

Report to: Cabinet

Date of meeting: 26 January 2021

By: Director of Communities, Economy and Transport

Title: Highway Services Re-procurement Project (HSRP)

Purpose: To present the outcomes and recommendations from the Outline Business Case for the Highway Services Re-procurement Project for approval by Cabinet

RECOMMENDATIONS: Cabinet is recommended to:

- (1) Approve the Outline Business Case contained in appendix 1 of the report; and
 - (2) Approve the development two options (Option 1, Separate Contractor Contract & Separate Designer Contract and Option 2, Integrated Contractor & Designer Contract) to determine the new service delivery model for future highway services in the Detailed Business Case, which will be reported to Cabinet for approval later in the year.
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1. Financial Appraisal

1.1 The project costs were estimated to be £533,000 profiled over the three years 2020/21 to 2023/24. These costs are in addition to ESCC staff costs which already form part of existing highways budgets.

1.2 As the first stage of the project has evolved, opportunities to work as part of an academic study delivered by an independent consultant Proving Services Ltd based at Cranfield University have reduced the need for traditional external consultancy support. In addition, greater use of analysis of the service from the previous highways re-procurement project has also reduced the need for traditional consultancy support. The estimated project costs have subsequently reduced to £328,000 profiled over the years 2020/21 to 2023/24 as follows:

Financial Year	2020/21	2021/22	2022/23	2023/24
Budget Estimate	£57,000.00	£129,000.00	£104,000	£36,000

1.3 Whilst the majority of the identifiable savings from the Highways Service were achieved from the last tender exercise in 2016, the opportunity for further savings will be examined in detail in the Detailed Business Case (DBC) phase.

2. Background

2.1 This report presents an overview of the main work and outcomes from the Outline Business Case (OBC) for the re-procurement of the new Highway Infrastructure Services (HIS) contract. The OBC has been developed using the Council's Strategic Commissioning approach and the HM Treasury Five Case Model.

3. Highways Services Re-procurement Project (HSRP)

3.1 The Process – Strategic Commissioning Approach

3.1.1 The OBC sets out the methodology, findings, conclusions and recommendations from Stage 1, Development of an Outline Business Case, of the re-procurement project. The OBC comprises two documents, Appendix 1, the OBC including an Executive Summary and Appendix 2 containing the technical appendices (6 in total) referred to in the OBC. The OBC has been prepared using the County Council's Strategic Commissioning approach as illustrated on pages 13 and 14 of Appendix 1 and summarises work from the analysis phase of the strategic commissioning model. A summary of the key findings from this work is included on page 30 of Appendix 1.

3.2 The Process - HM Treasury Five Case Model Methodology

3.2.1 The Five Case model is a HM Treasury recommended methodology for writing robust business cases, it is recognised as a best practice approach. The approach also provides a clear audit trail for the 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.

3.2.2 In applying the Five Case model through the project stages (Figure 002, page 15 Appendix 1), 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.

3.3 Drivers for Change

3.3.1 The OBC also considers the key drivers for making changes (pages 25 & 30 of Appendix 1) including; the need to replace existing arrangements; continue to deliver our statutory obligations as the Highway Authority and; the need to continue to make the best use of our limited resources.

3.4 Outcomes

3.4.1 Linking the information gathered from the analysis work in the OBC to the Council's key priorities a number of service outcomes have been developed and approved by the Scrutiny Member Reference Group (SMRG) which is part of the Place Scrutiny Committee. These are listed on page 22 of Appendix 1. These will be further developed, and a final set of proposed service outcomes and specific operational and contractual key performance indicators will be produced during the DBC stage.

3.4.2 An interim report by the SMRG summarising their involvement to date and highlighted service issues for further analysis at the DBC stage is included within Appendix 2.

3.4 Scope of Services

3.4.1 In the last re-procurement exercise in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.

3.4.2 In compiling the OBC engagement sessions were held with the Council's other council teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included on pages 25 and 26 of Appendix 1. 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 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 Service Delivery Model (SDM) will be reviewed within the DBC.

3.5 Service Delivery Model Options Appraisal

3.5.1 In considering the required outcomes for the future Service Delivery Model (SDM) and other factors in the OBC, pages 31 to 38 of Appendix 1 set out the options considered and provides a summary of the options appraisal process. A full report of the completed options appraisal including methodology, assessment criteria and evaluation criteria is included in Appendix 2.

3.5.2 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 on page 38 of Appendix 1 gives a summary of the average ranking, with a detailed report provided by Proving Services Ltd included in Appendix 2).

3.7 Outline Business Case Conclusions and Shortlisted Service Delivery Models

3.7.1 Page 50 of Appendix 1 sets out the detailed conclusions and recommendations of the OBC. In summary, from the analysis undertaken to complete the OBC and the requirements identified 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.

3.7.2 Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements. It suggests that Option 1, Separate Contractor Contract & Separate Designer Contract and Option 2, Integrated Contractor & Designer Contract (which is the current SDM) present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance in the most efficient, effective and economic manner and it is recommended that these are taken forward for further assessment in the Detailed Business Case.

4. Conclusion and Reason for Recommendation

4.1 Cabinet are asked to welcome and approve the OBC and approve the recommendation to develop two options in the Detailed Business Case to determine the new highways service delivery model. The DBC will be presented to Cabinet for approval later in the year prior to procurement of the new contract.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None