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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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 pubic sector entities. Using a JV model to partner worth with other local authorities or Local Authority Trading Companies (LATC) could mean that pubic 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.

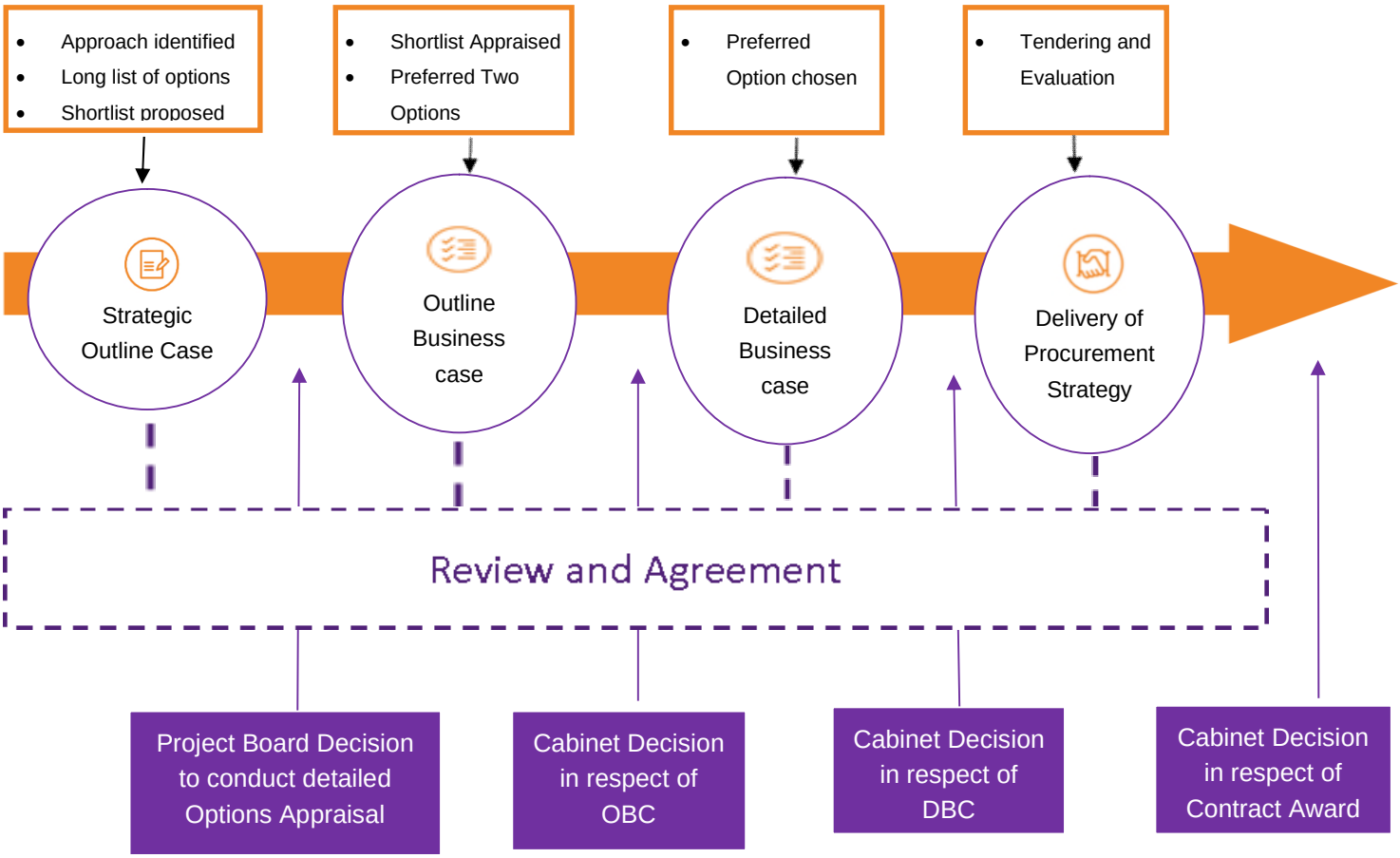
7.3 Business Case Approach

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 finically 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		1st 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 form the SOC and carrying out further analysis. The purpose of this stage is to revisit the SOC assumptions and to identity 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 it **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	

East Sussex County Council

APPENDIX 002

OUTLINE BUSINESS CASE

HIGHWAYS SERVICE RE-PROCUREMENT PROJECT

(HSRP)

26 January 2021

Document Control

Author(s)

[Phil McCorry]	Project Manager
[Ruby Brittle]	Project Support
[Ed Rumsey]	RedRay Consultant
[Robin Hayler]	Contract & Commercial Manager
[Paul Smart]	Senior Cost Controller
[Dale Poore]	Contracts Manager

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
4	Darron Cox	23 Nov 2020
5	Dale Poore	23 Nov 2020
6	Robin Hayler	23 Nov 2020
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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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 is 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	1st 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)	• Control of vegetation
• Stakeholder Management	• Street Lighting & Traffic Signals
• Network Management	• Winter Service
• Third Party Claims	• Road Markings
• Drainage Maintenance	• Reactive & Emergency Response
• Service Management • Highway Asset Inspections	• Structures Routine & General Maintenance
Work Activities (a range of payment options, lump sum, target cost, cost reimbursable) • 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 Structuture	Stage 3 &4 Delivery of Procurement Strategy & Prepare and Engage	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)
	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 polices 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:

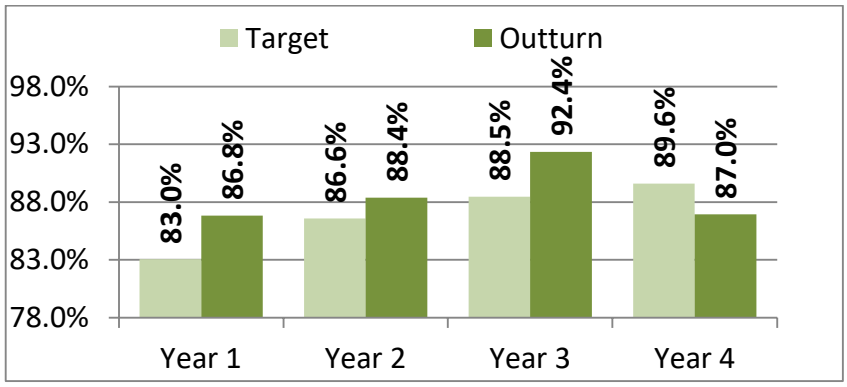
- To have the best network condition for the investment available (principle requirement) and:
  - Improve asset condition
  - Promote economic growth
  - Reduce the level of third-party claims
  - Provide value for money
  - Promote local engagement, and
  - Improve customer satisfaction and communication

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 3rd 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 Contactor 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**	Withdrwal 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 an 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 uncertainity	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) saftey 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)**	• 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)**	• 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**	• Wholly owned local authority company limited by shares or guarantee.
Mixed Economy	**12**	**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 (the contracted in function is traditionally the design function).
Joint Venture (JV) Company	**7**	**JV**	• 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 a 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)	How well the option: • 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)	How well the option: • 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: • 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	How well the option: • 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: • 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 (Strategic Fit & Business Needs)	Improvement & Development of the Highway Infrastructure (optimise)	66	66	100	100	100
	Improvement & Development of the Highway Infrastructure (Ehance)	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
Economic (Potential VfM)	Economy	66	66	33	33	66
	Effectiveness	100	100	100	100	100
	Stakeholder Value	100	33	100	66	100
	Efficiency	66	33	100	100	66
Management (potential achievability)	Complexity (Inherent Risk)	100	66	33	33	33
	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
Commercial (Supply-Side capacity and Capability)	Provider Readiness	100	100	33	0	66
	Sector Success Stories	100	100	33	0	66
Financial (potential affordability)	Affordability	100	66	0	33	33
Strategic Total		79	66	92	87	66
Attractiveness Total		83	58	83	75	83
Achievability Total		100	85	29	22	44
Overal 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)	1st	1, 2, 3, 3, 3, 3, 5, 6
Option 1	Contractor + Designer (Separate)	2nd	1, 1, 2, 2, 3, 5, 7, 8
Option 12	Best Option by Function	3rd	1, 1, 2, 4, 4, 7, 7, NS
Option 4	Function Orientated Provider	4th	1, 2, 2, 4, 4, 4, 6, 7
Option 15	Primary Design + Add On	5th	1, 1, 1, 3, 5, 6, 6, 9
Option 9	Joint Venture	6th	3, 6, 7, 7, 8, NS, NS, NS
Option 11	Cyclical & Reactive In-House	7th	4, 4, 5, 5, 8, 8, 10, NS
Option 9	Arm's Length Company	8th	2, 5, 5, 8, 9, 10, NS, NS
Option 14	All In-House	9th	5, 6, 6, 8, 12, NS, NS, NS, NS
Option 3	Multiple Providers	10th	2, 7, 8, 9, 10, 10, 12
Option 6	4 Year Framework	11th	3, 6, 9, 9, 10, 11, 11, 12
Option 16	Shared Service	12th	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 possibly 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 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**	**Highway Maintenance**
Average annual	2.65%	2.56%	1.72%	1.36%
Forecast to 2023 (7-year contract term)	18.5%	17.9%	12.0%	9.5%
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

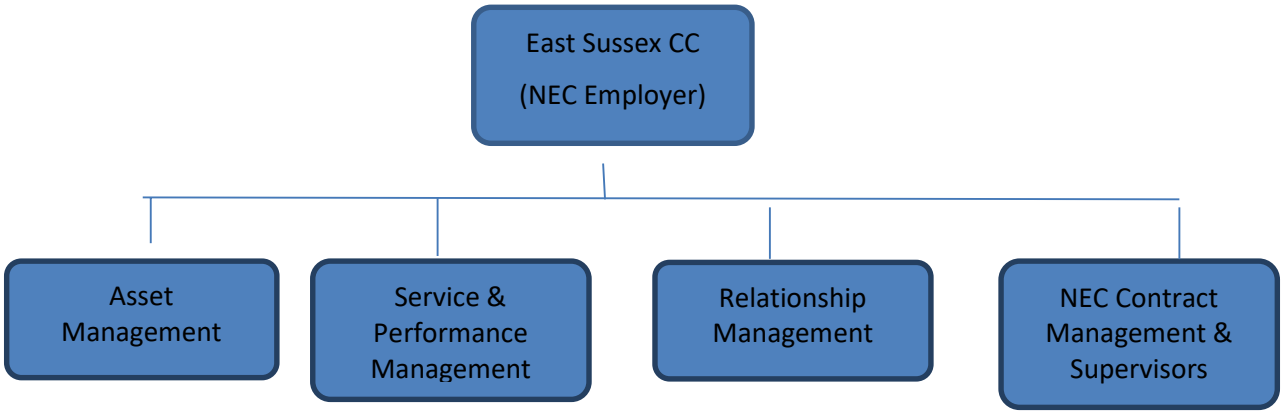
6.4.1 The need to get the best possible value from public spending will always remain a constant for those making spending decisions. The scope of this project does not just focus on the procurement process up to contract award, it also includes the need to ensure that the Council has adequate controls 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 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 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 utilisied 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)**	• 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)**	• 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**	• 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**	• 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)**	• 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**	• 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**	• 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 a least one entity being the local authority.
	8	**Pseudo JV (Profit Sharing)**	• As above but without the formation of a separate legal entity.
Teckal	**9**	**Arms-Length Company**	• Wholly owned local authority company limited by shares or guarantee.
Private Finance	**10**	**PF2**	• Private Finance Initiative.
Mixed Economy	**11**	**Reactive and Cyclical only in-house**	• Reactive and cyclical services provided in-house, all other services contracted out.
	12	**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. (the contracted in function is traditionally the design function)
	13	**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, is utilised to ensure a contractual commitment to collaboration between the partners. The Alliance framework encompasses all providers and is created and sustained through: • 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**	• Majority of services are provided internally, with large client team managing some outsourced specialist functions / top up services.
	15	**Primary Design + Add On**	• 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 withing 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	Stage 3 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

Refresh Data

Future Highways Research Group

			Strategic Performance									Attractiveness Analysis (VfM)						Achievability Analysis												Position Analysis	
			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.	Total	Weight-Adjusted Score	Economy	Efficiency	Effectiveness	Stakeholder Value	Total	Weight-Adjusted Score	Complexity (Inherent Risk)	Capability & Capacity	Affordability	Authority Readiness	Provider Readiness	Sector Success Stories	Governance & Reporting	Partner Management	Cultural Alignment	Total	Weight-Adjusted Score	Attractiveness, Achievability & Strategic Performance	Rank
Option Family	#	Option Name																													
Single Provider	1	Contractor & Designer (Separate)	66	66	66	33	66	100	66	66	66	66	33	100	33	58	58	66	66	66	66	100	100	100	100	100	85	82	68.6	3
	2	Integrated (Contractor + Designer)	66	100	66	66	100	66	100	81	81	66	66	100	66	75	75	100	100	100	100	100	100	100	100	100	100	100	85.0	1
Multiple Providers	3	Multiple Providers Per Service Area	100	66	66	100	100	33	33	71	71	33	33	66	100	58	58	33	33	33	33	33	33	66	33	33	37	34	54.4	11
	4	Function-Orientated Service Providers	100	66	66	100	100	66	66	81	81	33	33	100	100	67	67	33	33	33	33	66	66	66	66	33	48	45	64.0	7
	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	0.0	13
Framework	6	4-Year Framework Agreement	33	33	66	66	66	33	33	47	47	33	33	33	66	41	41	33	33	66	33	66	66	100	66	66	59	54	47.5	12
	7	JV	100	100	66	100	66	100	100	90	90	33	100	100	66	75	75	33	33	33	33	66	33	33	66	33	40	40	68.4	4
	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	0.0	13
Teckal	9	Arms-Length Company	100	100	66	100	100	100	100	95	95	33	100	100	100	83	83	33	33	33	66	33	33	66	66	33	44	40	72.8	2
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	0.0	13
Mixed Economy	11	Cyclical & Reactive In-House	100	66	66	100	66	66	66	76	76	33	33	100	100	67	67	33	33	33	33	66	66	66	66	33	48	45	62.3	8
	12	Best Option By Function / Service	100	66	66	100	66	66	66	76	76	66	66	100	100	83	83	33	33	33	33	66	66	66	66	33	48	45	67.8	5
	13	Highways Alliance	66	66	66	33	66	66	66	61	61	66	33	100	33	58	58	33	66	66	66	66	66	100	100	33	66	61	60.2	10
	14	All In-House	66	66	66	100	66	100	66	76	76	33	33	100	100	67	67	33	33	33	33	66	66	66	66	33	48	45	62.3	8
	15	Primary Design + Add On	100	66	66	100	66	66	66	76	76	33	66	66	66	58	58	66	66	66	66	66	66	66	66	66	66	66	66.5	6
		Factor Importance	100	100	100	100	100	100	100	/00		100	100	100	100			100	100	100	75	100	75	25	50	75					
		Average Factor Score	59	51	47	59	55	51	49			31	37	63	55	46	46	31	33	35	35	47	45	53	51	35	31	30			

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

			Assessment Criteria				
Option	**Category**	**Description**	**Strategic Performance**	**Attractiveness**	**Achievability**	**Final Score**	**Recommendations**
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 shorlisted options is set out below.

Option 2	Single Provider Integrated Contract (Design & Works)	SCORE 87.3%

Model Description

- This is the current model being used by ESCC
- This is an outsourced model that will require the Council to run a procurement process to select a single provider.
- The Council enters into a contract with a defined specification with a single service provider to deliver all of its highways related services for a specified time period.
- The Council will retain a team to manage the contract with the procured service provider. This offers the potential to enter into a long-term contract..

Key Benefits

Risk

- The risk associated with the delivery of the services is transferred from the Council to the private sector provider.

Financial

- 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.

Quality of Service

- 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.

Control

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.

Key Weaknesses

Risk

- The effectiveness of risk transfer will depend on the terms of the contract and the Council's contract management function.

Financial

- 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.

Quality of Service

- 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.

Control

- 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

- 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

Key Benefits	Key Weaknesses
Risk • The risk associated with the delivery of the services is transferred from the Council to the private sector provider. • Transparent risk allocation to each specialist provider **Financial** • 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. **Quality of Service** • The provision of services should ensure a consistent approach to delivery as the contracts awarded to the specialists **Control** 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.	**Risk** • 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. **Financial** • 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. **Quality of Service** • 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. **Control** • 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 sperate 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).

Option 9	Teckal Arms Length Company	SCORE 68.0%

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

Risk

- The risk is retained by the Council albeit transformed to a separate entity to deliver.

Financial

- 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.

Quality of Service

- Flexibility in the way that works and services are allocated.
- Employment within a Council company can be attractive to staff.

Control

- The Council will be the sole shareholder of newly incorporated company and can therefore exercise control over its operation. This will be done be setting out certain 'reserved matters' in its shareholders agreement and/or articles of association which require shareholder consent.

Key Weaknesses

Risk

- 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.

Financial

- 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.

Quality of Service

- 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.

Control

- 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 Ecomony Best Option by Function / Service	SCORE 64.4%

Model Description
• 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
Risk • 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. **Financial** • 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. **Quality of Service** • Engaging the private sector allows for access to wider skills and resources. Specialists are appointed directly. **Control** • The Council will have control as to the initial choice of service providers and the contract terms.	**Risk** • The Council bears the risk of any interface or inter-dependency issues if performance is poor. • The Council requires a skilled client team. **Financial** • No ongoing competition between service providers to encourage competitive pricing. • This will therefore require that the Council implement a robust performance measurement regime. **Quality of Service** • 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 **Control** • 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

- 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:
  - what benefit the private sector can bring;
  - why a joint venture might better deliver the Council's objectives.

Key Benefits	Key Weaknesses
Risk • 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. **Financial** • 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. **Quality of Service** • 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. **Control** • The Council will have roles as client; shareholder; and in appointing directors. The combination offers considerable control.	**Risk** • 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. **Financial** • 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. **Quality of Service** • There may be difficulties in matching public and private sector cultures in one vehicle for the efficient provision of services. **Control** • 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 rules 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 or Options 1 and 2 across the three stage 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%
	Difference	15%	17.60%	21%	

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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

Contents.

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 paviours 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 enquires 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 is 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

Contact officer: Martin Jenks Telephone: 01273 481327
E-mail: martin.jenks@eastsussex.gov.uk

Cabinet

13 July 2021

Appendix 005

Highways Services Re-procurement Project

Title of Document:

Legal Framework & Policy Review

Contents:

East Sussex
County Council

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.

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.

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.

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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

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 RTRA 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

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**	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

East Sussex County Council

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 committment 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	• 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	• 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	• 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	• NHR Project outcome
13.	**Whole Life/Designing for Maintenance**	**Partially Compliant**	• **Jacobs review of whole life costs design**
14.	**Risk Management**	**Compliant**	
15.	**Competencies and Training**	**Compliant**	
16.	**Inspections**	**Compliant**	• **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**	• **If updated inspection manual and intervention level appendix approved at Lead Member meeting in November 2019**
20.	**Resilient Network**	**Partially compliant**	• **NHR project outcome will update this**
21.	**Climate Change Adaption**	**Partially Compliant**	• **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**	• **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**	• **Sustainability action plan/ SPIs**
33.	**Consistency with Character**	**Compliant**	• **If new Highway Maintenance in Conservation Areas approved at Lead Member in November 2019**
34	**Heritage Assets**	**Compliant**	• **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

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East Sussex
County Council

Highway Asset Management Strategy 2018-2024

Contents

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 publically 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 2014-2018[1] 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.'

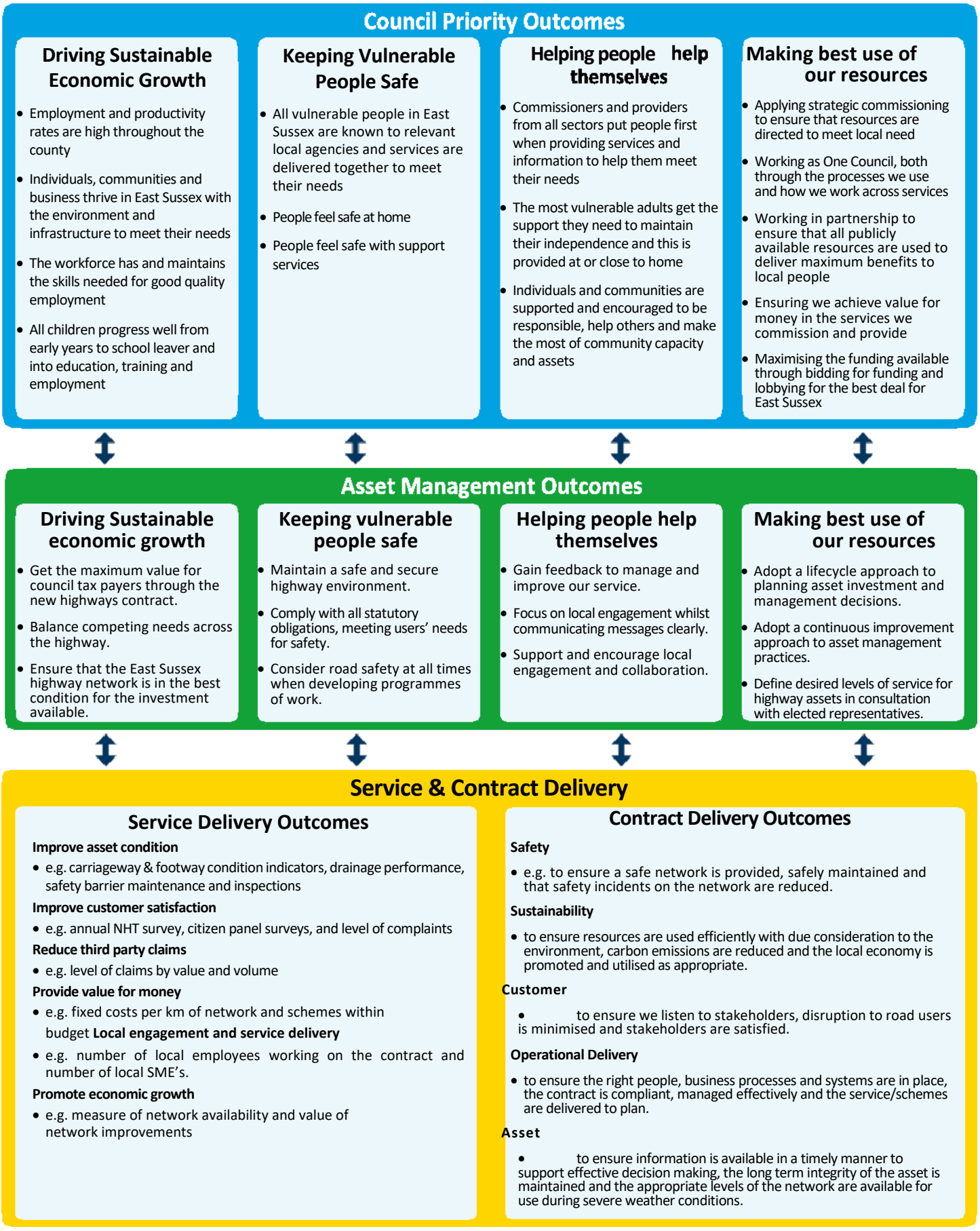
Service and Contract Delivery Outcomes

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

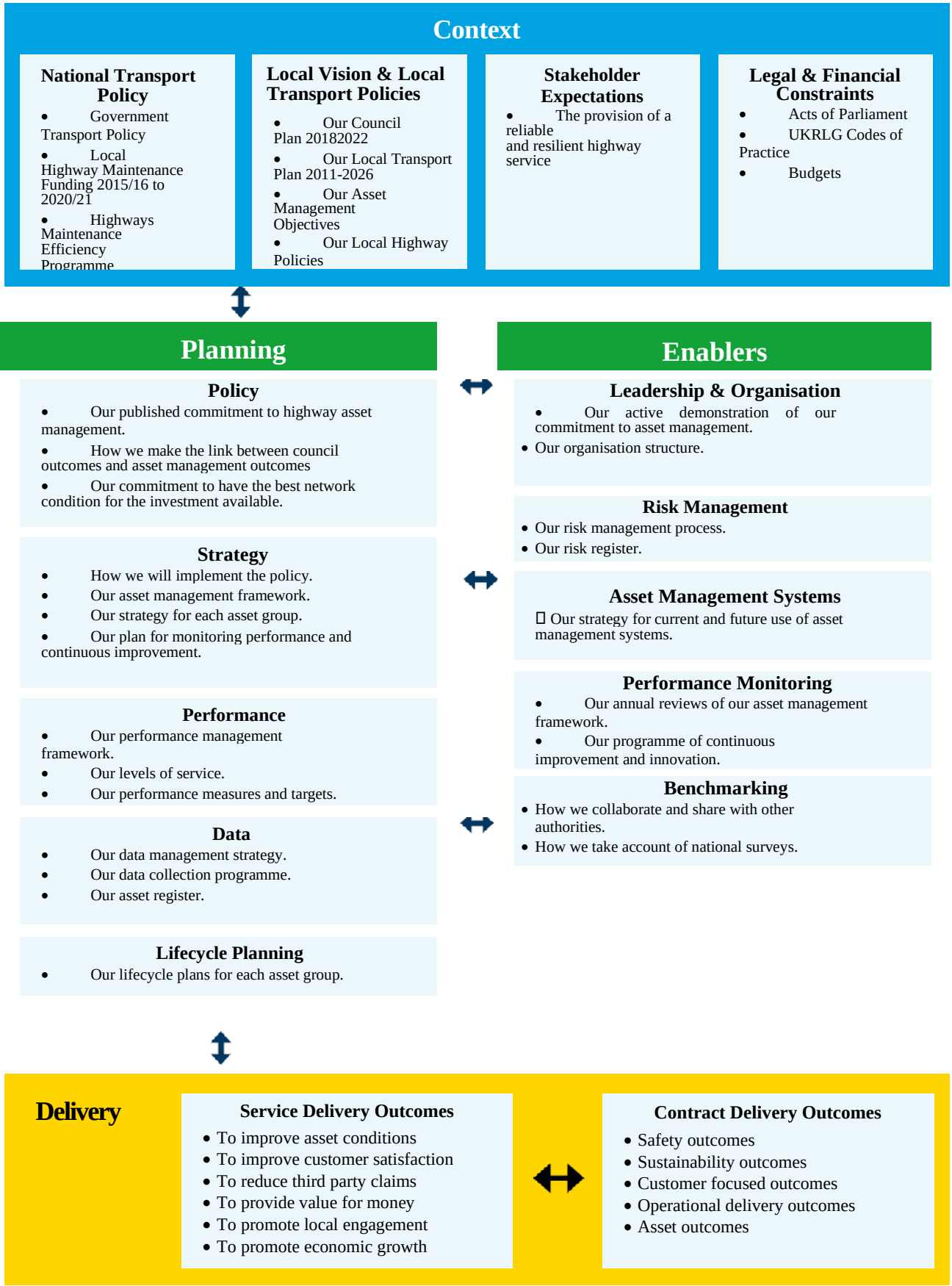
Enablers are a series of supporting activities that support the implementation of the Asset Management Framework. They provide a means of:

- 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 it 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: BSCIavi (Bridge Stock Condition Indicator average) and BSCIcrit (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

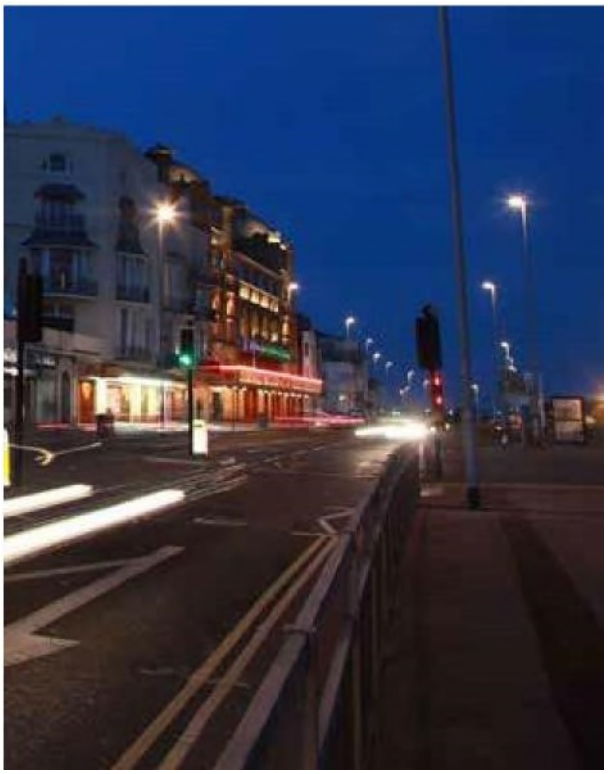
Street lighting is an important highway asset, contributing to public amenity, safety and the night time economy. With a gross replacement cost of £70.173million (2017), the lighting asset consists of approximately:

- 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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HyFlex

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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Push button
Wait for signal

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 fiv year budget plan
- Implement programmes of work deliverin 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.

Sustainability

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 asset.

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.

East Sussex County Council
County Hall
St Anne's Crescent Lewes
BN7 1UE
Phone: 0345 60 80 190
Fax: 01273 481261
Website: eastsussex.gov.uk/contactus

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

Contents

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 crystalise 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 separately [1] 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.

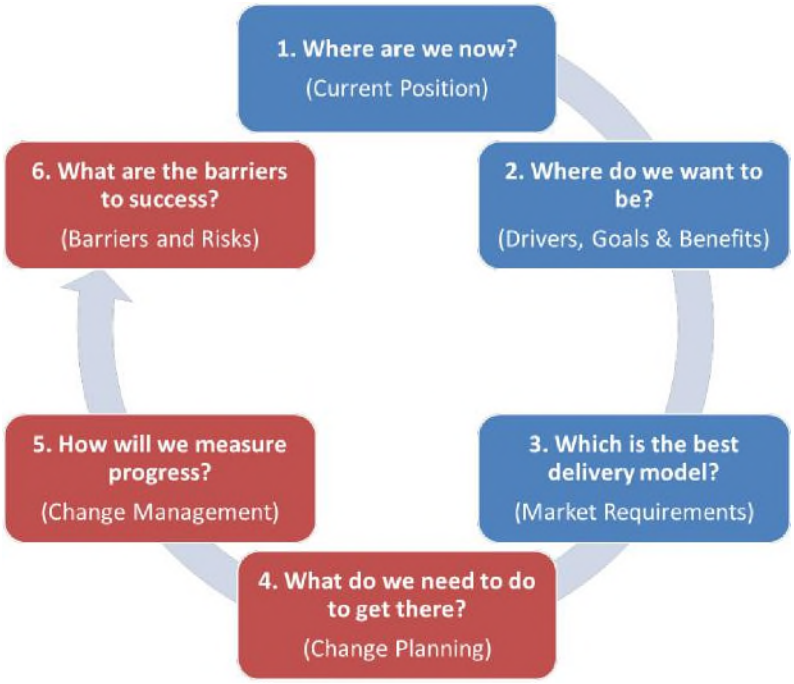
[redacted]

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	Ranking			
	Overall	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	• 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**	• 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**	• 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. • 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.
Function Orientated Provider	**4**	
Primary Design + Add On	**5**	• 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**	• 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**	• 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**	• 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.

		• 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**	• 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**	• 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. • 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.
4 Year Framework	**11**	
Shared Service	**12**	• 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	• 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	• 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	• 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	• 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	• **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	• 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 authorityto 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	• Support initiatives that deliver carbon neutral services, schemes and incentives (1). o Improve biodiversity and air quality, kind to the natural environment. • Optimise network performance for all users under all conditions (1). o 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. o 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). o Embrace best practice, innovations and new technologies enabling the service to continuously evolve. o 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. o Creating home-grown talent, local skills and capabilities. o Create a culture where people feel safe and can realise their potential.

Authority	Strategic Drivers
Authority H	• 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,

		is utilised to ensure a contractual commitment to collaboration between the partners. The Alliance framework encompasses all providers and is created and sustained through: • 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.

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Appendix E – Illustrative Example of Options Analyser