Document Control

Author(s)

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Document Summary

This document is the Detailed Business Case for Project: East Sussex Highways Procurement 2021

Document Quality Assurance

| Step | Step Description | Undertaken by | Date | Remarks |
|-------------|--------------------------|----------------------|-------------|----------------|
| 01 | Quality Review | Ed Rumsey | 27 May 2021 | |
| 02 | Contracts Manager Review | Dale Poore | 27 May 2021 | |
| 03 | Executive Review | Karl Taylor | 27 May 2021 | |

Distribution

| Issue No. | Issued to | Date of issue |
|------------------|-------------------|----------------------|
| 1 | Rupert Clubb | 28 May 2021 |
| 2 | Karl Taylor | 28 May 2021 |
| 3 | James Harris | 28 May 2021 |
| 4 | Darron Cox | 28 May 2021 |
| 5 | Dale Poore | 28 May 2021 |
| 6 | Robin Hayler | 28 May 2021 |
| 7 | Jill Fisher | 28 May 2021 |
| 8 | Mat Davey | 28 May 2021 |
| 9 | Danny Simpson | 28 May 2021 |
| 10 | Michail Papadakis | 28 May 2021 |

Appendix Listing

| Appendix No. | Description | Note |
|---------------------|--|-------------------------------|
| 001 | Project Initiation Document (PID) | |
| 002 | Outline Business Case | |
| 003 | Service Delivery Model Options Appraisal | |
| 004 | Scrutiny Member Reference Group report | |
| 005 | Legal Framework and Policy Review | |
| 006 | Highway Asset Management Strategy | This document is under review |
| 007 | Future Options Study Summary of Findings | |

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1 EXECUTIVE SUMMARY

1.1 Introduction

- 1.1.1 This Detailed Business Case (DBC) for the Highways Service Re-procurement Project (HSRP) has been developed following approval by Cabinet in January 2021 to proceed with the recommendations of the Outline Business Case (OBC) using the Council's Strategic Commissioning approach.
- 1.1.2 The Council's commissioning framework approach is being used to clearly identify how to best meet statutory responsibilities and wider customer needs in the future. This DBC completes the 'Analysis' stage of the Strategic Comissioning Cycle and has developed the 'Plan' stage in sufficient detail to enable the project to progress to the Procurement 'Do' stage.
- 1.1.3 The DBC sets out where the service is now, an appraisal of two Service Delivery Models (SDMs) and what is needed to enable a SDM to be implemented successfully.
- 1.1.4 This project provides an opportunity to build on the current service achievements, and to further develop the highways maintenance and infrastructure improvement service so that it reflects the future needs and outcomes of the Council and continues to draw from industry best practice.
- 1.1.5 This document should be read in conjunction with the OBC presented to Cabinet in January 2021 (Appendix 002). Where appropriate, information contained in the OBC is set out again in this document to provide clarity and continuity.
- 1.1.6 This DBC has been developed to consider two options recommended in the OBC and approved by Cabinet in January 2021, namely:
 - **Option 1: Separate Contractor Contract & Separate Designer Contract**
 - **Option 2: Integrated Contractor & Designer Contract (current SDM)**

- 1.1.7 The other options presented in the OBC have not been considered any further in this DBC.
- 1.1.8 The two options have been further analysed against revised project assessment criteria which includes a reassessment of the market and the Council's capability and capacity to deliver future highway services. These two options present the best opportunity for the Council to successfully deliver it's statutory responsibilities for highway maintenance in the most efficient, effective and economic manner.

1.2 Key Drivers for the project

- 1.2.1 The current Highways Infrastructure Services (HIS) Contract is due to reach full term on the 30th April 2023 and therefore a new contract is required to be in place from 1 May 2023.
- 1.2.2 A project team has been established to review and select the most efficient, effective and economically viable option to maintain the highway network and associated infrastructure and ensure the Council continues to meet its statutory responsibilities.

1.3 The Process

- 1.3.1 The project follows the principles of the Council's Strategic Commissioning Framework of analyse, plan, do, and review. The OBC set out a number of SDMs that were appraised and started a number of the analyse and planning activities with regards to the service. The DBC has further appraised the two shortlisted SDMs (options) in more detail and completed the 'analyse' and most of the 'plan' stages.

1.3.2 In completing the ‘analyse’ and ‘plan’ stages, the team have carried out an analysis of current service data, engaged with the current Service Provider, the highways sector market, key stakeholders (including Members), other Council teams that interact with the service and academic researchers working on behalf of the Council and other highway authorities. This has resulted in this DBC and its recommendation of a preferred SDM for the future delivery of Councils highways service from May 1st 2023.

1.4 Scope of Service

- 1.4.1 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 1.4.2 In compiling this DBC engagement sessions were held with the Council’s, Communities, Economy and Transport (CET) teams that interface with the highways service in order to validate the work completed in 2015. The findings of these sessions are included in section 2.27. A number of areas for improvement were identified in the OBC and have been explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However, should the Council wish to broaden the scope of the service in the future, the public notice will be drafted with sufficient scope and an estimated contract value to allow for additional services to be added.

1.5 Options Appraisal

- 1.5.1 An options appraisal was undertaken in three stages that broadly followed the well-established HM Treasury Five Case model (Appendix 003). Fifteen options were appraised and reduced to five, then reduced to a shortlist of two which were potentially best aligned to meet the Council’s needs.
- 1.5.2 The Project Team presented the findings to the Scrutiny Member Reference Group (SMRG) with support from an independent consultant. The SMRG endorsed the process that had been undertaken and supported the recommended SDM for future service delivery. The SMRG’s report on their involvement so far is included in Appendix 004.
- 1.5.3 The Council has worked with an independent academic consultant, Proving Services Ltd based at Cranfield University. Proving has worked extensively to develop sector-leading, research-based tools and processes which are used extensively across the private and public sector. In partnership with the Association of Directors of Environment, Economy, Transport & Planning (ADEPT), Proving host the Future Highways Research Group (FHRG), which is a benchmarking club of local Highway Authorities.

1.6 Recommended Option

- 1.6.1 Following the completion of the options appraisal the recommended option for the future delivery of the Council Highways Infrastructure Services (HIS) Contract 2023 – 2030 is the following;
- **Option 2: Integrated Contractor & Designer Contract (current SDM)**
- 1.6.2 This SDM is further endorsed through the Options Study activity led by Proving Services Ltd. This involved eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Option 2 ranked the highest overall.

- 1.6.3 When developing this preferred option, it was evident from the analysis and stakeholder engagement undertaken that there is both, a desire to and opportunities to, enhance the current SDM.
- 1.6.4 There is clearly an increasing demand and expectation on our network and this, combined with likely future funding challenges, presents a significant challenge to not just maintain our highway asset but also improve it, to support the economic growth of the County.
- 1.6.5 Key focus areas for future HIS Contract 2023 - 2030 will include, innovation, service quality, communications and contract efficiencies, while maintaining our embedded asset management approach to highway maintenance. These priority areas will be further developed and integrated where possible into the next stage of the project, the delivery of the procurement strategy (stage 3)

1.7 Financial

- 1.7.1 The total one-off costs, to deliver the HSRP for the period 2019/20 through to 2022/23 are forecasted to be in the region of £339,000. This budget allocation is being funded through the Council's corporate reserves.
- 1.7.2 Currently there are no highways related savings targets against either of the revenue or capital budgets in the Council's 2021/22 Medium Term Financial Plan (MTFP). However, one of the Council's key priorities is to make the best use of resources. This is driven by the Local Government Act general duty which sets out that a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness.
- 1.7.3 Therefore, whilst no official savings targets are currently set in the MTFP for the highways service, the HSRP analysis completed to date seeks to ensure the Council's priority to make the best use of resources is continued to be actively pursued. This will be achieved through determination and selection of the best fit SDM, through to the specifics of the contract design, such as risk allocation, payment options and incentivisation models.
- 1.7.4 With the likelihood that service costs may continue to increase in the future as fixed prices are adjusted for inflation, and bidders fees and pricing strategies that are difficult to predict (see table 026), one of the main objectives of this re-procurement is to mitigate these increases wherever possible.
- 1.7.4 However, a full affordability assessment can only be completed once the tender evaluation has been completed.

1.8 Contract Duration

- 1.8.1 Following soft market testing and experience from the existing contract arrangement with Costain, an initial term of 6 years 11 months + 7 years extension is the recommended option. It is one month less of a full seven years to allow for a realignment of the Council financial year and contract year.
- 1.8.2 The initial term would be for the period 1st May 2023 to 31st March 2030, with the second term extension period starting 1st April 2030 to 31st March 2037.

1.8.3 Outline Terms of Extensions

- 1.8.5 Subject to meeting the required performance criteria to be agreed, which will be set out in the Invitation to Tender documentation and by mutual agreement, the seven year extension will be awarded as a single block.
- 1.8.6 It is proposed that the award of the extension would allow the Service Provider to adjust their fee and lump sum prices by negotiation. This will be attractive to the market.

- 1.8.7 Should the revised Service Providers extension offer be affordable and desirable to both parties the extension could then be awarded. Award of the extension is not mandatory or guaranteed, it is discretionary.
- 1.8.8 Should the adjusted prices not be affordable, or the parties are not in mutual agreement or the agreed performance criteria are not met, a re-procurement exercise would then need to completed. The approval of an extension or to re-procure would be a Cabinet decision.
- 1.8.9 In order to effectively implement this type of option the decision to award the extension would need to be made by the end of Service Year 5 (March 2028), the invitation to tender documentation will set out a clear process for awarding the extension along with the key aspects of the contract that can be modified and those that cannot be modified.
- 1.8.10 A key benefit of this option, should the extension be awarded, is that the Council only pays out once for direct reprocurement project costs (mobilisation, demobilisation, internal procurement costs, bidders costs), the total of these can be between £3m-£4m.

1.9 Route to Market Procedure

- 1.9.1 A detailed review of the procurement routes, considering the benefits and dis-benefits of their use for the Highway Services re-procurement has been undertaken.
- 1.9.2 It is recommended that a targeted version of Competitive Procedure with Negotiation (CPwN) is used, with the stated intent within the contract notice to award without the need to complete any specific topics of negotiation.
- 1.9.3 The Council would reserve the right to negotiate if deemed necessary once the initial tenders have been evaluated.
- 1.9.4 If there is no need to negotiate any aspects of the tenders, the winning tender will be the highest scoring tender based on the established evaluation criteria set out within the tender documentation.
- 1.9.5 The successful bidder will be selected on the basis of the most economically advantageous tender (a combination of both price and quality).

1.10 Conclusions and Recommendations

- 1.10.1 In order to continue to meet our legal responsibilities as the local Highway Authority a range of different SDMs have been appraised through the completion of both the OBC and DBC.
- 1.10.2 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and high stakeholder expectations of the service.
- 1.10.3 Quality control, effectiveness of communications and overall service efficiencies were three of the main areas for improvement identified by Members with potential solutions for improvement to be further investigated, designed and integrated into the development of the contract documentation at the next stage of the project.

1.10.4 The following are recommended for development in the next stage of the HSRP (Stage 3 – Delivery of the Procurement Strategy):

1. **The Council selects Option 2, Integrated Contractor & Designer Contract (current SDM) as the preferred SDM because it presents the best opportunity and the least risk to the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner;**
2. **Select the contract duration option of an initial term of 6 years 11 months + 7 years optional extension;**
3. **Agree that a contract is developed and prepared for tendering based on NEC4 form of contract that reflects the Council's requirements and clearly defines the service requirements and the Service Provider's responsibilities.**

1.11 Next Steps

1.11.1 The next steps are to develop the contract documents for tendering. An E-Notice will be issued in November 2021 that will flag our intention to engage the market for tender and start the formal procurement process.

1.11.2 At the same time as preparing the contract documents at stage 3 we will continue to develop the performance criteria for inclusion in the contract, refine the contract mechanisms, determine the service levels required, develop the organisational change plan and develop the asset management plan.

1.11.3 The following is a summary of the key activities and tasks to be completed in the delivery of the procurement strategy (stage 3):

- Prepare the tender documents & evaluation (SQ and ITT);
- Test the performance management regime;
- Procure the services, and
- Complete the tender evaluations

1.12 Timescales

1.12.1 The key stages of the project and critical dates are:

| Stage | Stage Name | Main Activities | Critical Dates |
|----------------|----------------------------------|--|---|
| Stage 1 | Outline Business Case (OBC) | The analysis & planning stage (small options appraisal - long list to shortlist) | Completed |
| Stage 2 | Detailed Business Case (DBC) | Detailed options appraisal of shortlist | Cabinet Approval 13 th July 2021 |
| Stage 3 | Delivery of Procurement Strategy | Issue FTS Notice | November 2021 |
| | | Tendering Period | Nov 2021 – March 2022 |
| | | Evaluation Period | June 2022 – Sept 2022 |
| | | Contract Award | Cabinet Approval October 2022 |
| Stage 4 | Prepare and engage | Mobilisation and Training | Nov 2022 – April 2023 |
| | | Contract Start | 1 st May 2023 |

2 STRATEGIC CASE

2.1 Introduction

- 2.1.1 East Sussex County Council (the "**Council**") is undertaking a commissioning exercise to determine how the Council's highways service should be delivered when the current contract with Costain ends in 2023.
- 2.1.2 A Project Team has been established to ensure the new service arrangements are designed and approved to ensure continuity of highway's maintenance services from 1 May 2023.
- 2.1.3 This DBC has been developed following approval by Cabinet in January 2021 to proceed with the recommendations of the OBC using the Council's strategic commissioning approach.
- 2.1.4 The Council's commissioning framework approach is being used to clearly identify how to best meet statutory responsibilities and wider customer needs in the future. This DBC completes the 'Analysis' stage of the Strategic Comissioning Cycle (see figure 001) and has developed the 'Plan' stage in sufficient detail to enable the project to progress to the Procurement 'Do' stage.
- 2.1.5 The DBC sets out where the service is now, what different SDMs are available and what is needed to enable a new model to be implemented successfully. The options identified are evaluated against broad assessment criteria (Table 012) which includes a range of critical success factors and the draft Service Outcomes agreed by Members.
- 2.1.6 This project provides an opportunity to build on the current service achievements, and to further develop the highways maintenance and infrastructure improvement service so that it reflects the future needs and outcomes of the Council and continues to draw from industry best practice.
- 2.1.7 This document should be read in conjunction with the OBC (Appendix 002). Where appropriate, information contained in the OBC is set out again in this document to provide clarity and continuity.
- 2.1.8 This DBC has been developed to consider two options recommended in the OBC and approved by Cabinet on 26th January 2021, namely:
- Option 1: Separate Contractor Contract & Separate Designer Contract
 - Option 2: Integrated Contractor & Designer Contract (current SDM)
- 2.1.9 After due consideration and evaluation the other options presented in the OBC have not been considered any further in this DBC.
- 2.1.10 The two options have been further analysed against a revised project assessment criteria which includes a reassessment of the market and the Council's capability and capacity to deliver future highways services. These two options present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance in the most efficient, effective and economic manner.

2.2 Existing Arrangements

- 2.2.1 In December 2015 Cabinet awarded a third-generation outsourced contract (HIS Contract) for delivery of highway maintenance and infrastructure services to Costain Ltd. Costain Ltd established an unincorporated Joint Venture (JV) with Jacobs (formerly CH2M) to deliver the services. The HIS Contract commenced on the 1st May 2016 and is due to end on 30 April 2023. The contract is for a fixed seven-year term with no extensions included by design.

- 2.2.2 The previous commissioning project and subsequent award of the HIS Contract shifted the SDM from a multiple provider model to an integrated single provider model. Previous separate contract arrangements for Highway Works, Street Lighting, Traffic Signals, Special Structures Maintenance, as well as external design top-up services were consolidated into a single contract. In addition, a number of internal Council functions such as safety inspections, network management, design services, highway claims management and the contact centre were also outsourced to be included in the model. In total approximately 130 staff from the Council and incumbent Service Providers transferred under the Transfer of Undertakings (Protection of Employment Regulations 2006), referred to as TUPE, to the new Service Provider.
- 2.2.3 The current HIS contract with Costain is an end-to-end service for highway maintenance and includes the management of the following services;

| Core Activities (lump sums/fixed prices) | <ul style="list-style-type: none"> • Control of vegetation |
|---|--|
| • Stakeholder Management | <ul style="list-style-type: none"> • Street Lighting & Traffic Signals |
| • Network Management | <ul style="list-style-type: none"> • Winter Service |
| • Third Party Claims | <ul style="list-style-type: none"> • Road Markings |
| • Drainage Maintenance | <ul style="list-style-type: none"> • Reactive & Emergency Response |
| • Service Management | <ul style="list-style-type: none"> • Structures Routine & General Maintenance |
| • Highway Asset Inspections | |
| Work Activities (a range of payment options, lump sum, target cost, cost reimbursable) | |
| | <ul style="list-style-type: none"> • Delivery of Capital Structural maintenance and improvement Programmes, including local transport improvement schemes |
| | <ul style="list-style-type: none"> • Professional Services (Design) |

- 2.2.4 The annual value of the current HIS Contract is circa £40 million (dependent on the extent of the capital works programme), with core services being a fixed price of £7.7million per annum. Costain employs a direct workforce of 104 (8 of which are currently agency) staff and Jacobs employ a direct workforce of 84. These figures exclude sub-contractor resources and reach-back resources that are utilised by each organisation. The contract is managed by an Executive Client group of 35 staff (29xFTE, 5xP/T, 1xAgency) employed by the Council at a cost of £1,660,600 per annum.
- 2.2.5 It is anticipated that around £280million will have been spent through the HIS Contract by May 2023. Costain subcontract approximately 25-30% of this to the local supply chain and Small Medium Enterprises (SMEs). The HIS Contract SDM is referred to as an “Integrated Single Provider”. Through the outsourcing of the customer contact centre, highway stewards, claims management and network management Costain are empowered to provide an integrated end-to-end service.
- 2.2.6 Since the start of the HIS Contract there have been no significant concerns identified with the delivery and management of the contract and overall, the SDM is working well. However, a formal service Defect Notice was issued in September 2019 in relation to a lack of resilience within the Service Provider’s organisation and their ability to resource and deliver the service effectively particularly around management of customer queries and quality of workmanship. These concerns have now been effectively addressed through the provision and implementation of an improvement

- plan. The Service Provider was able to implement the improvement plan effectively due to the current SDM that is in place between the Council and a Single Provider.
- 2.2.7 Whilst it is acknowledged that there have been some lapses in performance and quality control under the current SDM, on the whole the Service has been successful and has performed well in delivering the Council's outcomes and objectives. Occasional lapses in performance by the Service Provider, relating to timeliness or quality of delivery, have occurred and can generally be attributed to a slow or inadequate response to an increased demand such as a weather event or resource problems causing poor performance through lack of proper supervision, management of the supply chain or customer service staff.
- 2.2.8 There is an incentivisation model within the contract, which rewards or penalises the Service Provider financially subject to their annual performance achievement. This is measured across 24 linked SPIs covering the key performance areas of Operational Delivery, Sustainability, Safety, Asset and Stakeholder. As part of the annual service planning process the targets for each of the SPIs are reviewed and amended as required to ensure the Service Provider is incentivised to deliver the service to meet the contract outcomes and deliver continuous improvement.
- 2.2.9 The Executive Client group was established by the Council at the time of the last contract award in 2016 to act as an intelligent client, focussed on the commercial management of the contract, the Service Provider's performance, and the management of the Council's asset. This has been successful in ensuring the Service Provider is delivering its contractual requirements and that the Council receives value for money from the service year-on-year.
- 2.2.10 One of the Council's key priorities is to make the best use of resources, and this re-procurement project provides an opportunity to review the current structure of the Council's Client structure to ensure it is appropriately staffed and resourced with the right skillsets and disciplines before the start of the next contract. Further detail regarding this is set out in the Management Case in section 6.4.

2.3 Scope

- 2.3.1 A Project Initiation Document (PID) (Appendix 001) for the HSRP was approved in January 2020 setting out the objectives, scope, timeframe and governance for the project.
- 2.3.2 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements. The project requires support from other service areas to ensure its successful delivery; these include but are not limited to: Human Resources, Finance, Legal, Communications, Procurement and Audit.
- 2.3.3 A Scrutiny Member Reference Group (SMRG) has also been established to ensure effective member engagement with the project. The role of the group is to help inform the identification of the most appropriate service delivery model and the development of future contract outcomes. A detailed report setting out the SMRG involvement and support of the OBC and this DBC is set out in Appendix 004.

2.3.4 The project is structured in four stages:

| Stage | Stage Name | Main Activities | Status |
|----------------|----------------------------------|--|---------------------------------|
| Stage 1 | Outline Business Case (OBC) | the analysis & planning stage (small options appraisal - long list to shortlist) | Completed |
| Stage 2 | Detailed Business Case (DBC) | detailed appraisal of shortlisted options | Cabinet Approval pending |
| Stage 3 | Delivery of Procurement Strategy | tendering & evaluation | In progress |
| Stage 4 | Prepare and engage | mobilisation and Training Contract Start | Not yet started |

2.3.5 Project Deliverables

The two key deliverables of this project are:

- An SDM and arrangements in place for the 1 May 2023
- An appropriate Council Client team is established by November/December 2022 (for the start of mobilisation) to ensure an effective transition to the commencement of the SDM in May 2023.

2.3.6 All the services set out in the current SDM, are included within the scope of this project, namely:

Core Activities (majority of revenue spend):

- COR-001 Service Management – (including Controller of Premises duties)
- COR-002 Stakeholder Management – (including customer contact centre)
- COR-003 Network Management
- COR-004 Third Party Claims
- COR-005 Highway Asset Inspections - (including Highway Stewards)
- COR-006 Drainage Maintenance - (gully emptying and jetting, ditch and grip maintenance)
- COR-007 Control of Vegetation - (grass cutting, weed control, hedge cutting, special verges)
- COR-008 Road markings
- COR-009 Winter Service
- COR-010 Structures Routine & General Maintenance (bridges, tunnels, culverts, retaining walls etc.)
- COR-011 Street Lighting & Traffic Signals (Inspection and routine maintenance)
- COR-012 Reactive and Emergency Response - (Safety Defect and emergency response)

Work Activities (majority of capital spend)

In addition to the Core Activities the following Highway Structural Maintenance and Improvement Schemes are also within scope:

- Carriageway and footway surfacing
- Patch and repair of carriageway surfacing
- Highway and junction improvements
- Highway structures
- Safety fencing
- Traffic management and calming schemes
- Pedestrian and cycle infrastructure improvements
- Public transport infrastructure including bus stops and bus priority measures
- Accessibility and mobility improvements
- Carriageway reconstruction
- Street lighting
- Traffic signals
- Drainage Schemes
- Provision, maintenance and cleaning of road signs.
- Provision and maintenance of road markings and studs.

2.3.7 Other Services for Consideration

In compiling the OBC and DBC engagement sessions were held with the Council's CET teams that interface with the highways service. The findings of these sessions are included in section 2.27 A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP.

- 2.3.8 Extensive analysis was completed during the last re-procurement project in 2015 to determine the project scope, and some of this analysis is still valid. There is evidence that some or parts of these services are provided through term service or professional service contracts by external providers in a number of authorities however this is not a common approach.
- 2.3.9 The initial assessment undertaken did not suggest any compelling case for their inclusion or not. The contract E-Notice will be sufficient in terms of, scope of services and a broad contract range for the contract value, should the Council seek to explore the future Service Provider's capabilities to extend the contract scope.

2.4 Project Approach

- 2.4.1 In preparing the DBC an evidence-based approach has been used to review existing arrangements and consider options for future operating models. The best practice approach adopted is the HM Treasury's Five Case Model, which is widely used by the Public Sector as a framework for writing robust business cases. In addition to applying the principles of the Five Case Model, The Council has an internal business planning tool known as the Strategic Commissioning Framework.
- 2.4.2 This DBC sets out the principles and options for future services and, from the reassessment of the two options, it recommends a preferred SDM that should provide the best outcome for the Council.
- 2.4.3 An overview of both the Strategic Commissioning Approach and the Five Case Model is set out below.

2.5 Strategic Commissioning Approach

- 2.5.1 Strategic Commissioning is the approach that underpins the Council's business planning. It is embedded into East Sussex Highways culture through our Asset Management Strategy 2018 – 2024 and the Annual Service Planning process of the HIS Contract as set out in section 2.5.3
- 2.5.2 The Strategic Commissioning approach looks to secure the best outcomes for East Sussex residents by:
- Understanding need
 - Matching supply with need
 - Making the most effective use of all available resources, irrespective of whether services are provided in-house, or externally.

Figure 001 – Strategic Commissioning Cycle



- 2.5.3 The commissioning approach is a cyclical process (Figure 001) and not a one-off event, it is embedded in the HIS Contract through its Annual Service Planning process, which sets out the Council's requirements of the Service Provider for delivery in the following Service Year, and includes for the Service Provider's prices and programme to meet the required service levels.

The plan contains and is based on meeting:

- Confirmation of each Core Activity, or identified potential changes
 - The Council's priority-based highway maintenance sites
 - The Council's priority areas for highway asset improvement and replacement
 - the Council's objectives including required service levels,
 - the Asset Management Plan, the East Sussex Local Transport Plan 2011 – 2026 and its supporting Implementation Plans, and available funding
- 2.5.4 In applying the Strategic Commissioning approach to the HSRP we have set out to understand the long-term need and the best approach for achieving it. The DBC completes the 'analyse' and 'plan' segments of the cycle. Evidence has been gathered and analysed to understand the evolving needs of all stakeholders including

residents and internal customers. Future priorities and desired outcomes have been identified by the following activities:

- Obligations Review (Statutory duties, standards, guidance and local priorities)
- Review of existing service costs and risks
- Customer Engagement & Satisfaction
- Staff Consultation
- Scrutiny Member Reference Group input
- Soft Market Testing (SMT) and Market Intelligence
- Asset Management Strategy Review
- Opportunities & Collaboration
- Client Organisational Review

2.6 Five Case Model Methodology

- 2.6.1 The Five Case model is a HM Treasury recommended methodology for writing robust business cases for capital expenditure. It is recognised as a best practice approach. It has been developed over many years since 2008 to ensure capital spending decisions are taken on the basis of highly competent, professionally developed, spending proposals.
- 2.6.2 It provides a framework for thinking and a process for approval which is flexible and capable, with a range of tools that can be applied proportionally by the procuring organisation. The approach also provides a clear audit trail for purposes of public accountability and was used in the Council's previous re-procurement project which led to the successful appointment of the current Service Provider.
- 2.6.3 In applying the Five Case model through the project stages (Figure 002), each of the five 'cases' has been developed as the project progresses. In developing and completing this DBC much of the information from the OBC has been reviewed and refreshed. Through the application of project governance, each of the business cases has been reviewed and approved by the Project Sponsor and Project Board prior to submission to the Council's Cabinet.

Figure 002: Overview of Project Stages and Five Case Business Case Structure.

| | | Key Activities of the Project | | | | |
|--|--------------------------------------|---|--|---|---|---|
| Stages - Project Structure | Stages 3 & 4 Delivery of Procurement | Review any minor changes & Implications | Confirm value for Money | Procuring the solution Contracting for the deal | Confirm financial implications and financing. | Ensuring successful delivery (i.e. Comprehensive mobilisation plan) |
| | Strategy & Prepare and Engage | | | | | |
| | Stage 2 - Detailed Business Case | Review any significant changes and implications | Determine Value for Money | Confirm procurement strategy | Confirm funding and affordability | Plan for successful delivery |
| | Stage 1 - Outline Business Case | Ascertain the strategic fit Make the case for change | Develop a long list of options and agree a shortlist | Outline the procurement strategy | Estimate costs (revenues and capital) for shortlisted options | Proposed management arrangements |
| | | Strategic | Economic | Commercial | Financial | Management |
| The Five Cases - Business Case Structure | | | | | | |

2.7 Organisational Overview

2.7.1 Core Offer

- 2.7.2 As a consequence of austerity and the requirement to make £138m of savings since 2010, a Core Offer was developed in 2019 by the Council to outline its minimum reasonable service offer to residents, and to ensure resources were directed to areas of highest need. As a result, identified savings will ensure the Council is providing its minimum core service offer by 2022/23. Alongside this, the current COVID-19 pandemic has resulted in additional roles, duties and expectations for the Council and changes in demand for some existing services.
- 2.7.3 The Core Offer was subsequently reviewed and reapproved by Cabinet in October 2020. The review included whether the activities within the current Core Offer, and the volumes of those activities, were regarded as core to meeting residents' needs. The review considered where local need for services and prioritisation of services have diverted from our current Core Offer as a result of the pandemic and whether the offer should be amended to include these in the longer term.
- 2.7.4 The review has shown that the Core Offer remains largely appropriate. It continues to reflect our statutory responsibilities, core functions and the range of services required to meet local needs. It includes a commitment to delivering good value for money in all we do. However, in many areas the way in which services are provided has changed and may continue to change, and demand has already increased in some areas, affecting the volume of activity needed to deliver the Core Offer. The anticipated increase in demand for some services in light of the pandemic and the associated pressures on resources are reflected in updated financial planning.
- 2.7.5 The revised Core Offer will be published here in due course:
<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/coreoffer/>

2.8 The Council Priorities Outcomes

- 2.8.1 The Council has four overarching priority outcomes that were reviewed by Cabinet in October 2020 at the same time as the Core Offer review;

These are:

- driving sustainable economic growth;
- keeping vulnerable people safe;
- helping people help themselves;
- making best use of resources in the short and long term

- 2.8.2 For each priority outcome there are specific delivery outcomes, as set out in the Council Plan 2020/21 can be viewed here:

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/councilplan/>

2.9 Climate Change Emergency

- 2.9.1 In October 2019 the County Council declared a Climate Emergency and set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019. The Council then agreed a Climate Emergency Action Plan in June 2020, which can be viewed here: <https://www.eastsussex.gov.uk/media/15770/escc-climate-emergency-plan-june-2020.pdf>. This sets an annual carbon reduction target of 13% per year.

- 2.9.2 To meet the annual carbon reduction target requires that all possible measures are implemented, rapidly and at scale. By far the largest part of the Council's carbon footprint is from what we procure. The highways contract is currently the Council's second largest contract by value and has a significant carbon footprint. Therefore,

- it's essential that the highways contract contributes to delivering the Council's carbon reduction target.
- 2.9.3 The procurement and resulting contract needs to support the aims, objectives and targets set out in the East Sussex Environment Strategy (see: [Environment Strategy 2020 – East Sussex County Council](#)). Key challenges are to reduce carbon emissions, improve local air quality, achieve a growing and resilient stock of natural capital, and achieve a more circular economy.

- 2.9.4 Key objectives of the highways contract which will be an integral part of the specification and performance framework to be designed at the next stage of the project are:

- 1) achieve a 13% p.a. reduction in scope 1 and 2 emissions and from the use of materials. A baseline will be established at the next stage of the project or within the first year of the new contract.
- 2) Deliver biodiversity net gain (Clear requirements as to what is being proposed for the soft estate and how net gain would be measured will be set out at the next stage of the project or within the first year of the new contract).

2.10 Social Value Act 2012

2.10.1 Social value became a legal requirement through the Public Services Act in 2012 requiring suppliers to local authorities to devote a certain percentage of their resources from a gained contract to improving the social value of that local authority area. Such social value could be in improving the environment, supporting local community groups, or helping to develop the local economy by supporting employment and skills initiatives. Such commitments for employment and skills include the employment and training of local people, careers-related activities in schools and colleges, and the offer of work experience placements.

2.10.2 The current HIS Contract has Social Value requirements embedded in it through the Performance Framework and Employer's Incentivisation Scheme, where subject to performance levels being achieved, the Service Provider is required to make a Social Value financial contribution, as set out in Table 023.

2.11 Social Value Successes of HIS Contract

2.11.1 A **Social Value Governance Board** was put in place to ensure delivery of the social value commitments made in the winning tender by Costain, throughout the life of the contract. The Social Value Board is made up of members from both Costain and the Council, to give a level of ownership on delivery across the whole contract and to ensure collaboration is encouraged.

2.11.2 Some of the key Social Value delivery successes delivered in years 1-5 of the contract are detailed below:

- Community Benefits Challenge: All schemes at Pre-construction stage are considered for additional community benefits e.g. handrails, cycle path, dropped kerb, that can be included where practical.
- Keeping spend local: Over 70% of the total contract spend is with local supply chains and / or Local Small and Medium Enterprises (SME's).
- Local Supply Chain Training Programme: Supporting the development of the local supply chain through a programme of learning and development. Over 600 individuals from multiple supply chain organisations have received Health & Safety briefings and inductions.
- Increasing opportunities for environmental checks being carried out for works, as part of the contract's Environment and Sustainability objectives.

- Community Engagement and delivery of community initiatives: Customer Service Managers & Highways Stewards work with local communities to ensure local people have an opportunity to influence our overall programme, as well as the development of individual projects. In SY5, a total of 45 Community Engagement meetings took place, some had to take place virtually when the Covid-19 pandemic started.
- Citizenship Days: Each member of staff was allocated 2 days per year for voluntary work to support local communities.
- Multiple local Charities were supported via sponsorship, fundraising and promotion.
- Multiple community groups were supported and community projects sponsored e.g. providing traffic management at community events, funding a ‘Beat the Street’ fitness initiative, delivery of equipment to schools. To date, over 68 local groups have been supported with barriers, cones and any traffic management required.
- Local donations: Offering all surplus materials to voluntary and community organisations free of charge e.g. to support the renovation of local facilities
- Local Materials: Giving priority to the use of locally sourced materials. At the end of year 5, 68% of all materials were sourced locally.
- Offering work experience and traineeships to the local community, specifically targeting Not in Employment, Education and Training (NEET) young people, looked after children, care leavers and young people with learning disabilities. Over 400 hours of work experience has been offered to date.
- School Engagement: The Contractor is actively supporting a number of initiatives to promote careers in Highways and Construction, including Enterprise Advisor and Industry Champion programmes
- Apprenticeships: A successful apprenticeship programme was set up in year 2 of the contract and has delivered 41 apprentices, 5 graduates and 2 Interns to date.
- Adapted and sought out alternate options to meet the promises during Covid-19 pandemic, e.g. providing careers videos and attending online careers events in place of work experience placements

2.11.3 The aim for the next is to build upon these successes.

2.12 Our approach to delivering social value and achieving our ESCC corporate priorities.

2.12.1 The Orbis Procurement Social Value Measurement Charter (the Charter) is used by the Council to measure Social Value commitments. It uses the National Themes Outcomes and Measures (TOMS) which were updated in January 2020. The Charter has 39 social value measures which have been developed and are aligned to the Council's corporate strategy, objectives and local priorities. These measures have been grouped under four main themes: Social, Economic, Environmental, and Innovation. Each measurement has a value associated with it, which is derived from the TOMS. This allows us to quantify the value and evaluate the bids.

2.12.2 The Charter has recently been updated to reflect both the new TOMS values and feedback from the procurement team. The feedback has led to the ability to tailor the Charter to align it to a project's priorities. It will form the basis for the social value assessment and will be adapted to reflect the Council corporate priorities for the next HIS contract, as identified by the Subject Matter Experts (SMEs).

2.13 Social Value Summary

2.13.1 A draft overview of current and likely future priorities under three themes economy social and environment are included in the table 001.

Table 001: Social Value Summary of Priorities

| Theme | Corporate Priorities for ESCC Highways Contract |
|---|---|
| Economy: Develop a strong and competitive local economy (SME: Holly Aquilina & Sam Rhodes) | <p>These are the current priorities and have been largely influenced by the Covid-19 pandemic's effect on the economy.</p> <p>Employment</p> <ul style="list-style-type: none"> - Increase employment opportunities for all unemployed people in East Sussex - Increase employment opportunities for 18-24-year olds - Increase employment opportunities for groups disadvantaged in the labour market <p>Support for Business</p> <ul style="list-style-type: none"> - Increase local public and private spend within the East Sussex economy <p>Building Skills</p> <ul style="list-style-type: none"> - Offer apprenticeship opportunities for local people - Offer training and qualifications to local people <p>Employability</p> <ul style="list-style-type: none"> - Offer work experience opportunities to local people, including 50 day placements to level 3 students doing "T" levels - Provide careers education support in local schools and colleges <p>We would also like to mention two projects that would welcome a partnership approach with an employer. Firstly the ESTAR project enables a supplier to embrace a whole project in a partnership approach. The support could be principally be about jobs and apprenticeships for people living in insecure accommodation, but other support could include offering work experience, reconditioned computers, volunteering time etc. In this way the supplier has a stand-alone project to support and this can provide recognition to the supplier, as well as being able to see benefits of their donations more easily.</p> <p>A second suggestion, which is not really a project but supports an important service within the East Sussex Careers Hub, is that of financially supporting an Enterprise Co-ordinator. This role co-ordinates the appointment of Enterprise Advisers (such as those from Jacobs) to schools and colleges. In the early days of the contract 2 Enterprise Co-ordinators were funded by social value from Costain.</p> |
| Social: Support the health, wellbeing and independence of local residents (SME: Paul Rideout) | <p>Current challenges</p> <p>The Covid-19 Pandemic has hit the Voluntary Community and Social Enterprise (VCSE) sector very hard.</p> <p>The sector has quickly adapted services to government guidance e.g. closed charity shops, moved to digital and telephone support for people asked to isolate or stay at home.</p> <p>ESCC has worked with funders to establish small grant funds for various organisations but all of them are still "feeling the pinch".</p> <p>Services providing advice on finance and employment are seeing a massive increase in service users. Extra pressure on staff in these orgs.</p> <p>Services providing food and clothing for families have been stretched.</p> <p>The VCSE sector has helped set up the Community Hubs with District and Borough Councils, supporting clinically extremely vulnerable people.</p> |

| | |
|---|---|
| | <p>During the pandemic the VCSE sector had to adapt to digital support, limit face to face support and postpone activities that bring people and communities together.</p> <p>Priorities</p> <p>To gain an understanding of the VCSE Sector in East Sussex please read the Institute for Voluntary Action report - The Contribution and value of the VCSE in East Sussex- you can read a short summary here, or download the full report.</p> <p>Understanding the needs and priorities of the VCSE sector is key to identifying the social value and community benefit that can be generated.</p> |
| Environment: Protect and preserve the local environment and natural resources in the area (SME: Andy Arnold) | <ul style="list-style-type: none"> • Outline Social value requirements: <ol style="list-style-type: none"> 1) Work with their supply chain to reduce scope 3 emissions (ie. carbon emissions of their suppliers). 2) Support the development of relevant green skills (eg. via apprenticeships, work placements, training). |

2.14 Local Transport Plan 2011 – 2026

2.14.1 As the local transport authority, the Council has a statutory duty to produce a Local Transport Plan (LTP). The County's third LTP sets out our vision and objectives, and the strategy for the 15-year period from 2011 to 2026.

2.14.2 The LTP is supported by a series of five-year Implementation Plans showing how the strategy will be delivered in particular through our ongoing programmes for maintaining our highways and bridges/ structures, integrated transport and road safety schemes and improving the rights of way network.

2.14.3 The review and update of the County's LTP is planned to start next year to reflect the changes in policies and strategies at a local, sub national and national level over the last 10 years. The maintenance and improvement of the highway network in the County that will be delivered through the new highways contract will be an integral part of the updated LTP strategy particularly in terms of supporting sustainable economic growth but also needing to meet the climate change agenda and the Council's commitment to net zero carbon emissions by 2050.

2.15 Future nextwork Demand

2.15.1 We want East Sussex to be a place that is easy for our residents, businesses and visitors to move around in and is well served by our roads as well as pedestrian and cycle networks. However, there is an ongoing and increasing demand on these networks to support this aim.

2.15.2 Supporting our economy to recover and grow is one of the Council's key priorities. Fundamental to supporting business confidence and growth is having a transport network which enables employees to get to and from work and the timely movement of goods and services. As the economy starts to recover and in time grow, more businesses will be established, greater numbers of jobs will be created and more goods and services will be traded. This will generate an increased demand for travel on our transport network in the county, particularly our road network as people and goods move around, into and out of the county.

2.15.3 In addition, our Borough and District Councils have set out their housing growth plans in their Local Plans. The delivery of this housing over the next 20 years, particularly in our growth areas around south Wealden and Eastbourne, Bexhill and Hastings; as

well as the south coast towns, will increase the transport demand on our existing infrastructure whether they are travelling on foot, by bike, by bus or in a vehicle. Therefore, the maintenance and enhancement of our transport infrastructure, and ensuring that we have a functioning transport network to meet this increased demand, will be fundamental to supporting the delivery of this housing growth.

2.15.4 With greater emphasis on decarbonising transport, the Government's focus which in turn will be reflected in our updated Local Transport Plan, is towards increasing the levels of walking and cycling as well as bus providing an enhanced role in the transport environment. This will result in increased investment in our pedestrian networks, whether new infrastructure such as new crossing facilities or wider pavements, or the maintenance of the existing asset. Similarly, there is expected to be increased Government funding available for delivering improvements to our existing cycle networks, particularly in our growth areas of Hastings/Bexhill, Eastbourne/South Wealden and the Lewes coastal towns, to encourage more local journeys to be undertaken by bike.

2.15.5 In addition, enhancing the built environment is also a key means of making East Sussex an even more attractive place and investing in place-making initiatives will create the places that people want to visit and live in and attract inward investment. Many local authorities are already investing in improving the public realm, particularly to support the regeneration of their town and village centres. This is expected to continue into the future and the need to maintain these high quality environments will be important as many of these previously retail environments evolve to reflect the changing demands on these areas towards housing, leisure and mixed use developments.

2.16 What is Transport for the South East?

2.16.1 The Council is in partnership with other local transport authorities in the South East and have formed 'Transport for the South East' (TfSE) a sub-national transport body. The partnership brings together 16 local transport authorities, five local enterprise partnerships, 46 district and borough authorities and a range of wider stakeholders from the worlds of transport, business and the environment. Together, all are dedicated to creating an integrated and sustainable transport system that makes the South East more productive and competitive, improves the quality of life for all our residents and protects and enhances our unique natural and built environment. The ambition is to become a statutory body with the powers and funding to drive our strategy forward and help the South East reach its full potential. By speaking with one voice on our region's transport priorities, we're able to make a strong case to government for the investment the South East needs.

2.16.2 Vision Statement

2.16.3 By 2050, the South East of England will be a leading global region for net-zero carbon, sustainable economic growth where integrated transport, digital and energy networks have delivered a step change in connectivity and environmental quality. A high-quality, reliable, safe and accessible transport network will offer seamless door-to-door journeys enabling our businesses to compete and trade more effectively in the global marketplace and giving our residents and visitors the highest quality of life

2.16.4 A full copy of the TfSE strategy including the latest news and the future goals, priorities and principles behind the vision can be found on the on the TfSE website [Transport strategy - Transport for the South East](#)

2.17 Service Analysis Activities

2.17.1 Building on from the OBC a number of service reviews have been undertaken to help identify areas for improvement and change. These are summarised and expanded in more detail below:

- Review of Asset Management
- Review of Current Performance Framework & Employer's Incentive Scheme
- Review of Future Service Outcomes
- Review of Compliance Audits
- Review of Customer Satisfaction Data
- Review of Business Needs
- Review of Business Needs – Areas of Enhancement
- Review of Soft Market Testing (SMT) activities

2.18 Review of Asset Management

2.18.1 The Council has an established Highway Asset Management Strategy (Appendix 006). This Strategy sets out how the highways service will deliver against the Council's key priorities, taking into consideration customer needs, asset condition and best use of available resources.

2.18.2 The Council is committed to the development of good practice and continuous improvement. The current Highway Asset Management Strategy is for the period 2018 -2024. The Council's Asset Management Strategy is currently under review as part of the current RPP&R process to meet council priorities and resources. The updated strategy will outline our long-term strategic objectives and include the results of recent modelling exercises that are in progress. The new Asset Management Strategy 2021 – 2031 will be included with the Invitation to Tender (ITT) document set to be issued in October/November 2021.

2.18.3 By taking an asset management approach to works, the Council continues to increase the value achieved in road maintenance, improving network resilience and reducing the burden on revenue budgets through the delivery of effective programmes of planned preventative maintenance.

2.19 Corporate Council Road Condition Targets

2.19.1 As part of the Council's corporate performance monitoring of its services, road condition targets are agreed annually in relation to the highways service. A summary of the results and targets are included in Table 002. Since the start of the current HIS Contract in May 2016, road condition results have achieved all the annual set targets for all three classifications of road. The biggest improvement against the set targets has been in the condition of unclassified roads reducing from 25% requiring maintenance in 2013/14 to 14% requiring maintenance in 2019/20, following a period of targeted investment.

Table 002: Council Road Condition Targets and Results

| Internal ESCC Corporate Targets and Actual Results | | | | | | |
|--|---|--|---|--|--|---|
| Year | Road Condition Target for Principal Roads (%) | Road Condition Results for Principal Roads (%) | Road Condition Target for Non-Principal Roads (%) | Road Condition Results for Non-Principal Roads (%) | Road Condition Target for Unclassified Roads (%) | Road Condition Results for Unclassified Roads (%) |
| 2013/14 | 8 | 7 | 9 | 9 | 18 | 25 |
| 2014/15 | 8 | 5 | 9 | 9 | 24 | 22 |
| 2015/16 | 8 | 5 | 9 | 6 | 22 | 22 |
| 2016/17 | 8 | 5 | 9 | 6 | 21 | 19 |
| 2017/18 | 8 | 4 | 9 | 7 | 20 | 14 |
| 2018/19 | 8 | 5 | 9 | 7 | 20 | 9 |
| 2019/20 | 8 | 5 | 9 | 5 | 15 | 14 |

2.19.2 Asset condition of principal roads

Asset condition has improved since the baseline of 2013/14, as shown in Table 002. It has met the Council's targets in each year of the HIS Contract. For Principal Roads the percentage requiring maintenance fell from 7% in 2013/14 to 5% in 2018/19. As shown in Table 003 the national average was 3% in 2018/19. The Council's national ranking in that year was 116 out of 147. This has been fairly stable over the past seven years. The national ranking in 2019/20 (table 003) is yet to be published.

Table 003: Percentage of 'A' roads where maintenance should be considered.

| Year | East Sussex Percentage | National Average Percentage | East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated) |
|-------------|------------------------|-----------------------------|---|
| | (%) | (%) | |
| 2013/14 (%) | 7 | 4 | 105 out of 150 |
| 2014/15 (%) | 5 | 4 | 100 out of 151 |
| 2015/16 (%) | 5 | 3 | 106 out of 149 |
| 2016/17 (%) | 5 | 3 | 103 out of 149 |
| 2017/18 (%) | 4 | 3 | 90 out of 148 |
| 2018/19 (%) | 5 | 3 | 116 out of 147 |
| 2019/20 (%) | 5 | TBC | TBC |

2.19.3 Asset condition of non-principal roads

Table 004 shows the results for non-principal roads where the percentage requiring maintenance fell from 9% in 2013/14 to 7% in 2018/19. In 2018/19 it was very close to the national average of 6%. The Council's national ranking in that year was 119 out of 147. This has slightly worsened over the past seven years. The national ranking in 2019/20 (table 004) is yet to be published.

Table 004: Percentage of ‘B’ and ‘C’ roads where maintenance should be considered

| Year | East Sussex Percentage | National Average Percentage (%) | East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated) |
|-------------|------------------------|---------------------------------|---|
| | (%) | | |
| 2013/14 (%) | 9 | 8 | 99 out of 150 |
| 2014/15 (%) | 9 | 7 | 114 out of 150 |
| 2015/16 (%) | 6 | 6 | 107 out of 150 |
| 2016/17 (%) | 6 | 6 | 107 out of 147 |
| 2017/18 (%) | 7 | 6 | 122 out of 147 |
| 2018/19 (%) | 7 | 6 | 119 out of 147 |
| 2019/20 (%) | 5 | TBC | TBC |

2.19.4 Asset condition of unclassified roads

For unclassified roads, as shown in Table 005, road condition was better than the national average in both 2017/18 and 2018/19. The percentage improved from 25% in 2013/14 to 14% in 2019/20. The national ranking in 2019/20 is yet to be published.

Table 005: Percentage of unclassified roads where maintenance should be considered (Course Visual Inspection)

| Year | East Sussex Percentage | National Average Percentage (%) | East Sussex Ranking nationally out of 148 highway authorities (Provisional) |
|-------------|------------------------|---------------------------------|---|
| | (%) | | |
| 2013/14 (%) | 25 | 18 | 110 out of 130 |
| 2014/15 (%) | 22 | 18 | 109 out of 136 |
| 2015/16 (%) | 22 | 16 | 104 out of 124 |
| 2016/17 (%) | 19 | 17 | 85 out of 128 |
| 2017/18 (%) | 14 | 16 | 52 out of 119 |
| 2018/19 (%) | 9* | 16* | 25 out of 118* |
| 2019/20 (%) | 14 | Tbc | Tbc |

*2018/19 was carried out using a different survey method and cannot be directly compared with other years.

2.19.5 The key findings of this review are as follows:

- Good understanding of most of our assets as well as the investment needed to maintain-an accurate and up-to-date asset
- Knowledge of asset location and condition for drainage is not complete, but following best practice will be increased following a risk-based approach
- Ongoing development of Asset Management Approach
- Council road condition targets have continually been exceeded for each Service Year of the current HIS Contract.
- Asset modelling that is currently in progress will be incorporated into the revised Asset Management Strategy 2021-2031

2.20 Review of current Performance Framework & Employer's Incentive Scheme

2.20.1 A robust performance management framework was implemented for the current HIS Contract. The performance of the current service is specifically targeted to deliver the following service outcomes:

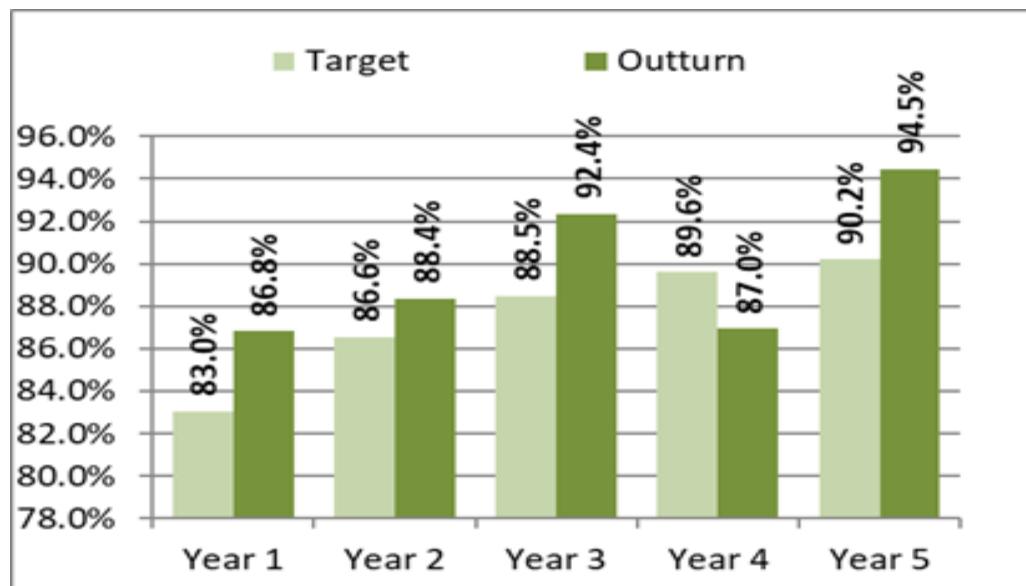
- To have the best network condition for the investment available (principle requirement) and:
 - Improve asset condition
 - Promote economic growth
 - Reduce the level of third-party claims
 - Provide value for money
 - Promote local engagement, and
 - Improve customer satisfaction and communication

2.20.2 Service Performance Indicators (SPIs) have been developed to align to the achievement of the above service outcomes. A total of 24 SPIs measure a number of performance areas:

- Operational Delivery
- Sustainability
- Safety
- Asset
- Stakeholder

2.20.3 A summary of the annual targets and Service Provider's results for Service Years 1-4 is included in Figure 003.

Figure 003: Bar chart of Service Provider's annual performance in comparison to annual target



2.20.4 The Service Provider's performance improved consecutively in Service Years 1-3. In Service Year 4 performance dropped, mainly due to a change in the Service Provider's organisational structure which had an impact on customer responsiveness and the overall quality of service delivery, which was further compounded by severe weather during the operational winter period. While the outturn for Year 5 is not yet final, indications are it will exceed all previous levels for performance and demonstrate that an effective action plan has been implemented by Costain to improve from the Service Year 4 issues.

2.20.5 Employer's Incentive Scheme

2.20.6 The Employer's Incentive Scheme financially rewards the Service Provider in any Service Year for achieving levels of overall performance that meet or exceed the Council's requirements. However, if the annual level of performance is not achieved the Service Provider may be penalised financially. The Service Provider earned a gainshare (financial reward) payment in both Service Year 1 and Service Year 3 by achieving the required annual performance level and all 24 SPIs being within 10% of their respective individual targets. However, gainshare was not earned in SY2 as three of the 24 SPIs did not meet their minimum targets nor in SY4 as six of the 24 SPIs did not meet their minimum targets.

2.21 Review of Future Service Outcomes

2.21.1 The OBC summarised the findings from both a broad and detailed analysis of key areas of highway related service delivery including individual service area assessments of the core activities, outline analysis of current costs, market research and maturity, contract options, risks, outline affordability and client maturity modelling. From this analysis a number of new service outcomes were developed and agreed by the Scrutiny Members Reference Group (Appendix 004) summarised as:

- Support initiatives that deliver carbon neutral services, schemes and incentives
- Optimise and improve performance for all users and support the local growth agenda
- Enhance the local economy through network expansion and improvement
- Sustain a financially resilient service that delivers best value with the resources available.
- Engage effectively to understand and meet the needs of our citizens and communities
- Embrace best practice, innovations and new technologies
- Develop and sustain collaborative partnerships that deliver the objectives of all partners
- Attract, develop, empower and retain the best people

2.21.2 As the DBC has been developed through further engagement with Members (see Appendix 004) and reviewing the latest Council priorities the service outcomes have been updated and prioritised. Delivery of the outcomes will also be monitored and managed through a service performance management framework as described in Section 2.18, which will be developed in further detail during the next stage of the project, delivery of the procurement strategy. The proposed five new service outcomes are set out below, in addition to a reminder of the Council's four overarching key priorities:

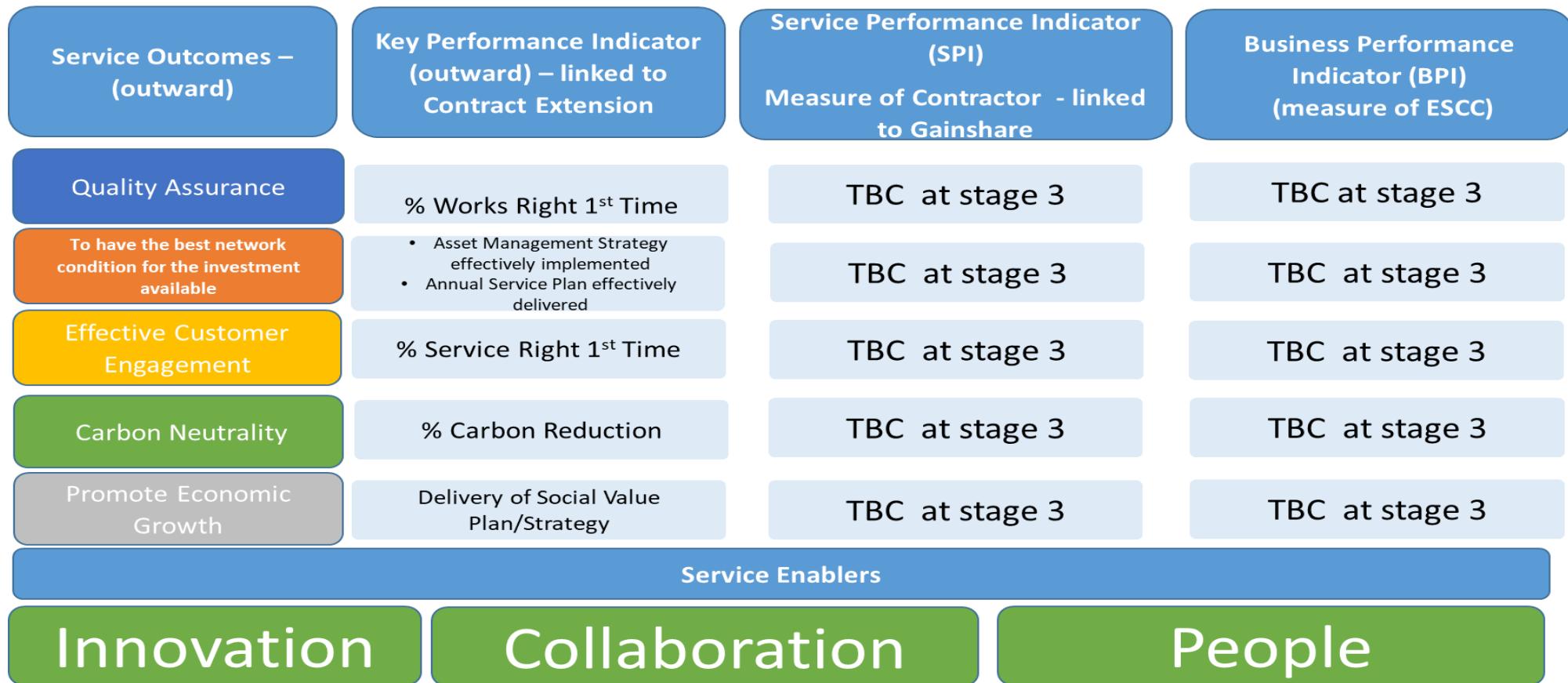
- **Overarching (Authority Level)**
 - Driving sustainable economic growth.
 - Keeping vulnerable people safe.
 - Helping people help themselves.
 - Making best use of resources in the short and long term
- **Proposed Highways Service Outcomes (Contract Level)**
 - Quality Assurance
 - To have the best network condition for the investment available
 - Effective Customer Engagement
 - Promote economic growth
 - Carbon Neutrality

2.22 Outline Future Performance Management, Incentivisation and Governance

2.22.1 Performance management will play a vital role in establishing the successful management and delivery of the service.

2.22.2 In developing this DBC a review of the performance framework has been started and will be completed during stage three of the project. In the future, the Service Providers performance may initially be measured at two levels, through a small number of specific Key Performance Indicators and larger number of Service performance Indicators. An indicative Performance Management Framework (see Figure 004) has been developed in recognition of the future service outcomes (detailed in Section 2.21.2).

Figure 004 – Outline Performance Management Framework:



2.22.3 Table 006 gives a worked illustrative example of how the SPI's will be measured and monitored. Once the the KPIs and SPIs have been further developed and completed at the stage 3 of the project, a detailed data sheet for each measure will be completed and issued to the market as part of the ITT documentation.

Table 006 An example of how the Service Provider's performance of the SPIs will be measured and monitored

| KPI No. | Service Outcome | SPI Description* | SPI Criteria* | Frequency of Measurement* | Target Performance* | Weighting (a)* | Actual Performance (b)* | Weighted KPI Performance* (c) = (a)*(b) | Performance Area Weighting* (d) | Performance Area score* (e) = (c)*(d) |
|---------|---|---|---|---------------------------|---------------------|----------------|-------------------------|---|---------------------------------|---------------------------------------|
| 1 | Quality Assurance | Make safe or correct Category 1a defect | Make safe the hazard or correct the defect within 2 hours of being recorded | Monthly | 100% | 0.5 | 90% | 45% | 0.2 | 9% |
| 2 | Quality Assurance | Correct Category 1b defect | Correct the defect within 5 days of being recorded | Monthly | 95% | 0.25 | 97% | 24% | | 5% |
| 3 | Quality Assurance | Correct Category 2 defect | Correct the defect within 28 days of being recorded | Monthly | 90% | 0.25 | 80% | 20% | | 4% |
| 4 | To have the best network condition for investment available | *** | *** | *** | % | *** | % | % | 0.2 | % |
| 5 | | *** | *** | *** | % | *** | % | % | | % |
| 6 | | *** | *** | *** | % | *** | % | % | | % |
| 7 | Effect Customer Engagement | *** | *** | *** | % | *** | % | % | 0.2 | % |
| 8 | Effect Customer Engagement | *** | *** | *** | % | *** | % | % | | % |
| 9 | Effect Customer Engagement | *** | *** | *** | % | *** | % | % | | % |
| 10 | Support CO2 Neutral Agenda | *** | *** | *** | % | *** | % | % | 0.2 | % |
| 11 | Support CO2 Neutral Agenda | *** | *** | *** | % | *** | % | % | | % |
| 12 | Support CO2 Neutral Agenda | *** | *** | *** | % | *** | % | % | | % |
| 13 | Promote Economic Growth | *** | *** | *** | % | *** | % | % | 0.2 | % |
| 14 | Promote Economic Growth | *** | *** | *** | % | *** | % | % | | % |
| 15 | Promote Economic Growth | *** | *** | *** | % | *** | % | % | | % |

* information is indicative (for illustration purposes only), all information is subject to change

** figure is for illustration purposes only (used in the example calculation shown in Table 9)

| | |
|--|----------|
| Contractor's Overall Performance | 95%** |
| Overall 'Good' Performance range | 100-110% |
| Overall 'Acceptable' Performance range | 90-100% |
| Overall 'Poor' Performance range | 80-90% |

2.22.4 Overall performance against the service outcomes will be measured and reported year-on-year for trend analysis, through a combination of Key Performance Indicators (KPIs), Service Performance Indicators (SPIs) and Business Peformance Indicators (BPIs).

2.22.5 Results will be linked directly to the incentivisation and ‘penalty’ mechanisms set out in the contract. It is envisaged that KPIs will be linked to a gateway process for the contract extension whereas the SPIs will more directly linked the Performance Incentivstion Scheme.

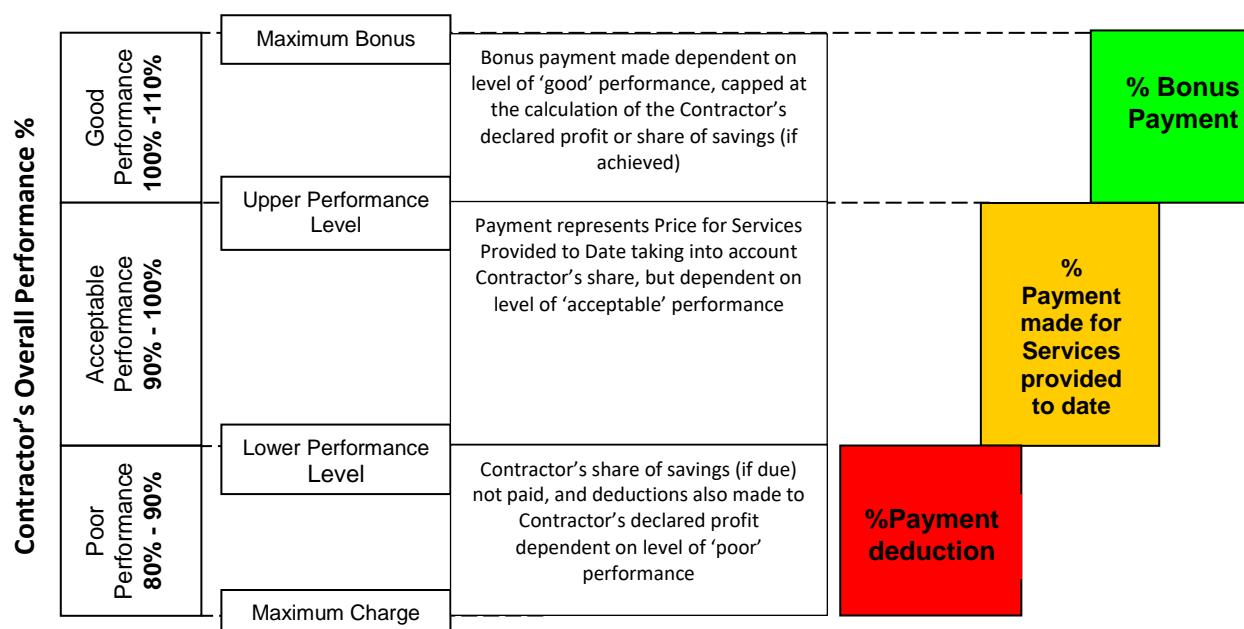
2.22.6 The Council’s performance will also be measured against the BPIs. These will include detailed measures associated with NEC4 project manager and NEC4 Supervisor roles, such the timely response to contract communications.

2.22.7 The Service Provider’s performance against the KPIs and SPIs can only be directly linked to the incentivisation and ‘penalty’ mechanism and contract extension when the Service Provider is fully responsible for the service delivery.

2.23 Outline Performance Incentivisation Mechanism

2.23.1 The Service Provider’s overall performance delivery will be focused using an incentivisation mechanism as detailed in Figure 005.

Figure 005 – Performance Incentivisation Mechanism:



2.23.2 In order to demonstrate how the Contract Performance Framework is linked to the Performance Incentivisation Mechanism, a worked example is shown in Table 007.

Table 007 - Example of Performance Incentivisation Mechanism calculation (Acceptable Performance):

| Overall Contracts Performance Score for Year 1 of the Contract | Example 1 95% - from Table 6 | | | Example 2 92% | | |
|--|---------------------------------|------------------------|----------|--------------------|------------------------|----------|
| Target Cost for Total Service Delivery for year 1 | £35 million | | | £35 million | | |
| Actual Cost of Services provided by the Contractor (Actual) | £34 million | | | £34 million | | |
| Difference between target and actual, known as “Share Pot” | £1million | | | £1 million | | |
| Contractors Maximum share from share pot (50%) | £500,000 | Actual Amount Paid | £250,000 | £500,000 | Actual Amount Paid | £100,000 |
| Authority's Minimum share, from share pot, to be reinvested into the service (50%) | £500,000 | Actual Amount Retained | £750,000 | £500,000 | Actual Amount Retained | £900,000 |
| Total Payment to Contractor | £34,250,000 | | | £34,100,000 | | |

- 2.23.3 When looking at the example in Table 007, should the Service Provider achieve an overall performance score for Year 1 of 95% but exceeded the agreed target cost this would result in no savings being generated, therefore no payment would be made to the Service Provider from the share pot and no money would be available for the Council to reinvest into the Service.
- 2.23.4 A poor performance score (80%-90%) will mean no entitlement to any portion of the Service Provider’s share of savings (if generated) along with a reduction in the proportion of declared profit set out in the contract (normally paid as part of the payment for services provided by the Service Provider).
- 2.23.5 The maximum cost of the service cannot exceed the available budget if robust knowledge and processes are applied to agree the target cost.
- 2.23.6 Any of the Council’s ‘share’ of the savings should be ‘reinvested’ to support the service outcome, to have the best network condition for the investment available
- 2.23.7 The Contractor will manage performance and keep such records as are necessary to measure and report on their performance in accordance with the contract

2.23.8 The key findings of this review are as follows

- The Performance Framework is robust, and some individual targets are stretching
- The Employer's Incentive Scheme appropriately influences the Service Provider's approach to service delivery
- Overall annual performance improved for the first three Service Years of the HIS Contract
- Some SPIs need a more in-depth review than others as some consistently met and/or exceed their respective targets whereas some are more inconsistent. A full review of all SPIs and a data sheet created for each measure will be completed at the next stage of the project.

2.24 Review of Compliance Audits

2.24.1 The HIS Contract Performance Framework is underpinned by an audit process as set out in the contract, which includes the provision for the Council to undertake three different types of audits. A rolling audit programme and sample-based approach has been conducted throughout the duration of the service. Table 008 sets out an overview of the number of audits completed to date.

Table 008: Internal Compliance Audits Completed

| Audit Type | SY1 | SY2 | SY3 | SY4 |
|------------------------------|-----|-----|-----|-----|
| Performance Audit | 8 | 7 | 6 | 10 |
| Works Delivery Audit | 0 | 2 | 1 | 1 |
| Non-Performance Audit | 0 | 0 | 0 | 0 |
| Total | 8 | 9 | 7 | 11 |

2.24.2 In addition to the 35 internal compliance audits that have been undertaken, a number of audits have been completed by the Council's Internal Audit department, as well as commissioned audits by 3rd parties. Details of these are set out below:

2.24.3 ESCC Internal Audit

1. **A review of the proposed New Highways Contract was completed in 2015:**
 - This audit found full assurance with the proposed contract management.
2. **A review on the Highway's Contract Management July 2017**
 - This audit found reasonable assurance in respect of the contract management controls being in place.
 - An action plan for improvement was agreed and has been implemented.

2.24.4 Independent 3rd Party Audits

1. **Touchstone Renard Review of the CMG October 2017;**
 - Focussing on the Council's Contracts Management Group structure, governance and effectiveness;
 - Touchstone Renard are an independent management consultant
2. **Red Ray audit into Highways Infrastructure Service April 2018;** The purpose of the review was to identify issues that present a risk to the Employer, particularly with regard to Service year-end outcomes. RedRay Ltd are an independent business management consultant.

2.24.5 The key findings of these reviews are as follows

- The completion of audits is a robust approach for identifying areas for improvement.
- The audits have demonstrated that there have been improvements each year
- There will be greater alignment of compliance activities and commercial activities within the future design of the Councils Contracts Managements Group.
- There will be a greater focus on compliances activities in the next contract that focus on the quality of works completed right first time
- Any compliance checks/audits completed must add value to both the Council and the Service Provider. An Compliance Plan will be created and reviewed quarterly.

2.25 Review of Customer Satisfaction

2.25.1 It is recognised that one of the most significant challenges the service has faced during the current contract has been the successful implementation of a customer focused ethos.

2.25.2 Reviewing the results of the relevant SPIs, and the feedback from key stakeholders during engagement exercises as part of the HSRP, it is clear that over the last four years customer satisfaction has not improved and has either remained static or declined.

2.25.3 Table 009 highlights the results of the Council as part of the national NHT Survey since 2016. The NHT Survey is a national public satisfaction survey that in 2020 had 998 responses in East Sussex from a random sample of 3,300 (29.7%). It is a survey based on public perception only not an evaluation of the Councils interactions with the respondent. This is the tenth time East Sussex has taken part and last year, 109 authorities took part, covering most of the country.

Table 009 demonstrates the sentiment that perception of highways services and satisfaction has not improved. Although it is worth noting that this is a similar trend across the country with the national average also declining and may therefore demonstrate a more widespread dissatisfaction with the road network.

Table 009: NHT Customer Satisfaction Data (% satisfaction)

| KBI number | High level resident satisfaction indicators | East Sussex 2016 | East Sussex 2017 | East Sussex 2018 | East Sussex 2019 | East Sussex 2020 | National average (2020) |
|------------|---|------------------|------------------|------------------|------------------|------------------|-------------------------|
| KBI25 | Street Lighting | 61.9 | 60 | 59 | 61 | 59 | 64 |

| | | | | | | | |
|-------|------------------------------------|------|----|----|----|----|----|
| KBI18 | Management of Roadworks | 53 | 51 | 53 | 54 | 50 | 50 |
| KBI26 | Highway Enforcement / Obstructions | 48.3 | 50 | 45 | 49 | 44 | 45 |
| KBI24 | Highway Maintenance | 48.8 | 50 | 47 | 49 | 45 | 50 |
| KBI23 | Condition of Highways | 28.7 | 27 | 23 | 27 | 22 | 36 |

2.25.4 With regard to the Customer Satisfaction SPI 20, under the HIS Contract, the results for this have steadily declined since the commencement of the service, with the SPI being one of the six that failed in Service Year 4. It is also recognised that since the start of the current HIS Contract, the demands of customers and stakeholders have changed, with a need for more immediate response particularly with the development of social media channels. There is a greater need for more innovative ways to manage increasing customer expectations in the future.

2.25.5 Key Findings of this review

- Based on the NHT perception based survey customer satisfaction of highways services (Table 009) has continually decreased since nationally
- There needs to be a more consistent approach to customer relations and communications for all those using the service, as well as ensuring the department is complying with the Council's Customer Charter.
- Need to improve timeliness and consistency of communications
- Customer Contact Centre resources need to be resilient to deal with seasonal changes in correspondence volumes.
- Table 002 shows the Council road condition targets are continually being met whereas customer satisfaction and perception of the condition of highways (Table 009) is on a downward trend.
- Quality of customer responses remains a high priority. Two of the new Service Outcomes, Quality Assurance and Effective Customer Engagement have been developed to specifically target improvements in customer communications.

2.26 Review of Business Needs

2.26.1 Business needs are the strategic reason(s) why the HSRP exists, without these reasons the HSRP would not be needed. Essentially the business needs are the main drivers of the HSRP. There are two key internal drivers and one external driver. These are as follows:

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.

2.26.2 A high level review of the Council's statutory duties has been completed, (Appendix 005). This aspect of analysis looked at the current statutory and legal obligations on the Council as the Highway Authority, in respect of managing and maintaining the network.

2.26.3 In broad terms the Council has a statutory duty to maintain the highway network at public expense in a safe and usable condition. This is strengthened and supported by other legislation and regulations around the environment, health and safety and other guidance and standards such as Well-Managed Highway Infrastructure Code of Practice (2016).

2.27 Review of Business Needs - Identified Areas of Enhancement

2.27.1 Through the development of both the OBC and DBC, to fully understand potential areas of change, four engagement exercises as set out below have been delivered with staff across both the Service Provider and the Council, as well as with County Councillors who are part of the Scrutiny Member Reference Group. These are as follows:

2.27.2 The first engagement exercise was delivered with the Council's CET departmental teams who regularly interact with the Highway Service. The exercise involved carrying out SWOT (Strength, Weaknesses, Opportunities and Threats) analysis, and provided an opportunity for the teams to share their experiences of the service. Upon analysing the information, the following areas of focus were identified;

- A need for all departments to work more collaboratively and share best practice more proactively.
- Clear service levels agreed from the outset of the contract for those other Departments which engage regularly with the service, with clear accountability over roles and responsibilities.
- Service Provider will need to develop their understanding of the Council as a whole and set out a clear plan on how to work with its other departments
- Potential to develop department specific performance indicators

2.27.3 The second engagement exercise was delivered with the Council's existing Contracts Management Group for the Highways Service. The exercise involved each team formulating a record of what lessons they believe have been learnt over the life of the contract. Upon analysing the information, the following areas of focus were identified;

- Ensuring all works are delivered as instructed and that the quality is of a good standard.
- Where works aren't delivered as expected, ensuring there is a robust process in place to rectify and address the issues identified.
- Effective relationship management, ensuring a quality service is consistently provided to key stakeholders such as Councillors and other Local Authorities.
- Service Provider needs to ensure all their staff have detailed understanding of the Contract, and that an effective training plan (joint if applicable) is in place to maintain this.

- Improve and streamline commercial processes, in particular for final accounting of works.
- Ensure an effective Asset Management system is in place to store information about the highway network and the Council's assets.

2.27.4 The third engagement exercise was delivered with the Service Provider's staff. The exercise involved sending out a survey asking for views on the current arrangements, and the impact the arrangements have had on them successfully delivering their jobs. Upon analysing the information, the following areas of focus have been identified;

- In the next contract there needs to be greater alignment between the ethos of the Service Provider and the Council.
- Needs to be greater clarity over roles and responsibilities between those that work for the Service Provider and those for the Council.
- A more detailed and robust training programme on the contents and requirement of the contract is needed, at a much earlier stage.
- It is felt that processes are admin heavy, and that in the next contract these need to be reviewed and made more efficient, to improve the timeliness of the service being provided.
- Ensure it is clear from the outset what level of staff resources are needed to ensure the service remains resilient throughout the contract period
- There needs to be a review of the current SPI process and what is required by the Service Provider to evidence their performance.

2.27.5 The fourth engagement exercise was a workshop delivered with the Scrutiny Member Reference Group for the Re-procurement Project. The session involved discussing Members' experiences with the service, and what they felt needed to be included. Upon analysing the information, the following areas of focus have been identified;

- More consistency with communications, with a more proactive approach to sharing key information with Members and Town/Parish Councils
- Quality management needs to improve, with the Service Provider taking more of a proactive approach and managing the quality of works more closely.
- Taking a more innovative approach to repairing the network and looking at how the department can further help to support communities.
- Timeliness of communications and delivery of works needs to improve, and clear timelines need to be provided to all stakeholders
- Encourage the right behaviours and working culture for the contracting parties
- Review the delivery of cyclical services, in particular grass cutting and the timing of these works.

2.27.6 Considering the results of the four engagement exercises it has been determined that the following are the priority areas of change in the next contract:

- Having a strong Customer ethos for highways customers , truly putting them at the centre of everything the highways departments does. This will include building really strong relationships with Members, taking a proactive approach to the service being provided to them
- Develop a robust quality management approach which ensures from cradle to grave it is clear what is expected and what service level is required.
- Review of current SPIs, ensuring they drive the right behaviours across the service
- Ensure efficiency across all work processes, and that all staff have a detailed understanding of the contract and its requirements.
- Develop a working environment where innovative thinking is engrained, and staff are constantly seeking to explore other ways of working more efficiently.

2.28 Review of Soft Market Testing (SMT) activities

2.28.1 The objectives of the SMT are:

- Gauge market interest in the provision of services on behalf of the Council
- Identify the most appropriate procurement option
- Seek industry views in respect of how potential Councils/partners might approach the delivery of the service having regard to local circumstances, national performance indicators, relevant legislation and the Council's aims
- Identify external influences and constraints on the market
- Identify optimum operational processes/working practices
- Identify new technologies/innovative working practices that would lead to improvements in cost, speed, dependability, flexibility and quality of service delivery

2.28.2 An overview of the planned SMT activities is set out below:

| Activity Number | Description of activity | Status |
|--|--|----------|
| Activity 1: Proving Solutions Ltd market engagement | This stage of the pre-market engagement exercise was initiated by Proving Services Limited on behalf of East Sussex County Council and the other six participating authorities. Thirteen private sector providers were interviewed, including director level representation from each organisation. All participants provided honest, open and constructive views. | Complete |
| Activity 2: Information Sharing | Following on from activity 1, we reviewed the findings and noted that a number of providers have made a number of statements as well as posing a number of questions. Based on the current stage of our re-procurement project we provided outline answers to these questions and issued a follow up questionnaire to the thirteen providers. | Complete |

| | | |
|--------------------------------------|--|----------|
| Activity 3: OBC engagement | Following the publishing of the OBC in January 2021 we issued a request for information questionnaire to the whole market through the Orbis South East Shared Services Portal. 11 Responses were received. | Complete |
| Activity 4: DBC engagement | As a final activity prior to formally launching the procurement process. The exact scope and purpose of this activity will be confirmed nearer the time. | Planned |

2.28.3 The key findings of Activities 1,2, & 3

- Service Providers may become increasingly selective in which contracts they bid for in the future.
- Service Providers are seeking to work with authorities that are willing and able to build truly collaborative and strategic partnerships; based on trust, and for the benefit of all parties.
- An outcome-based contract is preferred compare to prescriptive based specifications
- An integrated or small number of single providers, working as a collaborative partnership, provides the best opportunity to realise efficiencies, exploit innovation and new technologies, and access specialist skills and additional capacity.
- The minimum length of contract, is ideally seven years, with optional extensions. The longer the contract the greater the opportunity and incentive to invest in innovation that improves outcomes and reduces costs.
- There is genuine interest in working with ESCC and participating further in SMT.

2.29 Technology Overview

2.29.1 The delivery of the current HIS contract is highly dependent on a number of diverse and business critical technology systems. The systems are shown in Figure 006 along with the key functions and uses of the systems.

2.29.2 Current technology systems – investigation and review

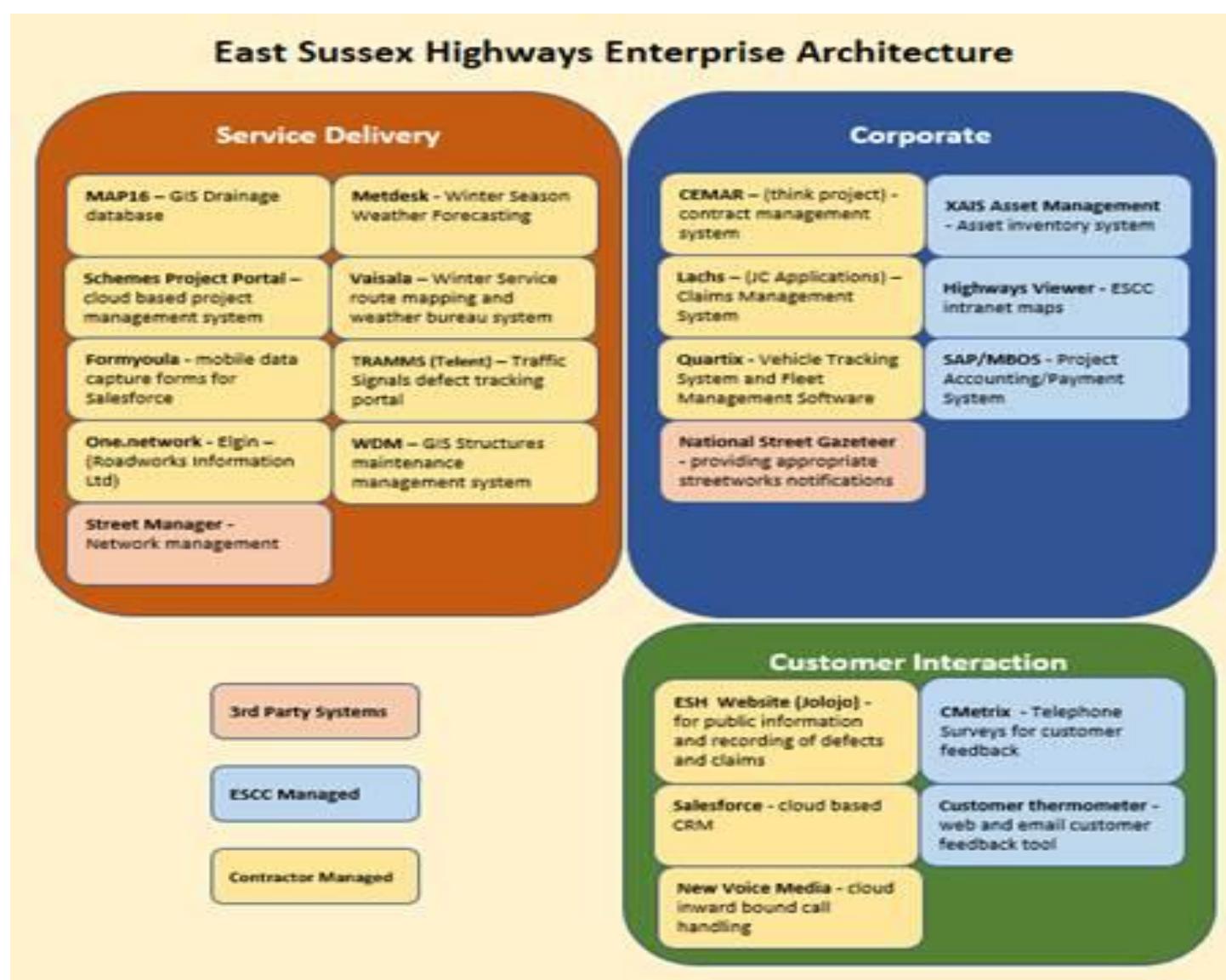
2.29.3 The proprietary systems have been purchased from a number of different suppliers, generally over the duration of the current HIS contract, and are well established in a mature, but constantly evolving IT market. The use of cloud systems and cloud data storage is key for the technology systems for the next HIS contract. Most technology systems are the responsibility of Costain with a handful of others being owned by the Council.

2.29.4 Proposals and considerations for re-procurement

2.29.5 The coordination of technology systems will present one of the biggest challenges in the new HIS contract, the key issues for which will be:-

1. Mobilisation and establishment of Contractor's systems and ESCC interfaces;
2. Timely collection and communication of data and information; i.e. client reporting;
3. Security of data;
4. Reliability and connectivity of systems;
5. Transparency and visibility of data and processes;
6. Data availability to the Authority;
7. Verification and audit of systems and data;
8. Handling data input only once;
9. Managing technology systems developments, updates and obsolescence, and
10. Managing hand back/handover at the end or termination of the contract.
11. Potential integration with the Councils MBOS system

Figure 006 – The East Sussex Portal Diagram:



| Software/System Name | Functional Use | System / Software Owner | Used by |
|----------------------|--|-------------------------|-------------------------------------|
| Sharepoint | Document management System | ESCC | CMG staff only |
| Candy | estimate construction costs | Costain & Jacobs | Jacobs |
| Capture | cloud based system for reporting health and Safety | Costain & Jacobs | Costain & Jacobs |
| Mosaic | web based platform track mandatory training, and inductions | Costain & Jacobs | Costain & Jacobs |
| JCT Consultancy | LinSig traffic signals design software | Costain & Jacobs | Jacobs |
| ICosNet | Costain's Document Management System | Costain & Jacobs | Both CMG and Costain & Jacobs Staff |
| AutoCAD | computer-aided design and drafting software | Costain & Jacobs | Jacobs |
| ARC GIS | create, manage and modify GIS data | Costain & Jacobs | Costain & Jacobs |
| Projectwise | platform to manage, share and distribute engineering project content | Costain & Jacobs | Jacobs |
| Onwave | Geofence application – GIS based software for devices | Costain & Jacobs | Costain & Jacobs |
| Skedda | cloud based room booking and reservation system | Costain & Jacobs | Both CMG and Costain & Jacobs Staff |
| Net2 | controls access to buildings | Costain & Jacobs | Costain & Jacobs |
| Call Handling | manages employees who are home working | Costain & Jacobs | Costain & Jacobs |
| Mayrise | co-ordinates and permit street works | Costain & Jacobs | Costain & Jacobs |
| EnterpriseOne | cloud-based Enterprise Resource Planning and supply chain management and financial and order management, and records timesheet entries | Costain & Jacobs | Costain & Jacobs |
| Wix | cloud-based solution that creates and manages websites | Costain & Jacobs | Costain & Jacobs |
| Draw.io | cloud application for building process maps | Costain & Jacobs | Jacobs |
| Hootsuite | Social media platform | Costain & Jacobs | Costain |
| Email Octopus | integrated e-commerce marketing platform | Costain & Jacobs | Costain |

2.29.6 Future Technology Requirements

2.29.7 The specific technology systems and software requirements will be set out within the invitation to tender documentation following a detailed review of the current systems. It is likely the requirements will be outcome based and no specific systems will be required, it will be for bidders to make proposals as part of their tender offers.

2.30 Benefits

2.30.1 Potential strategic benefits to be realised upon project completion are as follows:

- Increased value for money without a drop in service quality, whilst effectively maintaining the road network and its associated infrastructure

- Increase in efficiency and effectiveness of delivery to achieve the Service outcomes
- A robust contract enabling all parties to work productively and cooperatively
- Improve the current performance of the Highways Service where the SPIs evidence that change may be needed
- Ensure ESCC remains an attractive client to the market
- Increase stakeholder satisfaction with the road network
- Delivering best practice

2.30.2 In completing both the OBC and DBC there has been a clear emphasis on developing a model that contributes to the wider corporate aims of improving efficiency when delivering core services. The new SDM will be designed to ensure flexibility and enable effective management of any unforeseen events that may arise during the life of the contract.

2.31 Key Risks

2.31.1 The project has identified the key business, service and external risks through the development of a project risk register. The register is being monitored by the Project Board, with each of the potential risks being ranked by scale of impact and probability of occurrence. Mitigation measures are robustly managed to reduce the scale and impact of risks, and the register will be maintained throughout the life of the Project.

2.31.2 The Strategic Risks that remain for the HSRP are contained with the following table:

Table 010: List of Strategic Risks

| Risk Ref. No. | Topic | Description of Risk | Impact (expected) | Revised Risk Rating 1 = Low; 4 = High | | | Status | Proposed or actual Countermeasure(s) |
|---------------|---|---|--|--|----------|--------|--------|--|
| | | | | Impact | Likely | Result | | |
| 3 | Price | Change in market conditions from previous tender (fee, inflation, strategic pricing) | Potential jump in rates compared to current provider Reduced competition for TSC & Professional Services | High | Moderate | 9 | Active | Affordability modelling needs to be undertaken at the DBC stage once budgets are also known. Engage in soft market testing to ensure maximum level of competition. Outline to market as early as possible the preferred service delivery model and ask them to consult on it at both OBC & DBC stages to ensure that the market can deliver the preferred service delivery model Ensure stakeholders are aware of potential rise in prices |
| 2 | Continuity between bid team and delivery team | Disconnect between bid team who have understood Employer requirements and the proposed approach (tender submission Price & Quality) to meeting them and hand-off to delivery teams who derive their own interpretation. Future SDM is not embedded and benefits are not realised | Promises made within tender submission are misinterpreted or are not delivered Contractor perceives rates tendered are not sustainable, Contractor looks for immediate cost savings | High | Likely | 9 | Active | Develop an approach that can be included within the tender that sets our expectations / needs and consider quality questions regarding this area / mobilisation plan & transition plan Consider Employer involvement in appointment of key people / delivery team during the procurement phase |
| 1 | Brexit | There continues to be uncertainty over the finer details of the agreement and what this could mean for East Sussex. | Impact traffic and customs in Newhaven Possible impact on the supply chain and their resources. Potential aggregate delivery issues | High | Likely | 9 | Active | Very little input that ESH can have on this risk, other than to follow government advice and when necessary produce contingency plans when needed. |
| 4 | Operational Delivery | Withdrawal of Service Provider at preferred bid stage | Delay to project Potential failure to deliver the service Increased costs of putting alternatives in place | High | Moderate | 6 | Active | Implement emergency protocols, which in some circumstances would result in bypassing CCT procedures to procure works to undertake statutory obligations e.g. winter maintenance, emergency repairs. Commence TUPE arrangements to bring workforce back in, seek specialist advice on this and ensure contract clauses allow for this to happen at earliest opportunity |
| 5 | De-mobilisation | Failure to ensure continued service delivery during contract switchover or without a change in service provider | Loss of productivity could result in reputational damage to the Employer. General poor efficiency and value for money from both client and JV staff during times of uncertainty | High | Moderate | 6 | Active | Continue dialogue with current contractor and ensure contract de-mobilisation plan is executed. Ensure effective mobilisation plan is in place and contract training on the contract changes for TUPE staff when appropriate |
| 6 | Covid | Further lockdowns / prolonged (long term) safety measures in place regarding COVID | Delays to the project programme and longer term impacts on contract costs | High | Moderate | 6 | Active | Robust project management of the project timeline, regular monthly updates. Forecast cost increases to be included within the OBC, but also have been reported corporately. |

2.32 Constraints

2.32.1 Highways authorities are constrained in their responsibilities for Highways Maintenance Services as set out in statutory legislation. In preparing the DBC we are not aware of any changes to legislation that would impact on the successful delivery of the project.

2.33 Dependencies

2.33.1 The HSRP is not part of any other Council programme so there are no internal dependencies. However, some changes in the Council's client management team are required needed to deliver the SDM effectively and meet all the service outcomes. Additionally the project involves interacting with internal departments such as ICT and Pensions, early engagement has been established to ensure effective implementation.

2.34 Summary of Strategic Case:

Key Strategic Drivers

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement and Contract Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.
- **Carbon Reduction** – to contribute to achieving the targets set out in the Climate Emergency Action Plan June 2020.
- **Asset Management** – continue to deliver the service in accordance to the Council's Asset Management Strategy, to ensure the Council attracts future funding opportunities.

Opportunities to Improve

- **Current Success** - There is evidence that the existing arrangements are working well and meeting the Council's Strategic Priorities and the Service Outcomes. The HSRP provides an opportunity to build upon and enhance the current performance levels.
- **Customer satisfaction** - aspects of current performance indicate the need to improve to ensure all elements of the Council's Customer Promise and Customer Values are consistently delivered. There needs to be a focus on channel-shift as set out in the Council's Core Offer towards self service delivery for stakeholders.
- **Quality Control** – greater consistency for total service area not just Works Activities (schemes).
- **Innovation** – willingness and flexibility to invest and /or accept innovation ideas in partnership with the Service Provider. This includes technology, materials and other best practice processes.
- **Assurance** – provide ongoing assurance to Members with regard to service performance levels.

Strategic Challenges

- **Funding** – long-term funding sources post 2021 from DfT. Insufficient to deliver longer term asset enhancement.
- **Brexit** – unknown at this stage but could impact funding, supply of materials and/or labour.
- **Covid** – unknown at this stage but could result in adapting to new working practices, impact on funding, future demand on network due to modal shift.
- **Public Perception** – managing increased and/or changing expectations of the service.

3 ECONOMIC CASE (OPTIONS APPRAISAL)

3.1 Overview of Approach

- 3.1.1 The purpose of the options appraisal is to identify possible SDMs in which the Council can deliver its future highways maintenance service beyond April 2023. It assesses the relative advantages, disadvantages and risks of the different SDMs. The long list of options has been appraised in three stages. Stages 1 and 2 were carried out within the OBC, with a shortlist of two options being taken forward for consideration and further development at Stage 3 within the DBC.
- 3.1.2 Using criteria set out in Table 012 an assessment has been carried out (see Appendix 003 for more details) against fifteen different SDM options.

3.2 Options Considered

- 3.2.1 The fifteen options that were considered cover a range of the different types of SDMs that are utilised by the majority of local highway authorities. The top five ranked options evaluated at Stage 2 within the OBC are defined in Table 011.

Table 011: Top 5 ranked Service Delivery Models Definitions

| Service Delivery Model Type | Option | Service Delivery Model Variation | Definition |
|-----------------------------|--------|---|--|
| Single Provider | 1 | Contractor + Consultant (designer) (Separate) | <ul style="list-style-type: none">• Single external Contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external Consultant providing design services.• No legal contractual relationship between the two. |
| Single Provider | 2 | Integrated (Contractor + Designer) | <ul style="list-style-type: none">• Single external Contractor providing all blue collar and design services. (either directly or managing a supply chain)• Single legal contract |
| Teckal | 9 | Arms-Length Company | <ul style="list-style-type: none">• Wholly owned local authority company limited by shares or guarantee. |
| Mixed Economy | 12 | Best Option by Function/ Service | <ul style="list-style-type: none">• Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house (the contracted in function is traditionally the design function). |
| Joint Venture (JV) Company | 7 | JV | <ul style="list-style-type: none">• Two or more arrangements coming together to form a separate legal entity for commercial purposes. In this exercise it assumes a public to private JV, with a least one entity being the Local Service Provider. |

3.3 Detailed Summary of Top 5 Options

3.3.1 Option 1 – Single Provider Contractor (Works) and Single Provider Consultant (Designer).

There would be a single external Service Provider delivering all works services (either directly or managing a supply chain) with a separate single external consultant providing design services. This is the fundamental difference of this option compared to Option 2, where the works and design accountability is shared between two separate Service Providers. There would be no legal contractual relationship between the two, the Council would manage each contract separately.

This option would require additional resources within the Council's Contract Management Team to manage each individual contract.

Risks associated with this option include potential limitations on the Council to provide an integrated and consistent approach to service delivery. Having two separate contracts and relationships could make it more challenging to identify responsibility and accountability, and there would need to be detailed risk management plans in place to mitigate this as well as additional resources.

3.3.2 Option 2 – Integrated Single Provider (Contractor and Designer)

This model is a continuation of the current SDM. The option scores the highest in terms of achievability critical success factors. The transition to this option would be the easiest out of the five options, it would be the least complex to set up and manage and is affordable in terms of the cost of transition. Various opportunities for improvement have been identified and could be implemented through the further development of the existing contract documentation.

With this option the Service Provider would be accountable for both design and works delivery which generates economies of scale and enables smarter risk mitigation between design and construction.

One potential issue with this model is the effectiveness of risk transfer between the Council and the Contractor, this will depend on the specific terms of the contract and the nature of the Council's retained contract management function. There would be no ongoing competition between service providers to encourage lower pricing with this option, where self-delivery is provided. However, it is acknowledged that there will be ongoing competition where supply chain resources are utilised.

This option would have the least amount of impact to the service and aligns the closest to the current arrangements.

3.3.3 Option 9 – Teckal

This is where a company wholly owned by the Council would be set up and provide services back to the Council, as a single provider. The common form of corporate vehicle utilised is a private company limited by shares and may be created with a shareholder's agreement that will include a business plan.

This new company would be exempt from the Public Contract Regulations 2015 (as amended) if it satisfies the requirements of the ‘Teckal Exemption’ as set out in Regulation 12 (1):

- a) More than 80% of activities must be performed for the controlling local authorities;
- b) There cannot be any private sector ownership;
- c) The Teckal company’s primary purpose must not be commercially orientated; and
- d) The controlling local authorities must exercise decisive influence over the strategic objectives and significant decisions. It would not need to be procured by the Council.

Some positive aspects of this option are that the Council would not pay any ‘profit’ element or a ‘risk transfer premium’. The Council would have the ability to respond to reduced budgets or changing priorities and be flexible, without financial liability or commercial renegotiation.

Some potential negative aspects could include that the Council would need to fund/resource the establishment of the arrangement. This is likely to be significantly more expensive than the other options and the financial and service delivery risks would ultimately remain with the Council.

3.3.4 Option 7 – Joint Venture (public to private)

This option is where a Joint Venture (JV) organisation is created between the Council and a private sector entity (or entities). This would be established by a competitive procurement exercise and the JV once created, as a separate legal entity, would operate as a single provider. With an investment and representation in the JV, the Council would have additional rights of control and potential return, but it would carry some risk in the delivery of works and services.

Some positive aspects include the private sector potentially bringing a profit motive and a focus on efficiency. Any benefits would be shared, and the Council would retain roles as client; shareholder; and in the appointment of directors. This combination offers considerable control.

Some potential negative aspects include difficulties in the merging of public and private sector cultures for the efficient provision of services (as the JV will be funded by the Council through its payments for works and services). Unless the private sector provides extra finance (at a cost) for which it may want a greater share of returns, the Council would continue to hold some financial risk for service performance of the JV.

3.3.5 Option 12 Mixed Economy – Best Option by Function/Service

A key feature of this model is that the provision of function/service is delivered by those that are best placed to do so; this may be internal or external. For the purposes of this exercise, at least one function must be contracted out and at least one function provided in-house (this is traditionally the design function).

A series of providers would be procured, and contracts entered into to deliver the various highways related services. This is a simpler version of the framework option as the providers would be procured to deliver particular packages of works and/or services. This provides the opportunity for specialist suppliers to deliver the relevant discrete highway maintenance service elements that they are best placed to deliver.

The Council would retain a team to manage the contracts with the various providers and the interfaces between them.

With this option, the Council would not have to pay an overhead to a single provider to manage the supply chain, as they would undertake this function themselves.

However the option could mean a lack of opportunity for the Council to deliver an integrated service with a consistent approach to delivery. The Council would be bearing the risk of any interface or inter-dependency issues if performance is poor; and a larger multi-skilled client Contract Management Team would be needed.

3.4 Options Appraisal Summary of Methodology

3.4.1 Included within Appendix 003 are the detailed methodology and findings for all three stages of the options appraisal. Stages one and two were completed at the OBC. Stage three was completed at the DBC stage. All three stages were based on work that was undertaken by an independent consultant, Proving Services Ltd, as well as additional considerations developed through discussions with other local highway authorities that have adopted some of the different types of SDMs including an assessment of the Council’s local context. A summary of all three stages, as set out in Appendix 003, is outlined below:

3.4.2 Stage 1 – completed in OBC

3.4.3 **Objective** –To reduce the list of fifteen options down to a list of the most feasible options which would be appraised in further detail at stage 2.

3.4.4 Methodology:

- A workshop was held that identified the potential future strategic outcomes for the next contract which formed part of the options appraisal assessment criteria.
- Once the strategic outcomes were identified, each of the fifteen options were scored against the pre-set evaluation criteria using the Proving Services best practice options appraisal toolkit.
- Two further workshops were carried out to appraise the fifteen options against the assessment criteria, as set out in Table 012. The assessment criteria are a combination of those recommended by the HM Treasury Five Case Model methodology and also those pre-set using the Proving Services toolkit.

3.4.5 Stage 2 – completed in OBC

3.4.6 **Objective** – Reduce the list of five options to a shortlist to be taken through to the DBC stage to then be further developed and appraised in more detail.

3.4.7 **Methodology:**

- The remaining five options were validated by the Project Team with support from Proving Services Ltd. This included extra evidence gathering and amendments to some scores from the Stage 1 workshops.
- The additional evidence gathered included data and information from other local highway authorities who use the respective service delivery models, market research and evidence gathering from the service.

3.4.8 Stage 3 – completed at DBC

3.4.9 **Objective** – Within this stage further work was undertaken to develop and appraise in more detail the two shortlisted options, to determine a preferred option for the DBC.

3.4.10 **Methodology:**

- The assessment criteria appraised were reviewed and reduced from 21 to 18, to remove three Strategic Factors (collaboration, people, and innovation) that are no longer applicable. Further detail can be found in Appendix 003
- The assessment criteria highlighted in Table 12 were reviewed and weightings inserted against the achievability factors in accordance with the latest Proving Services toolkit.
- The two options were independently scored by members of the Project Team, this included a Procurement Specialist from the Corporate Procurement Team and Team Manager from the Strategic Economic Infrastructure Team.
- A joint moderation session of scores was then completed as a workshop to agree final scores
- A validation session was then facilitated with support from Proving Services Ltd to challenge the scores, the robustness of the evidence and to confirm the final overall scores for the two options.

3.5 Table 012: List of Assessment Criteria

| Assessment Criteria | Broad Description | Total Number of factors Assessed |
|---|---|----------------------------------|
| Strategic (fit & business needs) | How well the option: <ul style="list-style-type: none"> • Meets the investment objectives, related business needs and service requirements • Provides holistic fits and synergy with other strategies, programmes and projects | 5 |
| Economic (potential Value for Money) | How well the option: <ul style="list-style-type: none"> • Maximises the return on the required investment (benefits optimisation) in terms of economy, efficiency and effectiveness • Minimises associated risks | 4 |
| Management (potential achievability) | How well the option: <ul style="list-style-type: none"> • Is likely to be delivered in view of the organisation's ability to assimilate, adapt and respond to the required level of change • Matches the level of available skills which are required for successful delivery | 6 |
| Commercial (supply-chain capacity & capability) | How well the option: <ul style="list-style-type: none"> • Matches the ability of the service providers to deliver the required level of services and business functionality • Appeals to the supply side | 2 |
| Financial (potential affordability) | How well the option: <ul style="list-style-type: none"> • Meets the sourcing policy of the organisation and likely availability of funding • Matches other funding constraints | 1 |

3.6 Options Appraisal Results Summary

- 3.6.1 The full results of the scored fifteen SDM options are set out in Appendix 003. A summary of the results of the two short listed options that were validated at Stage 3 is set out in Table 015.
- 3.6.2 The assessment shown in Table 015, was scored against the assessment criteria in Table 012. This has taken account of the critical success factors for the project and the service outcomes set out in section 2.17.2.
- 3.6.3 Each assessment criteria were scored against predetermined evaluation criteria as set out in Appendix 003, the scoring matrix is 0,33,66,100, a score of 0 is a critical barrier to success and 100 is where this option would be equally as good or better than the current service delivery arrangements.
- 3.6.4 Table 013 sets out the fifteen different SDM's that were appraised at each of the three different stages. Appendix 003 includes complete definitions and the overall ranking for all fifteen options that were considered.

Table 013: SDMs stages summary

| Option Family | Option No. | Service Delivery Model | Stage 1 | Stage 2 | Stage 3 |
|--------------------|------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Single Provider | 1 | Contractor & Designer (Separate) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| | 2 | Integrated (Contractor + Designer) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Multiple Providers | 3 | Multiple Providers Per Service Area | <input checked="" type="checkbox"/> | | |
| | 4 | Function-Orientated Service Providers | <input checked="" type="checkbox"/> | | |
| Framework | 5 | Primary + Secondary (Risk Sharing) | <input checked="" type="checkbox"/> | | |
| | 6 | 4-Year Framework Agreement | <input checked="" type="checkbox"/> | | |
| Joint Venture (JV) | 7 | JV | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| | 8 | Pseudo JV (Partner + Profits Sharing) | <input checked="" type="checkbox"/> | | |
| Teckal | 9 | Arms-Length Company | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Private Finance | 10 | PF2 | <input checked="" type="checkbox"/> | | |
| Mixed Economy | 11 | Cyclical & Reactive In-House | <input checked="" type="checkbox"/> | | |
| | 12 | Best Option By Function / Service | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | |
| | 13 | Highways Alliance | <input checked="" type="checkbox"/> | | |
| | 14 | All In-House | <input checked="" type="checkbox"/> | | |
| | 15 | Primary Design + Add On | <input checked="" type="checkbox"/> | | |

3.6.5 Stage 1 Outcome

- Following the three workshops a ranked options list 1 to 15 was produced.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to reduce the long list to a smaller list of feasible options (5 in number) for further analysis at stage 2. This was accepted by both, and the long list was reduced to five.
- The ten options not taken forward to stage 2 were discounted from the project.

3.6.6 Stage 2 Outcome

- Following the validation and moderation of the scores, the final five options were ranked.
- Three of the five options had potential critical barriers to implementation identified against them, as set out in the full results within Appendix 003.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to discount the 3 options with critical barriers to implementation identified against them, leaving a short list of two options.
- This recommendation was accepted, and the final two options referred to as the “shortlist”.
- The following options were identified to be taken forward from the OBC. These two options are considered to represent the best opportunity for value for money for the future delivery of highways services in East Sussex.

- Option 1 Single Provider Works and Single Provider Design**
- Option 2 Integrated Single Provider (Works & Design)**

3.6.7 Stage 3 Outcome

- Following the validation and moderation of the scores, the final two options were ranked. The results are set out in table 015.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to select Option 2 – Integrated Single Provider (Contractor and Designer)
- This recommendation was accepted, and therefore the key activities that needed to be undertaken to complete the Commercial, Financial and Management cases focused on Option 2 only.
- Option 1 was discounted from any further analysis within the DBC

3.7 Summary of Option 2 Score

3.7.1 Table 015 sets out a complete breakdown of the scores for the two options against the eighteen different assessment criteria. Option 2 has an overall score of 71% compared to Option 1 that has an overall score of 50%. Each option was scored using the assessment criteria set out in table 012 and evaluation criteria in table 014. Below is a summary of some key benefits of Option 2 and some key disbenefits of Option 1. Overall Option 2 scored higher on 12 of the assessment criteria , the same score on five of the assessment criteria and lower on one of the assessment criteria

3.7.2 Strategic Comparison (5 red strategic criteria)

- While strategically both options could deliver the business needs, and are very similar, in terms of customer focus, Option 2 would offer an equal contribution to delivery of this strategic objective compared to the current delivery model as it's the same model and objective.
- Lessons learned from the current SDM can be applied to Option 2 to further enhance & improve certain aspects which would be more effective than having to re-design processes for two separate organisations (Option 1).
- In addition, with an integrated single provider (Option 2), engagement only needs to be undertaken once with customers minimising engagement fatigue.

3.7.3 Attractiveness Comparison (4 orange economic criteria)

In applying the evaluation criteria to the four economic assessment criteria, Option 2 scores higher on all four criteria, this makes Option 2 more attractive from an economic perspective. A summary of the key disbenefits of Option 1 compared to Option 2 is set out below.

- Economy** –There is recognition that management and delivery of separate contracts (Option 1) may incur additional risk pricing and higher management fees across the two contracts. It is also likely that there would be time and cost increases across numerous aspects of the total service.

- **Effectiveness** – Option 1 would be less attractive than the current service delivery model for this factor because there would be increased hand offs between designer and service provider, resulting in potential for its delivery to be disjointed - impacting on overall quality of service.
- **Stakeholder Value** - Service users & Councillors may not observe much difference between the two options as they will see the service being delivered by 'Highways' at ESCC. The Project team view and value Option 1 slightly differently as it potentially increases bureaucracy, time and cost.
- **Efficiency** – Option 2 is a very flexible SDM compared to managing two separate contracts. Under Option 1 there is a potential for double handling in relation to some activities which is a less efficient use of the resources.

3.7.4 Achievability Comparison (9 Commercial, Management and financial criteria)

- **Complexity** – in terms of transition Option 2 is the least complex option to transition too as it is a version of current SDM.
- **Capability and Capacity** – There is a good level of existing capability and capacity to move to an enhanced Option 2 without needing additional resources to manage two separate contracts, which would be the case with Option 1.
- **Affordability** – Both options require some organisational change within the Council's client Contract Management Group (CMG) to enable successful management. Option 2 provides us with the opportunity to consider a leaner, more efficient client structure, whereas Option 1 will require additional resources to manage two separate contracts

3.7.5 The results of the two shortlisted options, on the next page, have been scored against the evaluation criteria in table 014.

- **Table 014: Key of Evaluation Criteria.**

| KEY: Anticipated Performance | |
|------------------------------|--|
| n/a | Not Applicable (In This Context) |
| 0 | Critical Issue / Barrier to Implementation |
| 33 | Poorer Than Current Performance |
| 66 | Unknown or Parity (At Best) Performance |
| 100 | Parity Or Better Than Current Performance |

3.8 Table 015: Shortlisted two Options

| | | Option 1 | Option 2 |
|---|---|---|---|
| Business Case | Assessment Criteria | Single Provider Works Single Provider Design | Integrated Single Provider (Works & Design) |
| Strategic (Strategic Fit & Business Needs) | Improvement & Development of the Highway Infrastructure (optimise) | 66 | 66 |
| | Improvement & Development of the Highway Infrastructure (Enhance) | 66 | 66 |
| | Customer Focus | 33 | 66 |
| | Make Best Use of Resources | 66 | 66 |
| | Carbon | 66 | 66 |
| Economic (Potential VfM) | Economy | 33 | 66 |
| | Effectiveness | 33 | 66 |
| | Stakeholder Value | 33 | 66 |
| | Efficiency | 33 | 66 |
| Management (potential achievability) | Complexity (Inherent Risk) | 66 | 100 |
| | Capability & Capacity | 66 | 100 |
| | Authority Readiness | 33 | 66 |
| | Governance & Reporting | 33 | 66 |
| | Partner Management | 33 | 66 |
| | Cultural Alignment | 33 | 66 |
| Commercial (Supply-Side capacity and Capability) | Provider Readiness | 66 | 66 |
| | Sector Success Stories | 100 | 66 |
| Financial (potential affordability) | Affordability | 66 | 100 |
| Strategic Total | | 59 | 66 |
| Attractiveness Total | | 33 | 66 |
| Achievability Total | | 59 | 81 |
| Overall Totals (%) | | 50% | 71% |
| | | 2nd | 1st |

3.10 Options Assurance

3.10.1 The recommended SDM from stage 3, is further supported through the Options Study activity led by Proving Services Ltd, which comprised of eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Option 2 was ranked the highest overall. Table 016 gives a summary of the average ranking, with a detailed report provided by Proving Services Ltd included in Appendix 007.

Table 016: Service Delivery Model average ranking for all 8 authorities

| Option Number | Service Delivery Model | Overall Ranking | Ranking at Individual Authority Level |
|---------------|------------------------------------|------------------|---------------------------------------|
| Option 2 | Contractor + Designer (Integrated) | 1 st | 1, 2, 3, 3, 3, 5, 6 |
| Option 1 | Contractor + Designer (Separate) | 2 nd | 1, 1, 2, 2, 3, 5, 7, 8 |
| Option 12 | Best Option by Function | 3 rd | 1, 1, 2, 4, 4, 7, 7, NS |
| Option 4 | Function Orientated Provider | 4 th | 1, 2, 2, 4, 4, 6, 7 |
| Option 15 | Primary Design + Add On | 5 th | 1, 1, 1, 3 , 5, 6, 6, 9 |
| Option 9 | Joint Venture | 6 th | 3, 6, 7, 7, 8, NS, NS, NS |
| Option 11 | Cyclical & Reactive In-House | 7 th | 4, 4, 5, 5, 8, 8, 10, NS |
| Option 9 | Arm's Length Company | 8 th | 2, 5, 5, 8, 9, 10, NS, NS |
| Option 14 | All In-House | 9 th | 5, 6, 6, 8, 12, NS, NS, NS, NS |
| Option 3 | Multiple Providers | 10 th | 2, 7, 8, 8, 9, 10 ,10, 12 |
| Option 6 | 4 Year Framework | 11 th | 3, 6, 9, 9, 10, 11, 11, 12 |
| Option 16 | Shared Service | 12 th | 7, 8,9, 10, 11, 11, NS, NS |

3.10.1 The overall ranking position is comparable with the individual assessment completed by the Council and supports the selection of Option 2.

3.10.2 The study concluded:

- The top five options were consistent across the majority of authorities although there were some exceptions. No single option, however, scored consistently highly across the assessment criteria (Strategic Fit, Attractiveness and Achievability). It is likely that some authorities will look to procure a blend of options when they go to market. This is only an academic study and to be used as an overall guide to authorities when developing their respective SDMs. When procuring their respective SDMs in practice what each authority ends up with may differ to the study ranking.

Economic Appraisal Summary

Option 2 Integrated Single Provider (Works & Design) represents the best opportunity for value for money for the future delivery of highways services in East Sussex. Having completed the detailed options appraisal of 15 different SDMs across three stages, Option 2 has:

- Consistency** - has scored the highest at all three stages;
- Assessment Criteria** – of the eighteen different assessment used within the options appraisal, when evaluated against Option 1, it scored higher on 12 of the assessment criteria, the same score on 5 assessment criteria and only lower on 1 assessment criteria.
- Capability and Capacity** – There is a good level of existing capability and capacity to move to an enhanced Option 2 without needing additional resources.
- Affordability** – provides us with the opportunity to consider a leaner, more efficient client structure.

Through the use of the Proving Services best practice options appraisal toolkit, the participation in the Options Study with eight other authorities and Independent challenge being provided by Proving Services throughout completion of the three stages, stakeholders can be assured of the approach taken and the overall recommendation of Option 2.

4 COMMERCIAL CASE

4.1 Overview

4.1.1 In developing the DBC a full review has been completed of key commercial considerations for the future HIS contract, this includes:

- Selection of form of contract (terms and conditions)
- Selection of procurement route to market sourcing strategy
- Recommendation of contract duration
- Selection of payment options for core activities, works and design services

4.2 Form of Contract

4.2.1 The Council's current form of contract for the delivering its HIS contract, is a modified New Engineering and Construction Contract (ECC) 3rd Edition.

4.2.2 The current contract modifications include, the core clauses from both the Term Service Contract and Professional Services Contract, and the Council's additions (known as Z Clauses). A copy of the current conditions of contract will be available for the potential bidders as part of the ongoing soft market testing activities. This will allow the market to provide initial feedback on any key clauses that are likely to remain in place as part developing the new form of contract.

4.2.3 The NEC forms of contract are a family of contracts that are industry standard used across the construction and local government industries. They are based on sound project management principles and clear risk transfer that demand close cooperation and active management from both the client and service provider and are thus ideal for both term and works contracts.

4.2.4 During the term of the current contract the NEC has published the fourth edition of the suite of contracts, commonly referred to as NEC4. This new suite of contracts will form the basis upon which the new contract will be drafted.

4.2.5 In developing this DBC we have confirmed that the Council's Contract Management Group have developed the knowledge and skills to administer the contract and it is therefore proposed that the current contract form is continued into the new contract with the Contract being updated to include the changes introduced by the NEC4. This approach is also supported by the market.

4.2.6 Further, the NEC is endorsed for public sector use in the UK Government Construction Strategy as well as by the Construction Clients' Board, the Crown Commercial Service, the Facilities Management Board of the UK Cabinet Office, the Association for Project Management and the British Institute of Facilities Management

4.3 Specification (scope)

4.3.1 The existing model has shown that a mix of outcome and output specifications provide both the Council and Service Provider with the flexibility to deliver the complexities of the highway service.

4.3.2 A review of the existing specifications for Core Activities has been undertaken, concluding that they are appropriate for the next contract, subject to minor updates, reflecting changes in legislation and lessons learnt.

4.3.3 In addition to the review of the core activities, a detailed review of the site information (information about our assets, policies, service level etc) will be undertaken. The validation of this information is vital to ensure bidders are able to accurately price each of the core activities.

4.3.4 A detailed specification for professional services in relation to Strategic Economic Infrastructure (SEI) activities. Will be provided in the Invitation to tender document set to clearly identify the Council's requirements at each stage of a project lifecycle.

4.4 Sourcing options

4.4.1 The Council continues to maintain its relationship with its neighbouring highway authorities and continually seeks to maximise any opportunity to secure best value service delivery through collaboration.

4.4.2 Due to misalignment of respective contract periods between authorities, at present there are limited opportunities for any partnership for joint procurements for the delivery of this service. However, the required public notice of the procurement will be written to allow other local authorities to access any future contractual arrangements. (The public notice will appear in the new government e-notification service called "Find a Tender")

4.5 Payment Mechanisms

4.5.1 The existing arrangement of a mixed economy, utilising standard NEC payment options A, C and E, (fixed price, target cost and cost reimbursable respectively) determined by work type and funding stream has enabled appropriate risk apportionment (see figure 007) to be applied for various works and service types, whilst providing suitable costs and budget certainty.

4.5.2 The effective use of options A, C, E in the existing HIS contract, will continue in the new arrangement. Table 022 in the financial case sets out how much has been spent under each of the three options for services years 1-3. The use of the various payment options will ensure both the Council and the Service Provider have the flexibility to drive and deliver efficiencies and continuous improvement whilst maintaining a level of return for the Service Provider.

4.5.3 The three standard contract payment options are briefly described below as follows:

- **Option A – Priced Contract with Activity Schedule** This is a fixed price arrangement with the financial risk of carrying out the works at the agreed price being largely borne by the Service Provider. The Service Provider prices

the works or services from information provided by the Council and undertakes to deliver the works or services for that price. This mechanism is best applied to works and services where the scope can be established at the outset with certainty and with clearly defined outcomes.

E.g. Winter service, gully cleaning, highway inspections (The Core Service)

- **Option C – Target Contract with Activity Schedule, Priced Works, Schemes**

This is a target price arrangement in which the outturn financial risks are shared between the Council and the Service Provider in agreed proportions. The Service Provider prepares a target price for the works or services from information provided by the Council. If the works or services are then completed for greater than or less than the target price, the liabilities or savings are shared in accordance with the proportions defined in the contract. This mechanism is best applied to works or services where the Service Provider can best drive efficiencies through innovation and best practice, resulting in cost savings.

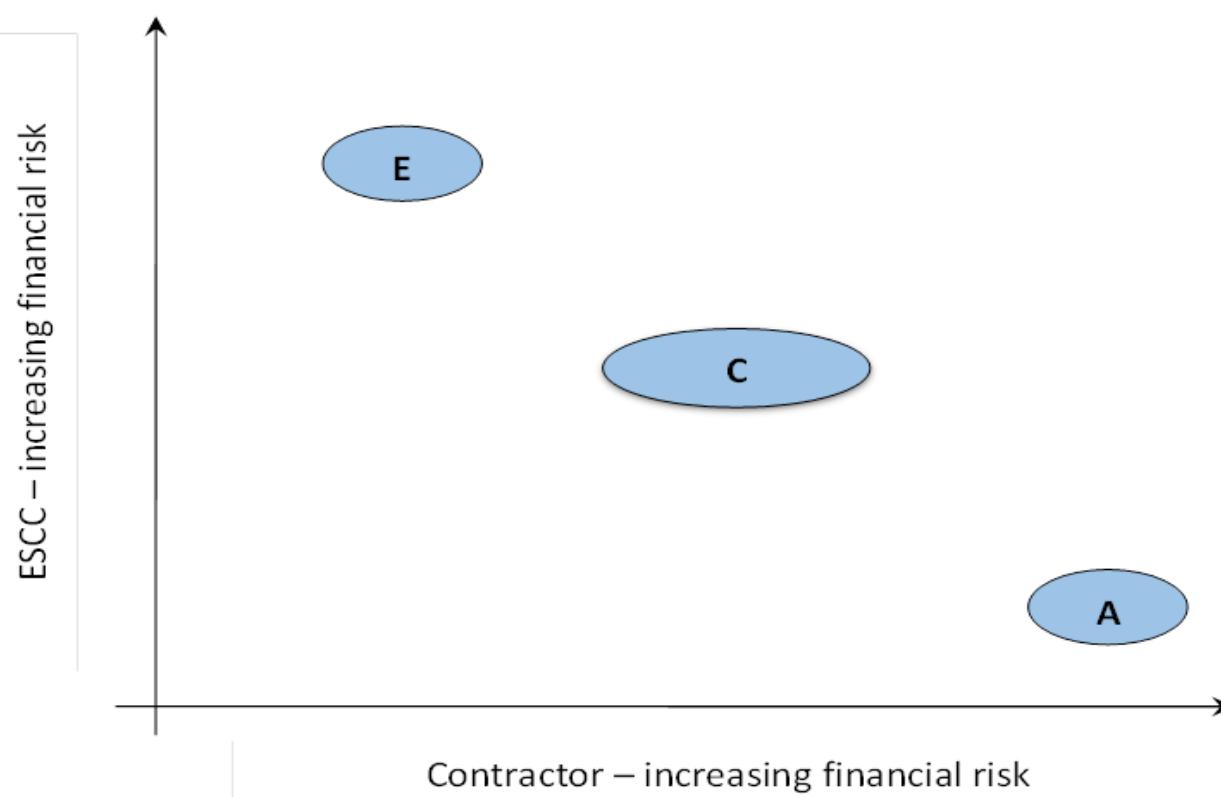
E.g., Strategic Economic Infrastructure schemes, carriageway reconstruction and resurfacing etc.

- **Option E – Cost Reimbursable Contract, Emergency/unplanned works**

This mechanism is generally used when the details of the works or services required are difficult to define sufficiently for other pricing mechanisms to be used. The Service Provider is paid his actual costs. This mechanism will generally be used for works that are either of a temporary or urgent nature, difficult to quantify in advance, or require a level of investigation before details can be finalised.

E.g. emergency works, drainage investigation works.

Figure 007– NEC Payment Options:



4.5.4 As part core activities review, through the 3rd stage of soft marketing testing, the market was asked what their preferred pricing basis would be for each of the current core activities. Table 017, sets out the findings and includes what the recommended future pricing basis will be, this is subject to further analysis to be completed at the next stage of the project

Table 017: Comparison of Pricing Options

| Core Activity | Current Pricing basis: | Responses from SMT | Future Contract 2023-2030 |
|---|----------------------------------|--|----------------------------------|
| Management | | | |
| Stakeholder Management | Option A | Option A x 6 Option C x1 | Option A |
| Third Party Claims | Option A | Option A x 7 | Option A |
| Highway Asset Inspections | Option A | Option A x 6 Option C x1 | Option A |
| Service Management | Option A | Option A x 7 | Option A |
| Network Management | Option A | Option A x 6 Option C x1 | Option A |
| Cyclic | | | |
| Drainage Maintenance | Option A | Option A x 5 Option C x 3 | Option A |
| Control of Vegetation | Option A | Option A x 6 Option C x 2 | Option A |
| Safety & Serviceability | | | |
| Road Markings | Option A | Option A x 4 Option C x 3 | Option A |
| Winter Service | Option A | Option A x 6 Option B x 1 Option C x 2 Option E x 1 | Option A |
| Structures & General Maintenance | Option A | Option A x 5 Option C x 3 | Option A |
| Street Lighting & Traffic Signals | Option A | Option A x 6 Option C x 3 | Option A |
| Reactive and Emergency Response | Option A | Option A x 5 Option C x 1 Option E x 2 | Option A |
| Works Activity: | | | |
| Works and Services including Carriageway works Footway works Structure's maintenance, Infrastructure Improvement Schemes, | Option C | Option C x 7 | Option C |
| Ad hoc in year works or design | Option A Option C Option E | Option E x 7 | Option A Option C Option E |
| Design | Option C Option E | Option A x 2 Option C x 7 Option E x 6 | Option C Option E |

Note - Where more than one option is identified for the future contract, this will be decided on a task by task basis to ensure the most appropriate option is chosen for the complexity and value of the task.

4.6 Risk Allocation & Transfer

- 4.6.1 As part of the previous procurement the Council embarked on a transformational journey for the Highway Service provisions, including the outsourcing of a number of services and staff that were traditionally considered to be functions of the Client, such as Highway inspections and Network management. Additionally, a number of separate contract provisions such as highway design, street lighting and traffic signals were brought into the overall single provider service.
- 4.6.2 The SDM proposed in this DBC remains an outsourced provision of the services and therefore, we can consider that the service risk is no greater than that experienced with the existing arrangements. Indeed, we can foresee a reduction in risk as we now have a fuller understanding of the outsourced service provision and developed in-house commercial expertise.
- 4.6.3 Contract risk allocation is clear and transparent within the NEC forms of contract for both the Council and the Service Providers bidding, bidders will be able to make allowances for risks within their pricing tender return. The Council will evaluate these and seek clarifications with the bidders should this be needed.

4.7 Contract length

4.7.1 Background – looking back

- 4.7.2 The contract duration for the current contract with Costain is a fixed term of seven years with no extensions.
- 4.7.3 The selection of seven years is the ideal duration for the return on the investment the Contractor has to make in fleet, plant and typically ICT equipment. Seven years offered the optimum business model for the Contractor and the best prices for the Authority. The fixed duration combined with fixed prices also assisted in securing and forecasting the necessary revenue budget savings in 2016/17
- 4.7.4 With no option for an extension included in the current contract, this allowed Costain to manage the service risks over a fixed period of time with no need to model the management of this over extended timescales. It also reduced any strategic pricing at the tender stage, as all bidders were pricing a fixed term whereas had extensions been included, some bidders may have priced the longer term.

4.7.5 Looking forward

4.7.6 The OBC did not set out what a future duration would be, this is an activity to be completed when developing this DBC. A review of the previous rationale has been completed, a summary of the advantages and disadvantages for each potential options is shown in Table 018. In summary a minimum 5-year duration is the shortest duration recommended. A longer duration has additional benefits and many of the contractors have expressed a desire for longer durations.

Table 018: Contract Duration Options:

| Option | Contract Duration Options | Advantages | Disadvantages |
|--------|---|--|---|
| 1 | Fixed 5 years | <ul style="list-style-type: none"> Creates a level playing field for tender pricing. Removes the linkage to and complications for the performance regime which causes poor behaviour. | <ul style="list-style-type: none"> Re-procurement costs and process restarting within 3 years. Higher prices as less opportunity to average conditions and investment. Not attractive to the market as evidence from soft market testing |
| 2 | Fixed 7 years | <ul style="list-style-type: none"> Creates a level playing field for tender pricing. Offers the optimum investment period for plant & equipment. Removes the linkage to and complications for the performance regime which causes poor behaviour. A Minimum duration of 7 years has been declared by 5 out of 7 of the Tier One Contractors that completed the Soft Market Testing. | <ul style="list-style-type: none"> Reduces the Authority's flexibility. No extensions available by way of an additional incentive to perform. |
| 3 | Initial term 7 Years + 1 to 2-year extensions | <ul style="list-style-type: none"> Provides the Authority with flexibility. Can provide incentives for improving performance. | <ul style="list-style-type: none"> Heavy admin role in determining performance. Poor provider behaviour if performance measures/attainment cannot be agreed. Mixed & Strategic pricing offerings at tender stage. |
| 4 | Fixed 10 years with reductions | <ul style="list-style-type: none"> Provides surety of work for the provider so pricing should be fair. | <ul style="list-style-type: none"> Heavy admin role in determining performance. Poor provider behaviour if performance measures/attainment cannot be agreed. Exceeds the natural lifecycle for plant & equipment. Reductions are not attractive to the market |
| 5 | Fixed Initial 7-year term + 7-year extension (with price rebasing) | <ul style="list-style-type: none"> Two fixed periods of 7 years match the markets 7-year refresh cycles. Provides the Authority with flexibility with an option to exercise an extension as opposed to having to go back to the market to re-procure In addition to the set annual KPI's linked to potential gainshare, an opportunity to extend could offer extra incentives for improving performance. Allow the Contractor the opportunity to adjust their fee & core activity prices to be applied to the 7-year extension. This may offer greater Value for Money compared with Re-procurement costs (mobilisation, demobilisation, authority procurement costs, bidder's procurement costs). | <ul style="list-style-type: none"> As the extension is discretionary not mandatory, subject to certain performance criteria being met, the market may view this option as less attractive/same as a fixed seven-year duration |

4.7.8 Soft Market Testing – Duration Summary of Findings

4.7.9 A short questionnaire regarding different aspects of the HSRP was sent out to the market via the South East Shared Service Portal on the 5th of April 2021, 11 responses were received by the deadline of the 28th of April

4.7.10 From the seven returns received to date, five of the Contractors have confirmed that a minimum seven-year duration is preferred, two Contractors have indicated that their minimum duration is 15 years and 10 years respectively. All seven Contractors have confirmed a preference for some form of allowable extensions ranging from 2 years to 7 years. Table 019 sets out a basic summary.

Table 019: Soft Market Testing Summary

| Servicer Provider | Minimum (if specified) | Optimum |
|-------------------|------------------------|--|
| A | Minimum 10 years | 15 years no extensions but with break clauses |
| B | Minimum 7 years | 7 years + 3 years (either 1+1+1 or all three together) |
| C | Minimum 15 years | 10 years + 5 years + 5 Years |
| D | Minimum 7 years | 10 years + 5 years |
| E | Minimum 7 years | 7 years + 2-5 years |
| F | Minimum 7 years | 7 years + 7 Years (max 14 years) |
| G | Minimum 7 years | 7/8 Years + extensions to be mutually agreed. |

4.7.11 Overall Duration Summary

4.7.12 Fixed Duration Benefits

- A fixed term duration has proven to be effective in reducing strategic pricing at the tender stage.
- A fixed term duration requires less administration to manage.
- A complex model to award extensions that is transparent and correctly administered is not needed on a fixed term model.
- A fixed duration focuses a Contractor to maximise their efforts to achieve the contract outcomes and their profitability targets within a fixed time, as these cannot be recovered by improving during an extension, as no extensions are available.
- Allows the Contractor to better forecast over a minimum fixed duration, costs and profitability forecasts will be more accurate along with assumptions about any risks.
- With additional use of lump sum pricing (Option A) it gives the authority the ability to set longer term fixed budget forecasts but not too long (10 years+) that their accuracy diminishes.

4.7.13 Fixed Duration + Extensions

- Mobilisation, Demobilisation, ESCC procurement costs, Contractors bidders' costs are spread over a longer term.
- Offers the opportunity to develop greater levels of collaboration and innovation.
- Is the most attractive option to the majority of the market

4.7.14 Duration Recommendation

4.7.15 Following soft market testing and experience from the existing contract arrangement with Costain, option 5 is the recommended preferred option:

- **Option 5: A initial term of 6 years 11 months + 7 years extension**

4.7.16 The initial term would be for the period 1st May 2023 to 31st March 2030, with the second term extension period starting 1st April 2030 to 31st March 2037.

4.7.17 To maximise this as an opportunity for the Authority the initial term will be a fixed six-year 11-month period, it is one month less of a full seven years to allow for a realignment of the Council financial year and contract year.

4.8 Outline Terms of Extensions

- 4.8.1 Subject to meeting the required performance criteria to be agreed, which will be set out in the Invitation to tender documentation and by mutual agreement, the plus seven years will be awarded as a single block.
- 4.8.2 It is proposed that the award of the extension would allow the Service Provider to adjust their fee and lump sum prices. This would be attractive to the market
- 4.8.3 Should the revised Service Providers extension offer be affordable and desirable to the parties the extension could then be awarded. Award of the extension is not mandatory it is discretionary.
- 4.8.4 Should the adjusted prices not be affordable, or the parties are not in mutual agreement or the agreed performance criteria are not met, a re-procurement exercise would then need to completed.
- 4.8.5 In order to effectively implement this type of option the decision to award would the extension would need to be made by the end of Service Year 5 (March 2028), the invitation to tender documentation will set out a clear process for awarding the extension along with the key aspects of the contract that can be modified and those that cannot be modified.
- 4.8.6 A key benefit of this option, should the extension be awarded, is that the authority only pays out once for direct reprocurement project costs (mobilisation, demobilisation, internal procurement costs, bidders costs), the total of these can be between £3m-£4m.

4.9 Early Exit form Contract (Termination)

4.9.1 The Contract will retain the NEC termination clauses throughout its full duration, irrespective of an extension reward.

4.10 Step Out Procedure

4.10.1 The current contract has a step out procedure, which to date has not been implemented; however, the new contract will retain this option.

4.10.2 It is anticipated that all works, and services will be delivered by the new service provider; however, the Authority will maintain the right to place works or services with other providers.

4.10.3 The Step out procedure will relate to projects that are deemed to be highly complex or specialist in nature, are not part of the initial agreed annual service delivery plan and/or generate a significant reputational risk to the Authority.

4.10.4 In the event that the above conditions are met, the determination of provider will be undertaken by the application of a service impact assessment which will consider, cost, complexity, capability, risk and capacity.

- **Cost** – The anticipated cost of procurement of the work/services, considering the individual PCR threshold and total impact on the highway maintenance contract;
- **Complexity** – are the works/service required within the scope of the highway maintenance contract;
- **Capability** – Does the highway maintenance contractor have the necessary skills to undertake the works;
- **Risk** – Is the delivery likely to expose the Authority to a reputational risk, e.g.
 - Timescales
 - Stakeholder expectation
 - Funding constraints
- **Capacity** – Does the highway maintenance contractor have the capacity to undertake the works in addition to the agreed annual service delivery plan?

4.11 Choice of procurement method

4.11.1 The Public Contracts Regulations 2015 (PCR2015) set out the legal framework for public procurement. They apply when public authorities and utilities seek to acquire supplies, services, or works and set out procedures which must be followed before awarding a contract, when its value exceeds set thresholds.

4.11.2 The value of this procurement is above the Official Journal of the European Union (OJEU) threshold of £4.7m and therefore PCR2015 will apply.

4.11.3 Where the procurement of a works contract exceeds the EU value thresholds, then these services must be procured using an advertised, competitive procedure that is open, fair and transparent, ensuring equality of opportunity and treatment for all tenderers.

4.11.4 There are four main types of procurement award procedure provided for under the PCR2015; namely the open, restricted, competitive dialogue and competitive with negotiation procedures. There are no restrictions in the legislation on the use of the open and restricted procedures however the competitive dialogue and negotiated procedures can only be used in certain specified circumstances as set out below.

4.11.5 A detailed review of the procurement routes, considering the benefits and dis-benefits of their use for the Highway Services has been undertaken. This is set out below:

4.11.6 Open:

Open Procedure is suitable for those procurements where requirements can be clearly defined. There is no need for a pre-qualification of bidders, and it is open to all. It means there is a possibility of a significant number of suppliers bidding. Bidders may be less keen to participate in an open procedure if the contract is more complex, and as a result the tender documents require high levels of resource. The cost of preparing a full tender can be a disincentive to participation where the likelihood of success is lower due to the high level of competition.

4.11.7 Restricted:

Restricted procedure is where suppliers are required to submit to a pre-qualification assessment based on their technical, financial and professional capabilities. This limits the number of those able to submit bids and is suitable when you are purchasing services which can be clearly defined at time of tender.

4.11.8 Competitive Dialogue:

The competitive dialogue procedure allows for the flexibility to modify the scope incorporate innovations and negotiation with bidders including the winning bidder (provided this does not modify the essential aspects of the contract or procurement or amount to a distortion of competition). The conditions that must be met for its use are set out at Regulation 26(4) of the 2015 Regulations and are as follows:

- the needs of the contracting authority cannot be met without adaptation of readily available solutions; or
- the requirements include design or innovative solutions; or
- the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them; or
- the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard, European Technical Assessment, common technical specification or technical reference.

4.11.9 Competitive Procedure with Negotiation (CPwN):

The competitive with negotiation procedure allows the contracting Authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the required public notice) not to negotiate and to simply award the contract based on initial tenders submitted. This reservation is not possible in the competitive dialogue procedure. It is also not possible to negotiate following submission of final tenders if you are using the Competitive with Negotiation process.

4.12 Recommended Procurement Route

4.12.1 A detailed review of the procurement routes, considering the benefits and dis-benefits of their use for the Highway Services re-procurement has been undertaken, the following table 020 summarises the significance of these key factors in relation to each of the procedures for use on the procurement of the new highways contract.

Table 020 – Summary of Procurement Procedures

| Procedure | Cost | Time | Allowable dialogue/ negotiations | Complexity of procedure |
|-----------------------------|--------|--------------------|----------------------------------|-------------------------|
| Open | Low | Less than 4 months | No | Low |
| Restricted | Medium | up to 6 months | No | Medium |
| Competitive Dialogue | High | Up to 12+ months | Yes | High |
| CPwN | High | Up to 6-9 months | Yes | Medium to High |

4.12.2 It is therefore recommended that a targeted version of CPwN is used, with the stated intent within the contract notice to award without the need to complete any specific topics of negotiation.

4.12.3 The Council would reserve the right to negotiate if deemed necessary once the initial tenders have been evaluated.

4.12.4 If there is no need to negotiate any aspects of the tenders, the winning tender will be the highest scoring tender based on the established evaluation criteria set out within the tender documentation.

4.12.5 The successful bidder will be selected on the basis of the most economically advantageous tender.

4.12.6 Table 021 sets out an overview of the key activities across the five key stages.

Table 021: Overview of the five key stages for Competitive Procedure with Negotiation

| Procurement Stage | Competitive Procedure with Negotiation |
|--|--|
| Stage 1: Formal Pre-market Engagement | Pre-market engagement is permitted. A Prior Information Notice (PIN) is a good method for alerting the market of the start of formal pre-market engagement. |
| Stage 2: Formal commencement of the procurement, including selection of bidders using the standard Supplier Selection Questionnaire | <p>Call for competition by Contract Notice (CN) (for central or sub-central authorities) or PIN (for sub-central authorities only).</p> <p>In the procurement documents, contracting authorities must:</p> <ul style="list-style-type: none"> Identify the subject-matter of the procurement including by providing a description of needs and the characteristics of the suppliers/works/services Indicate the minimum requirements that must be met by all tenders Specify the award criteria <p>Information must be specifically precise to enable operators to identify the nature and scope of the procurement so they can decide whether to apply.</p> <p>Requests to participate must be received within 30 days from the date of the CN or the date of invitation to confirm interest where a PIN is used as a means of calling for competition.</p> <p>In a state of urgency, this time limit can be reduced to not less than 15 days.</p> <p>Selection Stage Evaluation: Only those who are invited to tender following assessment of selection information may tender.</p> <p>Contracting authorities can reduce the number of qualified suppliers invited to participate. A minimum of three suppliers, where they exist and meet the selection criteria, must be invited to tender.</p> <p>Contracting authorities may also limit the number of tenders/solutions to be discussed having provided the mechanism to do so.</p> |

| | |
|--|---|
| Stage 3: Initial Invitation to tender & negotiation (if applicable) | <p>There is no express requirement to provide an indicative timeframe.</p> <p>30 days for receipt of initial tenders from day after the notification to bidders of the selection result, or 25 days if electronic tenders are accepted.</p> <p>This time limit can be reduced to 10 days if a PIN was published other than as a means of calling for competition and if certain requirements are met.</p> <p>Sub-central authorities can agree a time limit for receipt of initial tenders with all selected candidates (but where there is no agreement the time limit must be at least 10 days).</p> <p>In a state of urgency, the time limit for receipt of initial tenders can be reduced to not less than 10 days from the date of the CN.</p> |
| | <p>Negotiations are on the basis of initial and subsequent tenders.</p> <p>Contracting authorities may award contracts on the basis of the initial tenders without negotiations where this was indicated in the CN or the invitation to confirm interest.</p> |
| Stage 3: Initial Invitation to tender & negotiation (if applicable) | <p>Contracting authorities must negotiate with bidders on the initial and all subsequent tenders submitted to them but not the final tender, unless they have indicated that they may award without negotiation.</p> |
| | <p>Negotiations are with a view to improving the content of tenders.</p> |
| | <p>Minimum requirements and award criteria must not be subject to negotiations.</p> |
| | <p>During negotiation, contracting authorities must ensure equal treatment and not provide information in a discriminatory manner which may give some bidders an advantage.</p> |
| | <p>During negotiation/dialogue, contracting authorities must ensure equal treatment and not provide information in a discriminatory manner which may give some bidders an advantage.</p> |
| | <p>Contracting authorities must inform bidders of any changes to the technical specification or other procurement documents (other than minimum requirements which mustn't change).</p> <p>Following changes, contracting authorities must allow sufficient time for bidders to modify and resubmit amended tenders as appropriate.</p> |
| | <p>Bidders' confidential information must not be revealed to other bidders without specific agreement. Agreement must be with reference to the intended communication of specific information, not a general waiver.</p> |
| Stage 4: Final tenders | <p>The negotiation/dialogue may take place in successive stages to reduce the number of solutions (CD)/bidders (CPN) by applying the specified award criteria. Contracting authorities must indicate whether they will use successive stages.</p> |
| | <p>No negotiations allowed on final tenders.</p> |
| Stage 5: Award | <p>No explicit restriction on discussions on the successful tender (other than no negotiations of final tenders). Clarifications which comply with the general principles of equal treatment, non-discrimination and transparency are permitted.</p> |
| | <p>Award on the basis of most economically advantageous tender (which may include using best price-quality ratio or lowest price). <i>Departments should, however, note that it is Government Policy to award contracts based on value for money and not lowest price.</i></p> |

5 FINANCIAL CASE

5.1 Service Delivery

- 5.1.1 Works instructed under the current HIS Contract are split into two key categories, namely Core and Works Activities. Core Activities represent the day-to-day roles and responsibilities of the Service Provider in maintaining the service and are priced on a lump-sum basis fixed for the duration of the contract.
- 5.1.2 Works Activities relate to planned maintenance/improvement works and are instructed at market rates using payment options A, C or E (activity schedule, actual cost, or cost reimbursable) depending on their nature and complexity, also taking into account the risks associated with both their design and delivery. Note, Works Activities also include the commissioning of professional services (design) and any pre-works site investigation and/or studies as required.
- 5.1.3 The current HIS Contract delegates certain statutory functions of the Council to the Service Provider for both Network Management duties and Third-Party Claims. Both of these functions are separately defined Core Activities for which the Service Provider is paid a lump-sum to undertake.
- 5.1.4 In respect of Network Management, the Service Provider manages the South East Permit Scheme for Road Works and Street Works and also collects and maintains fees from parties that are in breach of the duties and functions required of them in, on and about the highway network in East Sussex, undertaking any enforcement as appropriate in executing such duties. All fees and charges recovered are retained by the Service Provider. At time of drafting this report ESCC is considering the introduction of a Lane Rental scheme, subject to Cabinet and DfT approval, and if approved it is envisaged that this will be managed in future by the Service Provider.
- 5.1.5 With regard to Third Party Claims, the Service Provider manages, handles and validates claims arising from injury or damages sustained on the highway network. These are categorised as either Red Claims (claims by third parties against the Council arising out of the condition of the network or performance of the works) or Green Claims (claims by the Council against third parties for damage to the Council's highway assets). The Service Provider is liable for and indemnifies the Council for costs and liabilities incurred as a result of a Red Claim (subject to exceptions) and for Green Claims arranges for any damage to be repaired, recovering their costs from either the perpetrator (where known) or the Council (where unknown). Through a coordinated Highway Asset Inspection, Reactive Maintenance and Third-Party Claims management regime the Service Provider is thereby empowered to reduce the level of third-party claims by maintaining the best network condition within the available investment.
- 5.1.6 A full review has been undertaken of the suitability of the current HIS Contract Client and Service Provider functions, taking into account; feedback from the market via soft market testing, the current Service Provider and the knowledge gained by the Client through five years of service delivery. There are no significant changes proposed to the contract functions or payment options for the new SDM - see table 017 within the commercial case section.

5.2 Current Service Cost

- 5.2.1 The current SDM is delivered within the constraints of the annual revenue and capital budget allocations to the highways service, Tables 022 & 023 below summarise the current HIS Contract costs to date. This includes spend from both the Council's Highways Maintenance Capital and Revenue budgets, which the service is responsible for managing and also spend from the Council's SEI team. The SEI budgets are not specifically managed within the Highways service, and the spend relates to both works and professional services.
- 5.2.2 It is expected that highways maintenance spend levels will remain at a similar level for the remainder of the current contract and continue to be financed within the current allocated budgets.

Table 022: Summary of current HIS Contract costs (Service Years 1-3)

| Completed Activities | Service Year 1 (2016/17) | Service Year 2 (2017/18) | Service Year 3 (2018/19) |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Mobilisation | £948,480.55 | | |
| Core Activities | £7,685,473.15 | £7,685,473.15 | £7,685,473.15 |
| CEs to Core Activities* | £1,814,549.23 | £3,093,340.23 | £1,947,671.82 |
| Total – Core Activities (a) | £10,448,502.93 | £10,778,813.38 | £9,633,144.97 |
| Works Activities (Option A) | £331,705.15 | £996,654.64 | £1,163,305.00 |
| Works Activities (Option C) | £23,032,390.53 | £13,897,658.78 | £16,545,559.75 |
| Works Activities (Option E) | £370,500.08 | £5,433,520.68 | £5,888,211.97 |
| Total – Works Activities (b) | £23,952,919.53 | £19,311,179.46 | £23,597,076.72 |
| Total SEI (c) | £219,942.55 | 2,960,803.24 | £1,964,467.20 |
| Total (a+b+c)** | £34,401,422.46 | £34,067,450.72 | £35,194,688.89 |

* relates to additional emergency & reactive maintenance work instructed (Compensation Events (CEs)) over & above that included in the Core Activities

** Excludes costs associated with Employer's Incentive Scheme

Table 023: Summary of current HIS Contract costs associated with application of Employer's Incentive Scheme (Service Years 1-3)

| | Service Year 1 (2016/17) | Service Year 2 (2017/18) | Service Year 3 (2018/19) |
|---|--------------------------|--------------------------|--------------------------|
| Total share (Works Activities – Option C) | £1,431,656.42 | £437,650.12 | £479,072.04 |
| Employer's share of savings (50%) | £715,828.21 | £218,825.06 | £239,536.02 |
| Contractor's share (50%) | £715,828.21 | £218,825.06 | £239,536.02 |
| Profit bonus payment | £131,003.13 | £64,865.67 | £201,035.92 |
| Contractor's Social Value Contribution | £81,248.47 | £27,319.12 | £42,907.86 |

* Values struck though relate to costs not paid or not applicable due to application of Employer's Incentive Scheme and/or performance.

- 5.2.3 In addition to costs incurred through the delivery of works, the highway service budget also includes an annual allocation of £3.1m for the cost in providing the Council's Client management function, utilities and highway activities delivered by others, such as highway tree management in Eastbourne.
- 5.2.4 To date the current HIS contract has incurred costs of approximately £40m per annum, with a forecast seven-year contract outturn of £280m.

5.3 Future Indicative Service Budget

- 5.3.1 Highway maintenance is currently funded from two funding streams, Capital and Revenue, indicative budgets for the initial contract term have been identified, see Table 023. Note, table 023 is for illustration purposes only and outlines indicative highway maintenance budgets. It does not include any potential additional SEI spend that could be procured through the new contract.

5.3.2 How the Council plans for the future

5.3.3 Reconciling Policy, Performance and Resources (RPPR)

- 5.3.4 The Council has a well-established budget setting process called Reconciling Policy, Performance and Resources (RPPR) which plans, reviews and sets both revenue and capital budgets on both an annual and multi-year basis. It is the main tool to help the Council identify key policy priorities.

5.3.5 The Council Plan

- 5.3.6 The Council Plan summarises the agreed budget and is the Council's most important business planning tool. It sets out priorities for the next three years with clear targets for achievement. It is published by 1 April each year and monitored quarterly. Links to each document can be found here:
 - [Council Plan](#)
 - [Our progress against the Council Plan](#)

5.3.7 How the Council's priorities are reflected in the budget

- 5.3.8 As part of the RPPR process, the Council develops a medium-term financial plan published in its [Financial Budget Summary](#). The Council must make sure it has the money to meet its key priorities and objectives. To work out what money it needs and what it has, the following information is taken into account as part of the RPPR process:
 - the amount of money the Council would need to provide services in the future in exactly the same way as now;
 - the cost of any new services that the Council must provide during the next financial year;
 - other financial risks and pressures (as a result of increased demand for services or an increased cost in delivering services); and
 - anticipated levels of money available to the Council to provide services.
- 5.3.9 The Council then prepares its budget and allocates money to individual services, so that the plan and budget can be agreed before the financial year starts on 1 April. The agreed budget provides detail on the 2020/21 revenue budget and the Capital Programme to 2029/30. It gives analysis of expenditure by type and also by accountability, along with detail of the Council's resources to finance that expenditure. The summary provides a useful source of information for Council officers, elected members and the public alike.

Table 024 – Seven Year Indicative Highways Maintenance Budget Allocation

| ESCC Highways Maintenance - Budgets | Future Contract Term Initial Seven Year Term | | | | | | | Total |
|---|--|--------|--------|--------|--------|--------|--------|---------|
| | 23-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Highways Maintenance – Capital Programme Total | 21,347 | 21,902 | 22,559 | 23,236 | 23,933 | 24,651 | 25,376 | 163,004 |
| Highways Maintenance – Revenue Programme Total* | 12,025 | 12,025 | 12,025 | 12,025 | 12,025 | 12,025 | 12,025 | 84,175 |
| Highways Maintenance – Future Contract Period Total** | 33,372 | 33,927 | 34,584 | 35,261 | 35,958 | 36,676 | 37,401 | 247,179 |

* this excludes an annual allocation of £3.1m for the cost in providing the Council's Client management function, utilities and highway activities delivered by others, such as highway tree management in Eastbourne.

**These totals exclude any forecast budget spend from the SEI team.

5.4 Contract Savings

- 5.4.1 Significant budgetary savings were made during the last highway services procurement (for the current contract), much of which was one-off cashable savings (£1,404,455, including a £1.1m target reduction in revenue set out in the Council's Medium Term Financial Plan). These savings were predominantly brought about through the change in service delivery model and the move to an outsourced mode. As such there is very limited scope to secure further savings of this nature through the proposed SDM.
- 5.4.2 In addition to the savings generated through the previous contract, further revenue savings have been secured during its service delivery in the sum £1.289m. These can be summarised as follows:
- 2018/19 - £400k Grass cutting (reduction in urban grass cutting)
 - 2019/20 - £700k Reallocation of Client Staff costs from revenue to the capital budget
 - 2019/20 - £189k Highways related investigations and studies (reallocation of costs from revenue to capital)
- 5.4.3 Currently there are no highways related savings targets against either of the revenue or capital budgets in the Council's 2021/22 Medium Term Financial Plan (MTFP). However, one of the Council's key priorities is to make the best use of resources. This is driven by the Local Government Act general duty which sets out that a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness.
- 5.4.4 Therefore, whilst no official savings targets are currently set in the MTFP for the highways service, the HSRP analysis completed to date seeks to ensure the Council's priority to make the best use of resources is continued to be actively pursued. This will be achieved through determination and selection of the best fit SDM, through to the specifics of the contract design, such as risk allocation, payment options and incentivisation models.
- 5.4.5 With the likelihood that service costs may continue to increase in the future as fixed prices are adjusted for inflation, one of the main objectives of this re-procurement is to therefore seek to mitigate these increases wherever possible.

5.5 Forecast Price Increases

- 5.5.1 A review of the impacts of future inflation has been undertaken, based upon the last 20 years of market data, as detailed in Table 025 below. It can be seen that the Core Activity current prices could increase in the range of 9.5 -18.5%, this would take the current core service provision from £7,685,473 up to £9,107,285, this could further increased by changes in the bidder's strategic approach and commercial offer, which will likely see changes in the contractors fee and level of efficiency discount.
- 5.5.2 The full impact of this until bids are received and the full effect of competition and market forces become evident.

Table 025: Inflation Review (Core Activity Prices)

| | Price Fluctuation Indices | | | |
|--|---------------------------|-------|-----------------------|---------------------|
| | RPIx | RPI | All Civil Engineering | Highway Maintenance |
| Average annual | 2.65% | 2.56% | 1.72% | 1.36% |
| Forecast to 2030 (7-year contract term) | 18.5% | 17.9% | 12.0% | 9.5% |

- 5.5.3 In completing this DBC further analysis has now been undertaken to assess the impact of inflation when applied to the current expenditure. Additionally, an assessment has been made to assess the potential tender prices that may be received from the market. This has included for the removal of the current Contractor's tendered discount and an increase in the Contractor's Fee.
- 5.5.4 Table 026 shows three scenarios of budget and cost for the future initial seven-year contract term 2023/24 – 2030/21:
- **Column A** – shows the indicative budget allocation forecast through the RPPR process
 - **Column B** – shows the forecast future service costs based on potential costs increases due to increases in inflation, Contractors Fee and no tender discount received from the winning Service Provider. This is the worst case scenario impact to the indicative budgets set out in column A.

Table 026– Forecast Modelled Service Costs

| Service Year | Column A | | Column B Forecast Cost* £m |
|--------------|------------------------------------|--|----------------------------------|
| | Indicative Budget Allocation £m | | |
| 1 | 33,372 | | 40,843 |
| 2 | 33,927 | | 41,576 |
| 3 | 34,584 | | 41,950 |
| 4 | 35,261 | | 42,333 |
| 5 | 35,958 | | 42,727 |
| 6 | 36,676 | | 43,131 |
| 7 | 37,401 | | 43,546 |
| Total | 247,179 | | 296,106 |

*Forecast cost calculation – Contractor's discount removed, average fee applied, prices inflated to 2023-

** Modelling gap need added to capital indicative budget

5.6 Potential Change in Cost Summary

- 5.6.1 Through the analysis of both savings opportunities and potential costs increases, Table 027 provides an overall summary of the potential changes in service cost for the three key areas of spend for the preferred SDM (Option 2 only).
- 5.6.2 A full affordability assessment can only be completed once the tender evaluation has been completed.

Table 027 Potential change in Service cost.

| | SDM Option 2 (Integrated) Per Service Year | Seven Year Forecast | Comments |
|---|---|---------------------------|--|
| Highway Maintenance - Core Activities | 9.5% - 35% | n/a | Inflation, contractors fee and tender discount increases. Potential change in price only occurs once at contract award, as these are lump sum (Option A) |
| Highway Maintenance - Works Activities (Schemes) | 0-5% | Up to 35% | Anticipated change in contract fee. Less works to be delivered if budget remains the same. |
| Professional Services (Design) | -5% to 5% | Up to 30% | Improved management and monitoring of need and cost by ESCC, but also anticipated change in contract fee. Less works to be delivered if budget remains the same. |

5.7 Asset Management Approach

- 5.7.1 Highway Asset Management in East Sussex has been maturing since the concept was introduced in 2005. It was only in 2016 as part of the Code of Practice recommendations that this method of delivery became further developed and the Council's highway budgets relies on the application of Asset Management as a solution.
- 5.7.2 In recent years the Council has improved its understanding of managing the network through continuing to apply asset management principles. The Council has gathered more and better data with which to inform our understanding and refine our decision-making processes. In 2020 the Council procured a new pavement management system (PMS) to manage all asset data. We use the PMS to support planning and decision making aligned with Council priorities for all of our assets. As we have matured, we have refined expected lifecycles for the carriageway asset to reflect local experience in the County and fed these onto the PMS. We model investment in the PMS using these lifecycles following best practice using national averages for maintenance costs.
- 5.7.3 An approach to life cycle planning for each major asset has been adopted and investment is managed on this basis. Processes to apply appropriate analyses to determine the investment are in place such as the HMEP Lifecycle Toolkit. Investment for future funding has been developed using a range of different scenarios in order to identify best return from investment. Lifecycle plans are used to support investment decisions, through the RPP&R process, and are audited and checked.
- 5.7.4 The Council's Asset Management Strategy is currently under review as part of the current RPP&R process to meet council priorities and resources. The updated strategy will outline our long-term strategic objectives which may require review as a result of a modelling exercise and the RPPR process. The new Asset Management Strategy 2021 – 2031 will be included with the Invitation to Tender (ITT) document set to be issued around October 2021.

5.7.5 Asset Modelling

- 5.7.6 During the development of this DBC the Council are in the process of completing a full review of its asset lifecycle model for the highway assets. Lifecycle highway assets models have been completed for: -
 - Carriageway 3,112.25 Km in total
 - Footway 2250Km Urban, 400Km Rural
 - Structures 1108 bridge and culverts, 342 individual retaining walls
 - Lighting 41,537 lights, 626 illuminated signs, 2,356 bollards, 478 other.
 - Signs 43,695 individual items
 - Road Markings 2,220Km plus 31,600 individual items
 - Traffic Signals. 66 junction, 149 pedestrian, 2 others
- 5.7.7 Each asset type has been modelled following best practice, to undertake the modelling projection as follows:
 - The Council sets deterioration values for each asset in line with best practice and local experience.
 - A cradle to grave calculation is applied to many assets. This assumes the items transition from new to end of life without any intervention, e.g. highway signs.
 - For other assets (e.g. carriageways) the calculation is more refined, for example where lifecycles can be extended through interim preservation/preventative treatments. This is particularly important where the asset is not replaced wholesale as if a new road for example.
- 5.7.8 The early modelling results are being refined to confirm council priorities and to inform the budget setting process.
- 5.7.9 The modelling that is in progress will need to consider any funding gap over the initial seven-year contract duration. The impact of a funding gap may mean that the condition of some asset types will continue to decline in condition unless the Council is able to invest more funds into the service.

5.8 Funding Strategy

- 5.8.1 As identified in this DBC, it has been recognised that the condition of the council's highway assets and the council's ability to stem deterioration in condition needs to be considered alongside all other council service priorities. This situation is not unique to East Sussex; many other highway authorities are in a similar position, as often reported in the national press and technical journals. Indeed, most recently a House of Commons Local Roads Maintenance report, Feb 2019 highlights:

- There are ongoing concerns about the general state of the national road network, the backlog of repairs and the cost of bringing these defects up to standard. Industry reports suggest that around 18% of the national local roads network is in poor condition and it would take 14 years, at a cost of £9.31 billion (national total), to get local roads back into a reasonable steady state.
 - While motorway and A road local road maintenance expenditure has increased, this has come at the expense of spending on minor roads. The squeeze on local authority budgets has meant that spending is being allocated to other core services at the expense of local roads maintenance
 - The fall in spending on local roads needs to be considered in the context of the increase in traffic that is being realised on local roads across the country. Between 2013 and 2017, traffic grew by 7% on local roads in England. Routine maintenance expenditure has also been declining and an increasing share of spending is being allocated to A roads compared with minor roads across the country
- 5.8.2 Against that backdrop, consideration must be given to the Council's ability to fund an appropriate level of investment and to service the associated borrowing against the budget challenges for other Council priorities.
- 5.8.3 However, any future funding decision does not detract from the SDM presented for future highway infrastructure services. The proposed model remains the preferred SDM in order to, as a minimum, meet the Council's general duties and obligations to maintain a safe and serviceable highway asset and provide value for money.

5.9 Department for Transport Funding

- 5.9.1 Whilst potholes are generally viewed by the public as the main indicator of highway condition, the repair of potholes and preventing them from forming is only one element to improve the condition for all road users. Well maintained highways not only improve local productivity but also the environment by reducing delays, and makes cycling, horse riding and walking more attractive.
- 5.9.2 As set by the Department for Transport (DfT) in their most recent roads funding information pack, June 2020:
- The needs element funding allocated to each local highway authority in England in 2020/21 is based on a formula using 2019 road length data provided by each local authority, and also takes into account the number of highways assets such as bridges and lighting columns for which they are each responsible for.
 - The Incentive fund element is funding for local authorities to ensure they are following an effective asset management approach and adopting efficiency and best practice principles for local highway maintenance. The funding is a mechanism for highway authorities to receive additional funding over and above the Needs based formula. The Council is currently band three (top band) for 21/22 and has therefore received 100% of the incentive fund opportunity. Although the DfT are yet to confirm the continuation and process for incentive funding past 21/22, the usual self-assessment submission to DfT is due February 2022 and East Sussex are continually working to ensure we are able to return a band 3 again and maximise our funding allocation.
- 5.9.3 In May 2020, in the Transport Secretary's statement on Covid-19, he laid out further plans to transform the country's transport infrastructure to help the country 'build out' of Covid-19, supporting the nation's economy, and delivering on the government's key agenda of levelling up the country. There is a focus on sustainable travel; cycling, rail, bus, trams etc, - levelling up infrastructure and regenerating/balancing local economies after the coronavirus outbreak. East Sussex are exploring all relevant bidding opportunities that come out of this, including the Levelling Up Fund, but it is also unknown what impact these future funding opportunities/changes will have on the Council.

5.10 Financial risk

- 5.10.1 Table 028 sets out a number of key financial risks that may impact future service affordability. Risks 1,2,3 were identified in the OBC, these three risks are still open and three new financial risks (4,5,6) have been identified through the development of the DBC. Risk 1 remains as the highest overall financial risk, the impact of this risk on the overall service affordability cannot be known until the tender evaluations are completed.
- 5.10.2 A key mitigation tool that could be used in the event of any of these financial risks occurring is the use of the CPwN, procurement route to market strategy that has been selected as set out in the commercial case section. Upon evaluation of the tenders at the initial phase, the Council should they need to, can have a number of negotiations with the bidders and provide feedback on their bids to enable them to resubmit an improved offer which may include changes to prices and/or quality submission and also changes to the Council's service requirements.

Table 028: Key Financial Risks

| Risk Ref. No. | Topic | Description of Risk | Impact (expected) | Revised Risk Rating (Impact x Likely = Result) | | | Status | Proposed or actual Countermeasure(s) |
|---------------|------------------|--|--|---|----------|--------|--------|---|
| | | | | Impact | Likely | Result | | |
| 1 | Price | Change in market conditions from previous tender (fee, inflation, strategic pricing) | Potential jump in rates compared to current provider Reduced competition for TSC & Professional Services | High | Moderate | 9 | Active | Affordability modelling can only be completed once the winning Service Providers bid has been evaluated. Engage in soft market testing to ensure maximum level of competition. Outline to market as early as possible the preferred service delivery model and ask them to consult on it at both OBC & DBC stages to ensure that the market can deliver the preferred service delivery model Ensure stakeholders are aware of potential rise in prices |
| 2 | Covid | Further lockdowns / prolonged (long term) safety measures in place regarding COVID | Delays to the project programme and potential longer term impacts on contract costs | High | Moderate | 6 | Active | Robust project management of the project timeline, regular monthly updates. Forecast cost increases have been reported corporately. It is unknown what, if any, this risk may have on new tenders prices under the tenders are evaluated. |
| 3 | Budget Reduction | RPPR savings targets are applied to highways budgets during the tending process - | Depending on the scale of the savings, this could impact the efficiency and effectiveness of the selected service delivery model as set out in the original options appraisal. This may also impact the market interest of the selected model due to it not being commercially viable. Delays to completion of the DBC/whole procurement process if the selected SDM needs to significantly change to an alternative model Reduced Service Delivery levels / Asset deterioration / Customer satisfaction. Basic statutory service provided only | Medium | Likely | 6 | Active | Mitigation required dependent on the outcomes of the RPPR process and any funding proposed. Recent AM modelling indicates not enough funds are in place to maintain current condition targets. This is to be dealt with as a serrate funding paper and feed into the finalisation of the AM Strategy 2021-2031 Policy review, design of commercial contract, review of works information. Reductions can be managed through the normal contract mechanisms |
| 4 | TUPE | Poor TUPE information provided to the bidders | Inability for bidders to accurately price the contract. | Medium | Moderate | 4 | Active | Ensure early engagement with ESCC Pensions Manager/external pension advice, to ensure all relevant issues/risks are given appropriate priority and level of resource. Produce TUPE template, seek 3rd party advice on template, request stage 1 TUPE list in June 2021 to allow validation time for any potential issues |
| 5 | Asset Inventory | Incomplete asset inventory. | Any gaps in inventory data could be exploited/leave ESCC vulnerable when tendering new contract, bidders may apply additional risk/cost when pricing tender response. | Medium | Moderate | 4 | Active | Assess knowledge gaps for Cost risk and benefit. Commission Asset Inventory Surveys where of benefit. Centralise and validate asset data records. A project lead has been appointed to work with the AM team to start to collect the inventory and site information documentation. An independent 3rd party consultant will review the information to be provided to the market and test the pricing model document. |
| 6 | Contract Value | Reduction in contract | Under recovery of %profit by the winning contractor | Medium | Likely | 6 | Active | At stage 3 of the project continue to explore mitigations such as setting a contract value all bidders should use when calculating their fee's and/or the most accurate breakdown of spend as possible |

6 MANAGEMENT CASE

6.1 Project Initiation Document (PID)

- 6.1.1 The HSRP has been organised into 4 stages as identified in the PID (Appendix 001), which was approved at the first Project Board meeting in January 2020. The PID sets out the objectives, scope, timeframe and governance for the project.
- 6.1.2 The project is structured in four stages:

| Stage | Stage Name | Main Activities |
|----------------|----------------------------------|--|
| Stage 1 | Outline Business Case (OBC) | the analysis & planning stage (small options appraisal - long list to shortlist) |
| Stage 2 | Detailed Business Case (DBC) | detailed options appraisal of shortlist |
| Stage 3 | Delivery of Procurement Strategy | tendering & evaluation |
| Stage 4 | Prepare and engage | mobilisation and Training Contract Start |

6.2 Project Governance

- 6.2.1 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements.
- 6.2.2 A Scrutiny Member Reference Group (SMRG) has been established to ensure effective member engagement into the project.

6.3 Project plan

- 6.3.1 This has been developed by the project team and is responsibility of the project manager to report progress of the plan to the Project Board. The plan covers all four stages of the project however Stages 3 and 4 cannot be fully developed until the DBC is approved which would include the determination of the preferred SDM and also the procurement route to market.

6.4 Potential future client model to deliver highway services

- 6.4.1 Both the Outline Business Case and the work undertaken for the Detailed Business Case (DBC) have identified that a strong contract management capability is important and there is good evidence that a lack of this capability has led to problems with contracts in other authorities and in some cases of functions being brought back in-house for the Authority to manage. This was something that the Authority recognised before the award of the current contract and a great deal of time and training has gone into building a strong in-house commercial capability. Whichever option is chosen a strong contract management and commercial function will be required and the current in-house capability will stand the authority in good stead.
- 6.4.2 One of the Council's key priorities is to make the best use of resources, this is driven by the Local Government Act general duty which sets out that a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 6.4.3 The Council has reduced spending across its services by more than £134 million over the past decade to keep within the limits set by long-term reductions in financial support to East Sussex and the county's growing needs. It is projected there will be a further financial gap of £12.5 million across the whole Council over the two years from 2021–2023.
- 6.4.4 The need for the Council to be efficient, offer value for money and reduce costs has never been stronger, this re-procurement project provides an opportunity to review the current structure of the Council's highways Contract Management Group (CMG). The CMG structure needs to be established and trained on the future contract mechanisms and be ready to work with the incoming provider(s) during the mobilisation phase in order to meet the Council's priorities and best value requirements of the Local Government Act.
- 6.4.5 The principle outcome of the new contract is to focus on providing our core service well and by using a robust asset management approach to provide effective quality assurance, to have the best network condition for the investment available, to consistently have effective customer engagement, to continue to promote economic growth and to support new challenges such as the carbon neutral agenda

6.4.5 Existing Contracts Management Group Structure

- 6.4.6 The existing CMG structure was established at the start of the current Highways Infrastructure Services (HIS) Contract 2016 – 2023. The team is led by a Head of Service and the key functions are: contract and commercial management, performance and compliance management, asset management and service development.

- 6.4.7 An overview of some of the key successes that the CMG have been responsible for include:

- Realisation of an Initial £1.4 revenue savings per annum when the new current integrated Service Delivery Model (SDM) was designed, tendered and implemented.
- Realisation of 10% efficiencies per annum on the capital works programmes, more for less, carriageway condition targets been achieved for each Service Year
- Continuous improvement of service through application of the performance framework & employer's incentivisation model. The Contractors performance across the 24 Strategic Performance Indicators (SPIs) in Service Year five is the highest to date.
- Effective quality monitoring of the capital programme through onsite inspections of all works
- Robust internal audit completed in July 2017, found reasonable assurance (2nd highest opinion) in respect of the contract management controls being in place.

6.4.8 Future CMG functional requirements

- 6.4.9 The CMG is well established and ‘home-grown’ with 6 x NEC Accredited Project Managers and 5 X NEC Accredited Supervisors. The team has sufficient capability and capacity to effectively manage the preferred Option 2 – Integrated Single Provider SDM that is being recommended and no additional resources will need to be recruited.
- 6.4.10 In preparing this DBC a number of engagement activities have been carried out where stakeholders have identified potential areas where there are opportunities to further develop our contract management capabilities to provide an improved service. These areas include but are not limited to improved quality control of the Contractor’s works to ensure the delivery of a right first-time approach and enhanced support for both internal and external key stakeholders through client officers.
- 6.4.11 In preparing this DBC, a future functional based client shape has been developed by the project team to illustrate the critical functions that are required to manage a future SDM. Table 029 sets out the six key functional requirements, outline key objectives, responsibilities, and benefits of each function.
- 6.4.12 At the next stage 3 of the project alongside delivering the procurement strategy the management structure of CMG will continue to be reviewed and designed to ensure that the critical functions are organised in the most efficient and effective structure. Any organisational changes that may need to be made will be undertaken in advance of the start of mobilisation around November 2022, so that all roles are in place ready to work with the new Contractors key people. This was a key lesson from the previous re-procurement, whereby recruitment delays meant some roles remained vacant throughout Service Year one, leading to some benefits not being realised at the earliest opportunity.

Table 029: Summary of CMG key functions

| | Service Management – Head of Service / NEC Project Manager | | | | | |
|----------------------|--|---|---|---|---|---|
| Function | Contract & Commercial Management | Business & Performance Improvement | Asset Strategy and Management | Key Stakeholder Management | NEC Supervision (Quality Management) | Integrated Project Support |
| Objectives | To manage and administer the contract to give confidence and assurance the service is being provided efficiently and delivers the best possible value for money | Manage business activities such as performance monitoring, reporting requirements and undertake business analysis and benchmarking internally and externally to further develop the service over its contract duration. | To develop and implement an Asset Management Strategy & Plan that is funded and meets the needs of ESCC | To promote the service and the culture with key stakeholders | To ensure effective contract compliance and quality control of both reactive and planned works | Project support of service needs |
| Key Responsibilities | <ul style="list-style-type: none"> • NEC—delegated duties from Project Manager • NEC - Contract compliance auditing and administration • NEC— Change control • NEC—Risk Management (EW's) • Cost forecasting & Programme delivery • NEC— Payment Assessments • Supply Chain Management • Commercial Negotiations • Approve Payments • Procurement of step out services | <ul style="list-style-type: none"> • Monitor of Performance Framework • Business Improvement Plans • Business Analysis & Benchmarking • Organisational Development • Management of FOI's • Support Contractor on developing self-service information • Drive Continuous Improvement | <ul style="list-style-type: none"> • Develop Total Asset Plan & Strategy for ESCC • Develop & Maintain WLC model • Determine Asset Need & Priorities • Policy Review & Management • Update & Maintain national indicators • Engineering expert and Materials • Asset Funding Bids Lead • Condition Surveys • GIS Mapping & Data Management • Manage Pavement Management System • Budget Management • Adoption of new assets | <ul style="list-style-type: none"> • Support HoS • Management of Senior ESCC Officer Enquires • Management of other ESCC team interfaces with ESH. • Support of Member & Parish Enquires • SLR attendance • Overview of member & parish relationships • Liaison with press and communications teams | <ul style="list-style-type: none"> • Fulfilment of NEC duties as set in NEC4 • Monitoring the quality of works being delivered, addressing any trends or issues identified • Management of issuing defect certificates, and ensuring that the operational contractor teams address and repair these • Issue instruction for the identification of defects | <ul style="list-style-type: none"> • Lead on business and performance improvement projects to drive continuous improvement. • Support internal client projects. |
| ESCC Key Priorities | <p>Making best use of resources in the short and long term Driving sustainable economic growth</p> | | | | | |
| Service Outcomes | <ul style="list-style-type: none"> • Quality Assurance • Promote economic growth | <ul style="list-style-type: none"> • Quality Assurance • Promote economic growth • Effective Customer Engagement | <ul style="list-style-type: none"> • To have the best network condition for the investment available • Support Carbon Neutral Agenda | <ul style="list-style-type: none"> • Effective Customer Engagement • Quality Assurance | <ul style="list-style-type: none"> • Quality Assurance | <ul style="list-style-type: none"> • Quality Assurance • Effective Customer Engagement |
| Benefits | <ul style="list-style-type: none"> • Enhanced function with the responsibility and full resources to manage effective contract compliance in a timely manner. • Resources can be deployed quickly and proactively to monitor compliance to avoid non-compliances before a full audit is needed | <ul style="list-style-type: none"> • Enhanced function with responsibility for business improvement and performance monitoring being within a single function • Performance monitoring is a primary source for identifying areas for continuous improvement, which is complimented through proactive regular business analysis and benchmarking activities. | <ul style="list-style-type: none"> • Enhanced function with capital budget management and funding and bidding aligned to key policies and Asset Management plans • Permits more effective short and longer term planning | <ul style="list-style-type: none"> • Dedicated function to support key stakeholders throughout their engagement journey. • Key Stakeholders will have a single point of contact to assist them with escalated needs providing better access to CMG services • Enables common issues to be identified to provide enhanced service to all key stakeholders | <ul style="list-style-type: none"> • Enhanced function with sufficient resources for effective quality control of works both planned and reactive. | <ul style="list-style-type: none"> • Enables a consistent approach to how projects are executed. • Project risks are reduced and opportunities maximised • Individuals work in a more successful environment as manage projects from start to finish |

6.5 Overview of functions

- 6.5.1 An overview of the rationale and future challenges for the six functions included in table 029 is set out below.
- 6.5.2 **Contract and Commercial Management Function**
- 6.5.3 This function is critical to the successful day-to-day delivery of the commercial contract(s) and ensuring overall contract compliance, governance, and administration of the contract. The function will fulfil a number of the NEC Project Manager duties which include approving payments, management reporting, claims and dispute resolution and programme management / acceptance. It is recognised that a new Service Provider is likely to be commercially astute in order to achieve their respective corporate expectations. With this in mind, the Council's Contract and Commercial Management function needs to be equally skilled and resourced to ensure the Council continues to receive value for money for the commissioned services.
- 6.5.4 The current function has grown and developed with 100% retention of staff over the last five years contract duration, all staff in the function hold a form of NEC accredited professional qualification.
- 6.5.5 Through effective risk management of the NEC Contract Risk Register (Early Warnings), the function ensures successful commercial management and delivery of the Councils key priority, making the best use of resources. Through daily engagement with the Contractor the function is well placed to identify potential contract compliance issues, the function can therefore be enhanced by taking on the design and delivery of an appropriate compliance plan for the next contract duration.

6.5.6 Business and Performance Improvement

Managing an integrated service contract trust and mutual co-operation between the parties is key and working with the contractor to support and develop the people of both organisations is critical to the success of the service. The business and performance improvement function sits at the centre of the required organisational training and development to promote the business, people and performance improvement across the service.

- 6.5.7 The function will have responsibility for business development, improvement and performance monitoring where performance monitoring is a primary source of identifying areas for improvement through proactive service analysis and benchmarking activities that will ensure an ongoing driver for continuous improvement of the service throughout the contract life. Business analysis and benchmarking will be essential to ensure the Council can deliver best practice service delivery and demonstrate continuous value for money.
- 6.5.8 In addition the function provides important support for reporting and administering corporate requirements and liaison with other authorities for bench marking and research.

6.5.9 Asset Management

- 6.5.10 This function has been established over the life of the current contract, it continues to develop and evolve each service year through a blend of training, the introduction of an Asset Management system and through improved data management and modelling techniques regarding the condition of the asset inventory. The success and maturity of this team has been recognised through the attainment of the DfT Incentive Band 3 which is the highest banding, ensuring the council receives the maximum allocation of funding.
- 6.5.11 The Asset Management Strategy (AMS) which has been in place for a number of years is robust and effective that the team can move towards a more strategic focus in the

next contract. The function will need to maintain and develop a “Whole Life Cost” model for maintenance as well as considering strategic infrastructure growth requirements. The function will be responsible for developing the AMS further to meet the Council’s wider objectives. The function will also be responsible for managing and updating the Council’s relevant Highway Maintenance Policies through the life of the next contract, in addition to leading on developing funding bids and work with the new Contractor to collaboratively seek best value of resources through embedding innovation practices where possible. A key challenge for this function will be agreeing a fully funded asset management strategy with conditions targets for each asset type.

6.5.12 Key Stakeholder Management

6.5.13 It is recognised that over the last five years there have been some inconsistencies in customer service. This is therefore a key area of focus for the next contract, and a Key Stakeholder Management function will be responsible for leading on this aspect. The focus will be the management of (non-transactional) Member enquiries and other departmental/corporate communications. This will provide an increased focus on developing good relationships with organisations outside the Council and those key stakeholders that have regular contact with the Council on wider highway matters. They will also support other functions, within highways and the Council’s wider CET department, and their relationships will ensure a transparent and collaborative approach is taken across the service.

6.5.14 The provision of the day to day Customer service will remain with the Contractor as the first point of contact for making enquires including the reporting of safety defects and other transactional issues. This function will support key stakeholders with more complex enquires and ensure they have a single point of contact to assist them through to resolution. This will enable common issues to be identified, rectified to provide a consistent and the enhanced service that Members and parishes are keen to receive.

6.5.15 NEC Supervision (Quality Management)

6.5.16 As set out in Appendix 004, where Scrutiny Reference Group Members outlined their areas of improvement, it is recognised that a more robust approach is needed to the ongoing management of the quality of the reactive works being delivered. As such, this enhanced function will build on the current successes regarding the fulfilment NEC Supervision obligations that has focused on planned capital works. The enhanced function will have resources to focus on the quality of both planned works and reactive works being delivered and address any trends or issues identified. The function will be able to provide assurances to Members and other key stakeholders that the future Contractor is delivering the services to the requisite quality and in line with the requirements of the Service.

6.5.17 Integrated Project Support

6.5.20 To manage and deliver CMG led projects to support continuous improvement across the business and support other teams across CET deliver successful highway projects.

6.6 Risk Management Strategy

6.5.1 The project manager maintains a detailed Risk Register for the HSRP which is reviewed regularly, and changes reported to the Project Board. The Risk Register has been prepared using the Council's corporate risk template and best practice from the HM Treasury Five Case Model. Each identified risk is categorised as set out in Table 030:

6.5.2 The key risks at this stage of the HSRP are set out in Table 010.

Table 030 Risk Categories

| Risk Categories | Description |
|-------------------------------------|---|
| Business Risks | These are the strategic risks which remain (100%) with the Council regardless of the sourcing method for the project (proposed spend). They include political risks |
| Service Risks | These are risks associated with the design, build and financing and operation (DBFO) of the proposed spending. They can be shared with the business partners and service providers. |
| External environmental risks | These risks affect all organisations regardless of whether they are public or private sector. |

6.7 Post Implementation Review

6.7.1 The HSRP has a post project evaluation strategy, which has two main purposes:

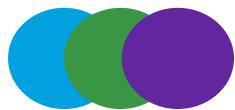
1. To identify areas of improvement through the HSRP lifecycle, through the development of the PID to contract commencement of the new SDM. To achieve this a series of post project engagement sessions will be completed and a report completed to the Project Board.
2. To appraise whether the HSRP has delivered its anticipated improvements and benefits. To achieve this a mobilisation audit will be completed and at the end of Service Year 1 and an independent 3rd party audit will be commissioned. Additionally, an internal audit can be completed by the Council. In preparing the DBC the detailed post implementation review requirements will be finalised.

7 CONCLUSIONS AND RECOMMENDATIONS

- 7.1 In order to continue to meet the Council's legal responsibilities as the Local Highway Authority a range of different types of SDM have been considered through the completion of both the OBC and DBC.
- 7.2 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 7.3 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and stakeholder expectations of the service delivery.
- 7.5 Quality control, effectiveness of communications and overall contract efficiencies were three of the main areas identified by Members which will be further investigated for potential solutions and mitigations within next stage of the project.
- 7.6 The following are recommended for development in the next stage of the HSRP (Stage 3 – Delivery of the Procurement Strategy):
 - 1 **The Council selects Option 2, Integrated Contractor & Designer Contract (current SDM) as the preferred SDM because it presents the best opportunity and the least risk to the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner;**
 - 2 **Select the contract duration option of an initial term of 6 years 11 months + 7 years optional extension;**
 - 3 **Agree that a contract is developed and prepared for tendering based on NEC4 form of contract that reflects the Council's requirements and clearly defines the service requirements and the Service Provider's responsibilities.**

8 NEXT STEPS

- 8.1 The next steps are to develop the contract documents for tendering. An E-Notice will be issued in November 2021 that will flag our intention to engage the market for tender and start the formal procurement process.
- 8.2 At the same time as preparing the contract documents we will continue to develop the performance criteria for inclusion in the contract, refine the contract mechanisms, determine the service levels required, develop the organisational change plan and develop the asset management plan.
- 8.3 The following is a summary of the key activities and tasks to be completed in the delivery of the procurement strategy (stage 3):
 - Prepare the tender documents & evaluation (SQ and ITT);
 - Test the performance management regime;
 - Procure the services, and
 - Complete the tender evaluations



Cabinet

13 July 2021

Appendix 001

Highways Services Re-procurement Project

Document Title: Project Initiation Document (PID)

Project Initiation Document

| | |
|----------------------|--|
| Project Title | Highway Services Re-procurement Project (HSRP) |
| Department | Communities, Economy & Transport |
| Service Team | Operations & Contracts Management |
| Department Reference | Highways |
| Sponsor | Karl Taylor |
| Customer Contact | Phil McCorry |
| Author | Phil McCorry |
| Date | 29/1/2019 |
| Version | V1 |

The purpose of the Project Initiation Document (PID) is to define the project, to establish how it will be managed and to identify the criteria for overall success. The PID forms the basis of the project and how it will be organised. It is the Sponsor's mandate to the Project Manager.

| Issue no | Approved by Project Manager | Date | Approved by project sponsor | Date | Date of next review |
|----------|-----------------------------|---------|-----------------------------|------|---------------------|
| 1 | Phil McCorry | 29/1/20 | | | |
| 2 | | | | | |
| 3 | | | | | |

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Appendices

- A Risk Register
- B Project Organisation Chart
- C Draft Resource Plan
- D Draft Project Budget
- E Outline Project Timeline
- F Service Delivery Models Summary Table

1. Background

- 1.1 In December 2015 [Cabinet](#) (item 33) awarded a third-generation outsourced contract for delivery of Highway Maintenance to Costain Ltd. Costain Ltd are in an unincorporated joint venture with Jacobs (formerly CH2M) to deliver the services. The contract for Highways & Infrastructure Services (HIS) commenced on the 1st May 2016 and ends on 30th April 2023. The contract is for a fixed seven-year term, no extension mechanism is included in the contract (this was deliberate). The main purpose of this project is to therefore ensure new service arrangements are designed, approved, delivered ready to guarantee business continuity of Highways Maintenance Services from 1st May 2023 onwards.
- 1.2 The award of the current contract shifted the Service Delivery Model (SDM) from a Multiple Provider model to a Single Provider model. Separate contracts for Street Lighting and Traffic Signals were consolidated into a single contract along with internal ESCC functions such as Safety Inspections, Network Management, Design Services and the Contact Centre. In total 107 ESCC staff transferred via TUPE to the new Contractor.
- 1.3 Through the use of ESCC Commissioning Framework approach to determine and through subsequent packaging of services the Cabinet award of the HIS contract in December 2015 offered a saving of £1,404,455 when compared to the budget at that time.
- 1.4 Any future contractual arrangement will need to consider the medium-term financial outlook and how this can be factored into a contractual arrangement to allow the County Council sufficient flexibility, in the event that further savings are needed in the future and the uncertainties associated with budgets in general. This is an opportunity to build on from the 2016 transformation, to further develop and implement a Highways Maintenance Service that reflects the future needs of the County Council and draws from industry best practice.
- 1.5 The project will contribute directly to the delivery of the current County Council Priorities & respective performance measures as set out in the [Council Plan 2019/20](#) :
 - **Priority** - Driving sustainable economic growth
 - Performance Measures:
 - % of principle roads requiring maintenance
 - % of non-principle roads requiring maintenance
 - % of unclassified roads requiring maintenance
 - % of County Council procurement spend with local suppliers
 - % economic, social and environmental value committed through contracts, as a percentage of our spend with suppliers
 - **Priority** - Making the best use of resources

- 1.6 In recognising the County Council's priorities and the specific requirements of Members the current Highways Maintenance Contract was designed to specifically deliver the following future service outcomes:
- 1.7 To have the best network condition for the investment available (principal requirement) and;
- Improve asset condition;
 - Promote economic growth;
 - Reduce the level of third-party claims;
 - Provide value for money;
 - Promote local engagement, and
 - Improve customer satisfaction and communication.

These outcomes will be reviewed as part of this project and a full set of criteria will be developed by the Project Team and considered and finalised by the Project Board.

2. Objectives, Benefits and Deliverables.

2.1 Objectives

The Principle Objectives of the project are to:

- Identify an appropriate Service Delivery Model for Highways Maintenance, including internal Contract Management which provides best value for money, improves cost efficiency and positively contributes to the achievement of road condition Indicators;
- Develop suitable contractual arrangements for a new Highways Maintenance Service based on the preferred Service Delivery Model which meets the future statutory, policy and ambitions of the County Council develop an exit strategy for the current contract, as necessary, and for the next generation contract;
- implement the new arrangements, including provision of an appropriate client team and training programme to ensure the successful application of the new arrangements

2.2 Benefits

To determine the right Service Delivery Model, a clear detailed business case (DBC) will be developed during the project, based on the ESCC Commissioning Framework. This approach will include, but is not limited to:

- 1 Regular engagement with the Place Scrutiny Members Reference Group
Benefit: to define service objectives
- 2 Internal analysis of current contract model and provision of service
Benefit: what is working well and what needs to improve
- 3 Market engagement with supply chain
Benefit: capacity & capability understanding
- 4 Benchmarking exercises with other authorities where possible
Benefit: gauge best value & trends

- 2.3 There will be a clear emphasis on developing a model which provides cost savings corresponding with wider corporate aims of improving efficiency when delivering core services. Additionally, the new Service Delivery Model will be designed to have greater flexibility regarding change management to allow for necessary uncertainties that may arise during the contract duration.

2.4 Deliverables

2.5 The project will deliver new arrangements for the delivery of Highway Services for the County Council to commence 1st May 2023. The form and scope of which will be determined by the Service Delivery Model recommended by the Project Board. The three key deliverables of this project are:

- New SDM and arrangements in place for the 1st May 2023
- Resources are secured to deliver the service
- Client team is in place to manage arrangements

2.6 There is a significant challenge to ensure the correct selection of next Service Delivery Model which, following an options appraisal, could be a continuation of the current Single Provider Model with lessons learned and minor adjustments or a wholesale change to a new model.

2.7 Consideration will be given to having a 11-month period for Service Year 1 (1st May 2023 – 31st March 2024), so that subsequent service years can be aligned with the ESCC financial year and commence on the 1st of April.

Further details can be found in the section below under 3. Scope and Exclusions.

3. Scope and Exclusions

3.1 Scope

3.1.1 All services set out in the current specification, provided by the incumbent Contractor Costain and its joint venture partner Jacobs, is included within the scope of this project, namely:

Core Activities (majority of revenue spend):

- COR-001 Service Management
- COR-002 Stakeholder Management – (customer contact centre)
- COR-003 Network Management
- COR-004 Third Party Claims
- COR-005 Highway Asset Inspections - (stewards)
- COR-006 Drainage Maintenance - (gully emptying and jetting, ditch and grip maintenance)
- COR-007 Control of Vegetation - (grass cutting, weed control, hedge cutting)
- COR-008 Road markings
- COR-009 Winter Service
- COR-010 Structures Routine & General Maintenance
- COR-011 Street Lighting & Traffic Signals
- COR-012 Reactive and Emergency Response - (safety defect repairs)

3.1.2 In addition to the core activities the following Maintenance and Improvement Schemes are also within scope (majority of capital spend):

- Carriageway and Footway surfacing
- Patch and Repair of Carriageway surfacing
- Highway improvements
- Highway structures

- Safety fencing
- Traffic movement and calming schemes
- Footway and cycleway construction
- Carriageway construction
- Road bridges and structures
- Street lighting
- Traffic signals
- Drainage Schemes
- Provision, maintenance and cleaning of road signs.
- Provision and maintenance of road studs.

3.2 Service Delivery Model Options

- 3.2.1 There are a range of options for the Service Delivery Model that have been researched and documented through best practice, all of will be considered. Outlined in **Appendix F** is a more detailed overview of the range of Service Delivery Models, this are summarised as follows:
1. **Single Provider** – most services are transferred to the private sector partner. The Client retains some elements of service such as strategy, performance management and policy.
 2. **Framework(s)** - assumes more than one provider with similar skill sets to allow mini competitions to be held for appointment against work packages.
 3. **Joint venture (JV)** – JV's have become increasing popular as a means of leveraging growth, in particular between public sector entities. Using a JV model to partner worth with other local authorities or Local Authority Trading Companies (LATC) could mean that public procurement is not necessary. There can also be public to private JV's in addition to public to public models.
 4. **Multiple Providers** – County Council procures individual services from different providers such as surface dressing, gully emptying, Streeting lighting. The Client retains some elements of service such as strategy, performance management and policy.
 5. **In house + top up** – simple arrangement to fill gaps/weaknesses in the client team. The amount of highway maintenance function remaining with the client depends on how much top up is involved, be it single or multiple providers.
 6. **In-house** – assumes very limited ad hoc input from the private sector.
 7. **Teckal** – a company wholly owned by the County Council, which, subject to certain conditions, is exempt from the Public Contract Regulations 2015.
- 3.2.2 The preferred service delivery model(s) being pursued by the County Council, will determine where the service split should lie between client and provider. In assessing the service split there are various factors that will influence the decision, and these will include:
- Overall objective(s) for the service;
 - Client capability and capacity; and
 - Risk and Control
- 3.2.3 The current Highways Maintenance Contract is essentially a Single Provider model with an Executive Client group managing the contract. It is a not fully outsourced model, as Asset Management, along with elements of budget control, remain in house. A smaller client team would be referred to as a Strategic Client and was previously considered during the last procurement.

4. Risk Management

- 4.1 A project risk register (**Appendix A**) has been developed and will be regularly reviewed and updated by the Project Manager. This identifies risks to the project including cost, programme delays and resources etc. It details consequences, mitigation actions, ownership, impact and probability. This will be regularly reviewed by the Project Board.

5. Project Organisation and Responsibilities

- 5.1 The project organisation chart is shown in **Appendix B**
- 5.2 **The Project Board** will be accountable for the successful outcome of the project, i.e. securing the next highways contract model. They will support and assist the Project Sponsor to collectively monitor and control the project's overall progress and act to escalate or resolve any risks or issues which arise in the course of the project. The Project Board will meet as required to review progress and consider issues raised by the Project Manager or Project Sponsor.
- 5.3 **The Project Sponsor** will have overall responsibility for the project and will focus on ensuring that the preferred highways model and associated contract / procurement is deliverable in terms of related processes, budgets and timescales. The Sponsor will monitor development to ensure funding and resources for the project are utilised effectively.

Project Sponsor: Karl Taylor – Assistant Director, Operations

- 5.4 **The Project Manager (PM)** will have day to day responsibility for the project and has the authority to make decisions in line with policies agreed by the Project Board and for spending within approved budgets. The PM will manage the progress against the programme, maintain the risk register and produce regular reports to the Project Board to explain progress. The PM will make interventions where necessary to modify the approach proposed by the Project Team to ensure that the objectives of the project are achieved within the defined programme. The PM will be responsible for the communication plan for the project.

Project Manager: Phil McCorry - Business Improvement Manager. The Project Manager shall report to the Project Board

- 5.5 **The Project Team** will be engaged to deliver particular work streams and will be guided by the Project Manager in consultation and agreement with the Project Sponsor. The Project Team comprises a 'core' team of project-dedicated officers, with support from service leads who will be required to undertake specific work streams as the project develops.

A draft resource plan has been developed as set out in **Appendix C** to determine requirements for the core project team shown in the structure. This is very high level at this early stage and will need to be reviewed regularly as the project progresses. This will be discussed in section 9 in more detail

5.6 Project Support/Service Leads

The project will require the support of other service areas to ensure successful delivery.

These include Human Resources (HR), Finance, Legal, Communications, Pensions, Procurement and Audit.

The Leads for the services need to be identified at the start of the project and approved by the Project Board, although some of these services may not be required until later in the project.

5.6 Other Groups

Other groups will need to be engaged as the project progresses including the respective operational & contract teams, property services and ICT services.

6. Costs and Funding

- 6.1 A draft budget for ESCC costs is included as **Appendix D**.
- 6.2 The budget includes estimated costs for the complete project from February 2020 through to contract commencement on 1st May 2023. It assumes that charges for procurement officers and input from other service leads will not be re-charged to the project. The costs for the previous Highways Contract Procurement 2016-2023 exercise have been reviewed in detail; the total cost was approximately £1.4m, which included over £750,000 of consultancy support. With lessons learned from the previous procurement and a larger and experienced client team that can be utilised for the project (subject to capacity and some backfilling), it is forecast that the cost of consultancy support can be reduced as set out in **Appendix D**.
- 6.3 It should be noted that following the completion of the Detailed Business Case (DBC), should the creation of a Local Authority Trading Company (LATC) be the recommended model, the budget has not made any allowances for stage 3B (shown in section 8.2) onwards. In completing the DBC, the costs of creating a LATC will be included and therefore the budget will need to be reviewed at this time.
- 6.4 The budget will be regularly reviewed and updated and reported to the Project Board.

7. Project Approach

The project will be managed in accordance with established project management techniques following Prince2 principals. The project will be managed by the Project Manager who is responsible for day to day management and the overall delivery of the project. The Project Manager and procurement team will work closely to determine, agree and manage the detailed activities identified in the Project Plan (section 9).

7.1 Project Administration

All project files will be stored electronically on a shared network, with appropriate access rights for team members. Project administration will be managed by a Project Support Officer.

7.2 Project Office

The Project Manager will be based at Ringmer Depot. As the project develops and the project team grows, a dedicated office/space will need to be set up. A small figure has budgeted for this in **Appendix D**. This will need to be reviewed as the project gets underway.

7.3 Business Case Approach

The project will follow the ESCC Commissioning Framework and the HM Treasury 5 Case Model (illustrated in Figure 1). There are 5 key elements of the Business Case, namely:

- the **Strategic Case** – robust case for change
- the **Economic Case** – optimise Value for Money
- the **Commercial Case** – are the proposals commercially viable
- the **Financial Case** – are the proposals financially affordable
- the **Management Case** – can the proposals be delivered successfully

7.4 The Business Case develops iteratively over time, often in 3 distinct stages (0-2) with more detail provided at each stage:

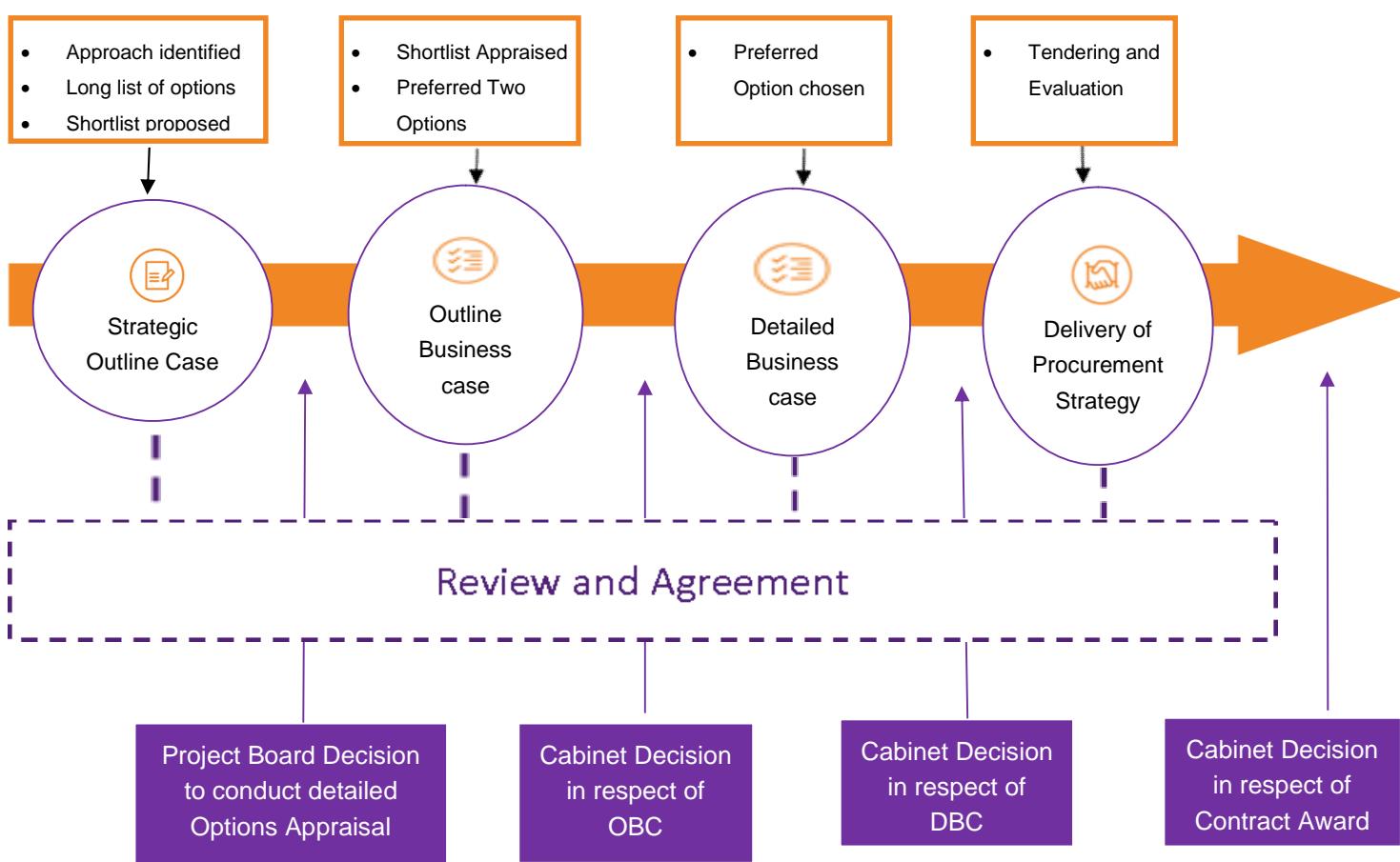
Stage 0: Strategic Outline Case (SOC) – the scoping stage

Stage 1: Outline Business Case (OBC) – the detailed planning stage

Stage 2: Detailed Business Case (DBC) – detailed final phase

Stage 3: Delivery of Procurement Strategy – tendering & evaluation

Stage 4: Prepare and engage - mobilisation and Training



8. Required Timescales

8.1 An outline project timeline is included in **Appendix E**. This outline timeline is very high level, showing the key stages and key decision points. A more detailed breakdown of each activity at each stage will be developed by the Project Manager with input from the project team, this is included within **Appendix C**.

8.2 The key stages and estimated durations are set out below:

| Stage | Duration | Key Milestone |
|--|--|---|
| Stage 0 – Scoping the proposal and preparing the Strategic Outline Case (SOC) | Feb 2020 – May/June 2020 (4/5 months) | May 2020 Project Board approval |
| Stage 1 – Planning & preparing the Outline Business Case (OBC) | June 2020 – Oct/Nov 2020 (5/6 months) | Cabinet Approval of OBC Oct 2020 |
| Stage 2 – Planning & preparing of the full Business Case (DBC) | Dec 2020 – May 2021 (5/6months) | Cabinet Approval of DBC June 2021 |
| *Stage 3A – Delivery of Procurement Strategy (traditional) in relation to Service Delivery Models as set out in section 3.2.1; 1- Single Provider, 2 - Frameworks, 3 - Multiple Provider | May 2021 – April 2023 (23 months) | |
| Issue OJEU Notice | | Nov 2021 |
| PQQ Period (issue & evaluate) | Dec 2021- Feb 2021 (3 months) | |
| Tender Period | Jan 2022 – April 2022 (4 months) | |
| Tender Evaluation/site visits | April 2022 – June 2022 (3 months) | |
| Corporate Approvals (Full Business Case, includes tender evaluation) | July 2022 – Sept 2022 (3 months) | Cabinet Approval of Contract Award Oct 2022 |
| Stage 4 – Prepare & Engage | | |
| Mobilisation & Training | November 2022 – April 2022 (6 months) | |
| Contract Commencement | | 1 st May 2023 |
| *Stage 3B - Delivery of Procurement Strategy (specialist) in relation to Service Delivery Models as set out in section 3.2.1; 4 – JV, 6 – Inhouse + Top Up, 8-Teckal, 7 – Inhouse | June 2021 – April 2023 (23 months) | Commencement of setting up either a JV, Inhouse or Teckal |

*Cabinet approval of DBC would determine which SDM is approved. If any of the options under stage 3B are selected, a detailed project timeline will be developed and included in the DBC which would replace the activities under 3A.

9. Outline Project Plan

9.1 Stage 0 – Strategic Outline Case (SOC)

- 9.2 The purpose of this stage is to confirm the strategic context of the project proposal and to make a robust case for change, providing stakeholders and Project Board with an early indication of the preferred way forward. The SOC identifies and undertakes a high-level Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis on a wide range of available options (long list). The outcome of the SOC will be to make an early recommendation to the Project Board of a short list to be appraised in more detail at the Outline Business Case (OBC) stage, and for other options to be excluded.
- 9.3 The SOC is a concise mini options appraisal paper, focusing on the Strategic element of the HM Five Case Model, this reflects the nature of the SOC in determining the direction of the project. Foundations are made against economic, commercial, financial, and management arrangements but it is not possible to provide detailed analysis hence these aspects are relatively under-developed at this stage.
- 9.4 The SOC stage will take 4/5 months (Feb 2020 – May/June 2020). A paper will be presented to the Project Board in May 2020.

9.5 Stage 1 – Outline Business Case (OBC)

- 9.6 This is the detailed options appraisal, taking the shortened list of options from the SOC and carrying out further analysis. The purpose of this stage is to revisit the SOC assumptions and to identify a final list of two options to take forward to the Detailed Business Case (DBC) stage. Key activities at this stage are to determine best value, affordability of each option, confirming budgets and refining contract objectives. Site visits to other local authorities may be carried out during this stage.

- 9.7 The main activities of the OBC stage start in the Analysis segment of the ESCC Commissioning Framework, moving into the Plan segment.
- 9.8 The OBC stage will take 5-6 months (June 2020 – Oct/Nov 2020). A paper will be presented to Cabinet in Oct/Nov 2020.

9.9 Stage 2 – Detailed Business Case (DBC)

- 9.10 Under the HM Five Case Model, this stage would normally take the preferred option from the OBC, through the procurement phase to agreeing the commercial deal. This project has, however, separated out the development of the DBC (stage 2) and the delivery of the procurement strategy (stage 3A or 3B). This is due to the required County Council approvals needed throughout the project.
- 9.11 The purpose of the DBC is to recommend the “most economically advantageous offer” option for Cabinet approval. This is the main stage of the project and represents the Plan segment of the ESCC Commissioning Framework. The DBC will set out a preferred and fully costed Service Delivery Model, future client management arrangements, form of contract, risk analysis and determination of the procurement route.
- 9.12 The DBC stage will take 5-6 months (Dec 2020 – May 2021), A paper will be presented to Cabinet in June 2021.

9.13 Stage 3A – Delivery of the Procurement Strategy: Traditional

9.14 This stage relates to the following three Service Delivery Modes as set out in section 3.2.1:

- 2: Single Provider
- 3: Framework
- 5: Multiple Provider

9.15 This is the procurement stage and includes the issuing of the OJEU notice(s) inviting the market to express interest in tendering for the contract, evaluation of responses and selection of the tender list, the tender stage, clarifications, tender evaluation and selection for award.

9.16 Completion of stage 2 and stage 3A or 3B would represent the completion of the Full Business Case in terms of the HM definition of a Full Business Case, i.e. following the procurement phase, detailed evaluations/clarifications/negotiations (if applicable) have been carried out and the preferred option is concluded and recommended for Cabinet approval as the “most economically advantageous offer” meeting the objectives set out in the SOC.

9.17 The Delivery of the Procurement Strategy could take up to 23 months in total, with a recommendation of contract award(s) going to Cabinet October 2022.

9.18 Stage 3B – Delivery of the Procurement Strategy: Specialist

9.19 This stage relates to the following four Service Delivery Modes as set out in section 3.2.1:

- 4: JV
- 6: In house + top up
- 7: In house
- 8: Teckal

9.20 These four SDM are more specialist than the three listed above in 3A, therefore it is not possible at this stage to set out a detailed timeline as set out in **Appendix E**. Should any of these four SDM be approved by Cabinet, a detailed timeline for setting up the SDM will be developed and included within the DBC.

9.21 Through consultation with other local authorities that have set up versions of Teckal companies, or JV's the estimated timeframe is 18 months – 24 months.

9.22 Stage 4 – Prepare & Engage

9.23 A detailed project plan for mobilisation and training will be developed when the project has progressed sufficiently to determine the detailed requirements and nature of support required.

9.24 It will be essential that all client management posts are filled, and a fully detailed mobilisation plan is signed off by the Project Board.

10. Project Communications Plan

10.1 A communications plan will be prepared and approved by the Project Board. Internally the Project Manager will be responsible for communicating with all internal stakeholders and contributors and with reporting on all aspects of progress to the Project Board and Project Sponsor.

10.2 The Project Board will decide when reports need to be taken to CMT and Cabinet, although as a minimum it is likely that reports will be taken at the stages set out in **Appendix E** – project timeline.

10.3 Member Engagement

- 10.4 Effective member engagement will be crucial to the success of the project. Whilst the Project Board will ultimately determine which engagement mechanism is most appropriate, the need to engage members to help inform the identification of the most appropriate service delivery model is clear. In addition to regular briefing sessions with the lead member, the Place Scrutiny Committee or a specific board will be engaged to help inform the project at key stages.

10.5 Staff Engagement

- 10.6 Effective staff engagement will be an important element of the project. Initially, building on the service assessment of the last procurement the client and Contractors operational staff will be consulted via a series of workshops to capture all risks and opportunities regarding current and future service delivery. The Project Manager will then liaise with relevant ESCC Team Managers outside of East Sussex Highways to keep them updated on progress during the development of the project. More intensive engagement may be required, and this will be dictated by the preferred procurement model.

11. Change Control

- 11.1 Any request to change the scope or definition of the project as set down in this document must be assessed by the Project Manager. They will give their assessment of the impact of the change (for example to the cost or timescale of the project) to the Project Sponsor or Project Board, who will decide whether to accept the change request.

12. Project Closure

- 12.1 When the project has been completed the Project Manager will produce a Project Closure Report which will be formally signed off by the Project Sponsor.

13. PID Authorisation

- 13.1 The PID needs to be formally authorised by the Project Sponsor or the Project Board. This means that the PID includes sufficient information for the Project Sponsor/ Project Board to authorise the actual start of the project.

| | |
|---------------|--|
| Authorised by | |
| Date | |
| Signature | |



APPENDIX 002

OUTLINE BUSINESS CASE

HIGHWAYS SERVICE RE-PROCUREMENT PROJECT

(HSRP)

26 January 2021

Document Control

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Document Summary

This document is the Outline Business Case for Project: East Sussex Highways Procurement 2021

Document Quality Assurance

| Step | Step Description | Undertaken by | Date | Remarks |
|------|--------------------------|---------------|-------------|---------|
| 01 | Quality Review | Ed Rumsey | 16 Nov 2020 | |
| 02 | Contracts Manager Review | Dale Poore | 16 Nov 2020 | |
| 03 | Executive Review | Karl Taylor | 18 Nov 2020 | |

Distribution

| Issue No. | Issued to | Date of issue |
|-----------|---------------|---------------|
| 1 | Rupert Clubb | 23 Nov 2020 |
| 2 | Karl Taylor | 23 Nov 2020 |
| 3 | James Harris | 23 Nov 2020 |
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| 7 | Jill Fisher | 23 Nov 2020 |
| 8 | Mat Davey | 23 Nov 2020 |
| 9 | Danny Simpson | 23 Nov 2020 |
| 10 | Stephen Byrom | 23 Nov 2020 |

Appendix Listing

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| 001 | Project Initiation Document (PID) | |
| 002 | Legal Framework and Policy Review | |
| 003 | Service Delivery Model Options Appraisal | |
| 004 | Highway Asset Management Strategy | |
| 005 | Scrutiny Member Reference Group – interim report | |
| 006 | Future Options Study Summary of Findings | |

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1 EXECUTIVE SUMMARY

1.1 Introduction

- 1.2.1 The current Highways and Infrastructure Services (HIS) Contract is delivered through an Integrated Single Provider Service Delivery Model (SDM), comprising all highways works and design services which, commenced on the 1 of May 2016. The contract was awarded for a fixed seven-year term with no extensions. The Contract incorporates a performance management framework linked to the Council's priority outcomes, and which rewards or penalises the Service Provider financially subject to their annual performance. The Service Provider's performance is measured against 24 linked Service Performance Indicators (SPIs) covering the key areas of Operational Delivery, Sustainability, Safety, Asset and Stakeholder.

1.2 Key Drivers for the project

- 1.2.1 The current HIS Contract is due to reach full term on the 30th April 2023 and therefore a new contract is required to be in place from 1 May 2023.
- 1.2.2 A project team has been established to review and select the most efficient, effective and economically viable option to maintain the highway network and associated infrastructure and ensure the Council continues to meet its statutory responsibilities from May 2023 onwards.
- 1.2.3 This Outline Business Case (OBC) sets out the replacement options available to the Council and recommends a shortlist of two SDMs to be developed and appraised within the Detailed Business Case (DBC) stage.

1.3 The Process

- 1.3.1 The project follows the principles of the Council's Strategic Commissioning Framework of analyse, plan, do, and review. The initial phase provides an OBC setting out a number of options for further detailed development in a DBC.
- 1.3.2 In undertaking this initial stage, the team have carried out an analysis of current service data, engaged with the current Service Provider, the highways sector market, key stakeholders (including Members), other Council teams that interact with the service and academic researchers working on behalf of the Council and other highway authorities. This has resulted in this OBC and its recommendations for future service delivery model options.

1.4 Scope of Service

- 1.4.1 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 1.4.2 In compiling this OBC engagement sessions were held with the Council's other Communities, Economy and Transport (CET) teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC.

1.5 Options Appraisal

- 1.5.1 An options appraisal was undertaken in two stages that broadly followed the well-established HM Treasury Five Case model (Appendix 003). Fifteen options were appraised and reduced to five which were potentially best aligned to meet the Council's needs.
- 1.5.2 The Council has also worked with an independent academic consultant, Proving Services Ltd based at Cranfield University. Proving has worked extensively to develop sector-leading, research-based tools and processes which are used extensively across the private and public sector. In partnership with the Association of Directors of Environment, Economy, Transport & Planning (ADEPT), Proving host the Future Highways Research Group (FHRG), which a bench marking club of local Highway Authorities.
- 1.5.3 Soft Market Testing, engagement with other local authorities and moderation of the scores was carried out to further reduce the SDMs best suited to the Council's service aims and ambitions. The Project Team presented the findings to the Scrutiny Member Reference Group (SMRG) with support from an independent consultant. The SMRG endorsed the process that had been undertaken and supported the development of a shortlist of two SDMs to be taken through to the DBC stage for further detailed development. The SMRG interim report on their involvement so far is included in Appendix 005.

1.6 Recommended Options

- 1.6.1 Following the completion of the Options Appraisal the two recommended options to be developed in the DBC are;
 - Option 1: Separate Contractor Contract & Separate Designer Contract
 - Option 2: Integrated Contractor & Designer Contract (current SDM)
- 1.6.2 These two options are further endorsed through the Options Study activity led by Proving Services Ltd. This involved eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Options 1 and 2 were ranked the highest overall.
- 1.6.3 When developing these options, it was evident from the analysis and stakeholder engagement undertaken that there is both a desire and opportunities to enhance the current SDM. There is clearly an increasing demand and expectation on our network and this, combined with likely future funding challenges, presents a significant challenge to not just maintain our highway asset but also improve it to support the economic growth of the County. Therefore, key focus areas for the DBC will include, innovation, service quality, communications and contract efficiencies, while maintaining our embedded asset management approach to highway maintenance.

1.7 Financial

- 1.7.1 The total one-off costs, to deliver the HSRP for the period 2019/20 through to 2022/23 are forecasted to be in the region of £329,000. This budget allocation is being funded through the Council's corporate reserves.
- 1.7.2 In addition to the project costs, a detailed financial appraisal of the two shortlisted options will be undertaken in the DBC, to establish any one-off set up costs, potential future service cost increases and possible savings opportunities.

1.8 Conclusions and Recommendations

- 1.8.1 In order to continue to meet our legal responsibilities as the local Highway Authority a range of different SDMs has been considered. Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements.
- 1.8.2 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and high stakeholder expectations of the service.
- 1.8.3 Quality control, effectiveness of communications and overall service efficiencies were three of the main areas for improvement identified by Members which will be further investigated for potential solutions and improvement within the DBC stage.
- 1.8.4 The two shortlisted options present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner. It is recommended that these two options are taken forward for further assessment in the DBC to determine the best model to deliver future highway services in East Sussex.

1.9 Timescales

- 1.9.1 The key stages of the project and critical dates are:

| Stage | Stage Name | Main Activities | Critical Dates |
|----------------|----------------------------------|--|---------------------------------|
| Stage 1 | Outline Business Case (OBC) | The analysis & planning stage (small options appraisal - long list to shortlist) | Cabinet Approval Jan 2021 |
| Stage 2 | Detailed Business Case (DBC) | Detailed options appraisal of shortlist | Cabinet Approval June/July 2021 |
| Stage 3 | Delivery of Procurement Strategy | Issue FTS Notice | November 2021 |
| | | Tendering Period | Nov 2021 – March 2022 |
| | | Evaluation Period | June 2022 – Sept 2022 |
| | | Contract Award | Cabinet Approval October 2022 |
| Stage 4 | Prepare and engage | Mobilisation and Training | Nov 2022 – April 2023 |
| | | Contract Start | 1 st May 2023 |

2 STRATEGIC CASE

2.1 Introduction

- 2.1.1 East Sussex County Council (the "**Council**") is undertaking a commissioning exercise to determine how the Council's highways service should be delivered when the current contract with Costain ends in 2023.
- 2.1.2 A Project Team has been established to ensure the new service arrangements are designed and approved to ensure continuity of highway's maintenance services from 1 May 2023.
- 2.1.3 This OBC is the strategic document that sets out the approach for the commissioning and procurement of the next Highways SDM.
- 2.1.4 The OBC sets out where the service is now, what different SDMs are available and what is needed to enable a new model to be implemented successfully. The options identified are evaluated against a broad assessment criterion (Table 011) which includes a range of critical success factors and the draft Service Outcomes agreed by Members.
- 2.1.5 This project provides an opportunity to build on the current service achievements, and to further develop the highways maintenance and infrastructure improvement service so that it reflects the future needs and outcomes of the Council and continues to draw from industry best practice.
- 2.1.6 The Council's commissioning framework approach is being used to clearly identify how to best meet statutory responsibilities and wider customer needs in the future. The OBC represents the analysis and initial planning stage of the framework.

2.2 Existing Arrangements

- 2.2.1 In December 2015 Cabinet awarded a third-generation outsourced contract (HIS Contract) for delivery of highway maintenance and infrastructure services to Costain Ltd. Costain Ltd established an unincorporated Joint Venture (JV) with Jacobs (formerly CH2M) to deliver the services. The HIS Contract commenced on the 1st May 2016 and is due to end on 30 April 2023. The contract is for a fixed seven-year term with no extensions included by design.
- 2.2.2 The previous commissioning project and subsequent award of the HIS Contract shifted the SDM from a multiple provider model to an integrated single provider model. Previous separate contract arrangements for Highway Works, Street Lighting, Traffic Signals, Special Structures Maintenance, as well as external design top-up services were consolidated into a single contract. In addition, a number of internal Council functions such as safety inspections, network management, design services, highway claims management and the contact centre were also outsourced to be included in the model. In total approximately 130 staff from the Council and incumbent Service Providers transferred under the Transfer of Undertakings (Protection of Employment Regulations 2006), referred to as TUPE, to the new Service Provider.

- 2.2.3 The current HIS contract with Costain is an end-to-end service for highway maintenance and includes the management of the following services;

| | |
|--|--|
| Core Activities (lump sums/fixed prices) | <ul style="list-style-type: none"> • Control of vegetation • Stakeholder Management • Network Management • Third Party Claims • Drainage Maintenance • Service Management • Highway Asset Inspections |
| | <ul style="list-style-type: none"> • Street Lighting & Traffic Signals • Winter Service • Road Markings • Reactive & Emergency Response • Structures Routine & General Maintenance |
| Work Activities (a range of payment options, lump sum, target cost, cost reimbursable) | |
| <ul style="list-style-type: none"> • Delivery of Capital Structural maintenance and improvement Programmes, including local transport improvement schemes • Professional Services (Design) | |

- 2.2.4 The annual value of the current HIS Contract is circa £35 million (dependent on the extent of the capital works programme), with core services being a fixed price of £7.7million per annum. Costain employs a direct workforce of 104 (8 of which are currently agency) staff and Jacobs employ a direct workforce of 84. These figures exclude sub-contractor resources and reach-back resources that are utilised by each organisation. The contract is managed by an Executive Client group of 35 staff (29xFTE, 5xP/T, 1xAgency) employed by the Council at a cost of £1,572,000 per annum.
- 2.2.5 It is anticipated that around £250million will have been spent through the HIS Contract by May 2023. Costain subcontract approximately 25-30% of this to the local supply chain and Small Medium Enterprises (SMEs). The HIS Contract SDM is referred to as an "Integrated Single Provider". Through the outsourcing of the customer contact centre, highway stewards, claims management and network management Costain are empowered to provide an integrated end-to-end service.
- 2.2.6 Since the start of the HIS Contract there have been no significant concerns identified with the delivery and management of the contract and overall, the SDM is working well. However, a formal service Defect Notice was issued in September 2019 in relation to a lack of resilience within the Service Provider's organisation and their ability to resource and deliver the service effectively particularly around management of customer queries and quality of workmanship. These concerns have now been effectively addressed through the provision and implementation of an improvement plan. The Service Provider was able to implement the improvement plan effectively due to the current SDM that is in place between the Council and a Single Provider.
- 2.2.7 Whilst it is acknowledged that there have been some lapses in performance and quality control under the current SDM, on the whole the Service has been successful and has performed well in delivering the Council's outcomes and objectives. Occasional lapses in performance by the Service Provider, relating to timeliness or quality of delivery, have occurred and can generally be attributed to a slow or inadequate response to an increased demand such as a weather event or resource problems causing poor performance through lack of proper supervision, management of the supply chain or customer service staff.
- 2.2.8 There is an incentivisation model within the contract, which rewards or penalises the Service Provider financially subject to their annual performance achievement. This is measured across 24 linked SPIs covering the key performance areas of Operational

Delivery, Sustainability, Safety, Asset and Stakeholder. As part of the annual service planning process the targets for each of the SPIs are reviewed and amended as required to ensure the Service Provider is incentivised to deliver the service to meet the contract outcomes and deliver continuous improvement.

- 2.2.9 The Executive Client group was established by the Council at the time of the last contract award in 2016 to act as an intelligent client, focussed on the commercial management of the contract, the Service Provider's performance, and the management of the Council's asset. This has been successful in ensuring the Service Provider is delivering its contractual requirements and that the Council receives value for money from the service year-on-year.
- 2.2.10 One of the Council's key priorities is to make the best use of resources, and this re-procurement project provides an opportunity to review the current structure of the Council's Client structure to ensure it is appropriately staffed and resourced with the right skillsets and disciplines before the start of the next contract. Further detail regarding this is set out in the Management Case in section 6.4 and will be examined in detail as part of the DBC.

2.3 Scope

- 2.3.1 A Project Initiation Document (PID) (Appendix 001) for the HSRP was approved in January 2020 setting out the objectives, scope, timeframe and governance for the project.
- 2.3.2 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements. The project requires support from other service areas to ensure its successful delivery; these include but are not limited to: Human Resources, Finance, Legal, Communications, Procurement and Audit.
- 2.3.3 A Scrutiny Member Reference Group (SMRG) has also been established to ensure effective member engagement with the project. The role of the group is to help inform the identification of the most appropriate service delivery model and the development of future contract outcomes.
- 2.3.4 The project is structured in four stages:

| Stage | Stage Name | Main Activities |
|----------------|----------------------------------|--|
| Stage 1 | Outline Business Case (OBC) | the analysis & planning stage (small options appraisal - long list to shortlist) |
| Stage 2 | Detailed Business Case (DBC) | detailed appraisal of shortlisted options |
| Stage 3 | Delivery of Procurement Strategy | tendering & evaluation |
| Stage 4 | Prepare and engage | mobilisation and Training Contract Start |

2.3.5 Project Deliverables

The two key deliverables of this project are:

- An SDM and arrangements in place for the 1 May 2023
- An appropriate Council Client team is established by November/December 2022 (for the start of mobilisation) to ensure an effective transition to the commencement of the SDM in May 2023.

The type of SDM and future Council client structure arrangements will be submitted to

the Project Board for acceptance and subsequently to Cabinet for approval.

2.3.6 All the services set out in the current SDM, are included within the scope of this project, namely:

Core Activities (majority of revenue spend):

- COR-001 Service Management – (including Controller of Premises duties)
- COR-002 Stakeholder Management – (including customer contact centre)
- COR-003 Network Management
- COR-004 Third Party Claims
- COR-005 Highway Asset Inspections - (including Highway Stewards)
- COR-006 Drainage Maintenance - (gully emptying and jetting, ditch and grip maintenance)
- COR-007 Control of Vegetation - (grass cutting, weed control, hedge cutting, special verges)
- COR-008 Road markings
- COR-009 Winter Service
- COR-010 Structures Routine & General Maintenance (bridges, tunnels, culverts, retaining walls etc.)
- COR-011 Street Lighting & Traffic Signals (Inspection and routine maintenance)
- COR-012 Reactive and Emergency Response - (Safety Defect and emergency response)

Work Activities (majority of capital spend)

In addition to the Core Activities the following Highway Structural Maintenance and Improvement Schemes are also within scope:

- Carriageway and footway surfacing
- Patch and repair of carriageway surfacing
- Highway and junction improvements
- Highway structures
- Safety fencing
- Traffic management and calming schemes
- Pedestrian and cycle infrastructure improvements
- Public transport infrastructure including bus stops and bus priority measures
- Accessibility and mobility improvements
- Carriageway reconstruction
- Street lighting
- Traffic signals
- Drainage Schemes
- Provision, maintenance and cleaning of road signs.
- Provision and maintenance of road markings and studs.

2.3.9 **Other Services for Consideration**

In compiling the OBC engagement sessions were held with the Council's other CET teams that interface with the highways service. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC. These included:

- Rights of Way & Countryside Maintenance
- Transport Development Control
- Parking (On street Parking Management)
- Transport Hub Services
- Road Safety

2.3.10 Extensive analysis was completed during the last re-procurement project in 2015 to determine the project scope, and some of this analysis is still valid. There is evidence that some or parts of these services are provided through term service or professional service contracts by external providers in a number of authorities however this is not a common approach.

2.3.11 The initial assessment undertaken did not suggest any compelling case for their inclusion or not. However, further assessment and market research will be carried out during the DBC stage to determine the benefits and dis-benefits and the most appropriate method of providing these and other transport and network related services in the future.

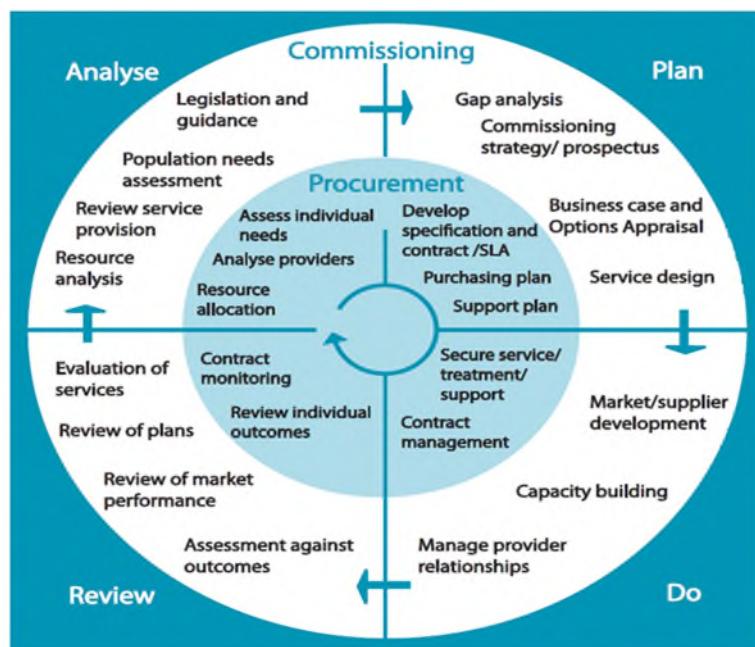
2.4 Project Approach

- 2.4.1 In preparing the OBC an evidence-based approach has been used to review existing arrangements and consider options for future operating models. The best practice approach adopted is the HM Treasury's Five Case Model, which is widely used by the Public Sector as a framework for writing robust business cases. In addition to applying the principles of the Five Case Model, The Council has an internal business planning tool known as the Strategic Commissioning Framework.
- 2.4.2 This OBC sets out the principles and options for future services and, from the evidence and work done so far, it recommends a "shortlist" of options that should provide the best outcomes for the Council.
- 2.4.3 Further work will be required to explore these options in detail and ultimately determine the best outcome for our residents and network users and this will be set out the DBC.
- 2.4.4 An overview of both the Strategic Commissioning Approach and the Five Case Model is set out below.

2.5 Strategic Commissioning Approach

- 2.5.1 Strategic Commissioning is the approach that underpins the Council's business planning. It is embedded into East Sussex Highways culture through our Asset Management Strategy 2018 – 2024 and the Annual Service Planning process of the HIS Contract as set out in section 2.5.3
- 2.5.2 The Strategic Commissioning approach looks to secure the best outcomes for East Sussex residents by:
 - Understanding need
 - Matching supply with need
 - Making the most effective use of all available resources, irrespective of whether services are provided in-house, or externally.

Figure 001 – Strategic Commissioning Cycle



2.5.3 The commissioning approach is a cyclical process (Figure 001) and not a one-off event, it is embedded in the HIS Contract through its Annual Service Planning process, which sets out the Council's requirements of the Service Provider for delivery in the following Service Year, and includes for the Service Provider's prices and programme to meet the required service levels.

The plan contains and is based on meeting:

- Confirmation of each Core Activity, or identified potential changes
- The Council's priority-based highway maintenance sites
- The Council's priority areas for highway asset improvement and replacement
- the Council's objectives including required service levels,
- the Asset Management Plan, the East Sussex Local Transport Plan 2011 – 2026 and its supporting Implementation Plans, and available funding

2.5.4 In applying the Strategic Commissioning approach to the HSRP we have set out to understand the long-term need and the best approach for achieving it. The OBC focuses on the 'analyse' and 'plan' segments of the cycle. Evidence has been gathered and analysed to understand the evolving needs of all stakeholders including residents, commuters and internal customers. Future priorities and desired outcomes have been identified by the following activities:

- Obligations Review (Statutory duties, standards, guidance and local priorities)
- Review of existing service costs and risks
- Customer Engagement & Satisfaction
- Staff Consultation
- Scrutiny Member Reference Group input
- Soft Market Testing (SMT) and Market Intelligence
- Asset Management Strategy Review
- Opportunities & Collaboration
- Client Organisational Review

2.6 Five Case Model Methodology

- 2.6.1 The Five Case model is a HM Treasury recommended methodology for writing robust business cases for capital expenditure. It is recognised as a best practice approach. It has been developed over many years since 2008 to ensure capital spending decisions are taken on the basis of highly competent, professionally developed, spending proposals.
- 2.6.2 It provides a framework for thinking and a process for approval which is flexible and capable, with a range of tools that can be applied proportionally by the procuring organisation. The approach also provides a clear audit trail for purposes of public accountability and was used in the Council's previous re-procurement project which led to the successful appointment of the current Service Provider.
- 2.6.3 In applying the Five Case model through the project stages (Figure 002), each of the five 'cases' will be developed as the project progresses. In preparing this OBC, much of the information in it provides a foundation for stage two when the DBC is developed. Through the application of project governance, each of the business cases will be reviewed and approved by the Project Sponsor and Project Board prior to submission to the Council's Cabinet.

Figure 002: Overview of Project Stages and Five Case Business Case Structure.

| | | Key Activities of the Project | | | | |
|--|---------------------------------------|---|---|--|--|---|
| Stages - Project Structure | Stage 3 &4 Delivery of Procurement | Review and minor changes & implications | Confirm Value for Money | Procuring the service delivery model Contracting for the deal | Confirm financial implications and financing | Ensuring successful delivery (i.e comprehensive mobilisation plan) |
| | Strategy & Prepare and Engage | | | | | |
| | Stage 2 Detailed Business Case | Review any significant changes and implications | Determine Value for Money | Confirm Procurement Strategy | Confirm Funding & affordability | Plan for successful delivery |
| | Stage 1 Outline Business Case | Ascertain the strategic fit Make the case for change | Develop a long list of options and agree a short list | Outline Procurement Strategy | Estimate Costs (revenue & Capital for shortlisted options) | Project Management Approach Proposed Management Arrangements of Contract |
| | | Strategic Case | Economic Case | Commercial Case | Financial Case | Management Case |
| The Five Cases - Business Case Structure | | | | | | |

2.7 Organisational Overview

2.7.1 Core Offer

- 2.7.2 As a consequence of austerity and the requirement to make £138m of savings since 2010, a Core Offer was developed in 2019 by the Council to outline its minimum reasonable service offer to residents, and to ensure resources were directed to areas of highest need. As a result, identified savings will ensure the Council is providing its minimum core service offer by 2022/23. Alongside this, the current COVID-19 pandemic has resulted in additional roles, duties and expectations for the Council and changes in demand for some existing services.
- 2.7.3 The Core Offer was subsequently reviewed and reapproved by Cabinet in October 2020. The review included whether the activities within the current Core Offer, and the volumes of those activities, were regarded as core to meeting residents' needs. The review considered where local need for services and prioritisation of services have diverted from

our current Core Offer as a result of the pandemic and whether the offer should be amended to include these in the longer term.

2.7.4 The review has shown that the Core Offer remains largely appropriate. It continues to reflect our statutory responsibilities, core functions and the range of services required to meet local needs. It includes a commitment to delivering good value for money in all we do. However, in many areas the way in which services are provided has changed and may continue to change, and demand has already increased in some areas, affecting the volume of activity needed to deliver the Core Offer. The anticipated increase in demand for some services in light of the pandemic and the associated pressures on resources are reflected in updated financial planning.

2.7.5 The revised Core Offer will be published here in due course:
<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/coreoffer/>

2.8 The Council Priorities Outcomes

2.8.1 The Council has four overarching priority outcomes that were reviewed by Cabinet in October 2020 at the same time as the Core Offer review;

These are:

- driving sustainable economic growth;
- keeping vulnerable people safe;
- helping people help themselves;
- making best use of resources

2.8.2 Full proposed changes to the Council Priority Outcomes can be viewed here:
<https://democracy.eastsussex.gov.uk/documents/s32751/Appendix%202%20-%20Current%20Outcomes%20with%20proposed%20changes%20Cabinet.pdf>

These are due to be submitted to Full Council in February 2021 for approval.

2.8.3 For each priority outcome there are specific delivery outcomes, as set out in the Council Plan 2020/21 can be viewed here:
<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/councilplan/>

2.9 Climate Change Emergency

2.9.1 In October 2019 the County Council declared a Climate Emergency and set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019. The Council then agreed a Climate Emergency Action Plan in June 2020, which can be viewed here:
<https://www.eastsussex.gov.uk/media/15770/escc-climate-emergency-plan-june-2020.pdf>

2.10 Social Value Act 2012

2.10.1 Social value became a legal requirement through the Public Services Act in 2012 requiring suppliers to local authorities to devote a certain percentage of their resources from a gained contract to improving the social value of that local authority area. Such social value could be in improving the environment, supporting local community groups, or helping to develop the local economy by supporting employment and skills initiatives. Such commitments for employment and skills include the employment and training of local people, careers-related activities in schools and colleges, and the offer of work experience placements.

2.10.2 The current HIS Contract has Social Value requirements embedded in it through the Performance Framework and Employer's Incentivisation Scheme, where subject to performance levels being achieved, the Service Provider is required to make a Social Value financial contribution, as set out in Table 014.

2.10.3 It is intended that the new SDM will deliver measurable social value benefits, including the delivery of employment and training opportunities and local spend and recruitment targets. The Project Team will work with the Council's Social Value lead during the development of the DBC to ensure the obligations of the Council are included.

2.10.4 The future SDM will need to contribute to the delivery of the Council's Priority Outcomes, the Core Offer and the Climate Emergency Action Plan. The future strategies for this will be developed as part of the DBC.

2.11 Local Transport Plan 2011 – 2026

2.11.1 As the local transport authority, East Sussex County Council has a statutory duty to produce a Local Transport Plan (LTP). The County's third LTP sets out our vision and objectives, and the strategy for the 15-year period from 2011 to 2026.

2.11.2 The LTP is supported by a series of five-year Implementation Plans showing how the strategy will be delivered in particular through our ongoing programmes for maintaining our highways and bridges/ structures, integrated transport and road safety schemes and improving the rights of way network.

2.11.3 The review and update of the County's LTP is planned to start next year to reflect the changes in policies and strategies at a local, sub national and national level over the last 10 years. The maintenance and improvement of the highway network in the County that will be delivered through the new highways contract will be an integral part of the updated LTP strategy particularly in terms of supporting sustainable economic growth but also needing to meet the climate change agenda and the Council's commitment to net zero carbon emissions by 2050.

2.12 Service Analysis Activities

As part of the development of the OBC a number of service reviews have been undertaken to help identify areas for improvement and change. These are summarised and expanded in more detail below:

- Review of Asset Management
- Review of Current Performance Framework & Employer's Incentive Scheme
- Review of Future Service Outcomes
- Review of Compliance Audits
- Review of Customer Satisfaction Data
- Review of Business Needs
- Review of Business Needs – Areas of Enhancement
- Review of Soft Market Testing (SMT) activities

2.13 Review of Asset Management

2.13.1 The Council has an established Highway Asset Management Strategy (Appendix 004). This Strategy sets out how the highways service will deliver against the Council's key priorities, taking into consideration customer needs, asset condition and best use of available resources.

2.13.2 The Council is committed to the development of good practice and continuous improvement. The current Highway Asset Management Strategy is for the period 2018 - 2024 and will be reviewed as part of the DBC stage.

2.13.3 By taking an asset management approach to works, the Council continues to increase the value achieved in road maintenance, improving network resilience and reducing the burden on revenue budgets through the delivery of effective programmes of planned preventative maintenance.

2.13.4 Corporate Council Road Condition Targets

2.13.5 As part of the Council's corporate performance monitoring of its services, road condition targets are agreed annually in relation to the highways service. A summary of the results and targets are included in Table 001. Since the start of the current HIS Contract in May 2016, road condition results have achieved all the annual set targets for all three classifications of road. The biggest improvement against the set targets has been in the condition of unclassified roads reducing from 25% requiring maintenance in 2013/14 to 14% requiring maintenance in 2019/20, following a period of targeted investment.

Table 001: Council Road Condition Targets and Results

| Internal ESCC Corporate Targets and Actual Results | | | | | | |
|--|---|--|---|--|--|---|
| Year | Road Condition Target for Principal Roads (%) | Road Condition Results for Principal Roads (%) | Road Condition Target for Non-Principal Roads (%) | Road Condition Results for Non-Principal Roads (%) | Road Condition Target for Unclassified Roads (%) | Road Condition Results for Unclassified Roads (%) |
| 2013/14 | 8 | 7 | 9 | 9 | 18 | 25 |
| 2014/15 | 8 | 5 | 9 | 9 | 24 | 22 |
| 2015/16 | 8 | 5 | 9 | 6 | 22 | 22 |
| 2016/17 | 8 | 5 | 9 | 6 | 21 | 19 |
| 2017/18 | 8 | 4 | 9 | 7 | 20 | 14 |
| 2018/19 | 8 | 5 | 9 | 7 | 20 | 9 |
| 2019/20 | 8 | 5 | 9 | 5 | 15 | 14 |
| 2020/21 | 8 | TBC | 9 | TBC | 15 | TBC |

2.13.6 Asset condition of principal roads

Asset condition has improved since the baseline of 2013/14, as shown in Table 001. It has met the Council's targets in each year of the HIS Contract. For Principal Roads the percentage requiring maintenance fell from 7% in 2013/14 to 5% in 2018/19. As shown in Table 002 the national average was 3% in 2018/19. The Council's national ranking in that year was 116 out of 147. This has been fairly stable over the past seven years. The national ranking in 2019/20 (table 002) is yet to be published.

Table 002: Percentage of 'A' roads where maintenance should be considered.

| Year | East Sussex Percentage | National Average Percentage | East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated) |
|-------------|------------------------|-----------------------------|---|
| | (%) | (%) | |
| 2013/14 (%) | 7 | 4 | 105 out of 150 |
| 2014/15 (%) | 5 | 4 | 100 out of 151 |
| 2015/16 (%) | 5 | 3 | 106 out of 149 |
| 2016/17 (%) | 5 | 3 | 103 out of 149 |
| 2017/18 (%) | 4 | 3 | 90 out of 148 |
| 2018/19 (%) | 5 | 3 | 116 out of 147 |
| 2019/20 (%) | 5 | TBC | TBC |

2.13.7 Asset condition of non-principal roads

Table 003 shows the results for non-principal roads where the percentage requiring maintenance fell from 9% in 2013/14 to 7% in 2018/19. In 2018/19 it was very close to the national average of 6%. The Council's national ranking in that year was 119 out of 147. This has slightly worsened over the past seven years. The national ranking in 2019/20 (table 003) is yet to be published.

Table 003: Percentage of ‘B’ and ‘C’ roads where maintenance should be considered

| Year | East Sussex Percentage | National Average Percentage (%) | East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated) |
|-------------|------------------------|---------------------------------|---|
| | (%) | | |
| 2013/14 (%) | 9 | 8 | 99 out of 150 |
| 2014/15 (%) | 9 | 7 | 114 out of 150 |
| 2015/16 (%) | 6 | 6 | 107 out of 150 |
| 2016/17 (%) | 6 | 6 | 107 out of 147 |
| 2017/18 (%) | 7 | 6 | 122 out of 147 |
| 2018/19 (%) | 7 | 6 | 119 out of 147 |
| 2019/20 (%) | 5 | TBC | TBC |

2.13.8 Asset condition of unclassified roads

For unclassified roads, as shown in Table 004, road condition was better than the national average in both 2017/18 and 2018/19. The percentage improved from 25% in 2013/14 to 14% in 2019/20. The national ranking in 2019/20 is yet to be published.

Table 004: Percentage of unclassified roads where maintenance should be considered (Course Visual Inspection)

| Year | East Sussex Percentage | National Average Percentage (%) | East Sussex Ranking nationally out of 148 highway authorities (Provisional) |
|-------------|------------------------|---------------------------------|---|
| | (%) | | |
| 2013/14 (%) | 25 | 18 | 110 out of 130 |
| 2014/15 (%) | 22 | 18 | 109 out of 136 |
| 2015/16 (%) | 22 | 16 | 104 out of 124 |
| 2016/17 (%) | 19 | 17 | 85 out of 128 |
| 2017/18 (%) | 14 | 16 | 52 out of 119 |
| 2018/19 (%) | 9* | 16* | 25 out of 118* |
| 2019/20 (%) | 14 | Tbc | Tbc |

*2018/19 was carried out using a different survey method and cannot be directly compared with other years.

2.13.9 The key findings of this review are as follows:

- Good understanding of most of our assets as well as the investment needed to maintain an accurate and up-to-date asset
- Knowledge of asset location and condition for drainage is not complete, but following best practice will be increased following a risk-based approach
- Ongoing development of Asset Management Approach
- Council road condition targets have continually been exceeded for each Service Year of the current HIS Contract.

2.14 Review of current Performance Framework & Employer's Incentive Scheme

2.14.1 A robust performance management framework was implemented for the current HIS Contract. The performance of the current service is specifically targeted to deliver the following service outcomes:

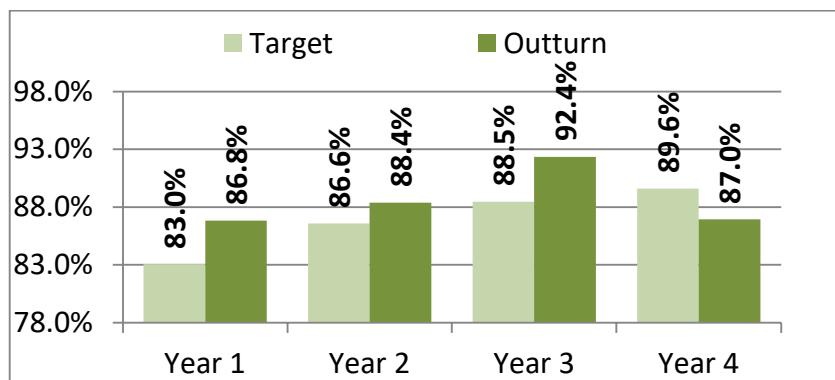
- To have the best network condition for the investment available (principle requirement) and:
 - Improve asset condition
 - Promote economic growth
 - Reduce the level of third-party claims
 - Provide value for money
 - Promote local engagement, and
 - Improve customer satisfaction and communication

2.14.2 Service Performance Indicators (SPIs) have been developed to align to the achievement of the above service outcomes. A total of 24 SPIs measure a number of performance areas:

- Operational Delivery
- Sustainability
- Safety
- Asset
- Stakeholder

2.14.3 A summary of the annual targets and Service Provider's results for Service Years 1-4 is included in Figure 003.

Figure 003: Bar chart of Service Provider's annual performance in comparison to annual target



2.14.4 The Service Provider's performance improved consecutively in Service Years 1-3. In Service Year 4 performance dropped, mainly due to a change in the Service Provider's organisational structure which had an impact on customer responsiveness and the overall quality of service delivery, which was further compounded by severe weather during the operational winter period.

2.14.5 Employer's Incentive Scheme

2.14.6 The Employer's Incentive Scheme financially rewards the Service Provider in any Service Year for achieving levels of overall performance that meet or exceed the Council's requirements. However, if the annual level of performance is not achieved the Service Provider may be penalised financially. The Service Provider earned a gainshare (financial reward) payment in both Service Year 1 and Service Year 3 by achieving the required annual performance level and all 24 SPIs being within 10% of their respective individual targets. However, gainshare was not earned in SY2 as three of the 24 SPIs did not meet their minimum targets nor in SY4 as six of the 24 SPIs did not meet their minimum targets.

2.14.7 The key findings of this review are as follows

- The Performance Framework is robust, and some individual targets are stretching
- The Employer's Incentive Scheme appropriately influences the Service Provider's approach to service delivery
- Overall annual performance improved for the first three Service Years of the HIS Contract
- Some SPIs need a more in-depth review than others as some consistently meet and/or exceed their respective targets whereas some are more inconsistent
- A full review of the Performance Framework and Employer's Incentive Scheme will be completed when developing the DBC. This will include the following:
 - What changes need to be made to the SPIs in order to meet the Council's Strategic Priorities and the new contract service outcomes
 - What new SPI's need to be introduced
 - How can the SPIs be reported more efficiently
 - Which SPIs should be linked to the Employer's Incentivisation Scheme in the future

2.15 Review of Future Service Outcomes

2.15.1 In preparing this OBC, a draft set of future service outcomes for the delivery of highway services in East Sussex have been produced in conjunction with Scrutiny Member Reference Group as follows:

Table 005: Comparison of proposed new service outcomes and current service outcomes

| No. | Council Key Priority Outcomes | Proposed new Highway Service Outcomes | Current Highway Service Outcomes |
|-----|---|--|---|
| 1 | Making best use of resources (15) | Support initiatives that deliver carbon neutral services, schemes and incentives | New |
| 2 | Driving sustainable economic growth (2) | Optimise and improve performance for all users and support the local growth agenda | To have the best network condition for the investment available & Improve asset condition |
| 3 | Making best use of resources (14) & Driving sustainable economic growth (2) | Enhance the local economy through network expansion and improvement | Promote economic growth |
| 4 | Making best use of resources (13) | Sustain a financially resilient service that delivers best value with the resources available. | Provide value for money |
| 5 | Making best use of resources (11 & 12) | Engage effectively to understand and meet the needs of our citizens and communities | Improve customer satisfaction and communications |
| 6 | Making best use of resources (13) | Embrace best practice, innovations and new technologies | New |
| 7 | Making best use of resources (12) | Develop and sustain collaborative partnerships that deliver the objectives of all partners | Promote local engagement |
| 8 | Driving sustainable economic growth (1 & 3) | Attract, develop, empower and retain the best people | New |
| n/a | n/a | n/a – this was a specific issue for the Council when the current contract was being developed. This is no longer the case, as the outcome has been achieved. | Reduce 3 rd Party Claims |

2.15.2 These draft service outcomes were produced with input from the SMRG via a workshop that was facilitated by Proving Services Ltd. A final set of proposed service outcomes and specific operational and contractual key performance indicators will be produced during the DBC stage.

2.16 Review of Compliance Audits

2.16.1 The HIS Contract Performance Framework is underpinned by an audit process as set out in the contract, which includes the provision for the Council to undertake three different types of audits. A rolling audit programme and sample-based approach has been conducted throughout the duration of the service. Table 006 sets out an overview of the number of audits completed to date.

Table 006: Internal Compliance Audits Completed

| Audit Type | SY1 | SY2 | SY3 | SY4 |
|------------------------------|-----|-----|-----|-----|
| Performance Audit | 8 | 7 | 6 | 10 |
| Works Delivery Audit | 0 | 2 | 1 | 1 |
| Non-Performance Audit | 0 | 0 | 0 | 0 |
| Total | 8 | 9 | 7 | 11 |

2.16.2 In addition to the 35 internal compliance audits that have been undertaken, a number of audits have been completed by the Council's Audit department, as well as commissioned audits by 3rd parties. Details of these are set out below:

2.16.3 ESCC Internal Audit

- 1. A review of the proposed New Highways Contract was completed in 2015:**
 - This audit found full assurance with the proposed contract management.
- 2. A review on the Highway's Contract Management July 2017**
 - This audit found reasonable assurance in respect of the contract management controls being in place.
 - An action plan for improvement was agreed and has been implemented.
- 3. A review of Cultural Compliance – Highways Contract Management Group May 2020**
 - The audit found partial assurance in respect of compliance with relevant Council policies and procedures.
 - An action plan for improvement was agreed and has been implemented.

2.16.4 Independent 3rd Party Audits

- 1. Touchstone Renard Review of the CMG October 2017;**
 - Focussing on the Council's Contracts Management Group structure, governance and effectiveness;
 - Touchstone Renard are an independent management consultant
- 2. Red Ray audit into Highways Infrastructure Service April 2018;** The purpose of the review was to identify issues that present a risk to the Employer, particularly with regard to Service year-end outcomes. RedRay Ltd are an independent business management consultant.

2.16.5 The key findings of this review are as follows

- The completion of audits is a robust approach for identifying areas for improvement.
- The audits have demonstrated that there have been improvements each year
- Any audit issues identified will be reviewed within the DBC stage.
- There needs to be consideration at the DBC stage to have greater alignment of compliance activities and performance (SPI's).
- The DBC will review the current audit regime and consider proposals for inclusion within the next contract.

2.17 Review of Customer Satisfaction

- 2.17.1 It is recognised that one of the most significant challenges the service has faced during the current contract has been the successful implementation of a customer focused ethos.
- 2.17.2 Reviewing the results of the relevant SPIs, and the feedback from key stakeholders during engagement exercises as part of the HSRP, it is clear that over the last four years customer satisfaction has not improved and has either remained static or declined.
- 2.17.3 Table 007 highlights the results of the Council as part of the national NHT Survey since 2016. This demonstrates the sentiment that satisfaction with the service has not improved. Although it is worth noting that this is a similar trend across the Country with the national average also declining and may therefore demonstrate a more widespread dissatisfaction with the road network.

***Table 007: NHT Customer Satisfaction Data (% satisfaction)**

| KBI number | High level resident satisfaction indicators | East Sussex 2016 | East Sussex 2017 | East Sussex 2018 | East Sussex 2019 | East Sussex 2020 | National average (2020) |
|------------|---|------------------|------------------|------------------|------------------|------------------|-------------------------|
| KBI25 | Street Lighting | 61.9 | 60 | 59 | 61 | 59 | 64 |
| KBI18 | Management of Roadworks | 53 | 51 | 53 | 54 | 50 | 50 |
| KBI26 | Highway Enforcement / Obstructions | 48.3 | 50 | 45 | 49 | 44 | 45 |
| KBI24 | Highway Maintenance | 48.8 | 50 | 47 | 49 | 45 | 50 |
| KBI23 | Condition of Highways | 28.7 | 27 | 23 | 27 | 22 | 36 |

- 2.17.4 With regard to the Customer Satisfaction SPI 20, under the HIS Contract, the results for this have steadily declined since the commencement of the service, with the SPI being one of the six that failed in Service Year 4. It is also recognised that since the start of the current HIS Contract, the demands of customers and stakeholders have changed, with a need for more immediate response particularly with the development of social media channels. There is a greater need for more innovative ways to manage increasing customer expectations in the future.

2.17.5 Key Findings of this review

- Customer satisfaction of highways services (Table 007) has continually decreased since 2016, this is part of a national trend
- There needs to be a more consistent approach to customer relations and communications for all those using the service, as well as ensuring the department is complying with the Council's Customer Charter.
- Need to improve timeliness and consistency of communications
- Customer Contact Centre resources need to be resilient to deal with seasonal changes in correspondence volumes.
- Quality of customer responses remains a high priority. Ethos should be right-first time and on time.
- Table 001 shows the Council road condition targets are continually being met whereas customer satisfaction of the condition of highways (Table 007) is on a downward trend.

2.18 Review of Business Needs

2.18.1 Business needs are the strategic reason(s) why the HSRP exists, without these reasons the HSRP would not be needed. Essentially the business needs are the main drivers of the HSRP There are two key external drivers and one internal driver. These are as follows:

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.

2.18.2 A high level review of the Council's statutory duties has been completed, (Appendix 002). This aspect of analysis looked at the current statutory and legal obligations on the Council as the Highway Authority, in respect of managing and maintaining the network.

2.18.3 In broad terms the Council has a statutory duty to maintain the highway network at public expense in a safe and usable condition. This is strengthened and supported by other legislation and regulations around the environment, health and safety and other guidance and standards such as Well-Managed Highway Infrastructure Code of Practice (2016).

2.18.4 A full review of the of the statutory requirements (Appendix 002) and what they mean in terms of outcomes and obligations for the Council will be explored future in the DBC.

2.19 Review of Business Needs - Identified Areas of Enhancement

2.19.1 To fully understand potential areas of change, four engagement exercises as set out below have been delivered with staff across both the Service Provider and the Council, as well as with County Councillors who are part of the Scrutiny Member Reference Group. These are as follows:

2.19.2 The first engagement exercise was delivered with the Council's CET departmental teams who regularly interact with the Highway Service. The exercise involved carrying out SWOT (Strength, Weaknesses, Opportunities and Threats) analysis, and provided an opportunity for the teams to share their experiences of the service. Upon analysing the information, the following areas of focus were identified;

- A need for all departments to work more collaboratively and share best practice more proactively.
- Clear service levels agreed from the outset of the contract for those other Departments which engage regularly with the service, with clear accountability over roles and responsibilities.
- Service Provider will need to develop their understanding of the Council as a whole and set out a clear plan on how to work with its other departments
- Potential to develop department specific performance indicators

2.19.3 The second engagement exercise was delivered with the Council's existing Contracts Management Group for the Highways Service. The exercise involved each team formulating a record of what lessons they believe have been learnt over the life of the contract. Upon analysing the information, the following areas of focus were identified;

- Ensuring all works are delivered as instructed and that the quality is of a good standard.

- Where works aren't delivered as expected, ensuring there is a robust process in place to rectify and address the issues identified.
- Effective relationship management, ensuring a quality service is consistently provided to key stakeholders such as Councillors and other Local Authorities.
- Service Provider needs to ensure all their staff have detailed understanding of the Contract, and that an effective training plan (joint if applicable) is in place to maintain this.
- Improve and streamline commercial processes, in particular for final accounting of works.
- Ensure an effective Asset Management system is in place to store information about the highway network and the Council's assets.

2.19.4 The third engagement exercise was delivered with the Service Provider's staff. The exercise involved sending out a survey asking for views on the current arrangements, and the impact the arrangements have had on them successfully delivering their jobs. Upon analysing the information, the following areas of focus have been identified;

- In the next contract there needs to be greater alignment between the ethos of the Service Provider and the Council.
- Needs to be greater clarity over roles and responsibilities between those that work for the Service Provider and those for the Council is needed.
- A more detailed and robust training programme on the contents and requirement of the contact is needed, at a much earlier stage.
- It is felt that processes are admin heavy, and that in the next contract these need to be reviewed and made more efficient, to improve the timeliness of the service being provided.
- Ensure it is clear from the outset what level of staff resources are needed to ensure the service remains resilient throughout the year
- There needs to be a review of the current SPI process and what is required by the Service Provider to evidence their performance.

2.19.5 The fourth engagement exercise was a workshop delivered with the Scrutiny Member Reference Group for the Re-procurement Project. The session involved discussing Members' experiences with the service, and what they felt needed to be included. Upon analysing the information, the following areas of focus have been identified;

- More consistency with communications, with a more proactive approach to sharing key information with Members and Town/Parish Councils
- Quality management needs to improve, with the Service Provider taking more of a proactive approach and managing the quality of works more closely.
- Taking a more innovative approach to repairing the network and looking at how the department can further help to support communities.
- Timeliness of communications and delivery of works needs to improve, and clear timelines need to be provided to all stakeholders
- Ensuring resilience within the Service Delivery Model to deal with those times where there is an increase in demand for the service.
- Encourage the right behaviours and working culture for the contracting parties
- Review the delivery of cyclical services, in particular grass cutting and the timing of these works.

2.19.6 Considering the results of the four engagement exercises it has been determined that the following are the priority areas of change in the next contract:

- Having a strong Customer ethos, truly putting them at the centre of everything the departments does. This will include building really strong relationships with Members, taking a proactive approach to the service being provided to them
- Develop a robust quality management approach which ensures from cradle to grave it is clear what is expected and what service level is required.
- Review of current SPIs, ensuring they drive the right behaviours across the service
- Ensure efficiency across all work processes, and that all staff have a detailed understanding of the contract and its requirements.
- Develop a working environment where innovative thinking is engrained, and staff are constantly seeking to explore other ways of working more efficiently.

2.20 Review of Soft Market Testing (SMT) activities

2.20.1 The objectives of the SMT are:

- Gauge market interest in the provision of services on behalf of the Council
- Identify the most appropriate procurement option
- Seek industry views in respect of how potential Councils/partners might approach the delivery of the service having regard to local circumstances, national performance indicators, relevant legislation and the Council's aims
- Identify external influences and constraints on the market
- Identify optimum operational processes/working practices
- Identify new technologies/innovative working practices that would lead to improvements in cost, speed, dependability, flexibility and quality of service delivery

2.20.2 An overview of the planned SMT activities is set out below:

| Activity Number | Description of activity | Status |
|--|--|---------------|
| Activity 1: Proving Solutions Ltd market engagement | This stage of the pre-market engagement exercise was initiated by Proving Services Limited on behalf of East Sussex County Council and the other six participating authorities. Thirteen private sector providers were interviewed, including director level representation from each organisation. All participants provided honest, open and constructive views. | Complete |
| Activity 2: Information Sharing | Following on from activity 1, we reviewed the findings and noted that a number of providers have made a number of statements as well as posing a number of questions. Based on the current stage of our re-procurement project we provided outline answers to these questions and issued a follow up questionnaire to the thirteen providers. | Complete |
| Activity 3: PIN & OBC engagement | Following the publishing of the OBC in January 2021. We shall be carrying out some form of engagement regarding our shortlisted options. It is likely a Prior Information Notice (PIN) will be issued and the engagement activities will be offered to the whole market. | Planned |
| Activity 4: DBC engagement | As a final activity prior to formally launching the procurement process. The exact scope and purpose of this activity will be confirmed nearer the time. | Planned |

2.20.3 The key findings of Activity 1 & 2

- Service Providers may become increasingly selective in which contracts they bid for in the future.
- Service Providers are seeking to work with authorities that are willing and able to build truly collaborative and strategic partnerships; based on trust, and for the benefit of all parties.
- An outcome-based contract is preferred compare to prescriptive based specifications
- An integrated or small number of single providers, working as a collaborative partnership, provides the best opportunity to realise efficiencies, exploit innovation and new technologies, and access specialist skills and additional capacity.
- The length of contract, ideally 8-10 years. The longer the contract the greater the opportunity and incentive to invest in innovation that improves outcomes and reduces costs.
- There is genuine interest in working with ESCC and participating further in SMT.

2.21 Benefits

2.21.1 A full benefits realisation plan will be developed as part of the DBC. This will establish and identify benefits based on the Council's priorities and objectives as well as specific highways needs and requirements. Potential strategic benefits to be realised upon project completion are as follows:

- Increased value for money without a drop in service quality, whilst effectively maintaining the road network and its associated infrastructure
- Increase in efficiency and effectiveness of delivery to achieve the Service outcomes
- A robust contract enabling all parties to work productively and cooperatively
- Improve the current performance of the Highways Service where the SPIs evidence that change may be needed
- Ensure ESCC remains an attractive client to the market
- Increase stakeholder satisfaction with the road network
- Delivering best practice

2.21.2 There will be a clear emphasis on developing a model that contributes to the wider corporate aims of improving efficiency when delivering core services. The new SDM will be designed to ensure flexibility and enable effective management of any unforeseen events that may arise during the life of the contract.

2.22 Key Risks

2.22.1 The project has identified the key business, service and external risks through the development of a project risk register. The register is being monitored by the Project Board, with each of the potential risks being ranked by scale of impact and probability of occurrence. Mitigation measures are robustly managed to reduce the scale and impact of risks, and the register will be maintained throughout the life of the Project.

2.22.2 A further risk assessment and mitigation plan will be developed in the DBC. This register will focus on the future SDM and will ensure the appropriate transfer of risk to the organisation best placed to manage it.

2.22.3 The Strategic Risks that remain for the HSRP are contained with the following table:

Table 008: List of Strategic Risks

| Risk Ref. No. | Topic | Description of Risk | Impact (expected) | Revised Risk Rating 1 = Low; 4 = High | | | Status | Proposed or actual Countermeasure(s) |
|---------------|---|---|--|--|----------|--------|--------|--|
| | | | | Impact | Likely | Result | | |
| 3 | Price | Change in market conditions from previous tender (fee, inflation, strategic pricing) | Potential jump in rates compared to current provider Reduced competition for TSC & Professional Services | High | Moderate | 9 | Active | Affordability modelling needs to be undertaken at the DBC stage once budgets are also known. Engage in soft market testing to ensure maximum level of competition. Outline to market as early as possible the preferred service delivery model and ask them to consult on it at both OBC & DBC stages to ensure that the market can deliver the preferred service delivery model Ensure stakeholders are aware of potential rise in prices |
| 2 | Continuity between bid team and delivery team | Disconnect between bid team who have understood Employer requirements and the proposed approach (tender submission Price & Quality) to meeting them and hand-off to delivery teams who derive their own interpretation. Future SDM is not embedded and benefits are not realised | Promises made within tender submission are misinterpreted or are not delivered Contractor perceives rates tendered are not sustainable, Contractor looks for immediate cost savings | High | Likely | 9 | Active | Develop an approach that can be included within the tender that sets our expectations / needs and consider quality questions regarding this area / mobilisation plan & transition plan Consider Employer involvement in appointment of key people / delivery team during the procurement phase |
| 1 | Brexit | There continues to be uncertainty over the finer details of the agreement and what this could mean for East Sussex. | Impact traffic and customs in Newhaven Possible impact on the supply chain and their resources. Potential aggregate delivery issues | High | Likely | 9 | Active | Very little input that ESH can have on this risk, other than to follow government advice and when necessary produce contingency plans when needed. |
| 4 | Operational Delivery | Withdrawal of Service Provider at preferred bid stage | Delay to project Potential failure to deliver the service Increased costs of putting alternatives in place | High | Moderate | 6 | Active | Implement emergency protocols, which in some circumstances would result in bypassing CCT procedures to procure works to undertake statutory obligations e.g. winter maintenance, emergency repairs. Commence TUPE arrangements to bring workforce back in, seek specialist advice on this and ensure contract clauses allow for this to happen at earliest opportunity |
| 5 | De-mobilisation | Failure to ensure continued service delivery during contract switchover or without a change in service provider | Loss of productivity could result in reputational damage to the Employer. General poor efficiency and value for money from both client and JV staff during times of uncertainty | High | Moderate | 6 | Active | Continue dialogue with current contractor and ensure contract de-mobilisation plan is executed. Ensure effective mobilisation plan is in place and contract training on the contract changes for TUPE staff when appropriate |
| 6 | Covid | Further lockdowns / prolonged (long term) safety measures in place regarding COVID | Delays to the project programme and longer term impacts on contract costs | High | Moderate | 6 | Active | Robust project management of the project timeline, regular monthly updates. Forecast cost increases to be included within the OBC, but also have been reported corporately. |

2.23 Constraints

2.23.1 Highways authorities are constrained in their responsibilities for Highways Maintenance Services as set out in statutory legislation. In preparing the OBC we are not aware of any changes to legislation that would impact on the successful delivery of the project.

2.23.2 The Department for Transport (DfT) have not yet confirmed how highway authorities will be funded in the future, with the current arrangements coming to an end, a new announcement is expected to be made in the New Year. Any new funding arrangements will need to be reviewed in the context of our obligations and legislation, and this will be actively completed within the DBC stage.

2.24 Dependencies

2.24.1 The HSRP is not part of any other Council programme so there are no internal dependencies. However, depending which SDM is selected at the DBC stage, a change in the Council's client management team could be needed to deliver the SDM effectively and meet all the service outcomes.

2.25 Summary of Strategic Case:

Key Strategic Drivers

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.
- **Carbon Reduction** – to contribute to achieving the targets set out in the Climate Emergency Action Plan June 2020
- **Asset Management** – continue to deliver the service in accordance to the Council's Asset Management Strategy, to ensure the Council attracts future funding opportunities.

Opportunities to Improve

- **Current Success** - There is evidence that the existing arrangements are working well and meeting the Council's Strategic Priorities and the Service Outcomes. The HSRP provides an opportunity to build upon and enhance the current performance levels.
- **Customer satisfaction** - remains low and aspects of current performance indicate the need to improve to ensure all elements of the Council's Customer Promise and Customer Values are consistently delivered. There needs to be a focus on channel-shift as set out in the Council's Core Offer towards self service delivery for stakeholders.
- **Quality Control** – greater consistency for total service area not just Works Activities (schemes).
- **Innovation** – willingness and flexibility to invest and /or accept innovation ideas in partnership with the Service Provider. This includes technology, materials and other best practice processes.
- **Assurance** – provide ongoing assurance to Members with regard to service performance levels.

Strategic Challenges

- **Funding** – long-term funding sources post 2021 from DfT. Insufficient to deliver longer term asset enhancement.
- **Brexit** – unknown at this stage but could impact funding, supply of materials and/or labour.
- **Covid** – unknown at this stage but could result in adapting to new working practices, impact on funding, future demand on network due to modal shift.
- **Public Perception** – managing increased and/or changing expectations of the service.

3 ECONOMIC CASE (OPTIONS APPRAISAL)

3.1 Overview of Approach

- 3.1.1 The purpose of the options appraisal is to identify possible SDMs in which the Council can deliver its future highways maintenance service beyond April 2023. It assesses the relative advantages, disadvantages and risks of different service delivery models. The long list of options is appraised with a shortlist of two options being taken forward for consideration and further development within the DBC.
- 3.1.2 Using assessment criteria set out in Table 011 an assessment has been carried out (see Appendix 003 for more details) against fifteen different options.

3.2 Options Considered

- 3.2.1 The fifteen options that were considered cover a range of the different types of SDMs that are utilised by the majority of local highway authorities. The top five ranked options evaluated at Stage 2 are defined in Table 009.

Table 009: Top 5 ranked Service Delivery Models Definitions

| Service Delivery Model Type | Option | Service Delivery Model Variation | Definition |
|-----------------------------|--------|---|--|
| Single Provider | 1 | Contractor + Consultant (designer) (Separate) | <ul style="list-style-type: none">• Single external Contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing design services.• No legal contractual relationship between the two. |
| Single Provider | 2 | Integrated (Contractor + Designer) | <ul style="list-style-type: none">• Single external Contractor providing all blue collar and design services. (either directly or managing a supply chain)• Single legal contract |
| Teckal | 9 | Arms-Length Company | <ul style="list-style-type: none">• Wholly owned local authority company limited by shares or guarantee. |
| Mixed Economy | 12 | Best Option by Function/Service | <ul style="list-style-type: none">• Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house (the contracted in function is traditionally the design function). |
| Joint Venture (JV) Company | 7 | JV | <ul style="list-style-type: none">• Two or more arrangements coming together to form a separate legal entity for commercial purposes. For the purposes of this exercise it assumes a public to private JV, with at least one entity being the local Service Provider. |

3.3 Summary of top 5 Options

3.3.1 Option 1 – Single Provider Contractor (Works) and Single Provider Consultant (Designer).

There would be a single external Service Provider providing all works services (either directly or managing a supply chain) with separate single external consultant providing design services. This is the fundamental difference of this option compared to Option 2, the works and design accountability is shared between two separate Service Providers. There would be no legal contractual relationship between the two, the Council would manage each contract separately.

This option would require additional resources within the Council Client Team to manage each contract.

Risks associated with this option include potential limitations on the Council to provide an integrated, and consistent approach to service delivery. Having two separate contracts and relationships could make it more challenging to identify responsibility and accountability, and there would need to be detailed risk management plans in place to mitigate this and additional resources.

3.3.2 Option 2 – Integrated Single Provider (Contractor and Designer)

This model is a continuation of the current SDM. The option scores the highest in terms of achievability critical success factors. The transition to this option would be the easiest out of the five options, it would be the least complex to set up and manage and is affordable in terms of the cost of transition. Various opportunities for improvement can be easily identified and some mitigations considered and implemented through the further development of the existing contract documentation.

With this option the Service Provider would be accountable for both design and works delivery which generates economies of scale and enables smarter risk mitigation between design and construction.

Some potential issues with this model include the effectiveness of risk transfer. This will depend on the specific terms of the contract and the nature of the Council's retained contract management function. There would be no ongoing competition between service providers to encourage lower pricing with this option, where self-delivery is provided. However, it is acknowledged that there will be ongoing competition where supply chain resources are utilised.

This option would have the least amount of impact to the service and aligns the closest to the current arrangements.

3.3.3 Option 9 – Teckal

This is where a company wholly owned by the Council would be set up and provide services back to the Council, as a single provider. The common form of corporate vehicle utilised is a private company limited by shares and may be created with a shareholder's agreement that will include a business plan.

This new company would be exempt from the Public Contract Regulations 2015 (as amended) if it satisfies the requirements of the 'Teckal Exemption' as set out in Regulation 12 (1):

- a) More than 80% of activities must be performed for the controlling local authorities;
- b) There cannot be any private sector ownership;
- c) The Teckal company's primary purpose must not be commercially orientated; and
- d) The controlling local authorities must exercise decisive influence over the strategic objectives and significant decisions.

It would not need to be procured by the Council.

Some positive aspects of this option are that the Council would not pay any 'profit' element or a 'risk transfer premium'. The Council would have the ability to respond to reduced budgets or changing priorities and be flexible, without financial liability or commercial renegotiation.

Some potential negative aspects could include that the Council would need to fund/resource the establishment of the arrangement. This is likely to be significantly more

expensive than the other options and the financial and service delivery risks would ultimately remain with the Council.

3.3.4 Option 7 – Joint Venture (public to private)

This option is where a Joint Venture (JV) organisation is created between the Council and a private sector entity (or entities). This would be established by a competitive procurement exercise and the JV once created, as a separate legal entity, would operate as a single provider. With an investment and representation in the joint venture the Council would have additional rights of control and potential return, but it would carry some risk in the delivery of works and services.

Some positive aspects include the private sector may bring a profit motive and focus on efficiency. Any benefits would be shared, and the Council would retain roles as client; shareholder; and in the appointment of directors. This combination offers considerable control.

Some potential negative aspects include difficulties in matching public and private sector cultures in one vehicle for the efficient provision of services (as the JV will be funded by the council through its payments for works and services). Unless the private sector provides extra finance (at a cost) for which it may want a greater share of returns, the Council would continue to hold some financial risk for service performance in the JV.

3.3.5 Option 12 Mixed Economy – Best Option by Function/Service

A key feature of this model is that the provision of function/service is delivered by those that are best placed to do so; this may be internal or external. For the purposes of this exercise, at least one function must be contracted out and at least one function provided in-house (the contracted in function is traditionally the design function).

A series of providers would be procured, and contracts entered into to deliver the various highways related services. This is a simpler version of the framework option as the providers would be procured to deliver particular packages of works and/or services. This provides the opportunity for specialist suppliers to deliver the relevant discrete highway maintenance service elements that they are best placed to deliver.

The Council would retain a team to manage the contracts with the various providers and the interfaces between them.

Some positive aspects of this option include the Council would not pay an overhead to a single provider to manage multiple providers (supply chain) as they would undertake this function themselves.

Some potential negative aspects include reducing the ability for the Council to deliver an integrated service and consistent approach to service delivery; the Council bearing the risk of any interface or inter-dependency issues if performance is poor; and the Council requiring a larger multi-skilled client contract management team.

3.4 Options Appraisal Summary of Methodology

3.4.1 Included within Appendix 003 are the detailed methodology and findings. It is based on work that was undertaken by an independent consultant, Proving Services Ltd, as well as additional considerations based on discussions with other local highway authorities that have adopted some of the different types of SDMs, and an assessment of the Council's local context. The initial Options Appraisal is formed of two key stages:

3.4.2 Stage 1

3.4.3 **Objective** – the objective of Stage 1 was to reduce the long list of fifteen options down to a shorter list of more feasible options to be appraised in further detail at stage 2.

3.4.4 Methodology:

- A workshop was held that identified the potential future strategic outcomes for the next contract which formed part of the options appraisal assessment criteria.
- Once the strategic outcomes were identified, each of the fifteen options were scored against the pre-set evaluation criteria using the Proving Options Analyser Tool, which is a best practice options appraisal toolkit.
- Two further workshops were carried out to appraise the fifteen options against the thirteen Critical Success Factors (CSF's), as set out in Table 010. These CSF's are a combination of those recommended by the HM Treasury Five Case Model methodology and also those pre-set using the Proving Options Analyser Tool.

3.4.5 Outcome:

- Following the three workshops a ranked options list 1 to 15 was produced.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to reduce the long list to a smaller list of feasible options (5 in number) for further analysis at stage 2. This was accepted by both and the long list was reduced to five.
- The ten options not taken forward to stage 2 were discounted from the project.

3.4.6 Stage 2

3.4.7 **Objective** – reduce the list of five options to a shortlist to be taken through to the DBC stage to then be further developed and appraised in more detail.

3.4.8 Methodology:

- The remaining five options were validated by the Project Team with support from Proving Services Ltd. This included extra evidence gathering and amendments to some scores from the Stage 1 workshops.
- The additional evidence gathered included data and information from other local highway authorities who use the respective service delivery models, market research and evidence gathering from the service.

3.4.9 Outcome:

- Following the validation and moderation of the scores, the final five options were ranked.
- Three of the five options had potential critical barriers to implementation identified against them, as set out in the results section 3.8.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to discount the 3 options with critical barriers to implementation identified against them, leaving a short list of two options.
- This recommendation was accepted, and the final two options referred to as the "shortlist".

3.5 Table 010: List of Assessment Criteria

| Assessment Criteria | Broad Description | Total Number of factors Assessed |
|--|--|----------------------------------|
| Strategic (fit & business needs) | <p>How well the option:</p> <ul style="list-style-type: none"> • Meets the investment objectives, related business needs and service requirements • Provides holistic fits and synergy with other strategies, programmes and projects | 8 |
| Economic (potential Value for Money) | <p>How well the option:</p> <ul style="list-style-type: none"> • Maximises the return on the required investment (benefits optimisation) in terms of economy, efficiency and effectiveness • Minimises associated risks | 4 |
| Management (potential achievability) | <p>How well the option:</p> <ul style="list-style-type: none"> • Is likely to be delivered in view of the organisation's ability to assimilate, adapt and respond to the required level of change • Matches the level of available skills which are required for successful delivery | 6 |
| Commercial Supply-side capacity & Capability | <p>How well the option:</p> <ul style="list-style-type: none"> • Matches the ability of the service providers to deliver the required level of services and business functionality • Appeals to the supply side | 2 |
| Financial potential Affordability | <p>How well the option:</p> <ul style="list-style-type: none"> • Meets the sourcing policy of the organisation and likely availability of funding • Matches other funding constraints | 1 |

3.6 Table 011: Shortlisted five Options

| | | Option 2 | Option 1 | Option 9 | Option 7 | Option 12 |
|--|--|--|---|----------|------------------------|--------------------------------------|
| Business Case | Assessment Criteria | Integrated Single Provider (Works & Design) Current SDM + lessons learned | Single Provider Works Single Provider Design | Teckal | JV (Public to Private) | Mixed Economy (Best Option Function) |
| Strategic Fit & Business Needs | Improvement & Development of the Highway Infrastructure (optimise) | 66 | 66 | 100 | 100 | 100 |
| | Improvement & Development of the Highway Infrastructure (Enhance) | 100 | 66 | 100 | 100 | 66 |
| | Customer Focus | 66 | 33 | 100 | 100 | 33 |
| | Make Best Use of Resources | 66 | 66 | 66 | 66 | 66 |
| | Collaboration | 66 | 100 | 100 | 100 | 66 |
| | Innovation & Technology | 100 | 66 | 100 | 66 | 66 |
| | People | 100 | 66 | 100 | 100 | 66 |
| | Carbon | 66 | 66 | 66 | 66 | 66 |
| | Economy | 66 | 66 | 33 | 33 | 66 |
| Economic (Potential VfM) | Effectiveness | 100 | 100 | 100 | 100 | 100 |
| | Stakeholder Value | 100 | 33 | 100 | 66 | 100 |
| | Efficiency | 66 | 33 | 100 | 100 | 66 |
| | Complexity (Inherent Risk) | 100 | 66 | 33 | 33 | 33 |
| Management (potential achievability) | Capability & Capacity | 100 | 66 | 33 | 33 | 33 |
| | Authority Readiness | 100 | 66 | 0 | 0 | 33 |
| | Governance & Reporting | 100 | 100 | 66 | 33 | 66 |
| | Partner Management | 100 | 100 | 66 | 66 | 66 |
| | Cultural Alignment | 100 | 100 | 0 | 0 | 0 |
| | Provider Readiness | 100 | 100 | 33 | 0 | 66 |
| Commercial (Supply-Side capacity and Capability) | Sector Success Stories | 100 | 100 | 33 | 0 | 66 |
| | Affordability | 100 | 66 | 0 | 33 | 33 |
| Financial (potential affordability) | Strategic Total | 79 | 66 | 92 | 87 | 66 |
| | Attractiveness Total | 83 | 58 | 83 | 75 | 83 |
| | Achievability Total | 100 | 85 | 29 | 22 | 44 |
| | Overall Totals (%) | 87% | 70% | 68% | 61% | 64% |
| | | 1st | 2nd | 3rd | 5th | 4th |

Options 3,4,5 (0's in red) have critical barriers to implementation

3.7 Options Appraisal Results

- 3.7.1 The full results of the scored fifteen options are set out in Appendix 003. A summary of the results of the top 5 options that were validated at Stage 2 is in Table 011.
- 3.7.2 The assessment shown in Table 012, was scored against the assessment criteria in Table 010. This has taken account of the critical success factors for the project and the service outcomes set out in Table 005.
- 3.7.3 Each assessment criteria were scored against predetermined evaluation criteria as set out in Appendix 003, the scoring matrix is 0,33,66,100. Where 0 is not scored, or for this option, this factor is a critical barrier to success and 100 is where this option would be equally as good or better than the current arrangements.
- 3.7.4 The critical success factors (assessment criteria) that have been identified as critical barriers to implementation are highlighted in red above.

3.8 Options Discounted at stage 2

- 3.8.1 Options 9,12,7 have some potential critical barriers to implementation and therefore should not be taken forward to the DBC. Further detailed evidence and the assessment criteria is included in Appendix 003, in summary these critical barriers are as follows:

- **Option 9 Teckal**
 - Affordability: Estimated an extra £1m in set-up costs
 - Authority Readiness: Low or unknown Political appetite
 - Cultural Alignment: Council's organisational cultural alignment is low
- **Option 7 – Joint Venture (JV)**
 - Sector Success Stories: There is no evidence of this in the market
 - Provider Readiness: There is low appetite from the market to form a JV.
 - Authority Readiness: Low or unknown Political appetite
 - Cultural Alignment: Council's organisational cultural alignment is low
- **Option 12: Mixed Economy (best option by function/service)**
 - Cultural Alignment: Council's organisational cultural alignment is low

3.9 Shortlisted Options

- 3.9.1 The following options were identified to be taken forward together through development of the proposal. These two options represent the best opportunity for value for money for the future delivery of highways services.

- **Option 1 Single Provider Works and Single Provider Design**
- **Option 2 Integrated Single Provider (Works & Design)**

- 3.9.2 The assessment of the five options as set out in Table 011, shows that Options 1 & 2 are ranked the highest and subject to high level affordability modelling within the Financial Case (Section 5), these should be taken forward to the DBC for further development.

3.10 Options Assurance

3.10.1 The two shortlisted options are further endorsed through the Options Study activity led by Proving Services Ltd, which comprises of eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Options 1 and 2 were ranked the highest overall. Table 012 gives a summary of the average ranking, with a detailed report provided by Proving Services Ltd included in Appendix 006.

Table 012: Service Delivery Model average ranking for all 8 authorities.

| Option Number | Service Delivery Model | Overall Ranking Position | Ranking at Individual Authority Level |
|---------------|------------------------------------|--------------------------|---------------------------------------|
| Option 2 | Contractor + Designer (Integrated) | 1 st | 1, 2, 3, 3, 3, 3, 5, 6 |
| Option 1 | Contractor + Designer (Separate) | 2 nd | 1, 1, 2, 2, 3, 5, 7, 8 |
| Option 12 | Best Option by Function | 3 rd | 1, 1, 2, 4, 4, 7, 7, NS |
| Option 4 | Function Orientated Provider | 4 th | 1, 2, 2, 4, 4, 4, 6, 7 |
| Option 15 | Primary Design + Add On | 5 th | 1, 1, 1, 3, 5, 6, 6, 9 |
| Option 9 | Joint Venture | 6 th | 3, 6, 7, 7, 8, NS, NS, NS |
| Option 11 | Cyclical & Reactive In-House | 7 th | 4, 4, 5, 5, 8, 8, 10, NS |
| Option 9 | Arm's Length Company | 8 th | 2, 5, 5, 8, 9, 10, NS, NS |
| Option 14 | All In-House | 9 th | 5, 6, 6, 8, 12, NS, NS, NS, NS |
| Option 3 | Multiple Providers | 10 th | 2, 7, 8, 9, 10, 10, 12 |
| Option 6 | 4 Year Framework | 11 th | 3, 6, 9, 9, 10, 11, 11, 12 |
| Option 16 | Shared Service | 12 th | 7, 8, 9, 10, 11, 11, NS, NS |

3.10.1 The overall ranking position is comparable with the individual assessment completed by the Council.

3.10.2 The study concluded:

- The top five options were consistent across the majority of authorities although there were some exceptions. No single option, however, scored consistently highly across the assessment criteria (Strategic Fit, Attractiveness and Achievability). It is likely therefore that some authorities will look to procure a blend of options when they go to market.
- The top ranked options overall are, Integrated Contractor and Designer and Separate Contractor and Designer. Given the majority of participants currently work with only a small number of significant partners under their current arrangements, the transition to these models for these authorities was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.

4 COMMERCIAL CASE

4.1 Form of Contract

- 4.1.1 The Council's current form of contract for delivering its Highway services is a NEC3 Engineering and Construction Contract (ECC), with modifications to include for the delivery of the design and outsourced service functions.
- 4.1.2 The NEC forms of contract are a family of contracts, based on sound project management principles and clear risk transfer that demand close cooperation and active management from both the client and service provider and are thus ideal for term maintenance and service contracts.
- 4.1.3 During the term of the Council's contract the NEC has published the fourth edition of its suite of contracts, commonly referred to as NEC4. The new form of contract will be based upon the latest published NEC4 forms.
- 4.1.4 The Council will use the most appropriate contract(s) from the suite of NEC standard forms, but to achieve the flexibility required, the standard form will be amended to incorporate best practice, local requirements and the new operating model being proposed.
- 4.1.5 The Form of Contracts being considered are:
 - **Option 1 – Single Provider Works & Single Provider Design**
 - Works Contract – NEC4 Engineering and Construction Contract or Term Service Contract
 - Design Contract - NEC4 Professional Service Contract
 - **Option 2 – Integrated Single Provider (works and design)**
 - NEC4 Engineering and Construction Contract or Term Service Contract
- 4.1.6 The Contract(s) will include several payment options (see 4.4) as appropriate to, and dependent upon, the risks and complexity associated with each work or service type.
- 4.1.7 The various payment options will ensure that both the Council and Service Provider have the flexibility to drive and deliver efficiencies and continuous improvement, whilst maintaining a level of return for the Provider.
- 4.1.8 A full review of the appropriateness of the proposed contract forms and payment options will be undertaken as part of the DBC, including any decisions regarding its duration and extensions.

4.2 Specification (Scope)

- 4.2.1 The existing model has shown that a mix of outcome and output specifications have provided both the Council and Service Provider with the flexibility to deliver the complexities of the highway service effectively. A detailed review of the existing specifications will be undertaken, and appropriate amendments made in order to secure the best service possible from the next contract.

4.3 Sourcing options

- 4.3.1 The Council continues to maintain its relationship with its neighbouring highway authorities and continually seeks to maximise any opportunity to secure best value service delivery through collaboration.
- 4.3.2 Due to misalignment of respective contract periods between authorities, there are limited opportunities at present for any joint procurements for the delivery of this service. However, the required public notice of the procurement will be written to allow other local authorities to access any future contractual arrangements. (The public notice will appear in the new government e-notification service called "Find a Tender.)

4.4 Payment Mechanisms

4.4.1 The existing arrangement of a mixed economy, utilising standard NEC payment options A, C and E, determined by work type and funding stream has enabled appropriate risk apportionment to be applied for various works and service types, whilst providing suitable costs and budget certainty.

- **Option A – Priced Contract with Activity Schedule (Model option 1 and 2) Lump sum Core works activities**

This is a fixed price arrangement with the financial risk of carrying out the works at the agreed price being largely borne by the Service Provider. The Service Provider prices the works or services from information provided by the Council and undertakes to deliver the works or services for that price. This mechanism is best applied to works and services where the scope can be established at the outset with certainty and with clearly defined outcomes.

E.g. Winter service, gully cleaning, highway inspections (Core Services)

- **Option C – Target Contract with Activity Schedule (Model option 1 and 2) Priced Works, Schemes**

This is a target price arrangement in which the outturn financial risks are shared between the Council and the Service Provider in agreed proportions. The Service Provider prepares a target price for the works or services from information provided by the Council. If the works or services are then completed for greater than or less than the target price, the liabilities or savings are shared in accordance with the proportions defined in the contract. This mechanism is best applied to works or services where the Service Provider can best drive efficiencies through innovation and best practice, resulting in cost savings.

E.g., Strategic Economic Infrastructure schemes, carriageway reconstruction and resurfacing etc.

- **Option E – Cost Reimbursable Contract (Model option 1 and 2) Emergency/unplanned works**

This mechanism is generally used when the details of the works or services required are difficult to define sufficiently for other pricing mechanisms to be used. The Service Provider is paid their actual costs. This mechanism will generally be used for works that are either of a temporary or urgent nature, difficult to quantify in advance, or require a level of investigation before details can be finalised e.g. emergency works, drainage investigation works.

4.5 Risk Allocation & Transfer

4.5.1 As part of the previous procurement the Council embarked on a transformational journey with regard to its Highway Service provisions, including the outsourcing of a number of services that were traditionally considered to be functions of the Client, such as Highway inspections and Network management. Additionally, a number of separate contract provisions such as highway design, street lighting and traffic signals were brought into the overall single provider service.

4.5.2 Both forms of contract (Options 1 and 2) provide for an outsourced provision of the services and therefore, we can consider that the service risk is no greater than that experienced with the existing arrangements. Indeed, we can foresee a reduction in risk as we now have a fuller understanding of the outsourced service provision.

4.5.3 However, it is worth considering that there are potential new risks that may materialise on the selection of Option 1.

- Two contractual relationships to be maintained, whilst seeking to achieve the overall Service objectives,
- Different and/or conflicting objectives (multiple Service providers),
- Performance management, Employer incentive scheme difficult to administer,
- Risk transfer, design or construction liability issues.

4.5.4 Contract risk allocation is clear and transparent within the NEC forms of contract being proposed for either Option 1 or 2.

4.6 Contract length

4.6.1 The market has suggested that the longer the contract the better it is. Whilst this may be true from a Service Provider's perspective, it may not best serve the needs of the Council and therefore a full review of the contract length including any extensions will be undertaken in the DBC.

4.7 Personnel

4.7.1 The sourcing of the Highways service is a continuation of a service delivery that is the principle responsibility of the Council, therefore all current employees involved in the service, including those provided by the supply chain will be eligible for TUPE transfer to any new provider(s).

4.7.2 The eligibility of staff to transfer to the new provider, does not necessarily mean that all the existing staff will be present in any new arrangements as staff may be offered opportunities within the wider employment of the current service provider.

4.7.3 The future client structure is yet to be determined, section 6.4 sets out an illustration of a potential functional based structure to be further developed at the DBC once the preferred SDM is known.

4.8 Choice of procurement method

4.8.1 The Public Contracts Regulations 2015 (PCR 2015) set out the legal framework for public procurement. They apply when public authorities seek to acquire supplies, services, or works through a contract whose estimated value exceeds published thresholds. PCR 2015 set out procedures which must be followed before a so-called "contracting authority" awards the contract. ESCC is a contracting authority..

4.8.2 The estimated value of this procurement is above the published threshold of £4.7m and therefore the procedural rules set out in the Public Contracts Regulations 2015 (PCR2015) will apply.

4.8.4 Where the estimated value of a works contract exceeds the applicable value thresholds, then these services must be procured using an advertised, competitive procedure that is open, fair and transparent, ensuring equality of opportunity and treatment for all tenderers.

4.8.3 There are four main types of procurement award procedure provided for under the PCR2015; namely, the open, restricted, competitive dialogue and competitive with negotiation procedures. There are no restrictions in the legislation on the use of the open and restricted procedures however the competitive dialogue and negotiated procedures can only be used in certain specified circumstances as set out below.

4.8.4 A detailed review of the procurement routes, considering the benefits and dis-benefits of their use for the Highway Services has been undertaken. This is set out below:

4.8.6 Open:

An Open Procedure is suitable for those procurements where requirements can be clearly defined. There is no need for a pre-qualification of bidders, and it is open to all. It means there is a possibility of a significant number of suppliers bidding. Bidders may be less keen to participate in an open procedure if the contract is more complex, and as a result the tender documents require high levels of resource. The cost of preparing a full tender can be a disincentive to participation where the likelihood of success is lower due to the high level of competition.

4.8.7 Restricted Procedure:

A Restricted Procedure is where suppliers are required to submit to a pre-qualification assessment based on their technical, financial and professional capabilities. This limits the number of those who are able to submit bids and is suitable when you are purchasing services which can be clearly defined at time of tender.

4.8.8 A Competitive Dialogue:

A competitive dialogue procedure allows for the flexibility to modify the scope incorporate innovations and negotiation with bidders including the winning bidder (provided this does not modify the essential aspects of the contract or procurement or amount to a distortion of competition). ESCC may use this procedure if one or more of the criteria set out at Regulation 26(4) of the 2015 Regulations are met. These are as follows:

- the needs of the contracting authority cannot be met without adaptation of readily available solutions; or
- the requirements include design or innovative solutions; or
- the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them; or
- the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard, European Technical Assessment, common technical specification or technical reference.

4.8.9 Competitive Procedure with Negotiation:

A competitive procedure with negotiation allows the contracting Authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the required public notice) not to negotiate and to simply award the contract based on initial tenders submitted. This reservation is not possible in the competitive dialogue procedure. It is also not possible to negotiate following submission of final tenders if you are using the Competitive Procedure with Negotiation.

4.8.10 Procurement Route Type Summary

Confirmation of which procurement procedure is recommended will be included in the DBC.

5 FINANCIAL CASE

5.1 Background

- 5.1.1 Works instructed under the current HIS Contract are split into two key categories, namely Core and Works Activities. Core Activities represent the day-to-day roles and responsibilities of the Service Provider in maintaining the service and are priced on a lump-sum basis. Works Activities relate to planned maintenance/improvement works and are instructed at market rates using payment options A, C or E (depending on their nature and complexity), also taking into account the risks associated with both their design and delivery. Note, Works Activities also include the commissioning of professional services (design) and any pre-works site investigation and/or studies as required.
- 5.1.2 The current HIS Contract delegates certain statutory functions of the Council to the Service Provider in relation to both Network Management duties and Third-Party Claims. Both of these functions are separately defined Core Activities for which the Service Provider is paid a lump-sum to undertake.
- 5.1.3 In respect of Network Management, in return the Service Provider manages the South East Permit Scheme for Road Works and Street Works and also collects and maintains fees from parties that are in breach of the duties and functions required of them in, on and about the highway network in East Sussex, undertaking any enforcement as appropriate in executing such duties. All fees and charges recovered are retained by the Service Provider.
- 5.1.4 With regard to Third Party Claims, the Service Provider manages, handles and validates claims arising from an event on the highway network. These are categorised as either Red Claims (claims by third parties against the Council arising out of the condition of the network or performance of the works) or Green Claims (claims by the Council against third parties for damage to the Council's highway assets). The Service Provider is liable for and indemnifies the Council for costs and liabilities incurred as a result of a Red Claim (subject to exceptions) and for Green Claims arranges for any damage to be repaired, recovering their costs from either the perpetrator (where known) or the Council (where unknown). Through a coordinated Highway Asset Inspection, Reactive Maintenance and Third-Party Claims management regime the Service Provider is thereby empowered to reduce the level of third-party claims by maintaining the best network condition within the available investment.

5.2 Current Costs

- 5.2.1 A detailed analysis of costs will be undertaken within the DBC, including a full review of extra in year spend on Core Activities which are not included within the lump sum.

5.3 Cost increases

5.3.1 Inflation

- 5.3.2 A review of the impacts of inflation has been undertaken, Table 015, based upon the last 20 years of market data. It can be seen that the current prices may increase in the range of 9.5 -18.5%, which represents a cost increase of between £730k and £2.3m per annum, taking the current core service provision from £7,685,473 up to £10,056,633.

Table 015: Inflation

| | | Price Fluctuation Indices | | |
|--|--|---------------------------|-------|-----------------------|
| | | RPIx | RPI | All Civil Engineering |
| Average annual | | 2.65% | 2.56% | 1.72% |
| Forecast to 2023 (7-year contract term) | | 18.5% | 17.9% | 12.0% |
| Cost Increase | | £2.3m | | £0.73m |

5.4 Savings

- 5.4.1 Significant budgetary savings were made in the last procurement, much of which was one-off cashable (£1,404,455, including £1.1m reduction in revenue costs set out in the Council's Medium Term Financial Plan). Therefore, there is very limited scope to secure further savings of this nature through the future service delivery model, however there are further potential savings to be realised within the service provision. The following Table 016 indicates potential changes in base prices dependent upon the option chosen.

Table 016: Potential change in cost.

| | Option 1 (Separate) | Comments | Option 2 (Integrated) | Comments |
|---|-------------------------------------|---|------------------------------------|--|
| Highway Maintenance - Core Activities | 0% | Minimal or no change in operational delivery between two options | 0% | Minimal or no change in operational delivery between two options |
| Highway Maintenance - Works Activities (Schemes) | +10% (+£2-3m per Service Year) | Delivery of design by others resulting in additional risk pricing by Contractor. Minimal opportunities for early contractor involvement. Innovations in design and delivery likely to be limited. | 0% | Collaboration and efficiencies in Service Delivery – Joint ownership and common objectives |
| Professional Services (Design) | +10% (+£0.5-1m per Service Year) | Design rework due to buildability issues. Delays in design completion affecting operational delivery of works | -5% (-£0.25-0.5m per Service Year) | Improved management and monitoring of need and cost by ESCC |

5.5 Financial risk

5.5.1 At the time of writing this OBC, there are three significant risks that could affect the affordability of any future highway delivery model,

- The financial impact of COVID-19
- DFT have yet to announce their future funding allocations
- Annual departmental funding cycles and commitments

This OBC is being developed based upon the knowns at the time of writing. Due consideration will be given to the financial risks, as part of the affordability modelling exercise to be undertaken in the DBC.

6 MANAGEMENT CASE

6.1 Project Initiation Document (PID)

- 6.1.1 The HSRP has been organised into 4 stages as identified in the PID (Appendix 001), which was approved at the first Project Board meeting in January 2020. The PID sets out the objectives, scope, timeframe and governance for the project.
- 6.1.2 The project is structured in four stages:

| Stage | Stage Name | Main Activities |
|----------------|----------------------------------|--|
| Stage 1 | Outline Business Case (OBC) | the analysis & planning stage (small options appraisal - long list to shortlist) |
| Stage 2 | Detailed Business Case (DBC) | detailed options appraisal of shortlist |
| Stage 3 | Delivery of Procurement Strategy | tendering & evaluation |
| Stage 4 | Prepare and engage | mobilisation and Training Contract Start |

6.2 Project Governance

- 6.2.1 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements.
- 6.2.2 A Scrutiny Member Reference Group (SMRG) has been established to ensure effective member engagement into the project.

6.3 Project plan

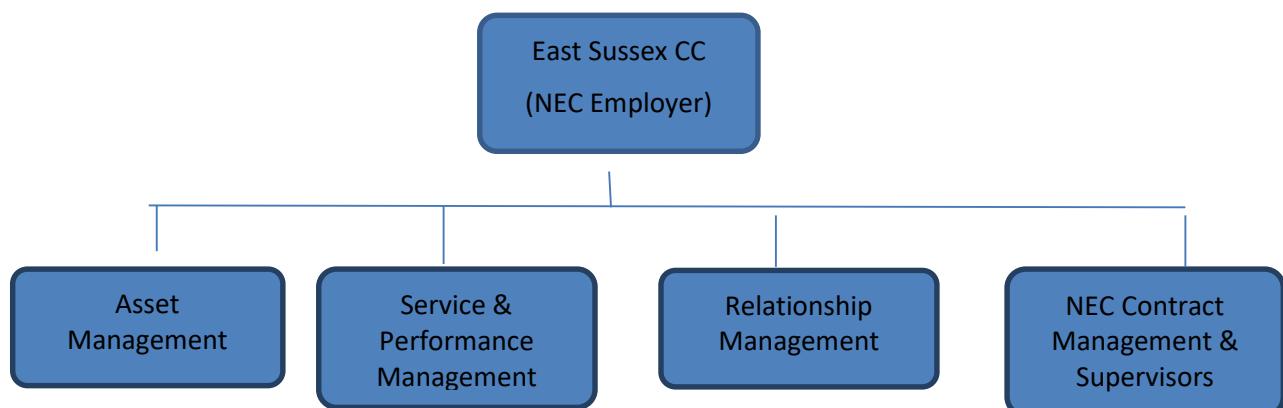
- 6.3.1 This has been developed by the project team and is responsibility of the project manager to report progress of the plan to the Project Board. The plan covers all four stages of the project however Stages 3 and 4 cannot be fully developed until the DBC is approved which would include the determination of the preferred SDM and also the procurement route to market.

6.4 Potential future client model to deliver highway services

- 6.4.1 The need to get the best possible value from public spending will always remain a constant for those making spending decisions. The scope of this project does not just focus on the procurement process up to contract award, it also includes the need to ensure that the Council has adequate controls and contract management arrangements in place to manage the future service delivery model.
- 6.4.2 One of the Council's key priorities is to make the best use of resources, and this re-procurement project provides an opportunity to review the current structure of the Council's highways Contract Management Group structure to ensure it is appropriately staffed and with the right skills before the start of the contract. This is a key lesson from the previous re-procurement. There may be considerable change to how services are provided and therefore the client team needs to be established and trained on the future contract mechanisms, ready to work with the incoming provider(s) during the mobilisation phase.

- 6.4.3 In preparing this OBC a number of engagement activities has been carried out. A number of stakeholders have identified potential areas where there are opportunities to further develop our contract management capabilities to provide an improved service. Within the next stage of DBC, once the “preferred” service delivery model is known, a client maturity assessment will be carried out to better understand how the Council’s needs can be met.
- 6.4.4 In preparing this OBC, a future functional based client shape has been developed by the project team to illustrate the critical functions that are required to manage a future Service Delivery Model.

Figure 004: Functional Based ESCC client structure



- 6.4.5 An overview of the rationale for each of these four functions is set out below.

6.4.6 Asset Management

- 6.4.7 The Asset Management Strategy (AMS) which has been in place for a number of years is robust and effective that the team can move towards a more strategic focus in the next contract. The function will need to maintain and develop a “Whole Life Cost” model for maintenance as well as considering strategic infrastructure growth requirements. The function will be responsible for developing the AMS further to meet the Council’s wider objectives. The Team will also be responsible for managing and updating the Council’s relevant Highway Maintenance Policies through the life of the next contract.

6.4.8 Service and Performance Management –

- 6.4.9 Through the life of the HIS Contract the Council has developed a greater understanding of efficient performance and compliance management and that there is an alternative approach which should be taken when overseeing the quality of the service delivered. This being the case, by focusing our approach and realigning responsibility, a Service and Performance Management function will not only be responsible for the monitoring of the performance framework but will oversee both business case and people development and lead on innovation, carbon neutral projects, and wider service enhancements.

- 6.4.10 This will include identification and implementation of service improvement initiatives in conjunction with other client functions and the wider Council departments to ensure the Service outcomes are achieved. Business analysis and benchmarking will be essential to ensure the Council can deliver best practice service delivery and demonstrate continuous value for money, whilst maintaining excellent customer service.

6.4.11 Relationship Management

- 6.4.12 It is recognised that over the last five years there have been some inconsistencies in customer service. This is therefore a key area of focus for the next contract, and a Relationship Management function will be responsible for leading on this aspect. Their focus will be the management of Member enquiries and other departmental/corporate communications. They will also need to be an increased focus on overcoming any

relationship issues that develop through the life of the next contract and will develop relationships outside the Council with those key stakeholders who have regular contact with East Sussex Highways. They will support other functions, within highways and the Council's wider CET department, and their relationships will ensure a transparent and collaborative approach is taken whilst working with other Local, District, Borough, Town and Parish Councils in the future.

6.4.13 NEC Contract Management & Supervisors

6.4.14 This function is critical to the successful day-to-day delivery of the contract(s) and ensuring overall contract compliance, governance and administration of the contract. The function will fulfil the NEC Project Manager duties which include approving payments, management reporting, claims and dispute resolution and programme management / acceptance. It is recognised that a new Service Provider is likely to be commercially astute in order to achieve their respective profit margins. With this in mind, the Council's NEC Contract Management function needs to be equally skilled and resourced to ensure the Council continues to receive value for money for the commissioned services.

6.4.15 As set out in Appendix 005, where Scrutiny Reference Group Members outlined their areas of improvement, it is recognised that a more robust approach is needed to the ongoing management of the quality of the works being delivered. As such, there will be dedicated NEC Supervisor with additional resources to focus on the quality of works being delivered and address any trends or issues identified. They will be able to provide assurances to Members and other key stakeholders that the future Service Provider(s) are delivering the services to the requisite quality and in line with the requirements of the Service.

6.5 Risk Management Strategy

6.5.1 The project manager maintains a detailed Risk Register for the HSRP which is reviewed regularly, and changes reported to the Project Board. The Risk Register has been prepared using the Council's corporate risk template and best practice from the HM Treasury Five Case Model. Each identified risk is categorised as set out in Table 017:

6.5.2 The key risks at this stage of the HSRP are set out in Table 008.

Table 017 Risk Categories

| Risk Categories | Description |
|-------------------------------------|---|
| Business Risks | These are the strategic risks which remain (100%) with the Council regardless of the sourcing method for the project (proposed spend). They include political risks |
| Service Risks | These are risks associated with the design, build and financing and operation (DBFO) of the proposed spending. They can be shared with the business partners and service providers. |
| External environmental risks | These risks affect all organisations regardless of whether they are public or private sector. |

6.6 Post Implementation Review

6.6.1 The HSRP has a post project evaluation strategy, which has two main purposes:

1. To identify areas of improvement through the HSRP lifecycle, through the development of the PID to contract commencement of the new SDM. To achieve

this a series of post project engagement sessions will be completed and a report completed to the Project Board.

2. To appraise whether the HSRP has delivered its anticipated improvements and benefits. To achieve this a mobilisation audit will be completed and at the end of Service Year 1 and an independent 3rd party audit will be commissioned. Additionally, an internal audit can be completed by the Council. In preparing the DBC the detailed post implementation review requirements will be finalised.

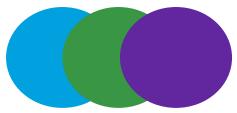
6.7 Scope & Objectives of Stage 2 the Detailed Business Case (DBC)

6.7.1 The following is a summary of the key activities and tasks to be completed during the DBC process which will complete the planning stage of the commissioning approach:

- Affordability, benefits & efficiencies of the shortlisted options
- Design the Council's future client structure in relation to either option
- Review the technology options and determine the technology requirements
- Complete Soft Market Testing Activity 3
- Review provision of Core Activities
- Review other areas for inclusion in scope
- Review areas for improvement and make suggestions for improvement
- Design the future contract form and payment options
- Start to prepare the Pre Qualification Questionnaire (PQQ) and Invitation to Tender (ITT) documents including evaluation criteria and assessment panels
- Clarify the future contract budgets and test affordability and scalability
- Assess future demand on the network
- Complete the statutory legislation review
- Develop the future contract performance management regime
- Review Employer's Incentivisation Scheme

7 CONCLUSIONS AND RECOMMENDATIONS

- 7.1 In order to continue to meet the Council's legal responsibilities as the Local Highway Authority a range of different types of SDM have been considered. Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements.
- 7.2 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 7.3 In compiling the OBC engagement sessions were held with the Council's other CET teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However, further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC.
- 7.4 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and stakeholder expectations of the service delivery.
- 7.5 Quality control, effectiveness of communications and overall contract efficiencies were three of the main areas identified by Members which will be further investigated for potential solutions and mitigations within the DBC stage.
- 7.6 Following the completion of the Options Appraisal the two recommended options to be developed in the DBC are;
 - Option 1: Separate Contractor Contract & Separate Designer Contract
 - Option 2: Integrated Contractor & Designer Contract (current SDM)
- 7.7 These two options present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance in the most efficient, effective and economic manner.



Cabinet

13 July 2021

Appendix 003

Highways Services Re-procurement Project

Service Delivery Model Options Appraisal

Contents

- 1. Purpose of Appendix 003**
- 2. Background**
- 3. Scope & Context**
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- 5. How the options were accessed**
- 6. Methodology**
- 7. Option Appraisal Results**
- 8. Options Appraisal Recommendations**
- 9. Options Appraisal Summary of Top 5 Options**
- 10. Conclusion**

1. Purpose of Service Delivery Model Options Appraisal (Appendix 003)

- 1.1 The purpose of Appendix 003 is to identify possible options (known as Service Delivery Models or SDMs) which East Sussex County Council (ESCC) could possibly utilise to deliver its future highways maintenance service beyond April 2023. It assesses the relative advantages and disadvantages as well as risks of different SDMs. This Appendix presents the methodology and findings of the SDM Options Appraisal.
- 1.2 It details the work that was undertaken by an independent consultant, Proving Services Ltd, as well as additional considerations based on our discussions with other Local Authorities that have adopted the types of SDMs we have considered. In addition to our assessment of the local context in ESCC.
- 1.3 The SDM Options Appraisal assesses the sustainability of several potential delivery models and identifies their relative strengths and weaknesses from a variety of perspectives across three separate stages. Within stage 3 a recommendation of the preferred SDM is made.

2. Background

- 2.1 In response to unprecedented market announcements and provider-side changes, a comprehensive **Provider Market Review** was proposed as a research theme by the Future Highways Research Group (FHRG). This was administered by Proving Services Ltd. and is a form of Soft Market Testing. The results of which are set out in Appendix 007.
- 2.2 Following on from **Provider Market Review** activity, a separate **Strategic Options Study (service delivery model options appraisal)** was proposed using the FHRG using their market leading support tools.
- 2.3 Originally five authorities were invited to take part; East Sussex County Council, Hertfordshire, Suffolk, Surrey and Buckinghamshire. This was then expanded to seven with the additions of Oxfordshire and Somerset.
- 2.4 These authorities are procuring their future highways maintenance contracts over the next 1-3 years and therefore being part of the Strategic Options Study, enabled ESCC to identify best practice and develop a detailed understanding of risks and drivers for selecting the new SDM.
- 2.5 The study commenced in April 2020 and finished November 2020.

3. Scope and Context

- 3.1 The SDM Options Appraisal, reviews the fifteen most common types of models that are in use across the local government highways maintenance sector. These are defined in table one.
- 3.2 Detailed financial appraisal of the complete list of options is excluded from stages 1 and 2 of the Outline Business Case. This activity was completed as part of analysing the shortlist of options within the stage 3, which is the development of the Detailed Business Case (DBC).
- 3.3 The options appraisal is focusing on the provision of highways service; but does not include a review of potential client structures. It is acknowledged that the client

'packaging' of functions such as Network Management, Inspections, Asset Management will influence the SDM selection and its degree of future success.

- 3.4 When analysing the shortlist of options in more detail at the DBC stage the Project Team will also set out the type and nature of services (contract packaging) to be included in the new SDM, an outline client structure and governance arrangements, indicative costs and savings, contract duration, key performance indicators, opportunities for commissioning and an outline of the quality objectives, incentives and penalties.

4.0 Identification of Options

- 4.1 The range of SDMs available to authorities to deliver highways maintenance services have been tried and tested over the years. These options were defined through the recent Highways Maintenance Efficiency Programme and were then expanded through development of the Proving Services Options appraisal toolkit.
- 4.2 These fifteen options represent the various models utilised across many authorities and therefore have been considered on their merits, alongside the current ESCC model.
- 4.3 ESCC currently operate Option 2 – A Single Provider Integrated Model. To manage this SDM, ESCC established an Executive Client consisting of 35 members of staff. The Executive Client structure is not the same as a SDM. No two client teams across Local Authorities are the same.
- 4.4 Previously ESCC operated a 'Mixed Economy' arrangement, most closely aligned with Option 12. This is where a number of contracts were awarded to specialist contractors with majority of design (professional services) carried out by the authority.

Table 1: Highway SDMs and Definitions

| Service Delivery Model Type | Option | Service Delivery Model Variation | Definition |
|-----------------------------|----------|--|---|
| Single Provider | 1 | Contractor + Designer (Separate) | <ul style="list-style-type: none"> • Single external contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing all design services. • No legal contractual relationship between the two. |
| | 2 | Integrated (Contractor + Designer) | <ul style="list-style-type: none"> • Single external contractor providing all blue collar and design services (either directly or managing a supply chain). • Single contract with authority. |
| Multiple Providers | 3 | Multiple Providers per Service Area | <ul style="list-style-type: none"> • All services outsourced to multiple contractors • E.g. Winter Service, Street Lighting, Design and Drainage each contract with multiple external contractors. • ESCC would be responsible for managing all the separate arrangements |
| | 4 | Function Orientated Service Providers | <ul style="list-style-type: none"> • All services outsourced to multiple contractors • E.g. Winter Service, Street Lighting, Design and Drainage each contract with a single external contract, which may or may not be a different provider for each function. • ESCC would be responsible for managing all the separate arrangements |

| | | | |
|------------------------|-----------|--|--|
| | 5 | Primary + Secondary (Risk sharing) | <ul style="list-style-type: none"> The Client contracts with two different contractors to share risk, one of which is the primary option. (primarily scheme delivery) |
| Framework | 6 | 4 Year Framework | <ul style="list-style-type: none"> 4 years as this is the term defined by OJEU. Contract can operate through joint working with other regional authorities. There can also be local frameworks. For the purpose of this exercise we mean a framework arrangement for the bulk of services not just capital schemes |
| JV | 7 | JV | <ul style="list-style-type: none"> Two or more organisations coming together to form a separate legal entity for commercial purposes. For the purposes of this exercise it assumes a public to private JV, with at least one entity being the local authority. |
| | 8 | Pseudo JV (Profit Sharing) | <ul style="list-style-type: none"> As above but without the formation of a separate legal entity. |
| Teckal | 9 | Arms-Length Company | <ul style="list-style-type: none"> Wholly owned local authority company limited by shares or guarantee. |
| Private Finance | 10 | PF2 | <ul style="list-style-type: none"> Private Finance Initiative. |
| Mixed Economy | 11 | Reactive and Cyclical only in-house | <ul style="list-style-type: none"> Reactive and cyclical services provided in-house, all other services contracted out. |
| | 12 | Best Option by Function/Service | <ul style="list-style-type: none"> Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house. (the contracted in function is traditionally the design function) |
| | 13 | Highways Alliance | <ul style="list-style-type: none"> 'Intelligent client' retains all policy and strategy functions, e.g. asset management and network management. Separate providers are appointed for term maintenance and design services and further providers may be appointed for specialist services, e.g. traffic signals. NEC contract clause X12, Partnering Agreement, is utilised to ensure a contractual commitment to collaboration between the partners. <p>The Alliance framework encompasses all providers and is created and sustained through:</p> <ul style="list-style-type: none"> pre-contract engagement to ensure the objectives of all partners align; a governance framework that places joint decision-making forums above individual contract discussions; and regular professional and social events to nurture relationships and ensure cultural and behavioural alignment. |
| | 14 | All In-House | <ul style="list-style-type: none"> Majority of services are provided internally, with large client team managing some outsourced specialist functions / top up services. |
| | 15 | Primary Design + Add On | <ul style="list-style-type: none"> Primary design services are delivered in-house. All blue-collar services are outsourced. Specialist design top up consultancy services are outsourced if needed. |

5.0. How the options were accessed.

5.1 The Options Appraisal was delivered through three key stages as set out below.

5.2 Stage 1

5.3 **Objective** – the objective of stage 1 was to reduce the long list of 15 options down to a shorter list of more feasible options to be appraised in further detail at stage 2.

5.4 Methodology:

- A workshop was held that Identified the potential future strategic outcomes for the next contract which formed part of the options appraisal assessment criteria.
- Once the strategic outcomes were identified, each of the fifteen options were scored against the evaluation criteria in table 6.
- Two further workshops were carried out to appraise the fifteen options against the thirteen Critical Success Factors (CSF's) as set out in table 4 and these were scored against the evaluation criteria in table 5.

5.5 Outcome:

- Following the three workshops a ranked list 1 to 15 was produced.
- A recommendation was made to the Highway Services Procurement Project Board and the Scrutiny Member Reference Group to reduce the long list to a smaller list of feasible options for further analysis at stage 2.
- A recommendation was accepted by both and the long list was reduced to 5 options.
- The 10 options not taken forward to stage 2 were discounted from the project.

5.6 Stage 2

5.7 **Objective** – reduce the list of 5 to a short list of 2-3 options to be taken through to the detailed business case stage to then be further developed and appraised in more detail.

5.8 Methodology:

- The remaining five options were validated by the Project Team with support from Proving Services Ltd. This included extra evidence gathering and amendments to some scores from the stage 1 workshops.
- The additional evidence gathered included data and information from other Local Authorities who use the respective SDMs as well as senior ESCC stakeholders who were not part of the initial stage 1 workshops.

5.9 Outcome:

- Following the validation and moderation of the scores, plus taking into account the limitations of the options appraisal process and other factors relevant to the context in which the Highways Maintenance service operations, the final five options were ranked.
- Three of the 5 options had potential criterial barriers to implementation identified against them, as set out in annex 001
- A recommendation was made to the Highway Services Procurement Project Board and the Scrutiny Member Reference Group discount the 3 options with critical barriers to implementation identified against them, leaving a short list of two options
- This recommendation was accepted by both and the final two options referred to as the “shortlist” was approved to be appraised in full within the DBC.

5.10 Stage 3

5.11 **Objective** – within the DBC stage further develop and appraise in more detail the two short listed options in, to determine a preferred option. The two options that were short listed were:

- **Option 1 – Single Provider Contractor (Works) and Single Provider Consultant (Designer).**
- **Option 2 – Integrated Single Provider (Contractor and Designer)**

5.12 Methodology:

- The assessment factors appraised were reviewed and reduced from 21 to 18
- The assessment criteria was reviewed and weightings inserted against the Achievability factors accordance with the latest Proving Services toolkit.
- The two options were independently scored by members of the Project Team, this included a procurement specialist from the corporate procurement team and Team Manager from the Strategic Economic Development Team.
- A joint moderation session of scores was then completed as a workshop to agree final scores
- A validation session was then facilitated with support from Proving Services Ltd to challenge the scores, the robustness of the evidence and to confirm the final overall scores for the two options.

5.13 Outcome:

- Following the validation and moderation of the scores, the final two options were ranked. The results are set out in tables 011 and 012.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to select Option 2 – Integrated Single Provider (Contractor and Designer)
- This recommendation was accepted, and therefore the key activities that needed to be undertaken to complete the commercial, financial and management cases only focused on Option 2.
- Option 1 was discounted from any further analysis within the DBC

5.14 Details of the three workshops facilitated by Proving Services Ltd, are set out below.

Table 2: Summary of participants in Strategic Options Review workshops

| Workshop | Description | Participants | Dates |
|----------|--|---|---------------|
| 1 | Identifying potential future Strategic Drivers/Outcomes and scoring these against the fifteen service delivery model options | Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Pippa Mabey, Nathaniel Burrows, Jon Wheeler | 16 April 2020 |
| 2 | Attractiveness and Achievability Scoring of the fifteen SDMs | Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Pippa Mabey (part of), Nathaniel Burrows (part of), Jon Wheeler | 23 April 2020 |
| 3 | Continued attractiveness and achievability Scoring of the fifteen SDMs | Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Jon Wheeler | 27 April 2020 |
| 4 | <u>Stage 3</u> Moderation Session | Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Jon Wheeler, Laura Curme, Paul Smart, Pippa Maybe, Ruby Brittle, Ed Rumsey | 12 Feb 2021 |
| 5 | Stage 3 Validation Session | Simon Wilson, Andy Perrin (Proving) Dale Poore, Robin Hayler, Laura Curme (ESCC) Ed Rumsey (Redray) | 25 Feb 2021 |

6.0 Methodology

- 6.1 Proving Services Ltd have developed an Options Analysis Toolkit which enables highways authorities considering future service delivery options to assess the relative:
- **Attractiveness** and **achievability (Critical Success Factor's)** of each option; and
 - Contribution each option will make to the delivery of the **service's strategic objectives**.
- 6.2 The toolkit also enables authorities to undertake a broad consideration of a long list of potential options, to then inform the determination of a short list of options for consideration, selection, and full business case development.
- 6.3 Each participating authority used the same baseline Critical Success Factors set out in table 4. Table 1 provided each authority with a broad definition of the 15 most recognisable SDMs that are being applied across the sector Definitions were reviewed to ensure that they applied to the ESCC context

- 6.4 In addition to scoring the critical success factors, once the strategic drivers/outcomes had been determined following the first workshop, these were included as part of the options appraisal assessment criteria.
- 6.5 Scoring of the different SDMs (options) was undertaken through a series of Stakeholder Scoring Workshops. The attendees of these collectively possessed a thorough knowledge of the current service delivery model and had a good appreciation of the other options being considered.

Table 4: Assessment Criteria – Critical Success Factor Definitions

| Attractiveness | | |
|--------------------------|------------------|---|
| Factor | Weighting | Definition |
| Economy | 100 | How much would this option cost to run compared to the current service delivery model. Are there any additional opportunities to reduce costs or increase revenues? |
| Efficiency | 100 | How productive and flexible would this option be once in operation, relative to the current delivery model? |
| Effectiveness | 100 | How would the outcomes and quality of service delivered under this option compare to the current delivery model? |
| Stakeholder Value | 100 | How would stakeholders (primarily service users, members and the client team) view this option relative to the current delivery model? |
| Achievability | | |
| Factor | Weighting | Definition |
| Complexity | 100 | How complex (scale, diversity interdependencies, novelty and volatility) would the transition to this option be, relative to continuing with the current delivery model? |
| Capacity & Capability | 50 | How does our capacity and capability (including infrastructure and supporting services e.g. legal, HR and procurement), to transition to and maintain this option compare to our ability to continue with the current service delivery model? |
| Affordability | 100 | How affordable is it to transition to this option, relative to continuing with the current service delivery model? |
| Authority Readiness | 75 | How prepared is the authority to embrace this option, in terms of political preference, relative to continuing with the current service delivery model? |
| Provider Readiness | 100 | How willing is the provider market to embrace this option relative to the current service delivery model? |
| Sector Success Stories | 75 | Are there any relevant and proven success stories of similar SDMs? |
| Governance and Reporting | 25 | How complex would the governance and reporting processes be for this option relative to those required for the current service delivery model? |
| Partner Management | 50 | How easy would it be to management partner relationships and performance under this option, relative to the current service delivery model? |
| Cultural Alignment | 75 | How well does this option align to the operational culture of the organisation and service, relative to the current service delivery model? |

6.6 Scoring Methodology

The scoring methodology for *Attractiveness* and *Achievability* is set out in Table 5, and for Strategic Contribution in Table 5.

Table 5: Scoring Methodology: Attractiveness and Achievability (Critical Success Factors)

| Attractiveness – Critical Success Factors | |
|---|--|
| 100 | This option would be more attractive than the current service delivery model for this factor. |
| 66 | This option would be equally as attractive as the current service delivery model for this factor. NOTE: Default assumption is current model scores 66 . |
| 33 | This option would be less attractive than the current service delivery model for this factor. |
| 0 | This option is not scored, or this option would be so unattractive for this factor, relative to the current service delivery model, that it would be a critical inhibitor to selection. |
| Achievability – Critical Success Factors | |
| 100 | This option would be equally as achievable as continuance with the current service delivery model for this factor. NOTE: Default assumption is current model scores 100 for Complexity, Capacity and Affordability. |
| 66 | This option is less achievable than continuance with the current service delivery model for this factor. |
| 33 | This option is significantly less achievable than continuance with the current service delivery model for this factor. |
| 0 | This option is not scored, or for this option, this factor would be a critical barrier to selection. |

Table 6: Scoring Methodology: Strategic Contribution

| Strategic Contribution | |
|------------------------|--|
| 100 | This option would offer a greater contribution to delivery of this strategic objective than the current delivery model. |
| 66 | This option would be offering an equal contribution to delivery of this strategic objective than the current delivery model. |
| 33 | This option would be offering a lesser contribution to delivery of this strategic objective than the current delivery model. |
| 0 | This option is not scored, or for this option, this factor is a critical barrier to success. |

7.0 Options Appraisal Results

7.1 Figure 1 below, sets out the 15 scored service delivery model options for ESCC.

Figure 1: Stage 1 ESCC Scored Strategic Options Appraisal

| | | | | Strategic Performance | | | | | | | | | | Attractiveness Analysis (VfM) | | | | | | Achievability Analysis | | | | | | Position Analysis | | | | | | | | |
|--------------------|----|---------------------------------------|--|--|-----|-----|-----|-----|--|-----|-----|-----|-----|--|-----|-----|-----|-----|--|------------------------|-----|-----|-----|--|-----------------------|-------------------|-----|-----|-------|-----------------------|-----|--|--|--|
| | | | | Optimize and improve network performance for all users and to support the local growth agenda. | | | | | Enhance the local economy through network expansion and improvement. | | | | | Sustain a financially resilient service that delivers best value with the resources available. | | | | | Engage effectively to understand and meet the needs of our citizens and communities. | | | | | Embrace best practice, innovations and new technologies. | | | | | Total | Weight-Adjusted Score | | | | |
| Option Family | # | Option Name | | | | | | | | | | | | | | | | | | | | | | Total | Weight-Adjusted Score | | | | | | | | | |
| | | | | 66 | 66 | 66 | 33 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | | |
| Single Provider | 1 | Contractor & Designer (Separate) | | 66 | 66 | 66 | 33 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | | |
| | 2 | Integrated (Contractor + Designer) | | 66 | 100 | 66 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | 100 | 66 | | | | | |
| Multiple Providers | 3 | Multiple Providers Per Service Area | | 100 | 66 | 66 | 100 | 100 | 66 | 33 | 33 | 23 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | | | | |
| | 4 | Function-Oriented Service Providers | | 100 | 66 | 66 | 100 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| | 5 | Primary + Secondary (Risk Sharing) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Framework | 6 | 4-Year Framework Agreement | | 33 | 33 | 66 | 66 | 66 | 33 | 33 | 33 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | | | | |
| | 7 | JV | | 100 | 100 | 66 | 100 | 66 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | | | | |
| | 8 | Pseudo JV (Partner + Profits Sharing) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Teckal | 9 | Arms-Length Company | | 100 | 100 | 66 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | | | |
| Private Finance | 10 | PF2 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| | 11 | Cyclical & Reactive In-House | | 100 | 66 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| Mixed Economy | 12 | Best Option By Function / Service | | 100 | 66 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| | 13 | Highways Alliance | | 66 | 66 | 66 | 33 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| | 14 | All In-House | | 66 | 66 | 66 | 100 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| | 15 | Primary Design + Add On | | 100 | 66 | 66 | 100 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | 66 | | | | |
| | | Factor Importance | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | | | | |
| | | Average Factor Score | | 59 | 51 | 47 | 59 | 55 | 51 | 49 | | | | | | | | | | | | | | | | | | | | | | | | |

Key: Anticipated Performance

| | |
|-----|--|
| | Not Applicable (In This Context) |
| 0 | Critical Issue / Barrier to Implementation |
| 33 | Poorer Than Current Performance |
| 66 | Unknown or Parity (At Best) Performance |
| 100 | Parity Or Better Than Current Performance |

8.0 Options Appraisal Recommendations

- 8.1 Figure 2 below provides a comparison of how the scoring of each options has contributed to the development of the shortlist of Service Delivery Options. It notes which options are also not viable to take forward. Further detail of the top five options are set out in section 9.0.

Figure 2: Stage 2: validated & ranked table of scored options

| Option | Category | Description | Assessment Criteria | | | | Recommendations |
|--------|-------------------|---------------------------------------|-----------------------|----------------|---------------|-------------|---|
| | | | Strategic Performance | Attractiveness | Achievability | Final Score | |
| 2 | Single Provider | Integrated (Contractor + Designer) | 78.8 | 83.0 | 100.0 | 87.3 | Shortlist - Recommend to develop further within the DBC |
| 1 | Single Provider | Contractor & Designer (Separate) | 66.1 | 58.0 | 84.9 | 69.7 | |
| 9 | Teckal | Arms-Length Company | 91.5 | 83.3 | 29.3 | 68.0 | Validated at stage 2 - discounted due to potential critical barriers to implementation. Agreed by HSRP Board and SMRG |
| 12 | Mixed Economy | Best Option By Function / Service | 66.1 | 83.0 | 44.0 | 64.4 | |
| 7 | Joint Venture | JV | 87.3 | 74.8 | 22.0 | 61.3 | |
| 15 | Mixed Economy | Primary Design + Add On | 75.7 | 57.8 | 66.0 | 66.5 | Discounted at stage 1 validation as agreed by HSRP Board and SMRG |
| 4 | Multiple Provider | Function-Orientated Service Providers | 80.6 | 66.5 | 44.8 | 64.0 | |
| 11 | Mixed Economy | Cyclical & Reactive In-House | 75.7 | 66.5 | 44.8 | 62.3 | |
| 14 | Mixed Economy | All In-House | 75.7 | 66.5 | 44.8 | 62.3 | |
| 13 | Mixed Economy | Highways Alliance | 61.3 | 58.0 | 61.4 | 60.2 | |
| 3 | Multiple Provider | Multiple Providers Per Service Area | 71.1 | 58.0 | 34.2 | 54.4 | |
| 6 | Framework | 4-Year Framework Agreement | 47.1 | 41.3 | 54.3 | 47.5 | |
| 8 | Framework | Pseudo JV (Partner + Profits Sharing) | 0.0 | 0.0 | 0.0 | 0.0 | |
| 5 | Multiple Provider | Primary + Secondary (Risk Sharing) | 0.0 | 0.0 | 0.0 | 0.0 | |
| 15 | Private Finance | PF2 | 0.0 | 0.0 | 0.0 | 0.0 | |

- 8.2 The evidence files for detailing scoring of top 5 ranked options is included in Annex 00

9.0 Stage 2 - Options Summary

9.1 A detailed breakdown of the key benefits and weaknesses of the six shortlisted options is set out below.

| | | |
|-----------------|---|--------------------|
| Option 2 | Single Provider Integrated Contract (Design & Works) | SCORE 87.3% |
|-----------------|---|--------------------|

| Model Description | |
|--|---|
| Key Benefits | Key Weaknesses |
| <p>Risk</p> <ul style="list-style-type: none"> The risk associated with the delivery of the services is transferred from the Council to the private sector provider. <p>Financial</p> <ul style="list-style-type: none"> A single provider avoids ongoing tendering costs for the Council, whilst also being attractive to the private sector partner with a long contractual term and extent of workload to be provided. The cost of the provision of the services by the single service provider will be as set out in the contract with mechanisms for increases agreed to keep in line with value for money assessments. <p>Quality of Service</p> <ul style="list-style-type: none"> A single specification and order process will be established at day one. Any interface issues between the activities is for the provider who will have the responsibility for managing its supply chain. The provision of services should ensure a consistent approach to delivery. <p>Control</p> <p>Control will be exercised through the terms of the contract and dependent on the resourcing and effectiveness of the client team to exercise rights. The manner of service delivery will be for the provider.</p> | <p>Risk</p> <ul style="list-style-type: none"> The effectiveness of risk transfer will depend on the terms of the contract and the Council's contract management function. <p>Financial</p> <ul style="list-style-type: none"> The Council is committing all its budget at the outset. There is no ongoing competition between service providers to encourage lower pricing. If providers struggle to deliver profitably, performance may suffer and/or more changes are requested, increasing the anticipated budget. <p>Quality of Service</p> <ul style="list-style-type: none"> The service specification may become outdated over time with changes resulting in additional costs. Risk of reputational damage should the contractor not provide the services to the standard required by the Council. <p>Control</p> <ul style="list-style-type: none"> The manner of service methods is primarily for the provider leaving reputation risk with the Council. The remedy regime may not lead to immediate improved performance undermining the appearance of control. The ultimate sanction for control would be termination. |

| | | |
|---------------------|---|------------------------|
| Option 1 | Single Provider Contractor & Desgin (Separate) | SCORE 69.7% |
|---------------------|---|------------------------|

| Model Description | |
|---|---|
| Key Benefits | Key Weaknesses |
| <p>Risk</p> <ul style="list-style-type: none"> • Single external contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing design services. • No legal contractual relationship between the two, the Council manages each contract and the relationship between the two organisations <p>Financial</p> <ul style="list-style-type: none"> • Could be attractive to the private sector with a long contractual term and extent of workload to be provided. • The cost of the provision of the services by the single service providers will be as set out in the contract with mechanisms for increases agreed to keep in line with value for money assessments. <p>Quality of Service</p> <ul style="list-style-type: none"> • The provision of services should ensure a consistent approach to delivery as the contracts awarded to the specialists <p>Control</p> <p>Control will be exercised through the terms of the contract and dependent on the resourcing and effectiveness of the client team to exercise rights. The manner of service delivery will be for the provider.</p> | <p>Risk</p> <ul style="list-style-type: none"> • The effectiveness of risk transfer will depend on the terms of the contract and the Council's contract management function. • The Council bears the risk of any interface or inter-dependency issues if performance is poor. • The Council requires a skilled client team. <p>Financial</p> <ul style="list-style-type: none"> • There is no ongoing competition between service providers to encourage lower pricing. If providers struggle to deliver profitably, performance may suffer and/or more changes are requested, increasing the anticipated budget. <p>Quality of Service</p> <ul style="list-style-type: none"> • Reduces the ability for the Council to deliver an integrated service and consistent approach to service delivery. • The service specification may become outdated over time with changes resulting in additional costs. • Risk of reputational damage should the contractor & consultant not provide the services to the standard required by the Council. <p>Control</p> <ul style="list-style-type: none"> • The manner of service methods is primarily for the provider leaving reputation risk with the Council. The remedy regime may not lead to immediate improved performance undermining the appearance of control. The ultimate sanction for control would be termination. • Two separate contracts and relationships will mean having to identify who may be in default (rather than having a single provider integrated (works and design) to be liable for any default). |

Model Description

A company wholly owned by the Council will be set up and able to provide services back to the Council, as a single provider. The common form of corporate vehicle utilised is a private company limited by shares and may be created with a shareholders agreement that will include a business plan.

This new company will be exempt from the Public Contract Regulations 2015 (as amended) if it satisfies the requirements of the 'Teckal Exemption' as set out in Regulation 12 (1):

- a) More than 80% of activities must be performed for the controlling local authorities;
- b) There cannot be any private sector ownership;
- c) The Teckal company's primary purpose must not be commercially orientated; and
- d) The controlling local authorities must exercise decisive influence over the strategic objectives and significant decision.

It will not need to be procured by the Council.

| Key Benefits | Key Weaknesses |
|---|---|
| <p>Risk</p> <ul style="list-style-type: none">• The risk is retained by the Council albeit transformed to a separate entity to deliver. <p>Financial</p> <ul style="list-style-type: none">• Tendering rules for public contracts do not apply, resulting in significant time and financial savings in procurement.• The Council is not paying any 'profit' element and does not need to pay a 'risk transfer premium'.• The company has a 'safe harbour' to improve and develop skills that may be 'sold' to other public sector entities and learns to manage risk as an arm's length organisation.• Any surplus generated through efficiencies is returned to the Council in the form of either dividends or rebate, which will enable the Council to reinvest in other services, unless to be reinvested in the service.• The Council will have the ability to respond to reduced budgets or changing priorities and be flexible, without financial liability or commercial renegotiation. <p>Quality of Service</p> <ul style="list-style-type: none">• Flexibility in the way that works and services are allocated.• Employment within a Council company can be attractive to staff. <p>Control</p> <ul style="list-style-type: none">• The Council will be the sole shareholder of newly incorporated company and can therefore exercise control over its operation. This will be done by setting out certain 'reserved matters' in its shareholders agreement and/or articles of association which require shareholder consent. | <p>Risk</p> <ul style="list-style-type: none">• No transfer of risk to the private sector, as the newly incorporated company will be a wholly owned by the Council. Therefore, risk will ultimately sit with the Council.• The remedy regime for poor performance cannot pass much by way of financial risk so requires an interventionist approach conducted by an experienced client team. <p>Financial</p> <ul style="list-style-type: none">• The Council will need to fund/resource the establishment of the arrangement.• There is a clear limit on pursuing external commercial activities, without running the risk of falling foul of Regulation 12 requirements.• Financial risks and risks of poor delivery ultimately remain with the Council. <p>Quality of Service</p> <ul style="list-style-type: none">• Limited influence from the private sector, therefore reducing access to innovative practices and the up to date practices of the private sector.• Public sector employment can be hard to recruit into for specialist resources. <p>Control</p> <ul style="list-style-type: none">• The Council may be unfamiliarity with the potential arrangement and therefore have insufficient skills and experience to set up and operate the Teckal arrangement.• Managing potentially conflicting positions as shareholder and client can result in conflicts.• The service contract requires an interventionist approach. |

| | | |
|----------------------|--|------------------------|
| Option 12 | Mixed Economy Best Option by Function / Service | SCORE 64.4% |
|----------------------|--|------------------------|

| Model Description | |
|--|---|
| <ul style="list-style-type: none"> • Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house. (the contracted in function is traditionally the design function) • A series of providers will be procured and contracts entered into to deliver the various highways related services. This is a simpler version of the framework option as the providers will be procured to deliver particular packages of works and/or services. This provides that specialist organisations deliver the relevant discrete highway maintenance service elements. • The Council will retain a team to manage the contracts with the various providers and manage the interfaces between them. | |
| Key Benefits | Key Weaknesses |
| <p>Risk</p> <ul style="list-style-type: none"> • Some or majority of risk related to the individual functions will be transferred to the private sector. • The appointments can be longer than those under a framework arrangement. • Less of a risk of service disruption compare with a single provider, if a contractor was do go into administration. <p>Financial</p> <ul style="list-style-type: none"> • There are no ongoing tendering costs for the Council. • The Council is not paying an overhead to a single provider to manage multiple providers (supply chain) but doing it itself. <p>Quality of Service</p> <ul style="list-style-type: none"> • Engaging the private sector allows for access to wider skills and resources. Specialists are appointed directly. <p>Control</p> <ul style="list-style-type: none"> • The Council will have control as to the initial choice of service providers and the contract terms. | <p>Risk</p> <ul style="list-style-type: none"> • The Council bears the risk of any interface or inter-dependency issues if performance is poor. • The Council requires a skilled client team. <p>Financial</p> <ul style="list-style-type: none"> • No ongoing competition between service providers to encourage competitive pricing. • This will therefore require that the Council implement a robust performance measurement regime. <p>Quality of Service</p> <ul style="list-style-type: none"> • Reduces the ability for the Council to deliver an integrated service and consistent approach to service delivery. • Interface and inter-dependency issues remain with the Council <p>Control</p> <ul style="list-style-type: none"> • Logistically, it may be difficult for the Council to manage and administer as there will be multiple points of responsibility for various the various disciplines. • Direct contracts and relationships will mean having to identify who may be in default (rather than having a single provider to be liable for any default). |

| | | |
|---------------------|--|------------------------|
| Option 7 | Joint Venture (Public to Private) | SCORE 61.3% |
|---------------------|--|------------------------|

| Model Description | |
|---|--|
| <ul style="list-style-type: none"> • A joint venture created between the Council and a private sector entity (or entities). • This would be established by a procurement and the joint venture once created, as a separate legal entity, will operate as a single provider. With an investment and representation in the joint venture the Council will have additional rights of control and potential return but will carry some risk in the delivery of works and services. • Clarity will be required as to: <ul style="list-style-type: none"> - what benefit the private sector can bring; - why a joint venture might better deliver the Council's objectives. | |
| Key Benefits | Key Weaknesses |
| <p>Risk</p> <ul style="list-style-type: none"> • As a form of single provider, any contract with the Council will pass risk to the JV. However, as a shareholder in the JV the extent of risk passed may not be as great as to a single provider. • Within the JV itself risk and reward are likely to be shared. Any benefit will be shared. <p>Financial</p> <ul style="list-style-type: none"> • The risk of delivery to budget is passed to a separate entity. • The private sector will bring a profit motive and focus on efficiency. Any benefits will be shared. <p>Quality of Service</p> <ul style="list-style-type: none"> • The Council will have access to the skills and resources of the private sector and the contract can impose similar service specification requirements as for a single provider. <p>Control</p> <ul style="list-style-type: none"> • The Council will have roles as client; shareholder; and in appointing directors. The combination offers considerable control. | <p>Risk</p> <ul style="list-style-type: none"> • A JV is usually attractive to councils where there is infrastructure development and capital can be deployed and risk taken with considerable reward on increased values. Less common on service provision where there may be limited upside benefit where they can only be achieved through efficiencies. Extracting that benefit can be achieved in other ways (particularly contractually) without the need for a complex JV being procured and created. <p>Financial</p> <ul style="list-style-type: none"> • The JV will be funded by the council through its payments for works and services. Unless the private sector provides extra finance (at a cost) for which it may want a greater share of returns, the Council will continue to hold some financial risk for service performance in the JV. <p>Quality of Service</p> <ul style="list-style-type: none"> • There may be difficulties in matching public and private sector cultures in one vehicle for the efficient provision of services. <p>Control</p> <ul style="list-style-type: none"> • Councils can fail to maximise the benefits of this model by not engaging at joint venture level but only as a client. • There is the potential for a conflict of interest between the members / officers of the Council and the joint venture in the performance of roles as client and shareholder and for individuals as directors. Enforcing contractual rights can be difficult. |

10.0 Stage 3 – Summary

10.1 Figure 3 below, sets out the 2 scored service delivery model options for stage 3.

| | | Single Provider Option 1 | Single Provider Option 2 |
|---|--|---|--|
| Business Case | Assessment Criteria | Single Provider Works Single Provider Design | Integrated Single Provider (Works & Design) |
| Strategic (Strategic Fit & Business Needs) | Improvement & Development of the Highway Infrastructure (optimise) | 66 | 66 |
| | Improvement & Development of the Highway Infrastructure (Enhance) | 66 | 66 |
| | Customer Focus | 33 | 66 |
| | Make Best Use of Resources | 66 | 66 |
| | Carbon | 66 | 66 |
| Economic (Potential VfM) | Economy | 33 | 66 |
| | Effectiveness | 33 | 66 |
| | Stakeholder Value | 33 | 66 |
| | Efficiency | 33 | 66 |
| Management (potential achievability) | Complexity (Inherent Risk) | 66 | 100 |
| | Capability & Capacity | 66 | 100 |
| | Authority Readiness | 33 | 66 |
| | Governance & Reporting | 33 | 66 |
| | Partner Management | 33 | 66 |
| | Cultural Alignment | 33 | 66 |
| Commercial (Supply-Side capacity and Capability) | Provider Readiness | 66 | 66 |
| | Sector Success Stories | 100 | 66 |
| Financial (potential affordability) | Affordability | 66 | 100 |
| Strategic Total | | 59 | 66 |
| Attractiveness Total | | 33 | 66 |
| Achievability Total | | 59 | 81 |
| Overall Totals (%) | | 50% | 71% |
| | | 2nd | 1st |

10.2 Options Appraisal Results Summary

- 10.3 The full results of the scored fifteen options from stage 1 is set out in figure 1, stage 2 is set out in figure 2 and stage 3 is set out in figure 3 A summary of the results of the two shortlisted options that were validated at Stage 3 are in table 6.
- 3.7.2 The assessment shown in figure 3, was scored against the assessment criteria in table 4. This has taken account of the critical success factors for the project and the service outcomes.
- 3.7.3 Each assessment criteria were scored against predetermined evaluation criteria as set out in this appendix, the scoring matrix is 0,33,66,100. Where 0 is a critical barrier to success and 100 is where this option would be equally as good or better than the current arrangements.

3.9 Shortlisted Options from Stage 2

3.9.1 The following options were identified to be taken forward from the OBC. These two options represent the best opportunity for value for money for the future delivery of highways services.

- **Option 1 Single Provider Works and Single Provider Design**
- **Option 2 Integrated Single Provider (Works & Design)**

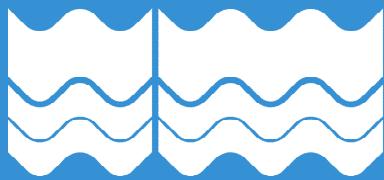
3.10 Shortlisted Option from Stage 3

3.10.1 The assessment of the two options as set out in figure 3, shows that Options 2 is ranked the highest overall.

3.10.2 Table 6 sets out the overall scores of Options 1 and 2 across the three stages of the options appraisal.

Table 6. Comparison of Options 1 and 2 across the three stages

| Option | Type of Service Delivery Model | Stage 1 | Stage 2 | Stage 3 | Difference between Stage 1 & Stage 3 |
|---------------|--|----------------|----------------|----------------|---|
| Option 1 | Contractor & Designer (Separate) | 70% | 69.70% | 50% | -19% |
| Option 2 | Integrated (Contractor + Designer) (current model) | 85% | 87.30% | 71% | -14% |
| | <i>Difference</i> | 15% | 17.60% | 21% | |



Appendix 004: Highway Services Re-Procurement Project Second Report of the Place Scrutiny Committee Reference Group

Councillors John Barnes
 Bob Bowdler (Chair)
 Godfrey Daniel
 Darren Grover
 Andy Smith

May 2021

The Second report of the Highways Contract Re-procurement Reference Group

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Introduction

1. The maintenance of the County's highways is one of East Sussex County Council's (ESCC) most visible services used by thousands of people on a daily basis. Highways maintenance is of key importance to residents and businesses throughout East Sussex, who rely on roads and footpaths to be able to get to where they want to go, and to move goods and services around the County efficiently and safely.

2. The current Highways Infrastructure Services (HIS) Contract comes to an end on 30 April 2023 and officers have established the Highway Services Re-procurement Project (HSRP) to carry out the work needed to specify and retender the contract. The Place Scrutiny Committee have formed a Reference Group to work alongside officers on the development of the new contract in keeping with the previous involvement the Committee has had in this work.

3. The HSRP is comprised of a number of stages leading up to the commencement of the new contract in May 2023. The purpose of this second report is to cover the Reference Group's involvement in stage 2 of the Project, which is the development of the Detailed Business Case (DBC) prior to the agreement of the DBC by Cabinet in July 2021. It will also provide a reference point for the Place Scrutiny Committee who will reconvene the Reference Group after the County Council Elections on 6 May 2021.

Background

4. Cabinet awarded the current Highways and Infrastructure Services Contract 2016-23 to Costain CH2M in December 2015. The services are delivered through an unincorporated joint venture agreement between Costain Ltd and Jacobs (formerly CH2M). This represented a change from the previous service delivery model (SDM), from a multiple provider arrangement to an Integrated Single Provider model.

5. The current contract was awarded for a fixed seven-year term and has no provision for contract extensions. The contract is based on the industry standard New Engineering Contract (NEC) 3rd Edition Engineering and Construction Contract, with output focused specifications to deliver the current maintenance policy and levels of service. The value of the work covered by the current contract arrangements is around £35 million to £40 million per year.

6. The Highway Services Re-procurement Project uses the Council's four stage corporate Strategic Commissioning Framework and HM Treasury's Five Case Model as the basis for developing the business cases, which is considered best practice. The HSRP project is structured into the following:

Stage 1 – Planning & preparing the Outline Business Case (OBC)

Stage 2 – Planning & preparing of the full Detailed Business Case (DBC)

Stage 3 – Delivery of Procurement Strategy

Stage 4 – Implementation through Mobilisation & Training to Contract Commencement

7. The work of the Reference Group has covered Stages 1 to 2 of the Project. The work included in this report covers Stage 2, the planning and preparation of the Detailed Business Case and the selection of the SDM to be used. The Reference Group's work on the DBC has also sought to address a number areas identified in the OBC stage. These have been grouped together into four topics covering:

- Performance Framework
- Highway Asset Inspections
- Quality Assurance
- Stakeholder Engagement

Reference Group Work on the Detailed Business Case (DBC)

Future Service Delivery Model Review

Recommendations from the Outline Business Case

8. During the development of the OBC a wide range of SDMs were assessed against ESCC strategic outcomes and objectives for the HIS maintenance contract. External advisors, Proving Services, assisted with the assessment of the SDMs. They also provided insight regarding the models other local authorities are using, or are proposing to use, and what the provider market's attitude is to the various models.

9. The recommendation of the OBC is to look in more detail at the two SDMs which were assessed as most likely to meet the Council's requirements. The final two options which the Detailed Business Case examines in more detail are:

- Option 1 – Contractor and Designer (separate contracts)
- Option 2 – Integrated Contractor and Designer (together in one contract, which is the current SDM)

Assessment of the Service Delivery Models (SDMs)

10. The remaining two options were scored by a group of officers involved with the contract against 18 critical success factors. The results were externally validated by Proving Services and Option 2, which is the current SDM, scored the highest. The Reference Group heard that Option 2 is popular with other local authorities, is favoured by the provider market and has scored the highest in each of the 3 phases of the business case development. A summary of the strengths and weaknesses of the two options is given below.

11. Option 1. Providers like this model and there are success stories where this model is in use and there is market readiness. The weakness of this model is that the transition to this SDM would be more difficult and costly for ESCC. There would be two contractors to manage which may need more staff resources leading to an increase in costs. This option scored on average 1 point lower for each of the critical success factors. Therefore, this is not the preferred model and the recommendation is not to proceed with it.

12. Option 2. This is the current service delivery model and has a number of strengths. It is the least complex to transition to, and the capability and capacity to manage this model already exists in the Client Team so no extra resources would be needed. In terms of affordability, the cost of changing to this model is the lowest. There is provider readiness in the market for this model, especially if the scope is large enough and the length contract is long enough. Option 2 scored higher or equal to Option 1 in 17 out 18 of the critical success factors. The recommendation is to take Option 2 forward as the preferred service delivery model.

13. The Reference Group reviewed the assessment process and the recommendation to select Option 2 as the preferred SDM. It was noted that the existing model (Option 2) has strong points and that an evolutionary change between SDMs is a safer option for the Council. The Council made a significant change in the SDM it used 5 years ago and has seen many benefits from the integrated approach. It is possible to continue make improvements with this model as it matures and is in use for a longer period. The Reference Group endorsed the recommendation to select Option 2.

The Reference Group supports the selection of Option 2, which is a single integrated contract, as the preferred service delivery model.

The Reference Group's work on key topics identified in the OBC stage

Performance Framework

14. Further work has been carried out on the Performance Framework to refine the number of strategic service outcomes. Previously the Reference Group had commented on the 8 strategic outcomes. It is proposed to reduce them to five and focus on:

- Achieving the Best Network Condition for the Investment Available
- Quality Assurance and Value for Money
- Effective Customer Engagement
- Support for the Carbon Neutral Agenda
- Promoting Economic Growth

15. The Reference Group reviewed the proposed outcomes and their definitions. A set of Service Performance Indicators (SPIs) will be developed for the five strategic outcomes to measure the performance of the contract and there may be several SPIs developed for each one of the strategic outcomes.

16. The Reference Group considers that a measure of the effectiveness of the money spent under the contract is not just value for money, but also quality assurance to get things done right first time. There are examples where work has had to be re-done, causing reputational damage to the Council as the public blame the Council and see it as an inefficient use of resources, even though the contractor is paying.

17. Under the new Support for Carbon Neutral Agenda outcome, the contractor will be required to develop a carbon footprint for highways contract activity and then aim to reduce emissions by 13% per annum in line with the overall Council target. It is also likely that the provider market will have its own carbon neutral agenda and proposals.

The Reference Group is happy to support the five proposed strategic outcomes, taking into account the comments that the Reference Group has made.

Highway Asset Inspections

18. The purpose of the Highway Asset Inspection core activity is to undertake inspections to maintain a safe and serviceable road network. There are two main types of inspection regimes, safety inspections and service inspections. As a local highway authority, the Council is required to undertake safety inspections on all parts of the network, carrying out a systematic approach to the identification and recording of defects and dealing with them in accordance with agreed timescales. Safety inspections are undertaken by Highway Stewards employed by the contractor and can be routine (planned) or reactive.

19. Service inspections to maintain the serviceability and sustainability of the road network are carried out by specialist staff. Most are outsourced to the contractor, but some are carried out by the Asset Management Team employed by ESCC, such as the annual carriageway condition surveys. The inspection of third-party utility works is not part of this core activity and is not part of the Stewards role.

20. Overall, outsourcing inspections is efficient, effective and affordable, but there is a perception of a lack of control and accountability. The outsourced service has reduced process inefficiencies where previously the responsibility for organising repairs had more steps raising and processing the work between the Council and contractor. Outsourcing has also transferred responsibility for third-party insurance claims, which has improved outcomes and reduced the number of claims.

21. An analysis has been carried out to compare the outsourced cost of this service (current position) with the cost if it is brought in-house. There would be an indicative 22% cost increase if this core activity were to be brought in-house.

Highway Stewards

22. The role of the Highway Stewards was discussed and Members queried whether they would be best employed directly by the Council to give them greater flexibility when assessing issues on the highway. The Reference Group commented that there is a need to eliminate wasteful processes. The role of Stewards is to identify safety defects via inspections that are likely to cause a danger or obstruction to road users. Their primary role is not one of quality inspectors of completed works. Although it was noted that they are enabled to flag up quality issues if they find them during their inspections. The Reference Group explored whether it would be possible to have Stewards as quality inspectors and some members of the Reference Group commented that they would rather have fewer Stewards in-house if that meant it was possible to expand their role.

The Reference Group concluded that the process and cost efficiencies of having an outsourced safety inspection service should be retained, but they would like to see more quality inspections (see below).

Quality Assurance

23. Quality assurance is one of the main areas that the Reference Group wished to explore in order to understand the current service and to see what improvements could be made in this area. Based on the type of issues raised with councillors, the Reference Group explored three areas of quality assurance: the quality of reactive repairs; the quality of planned works such as large re-surfacing schemes; and the quality of utility company reinstatement works (also referred to as third party repairs).

24. In addition to the 12 Highway Stewards who carry out safety inspections there are also 4 Supervisors employed by the contractor checking reactive and planned maintenance works; 2 NEC Supervisors in the ESCC Client Team inspecting completed planned works and 4 Network Inspectors employed by the contractor checking third party utility company works (approximately 10,000 jobs per year). Overall, there are 22 full time equivalent staff involved in inspecting and checking various aspects of the highways contract.

Reactive Works

25. Supervisors employed by the contractor inspect a randomised 10% sample of all reactive repairs for quality assurance purposes. This is done using a desk survey of the before and after photographs taken by the works gangs and followed up with a site visit if necessary. In addition to this there are monthly on-site inspections carried out by Supervisors and monthly on-site joint inspections carried out by senior managers from the contractor.

26. Most reactive repairs are permanent repairs, but there are some circumstances where a temporary repair is carried out to make a road immediately safe to use whilst a permanent repair is organised. Highway Stewards can raise an 'Advisory' where a request is made for a larger repair which is associated with a pothole defect which meets the intervention criteria.

27. The Reference Group reviewed the potential changes to the contract to increase the percentage of reactive repairs carried out 'right first time'. These include investigating measures to:

- specify the percentage of defect repairs subject to the contractor's quality control process and linking it to an SPI and the gain share mechanism;
- introduce a potential SPI measuring the percentage of permanent repairs made on first visit;
- measure the percentage of 'Advisories' completed within 28 days (depending on size and budget); and
- Use business performance indicators, where 30% of reactive works are inspected by a Supervisor in the Client Team to strengthen quality control of reactive work.

The Reference Group acknowledges that the majority of reactive repairs carried out are permanent repairs and supports the potential measures to improve quality in this area. In particular, the Reference Group endorses the idea of increasing the number of quality checks made by NEC Supervisors in the Client Team.

Planned Works

28. The Reference Group heard that at present the 2 NEC Supervisors employed by ESCC inspect 100% of all completed planned works and inspect reactive repair works on an ad hoc basis. The inspections of completed works have identified defects in this category of work and steps have been taken to reduce the number of defects year on year. There is a downward trend in the number of defects and there is an ambition to drive this improvement further by incentivising a 'right first time' approach in the new contract.

29. There are a number of suggestions to help minimise the number of defects in this category of work. One is to create a new SPI measuring the percentage of works carried out right first time as a percentage of all completed works. Another could be to use retentions for work subject to defects or to measure the compliance with the current defect rectification period. This could be made an SPI which would be linked to the gain share (incentive) mechanism in the contract. Monthly joint inspections, where staff from client and contractor teams inspect at the same time, will continue and increasing the number of these will be explored.

The Reference Group supports the introduction of new measures to enhance the quality assurance process for planned works and incentivise a 'right first time' approach to this category of work.

Utility Company Works

30. The Network Management team employed by the contractor inspect third party utility company works. A random sample is inspected during the works (10% of the total per annum), after temporary reinstatement (10%) and after permanent reinstatement (10%). The Reference Group heard that 80% of utility works reinstatements are carried out to a permanent standard first time. The Network Team sends out reminders to ensure temporary repairs are made permanent and very few go past the 6 month deadline. Legally, utility companies have 6 months in which to make a permanent repair, which can lead to unsatisfactory temporary repairs being in place for a long period of time. Members of the public often blame the Council for this situation, although it has little control over this.

31. A breakdown of the completed inspections shows 92.6% of the sample inspected passed quality checks. Overall quality compliance is quite high and the Network Management function is working well. This is a heavily regulated area of the contractor's work so there are no suggestions for changes in the quality assurance process or additional SPI's in the new contract.

32. The Reference Group highlighted the problems caused by the timescales to complete permanent repairs being too long (i.e. 6 months) and the fact that specialist materials such as pavements and paving are not being retained to match the original surfacing material. Often the Council is blamed for poor quality utility company reinstatement work, which may only be a temporary repair. It was suggested that the Council should lobby for a reduction in the time period within which permanent repairs have to be completed.

The Reference Group suggests that the utility company reinstatement performance is something that the new Place Scrutiny Committee may wish to examine, especially regarding temporary repairs and specialist materials.

Stakeholder Management

33. The Reference Group reviewed the Stakeholder Management arrangements in the contract. This covers the way in which stakeholders can report issues and raise requests via Contact Centre, Highway Stewards, Customer Service Managers and the ESCC Client. It also includes the way information is provided to stakeholders on highways matters such as planned works, network availability and the progress of reported issues.

34. The objective for stakeholder management in the current contract states:

- To ensure that members of the public and other Stakeholders can report issues, make enquiries and access information in relation to the Area Network.
- To ensure that Stakeholders are informed and effectively consulted on activities that relate to the Area Network in a timely, efficient and accurate manner.

35. The Reference Group heard that 91% of all reports are made by members of the public and typically the Contact Centre will deal with around 70,000 reported issues or cases a year. Around 69% of reports received from members of the public are made either via the website or email. The Reference Group recommends that the Council considers developing an App for mobile phones and other devices to make reporting easier, which could deliver efficiencies and savings through further changes in the way potholes and other issues are reported and processed. This would be consistent with the Core Offer which states that the Council will seek to provide information and access to services online wherever possible.

36. There is a good level of engagement with stakeholders such as Parish and Town Councils through the Strengthening Local Relationships (SLR) meetings, which are regularly attended by ESCC Councillors. It is also important that ESCC councillors are kept directly informed of all highways issues in their Divisions. ESCC councillors have a good understanding of highway issues in their Divisions, especially recurring problems, which is a valuable source of information and should be proactively utilised. The number of complaints about the service is around 0.3% of the total number of enquiries, which is good bearing in mind the type and number of issues being dealt with.

37. The Reference Group discussed whether they had a preference for a single point of contact for Members to report issues and what reporting channels they wanted. The most effective channel is to report issues via the website, but where this is not suitable then other channels should be available such as raising issues with the Highway Steward or Customer Service Manager. Occasionally there are complex issues which need to be raised/escalated with the ESCC Client Team, in particular the Stakeholder and Engagement Manager or Contract Manager - Highway Infrastructure Services. The continued ability to call or message staff using Teams, Skype, or similar technology would be welcomed.

38. Training for all councillors should be provided on how to report issues using the East Sussex Highways website, and how to get other information about highways matters in their Division. A simplified login process for councillors wishing to use the website would make it easier for councillors to access the system and may increase uptake. It is important to highlight that issues should be reported via the website in the first instance as this is the most effective way of resolving them in a timely way.

The Reference Group confirmed that they were happy with the current service arrangements for stakeholder management and they should be retained in the new contract, with the emphasis on continuous improvement (e.g. the development of an App for reporting potholes and other issues).

'Advisories' and Available Funding

39. As part of its work the Reference Group considered the use of 'advisories' to request larger areas for repairs or resurfacing where it appears to the Highway Steward that further potholes or other defects are likely to develop. They are used in the situations familiar to councillors where some potholes that meet the intervention criteria are repaired whilst other potholes that do not meet intervention standard are reported for a wider repair.

40. 'Advisories' are classed as capital works and are funded from the £15million a year allocated to highways as part of the core capital programme. It is estimated that there is a current backlog of 'advisories' valued at around £4million against an available budget of £0.5million per year. The Reference Group commented that it would appear that there is too little money in the asset management budget to tackle the problem. Realistically the Council is probably not doing enough 'advisory' work each year.

41. The Reference Group considered that it was important for scrutiny to raise this issue, even if it is not possible to source all the money that is needed. The Place Scrutiny Committee may need to highlight the issue of the level of funding for highways maintenance, but a review of funding would need to be a separate piece of work for the new scrutiny committee to consider following the elections in May.

The Reference Group agreed to recommend that the new Place Scrutiny Committee considers examining the level of highways maintenance funding to increase the number of 'advisories' that can be undertaken.

Summary of the Draft Detailed Business Case (DBC)

42. The Reference Group reviewed the work previously undertaken on each part of the DBC and examined an overview of the sections that will be included within the draft DBC, which are:

- Strategic Case
- Economic Case (Options Appraisal)
- Commercial Case
- Financial Case
- Management Case

43. Strategic Case. Changes to the strategic outcomes and the performance framework are discussed earlier in the report. This has resulted in key improvements to strengthen the focus on effective stakeholder management and enhanced quality assurance with a ‘right first time’ approach. These changes will be underpinned by new and amended key performance indicators (KPIs), service performance indicators (SPIs) and business performance indicators. A new strategic outcome has been added to support the Council’s carbon neutral agenda. The incentivisation model has been enhanced with continued links between SPIs and annual performance as well as linking KPIs to the ability to access a potential contract extension.

44. Economic Case. The Reference Group have worked extensively on the SDM which will deliver the best value for money for the Council. It endorses the officer recommendation of the Single Provider – Contractor and Designer (Integrated) SDM as the preferred model within the DBC. This will have the key benefits of being the least complex and cheapest model to transition to. In addition, the Council already has the capability and resources in place to manage this model and it is attractive to the provider market.

45. Commercial Case. This confirms the procurement strategy and the route to market. The Reference Group heard that there are 4 procedures that can be used for the procurement which are Open, Restricted, Competitive Dialogue, and Competitive Procedure with Negotiation (CPwN). The Restricted Procedure was used for the procurement of the last contract, at which time the CPwN was not available as an option. The recommended procedure that will be included in the DBC is the CPwN as it has a number of advantages over the Restricted Procedure. Simply, it allows the authority to either award at the first stage of evaluation or to carry out a series of negotiations with the bidders which may enable them to improve their price and quality offer and then resubmit. The Reference Group is happy to endorse this approach.

46. The Commercial Case also includes the duration of the contract. The Reference Group explored the options available and the support for them from the provider market. The optimum duration has been identified as a 7 year term which is attractive to the market and ties in with the financing requirements of providers (e.g. for the purchase of fleet vehicles and equipment). Attractiveness to the market is an important consideration bearing in mind the prevailing market conditions. The 7 year term will coincide with the Government’s target for the cessation of the sale of new petrol and diesel vehicles in 2030, which may incur additional costs for electric or hydrogen fuelled vehicles. The Officer recommendation will be for an initial 7 year term with the discretion to extend by another 7 years subject to satisfactory performance. The decision to extend would be a Cabinet decision upon receipt of the Contractors business plan. The Reference Group heard the reasoning behind this approach and are happy to support this duration of contract provided there are sufficient protections in the contract to address any poor performance, including towards the end of contract or the contract extension period if used.

47. Financial Case. This part of the DBC aims to confirm the funding and affordability of the proposed SDM. An analysis is carried out of existing service costs and the revenue and capital funding. The Reference Group has commented on continued efficiencies through the work on end to end processes and reviewing core activities under the contract (addressed earlier in the report). A new core activity regarding ‘Advisories’ may be added to the contract which aims to improve delivery of this category of work. The Reference Group has previously confirmed its support for the continued use of a mix of pricing options in the contract (e.g. fixed price, lump sums and target pricing) and the use of ‘Advisories’.

48. Management Case. This deals with potential Client functions of the contract. The Reference Group endorses the functions to be kept within the Client team and notes the proposals for improvements in quality assurance and stakeholder management. The proposals for the Client function in the DBC include an enhanced NEC Supervisory function for improved quality assurance and two new functions which will focus on enhanced Key Stakeholder Management and Business Development.

The Reference Group has contributed to, and commented on, the development of the draft Detailed Business Case through its work on Stages 1 and 2 of the Project. It endorses the work that has been completed so far, and the recommendations that the Reference Group has made will be incorporated into the drafting of the contract in Stage 3 of the Project.

Summary

49. The Reference Group has completed the second stage of its work on the selection of the SDM and the development of the draft Detailed Business Case. It supports the selection of Option 2 the Integrated Single Provider SDM as the recommendation for inclusion in the DBC.

50. The Reference Group has identified some areas for improvement in the contract and looks forward to the inclusion of measures to improve quality assurance and stakeholder engagement in the new contract.

Appendix 1:

Scope and terms of reference of the reference group

The Reference Group was established to:

- Act as a critical friend and provide input into the key stages of the Highway Service Re-procurement Project;
- Comment on the services to be included in the contract and the size and role of the client function;
- Provide input into the development of strategic outcomes and key performance indicators for the new contract;
- Review and comment on the contract model, Outline Business Case (OBC) and Detailed Business Case (DBC) prior to their approval by Cabinet;
- Represent wider Members' views on the key elements, delivery and performance of the contract and to advise on the ways to disseminate information about the development of the new contract to Members.

Reference Group Membership and project support

Reference Group Members: Councillors Bob Bowdler (Chair), John Barnes, Godfrey Daniel, Darren Gover and Andy Smith.

The Project Manager was Martin Jenks, Senior Democratic Services Adviser.

Phil McCorry, Business Improvement Manager provided ongoing support to the Reference Group throughout the review.

Reference Group meeting dates

Reference Group meetings – 5 March 2021, 18 March 2021, 6 April 2021, 21 April 2021, and 5 May 2021

Witnesses providing evidence

The Reference Group would like to thank all the witnesses who provided evidence in person:

ESCC officers

Karl Taylor, Assistant Director; Dale Poore, Contract Manager Highway Infrastructure Services; Phil McCorry, Business Improvement Manager; Ruby Brittle, Stakeholder & Engagement Manager.

External Advisers

Simon Wilson, Proving Services. Andrew Perrin, Proving Services.

Evidence papers

| Item | Date considered |
|---|-----------------|
| Outline Business Case – Cabinet report. | 20 January 2021 |

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Cabinet

13 July 2021

Appendix 005

Highways Services Re-procurement Project

Title of Document:

Legal Framework & Policy Review

Contents:

1. Introduction
2. Recommendations
3. Duty of Care for Highway Maintenance
4. Risk Management
5. Health and Safety
6. Powers and Duties for Highway Maintenance
7. Within Context of ESCC

1. Introduction

The aim of this report is to provide a high level overview of the legal framework applicable to East Sussex Highways and how this legal framework is applied in context through the development and implementation of Highway Polices. There are currently 32 Highways related polices as set out in table 1 Annex 1 and a further 28 associated polices (table 2) across the Communities Economy Transport (CET) department.

The report draws heavily upon Well-Managed Highway Infrastructure Code of Practice (2016). In summary the Code states that the ‘highway network is a high value physical asset, both in financial and community terms, for which public authorities are responsible. Effective stewardship and asset management is crucially important, both to users and the community. Authorities are recommended to adopt the principles of the Code, to adapt them as necessary based on consideration of local circumstances and apply them consistently’.

The final version of the Well-Managed Highway Infrastructure Code of Practice was published on 28 October 2016. Local authorities had until 28 October 2018 to implement it.

The new Code supersedes the Well-Maintained Highways Code of Practice for Highway Maintenance Management dated July 2005. The underpinning principle of the new Code is that highway authorities will adopt a risk-based approach to asset management in accordance with local needs, priorities and affordability.

The new Code, like the old, is guidance only and does not have statutory status but again, non-compliance with it could mean the local authority is unable to successfully mount a section 58 Highways Act 1980 defence.

There is no doubt that the adoption of the risk based approach will lead to some front-loading of resources, with authorities having to review each highway within their jurisdiction. However, provided this is done, it may well make statutory defences to claims more robust which could ultimately lead to significant cost savings.

The suggested recommendations of the Code are explicitly not mandatory on authorities.

The information gathered in this report will influence the development of the authority’s final Contract Model. The aim is to ensure the most appropriate Contract Model for all service areas is developed within the context of the relevant legislation applicable to each service area for the next Highways Contract (commencing in 2023).

2. Recommendations of the Code

There are 36 recommendations in the Code and adoption of these by the County Council aligns with the County Council’s approved asset management approach to highway maintenance. The Council is compliant with 29 of the recommendations as set out in Annex 3.

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Adoption of the Code enables the County Council to demonstrate best practice and continue to provide a robust defence to claims as well as evidence for the DfT's annual Incentive Fund self-assessment submission.

Annex 2 sets out the full list of the 36 recommendations.

3. Duty of Care for Highway Maintenance

It is recognised that much of highway maintenance activity is based upon statutory powers and duties contained in legislation and precedents developed over time, as a result of claims and legal proceedings. The most important aspects of these statutory powers and duties are summarised in section seven of the Code are outlined in this report.

The issue of risk management has grown in importance since the 2005 edition of the Code, both in assessing the implications of investment decisions for asset management purposes and also in determining appropriate responses to highway deficiencies. The principles of risk management are introduced in section four of this report.

It is critically important that all those involved in highway maintenance, including Members of authorities, have a clear understanding of their powers and duties, their implications, and the procedures used to manage and mitigate risk.

Even in the absence of specific duties and powers, authorities have a general duty of care to users and the community to maintain the highway in a condition fit for its purpose. This principle should be applied to all decisions affecting policy, priority, programming and implementation of highway maintenance works.

4. Risk Management

The management of highway maintenance, including the establishment of regimes for inspection, setting standards for condition, determining priorities and programmes for effective asset management, and procuring the service should all be undertaken against a clear understanding and assessment of the risks involved.

The most commonly understood risks affecting the service relate to the safety of the network and accident, injury or health risks to users and employees. Guidance on how to manage these risks is outlined in the Code.

The risk management process should include risk assessment of all key policies, procedures and operations based upon a risk register.

5. Health and Safety

The importance of health and safety has been heightened since the 2005 edition of the Code, increased by the Government indicating its intention to bring forward new legislation to make it easier to prosecute charges of corporate manslaughter. There have been a number of examples of corporate manslaughter charges in cases involving highway maintenance and this is a risk to be considered seriously.

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The Health and Safety at Work Act 1974, together with the Construction (Design and Management) Regulations 1994 provide for a requirement for highway, traffic and street authorities to carry out work in a safe manner and establish arrangements for the management of construction works.

All those involved in the planning, management and delivery of highway maintenance services should receive training and regular updating, as necessary, in health and safety requirements of the service, such training is of special importance for those involved in Winter Service.

6. Powers and Duties For Highway Maintenance and Improvement

In addition to a general Duty of Care, there are a number of specific pieces of legislation which provide the basis for powers and duties relating to highway maintenance and highway improvements. The two main pieces that affect Highways are The Highways Act 1980 and the Traffic Management Act 2004. A brief summary of each is set out below:

6.1 Highways Act 1980

- **Section 41** imposes a duty to maintain highways maintainable at public expense, and almost all claims against authorities relating to highway functions arise from the alleged breach of this section.
- **Section 58** provides for a defence against action relating to alleged failure to maintain on grounds that the authority has taken such care as in all the circumstances was reasonably required to secure that the part of the highway in question was not dangerous for traffic.
- **Section 36** states highways are maintainable and public expense.
- The uncertainties about the statutory basis for Winter Service in England and Wales in the 2001 edition of the Code have been addressed through a modification to **Section 41 (1)** of the Highways Act on the 31st October 2003, by Section 111 of the Railways and Transport Act 2003. The first part of Section 41(1) now reads:
 - a) In particular, a highway authority are under a duty to ensure, so far as is reasonably practicable, that safe passage along a highway is not endangered by snow or ice'.
- Although this has clarified the position with respect to the duty for Winter Service, the issues raised by the 'Goodes' case concerning the limitation of the maintenance duty to the 'highway fabric' and which have potentially wider implications than for Winter Service, still remain and will evolve over time.
- **Section 150** of the Highways Act 1980 also imposes a duty upon authorities to remove any obstruction of the highway resulting from 'accumulation of snow or from the falling down of banks on the side of the highway, or from any other cause'.
- **Section 62** of the Highways Act 1980 empowers or requires highway authorities and other persons to improve highways. Under this general power of improvement, highway authorities can widen footways and carriageways, provide roundabouts and cycle tracks,



construct and reconstruct bridges and alter the levels of highways, and construct, maintain and remove road humps. Sections 63 – 105 of the Act embellishes the provisions under section 62.

-

6.2 Traffic Management Act 2004

Following on from the Highways Act, The **Traffic Management Act 2004** was introduced in 2004 to tackle congestion and disruption on the road network. The Act places a duty on local traffic authorities to ensure the expeditious movement of traffic on their road network and those networks of surrounding authorities. The Act introduces a number of provisions including:

- Highways Agency Traffic Officers
- local authority duty for network management
- permits for work on the highway

The most important feature of the Act is Section 16(1) which establishes a new duty for local traffic authorities ‘to manage their road network with a view to achieving, so far as may be reasonably practicable having regard to their other obligations, policies and the following objectives:

- securing the expeditious movement of traffic on the authority’s road network;
- facilitating the expeditious movement of traffic on road networks for which another authority is the traffic authority’.

Section 31 of the Act specially states that the term ‘traffic’ includes pedestrians, so the duty requires the authority to consider all road users. The duty is not limited to the actions of the department responsible for traffic within an authority. Local authorities need to consider the duty when exercising their powers under any legislation where this impacts on the operation of the road network. Authorities should therefore ensure that the whole organisation is aware of the duty and the implications for them. Authorities are required to appoint a Traffic Manager to administer the network management duty.

The Act also strengthens the regulatory regime with regard to the works of utilities and others within the highway including permit schemes, new conditions, and fixed penalty notices.

A most important issue for highway maintenance planning and programming is that authorities are expected to operate the Act even-handedly, leading by example and applying conditions and enforcement activity equally to their own and utilities works. The Traffic Manager may require the programme for authorities’ own works to be compromised on occasion to facilitate utilities works, where these are considered to be of greater priority.

6.3 Other Related Powers and Duties

Powers contained in the Highways Act 1980 and Traffic Management Act within the, sit within a much broader legislative framework specifying a wider range of

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powers, duties and standards relating to highway management. A brief summary for this is set out below:

- **Road Traffic Regulation Act 1984**, and the Traffic Signs and General Directions 2002;
- **Road Traffic Act 1988** which provides a duty for highway authorities to promote road safety, including a requirement to undertake accident studies and take such measures as appear appropriate to prevent such accidents occurring. It also requires authorities, in constructing new roads, to take such measures as appear appropriate to reduce the possibilities of such accidents when the roads come into use;
- **Road Traffic Reduction Act 1997**;
- The Local Authorities (Transport Charges) Regulations 1998 as applicable to RTA 1984 and other legislation provide a power for the traffic authority to impose a charge for a number of its functions;
- **Transport Act 2000 and Local Transport Act 2008** - As the local transport authority, East Sussex County Council has a statutory requirement under the Transport Act 2000, as amended by the Local Transport Act 2008 to have an Local Transport Plan which outlines the long-term strategy for transport; this include the maintenance of the public highway.
- **Transport Act 2000**, under which an authority may designate any road as a quiet lane or a home zone. The Act also provides for the Secretary of State to review the operation of rural roads and consider whether (and if so how) the law should be amended to facilitate the introduction of rural road hierarchies.
- **Human Rights Act of 1998**, under which, the police have an obligation to undertake investigations into road deaths.

The functions of the highway, street and traffic authority are required to also comply with an increasing range of legislation regulating the environmental affects of their operations, including:

- **Wildlife and Countryside Act 1981**, which provides a framework of legislation relating to environmental and Countryside issues with which highway maintenance operations must comply;
- The **Environmental Protection Act 1990** provides the statutory basis for other environmental issues, in particular waste management, with which highway maintenance operations must comply. It also deals with the requirement to keep the highway clear of litter and refuse which for local roads is not a duty for the highway authority.
- **The Noxious Weeds Act 1959** places a responsibility on the highway authority to take action to inhibit the growth and spread of injurious weeds growing within the highway. Weed spraying operations are also regulated by the Environment Agency and also by the Health and Safety Commission Code of Practice;

7. Within the Context of ESCC

Following the summary of the legal framework that is applicable to Local Government Highway Authorities, Annex 1 – Table 1 – Index of Highways Polices 2014. This lists the current ESCC Highway related polices and identifies the source of the policy in the context of the legalisation motioned above, other applicable legislation or

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where best practice standards have been developed over time. The purpose of the table is to provide a high-level understanding linking the origin of the policies through to outcomes of the service areas.

Annex 1

Table 1: The table below is a high-level overview of the East Sussex County Council Highways Policies.

| | |
|----------------------|--|
| Due to be Rescinded | |
| Under Review | |
| Currently up to Date | |

| | Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|---|---|--|--|------------------------------|--------------------------|
| Safety & Serviceability Policies | PS3/4 Technical Approval of Highway Structures | PS3/4 Technical Approval of Highway Structures | To set out the procedure for formally approving highway structures and liability | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | | Highway Claims | Policy setting out ESCC approach to highway third party claims | Approved by LMTE on 16/10/17 | Next Review April 2023 |
| | Safety Certification of Sports Grounds | The purpose of the policy is to set out the Council's approach to discharging its powers and responsibilities, in respect of the issue and review of safety certificates for sports grounds, to ensure the | Approved by LMTE on 16/10/17 | | Under Review |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|----------------------|---|---|------------------------------|------------------------|
| | | reasonable safety of spectators. | | |
| | PS4/37 Passively Safe Sign Posts (Formerly passive safety) | The policy sets out the circumstances in which passively safe sign posts will be used. It is intended to ensure the optimum safety level to road users from highway signage whilst ensuring the best use of the available resources for new, replacement and temporary traffic signage. | Approved by LMTE on 16/10/17 | Under Review |
| | PS3/8 Noise Regulations 1975- Discretionary Aspects | Criteria for implementing discretionary powers to offer insulation work to members of the public who are affected by noise associated with works being carried out on the Highway. | Approved by LMTE on 16/10/17 | Next Review April 2023 |



| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|------------------------------------|--|--|---|--------------------------|
| | Highway Asset Inspection Manual | This document sets out how East Sussex County Council (ESCC) manages and risk assesses defects across the highway network in order to fulfil its statutory requirements and deliver a safe, serviceable and resilient network. | Approved 14/04/2021 | Next Review March 2023 |
| | East Sussex Highways Investigatory Levels | Sets out investigatory levels and response times. | Approved 14/04/2021 | Next Review March 2023 |
| Network Management Policies | PS4/3 Temporary Traffic Regulation Orders for Bodies other than the Highway Authority | This policy explains that the Highway Authority has the right to recover the costs of making orders. | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | PS1/3 The Network Of Roads / Network hierarchy | To guide development planning and the allocation of resources to the maintenance and improvement of the roads in the County. | Stakeholder Consultation due to begin soon. | Under Review |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|----------------------|--|---|------------------------------|--------------------------|
| | PS4/5 Control of Heavy Goods Vehicles | The purpose of this policy is to establish a pattern of control in order to reconcile, so far as is possible, the conflicting demands of the transport of goods and the environment. It does this by setting out the circumstances in which a Traffic Regulation Order prohibiting goods vehicles over 7.5 tonnes gross weight, except for loading or unloading, may be made. | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | PS3/6 Provision of Passing Places | This policy sets out the circumstances in which the Council would consider creating a passing place on single track roads | Approved by LMTE on 16/10/17 | Next Review April 2023 |
| | PS3/7 Provision of Lay-Bys | This policy sets out the circumstances in which the County Council would consider providing lay-bys. | Approved by LMTE on 16/10/17 | Next Review June 2022 |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|-------------------------------------|---|--|-------------------------------|---------------------------|
| Highway Maintenance Policies | Drainage Policy | Regarding approach to maintenance of drains | LMTE 18/04/2016 LMTE 19/11/18 | Next Review November 2022 |
| | PS7/2 Highway Verges and Vegetation (formerly Grass Cutting) | The purpose of this policy is to set out the standards for the maintenance of highway verges and vegetation to achieve a balance between statutory obligations, safety, serviceability and sustainability. | LMTE 21/5/2018 | Under Review |
| | PS7/3 Maintenance of Footways - materials | | 15/10/2007 | TBC - Due to be Rescinded |
| | PS10/1 Street Lighting | The purpose of the policy is to set out how we will design, maintain and improve street lighting across the County | Approved by LMTE on 16/10/17 | Under Review |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|----------------------|---|---|---|--------------------------|
| | Highway Skid Resistance Policy | The purpose of this policy is to set out how the County Council will monitor the skid resistance of the road and the approach it will take to ensure that skid resistance across the network is maintained to an agreed standard. | New policy first approved by LMTE on 19/11/18 | Under Review |
| | Highway Asset Management Policy | Outlining the Council's commitment to adopting the principles of asset management | Approved by LMTE on 15/10/2015 and 19/11/18 | Under Review |
| | PS4/16 Responsibility for off street parking | The policy determines the responsibility for off street parking and when the County Council will contribute to costs. | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | PS4/19 Resident Parking Scheme - Charges | This policy was designed to establish the principles governing the financing of Residents Parking Schemes | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | Highways Conservation Policy | | TBC | TBC |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|---|---|--|------------------------------|--------------------------|
| Licencing and Enforcement Policies | PS8/2 Banners Across the Highway | The purpose of this policy is to allow the suspension of banners across the highway under controlled conditions. | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | PS8/3 Obstruction on the Highway | The purpose of this policy is to control the obstruction of the highway so as to minimise the inconvenience and danger to the user. | Approved by LMTE on 16/10/17 | Next Review January 2022 |
| | PS4/27 Temporary Event Signing (Formerly Event Signing on Lamp Posts in Urban Areas) | Circumstances and conditions for authorising temporary signing not including AA/RAC type signs | Approved by LMTE on 16/10/17 | Next Review April 2023 |
| | PS8/5 Post on Highway Verges | The purpose of the policy is to set out how we will regulate and permit posts on verges in order to ensure the safety of highway users and usability of verges e.g. for maintenance works. | Approved by LMTE on 16/10/17 | Next Review April 2023 |

| Policy Service Areas | Policy Summary | Summary | Source of Policy | Status |
|----------------------|---|--|--|------------------------|
| | PS8/4 Permission to trade on the Highway | The purpose of the policy is to set out how we will permit and control the obstruction of purpose made footways and pedestrian areas by trading and similar activities in order to ensure their continued safety and serviceability. | Approved by LMTE on 16/10/17 | Next Review April 2023 |
| | PS8/6 Roadside Sponsorship | This policy sets out how the Council will permit planting, landscaping and sponsorship of highway assets with appropriate recognition of sponsors. | | Under Review |
| | PS8/7 Roadside Memorials and tributes | Policy on memorials and tributes at scene of death | Approved by LMTE on 05.09.2006 | Next Review April 2023 |
| | East Sussex Permit Scheme | Details of charging non-Highway organisations for carrying out works on the highway | Approved by LMTE on 18/7/17 Reviewed May 2019 | Under Review |

Table 2 Other CET Policies

| Policy Number | Policy |
|----------------------|--|
| No number | Drainage at new developments |
| PS2/1 | Public Transport Policies |
| PS3/1 | Development and delivery of the capital programme of local transport improvements (Formerly: Procedure for the Preparation of Road Schemes) |
| PS3/5 | Private Street Works |
| PS05/02 | Local Speed Limits |
| PS05/05 | Limitations on the Introduction of No Cycling Order |
| PS4/7 | Provision of Pedestrian Facilities |
| PS05/06 | Provision of Traffic Signs - General |
| PS4/8 | Road markings including cats eyes |
| PS05/07 | Traffic Mirrors |
| PS05/08 | Tourist and Amenity Signs |
| PS4/10 | Provision of Traffic Signs - Place name signs |
| PS4/17 | Provision of Doctors' Parking Spaces |
| PS4/18 | Provision of Special On-Street Parking Spaces for Orange Badge Holders |
| PS4/20 | Distribution of surplus revenue from on-street parking schemes |
| PS4/23 | Siting of bus shelters |

| | |
|----------------|---|
| PS05/09 | Provision of access markings |
| PS4/25 | Traffic Calming |
| PS05/10 | Speed Reactive Signs |
| PS5/1 | Provision of school crossing patrols |
| PS5/3 | Road Safety Audit Procedures |
| PS5/4 | Investigation of Road Traffic Fatalities and Potential Fatalities |
| PS6/1 | Reservations of Land for Highway Schemes |
| PS6/2 | Estate Roads Specification |
| PS6/3 | Development Agreements |
| PS9/1 | Waste Disposal |
| PS11/1 | Provision on information to the public and outside bodies |
| PS4/20 | Distribution of surplus revenue from on-street parking schemes |

Annex 2

The 36 recommendations of the Code

RECOMMENDATION 1 - USE OF THE CODE This Code, in conjunction with the UKRLG Highway Infrastructure Asset Management Guidance, should be used as the starting point against which to develop, review and formally approve highway infrastructure maintenance policy and to identify and formally approve the nature and extent of any variations.

RECOMMENDATION 2 – ASSET MANAGEMENT FRAMEWORK An Asset Management Framework should be developed and endorsed by senior decision makers. All activities outlined in the Framework should be documented. (HIAMG Recommendation 1)

RECOMMENDATION 3 – ASSET MANAGEMENT POLICY AND STRATEGY An asset management policy and a strategy should be developed and published. These should align with the corporate vision and demonstrate the contribution asset management makes towards achieving this vision. (HIAMG Recommendation 3)

RECOMMENDATION 4 – ENGAGING AND COMMUNICATING WITH STAKEHOLDERS Relevant information should be actively communicated through engagement with relevant stakeholders in setting requirements, making decisions and reporting performance. (Taken from HIAMG Recommendation 2)

RECOMMENDATION 5 – CONSISTENCY WITH OTHER AUTHORITIES To ensure that users' reasonable expectations for consistency are taken into account, the approach of other local and strategic highway and transport authorities, especially those with integrated or adjoining networks, should be considered when developing highway infrastructure maintenance policies.

RECOMMENDATION 6 – AN INTEGRATED NETWORK The highway network should be considered as an integrated set of assets when developing highway infrastructure maintenance policies.

RECOMMENDATION 7 – RISK BASED APPROACH A risk based approach should be adopted for all aspects of highway infrastructure maintenance, including setting levels of service, inspections, responses, resilience, priorities and programmes.

RECOMMENDATION 8 – INFORMATION MANAGEMENT Information to support a risk based approach to highway maintenance should be collected, managed and made available in ways that are sustainable, secure, meet any statutory obligations, and, where appropriate, facilitate transparency for network users. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 9 – NETWORK INVENTORY A detailed inventory or register of highway assets, together with information on their scale, nature and use, should be maintained. The nature and extent of inventory collected should be fit for purpose and meet business needs. Where data or information held is considered sensitive, this should be managed in a security minded way.

RECOMMENDATION 10 – ASSET DATA MANAGEMENT The quality, currency, appropriateness and completeness of all data supporting asset management should be regularly reviewed. An asset register should be maintained that stores, manages and reports all relevant asset data. (HIAMG Recommendation 5)

RECOMMENDATION 11 – ASSET MANAGEMENT SYSTEMS Asset management systems should be sustainable and able to support the information required to enable asset management. Systems should be accessible to relevant staff and, where appropriate, support the provision of information for stakeholders. (HIAMG Recommendation 12)

RECOMMENDATION 12 – NETWORK HIERARCHY A network hierarchy, or a series of related hierarchies, should be defined which include all elements of the highway network, including carriageways, footways, cycle routes, structures, lighting and rights of way. The hierarchy should take into account current and expected use, resilience, and local economic and social factors such as industry, schools, hospitals and similar, as well as the desirability of continuity and of a consistent approach for walking and cycling.

RECOMMENDATION 13 – WHOLE LIFE / DESIGNING FOR MAINTENANCE Authorities should take whole life costs into consideration when assessing options for maintenance, new and improved highway schemes. The future maintenance costs of such new infrastructure are therefore a prime consideration.

RECOMMENDATION 14 – RISK MANAGEMENT The management of current and future risks associated with assets should be embedded within the approach to asset management. Strategic, tactical and operational risks should be included as should appropriate mitigation measures. (HIAMG Recommendation 11)

RECOMMENDATION 15 – COMPETENCIES AND TRAINING The appropriate competencies for all staff should be identified. Training should be provided where necessary for directly employed staff, and contractors should be required to provide evidence of the appropriate competencies of their staff. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 16 – INSPECTIONS A risk-based inspection regime, including regular safety inspections, should be developed and implemented for all highway assets. **RECOMMENDATION 17 – CONDITION SURVEYS** An asset condition survey regime, based on asset management needs and any statutory reporting requirements, should be developed and implemented. **RECOMMENDATION 18 – MANAGEMENT SYSTEMS AND CLAIMS** Records should be kept of all activities, particularly safety and other inspections, including the time and nature of any response, and procedures established to ensure efficient management of claims whilst protecting the authority from unjustified or fraudulent claims.

RECOMMENDATION 19 – DEFECT REPAIR A risk-based defect repair regime should be developed and implemented for all highway assets. **RECOMMENDATION 20 – RESILIENT NETWORK** Within the highway network hierarchy a 'Resilient Network' should be identified to which priority is given through maintenance and other measures to maintain economic activity and access to key services during extreme weather.

RECOMMENDATION 21 – CLIMATE CHANGE ADAPTATION The effects of extreme weather events on highway infrastructure assets should be risk assessed and ways to mitigate the impacts of the highest risks identified.

RECOMMENDATION 22 – DRAINAGE MAINTENANCE Drainage assets should be maintained in good working order to reduce the threat and scale of flooding. Particular attention should be paid to locations known to be prone to problems, so that drainage systems operate close to their designed efficiency.

RECOMMENDATION 23 – CIVIL EMERGENCIES AND SEVERE WEATHER EMERGENCIES PLANS The role and responsibilities of the Highway Authority in responding to civil emergencies should be defined in the authority's Civil Emergency Plan. A Severe Weather Emergencies Plan should also be established in consultation with others, including emergency services, relevant authorities and agencies. It should include operational, resource and contingency plans and procedures to enable timely and effective action by the Highway Authority to mitigate the effects of severe weather on the network and provide the best practicable service in the circumstances. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 24 – COMMUNICATIONS Severe Weather and Civil Emergencies Plans should incorporate a communications plan to ensure that information including weather and flood forecasts are received through agreed channels and that information is disseminated to highway users through a range of media.

RECOMMENDATION 25 – LEARNING FROM EVENTS Severe Weather and Civil Emergencies Plans should be regularly rehearsed and refined as necessary. The effectiveness of the Plans should be reviewed after actual events and the learning used to develop them as necessary.

RECOMMENDATION 26 – PERFORMANCE MANAGEMENT FRAMEWORK A performance management framework should be developed that is clear and accessible to stakeholders as appropriate and supports the asset management strategy. (HIAMG Recommendation 4)

RECOMMENDATION 27 – PERFORMANCE MONITORING The performance of the Asset Management Framework should be monitored and reported. It should be reviewed regularly by senior decision makers and when appropriate, improvement actions should be taken. (HIAMG Recommendation 13)

RECOMMENDATION 28 – FINANCIAL PLANS Financial plans should be prepared for all highway maintenance activities covering short, medium and long term time horizons.

RECOMMENDATION 29 – LIFECYCLE PLANS Lifecycle planning principles should be used to review the level of funding, support investment decisions and substantiate the need for appropriate and sustainable long term investment. (HIAMG Recommendation 6)

RECOMMENDATION 30 – CROSS ASSET PRIORITIES In developing priorities and programmes, consideration should be given to prioritising across asset groups as well as within them.

RECOMMENDATION 31 – WORKS PROGRAMMING A prioritised forward works programme for a rolling period of three to five years should be developed and updated regularly. (HIAMG Recommendation 7)

RECOMMENDATION 32 – CARBON The impact of highway infrastructure maintenance activities in terms of whole life carbon costs should be taken into account when determining appropriate interventions, materials and treatments.

RECOMMENDATION 33 – CONSISTENCY WITH CHARACTER Determination of materials, products and treatments for the highway network should take into account the character of the area as well as factoring in whole life costing and sustainability. The materials, products and treatments used for highway maintenance should meet requirements for effectiveness and durability.

RECOMMENDATION 34 – HERITAGE ASSETS Authorities should identify a schedule of listed structures, ancient monuments and other relevant assets and work with relevant organisations to ensure that maintenance reflects planning requirements.

RECOMMENDATION 35 – ENVIRONMENTAL IMPACT, NATURE CONSERVATION AND BIODIVERSITY Materials, products and treatments for highway infrastructure maintenance should be appraised for environmental impact and for wider issues of sustainability. Highway verges, trees and landscaped areas should be managed with regard to their nature conservation value and biodiversity principles as well as whole-life costing, highway safety and serviceability.

RECOMMENDATION 36 – MINIMISING CLUTTER Opportunities to simplify signs and other street furniture and to remove redundant items should be taken into account when planning highway infrastructure maintenance activities.

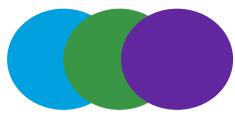
Annex 3

Gap analysis and actions of the 36 recommendations

| | Recommendation | Compliant/Partially Compliant/Not Compliant | Actions to bring up to/remain compliant |
|-----|---|---|--|
| 1. | Use of Code | Compliant | |
| 2. | Asset Management Framework | Compliant | |
| 3. | Asset Management Policy & Strategy | Compliant | |
| 4. | Engaging & Communication with Stakeholders | Compliant | |
| 5. | Consistency with Other Authorities | Compliant | <ul style="list-style-type: none"> Additionally, our updated Network Hierarchy Review (NHR) will be shared with other South East 7 Local Authorities once complete |
| 6. | An Integrated Network | Partially Compliant | <ul style="list-style-type: none"> NHR is still underway with majority of assets being complete by October and then consultation will take place to make us fully compliant with this recommendation |
| 7. | Risk Based Approach | Partially Compliant | <ul style="list-style-type: none"> Updated inspection manual and intervention level appendix mean this recommendation is mostly compliant, however the NHR Project outcome will make us fully compliant |
| 8. | Information Management | Compliant | |
| 9. | Network Inventory | Compliant | |
| 10. | Asset Data Management | Compliant | |
| 11. | Asset Management Systems | Compliant | |

| | | | |
|-----|---|---------------------|---|
| 12. | Network Hierarchy | Partially Compliant | <ul style="list-style-type: none"> • NHR Project outcome |
| 13. | Whole Life/Designing for Maintenance | Partially Compliant | <ul style="list-style-type: none"> • Jacobs review of whole life costs design |
| 14. | Risk Management | Compliant | |
| 15. | Competencies and Training | Compliant | |
| 16. | Inspections | Compliant | <ul style="list-style-type: none"> • If updated inspection manual and intervention level appendix approved at Lead Member meeting in November 2019 |
| 17. | Condition Surveys | Compliant | |
| 18. | Management Systems and Claims | Compliant | |
| 19. | Defect Repair | Compliant | <ul style="list-style-type: none"> • If updated inspection manual and intervention level appendix approved at Lead Member meeting in November 2019 |
| 20. | Resilient Network | Partially compliant | <ul style="list-style-type: none"> • NHR project outcome will update this |
| 21. | Climate Change Adaption | Partially Compliant | <ul style="list-style-type: none"> • Locations for potential adverse events on the resilient network to be identified and updated with NHR outcome |
| 22. | Drainage Maintenance | Compliant | |
| 23. | Civil Emergencies and Severe Weather Emergencies Plans | Compliant | |
| 24. | Communications | Compliant | |
| 25. | Learning from Events | Compliant | |
| 26. | Performance Management Framework | Compliant | |
| 27. | Performance Monitoring | Compliant | |
| 28. | Financial Plans | Compliant | |

| | | | |
|------------|---|----------------------------|---|
| 29. | Lifecycle Plans | Partially Compliant | <ul style="list-style-type: none"> • Compliant for a number of assets and ongoing work to complete for other assets |
| 30. | Cross Asset Priorities | Compliant | |
| 31. | Works Programming | Compliant | |
| 32. | Carbon | Compliant | <ul style="list-style-type: none"> • Sustainability action plan/ SPIs |
| 33. | Consistency with Character | Compliant | <ul style="list-style-type: none"> • If new Highway Maintenance in Conservation Areas approved at Lead Member in November 2019 |
| 34 | Heritage Assets | Compliant | <ul style="list-style-type: none"> • Links to 33 |
| 35. | Environmental Impact, Nature Conservation and Biodiversity | Compliant | |
| 36. | Minimising Clutter | Compliant | |



Cabinet

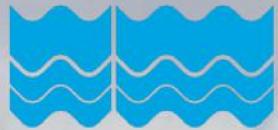
13 July 2021

Appendix 006

Highways Services Re-procurement Project

Document Title: Highways Asset Management

Strategy 2018-2024



Highway Asset Management Strategy 2018-2024



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Foreword

We are pleased to be able to introduce East Sussex County Council's Highway Asset Management Strategy for 2018 to 2024.

The local highway network is East Sussex's largest and most valuable publically owned asset with a replacement value of £8.58bn. It is used every day by residents, businesses and visitors and provides a vital contribution towards the economic, social and environmental well-being of the County.

This Strategy sets out how the highway service will deliver against the Council's key priorities, taking into consideration customer needs, asset condition and best use of available resources.

The importance of asset management and continuous efficiency has also been reinforced by Central Government, where funding streams are linked to those authorities who can demonstrate value for money and efficient delivery of highway maintenance activities.

The County Council is committed to the development of good practice and continuous improvement. Reviews of both the Highway Asset Management Strategy and Asset Management Policy will be undertaken annually, and we shall continue to work in partnership with our customers, elected Members and staff.

By employing an asset management approach, East Sussex will continue to increase the value achieved in road maintenance, improving network resilience and reducing the burden on revenue budgets through the delivery of effective programmes of preventative maintenance over the next six years and beyond.



Rupert Clubb
Director of
Communities, Economy
Environment and Transport



Cllr Nick Bennett
Lead Member for
Transport and



Introduction

The importance of Highway Infrastructure to East Sussex

East Sussex highway infrastructure provides a vital contribution to the economic growth of the county. The local highway network is without doubt the most valuable publicly owned asset managed by East Sussex County Council (ESCC) with a total value of £8.58 billion (2017). The importance of the highway infrastructure to the communities of East Sussex is substantial.

Why Asset Management?

Asset management is a strategic approach that seeks to optimise the value of highway assets over their whole life (Whole Life Cost). East Sussex County Council recognises that by taking an asset management based approach to its local highway maintenance, investment can be targeted on long-term planned activities that prevent expensive short-term repairs. This approach is in line with suggested best practice and Government guidance.

Our Asset Management approach not only maximises value for money, ensuring informed investment decisions can be made, but also manages risk and maintains a highway environment that is safe and secure and accessible for our customers.

Asset Management Policy

The ESCC Highway Asset Management Policy is a high level document which establishes the Council's commitment to infrastructure investment through an asset management approach aligned with the Council Plan. The Policy is not a stand-alone document and is published alongside this strategy on the Council's website.

Asset Management Strategy

This Highway Asset Management Strategy sets out how the Asset Management Policy will be delivered. It is informed by the adoption of a highway asset management framework which establishes the activities and processes that are necessary to develop, document, implement and continually improve highway asset management within East Sussex. It is aligned to the Council's priority outcomes and seeks to follow the latest advice and guidance from recognised bodies such as the Department for Transport (DfT).

In support of the Council Plan 2014-2018¹ and the Local Transport Plan 2011-2026, this Council recognises that an asset management approach to the maintenance of the highway network will aid in the achievement of the Council's vision, as set out below:

Council vision: 'To deliver our priorities at a time of reducing resources and increasing demand we must work as One Council with a clear focus on achieving the best outcomes we can for East Sussex.'

Local transport plan vision: 'To make East Sussex a prosperous county where an effective, well managed transport infrastructure, and improved travel choices help businesses to thrive and deliver better access to jobs and services, safer, healthier, sustainable and inclusive communities and a high quality of life.'

Service and Contract Delivery Outcomes

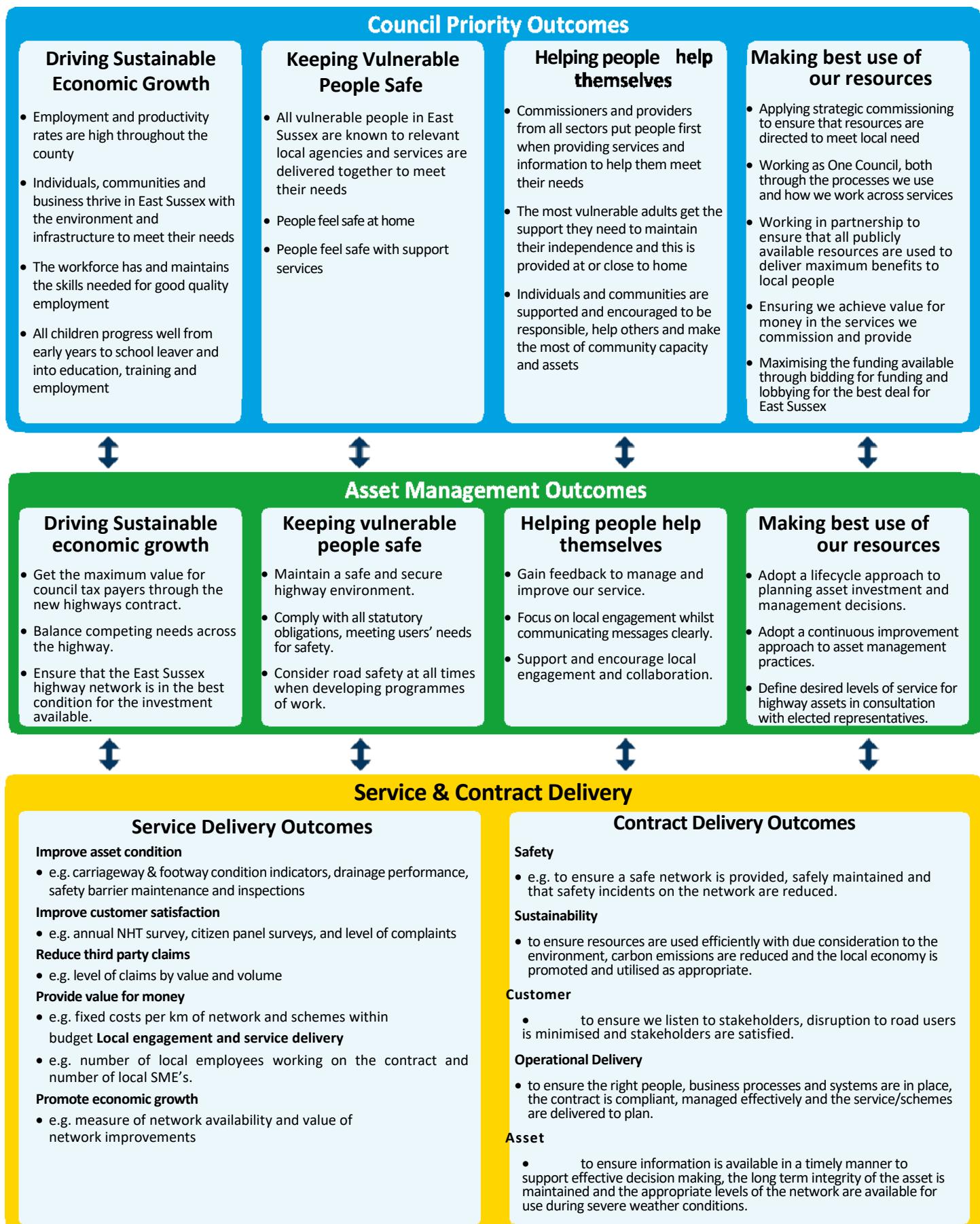
East Sussex County Council recognises that the delivery of an efficient highway service cannot be undertaken without effective maintenance of the existing highway network. It is therefore essential that new infrastructure that supports the Council's priority outcomes can be maintained to the appropriate standard in the future and that existing highway infrastructure remains serviceable. The Council is committed to having the best network condition for the investment available, and supports an asset management based approach for the maintenance of the highway network.

The current highways contract arrangement commenced in May 2016 and a Contract Management Group was established to oversee the delivery of this providing specialist contract, commercial, performance and service development functions. A series of asset management outcomes linked to service outcomes have been created that are directly aligned to the achievement of the Council Plan.

The highway service is delivered through a highway maintenance and infrastructure contract for which a series of service delivery and contract outcomes have been established respectively. The relationships between these outcomes are shown as Figure 1. The highways work programmes are established on an asset management basis for delivery through the highways contract. This will ensure the works remain aligned to this asset management policy and strategy and the Council's priority outcomes. It will also support advance planning of key investment decisions for the Council.



Figure 1 – Relationship between council outcomes and asset management outcomes



Asset Management Framework

East Sussex County Council has developed a Highway Asset Management Framework (see figure 2.) that is based on the recommendations made within the 2013 Highway Management Efficiency Plan (HMEP). The framework summarises all activities and processes that are necessary to develop, document, implement and continually improve our approach to asset management. An Asset Management Implementation road map and a supporting implementation plan are being used to ensure the full implementation of the framework. The framework is shown in figure 2 and is summarised below.

Context

This establishes the context for highway infrastructure asset management in East Sussex. The context includes a variety of factors that need to be taken into consideration when determining the Council's expectations for the highway service. The factors include: national transport policy, local vision and local transport policies, expectations of stakeholders and legal and financial constraints.

Planning

This sets out the key activities that are undertaken by East Sussex as part of the asset management planning process. The activities include:

- **Policy** – East Sussex's published commitment to highway asset management.
- **Strategy** – East Sussex's published statement on: how the policy will be implemented, the implementation of an asset management framework, the strategy for each asset group, and the commitment to continuous improvement.
- **Performance** – The levels of service to be provided by East Sussex's highway service and how performance will be measured and reported.
- **Data** – East Sussex's strategy for data collection and management, without which informed decisions cannot be taken.
- **Lifecycle planning** – East Sussex's lifecycle plans for each asset group which when combined with funding levels and desired levels of service enable informed decisions to be taken.
- **Works programmes** – East Sussex's rolling programme of works for each asset group.

Enablers

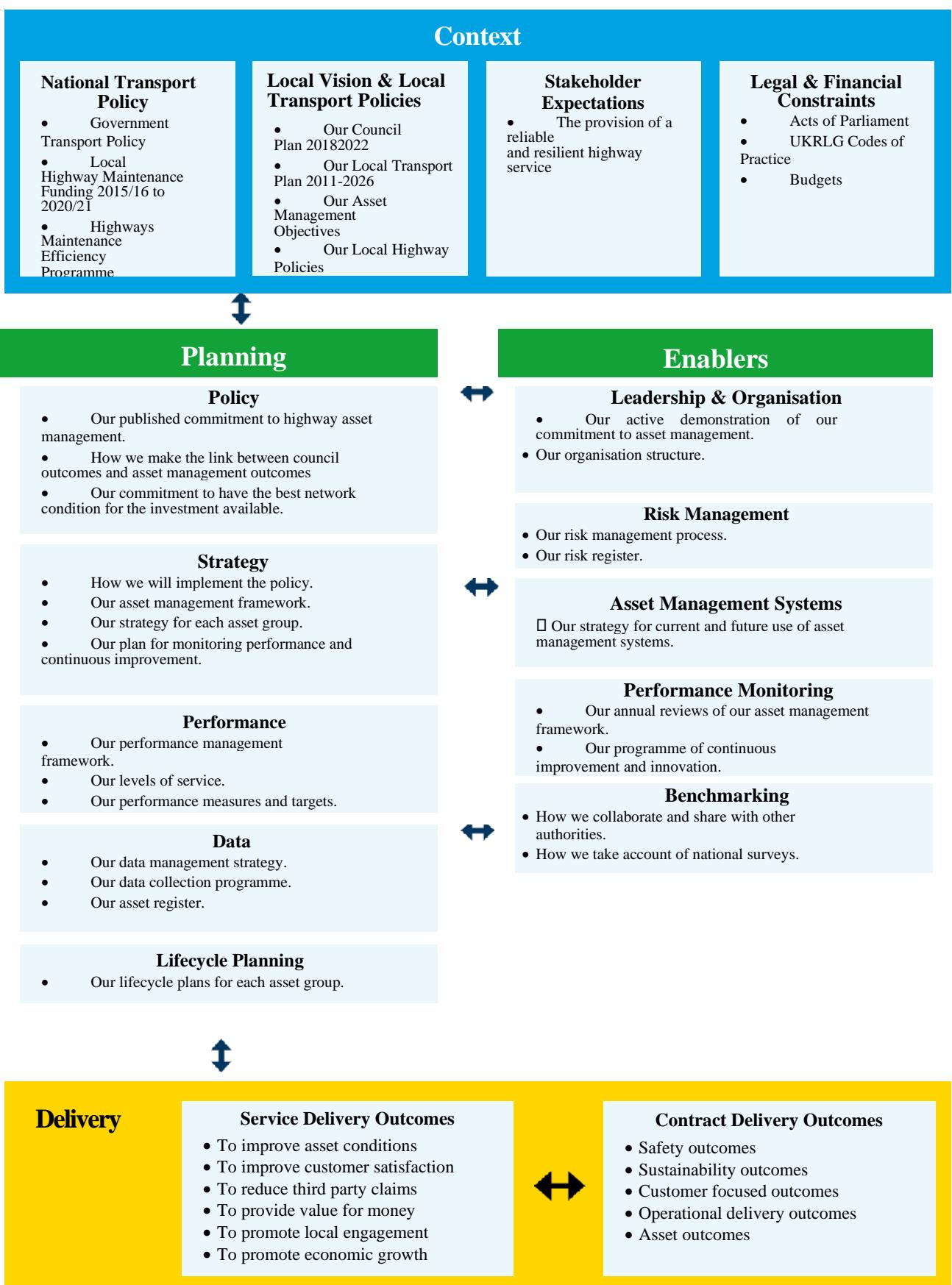
Enablers are a series of supporting activities that support the implementation of the Asset Management Framework. They provide a means of:

- developing organisational leadership and the adoption of an asset management culture
- effectively communicating and collaborating with all stakeholders
- development of the competencies and skills of all highways staff
- effective means of managing risk
- strategy for the use of asset management systems
- measuring the performance of the asset management framework
- benchmarking progress and collaborating with other highway authorities
- fostering a culture of continuous improvement and innovation

Delivery

As set out in Section 1, the delivery component of the framework sets out how the highway service will be delivered via the new highway maintenance contract for which a series of service delivery and contract delivery outcomes have been established respectively.

Figure 2 – Highway Asset Management Framework



Strategy for Main Asset Groups

Introduction

This section summarises the existing highway asset, its current condition, and a summary of the strategy to be employed for each asset type in the future. An understanding of, and agreement to, the levels of service required from each asset type is essential for the successful delivery of the strategy.

Highway Asset

The highway asset is shown below together with a summary of its current condition. **Table 1 -Summary of Highway Asset - 2016/17 figures**

| Asset Group | Quantity | Condition |
|--|---|---|
| Carriageways | 3,375km | Approximately 5% of the principal network, 6% of the non-principal and 19% of the unclassified network in East Sussex is identified as requiring maintenance. |
| Footways and Cycleways | 2,481Km | The 2016/17 performance figures for the footway network show that 30% of the network is either functionally impaired or structurally unsound. |
| Structures | 483 bridges, 239 retaining walls and 2 tunnels | The Bridge Condition Stock Indicator rates the average condition of East Sussex County Council bridge stock at 86 (Good). The BCSI (critical element) value is lower at 76 (Fair). At present ESCC monitors 18 structures at substandard. |
| Drainage | 98,000 gullies and 505 km ditches | 96% of the gully stock is free flowing |
| Street Lighting | 37,500 column and wall mounted street lights, 10,000 other inventory items, 3,000 street lights belonging to Parish, Borough and District Councils. | Street lighting assets are monitored in accordance with the Institute of Lighting Professionals. |
| Traffic signals | 66 signal controlled junctions and 140 signal controlled crossings. | A detailed review of condition is taking place in 2018. |
| Road markings signs and street furniture | 900 grit bins, 24.7km of guard rail, 40,000 safety bollards, 43,695 road signs, 2,500km of road markings, 28.5km of safety fences/barriers | Road markings are renewed on a budget capped approach with key lines being replaced as a priority and as need arises. |
| Soft Estate | 4,468km of vegetated verge, 75km of verge designated as Wildlife Verges and 55,000 individual trees, 36km of hedges and 50 ornamental shrub sites. | Existing information is being gathered, collated and gap analysis undertaken. Once the gaps in knowledge have been ascertained, surveys will be carried out to plug these, especially relating to the tree resource and the ecology of the soft estate. |
| Asset Data Management | Inventory of all of the above | The data sets vary in their completeness but they are the source of all that is undertaken upon the highway and key to the highway service achieving its goals. |
| Highway Asset Lifecycle | Assessing best investment practice for the assets. | Approximately 50% complete 2016 review. |



Highway Asset Hierarchy

The carriageway asset is currently managed according to a hierarchy based on road classification, and further divided by urban/rural road type as outlined in Table 2 below. The hierarchy is designed to recognise the relative importance of routes to the communities (social and economic) that they serve. The carriageway hierarchy traditionally has been used as a tool to help ensure that highway maintenance activities are effectively prioritised.

Table 2 – Asset Hierarchy

| Category | Road maintenance hierarchy description | East Sussex road hierarchy general description |
|----------|--|--|
| 1 | Motorways | Category 1 not applicable to East Sussex |
| 2 | Strategic Route | Primary Route |
| 3a | Main Distributor | Inter Urban Route |
| 3b | Secondary Distributors | Intra-Urban Routes |
| | | Intra-Rural Routes |
| 4a | Link Roads | Business or Industrial Roads |
| | | Residential Roads |
| | | Village Roads |
| 4b | Local Access Roads | Country Lanes |
| | | Minor Urban Roads |
| | | Minor Rural Roads |

Value and Scope of carriageways

Carriageways are the most valuable highway asset in East Sussex, having a gross replacement cost (GRC) of nearly £3.5 billion and they receive the greatest levels of maintenance expenditure. They were the first asset for which lifecycle plans were developed using current condition and have resulted in the creation of several investment scenarios. This has enabled a greater understanding of where to target investment to achieve the desired levels of service. Lifecycle planning will allow the impact of highway maintenance activities in terms of whole life carbon costs to be taken into account when determining interventions, materials and treatments.

East Sussex County Council is responsible for the maintenance of 3,375km of roads, providing transport links across the county from housing areas to the national motorway network. The condition of the carriageway asset is measured through annual surveys and inspections. In 2016, 19% of the unclassified network was identified as requiring maintenance, compared to just 5% of principal roads and 6% of non-principal roads. The national average figures were: 17% unclassified; 6% non-principal and 3% principal. The figures need to be viewed in context with the increase in local authority road traffic numbers. There was an increase in East Sussex from 1993 to 2016 of 483 million vehicle miles, up 21.4%.



Planned maintenance is delivered by an annual works programme. This programme is capital funded and schemes have been identified using an asset management approach. This evidence approach is endorsed by Council Members and achieved a four year capital programme for carriageways of £70 million between 2014 and 2018 a further five years of programme of capital funding has been agreed totalling £75million to achieve a steady state of condition commencing in 2017/18, £15 million per year.

Management of potholes and other carriageway safety issues arising across the network is delivered using revenue funding which is anticipated to reduce over coming years. By employing an asset management based approach and improving the coordination of road maintenance East Sussex will continue to increase the value achieved in road maintenance. Asset Management will also improve network resilience and reduce the burden on revenue budgets through the delivery of effective capital programmes of preventative work.

Surveying the carriageway and Prioritisation of work

ESCC has reviewed its carriageway survey standards to ensure it records sufficient information to understand the condition of its highway assets and to meet the reporting requirements of the Department for Transport and our approach is to undertake annual SCANNER surveys to meet the requirements of the DfT:

1. SCRIM surveys annually of the primary network
2. Explore the use of Highway Safety Inspectors Reports
3. Explore the use of video surveys for footways and unclassified routes
4. Explore the potential for introducing deflectograph surveys on the primary network

Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset

| Performance Indicator | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 |
|--|-------|-------|-------|-------|-------|
| % Principal Roads requiring maintenance (Council Plan) | 8 | 7 | 5 | 5 | 5 |
| % Non-Principal Roads requiring maintenance (Council Plan) | 10 | 9 | 9 | 6 | 6 |
| % Unclassified Roads requiring maintenance (Council Plan) | 19 | 25 | 17 | 22 | 19 |



Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities and continue to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Short-term desired outcomes (18/19 Financial Year):

To sustain a steady state of condition with the highway asset:

- 19% of unclassified roads requiring maintenance
- 6% for non-principal roads
- 5% for principal roads

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

To develop a Member endorsed programme of work for the following five years to effectively deliver the budget plan, and a steady state of annual performance targets:

- 19% of unclassified roads requiring maintenance
- 6% of non-principal
- 5% of principal

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for the funding of carriageway maintenance beyond the current five year budget plan
- Implement programmes of work delivering best value against service outcomes



Footways and Cycleways

Footways and cycleways are critical assets supporting access and mobility for people in East Sussex. Securing continuous improvement in the safety and serviceability of footways and cycleways is necessary to encourage alternatives to car, particularly for journeys in urban areas. Well maintained footways aid social inclusion, particularly improving accessibility for vulnerable people.

East Sussex County Council is responsible for the maintenance of 2,433km of footways providing access to residential and rural areas. The Council also maintains 48 Km of cycleways both on and off carriageway. The footway and cycleway asset has a gross replacement cost of approximately £399 million.

| | |
|---------------|---|
| Footway: | (any defect in the footway or designated cycleway, causing in a change in level, resulting from raised or sunken ironwork, pothole, failed surface, displaced paving, kerb) |
| High: Cat 1 | Greater than 40mm deep and at least 200mm wide in all directions |
| Medium: Cat 2 | Greater than 30mm and less than 39mm deep and at least 200mm in all directions |
| Low: Cat 3 | Greater than 20mm |

ESCC is reviewing its present footway network to ensure alignment with the Code of Practice and to make sure that limited resources are appropriately targeted.

Cycleways

The cycleway hierarchy is determined not by use or functionality but by location which reflects the differing risks associated with shared, partially segregated and fully segregated cycle routes. See below.

| Description | |
|-------------|---|
| 1 | Cycle lane forming part of the carriageway, commonly a strip adjacent to the nearside kerb. Cycle gaps at road closure point (No Entry to Traffic, but allowing cycle access). |
| 2 | Cycle track – a highway route for cyclists not contiguous with the public or carriageway. Shared cycle /pedestrian paths, either segregated by a white line or other physical segregation, or unsegregated. |
| 3 | Cycle provision on carriageway, other than a marked cycle lane or marked cycle provision, where cycle flows are significant. |
| 4 | Cycle trails, leisure routes through open spaces. These are not necessarily the responsibility of the Highway Authority, but may be maintained by an authority under other powers or duties. |

Similarly to footways ESCC needs to review its present cycleway network and reflect the Code of Practice so that limited resources are appropriately targeted.

Surveying the footway / cycleway and Prioritisation of work

ESCC has been reviewing its survey standards and exploring more efficient ways of capturing data and records sufficient information to understand the condition of the asset and to meet the reporting requirements of the Department for Transport.

Work prioritisation needs to be comprehensible to all users of the asset in that it uses criteria which are ‘smart’: specific, measurable, achievable, realistic and timely. The prioritisation also needs to be flexible to meet the aspirations of stakeholders. ESCC are working on a system that joins condition, hierarchy and risk together, but is also flexible to meet changing needs.



Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset Management Framework.

Our Performance

| Performance | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|---------|---------|---------|---------|---------|
| % footway that is structurally unsound (lower is better) | | 12 | 21 | 15 | 14 |
| % footway that is functionally impaired (lower is better) | | 19 | 3 | 15 | 16 |
| % total footway requiring maintenance(lower is better) | | 31 | 24 | 30 | 30 |

Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve aims through the lifecycle plans

Short-term desired outcomes (18/19 Financial Year):

- To sustain a steady state of condition with the footway and cycleway asset
- To undertake a high definition photographic survey of part of the network (1/3) and understand its condition

Medium-term desired outcomes (18/19 to 23/24 Financial Year):

- To develop a Member endorsed programme of work for the following five years
- To undertake a high definition photographic survey of part of the network (1/3) and understand its condition
- To sustain a steady state of condition/ improvement with the footway and cycleway asset
- To refine the condition survey to meet the objectives of ESCC

Long-term desired outcomes (23/24 to 28/29 Financial Year):

- To develop a second Member endorsed programme of work for five years
- To undertake a high definition photographic survey of the last third of the network and understand its condition
- To sustain a steady state of condition/ improvement with the footway and cycleway asset
- To refine the condition survey to meet the outcomes of ESCC



Structures



East Sussex County Council actively manages its highway structures in accordance with principles set out in the UK Roads Liaison Group publication 'Well Managed Highway Infrastructure, A Code of Practice'.

There are 483 bridges and 296 culverts which belong to East Sussex County Council, 239 retaining walls and 2 tunnels being maintained, with a gross replacement cost estimated to be £523.8 million (2017 values). A further 311 structures are being inspected to ensure the safety of the highway user. Routine maintenance of structures is based on a prioritised system of required work with the aim of minimising the risk to public safety and future maintenance costs.

The condition of the structures asset is measured primarily by two factors: BSCLavi (Bridge Stock Condition Indicator average) and BSCLcrit (Bridge Structure Condition Indicator critical) which are derived from bridge inspections.

In accordance with the nationally recognised indicators published by ADEPT (The Association of Directors of Environment, Economy, Planning and Transport) and in common with most Local Authorities, there has been a slow reduction in the overall stock value which at present in East Sussex is within the range denoted 'good'. Out of the total stock, 58 structures are rated below 'fair'. This information is stored within a bespoke database and used to determine lifecycle planning strategies.

All structures are maintained in a condition 'fit for purpose and safe for use'. If safety critical components are identified as being deficient after inspections, immediate steps are taken to make them safe. At present, 18 substandard structures are monitored to determine their structural performance and are managed in accordance with the code of practice.

Desired outcomes: The principle factor for determining the forward strategy is to maintain the asset in a condition 'fit for purpose and safe for use'. The target is to adhere to our 10 Year Structures Plan and maintain the level of the BSCI. Additional targets include alleviating culverts that cause property flooding, enhancing safety at highway structures and mitigating railway sites where vehicle incursion is an issue.

Approach: There are likely to be further financial pressures in the future, reducing the availability of finance for the maintenance of the structures stock. The key financial driver is to ensure that the time for intervention of planned maintenance to a structure is determined to provide the best financial return for that investment. This will be managed by use of the structures lifecycle models, reviewing the 10 Year Plan, monitoring the BSCIs and applying professional, qualified engineering judgement.



Our Performance

| Performance | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|------------|------------|------------|------------|------------|
| Number of substandard structures (Lower is better) | 17 | 17 | 18 | 18 | 18 |
| BSCI average rating (Higher is better) | 86 good | 86 good | 86 good | 86 good | 86 good |
| BSCI critical element (Higher is better) | 76 fair | 75 fair | 76 fair | 76 fair | 76 fair |

Framework to achieve desired goals

- Continue to improve the forward programme of works
- Introduce more detailed scheme briefs at handover stage
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Medium-term desired outcomes 5 years (18/19 to 23/24 financial years)

- To maintain the asset as 'fit for purpose' and 'safe for use'
- Target and maintain the existing BSCI scores
- Alleviate any culverts that are causing flooding to third parties
- Mitigate any risk from road over rail vehicle incursions

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 financial years)

- Build a strategic investment plan for the asset to facilitate investment at the right time for each structure
- Ensure the structures are maintained to the highest safety and condition standard within the available budget

Drainage



East Sussex County Council is adopting a risk management approach towards highway drainage, taking into account the geographical location of the assets, known local flooding hot spots and risk to the highway. The Council's highway drainage asset is critical to ensuring the controlled removal of water from the carriageway for its safe use. The impact of failure from the drainage asset on other highway infrastructure is significant, particularly to the carriageway. As a consequence it is vital that we have an up to date inventory of all highway drainage assets and their condition.

The current inventory of highway drainage assets across East Sussex includes approximately 98,000 gullies 10,000 grips and 500km of drainage ditches. Outside of routine maintenance the current approach to repairs and improvements is predominantly reactive. This is the result of an incomplete inventory, lack of condition data and a lack of knowledge of the risks posed by this critical asset across the county performance.

The limitations of this approach have been made evident with the current backlog of drainage defects identified. Our ability to model a capital programme and lifecycle plan for our highway drainage asset is limited for these reasons.

To proactively maintain the entire drainage asset into the future, we will continue to build a complete inventory and good understanding of condition including the associated risks that come with failure. This will enable us to undertake programmes of preventative maintenance whilst monitoring and reviewing performance.

Improving our knowledge of drainage infrastructure across the county enables us to demonstrate evidence-based decisions on drainage maintenance and supports our ability to secure future funding investment, while demonstrating savings in revenue expenditure through efficient and effective maintenance.

The proposed new performance indicators are to drive this required improvement in our knowledge.





| UFRN | Description | Measure |
|------|--|---------------|
| 1 | Number of road gullies cleaned and checked as 'free flowing' with their position recorded appropriately | Number |
| 2 | Length of drain validated as fit for purpose and position recorded appropriately. | Length metres |
| 3 | Length of ditching cleaned and validated as fit for purpose and position recorded appropriately | Length metres |
| 4 | Number of headwalls inspected and checked as 'free flowing' and position recorded appropriately | Number |
| 5 | Number of Manholes / access chambers inspected and checked as free flowing and position recorded appropriately | Number |

Desired outcomes:

- Move away from reactive maintenance towards planned improvements
- Implementation of a proactive maintenance approach to reduce flooding and damage to other highway infrastructure

Approach:

- Continued proactive maintenance of known drainage assets in accordance with industry guidance such as the HMEP Guidance documents
- Collection of inventory and condition information for the remaining unknown drainage assets to enable clear lifecycle plans to be developed
- A proactive approach for future programmes of prioritised maintenance to be achieved

Our Performance

| Performance Indicator | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 |
|---|-------|-------|-------|-------|-------|
| % Highway gullies that are free flowing and clear of obstruction (PP) | | 98% | 98% | 98% | 96% |



- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans
- Develop a forward programme of capital improvement works to deliver extra investment in drainage over the next six years

Short-term desired outcomes (18/19 Financial Year):

To sustain a steady state of condition with the drainage asset:

- Resolve the various historic paper records into a single image of the network
- Work with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

- Continue working with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns
- Continue to build a robust set of drainage records
- Produce a Member endorsed five year works programme

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Continue to build a robust set of drainage records
- Produce a second five year Member endorsed programme
- Continue working with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns



Street Lighting



Street lighting is an important highway asset, contributing to public amenity, safety and the night time economy. With a gross replacement cost of £70.173million (2017), the lighting asset consists of approximately:

- 37,500 East Sussex street lights (column and wall mounted)
- 10,000 other inventory items (such as illuminated and reflective bollards, subway lighting, internally and externally illuminated signs and school warning lights)
- Approximately 2,000 concrete columns installed before 1982
- 3,000 street lights for parish, borough and district councils under individual, rechargeable maintenance agreements

There is concern as to the accuracy of the inventory figures and stock condition; as a result the following is required:

- Complete inventory undertaken
- Condition data on the inventory
- Listing of any critical risks

East Sussex County Council operates a six year routine maintenance cycle, with all columns in the county being visually inspected for structural and electrical condition at each visit. Monthly night scout patrols are also in operation, allowing faults to be identified and logged into a lighting management system. This maintenance cycle has an overall aim of minimising non-routine visits and improves the efficient operation of the asset. The frequency of these visits has been extended to six years due to the introduction of part-night street light operation and LED (light emitting diodes) light sources.



In addition to these maintenance activities, limited capital column replacement projects to replace life expired lighting columns are also undertaken. Replacing the columns at these locations with newer equipment minimises the risk of failure and the occurrence of non-routine faults.

ESCC are also investigating the opportunity of 'Green Bank' funding to bring the stock up to a modern standard.

Desired outcomes:

- To ensure the safety of the public
- Full inventory and condition assessment
- Reduce the risk to maintenance operatives
- Reduce energy consumption
- Reduce the cost of maintenance
- Halt deterioration of the asset



Approach:

- Working with the Joint Venture and / or a third party for data collection
- Combine routine inspection
- Regular night scouting
- Testing and cleaning
- Record public fault reports
- Continue with key projects to meet targets for reduced energy consumption, including the reintroduction of part night lighting where appropriate, and the installation of dimming and more efficient equipment

The above approach will be supported with the use of inventory systems programmes which also help to mitigate risk, and comply with current British Standards.

Our Performance

| Performance | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|-----------------------------|-------------------------------|-------------------------------|-------------------------|-----------|
| Number of street light columns in excess of the action age (lower is better) | 5,983 16% of total stock | 6,137 16.3% of total stock | 7,472 19.9% of total stock | 7,977 21.3% of total | |
| Kilowatt hours | 14,239,492 | 12,419,934 | 10,722,502 | 9,694,404 | 9,693,828 |
| Carbon used | 7,704 | 6,719 | 5,716 | 4,812 | 4,329 |

Framework to achieve desired goals

- Continue to improve the forward programme of works
- Introduce more detailed scheme briefs at handover stage
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans
- Develop approach and funding to replace concrete columns

Medium-term desired outcomes 2 to 5 years (20/21 to 23/24 Financial Year):

- **Develop a fully comprehensive inventory of all lighting elements**
- **Produce a hierarchy of need based upon community reassurance**
- **Refine the lifecycle model demonstrating funding requirement for various performance outcomes**
- **Develop a five year, Member endorsed forward plan of preventative maintenance**

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a programme of work which is Member endorsed for the funding of lighting elements for a second five year period
- Implement programmes of work delivering best value against the proposed investment plan



Traffic Signals



Traffic signal controlled junctions and pedestrian crossings form an important highway asset, contributing to the safe and efficient use of the road network and promoting economic growth within the county. Their efficient operation and maintenance allows those using the road network to move around the county with the minimum of delay and disruption. Efficient maintenance regimes ensure that the traffic signal installations are maintained in a safe structural and electrical condition.

There are currently 266 signal controlled junctions, 155 pedestrian signal crossings and 151 vehicle activated signs (VAS) installed across the county with a gross replacement cost of £16.38million (2017). The traffic signal sites also have white lining, anti-skid surface and pedestrian barrier rails associated with them. An annual inspection is undertaken which checks the physical condition of the infrastructure and the operation of the equipment. This includes a visual assessment of the structural and electrical condition as well as an electrical test every sixth year.

There is concern as to the accuracy of the inventory figures and stock condition of this asset and as a result the following is required:

- A complete inventory undertaken
- Condition data on the inventory
- Listing of any critical risks

Fault notification is based on reports from the general public, the Police and our partner. Key Performance Indicators (KPI's) are set and monitored to ensure that our contractor attends and rectifies faults within specified contract time periods. An age-based refurbishment programme is generated on an annual basis which is reviewed along with the annual inspection results, to ensure that all of the signal sites are maintained to an acceptable operational condition.

Desired outcomes:

- Ensure the safety of the public
- Full inventory and condition assessment
- Efficient operation of the asset
- Reduce the risk to maintenance operatives
- Reduce energy consumption
- Reduce the cost of maintenance
- Halt deterioration of the asset
- Move towards automatic fault reporting systems

Approach:

- Working with the Joint Venture and / or a third party for data collection
- Combined routine inspection and testing
- Timely attendance and repair of faults to ensure the safe operation of the asset
- Use of an inventory system to record and monitor fault and asset information
- Schedule of annual inspections to identify issues that pose a risk
- Reduced energy consumption through the use of LED lanterns signal heads
- De-cluttering and removal of unwanted equipment or its relocation on to other existing assets to reduce the number of items to maintain and reduce future maintenance costs (combined infrastructure)
- Replacement of surface cut detection loops with underground vehicle sensors to reduce future maintenance costs, reduce the opportunity of loop failure and maintain the long term structural integrity of the road surface
- Design of efficient replacement traffic signals schemes that deliver the lowest whole life costs



Our Performance

| Performance | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Performance |
|--|---------|---------|---------|---------|--|
| Number of Signal Controllers (Junction and Pedestrian crossings) in excess of action age (Lower is better) | 8 | 52 | 10 | 13 | Number of Signal Controllers (Junction and Pedestrian crossings) in excess of action age (Lower is better) |

Framework to achieve desired goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Framework to achieving desired goals:

Short to Medium-term desired outcomes:

- A full survey of all of the sites that have powered lights/equipment is required to understand the type and state of the facilities
- The survey results need to be put into a formal report with recommendations for investment based upon risk to the public, operatives and corporate image
- From the above a formal request for monies so that a programme of works can

Medium-term desired outcomes 2 to 5 years (20/21 to 23/24 Financial Year):

- Develop fully comprehensive inventory of all traffic signal controlled equipment
- Refine the lifecycle model demonstrating funding requirement for various performance outcomes
- Develop a 5 year, Member endorsed forward plan of preventative maintenance

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for long term sustainable funding beyond the current five year budget plan
- Implement programmes of work delivering best value against the proposed preventative investment plan

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Road markings, signs and street furniture have a significant presence within the public highway environment and appropriate design and maintenance of these assets is required to offer a safe, clear and attractive public space for all users.

East Sussex County Council is responsible for the maintenance of over: 900 grit bins; 24.7km of pedestrian guard rail; 40,000 safety bollards; 28.5km of safety fences / barriers; 43,695 road signs and nearly 2,500km of road markings. In maintaining these assets, the approach is to ensure that they offer good long term value. Community initiatives have been set up to work alongside parish and town authorities such as jointly-funding the maintenance of fingerposts. There is a need to have a robust inventory that is regularly checked and updated to ensure the continuing knowledge of the asset condition.



Approach:

- Develop a lifecycle model for road markings, signs and street furniture from inventory
- Implement a programme of preventative maintenance in 2019/20
- The programme will consider all existing road marking maintenance activity and propose a plan offering a coordinated, best value approach in future
- Use of the signs inventory to support initiatives such as street de-cluttering to improve the public realm for road users and limit maintenance liability

Framework to achieve desired goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

- Develop a methodology for collecting data that will allow the Asset Management Team to know precisely what assets there are in this category and their condition
- Implement programmes of work delivering best value against service objectives

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for long term sustainable funding beyond the current five year budget plan
- Implement programmes of work delivering best value against service objectives



Soft Estate



The highway soft estate provides the setting for the county's roads. It includes trees, hedges, verges and other vegetated and natural areas within the boundary of land managed as public highway.

In urban areas it generally comprises verges between the road and pavement and any trees growing within them, but also larger green areas associated with the highway, and individual trees within paved areas. Especially in rural areas, more extensive areas of habitat can be included, often comprising areas of woodland planted to mitigate the visual impact of new roads, and wetland and other habitats provided to compensate for habitat lost during new road construction.

Drainage assets such as ditches, soakaways and balancing ponds often form part of the soft estate.

Increasingly organisations' soft estate elements such as woodlands and wetlands are considered as natural capital with a measurable value, providing equally measurable benefits year on year in the form of what are known as ecosystem services – in other words 'what nature does for us'.

The East Sussex Highway soft estate is no exception, and ecosystem services provided include:

- Visual amenity and aesthetic value; enhancing economic values, improving quality of life and providing health benefits for residents and enhancing the attractiveness of the county to tourists
- Screening to residential areas
- Psychological traffic calming and a safer road environment
- Highway drainage management through run-off areas, ditches and wetlands
- Absorption of atmospheric carbon through vegetation growth
- Air pollution removal by trees and other vegetation, e.g. particulates and noxious gases.

Recent work (2015) in Highways England's Area 1 (Devon and Cornwall) valued the 300,000 or so trees on the network's verges at over £40m using the Capital Asset Valuation for Amenity Trees (CAVAT) method, and the total **annual** benefits provided by the highway soft estate at over £760,000.

The management of the East Sussex's highway soft estate has suffered in recent years from continual reductions in the funding of planned works such as grass cutting, leading to poor appearance and reduced customer satisfaction, whilst lack of knowledge of the asset has led to a reliance on reactive management of trees and other woody vegetation.

An asset management approach in the future could save money by targeting works aimed at improving the soft estate's aesthetic appeal, the ecosystem services it produces, and its biodiversity, thus also helping the county to comply with wildlife legislation.

The gathering and amalgamation of data currently held in diverse forms, together with new ecological, arboriculture, and other surveys will help us to accurately define our asset whilst ongoing research will provide innovative and cost effective solutions to our soft estate management.

The highway soft estate asset includes approximately 4,468km of vegetated verge, at least 55,000 individual trees on A roads and in major towns and approximately 36km of council maintained hedge. In addition there are a number of areas of woodland and scrub, ornamental shrubs and wetland areas.

Nearly 75km of verges are designated as Wildlife Verges and managed specifically for the wildlife interest they contain.



Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset Management Framework, following standards of best practice and collaborating with our partners.

Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by ongoing survey works where knowledge gaps exist and improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve aims through the lifecycle plans

Short-term desired outcome – 2018

1. The production of a document that can explain the journey required to achieve a safe, visually appealing and bio-diverse soft estate which is economic to maintain and meets the aspirations of the various communities of East Sussex.
2. The above will need a consultation document produced.

Medium-term desired outcomes 5 years (2019/20 to 24/25)

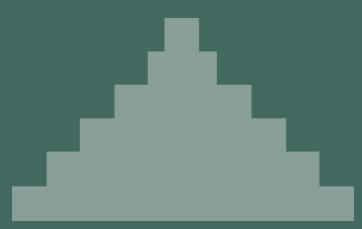
1. Develop a methodology for collecting data will allow the Asset Management Team to know precisely what assets there are in this category and their condition. Based upon the above document.
2. Implement programmes of work delivering best value against service objectives developed through the consultation process.

Long-term desired outcomes 5 to 10 years (2019/20 to 2029/2030)

1. Develop a compelling case for long term sustainable funding beyond the current five year budget.
2. Implement programmes of work delivering best value against service objectives.



Risk Management



Managing risk is integral to the effective and efficient management of the highway asset. The identification of current and future risks associated with all aspects of Highway management is embedded in the asset management approach, in accordance with our Corporate Risk Management Framework and established best practice.

Risk types include:

- Health and Safety
- Strategic
- Financial
- Regulatory
- Reputational
- Operational

Risk information is recorded corporately as a county council and with our contract partners within the Highways risk register. The Highway risk targets the identification of strategic and operational risks encountered within our works and operations. Risk registers also exist at all levels within the organisation to ensure potential issues are captured, analysed and mitigated.

Risk based decision making is used to inform and define the management approach to our assets, including, inspection regimes, setting levels of service, responses, resilience, priorities and programmes. By adopting a risk based approach highways maintenance can be carried out in accordance with local needs, safety, priorities and affordability. Guidance and training of the risk based approach and its implementation is provided to all those roles with responsibility for taking the risk based decisions. Competencies and training for those staff have been identified and are regularly updated providing a programme of continuing professional development.

A review of the current network hierarchies in East Sussex was undertaken in 2018 to ensure that appropriate management is targeted towards roads of greatest need, in order to reflect our risk based approach to the highway network.

Each asset group has different needs based upon its usage and that variance in need is reflected in the management approach taken to the asset.



The East Sussex Highways Sustainability Action Plan provides actions to mitigate direct and indirect impacts of highway maintenance on the environment and communities. This includes; Consideration of whole life carbon costs; Appraisal of materials, products and treatments for maintenance for environmental impact, nature conservation and biodiversity; and risk assessment and mitigations for the effects of extreme weather on highway infrastructure assets (Climate Change Adaptation).

Issues affecting the environment that are taken into account in highway maintenance, include:

- Carbon costs and energy reduction
- Noise
- Materials utilisation
- Waste management and recycling
- Air quality and pollution control
- Nature conservation and biodiversity
- Environmental intrusion

Actions include production and application of a carbon model, operational carbon footprint analysis, and training for sustainable designs of projects.

Highway maintenance sustainability links to the wider environment and sustainability principles and outcomes of East Sussex County Council and our Highways contractors.

Data Management



East Sussex County Council undertakes a risk based approach to asset management through its knowledge of the various elements of the highway. The knowledge of the asset is undertaken by:

- Holding and updating all appropriate records
- Validating the records
- Ensuring the data is transparent for decision makers

A data management strategy is one way of documenting information and demonstrating the benefits of data. The East Sussex County Council strategy comprises the following elements:

- **Identify business need** - This is through the appropriate data being collected and an appreciation of the validity of the information and how it is best used
- **Data ownership and accessibility** - The Asset Management Team has designated owners of data who are responsible for its validity and access to it
- **Data collection** - East Sussex County Council strives to ensure the data collected is accurate, appropriate and collected in such a way that repeatability of collection is achievable
- **Frequency of collection** - The data collection is based around the risk of that data from changes to the highway network through climate and use



- **Data Storage** – The data is stored to meet the requirements of East Sussex County Council I.T. Strategy and the Data Protection Act 2010
- **Data Management** – The data is managed currently through the ESAMS system developed by East Sussex
- **Data Disposal** – The data collected is not going to be disposed in the medium term as it allows for a reflection on the management changes to the network

East Sussex County Council will collect appropriate data that allows it to make sound judgements on the rate of deterioration of the highway and all of its component parts, these include:

- Carriageways
- Footways
- Structures
- Lighting columns and associated electrical apparatus
- Road gullies, associated pipework and chambers
- Trees, vegetation and associated green space (ecological concerns)
- Safety barriers and fences
- Any other attributes to or on the highway

The data gathered in these surveys, including details on inventory, asset location and performance, is recorded and stored in asset information databases. These provide a central repository for asset information which can be easily interrogated to obtain information necessary for the day to day management of the asset and to inform short and long-term maintenance needs. As part of the implementation of asset management, we will review current data collection techniques and continue to update our data management strategy.

Life Cycle Planning



Life cycle planning comprises the approach to the maintenance of an asset from construction to disposal. It is the prediction of future performance of an asset or a group of assets based upon investment scenarios, usage and maintenance strategies.

Typically there are five stages to the life of an asset:

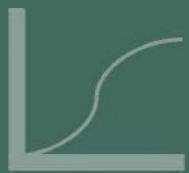
1. Creation! acquisition – a new asset as a result of a new development of capital project
2. Routine maintenance – cyclic and reactive maintenance designed to maintain the asset in a serviceable condition
3. Renewal! replacement – major work required when cyclic maintenance ! reactive works are unable to sustain the asset to the required standard
4. Upgrading – improvement to an asset to meet increased demands
5. Disposal – decommissioning of an asset when past its economic life

Effective lifecycle planning is about making the right investment decision at the right time to ensure that the asset delivers the required level of service over its expected life span to a minimum cost.

The work undertaken by East Sussex Highways is driven by a lifecycle approach through its:

- Knowledge of the asset through the survey work
- The cyclic work undertaken to repair minor faults
- The upgrading work that takes place each year to meet increased demand on the original

Best Practice and Performance Monitoring



East Sussex County Council is committed to the development of good practice and continuous improvement, having already played a leading role in the development of the regional agenda on highway asset management.

Examples of activities that demonstrate our commitment include:

- Membership of the South East 7 Alliance
- Membership of the South East Service Improvement Group
- Participation in Project Outcome (with Surrey)
- Performance Management Framework
- NHT National Survey
- CQC Efficiency Network
- Membership of the CIPFA HAMP Network
- Attendance at a variety of local and regional events

We are continually reviewing our progress against this plan. Asset management, service delivery and contract delivery outcomes are key to good delivery. We will monitor our performance against those outcomes in this document to enable us to identify where we are making progress and where we may need to make changes, to ensure we continue to manage the asset in the most efficient manner, and to ensure that we are able to continuously improve.



Glossary

The following terms are used in this strategy:

Asset management

A strategic approach which identifies the optimal allocation of resources for the management, operation, preservation and enhancement of the highway infrastructure, to meet the needs of current and future customers.

Asset valuation

The calculation of the current monetary value of an authority's assets. It excludes therefore any consideration of the value to the community in terms of the economic and social benefits of providing a means for people to travel in order to work, socialise and live.

Critical asset

An asset without which you cannot deliver a statutory service.

Deterioration

The change in physical condition of an asset resulting from use or ageing.

Gross Replacement Cost

The total admissible cost of replacing the existing highway asset to a modern equivalent standard, taking into account up-to-date technology and materials.

Levels of service

Levels of service typically cover condition, availability, capacity, amenity, safety, environmental impact and social equity.

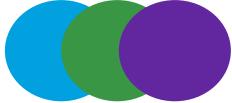
Lifecycle Planning

Making the right investment at the right time to ensure that the asset delivers the requisite level of service over its full expected life, at the minimum cost.

Whole Life Cost

The total costs incurred in the creation, maintenance and disposal of an asset.

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November 2018



Cabinet

13 July 2021

Appendix 006

Highways Services Re-procurement Project

Document Title:

Future Options Study Summary of Findings

| | |
|-------------------------|---|
| Title | Future Options Study: Summary of Findings |
| Research Theme | Highways Sector Future Options Study |
| Domain | FHRG / ADEPT |
| Component | Future Service Delivery Options |
| Date | October 2020 |
| Author | Proving Services |
| Document Version | 1.3 |
| Distribution | Research Project Participants Only |



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1 Executive Summary

The highways sector is currently facing significant new opportunities and challenges. Modal shift and an increased focus on sustainability and social value were gaining momentum pre-COVID-19 and have accelerated since. Current contractual relationships between commissioners and providers of highways services are, in many cases, failing to deliver the collaboration and outcomes that either party had hoped for and for commissioners entering new, long term contractual relationships, the medium term landscape for the traditional highways function is now more difficult to predict. New technologies however, particularly with regards to 'smart places' technology, are attracting the interest of many potential new market entrants, from the energy and communications sectors, and are transforming the perception of the highways function from a costly liability to a potentially revenue-generating asset.

Against this backdrop, within the next five years, twenty-four local highways authorities will be coming to the end of their current highways term maintenance and associated contracts. Proving Services (Proving) were commissioned by eight county and unitary local authority members of the Future Highways Research Group (FHRG) to help assess the marketplace and evaluate future options for highways services delivery. These authorities recognise that this is the time to address historic weaknesses in contractual relationships and ensure future procurement enables authorities and their partners to fully address the challenges and opportunities now facing the sector. This review sought therefore to firstly establish the strategic direction of the sector over the medium term, as the backdrop against which different service models will need to deliver. A common methodology was then used to work with each authority to evaluate which of twelve potential service delivery models might best deliver these strategic objectives, in terms of both Attractiveness (value for money) and Achievability (see Appendix C for full definitions).

All participants across each of the eight authorities engaged fully with the review and several authorities involved portfolio holders and executive directors in the workshops. This can be helpful in gaining understanding and support for the outcomes more broadly within the political and executive hierarchies.

Our review found that authorities' experience of their existing service delivery arrangements and political and cultural preferences influence perceptions of each potential future service delivery model. To mitigate against undue bias, authorities were asked to evaluate the service model underpinning their existing arrangements from the perspective of what it might deliver, if properly specified and executed. As the discussions in each workshop unfolded, participants understood and were able to view their existing arrangements more objectively, which preserved the objectivity of the process.

Prior to our review and affirmed during it, Proving has identified a close convergence in strategic direction across the sector. Strategic drivers have evolved during this period to encompass not only the traditional objectives of developing and maintaining a good quality, free flowing network for all modes of user, but also significant contemporary challenges around sustainability, skills retention and succession planning, the need for better collaboration between public and private sector partners and the imperative of capitalising on new technologies and the interest of potential new market entrants. Each of the participants of this review is seeking to deliver these same broad objectives through their future service delivery arrangements.

There was a reasonable degree of consistency across the top five options chosen by the participant authorities. No single option, however, scored consistently highly across Strategic Fit, Attractiveness and Achievability. It is likely therefore that some authorities will look to procure a blend of options when they go to market.

The top ranked models overall, **Integrated Contractor** and **Designer and Separate Contractor** and Designer, achieved their position primarily through Achievability; scoring less highly for their perceived Attractiveness (VFM) or potential to achieve authorities' strategic drivers. The potential

economies and efficiencies of scale and benefits of joined up service delivery were, however, recognised as advantages of these models. Given the majority of participants currently work with only a small number of significant partners under their current arrangement, the transition to these models was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.

The next most favoured models, **Best Option by Function** and **Function Orientated Providers**, were those that scored most highly for Attractiveness. These options involve selecting the best provider for each individual function within the service, in the case of **Best Option by Function** that provider may be internal or external. These models were generally deemed most likely to provide the best outcome in terms of economy, efficiency and effectiveness and were also considered attractive to internal stakeholders and local communities. The challenge of providing a fully joined up service under these models was noted, however.

Several authorities viewed the **Primary Design plus Add On** model favourably; taking design services back in house being seen as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. Challenges would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and local government pension costs may be an inhibitor.

Several authorities chose not to consider less common models such as **Arms-Length Management Organisation (ALMO)** or **Joint Venture**. It is notable however that where scored, the level of control afforded by these models suggested they could be the most effective in the pursuit of strategic drivers. It was less certain however that they would deliver value for money and they were deemed amongst the most difficult to achieve, as local authorities tend to lack the requisite experience and commercial skills to successfully establish and operate these more complex models. There is also a dearth of current sector success stories to draw on with these models.

The majority of authorities did not favour **Multiple Provider** or **4 Year Framework** options due to the degree of direct client oversight required, the risk of divergent standards and an inability to provide an integrated service. A minority of authorities, however, expressed a contrary view, judging these models to be the best in terms of facilitating the involvement of local providers and ensuring a level of competition that could serve to both reduce costs and improve quality.

Options that would involve taking all or significant elements of the service back in house were generally viewed as attractive from the perspective of control and agility and may also be attractive to staff and local community stakeholders. There were conflicting views as to whether these models would perform better or worse than outsourcing models in terms of economy and efficiency but an acknowledgement that the lack of exposure to the wider market may dampen innovation. **The All In-house** and **Cyclical and Reactive In-house** models were often rejected however on the grounds of Achievability, in particular the cost and complexity of transition, again reflecting the starting point of the participant authorities.

There is little appetite for **Shared Service** models. Political sovereignty, dilution of focus and absence of sector success stories were amongst the barriers cited.

One option, **Highways Alliance**, was a later addition to the menu of options and as such was only considered by three authorities. For two of these authorities, this model ranked as the second highest scoring option. This model entails the use of contractual, governance and softer mechanisms to prioritise collaboration and the joint objectives of all partners above individual contracts. Other authorities may wish to consider this model as they refine the scope of the services to be procured, particularly those considering models that involve several partners.

Moving forward, whilst there is some consensus as to the top five or six favoured service delivery models, it is clear, and to be expected, that there is no ‘one size fits all’ model for the sector. As individual authorities crystallise their intentions as to exactly which functions and services will be encompassed in their next procurement, the methodology adopted for this review will enable them to develop and test variants of the twelve core models considered to identify the solution best matched to their own current status and future requirements.

2 Background

Proving Services re-established the Future Highways Research Group (FHRG) in 2017 as a forum for directors of service to share knowledge and experiences and identify, develop and assess innovations with the potential to transform the sector. ADEPT and Proving Services have an exclusive partnership offering access to the tools, materials and best practice research produced by the FHRG to all ADEPT local authority members.

The highways sector is currently facing significant new opportunities and challenges. Modal shift and an increased focus on sustainability and social value were gaining momentum pre-COVID-19 and have accelerated since. For commissioners entering new, long term contractual relationships, the medium-term landscape for the traditional highways function is now more difficult to predict. New technologies however, particularly with regards to ‘smart places’ technology, are attracting the interest of many potential new market entrants, from the energy and communications sectors, and are transforming the perception of the highways function from a costly liability to a potentially revenue-generating asset.

There has also been a recognition that current contractual relationships between commissioners and providers of highways services are, in many cases, failing to deliver the collaboration and outcomes that either party had hoped for. Following something of a contraction in the provider market, initiated by the collapse of Carillion, and a realisation that greater diligence and financial resilience will be critical features of future contracts, the past three years have also been a period of reflection for local authorities. Many are now considering increasing the size of their client function and/or an element of self-delivery to assure resilience and be able to exert greater control and agility over future direction and priorities.

Against this backdrop, within the next five years, twenty-four local highways authorities will be coming to the end of their current highways term maintenance and associated contracts. Proving Services (Proving) were commissioned by eight county and unitary local authority members of the Future Highways Research Group (FHRG) to help assess the marketplace and evaluate future options for highways services delivery. These authorities recognise that this is the time to address historic weaknesses in contractual relationships and ensure future procurement enables authorities and their partners to fully address the challenges and opportunities now facing the sector.

As part of this review, Proving interviewed thirteen private sector service providers to better understand their drivers, constraints, concerns, and the opportunities for improvement when working with local authorities within this sector. This element of the review has been reported separately¹ and fed into the future options review which is the focus of this report.

Over summer 2020, Proving has worked work with the following eight highways authorities, on an individual basis, to consider which of the myriad of potential future service delivery options may best deliver the future strategic objectives of the service in the context of both Attractiveness (value for money) and Achievability.

¹ Highways Market Place Review – Provider Consultation v2-4.

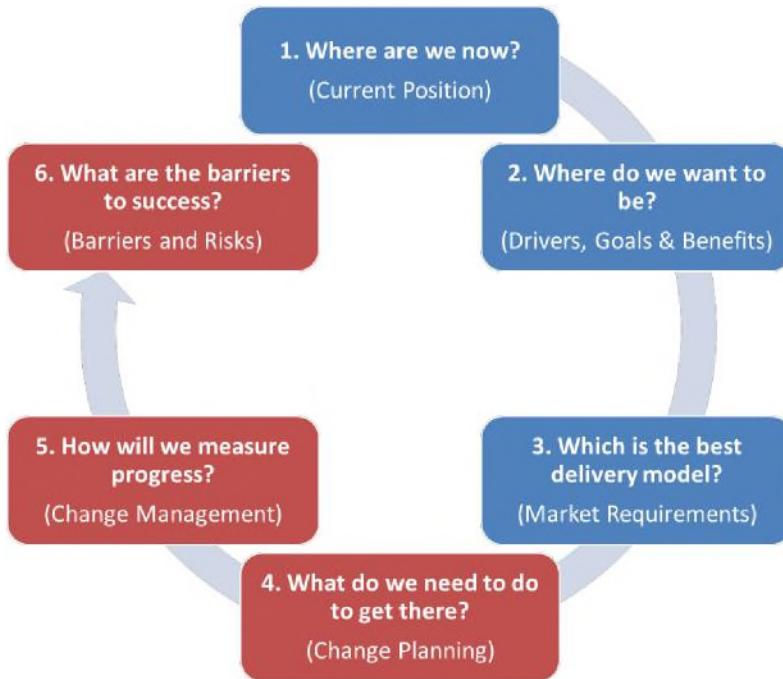


This report sets out some of the observations, conclusions and preferred future delivery models identified through these reviews.

3 Scope and Methodology

The scope of each future service delivery options review is captured in boxes 1 to 3 in Figure

1: Figure 1: Future Service Delivery Options – Scope of Review



Each review was undertaken through a series of workshops which considered:

- **What are the medium term strategic objectives the Service is seeking to deliver through its future service delivery model?**
 - Before we can consider which service delivery option will best serve us in the future, we need to have a clear understanding of what we will be trying to achieve.
- **How might each potential service delivery option contribute to the delivery of these strategic objectives, relative to our current model?**
- **How attractive and achievable is each potential service delivery option, relative to our current model** (see Appendix C for full definitions of Attractiveness and Achievability)?
 - Using an options analysis toolkit to weight each factor under consideration and facilitate scoring and ranking. An illustrative example of the toolkit is set out in Appendix E.

For each authority, the outcome of the above process was a provisional shortlist of potential future service delivery options which:

- Can be evolved as the procurement process develops and the scope and breadth of services to be encompassed becomes clearer.
- Helps to formulate a short list of options for full business case development.

The future service delivery options initially proposed for consideration are set out in Table 1.

Table 1: Future Services Delivery Options

| Option Group | # | Option Name |
|--------------------|----|--|
| Single Provider | 1 | Contractor & Designer (Separate) |
| | 2 | Integrated (Contractor + Designer) |
| Multiple Providers | 3 | Multiple Providers Per Service Area |
| | 4 | Function-Orientated Service Providers |
| | 5 | Primary + Secondary (Risk Sharing) |
| Framework | 6 | 4-Year Framework Agreement |
| JV | 7 | JV |
| | 8 | Pseudo JV (Partner + Profits Sharing) |
| Teckal | 9 | Arms-Length Company |
| Private Finance | 10 | PF2 |
| Mixed Economy | 11 | Cyclical & Reactive In-House |
| | 12 | Best Option (By Function / Service) |
| | 13 | Highways Alliance |
| | 14 | All In-House |
| | 15 | Primary Design + Add On |
| Shared Services | 16 | Shared Service (Neighbouring Authority) |
| | 17 | Regional Combined Service |

As the early reviews unfolded and the market review data became available, it became apparent that certain options were not feasible either through non-availability or applicability to the sector or an absence of market interest. On that basis, the following options were subsequently excluded from the scoring process:

- **Primary + Secondary (Risk Sharing)**
- **Pseudo JV**
- **PF2**
- **Regional Combined Service**

On completion of the scoring exercise, individual authorities were provided with a provisional ranking of potential service delivery options which will help form a short list of preferred options for further investigation. Key judgements were documented and supported by a number of charts and documented analyses to summarise the outcomes. The detailed methodology, toolset, option definitions and scoring guidance underpinning each review are set out in Appendices B to D.

4 Highways Sector – Strategic Drivers

Over the past three years, Proving, working with many members of the FHRG, has identified a close convergence in strategic direction across the sector. Strategic drivers have evolved during this period to encompass significant contemporary challenges around sustainability, skills

retention and succession planning, the need for better collaboration between public and private sector partners and the imperative of capitalising on new technologies and the interest of potential new market entrants.

A consolidated set of strategic drivers and goals of members of the FHRG is shown below. Following debate and discussion centred on existing corporate and service objectives and future priorities, each of the eight participant authorities to this review adopted a set of objectives based around these consolidated drivers, albeit with some variation in intent and terminology between each authority.

- **Support initiatives that deliver carbon neutral services, schemes and incentives.**
- **Optimise and improve network performance for all users and to support the local growth agenda.**
- **Enhance the local economy through network expansion and improvement.**
- **Sustain a financially resilient service that delivers best value with the resources available.**
- **Engage effectively to understand and meet the needs of our citizens and communities.**
- **Embrace best practice, innovations and new technologies.**
- **Develop and sustain collaborative partnerships that deliver the objectives of all partners.**
- **Attract, develop, empower and retain the best people (with the sector).**

The exact strategic drivers adopted by each authority are illustrated in Appendix A. It is important to note that in some cases these strategic drivers are still to be socialised and approved with all relevant stakeholders.

5 Future Service Delivery Options – Ranking and Preferences

Each participant authority completed a comprehensive evaluation of the relative benefits of each potential service delivery model with a fully documented rationale, using the tools and approach described in Section 3 of this report.

The aggregated, summary outcomes, across all eight authorities, are illustrated in Tables 2 and 3.

Table 2: Ranking: Overall, Strategic Fit, Attractiveness, Achievability

| Service Delivery Option | Overall | Ranking | | |
|---|-----------|---------------|----------------|---------------|
| | | Strategic Fit | Attractiveness | Achievability |
| Contractor + Designer (Int) | 1 | 7 | 6 | 1 |
| Contractor + Designer (Sep) | 2 | 8 | 5 | 2 |
| Best Option by Function | 3 | 5 | 1 | 4 |
| Function Orientated Provider | 4 | 6 | 2 | 5 |
| Primary Design + Add On | 5 | 3 | 3 | 3 |
| Joint Venture | 6 | 2 | 8 | 10 |
| Cyclical & Reactive In-House | 7 | 9 | 4 | 6 |
| ALMO | 8 | 1 | 7 | 11 |
| All In-House | 9 | 4 | 9 | 9 |
| Multiple Providers | 10 | 11 | 12 | 12 |

Table 3: Ranking Spread

| Service Delivery Model | Average Ranking Where Scored | Ranking At Individual Authority Level |
|------------------------------------|------------------------------|---------------------------------------|
| Contractor + Designer (Integrated) | 3.25 | 1, 2, 3, 3, 3, 3, 5, 6 |
| Contractor + Designer (Separate) | 3.68 | 1, 1, 2, 2, 3, 5, 7, 8 |
| Best Option by Function | 3.71 | 1, 1, 2, 4, 4, 7, 7, NS |
| Function Orientated Provider | 3.75 | 1, 2, 2, 4, 4, 4, 6, 7 |
| Primary Design + Add On | 4 | 1, 1, 1, 3, 5, 6, 6, 9 |
| Joint Venture | 6.2 | 3, 6, 7, 7, 8, NS, NS, NS |
| Cyclical & Reactive In-House | 6.29 | 4, 4, 5, 5, 8, 8, 10, NS |
| ALMO | 6.5 | 2, 5, 5, 8, 9, 10, NS, NS |
| All In-House | 7.4 | 5, 6, 6, 8, 12, NS, NS, NS, NS |
| Multiple Providers | 8.25 | 2, 7, 8, 9, 10, 10, 12 |
| 4 Year Framework | 8.88 | 3, 6, 9, 9, 10, 11, 11, 12 |
| Shared Service | 9.33 | 7, 8, 9, 10, 11, 11, NS, NS |

Some of the key conclusions and judgements drawn from the reviews are:

- Authorities' experience of their existing arrangements and political and cultural preferences influence perceptions of each model. To mitigate against undue bias, authorities were asked to evaluate the service model underpinning their existing arrangements from the perspective of what it might deliver, if properly specified and executed. As the discussions and workshops unfolded however, participants understood and were able to consider their existing arrangements more objectively which preserved the objectivity of the process.
- The top five options were consistent across the majority of authorities although there were some exceptions. No single option, however, scored consistently highly across Strategic Fit, Attractiveness and Achievability. It is likely therefore that some authorities will look to procure a blend of options when they go to market.
- The top ranked options overall, Integrated Contractor and Designer and Separate Contractor and Designer, achieved their position primarily through Achievability; scoring less highly for their perceived attractiveness (VFM) or potential to achieve authorities' strategic drivers. Given the majority of participants currently work with only a small number of significant partners under their current arrangement, the transition to these models was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.
- The options that scored most highly for attractiveness, Best Option by Function and Function Orientated Providers, were generally deemed most likely to provide the best outcome in terms of economy, efficiency and effectiveness. They were also thought to be attractive to internal stakeholders and local communities. The challenge of providing a fully joined up service under these models was noted, however.
- Several authorities viewed the Primary Design plus Add On model favourably; this being seen as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. Challenges

would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and local government pension costs may be an inhibitor.

- Several authorities chose not to consider less common models such as ALMO or Joint Venture. It is notable however that when scored, the level of control afforded by these models suggested they could be the most effective in the pursuit of strategic drivers. It was less certain however that they would deliver value for money and they were deemed amongst the most difficult to achieve as local authorities tend to lack the requisite experience and commercial skills. There is also a dearth of current sector success stories to draw on with these models.
- The majority of authorities did not favour the Multiple Provider or 4 Year Framework options due to the degree of direct client oversight required, the risk of divergent standards and an inability to provide an integrated service. A minority of authorities, however, expressed a contrary view, judging these models to be the best in terms of facilitating the involvement of local providers and ensuring a level of competition that could serve to both reduce costs and improve quality.
- Options that would involve taking all or significant elements of the service back in house were generally viewed as attractive from the perspective of control and agility and may be attractive to staff and local community stakeholders. There were conflicting views as to whether these models would perform better or worse than outsourcing models in terms of economy and efficiency but an acknowledgement the lack of exposure to the wider market may dampen innovation. The All In-house and Cyclical and Reactive In-house models were often rejected however on the grounds of achievability, again reflecting the starting point of the participant authorities.
- There is little appetite for shared service models. Political sovereignty, dilution of focus and absence of sector success stories were amongst the barriers cited.
- One option, Highways Alliance, was a later addition to the menu of options and as such was only considered by three authorities. It is not included in the above analysis therefore, but for two of the authorities that did consider it, this model ranked as the second highest scoring option. This model entails the use of contractual, governance and softer mechanisms to prioritise collaboration and the joint objectives of all partners above individual contracts. Other authorities may wish to consider this model as they refine the scope of the services to be procured, particularly those considering models that involve several partners.

More detailed observations gathered on each of the models is set out in Table 4.

Table 4: Future Service Delivery Models: Key Observations

| Model | Overall Ranking | Key Observations |
|--------------------------------------|-----------------|--|
| Contractor and Designer (Integrated) | 1 | <ul style="list-style-type: none"> The majority of participant authorities currently work with arrangements that closely mirror one or other of these options. These options scored highly therefore for achievability as the cost and complexity of transition would be minimal. |

| | | |
|---|---|---|
| Contractor + Designer (Separate) | 2 | <ul style="list-style-type: none"> These are also models that are favoured by the market, are supported by sector success stories and would have relatively simple governance and partner management arrangements. The majority of authorities consider these models would deliver good VFM as delivering a joined up service. A minority of authorities however consider the lack of ongoing competition may compromise economy, efficiency and quality. Experience has suggested these models do not necessarily deliver the innovation that may be expected of large organisations. Some authorities also consider agility and resilience may be compromised. |
| Best Option by Function | 3 | <ul style="list-style-type: none"> Some of the participant authorities currently work with arrangements similar to these models. These 'best of breed' provider models scored highly for VFM, especially in terms of operational efficiency and effectiveness. There would be some challenge in ensuring a joined up service delivery across individual functions. |
| Function Orientated Provider | 4 | <ul style="list-style-type: none"> Niche providers should also bring innovation, best practice and the potential to liaise with customers on a more focused basis. There are some notable sector success stories for these models. The greatest challenge is around achievability, particularly the cost and complexity of transition and of ongoing management relative to, for example, an integrated model. Governance and partner management arrangements would also be more complex. |
| Primary Design + Add On | 5 | <ul style="list-style-type: none"> Viewed as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. Challenges would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and additional pension costs may be an inhibitor. Authorities including this option in their shortlist would want to experiment with what the 'Add On' (Delivery) function may look like. |
| Joint Venture | 6 | <ul style="list-style-type: none"> The majority view was that this model would be beneficial in terms of strategic focus due to the level of control exercised. If properly established and with a partner who possesses the requisite commercial skills, this model could deliver very good VFM in the medium term. Significant challenges were noted around achievability; the cost of set up, lack of relevant skills and experience on the client side and the absence of sector success stories to draw upon. For some authorities, political and cultural reservations would be barriers to this model. |
| Cyclical & Reactive In-House | 7 | <ul style="list-style-type: none"> Control and agility are the main drivers for this model as they would facilitate much greater ability to join up different works and keep the network flowing. This in turn should lead to greater stakeholder satisfaction. Significant challenges would come in the shape of the cost and complexity of transition. Lack of competition and exposure to the wider sector may dampen the focus on cost and innovation. |
| ALMO | 8 | <ul style="list-style-type: none"> This was the highest scoring model in terms of potential strategic focus due to the level of control and singular focus afforded by a model without significant partners. |

| | | |
|--------------------|----|--|
| | | <ul style="list-style-type: none"> If successfully established, this model is seen as having the potential to deliver substantial new revenue streams, but there are significant reservations as to whether this is achievable in practice for many. An absence of the requisite skills and experience on the client side, reluctance of some stakeholders to embrace this model and the cost and complexity of transition are viewed as considerable barriers. There are no notable sector success stories for this model within the highways sector currently, albeit there are within the wider LG sector. |
| All In-House | 9 | <ul style="list-style-type: none"> This model scored relatively highly for the ability to deliver strategic priorities given the level of direct control afforded. It may also be attractive to some stakeholder groups. Whilst this model may facilitate a more joined up service, there was a recognition that the lack of competition and exposure to the wider market could mitigate against robust cost control and innovation. The critical barriers to this model however are the cost and complexity of transition, a reflection of the participant authorities' starting point. The cost of investment in plant and infrastructure and in particular the additional pension costs led the majority of authorities to conclude this model is a non-starter. |
| Multiple Providers | 10 | <ul style="list-style-type: none"> Some authorities expressed the view that the level of competition under both these models would drive down costs and increase quality. These models would also enable more direct engagement with local SMEs and a more localised, area based customer focus. |
| 4 Year Framework | 11 | <ul style="list-style-type: none"> Authorities considered the lack of guaranteed work and frequent procurement would make it difficult to achieve long term programming and joined up delivery. There is also a risk of variable standards of work between suppliers, particularly under the Multiple Providers model. Achievability makes both models prohibitive for most authorities. The cost and complexity of both transition and ongoing governance and partner management arrangements were viewed as significant barriers. Although a minority of authorities did consider that whilst the volume of partnerships may be a challenge, the client would have greater influence in these partnerships than in single provider models, these options only featured in the top six for one authority. |
| Shared Service | 12 | <ul style="list-style-type: none"> This model was not a favoured option for any authority. There was a concern that conflicts of interest between commissioning partners may mean a dilution in focus on local priorities and strategic objectives. Whilst in theory, this model should deliver economies of scale, authorities are sceptical about whether that would be likely in practice. A lack of appetite from the market as well as across many stakeholder groups and an absence of sector success stories also weighed against this option, as did a view that governance and partner management arrangements could be complex. |

6 Next Steps

The next steps for each participant FHRG member are to:

- Refine the Service's strategic objectives as necessary, following consultation with key stakeholders.
- Ensure the weightings for each factor accurately reflect their relative importance to the Service as this will impact the scores and ranking.
- Consider the future service delivery preferences and rationale of peer authorities and whether these influence the authority's own provisional assessment.
- As the final scope of services to be procured crystallises:
 - Fully define and document the options under consideration.
 - Test and refine the options under consideration in the context of the final scope of the service to be procured and the benefits of each option for individual functions.
- Develop full business cases for top ranking Options.

Appendix A – Strategic Drivers

| Authority | Strategic Drivers |
|-------------|--|
| Authority A | <ul style="list-style-type: none"> • Ensure the safety and wellbeing of all employees and asset users. • Engage effectively to understand and better meet the needs of our communities. • Ensure we implement policies to work towards achieving a carbon neutral county. • Optimise and improve network performance for all users and to support the local growth agenda. • Sustain a financially resilient service that delivers best value with the resources available. • Embrace best practice, innovations and new technologies. • Attract, develop, empower and retain the best people. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. |
| Authority B | <ul style="list-style-type: none"> • Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people. |
| Authority C | <ul style="list-style-type: none"> • Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people. |

| Authority | Strategic Drivers |
|-------------|---|
| Authority D | <ul style="list-style-type: none"> • The service will be delivered in line with authorities Sustainability Strategy, playing a key role in delivering the strategy's ambitions, both in its own operations and the behaviours it encourages. • Manage, improve and maintain the network for all users and encourage and enable active and sustainable travel. • Sustain a financially resilient service that delivers best value with the resources available. • Optimise service efficiency and maximise income from commercialisation and external funding. • Embrace best practice, innovations and new technologies, enabling the service to continuously evolve and improve. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service. • Engage effectively to understand and meet the needs of our citizens and communities. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. |
| Authority E | <ul style="list-style-type: none"> • Community engagement and empowerment enabling local decision making and influence on our programmes of work and local design. • Strive to deliver Right First Time delivering best value and high quality (technical and perception) workmanship. • Drive Innovation (methods, equipment and materials) to support efficiency, improved life, and carbon/climate agenda. • Greater emphasis and consideration of walking, cycling and bus within everyday prioritisation / decision making to improve healthy living and sustainable travel. • A safe, serviceable and sustainable network that is fit for purpose for all users under all conditions and supports the development of the local economy. • Sustain a financially resilient service that delivers best value with the resources available. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service. |

| Authority | Strategic Drivers |
|--------------------|--|
| Authority F | <ul style="list-style-type: none"> • A flexible and agile service that attracts and retains the best people and embraces best practice and new technologies to enable innovation. • Sustain a financially resilient service that adopts robust asset management principles and delivers best value with the resources available. • A service based on the intelligent client model that develops and sustains collaborative partnerships that deliver the objectives of all partners. • Optimise service efficiency and maximise income from commercialisation and external funding. • A service that maximises social value and provides valuable local opportunities for individuals and businesses • A safe, serviceable and sustainable network that is fit for purpose for all users under all conditions and supports the development of the local economy. • A network that is adapted and resilient to climate change with a reduced carbon output, both in usage and maintenance to contribute to the commitment for the authority to be carbon neutral by 2030. • An informed community that has high public satisfaction and is engaged and enabled to do more for themselves. |
| Authority G | <ul style="list-style-type: none"> • Support initiatives that deliver carbon neutral services, schemes and incentives (1). <ul style="list-style-type: none"> ○ Improve biodiversity and air quality, kind to the natural environment. • Optimise network performance for all users under all conditions (1). <ul style="list-style-type: none"> ○ Engage effectively to understand and meet the needs of our citizens and communities. • Enhance the local economy through network expansion and improvement to meet the growth agenda. <ul style="list-style-type: none"> ○ Increasing revenue, decreasing and offsetting costs, rechargeable costs recovery, developing the “authority • Role of SCC as an anchor institution within the local economy; driving social value and citizen wellbeing. • Sustain a financially resilient service that delivers best value with the resources available (1). <ul style="list-style-type: none"> ○ Embrace best practice, innovations and new technologies enabling the service to continuously evolve. ○ Commission the best value partner for each element of our service / strategic programme. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service. <ul style="list-style-type: none"> ○ Creating home-grown talent, local skills and capabilities. ○ Create a culture where people feel safe and can realise their potential. |

| Authority | Strategic Drivers |
|-------------|--|
| Authority H | <ul style="list-style-type: none"> • Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people. |

Appendix B: Option Definitions

| Category | Service delivery model | Definition |
|--------------------|--|--|
| Single Provider | Contractor + Designer (Separate) | Single external contractor providing all blue collar services with separate single external contractor providing all white collar consultancy and design services. |
| | Integrated (Contractor + Designer) | Single external contractor providing all blue collar and white collar services. |
| Multiple Providers | Multiple Providers per Service Area | E.g. Winter Service, Street Lighting and Drainage each contract with multiple external providers. |
| | Function Orientated Service Providers | E.g. Winter Service, Street Lighting and Drainage each contract with a single external providers, which may or may not be a different provider for each function. |
| | Primary + Secondary (Risk sharing) | The Client contracts with two different contractors to spread risk, one of which is the primary option. |
| | 4 Year Framework | 4 years as this is the term defined by NEC. Contract that operates through highways alliances. There can also be local frameworks. For the purpose of this exercise we mean a framework arrangement for the bulk of services. |
| Joint Venture | JV | Two or more arrangements coming together to form a separate legal entity for commercial purposes. |
| | Pseudo JV (Profit Sharing) | As above but without the formation of a separate legal entity. |
| Teckal | Arms-Length Company | Wholly owned local authority company limited by shares or guarantee. |
| Private Finance | PF2 | Private Finance Initiative. |
| Mixed Economy | Reactive and Cyclical only in-house | Reactive and cyclical services provided in-house, all other services contracted out. |
| | Best Option by Function/Service | Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house. |
| | Highways Alliance | 'Intelligent client' retains all policy and strategy functions, e.g. asset management and network management. Separate providers are appointed for term maintenance and design services and further providers may be appointed for specialist services, e.g. traffic signals. NEC contract clause X12, Partnering Agreement, |

| | | |
|-----------------|--|--|
| | | <p>is utilised to ensure a contractual commitment to collaboration between the partners.</p> <p>The Alliance framework encompasses all providers and is created and sustained through:</p> <ul style="list-style-type: none"> • Pre-contract engagement to ensure the objectives of all partners align. • A governance framework that places joint decision making forums above individual contract discussions. • Regular professional and social events to nurture relationships and ensure cultural and behavioural alignment. |
| | All In-House | All services are provided internally, e.g. nothing is contracted out. |
| | Primary Design + Add On | Primary design services are delivered in-house. Specialist design and consultancy services and all blue collar services are outsourced. |
| Shared Services | Shared Services (Neighbouring Authorities) | Shared service with neighbouring authority. The extent of sharing and exact configuration to be defined with the specific authority under review, depending on whether shared administration or two very distinct and separate services under a single contract. |
| | Regional Combined Authority | Service contracted and provided on a regional basis by one of the ten regional combined authorities. |

Appendix C – Factor Definitions

Table 1: Factor Definitions

| Attractiveness | | |
|--------------------------|-----------|---|
| Factor | Weighting | Definition |
| Economy | 100 | How much would this option cost to run compared to the current service delivery model. Are there any additional opportunities to reduce costs or increase revenues? |
| Efficiency | 100 | How productive and flexible would this option be once in operation, relative to the current delivery model? |
| Effectiveness | 100 | How would the outcomes and quality of service delivered under this option compare to the current delivery model? |
| Stakeholder Value | 100 | How would stakeholders (primarily service users, members and the client team) view this option relative to the current delivery model? |
| Achievability | | |
| Factor | Weighting | Definition |
| Complexity | 100 | How complex (scale, diversity, interdependencies, novelty and volatility) would the transition to this option be, relative to continuing with the current delivery model? |
| Capacity & Capability | 100 | How does our capacity and capability (including infrastructure and supporting services e.g. legal, HR and procurement), to transition to and maintain this option compare to our ability to continue with the current service delivery model? |
| Affordability | 100 | How affordable is it to transition to this option, relative to continuing with the current service delivery model? |
| Authority Readiness | 75 | How prepared is the authority to embrace this option, in terms of political preference, relative to continuing with the current service delivery model? |
| Provider Readiness | 100 | How willing is the provider market to embrace this option relative to the current service delivery model? |
| Sector Success Stories | 75 | Are there any relevant and proven success stories of similar service delivery models? |
| Governance and Reporting | 25 | How complex would the governance and reporting processes be for this option relative to those required for the current service delivery model? |
| Partner Management | 50 | How easy would it be to manage partner relationships and performance under this option, relative to the current service delivery model? |
| Cultural Alignment | 75 | How well does this option align to the operational culture of the organisation and service, relative to the current service delivery model? |

Appendix D – Scoring Methodology

The scoring methodology for *Attractiveness* and *Achievability* is set out in Table 2, and for Strategic Contribution in Table 3.

Table 2: Scoring Methodology: Attractiveness and Achievability

| Attractiveness | |
|----------------|--|
| 100 | This option would be more attractive than the current service delivery model for this factor. |
| 66 | This option would be equally as attractive as the current service delivery model for this factor. NOTE: Default assumption is current model scores 66 . |
| 33 | This option would be less attractive than the current service delivery model for this factor. |
| 0 | This option is not scored, or this option would be so unattractive for this factor, relative to the current service delivery model, that it would be a critical inhibitor to selection. |
| Achievability | |
| 100 | This option would be equally as achievable as continuance with the current service delivery model for this factor. NOTE: for Complexity, Capacity and Affordability , default score for current service delivery model is 100 with scores of 66 and 33 for models that are marginally and significantly less achievable, respectively. |
| 66 | This option is equally as achievable than continuance with the current service delivery model for this factor. |
| 33 | This option is less achievable than continuance with the current service delivery model for this factor. |
| 0 | This option is not scored, or for this option, this factor would be a critical barrier to selection. |

Table 3: Scoring Methodology: Strategic Contribution

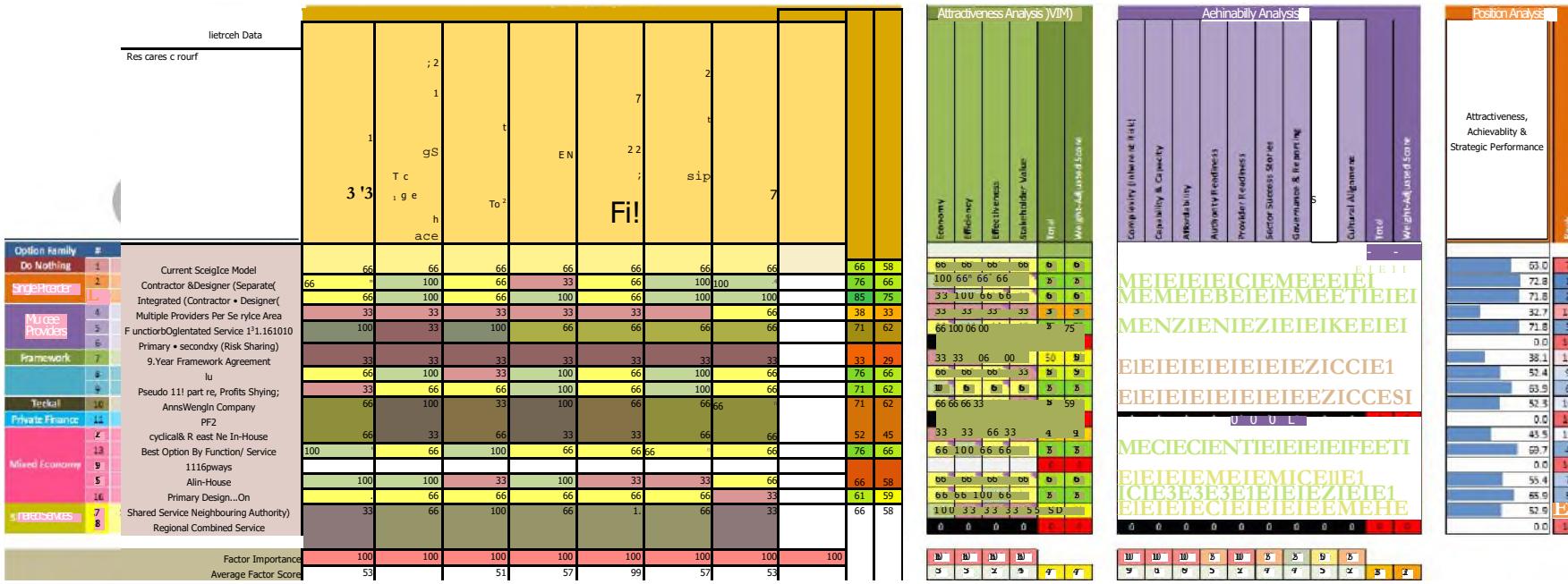
| Strategic Contribution | |
|------------------------|--|
| 100 | This option would offer a greater contribution to delivery of this strategic objective than the current delivery model. |
| 66 | This option would be offering an equal contribution to delivery of this strategic objective than the current delivery model. |
| 33 | This option would be offering a lesser contribution to delivery of this strategic objective than the current delivery model. |
| 0 | This option is not scored, or for this option, this factor is a critical barrier to success. |

Appendix E – Illustrative Example of Options Analyser



ADEPT

Association of Directors of Environment, Economy, Planning & Transport



HMD Applic Key: Aniseisaged Performance
33 Poorer Than current Performance
66 Unknown or Panty IAT Salt Performance
Rarity or BetterThan current Performance

Agenda Item 7

| | |
|---------------------------|---|
| Report to: | Cabinet |
| Date: | 13 July 2021 |
| By: | Chief Operating Officer |
| Title of report: | Internal Audit Annual Report and Opinion 2020/21 |
| Purpose of report: | To give an opinion on the County Council's control environment for the year from 1 April 2020 to 31 March 2021 |

RECOMMENDATIONS

Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

1. Background

1.1 The purpose of this report is to give an opinion on the adequacy of East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2020 to 31 March 2021 in accordance with the Internal Audit Strategy for 2020/21.

2. Supporting Information

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

2.3 No assurance can ever be absolute; however, based on the internal audit work completed, the Orbis Chief Internal Auditor can provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2020 to 31 March 2021.

2.4 This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annex A of this report. The report highlights:

- Key issues for the year, including a summary of all audit opinions provided;
- Key financial systems;
- Other internal audit activity;
- Anti-fraud and corruption activity.

2.5 As highlighted in the report, the impact of Covid 19 has made 2020/21 a unique year for Internal Audit, as was the case for the services we have audited. This has meant that we have had to adopt our working practices, reschedule audits and make a much greater number of amendments to the year's audit plan than would normally be the case. The significant changes to our workplan meant that it was necessary to produce a revised audit plan part way through the year.

2.6 Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

3. Conclusions and Reasons for Recommendation

3.1 Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

PHIL HALL, CHIEF OPERATING OFFICER, BUSINESS SERVICES DEPARTMENT

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, 07824 362739

Nigel Chilcott, Audit Manager, 07557 541803

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2020/21

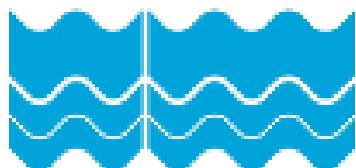
Internal Audit Progress Reports 2020/21



ANNEXE A

INTERNAL AUDIT ANNUAL REPORT & OPINION 2020/2021

East Sussex
County Council



1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 The impact of Covid 19 has made 2020/21 a unique year for Internal Audit, as was the case for the services we have audited. This has meant that we have had to adapt our working practices, reschedule audits and make a much greater number of amendments to the year's audit plan than would normally be the case.

2.3 The significant changes to our workplan meant that it was necessary to produce a revised audit plan part way through the year. This was agreed by Audit Committee in November 2020 and replaced the Internal Audit Plan that had been approved in May 2020.

2.4 In addition, Orbis Internal Audit redeployed some of its resources during the year to support the Covid 19 response and recovery workstreams across the Council. This work has been detailed in our quarterly update reports but is also summarised below.

2.5 During 2020/21, we have seen a substantial increase in the number of government grants that need to be certified by Internal Audit, all of which are specific to supporting the County Council through the pandemic. In addition, significant resources have been directed to providing advice and support on system changes (to support remote working) and data analytics to identify any issues arising from new ways of working.

2.6 Notwithstanding the above, we have still been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way. This includes delivery of the revised programme of audits and investigating any allegations of fraud and other irregularities.

2.7 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to Audit Committee as part of our periodic internal audit progress reports. It should be noted that whilst there were some audit reports still in draft at the year-end, the outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to Audit Committee once each of the reports have been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable¹assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2020 to 31 March 2021.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified some areas where the operation of internal controls has not been fully effective, as reflected by one minimal assurance opinion and the small number of partial assurance opinions issued in the year.

3.3 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial action with management.

4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2020/21, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the internal audit service's performance.

4.2 No limitations have been placed on the scope of Internal Audit during 2020/21, however, as explained above, Covid 19 and remote working have impacted on how our work was delivered, with a number of specific audits having to be rescheduled or in some cases, replaced with other activities.

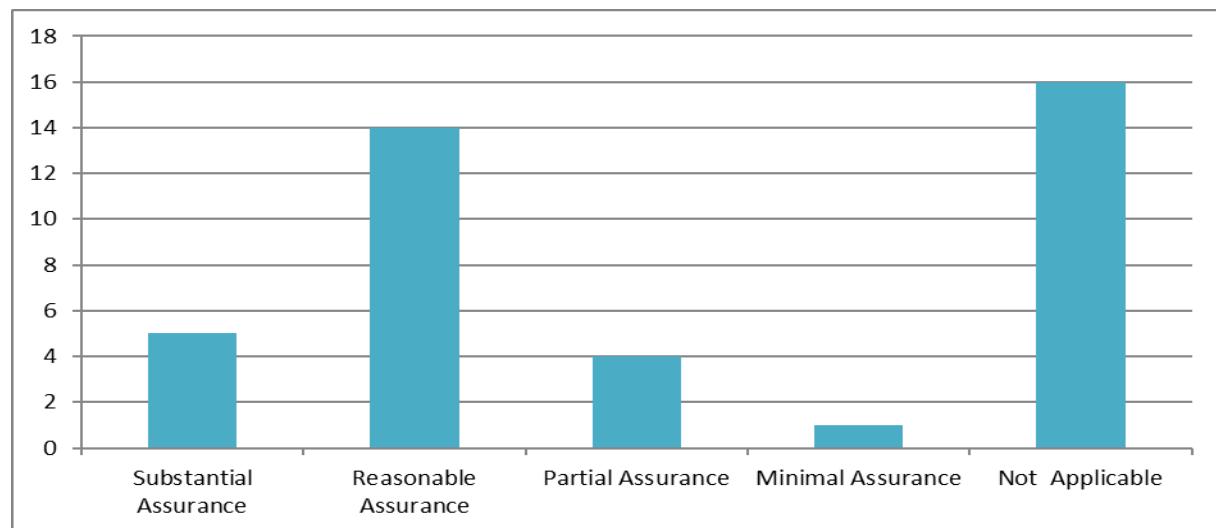
¹ This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

5. Key Internal Audit Issues for 2020/21

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graphs provide a summary of the outcomes from all audits finalised during 2020/21:

Audit Opinions



*Not applicable: Includes grant certifications and audit reports where we did not give a specific audit opinion. Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate.

5.3 A full listing of all completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. During 2020/21, there was one audit, relating to the Commissioning and Delivery of Property Projects, where we concluded an audit opinion of minimal assurance. In completing this work, we identified areas that required significant improvement, including ensuring roles and responsibilities over project management are clearly defined, a robust project management framework is followed, key project documentation is used to support delivery, and engagement, communication and collaboration between departments is enhanced. Further detail on the findings of this review can be found in Annex B.

5.4 In addition to the above, a total of 4 audits received partial assurance opinions within the year as follows:

- Direct Payments;
- Libraries Asset Management;
- Contract Management Group Cultural Compliance; and
- MBOS Programme Governance and Risk Management Arrangements – Phase 2.

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control.

Key Financial Systems

5.6 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those audits completed during 2020/21, all, apart from the audit of Direct Payments (see Appendix B) resulted in either substantial or reasonable assurance being provided over the control environment.

Other Internal Audit Activity

5.7 During 2020/21, Internal Audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. These include:

- Property Asset Management System replacement;
- Managing Back Office Systems (MBOS) programme;
- Adult Social Care transformation;
- Digital postal hub; and
- Highways maintenance contract reprocurement.

And attendance at:

- Statutory Officers' Group;
- Orbis Leadership Team;
- Business Services (BS) Departmental Management Team;
- BSD Covid Response Group;
- BSD Business Partners Group;
- Finance Management Team; and
- Pension Board and Pension Committee.

5.8 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

5.9 In addition, for 2020/21, we have provided significant advice and support on risk and control issues, especially where services looked to modify their ways of working in response to the pandemic. Many of these related to back-office, administrative functions, with some of these historically having a heavy reliance on paper-based processes. Our work has included:

- The redeployment of some of our team to support other services, particularly in relation to the sourcing and distribution of personal protective equipment (PPE);
- Reviewing and advising on controls in relation to the Department for Education laptop scheme;

- The provision of advice on risk and control issues associated with the implementation of an online claims process for staff to submit claims for mileage and travel;
- Advice on the Council's provision of support to its key providers in line with central government guidance;
- A review of the proposed system for delivering ICT equipment to new members of staff during lockdown;
- Reviewing alternative arrangements for the receipt and processing of cheque payments, the electronic receipt and subsequent processing of invoices from suppliers, and the approval of treasury management transactions by electronic means;
- Waivers to Procurement and Contract Standing Orders – consideration of alternative arrangements to help ensure the continued delivery of key services where contracts with providers were due to come to an end during Covid-19;
- Use of electronic signatures – reviewing arrangements for the increased and expanded use of electronic signatures for Council contracts;
- Data analytics on creditors data to help provide assurance that selected key controls within Procure to Pay processes across the Council were continuing to work effectively during the pandemic; and
- In light of the increased information governance risks associated with the significant numbers of staff working remotely, working with the Information Governance team to provide further guidance and advice for staff in this area.

Anti-Fraud and Corruption

5.10 During 2020/21, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the Orbis Partnership.

5.11 The team logged 18 allegations under the Council's Anti-Fraud and Corruption Strategy, with cases being identified through the Council's confidential reporting hotline or referrals from other departments. As a result of the allegations, 18 cases were taken forward to investigation by Internal Audit or support was provided to a management investigation.

5.12 The following provides a summary of the investigation activity undertaken by the Internal Audit Counter Fraud Team in the last 12 months:

- Following a referral from Adult Social Care, we provided the service with advice in relation to a potential salary overpayment for an employee. The employee had submitted pay claims for hours that were already included in their annual salary. The employee accepted a formal warning and the overpayment has been recovered;
- Following a whistleblowing, we investigated an allegation that an Adult Social Care provider continued to receive payment but did not deliver a service during the pandemic due to making staff redundant. The investigation found that there was no case to answer;
- Internal Audit investigated an allegation that an employee had breached access rules relating to the Department of Work and Pensions (DWP) system 'Searchlight'. Following the investigation, a formal warning was issued;
- Following receipt of a whistleblowing report alleging overcharging by a Highways subcontractor, we undertook a review of a sample of works to confirm that these complied with job specifications and cost schedules. The investigation found no case to answer;

- Advice was provided to a Sports Centre following a member of a sports club making a payment due to be paid to the Council to a fraudulent bank account. The matter was reported to Action Fraud;
- An investigation was carried out in relation to an anonymous allegation of misuse of a Council vehicle. The investigation reviewed the use of the vehicle and associated record keeping. The review did not identify any misconduct but did identify some control improvements to strengthen record keeping and compliance with corporate policy;
- Enquiries were made into an allegation of a potential contract breach in relation to Home to School Transport. The case was subsequently closed with no evidence of fraud found;
- Following initial enquiries into an allegation that an employee was abusing their position by accessing a colleague's email account, we concluded that there was insufficient evidence to progress to a full investigation;
- We have continued to provide advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital and misuse of personal budgets; and
- Nine investigations remain open at the time of writing this report.

5.13 Any internal control weaknesses identified during our investigation work are reported to management and actions for improvement are agreed. This work is also used to inform future internal audit activity.

5.14 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the authority and in raising awareness amongst staff.

| Priority | Progress to Date |
|--------------------------------|---|
| Reactive Investigations | The Counter Fraud Team is responsible for assessing and evaluating fraud referrals received by each sovereign partner, and then leading on subsequent investigations. The team have implemented a coordinated approach to assessing and logging referrals and adopted consistent procedures for recording investigations. The team continue to work with sovereign audit teams to investigate allegations across the partnership. |
| NFI Exercise | Internal Audit have coordinated the recent submission of Council datasets to the biennial NFI exercise. The results from the data matching were provided to the Council on 31 January 2021 and we have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. Results from the exercise will be shared with the Audit Committee in future progress updates. |
| Counter Fraud Policies | We have reviewed the Counter Fraud Strategy to align with best practice and to ensure a robust and consistent approach to tackling fraud. This was approved by Audit Committee on 10 July 2020 and is available on the Council's intranet. |

| Priority | Progress to Date |
|-------------------------------|---|
| Fraud Risk Assessments | Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats as a result of the Covid 19 pandemic. This includes potential threats to payroll, staff frauds relating to home working and cyber frauds |
| Fraud Response Plans | The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. The Fraud Response Plan for 2020/21 included a pilot data analytics programme for key financial systems. The pilot is currently paused and will be reviewed. The Fraud Response Plans are being refreshed for 2021/22 and will set out the proactive work plan for Internal Audit. |
| Fraud Awareness | The team have published fraud bulletins raising awareness to emerging threats, in particular risks from the Covid 19 pandemic. These have been published on the intranet and shared with high risk service areas. In addition, the team continue to monitor intelligence alerts and work closely with neighbouring councils to share intelligence and best practice. |

Amendments to the Audit Plan

5.15 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. As already noted, Covid 19 meant that for the first time, we found it necessary to revise and re-issue the audit plan part way through the year. This update was presented to, and approved at, the November 2020 Audit Committee. However, since then, a number of further additions and amendments have taken place, principally as a result of the most recent national lockdown. This includes the following additional audit activities:

- Pension Fund – Altair Implementation Data Governance;
- Robertsbridge SEN Capital Project;
- Building Security;
- MBOS Programme Governance and Risk Management Arrangements (Phase 2);
- Covid-19 Emergency Active Travel Grant;
- Travel Demand Management Grant; and
- Department for Transport – Local Transport Authority Covid-19 Bus Service Support Grant Restart (Revenue).

5.16 In order to allow this additional audit work to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, were considered for inclusion in the 2021/22 audit plan, as part of the overall risk assessment completed during the annual audit planning process. These changes were made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Adoption South East;
- Health and Safety;
- Children's Safeguarding Data Handling;
- LCS/Controcc;
- Buzz Active Follow Up;
- Libraries Asset Management Follow Up;
- Contract Management Group Cultural Compliance Follow Up;
- Building Condition Asset Management Follow Up;
- Social Value in Procurement Follow Up; and
- Atrium Follow Up.

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2020/21, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2020/21:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress; and
- Communicating the acceptance of risks.

6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our quality assurance and improvement plan.

Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.5 Internal Audit will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.6 In addition to this annual summary, CMT and the Audit Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Appendix A

Internal Audit Performance Indicators 2020/21

| Aspect of Service | Orbis IA Performance Indicator | Target | RAG Score | Actual Performance |
|--|---|---------------|----------------|--|
| Quality | Annual Audit Plan agreed by Audit Committee | By end April | G | Approved by Audit Committee in May 2020 (March Audit Committee meeting was cancelled because of Covid-19) |
| | Annual Audit Report and Opinion | By end July | G | Approved by Audit Committee on 10 July 2020. |
| | Customer Satisfaction Levels | 90% satisfied | G | 100% |
| Productivity and Process Efficiency | Audit Plan – completion to draft report stage | 90% | Not Applicable | During the COVID-19 pandemic, the audit plan was suspended to allow the Internal Audit Service to support the organisation's response. In addition, the audit plan was revised (approved by Audit Committee in November 2020). Given the continual changes during the year, this performance indicator has not been monitored. |
| Compliance with Professional Standards | Public Sector Internal Audit Standards | Conforms | G | January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings. June 2020 – Internal self-assessment and internal quality review completed – no major areas of non-compliance. |

| Aspect of Service | Orbis IA Performance Indicator | Target | RAG Score | Actual Performance |
|---------------------------------|---|--------------------------------------|-----------|---|
| | Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act | Conforms | G | No evidence of non-compliance identified. |
| Outcome and degree of influence | Implementation of management actions agreed in response to audit findings | 97% for high priority agreed actions | G | 100% |
| Our staff | Professionally Qualified/Accredited | 80% | G | 94% |

Appendix B

Summary of Opinions for Internal Audit Reports Issued During 2020/21

Substantial Assurance:

(Explanation of assurance levels provided at the bottom of this document)

| Audit Title | Department |
|--|------------|
| Annual Governance Statement | GS |
| Property Asset Management System (PAMS) Replacement – Programme Governance and Risk Management | BSD |
| Business Operations Cultural Compliance Follow Up | BSD |
| Pension Fund Compliance with Regulatory Requirements | BSD |
| Accounts Receivable | BSD |

Reasonable Assurance:

| Audit Title | Department |
|--|------------|
| Procure to Pay | BSD |
| Declarations of Interests, Gifts, Hospitality and Secondary Employment | Corporate |
| Powers of Entry Follow-Up | CET |
| Pension Fund Strategy and Investments | BSD |
| Payroll | BSD |
| Pension Fund Governance | BSD |
| Education, Health and Care Plans | CSD |
| Network Security | BSD |
| MBOS Programme Governance and Risk Management Arrangements – Phase 1 | Corporate |
| Patch Management | BSD |
| Cloud Computing | BSD |
| Mobile Device Management | BSD |
| Cyber Security during Covid | BSD |
| PAMS Data Governance and Migration | BSD |

Partial Assurance:

| Audit Title | Department |
|--|------------|
| Library Asset Management | CET |
| Cultural Compliance – Contracts Management Group | CET |
| Direct Payments | ASC |
| MBOS Programme Governance and Risk Management Arrangements – Phase 2 | Corporate |

Minimal Assurance:

| Audit Title | Department |
|---|------------|
| Commissioning and Delivery of Property Projects | BSD |

Other Audit Activity Undertaken During 2020/21

| Audit Title | Department |
|---|------------|
| MBOS Requirements Catalogue | Corporate |
| Digital Postal Hub Control Environment Review | BSD |
| Troubled Families Grant Funding (quarterly) | CSD |
| Covid Response Work | Corporate |
| Data Analytics – Creditors | Corporate |
| Department for Transport Capital Grants | CET |
| Bus Services Operators Grant | CET |
| Covid 19 Bus Service Support Grant | CET |
| Blue Badge Grant | ASC |
| Pension Fund Altair Data Governance | BSD |
| Robertsbridge SEN Project | BSD |
| MBOS Advice and Support | BSD |
| PAMS Advice and Support | BSD |
| Department for Transport Local Transport Authority Covid 19 Restart Buse Service Support Restart Grant | CET |
| Highways Maintenance Contract Reprocurement | CET |
| Adult Social Care Transformation Programme | ASC |

Audit Opinions and Definitions

| Opinion | Definition |
|------------------------------|---|
| Substantial Assurance | Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. |
| Reasonable Assurance | Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. |
| Partial Assurance | There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk. |
| Minimal Assurance | Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives. |

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