

Appendix 1

Wirral Highways Services beyond 2014
Options Appraisal
Wirral Council

1st March 2013

ATKINS

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Introduction

The current highway maintenance contractor has advised the Council that they do not wish to extend the current contract beyond 31st March 2014 under the current terms. With only fourteen months to the expiry of the contract the Executive Team agreed that this should be highlighted as a strategic risk and captured in the Corporate Risk Register.

This report has been produced in line with the decision made by the Cabinet of the Council on 27th September 2012.

This report outlines the findings of an options appraisal undertaken to identify the best option to ensure the effective future delivery of these services.

1. Executive summary

1.1. This report outlines the Options Appraisal undertaken by Atkins in respect of the Highway Services for Wirral Council

1.1.1. It describes the background to the appraisal and the existing services

1.1.2. An Options Appraisal process has been developed. This describes how the outcomes the Council requires can be met by a range of options which have been developed using a series of factors and then appraised against a range of criteria.

1.2. Recommendations

1. Following the Options Appraisal, Option A3, a re-procurement of the existing strategic service delivery contract using developed contract documentation is the Option that best meets the overall needs of the Council when considered against the criteria developed as part of the Options appraisal. It is highly likely or likely to meet all of the criteria identified and contains no significant risk issues to the Council.

1.2.1. Observations on other options

1. An option involving the internalisation of part of the service was considered but does not appear to meet all of the criteria identified as part of the Options Appraisal. The improvements in some areas do not mitigate some high risk areas identified. If the Council were minded to consider internalisation as an option there would be merit in considering the Highways service as part of a wider consideration of service delivery in related areas. This wider option is outside the scope of this report and would require to be developed over a period of time.

1.2.2. The preferred option would enable the Council to develop a replacement service for its Highways service in sufficient time to have procured a service by April 2014 when the existing arrangements expire.

1.2.3. The duration of the replacement service should be a minimum of four years with appropriate extensions, subject to satisfactory performance of the provider, being considered in the detailed development of the option.

2. Introduction and Background

2.1. Project history

- 2.1.1. The Council's Term Contract for Highway and Engineering Services, covering both planned and routine highway maintenance, expires on 31st March 2014 after a five year contract period.
- 2.1.2. The Council's Cabinet have decided that work should commence to explore the options available to replace that contract with either a new contract or other arrangement which will meet the Council's needs.
- 2.1.3. Atkins was appointed on 8th February 2013 to support the work required to carry out an options appraisal and report on the preferred option. The options appraisal and report support a paper written for the Councils Cabinet with recommendations for the option to be progressed.
- 2.1.4. Atkins is well placed to undertake this work drawing on its expertise of working within a wide range of the service delivery options available.
- 2.1.5. In undertaking this work Atkins have consulted internally and used their market knowledge, to establish the likely viability and opportunities for improvement and success for various service delivery options.
- 2.1.6. The analyses have included addressing the risks facing the authority in terms of reducing budgets, demonstrating value for money and customer expectations balanced against the strategic maintenance of highways, the relatively small size of the highway service, the limited timescale available for procurement and industry best practice including the Audit Commission's "Going the distance" and the emerging work from Highways Maintenance Efficiency Programme (HMEP).
- 2.1.7. The Highways Maintenance Efficiency Programme (HMEP) is a sector-led transformation programme designed to maximise returns from highways investment and deliver efficient and effective services. It is aimed at the local highways sector, the programme runs to 2018 and is sponsored by the Department for Transport.
- 2.1.8. HMEP is a partnership between public and private sectors, and the programme team consists of representatives from local and highway authorities, companies and central government.
- 2.1.9. The foundation stones for HMEP will be the fact that it is:
- By the sector, for the sector
 - Practical and adaptable approach
 - Results driven
- 2.1.10. During the procurement phase a number of key documents will be produced by HMEP and it is suggested that these are considered as each is published to assess its suitability for this particular project. More details are available on the DFT Website.

2.2. Is there a right service delivery option?

- 2.2.1. No one service delivery option is seen as providing the perfect solution for all local authorities. Geography, work type and other issues dictate which of the basket of service delivery options available will suit a particular situation. Each model has its pros and cons and it may be appropriate to have several different features or combinations of features in the final solution. It may also be appropriate to have different payment mechanisms within the service delivery option selected.
- 2.2.2. However it should be remembered that complicating the process and structure can have further implications and make staffing, administration and cost control more difficult.

2.2.3. Deciding on what final solution is eventually selected is undertaken by using an options appraisal to find the right option.

2.3. A Service delivery option to deliver

2.3.1. Optimising the level of resources available to front line services is a primary driver for Wirral and the first step in enabling staff to deliver first class services. Maximising the capacity from available resources requires a service delivery option that delivers a continual process of identifying opportunity and achieving efficiency.

2.3.2. A new service delivery model can help free up resource capacity in 2 ways; firstly by identifying opportunities for savings achieved from any initial procurement through the tender price. And secondly, via the service delivery option selected, providing the structure and culture to continually generate future efficiencies and service improvements.

2.4. Selecting the correct model to fit the approach to risk

2.4.1. Selecting the correct service delivery option is an important decision because it establishes the risk limitation and management levels for each party. The type of service delivery option selected can influence:

- The likelihood of achieving Council objectives
- The allocation of risk and hence cost (where and how risk is priced)
- The culture under which the client, the team and contract partners work together
- The methods of appointing and working with service providers and suppliers
- Management requirements and costs of the procurement process
- The amount of client and provider supervision / administration (duplication)
- The amount of Client contingency that is required
- Funding availability for the service

2.5. The aims of the options appraisal

2.5.1. The options appraisal process should deliver an option for service delivery that enables the achievement of the Council's objectives.

2.5.2. In undertaking the options appraisal the following objectives have been considered;

- Sustainable efficiency savings.
- Improved Customer Satisfaction; especially responsiveness to requests for service, communications, quality and programming of work.
- Appropriate levels of Client control.
- Demonstrable value for money, satisfactory performance and benchmarking.
- Underpin a move towards planned asset management.
- Incorporate national best practice.

2.6. Summary of process gone through

2.6.1. Part of the process in determining the appropriate service delivery option for Wirral going forward is to test the viability of the available concepts. The detailed process undertaken is described in section 6.

- 2.6.2. However the general activity undertaken has included;
- Development of options and a process of appraisal
 - Use of market and benchmarking intelligence
 - Informed market views on the appetite for collaborating or contracting with Wirral, including current good practice and market trends
 - Interviews with Council officers
 - Consideration of work packaging
 - Consideration of contract terms and conditions available
 - Consideration of the duration of any future arrangements
 - Consideration of how value can be added by potential bidders
 - Recommendations relating to options available

2.7. Qualifications

- 2.7.1. The work undertaken in the preparation of this report has not looked in any detail at any historic information concerning the current contract arrangements nor has any detailed analysis been undertaken of the current arrangements. A desk top review and discussions with Council officers have been undertaken to provide the analysis in this report.
- 2.7.2. The options appraisal and recommendations have been arrived at based on a number of assumptions around the corporate direction of the authority as the Corporate and Directorate plans were under development at the time this work was undertaken. However the work is based on a clear understanding of the issues facing Local Government and information provided by Council officers concerning the issues facing Wirral.
- 2.7.3. In terms of the market knowledge used both in this report and as part of the options appraisal, some of the key aspects affecting this work are provided in **Appendix B**.

3. Current Situation

3.1. Service delivery/contract background

- 3.1.1. The current highway maintenance service is delivered through a single 5 year contract for Highways and Engineering Services which was awarded to Colas Ltd to cover the period from 1st April 2009 to 31st March 2014. The contract arrangements included the outsourcing of some of the Council's internal resources under TUPE legislation.
- 3.1.2. The value of work delivered through the contract is approximately £7 Million per annum and has a threshold of maximum scheme value set at £200,000.
- 3.1.3. The contract is established on the NEC Engineering Construction Contract (3rd Edition) Option B with a schedule of rates.
- 3.1.4. There is a performance framework included within the contract which is regularly monitored and incorporates a punitive incentive arrangement.
- 3.1.5. There is an outstanding dispute between the parties, of significant value, which has been subject to adjudication, with a ruling in favour of the Council.

3.2. Partnership, Management and Governance

- 3.2.1. The current contract is governed by a Partnership Board. The board is led by the Director of Technical Services and Colas' Regional Director.
- 3.2.2. The role of the board is to ensure that both parties jointly manage and regularly review the following aspects of the contract;
- Risk
 - Communications
 - Performance
 - Customer feedback
 - Health and safety
 - Works programme
 - Payment
 - Innovation
 - and other operational aspects
- 3.2.3. The day to day running of the Contract is carried out at the lowest appropriate level through weekly programme and contract meetings, supported by a monthly commercial meeting, with all parties endeavouring to solve issues together, escalating only matters which they cannot resolve through the monthly Liaison Meetings, chaired by the Deputy Director of Technical Services and then up to the Partnership Board level if required.
- 3.2.4. The contract is further developed as a partnership by the joint Innovation Sub Groups. Although these groups have had some success there is a recognition that more could and should be done in this area in any future arrangements.
- 3.2.5. The Council has developed a Benefits Realisation Plan (BRP) to monitor and report on the performance of the service against the targets set for the high level benefits to be realised from the Contract.
- 3.2.6. Performance issues have resulted in lower cost savings than anticipated from the contractor side of the partnership however these have been offset by the savings made in client staffing costs, which have been ahead of the agreed target.

3.3. Services in current arrangements

- 3.3.1. The scope of the contract comprises all aspects of emergency, reactive, and planned maintenance of highway assets including;
- Carriageways
 - Footways
 - Drainage, culverts and drains
 - Street lighting
 - Signs and markings
 - Structures
 - Winter maintenance
 - Coastal protection infrastructure maintenance.
- 3.3.2. The contract excludes winter gritting vehicles, which are supplied by the Council, and winter gritting salt which is procured and stored by the Council.
- 3.3.3. The existing service delivery arrangements comprise a Wirral Council client unit which is responsible for:
- Receiving and responding to customer enquiries
 - Carrying out serviceability inspections
 - Carrying out Safety Inspections
 - Works Ordering and Payment processes
 - Contract Management including agreement of variances
 - Programme management including identifying programmes of work

3.4. Other contracts

- 3.4.1. Traffic signal and systems maintenance is managed under a separate contract, which also ends on 31st March 2014, with Siemens Ltd. This service, which is distinct from the other services carried out was excluded from the scope of the appraisal and was not considered further.

3.5. Customer satisfaction

- 3.5.1. Customer surveys for planned works were introduced during 2010/11 (Performance Measure PMF16) and result in an annual report to the Partnership Board arising from the feedback received during a given the year.
- 3.5.2. Average satisfaction scores have been reducing, despite targets to improve. An analysis of this trend revealed a number of possible reasons for this:
- Quantitative effect of only 22 surveys in year, compared to 37 in the previous year.
 - No analysis of response rates.
 - Treatment changes from traditional plane and inlay to modern surface treatments; perception does not therefore compare like for like treatments.
 - Some responses are subjective whilst others quite objective.
 - Some responses relate to policy and service level; which are outside of the contract's control.
- 3.5.3. There have been significant reductions in customer complaints received by the Council which are attributable directly to the contractors' activity. These showed a 27 percent reduction in a single year; a trend that has continued in the current year

3.6. Performance

- 3.6.1. The Council currently set a number of key performance targets for the highways contract which have proven to be challenging to achieve. In some areas targets were not achieved at all while others performed exceptionally well.
- 3.6.2. In the latest contract report the targets set for the delivery of the following performance measures were all achieved:

3.7. Contractor Performance

- PMF1 Planned works completed on time
- PMF2 Planned works not requiring a second visit
- PMF4 Priority 3 works not requiring a second visit
- PMF4A Priority 5 works completed on time
- PMF4B Priority 5 Works not requiring a second visit
- PMF5 Winter Maintenance – compliance with the Operational Plan
- PMF6 Winter Maintenance – response within 3 hours
- PMF9A Street Lighting – reactive repairs completed within 3 days
- PMF9B Street Lighting – percentage of lights not working
- PMF10 Health and Safety incidents
- PMF11 Environmental – site waste recycled
- PMF13 Final accounts on programmed works
- PMF15 10% reduction in customer complaints
- Note that PMF3, PMF12 and PMF 14 have been discontinued.

3.8. Client Performance

- CP1 Carry out quarterly performance reviews
 - CP2 Ward inspections as programmed
 - CP3 Issue Priority 2 and 3 works orders twice monthly
 - CP4 Issue Structural Maintenance Programme (Carriageways and Footways) by 31st May
 - CP5 Issue Traffic Schemes Programme by 31st May
 - CP6 Issue Street Lighting Bulk Lamp Change Programme by 31st May
 - CP7 Issue Street Lighting Structural Programme by 31st May
 - CP8 Accuracy of Works Orders (item omissions)
 - CP9 Identify Designer H&S Risks prior to Construction
 - CP11 Liaison with Utilities to avoid trench openings in new surfacing
 - Note that CP10 is not used.
- 3.8.1. For targets PMF 7 and 8, the current contractor failed on one emergency requiring a response within 1 hour and one Priority 1 Works to be attended within 24 hour whilst the partnering board made a financial deduction as a result of these the contractor recognised and addressed the factors which led to both issues.
- 3.8.2. All Emergency and Priority one works are closely monitored weekly to endeavour to meet the 100% target.

3.8.3. The target PMF13, Final accounts on programmed works to be submitted within 6 weeks of the completion notice was set at 80%. However the contractor has not provided satisfactory evidence that this target has been achieved. There is clear evidence however that more than 80% of the value of the required payment is forwarded to the Council on time, however further low value accounts have been submitted after the completion of the works, mainly as a result of sub-contractors invoices. This issue does not directly affect the service, having greater impact on the contractor who has taken corrective actions regarding suppliers and implemented an improved payment monitoring system.

3.8.4. Performance from the current contract arrangements has been generally satisfactory. There have been some areas which have required corrective action which the contractor has undertaken. Further work is required in improving the management of customer expectations regarding programmed work, and in the analysis of feedback gathered.

3.9. Quality of Work

3.9.1. There have been instances of a drop in quality of road surfacing on a small number of occasions due to material issues in both cases:

- Failures on Dense Macadam works, for which remedial works were planned / carried out during the year.
- A fall in quality of the HRA surfacing compounded by equipment breakdown and a large turnover of operatives.

3.9.2. Following the issue being raised with the Partnership Board corrective action was taken by the contractor. The contractor also took the necessary action to correct quality issues relating to white lining works through the appointment of a new subcontractor.

3.10. Summary

3.10.1. The current contract with Colas and the arrangements under which it operates have been a success in a number of key areas.

- Governance structure for managing the contract
- Performance management and achievement of targets
- Rectification of work quality issues

3.10.2. However aspects of the arrangements have not been so successful

- Commercial situation
- Improvement of Customer satisfaction

3.10.3. In undertaking the options appraisal the above headline successes and failures of the existing arrangement have been taken into account. These have been combined with more detailed strengths and weaknesses in the following areas;

- Forms of Contract
 - Client experience in both NEC3 Option B (with Schedule of Rates), and ICE conditions.
 - Client not used to NEC3 Term Service Contract or HMEP contract.
- Risk Management
 - Current arrangements employ collaborative ‘macro’ risk register with regular reviews and Early Warning ‘micro’ risk register.
 - Limited client experience/skills in valuation of ‘macro’ risks.
- Contract Relationships
 - Formal Governance arrangements well established, with improving escalation ladder. Informal relationships generally well developed.
 - Bridges operational relationships stilted.

- [REDACTED]
- Benefits Realisation
 - Well documented and regularly reported to Members, and mostly with robust financial valuations.
 - Overly client focussed so little collaborative ownership as not shared benefits.
- Commercial/Claims Management
 - Client very experienced understanding of contract clauses, specifications and method of measurement, and successfully challenging speculative claims.
 - Continually improving culture of managing commercial issues through the contract forum established for that purpose.
 - [REDACTED] Compensation event quotation-dependent service in Bridges, managed outside mainstream commercial arrangements, [REDACTED]
 - [REDACTED]
- Performance Management
 - Well developed, collaborative and continually improving arrangements for operational services, regularly reviewed and reported, with culture of addressing downward trends.
 - Corporate and LTP performance not directly linked to contract performance measures, and thus are not owned by contractor.
 - Punitive performance failure mechanism in existing contract.
- Payment Processes
 - Established process recently
 - [REDACTED]
 - Resource intensive client activity.
 - [REDACTED]
- Customer focus
 - CRM system drives client activity well.
 - Complaints process performing well.
 - MP/Councillors response targets met consistently well.
 - Customer survey process in place for maintenance schemes.
 - Call centre scripts and behaviours need sharpening to discourage back office and front line involvement.
 - [REDACTED]
 - Client needs to manage demand better.
- Specialist Maintenance
 - Lighting works well with contractor
 - Winter service arrangements very slick, with strong client decision making
 - Bridges – as Relationships/Commercial above.
 - Highways/Drainage client teams work to differing priorities with occasional disconnect.
- PR/media
 - Little negative coverage
 - Needs positive interest corporately to highlight success, client needs to be proactive in managing customer expectations and information

- Innovation and Efficiencies
 - Client target set in contract and achieved for efficiencies.
 - Client efficiencies targets in Benefits Realisation plan achieved
 - Innovation sub-groups collaborate on a range of issues.
 - No linkage from contractor's efficiency activity to that specified by client.

[REDACTED]
- Quality Control
 - Client proactive in managing its obligations.
 - Client overly protective of contractors' shortcomings.
 - [REDACTED]
- Specification
 - Client proactive and has strong experience in selection of treatments and materials
 - Hindered by limited contractor approach to ECI and follow up
- Programming
 - Systematic and timely approach developed over recent years to issuing programmes to contractor for surfacing and surface treatment schemes.
 - Jointly funded programming resources.
 - Traffic scheme programmes dependent on consultation and issued late.
 - Lighting programme issue patchy.
 - Client driven compliance with Street works Noticing patchy.
- Asset Management
 - Well established inventories for Bridges, Lighting and Drainage.
 - Still emerging and Client resource priority to further develop is limited.
 - No carriageway/footway inventory.
 - No integrated system.
- Health and Safety
 - Strong corporate approach.
 - Contractor proactive and performing well.
 - Client operational priority for resources is low.
- Environmental
 - Collaborative awareness
 - Low priority.
- Procurement
 - Client skills to put together standard documents and manage processes are well established.
 - No experience in Competitive Dialogue

4. Aims and Objectives for the future

4.1. Contribution to Corporate Goals

- 4.1.1. In the absence of full details of an approved Corporate and Directorate Plan, the new Highways service delivery has been influenced by an agreed direction of travel set by Members and Senior Officers of the Council. This direction of travel will be further developed as part of the departmental business planning process in May 2013, following the publication of the new Corporate Plan commencing in April 2013.
- 4.1.2. From the research work undertaken by Atkins and Council officers a number of key contract requirements have become clear. These requirements are evidenced through market and benchmarking intelligence, interviews with Council officers and desk top reviews including work recently done on similar contract procurement projects.
- 4.1.3. This evidence has allowed recommendations relating to the best service delivery option to be made taking in to account informed market views on the appetite for collaborating or contracting with Wirral. The packaging of the services, appropriate contract terms, contract duration and the scope for adding value via the potential bidders have all been considered in setting out these key requirements.
- 4.1.4. The options appraisal process has therefore been undertaken with regard to providing a service delivery option that is fit for purpose from April 2014 and for a period of time after that.

4.2. Departmental Purpose:

- 4.2.1. All highway services involve front line customer facing activities that enhance and impact upon the day- to- day lives of local residents and other highway users.
- 4.2.2. The departmental purpose is;
- “Deliver all of our high quality services in an efficient and innovative way, mindful of the aspirations and needs of our residents, businesses and community partners.
- 4.2.3. The current Departmental Plan is constructed around a “Your NEIGHBOURHOOD” theme and focuses on achieving the following goals:-
- Minimise waste by encouraging waste reduction and recycling
 - Have high standards of environmental quality across Wirral
 - Have a safe and well-maintained highway network for all users
 - Provide and maintain high quality parks and open spaces in partnership with local communities
 - Provide high quality, value for money leisure and cultural facilities for Wirral residents
 - Respond to and recover effectively from incidents and emergencies
- 4.2.4. The Department sets ambitious but Specific, Measurable, Achievable, Realistic and Timed (SMART) targets in the annual Business Plan and monitors performance through a rigorous performance management framework.
- 4.2.5. The Department also actively seeks feedback from users using corporate and departmental engagement opportunities.

4.3. What the new arrangements need to deliver

4.3.1. In order to best contribute towards the new corporate goals of the authority and deliver against a new departmental business plan any new arrangement should;

- Be of duration long enough to minimise the effect of possible service disruption during the initial and latter parts of the contract. Ten years would provide the best basis to get the most out of any contract however the exact period of time the option covers depends on the details of the option itself and a minimum period of 3 to 4 years has been used successfully.
- Minimise the effects of TUPE changes on staff; these are significant in the way a new contract is developed. During the first eighteen months changes should be carefully managed and cultural issues be at the fore.
- Ensure that any extension procedure is enabled at least three years prior to the date at which the extension is to operate to avoid prolonging a “last eighteen months” period
- Have a suite of meaningful KPIs developed and maintained by the Council and tailored to the partnerships needs – NOT by reference to an individuals’ previous experience or a “them and us” approach.
- Have commercial KPIs, developed to incentivise a Contractor as these are more likely to drive improvement than any Pain/Gain mechanism.
- Encourage innovation which should be incorporated into any contract by way of a separate development budget built into the contract where the parties jointly take up development to lead to longer term savings. Innovation should include methods of working and management initiatives
- Have and maintain senior management meetings with active participation of Directors and avoid isolated senior level meetings.
- Have a Flexible Contract able to change and adapt to the needs of parties as required
- Have agreed inflation indices to ensure commercial success for all.
- Have an agreed Contract completion strategy.

4.3.2. If the option selected meets the criteria above it should be capable of delivering the following general outcomes below and the detail ones outlined in Section 5.8:

- Assist and enable the achievement of the authority's strategic and local, aims and objectives
- Be flexible enough to address the issues facing the authority today and in the future (short or long term).
- Accommodate the needs of the authority, supply chain, stakeholders and partners
- Lead to better services and ease of operation in terms of:
 - Effectiveness improvements
 - Efficiency improvements
 - Economic improvements

4.4. Services to be included in new arrangements

4.4.1. Whilst different delivery options, by definition, cover different service scopes a minimum requirement of covering the existing contract service delivery has been taken i.e.

Contractor responsibilities:

- Carriageways
- Footways
- Drainage, culverts and drains
- Street lighting
- Signs and markings

- Structures
- Winter maintenance
- Coastal protection infrastructure maintenance.

Client unit responsibilities:

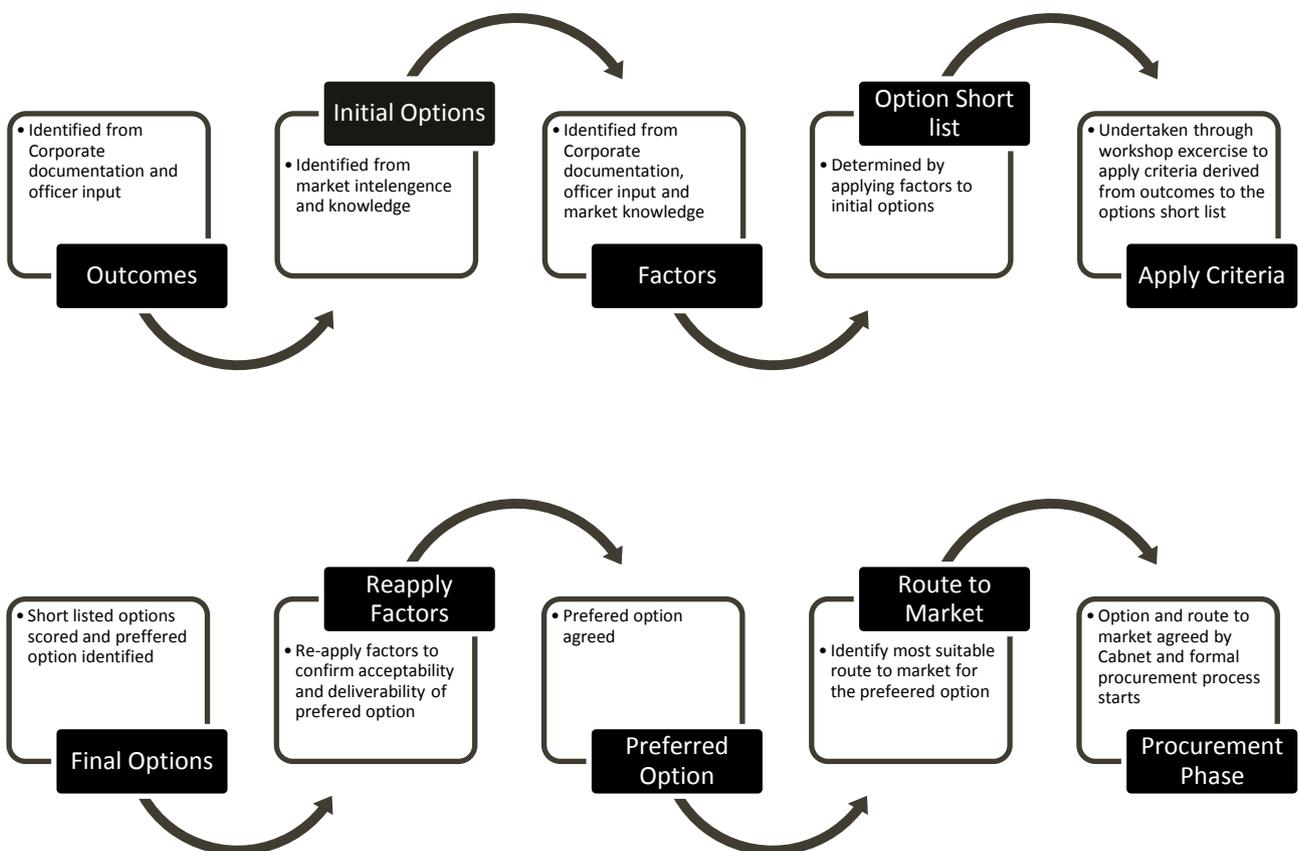
- Receiving and responding to customer enquiries
- Carrying out serviceability inspections
- Carrying out Safety Inspections
- Works Ordering and Payment processes
- Contract Management including agreement of variances
- Programme management including identifying programmes of work

5. Service delivery options development and Industry input

5.1. Options Appraisal process

5.1.1. A report was produced by Atkins to outline the process proposed for the appraisal of options for the Highway and Engineering service for the Council. It was produced to inform discussions with the client prior to the Options Appraisal process being confirmed and undertaken.

5.1.2. In order to carry a robust appraisal of different options for the delivery of the service there are some clear requirements in terms of process. These have been developed from Atkins understanding of best practice and have been used successfully in a range of situations. The proposed process is shown below;



5.2. Outcomes

5.2.1. In order to develop an option that meets the requirements of the Council it is necessary to define the Outcomes that the service is required to achieve. This is important as these outcomes will form the basis of not only the appraisal of options but also the basis of the development of the contract documentation for the selected option and performance management during the delivery of the service.

5.3. Influencing factors

- 5.3.1. These are described in some detail in Section 5.9 but enable a realistic number of options to be defined and then act as the basis for detailed development of the preferred option.

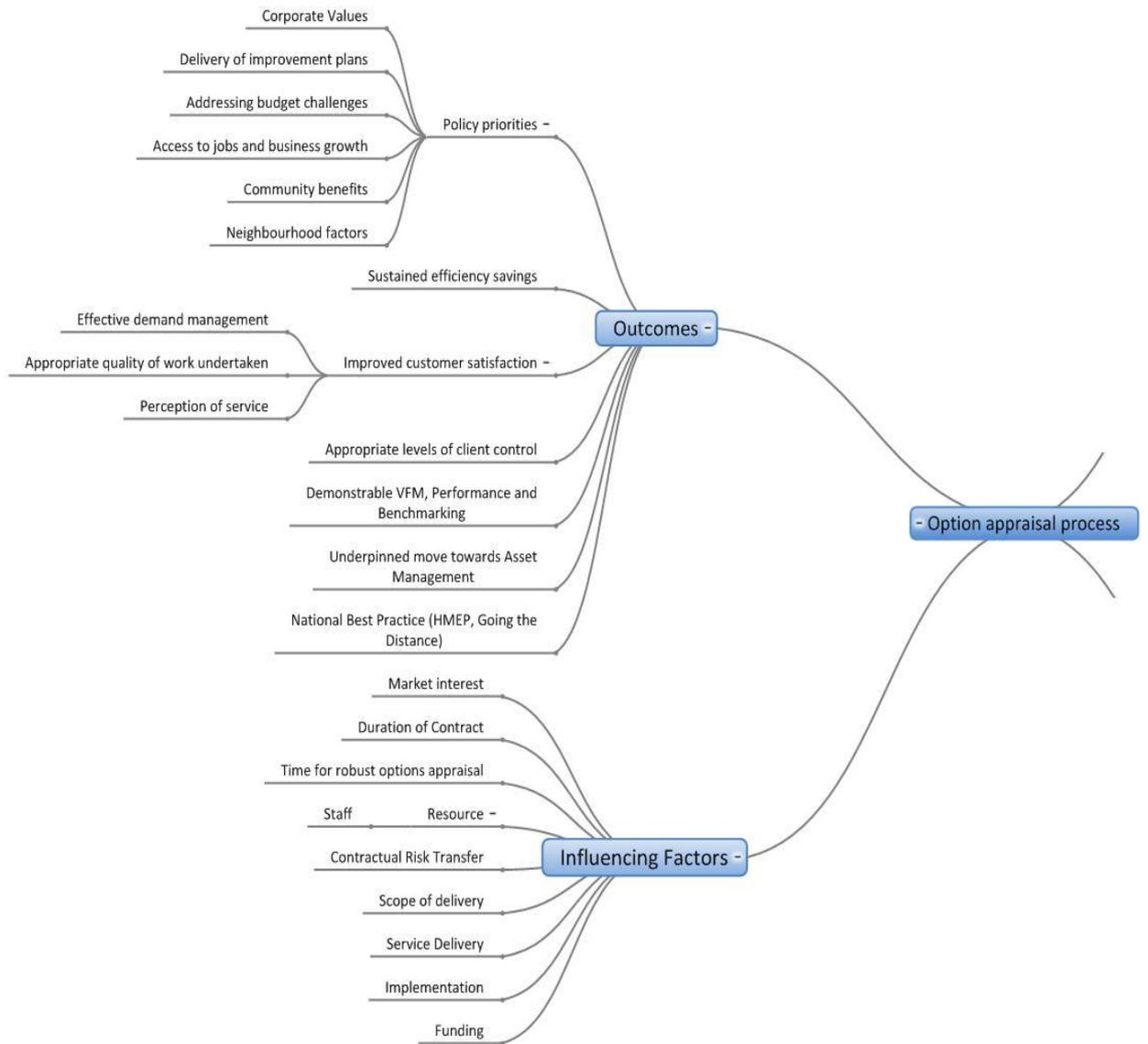
5.4. Option appraisal criteria

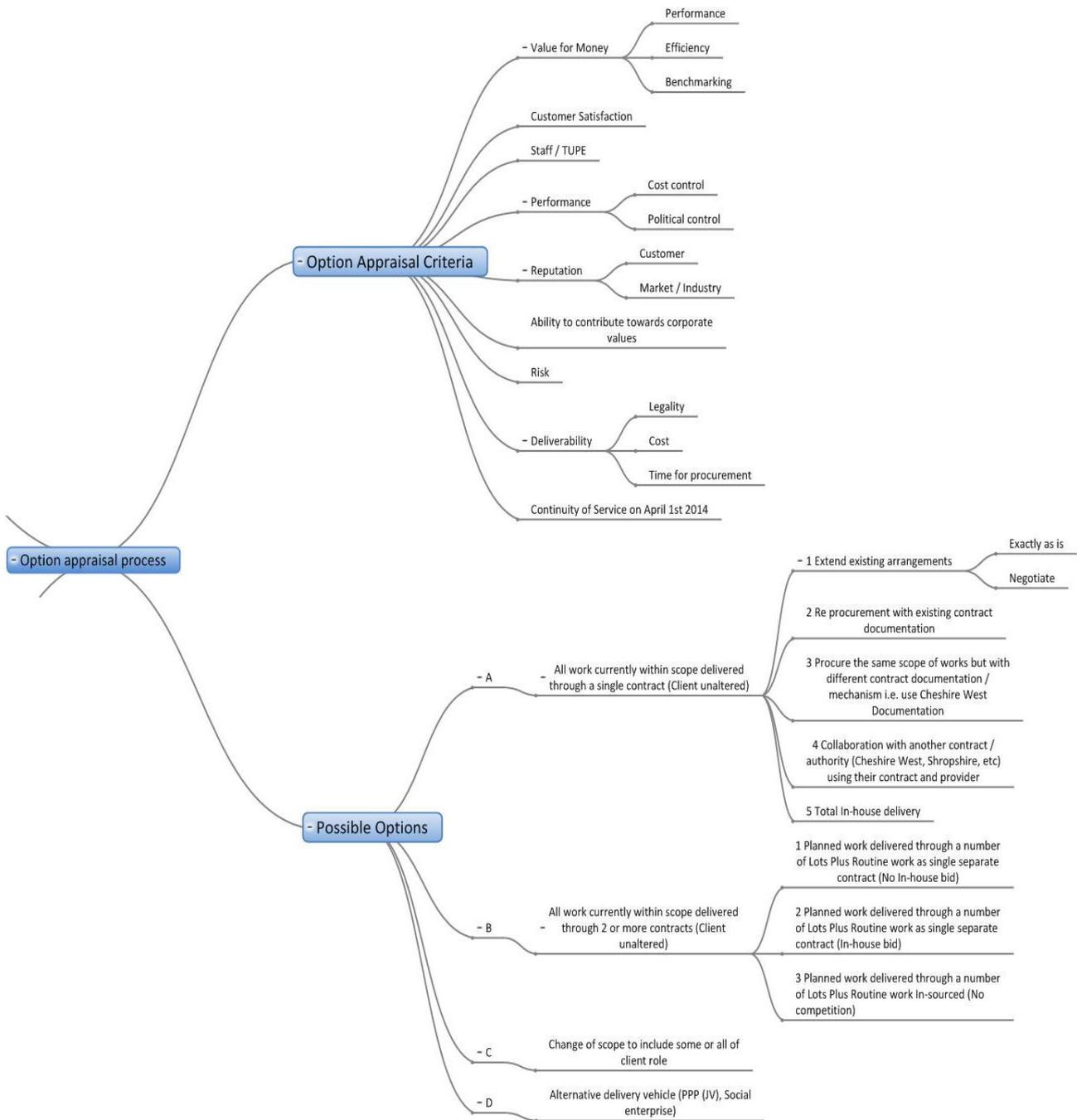
- 5.4.1. These are described in detail in Section 5.11 but are used to evaluate the selected options in a considered appraisal. It is important that the criteria used link to the Outcomes for the service to ensure that the selected option is the one most capable of delivering the outcomes. The link between the Outcomes and criteria is shown in **Appendix C**

5.5. Possible options

- 5.5.1. These are described in Section 6 and represent the realistic options that are capable of delivering the outcomes that the Council requires.

5.6. Options appraisal process





5.7. Outcomes

- 5.7.1. Section 4 described the need for any new service delivery option to be able to deliver against the authorities' corporate outcomes and objectives including;
- 5.7.2. Policy priorities;
- Corporate Values – These should be driven through the client into the supply chain as “the way we do things around here”.
 - Delivery of improvement plans – In order to be effective, efficient and deliver economic improvements a planned approach to change is vital.
 - Addressing budget challenges – Supported by innovation and improvement, the ability to drive down costs through the supply chain is key.
 - Access to jobs and business growth – through the use of local supply chain and labour resources.
 - Community benefits and Neighbourhood factors – working with stakeholders and partners to ensure that what is delivered is what is wanted
- 5.7.3. Sustained efficiency savings
- Efficiency that delivers saving during the life time of the new arrangements and beyond
- 5.7.4. Improved customer satisfaction
- Effective demand management – developing an understanding amongst users of what is and is not possible to deliver within available budget and other constraints
 - Appropriate quality of work undertaken – ensure fit for purpose solutions delivered by appropriately skilled resources
 - Perception of service – targeted communication to users and residents to develop understanding of the service capabilities
- 5.7.5. Appropriate levels of client control – systems, processes and reporting that allows client officers to be sure that the service being delivered is as agreed and within budget
- 5.7.6. Demonstrable VFM, Performance and Benchmarking – a result of the activities above combined with the adoption of National Best Practice as appropriate.

5.8. Influencing factors

- 5.8.1. These are issues that will impact upon the format of the option taken forward following the options appraisal process. Whilst they will not be used to differentiate between options in the final appraisal they will act as an appropriate “sense check” during the options appraisal process and will highlight issues that will need to be addressed in the development of the selected option prior to and during the procurement process. They will feed directly into the risk management process for the development and delivery of the service.
- 5.8.2. Some of the factors will be used to determine the initial range of options selected for consideration during the options appraisal process. The factors have been selected from Atkins experience of the Highway services sector and our knowledge of the particular circumstances pertaining to the current situation in Wirral, given the past history of the service. The combination of these factors is always unique to a particular authority. The factors are not weighted or scored during the options appraisal process.

- 5.8.3. The factors are described below;
- 5.8.4. **Market interest** - What will be the market interest in the opportunity that is selected? If a competitive situation is used what will be the degree of appropriate response from the market? The response will be measured both in terms of number of responses and the likely views contained in those responses, in terms of both price and quality. The factor will be used in all options irrespective of whether they are provided by the private or public sector. Sub issues to be considered include;
- Size of opportunity
 - Market view of council
 - View of competition
- 5.8.5. **Duration of Contract** - What is the appropriate duration for the contract? Sub issues include;
- The commercial view of the option selected
 - Ability of the provider to invest to make efficiency improvements
 - The Council's view of the market and its relation to the Council's financial position
- 5.8.6. **Time for robust options appraisal** - This factor identifies the degree of certainty around information used in Options Appraisal. It highlights where additional information may be required in developing the overall procurement approach and where views taken in the Options Appraisal process will need to be confirmed or revisited as more detailed information becomes available
- 5.8.7. **Resource** - This identifies the requirements for staff and resource input (both client and provider) into the development and delivery of the option. It will highlight where there are requirements for improvements to deliver an option or where there are identifiable risks around the resource required over the life of the option.
- 5.8.8. **Contractual Risk Transfer** - The factor outlines how risk is shared between the Council and provider in the option. The consideration of this factor will be important is highlighting issues that will need to be addressed in the development of the contract documents for the selected option.
- 5.9. Factors used to determine options for detailed consideration**
- 5.9.1. **Scope of delivery** - This factor will outline the scope of services required (on both Client and Provider side) during the duration of the option. This will enable an understanding of the Council's requirements to be clearly identified and managed during the development and delivery of the option. In considering the range of options possible the Scope of Delivery is one of the factors that would determine a range of options. Potential options that involve a significant alteration of the current scope of service have been discounted as options for detailed consideration. Whilst potentially these options may meet the Project Outcomes there would be significant implications
- 5.9.2. **Service Delivery** - This factor considers the options for service delivery in relation to the potential delivery solution. The different options examined in the initial consideration of options were:
- In-House – Options involving in house delivery of services were taken forward for more detailed consideration.
 - Externalised – Options involving continuing externalisation of service delivery to a private sector provider(s) were taken forward for more detailed consideration.
 - Augmented (Support Partnership) – Options involving arrange of partnerships both public and private were taken forward for more detailed consideration
 - New Model – Options to develop new forms of service delivery were discounted given the scale of the services included and the effort in developing them

5.9.3. **Implementation Options** - This factor considers the choices for implementation in relation to the preferred scope, solution and method of service delivery.

- Phased Approach - This option would involve delivery in a phased manner. The only options would be to replace the Routine arrangements as a as phase 1 and Planned work arrangements as phase 2. However given the relative small scale of the works it would be impractical and uneconomical to phase these two bundles of work and unattractive to the market. It would also lead to a greater length of time during which procurement would be taking place and the inherent difficulties and additional resources this involves.
- “Big Bang” - Whilst this option may be described as “big bang” in reality this simply means procuring all of the works as a whole project in one phase. Given the size and inter-relationships of the works this is the only way forward and is taken forward for detailed consideration

5.9.4. **Funding** - This factor considers how services are funded. The key issue in the selection of options is whether options which include the use of private funding should be considered alongside options which rely on funding via current public sector routes. In the initial appraisal given the relatively small scale of the services included and the traditional nature of the services the further consideration of options involving private funding have been discounted from further consideration.

5.10. Option appraisal criteria

5.10.1. The criteria described below will be used to appraise each of the options identified. Some of the criteria will have more than one aspect that make up how well each option addresses it.

5.10.2. The criteria link to one or more of the outcomes identified above and will therefore require to be reflected in the contract documents for the selected option.

5.10.3. Initially all criteria will have equal weighting in the appraisal

5.10.4. Each criteria will be considered in both qualitative (subjective) and quantitative (objective) terms. The ability to develop quantitative measures for each criteria is however limited and is shown in **Appendix D**.

5.11. Measures

5.11.1. In order that qualitative views can be compared between options the following measure will be used for each criteria

- **A** – The option is highly likely to meet the needs of the Council. This view is based upon comparable experience from elsewhere. It is highly likely that the requirements of the Council can be defined in measurable ways in the development of the contract and that the provider will be highly likely to meet those requirements. The risk management in this case will be standard.
- **B**- The option is likely to meet the needs of the Council. It is likely that the requirements of the Council can be defined in measurable ways and that the provider can meet those needs. There may be some limited areas where there is uncertainty over the measurement of the criteria or in the ability of providers to meet the requirements. There may be a limited number of identifiable issues that will require additional risk management approaches.
- **C**- The option may meet the requirements of the Council. There may be a number of areas where the criteria cannot be defined in measurable ways or where there is doubt on the providers’ ability to meet those requirements. There are likely to be a significant number of identifiable issues that will require a more developed overall risk management approach during the development and delivery of the option
- **D** – The option is unlikely to meet the requirements of the Council. This may be because there are significant issues in defining the measurement of the criteria or doubts on the ability of the provider to meet the criteria. The option would only likely to be acceptable to the Council if there were significant and robust additional risk management processes developed and used during the development and delivery of the option.

A further measure **E** was used where it was found during the appraisal that the option could not be delivered for one or more reasons.

5.12. Criteria

- 5.12.1. **Value for Money (VFM)** - The criteria recognise the importance of demonstrable overall Value for Money to the Council
- Performance - The option will deliver the required level of service at a demonstrably effective whole service cost
 - Efficiency - The option will deliver measurable efficiency improvements over the life of the option enabling either cashable or non cashable benefits
 - Benchmarking - The option will be able to be benchmarked against other similar services to demonstrate Value for Money
- 5.12.2. **Customer Satisfaction** - The option will allow customer satisfaction with the service provided to be measured and will provide improvement in customer satisfaction levels. It will contribute to demand management for the service in line with Council policies
- 5.12.3. **Staff / TUPE** - The option will allow the availability of appropriate amounts of resource on both the client and provider side. The costs and risks linked to that resource will be clearly understood.
- 5.12.4. **Risk** - All the risks in the delivery of the option can be identified, allocated to the appropriate party and managed appropriately. The financial impacts of risk can be quantified appropriately.
- 5.12.5. **Performance** - Performance of the option can be carried out in a demonstrably effective way
- Cost control - The option allows the control of costs to be managed appropriately by the client and provider. The effects in Changes to cost are understood and can be mitigated effectively without effects on the overall budget for the service
 - Political control - The option allows the needs of elected members to be reflected in the delivery of the services. Changes to the contract required by the Council can be managed effectively and with a clearly identifiable outcome.
- 5.12.6. **Reputation** - The criteria recognises the importance of the service to the Council and its customers
- Customer - The option delivers effective services to the Council's customers and leads to improved customer satisfaction
 - Market / Industry - The option reflects Best Practice with the Highway Services sector and contributes towards developing best practice. It allows both provider and Council to demonstrate their contribution to effective service delivery.
- 5.12.7. **Deliverability** - The option is deliverable in an effective and demonstrable way
- Legality - The development and delivery of the option can be carried out with an absolute minimum level of risk around legal issues to the Council.
 - Cost - The cost of the development of the option can be controlled and can be demonstrated as providing Value for Money when balanced against the whole life service cost of the option.
 - Time for procurement - The option can be delivered in a defined timeframe that meets the requirements of the Council in regards of its service delivery programme.
- 5.12.8. **Ability to contribute towards corporate values** - The option will contribute fully to the Policy priorities of the Council, its values and goals.
- 5.12.9. **Continuity** – the ability of the option to provide an appropriate level of provision over the changeover period between the existing service and the new option.

6. Options appraisal

6.1. Options selection

- 6.1.1. Following the process outlined in Section 5.2.2 and using the factors described in Section 5.10 four groupings of potential options were developed which are;
- A All work currently within scope delivered through a single contract (Client unaltered)
- 6.1.2. This grouping contains options that match the current provision of Highways services. In all options the scopes of services included were unaltered and there was no proposed change to the client structure or to the number of contracts let. The range of options therefore focuses on the different contractual ways that those services could be put in place to replace the current services when they expire in 2014. The options are described in detail below. An option to extend the existing arrangements was not considered in detail as the Council and its current provider have considered that this option is not achievable, despite it being a possible option under the existing contractual relationship. The options include both external and internal options.
- B All work currently within scope delivered through 2 or more contracts (Client unaltered)
- 6.1.3. The options considered in this grouping extended the options by considering the possibility of having more than one contract for the provision of the existing scope of services whilst retaining the existing scope and client structure. The options include both external and internal options.
- C Change of scope to include some or all of client role
- 6.1.4. Whilst the consideration of factors did suggest that considering a change in client scope should not be considered it was felt valuable to test a generic option that considered a change in client scope. A full range of options comprising changes to scope, contractual delivery, external and internal solutions were not considered in detail.
- D Alternative delivery vehicle (PPP (JV), Social enterprise)
- 6.1.5. Options that used an alternative delivery vehicle to a single or multiple contractual relationships were considered in a generic option.
- 6.1.6. The options are described below.

6.2. Short listed options

These are described in detail in **Appendix A**

- 6.2.1. A
- 6.2.1.1. A1 Extend existing arrangements
- 6.2.1.2. A2 Re procurement with existing contract documentation
- 6.2.1.3. A3 Procure the same scope of works but with different contract documentation / mechanism
- 6.2.1.4. A4 Collaboration with another contract / authority (Cheshire West, Shropshire, etc)
- 6.2.1.5. A5 Total In-house delivery

- 6.2.2. B
- 6.2.2.1. B1 Planned work delivered through a number of Lots plus Routine work as single separate contract (No In-house bid)
- 6.2.2.2. B2 Planned work delivered through a number of Lots plus Routine work as single separate contract (In-house bid)
- 6.2.2.3. B3 Planned work delivered through a number of Lots plus Routine work In-sourced (No competition)
- 6.2.3. C Change of scope to include some or all of client role
- 6.2.4. D Alternative delivery vehicle (PPP (JV), Social enterprise)

6.3. Criteria application

At a workshop held on the 22nd February 2013 the above options were considered against the criteria outline in 5.13. The workshop was facilitated by Andrew Hugill and Rob Vale from Atkins and was attended by;

Mark Smith – Deputy Director Technical Services – Wirral Council

Robert Clifford – Head of Highways Service – Wirral Council

Brian Smith – Contracts Manager Highways Service – Wirral Council

Shaun Brady – Highways Asset Manager – Wirral Council

For each of the options the workshop considered how the option ranked against each of the criteria using the measures described in 5.12. A detailed record of the analysis is contained in **Appendix A** and is summarised in Fig 1 and described in more detail below.

		Criteria															
Criteria heading		Value for Money			Customer Satisfaction	Staff / TUPE	Risk	Performance			Reputation		Deliverability			Ability to contribute towards council values	Continuity
Criteria sub heading		Performance	Efficiency	Benchmarking				Cost control	Political control	Customer	Market / Industry	Legality	Cost	Time for procurement			
Possible Options																	
A	All work currently within scope delivered through a single contract (Client unaltered)	1 Extend existing arrangements									Not deliverable	UA	D	D			
		1b Renegotiate existing arrangements	B	C	B	C	C	A	A	C	D	C	D	C	C	B	A
		2 Reprourement with existing contract documentation	B	B	B	B	B	A	B	B	B	C	A	A	B	B	B
		3 Procure the same scope of works but with different contract documentation / mechanism	A	B	A	B	B	B	B	B	B	B	B	B	B	A	B
		4 Collaboration with another contract / authority (Cheshire West, Shropshire, etc)	B	B	A	B	C	C	C	C	B	B	B	C	C	B	A
	5 Total In-house delivery (Internal trading company)	C	C	C	B	C	D	D	A	C	C	B	D	C	A	B	
B	All work currently within scope delivered through 2 or more contracts (Client unaltered)	1 Planned work delivered through a number of Lots Plus Routine work as single separate contract (No In-house bid)	C	C	B	D	D	D	D	C	C	D	B	C	C	B	B
		2 Planned work delivered through a number of Lots Plus Routine work as single separate contract (In-house bid)	C	C	B	D	D	D	D	C	C	D	UA	D	C	B	B
		3 Planned work delivered through a number of Lots Plus Routine work In-sourced (No competition)	B	C	C	B	C	D	D	A	B	B	B	C	B	A	A
C	Change of scope to include some or all of client role	C	C	C	B	C	C	B	D	C	B	C	C	UA	A	B	
D	Alternative delivery vehicle (PPP (JV), Social enterprise)	C	C	C	B	C	C	B	C	C	C	C	C	UA	A	B	
		Key A = Highly B = Likely C = May D = Unlikely UA = Unachievable															

Figure 1.

6.3.1. A All work currently within scope delivered through a single contract (Client unaltered)

6.3.1.1. A1 Extend existing arrangements

Two sub options were considered but the first, which was a simple extension of the existing arrangements on existing terms, was only partially considered as the current provider has formally indicated that they do not wish to extend under the current terms.

The considered option scored well (A) against the Risk, Performance (Cost Control) and Continuity criteria as the existing contract was well understood in these areas and if successful would provide complete continuity over the change date of April 2014. It also scored acceptably (B) against Value for Money sub criteria around Performance and Benchmarking, recognising the improvement over time in the current arrangements. It was also likely to contribute to the Council's corporate values. There were however a number of areas where the option may only meet (C) the requirements of the Council. These include VFM (efficiency), Customer Satisfaction, Staff/TUPE, Performance (Political control), Reputation (Market/Industry) and Deliverability (Cost and Time for Procurement). There were two areas where the appraisal concluded that the option would be unlikely (D) to address the needs of the Council, these related to Reputation (Customer perspective) and Deliverability (Legality). The latter area related to the high risk to the Council from concluding a negotiation with the existing service provider without the ability to demonstrate appropriate VFM through competition.

The combination of the number of measures falling into the C and D categories meant that this option was not taken forward as one of the favoured options.

6.3.1.2. A2 Re-procurement with existing contract documentation

This option was assessed as being highly likely (A) to meet the needs of the Council in respect of Risk, which was thoroughly understood because of the operation of the existing contract and in terms of Deliverability with regards to Legality and Cost where the use of existing documentation in a new competition would not be likely to cause any legal issues and would not require significant additional effort during the procurement process.

With the exception of one area, all the other criteria were assessed as being likely (B) to meet the needs of the Council for this option. The one area that was assessed as being in the category that may meet the needs of the Council (C) was Reputation with respect to the Market/Industry, this view was taken because the existing contract was developed almost 6 years ago and standard forms have developed since then that better reflect the needs of both parties to the contract in the current and future climate. There was also a view that the use of the existing contract may be perceived by the market as favouring the incumbent service provider. This option was taken forward for further consideration against the factors.

6.3.1.3. A3 Procure the same scope of works but with different contract documentation / mechanism

This option was assessed as being highly likely to meet the needs of the Council (A) in respect of VFM (Performance and Benchmarking) and in its Ability to meet the corporate values of the Council. This view was reached because of the ability to develop a refreshed set of documentation that met the aspirations of the Council whilst taking on board the latest views from the Market/industry, enabling high levels of performance and benchmarking to be achieved from a competitive situation.

All the other criteria were assessed as being likely to meet the needs of the Council (B). There were no criteria that were assessed as being in the other measures (C &D).

This option was taken forward for further consideration against the factors.

6.3.1.4. A4 Collaboration with another contract / authority (Cheshire West, Shropshire, etc)

The appraisal of this option was restricted as information on the neighbouring authorities' relationship with its provider and the ability of the Council to be able to use the arrangement was limited. This option was assessed as being highly likely (A) to meet the Council's requirements with respect to VFM (Benchmarking) and Continuity. The appraisal found the potential for the following areas to be likely to meet (B) the Council's needs;

- VFM (Performance & Efficiency)*
- Reputation (Customer& Market/Industry)
- Legality*
- Ability to Contribute towards Corporate Values

Note Measures with* require more information before finalising

- The remaining criteria were assessed as may be able (C) to meet the Council's requirements.
- Customer Satisfaction
- Staff/TUPE
- Risk
- Performance
- Deliverability (Cost &Time for procurement)

This option would require negotiation with both a neighbouring authority and its service provider to meet the requirements of the Council. This carries a number of significant risks and whilst it does present an option for good continuation of service it does so without there being complete clarity the outcome. This option was not taken forward for further consideration.

6.3.1.5. A5 Total In-house delivery

This option was appraised as being highly likely (A) to meet the needs of the authority with respect to Ability to contribute towards Corporate Values and Performance (Political Control). It is likely (B) to meet the following criteria;

- Customer Satisfaction
- Deliverability (Legal)
- The option had a significant number of criteria where it may only (C) meet the needs of the Council;
- VFM (Performance, Efficiency and Benchmarking)
- Staff/TUPE
- Reputation (Customer, Market/Industry)
- Deliverability (Time for procurement)

There were three criteria where the appraisal found that this option would be unlikely to meet the needs of the Council (D). These were Risk, Performance (Cost control) and Deliverability (Cost). This option requires a fundamental shift away from a contractual relationship with an external provider with clear performance targets and performance management regime to the creation of an in house delivery organisation across all aspects of the service. The allocation of Risk and the ability to manage costs in such a scenario would require significant measures and preparation to achieve and were assessed as being unlikely.

This option was not taken forward for further consideration.

6.3.2. B All work currently within scope delivered through 2 or more contracts (Client unaltered)

6.3.2.1. B1 Planned work delivered through a number of Lots Plus Routine work as single separate contract (No In-house bid)

This option did not have any criteria that were assessed as being highly likely to meet the requirements of the Council (A). There were four areas; VFM (Benchmarking), Deliverability (Legal), Ability to Contribute towards Corporate goals and Continuity where it was likely (B) that the option would meet the needs of the Council.

The following criteria were assessed as may be able (C) to meet the needs of the Council;

- VFM (Performance, Efficiency)
- Performance (Political Control)
- Reputation (Customer)
- Deliverability (Cost and Time for Procurement)

There were a significant number of criteria where the option was unlikely to meet the needs of the Council. These were

- Customer Satisfaction
- Staff/TUPE
- Risk
- Performance (Cost Control)
- Reputation (Market Industry)

These high risk areas arose from the Option splitting the service into a number of separate areas, carried out by separate providers with the allied risks around the need for enhanced client management, lack of focus on overall objectives and the creation of more interfaces in the delivery of services.

This option was not taken forward for further consideration.

6.3.2.2. B2 Planned work delivered through a number of Lots Plus Routine work as single separate contract (In-house bid)

This option was similar to the previous option but considered the option of creating an in-house bid for the routine elements of the service. This had similar assessed scores to the previous option but shifted the criteria around Deliverability (Legal and Cost) into the unlikely category

(D). This was due to the effort in creating a separate internal “bid” team. The creation of an internal bid team would create significant issues around appropriate governance of the bid, and the expertise required to develop the bid. It would also further affect the market response to the opportunity.

This option was not taken forward for further consideration.

6.3.2.3. B3 Planned work delivered through a number of Lots Plus Routine work In-sourced (No competition)

This option, which internalises the routine element of the service, and uses external providers for the planned elements of the service, was assessed as being highly likely (A) to meet the needs of the Council with respect to Performance (Political Control), Ability to contribute towards Corporate values and Continuity.

It would be likely (B) to meet the needs of the Council with respect to VFM (Performance), Customer Satisfaction, Reputation (Customer and Market/Industry) and Deliverability (Legality and Time for Procurement).

There were 4 criteria where the option may meet (C) the needs of the Council;

- VFM (Efficiency and Benchmarking)
- Staff/TUPE
- Deliverability (Cost)

There were 2 two criteria where the appraisal suggested that the option would be unlikely to meet the needs of the Council. These were Risk and Performance (Cost control). This ranking arose from the change in delivery from a contractual relationship with an external single provider with a developed performance management framework to a more fragmented service delivery with a significant in-house delivery.

[REDACTED]

With the exception of the two very high risk areas this option did rank well against a significant range of criteria and was taken forward for further consideration.

6.3.3. C

6.3.3.1. Change of scope to include some or all of client role

This option considered what effect a change to the degree of client control would have on a range of options.

The option ranked in the highly likely measure (A) against one criteria, Ability to contribute towards Corporate Values. It ranked likely (B) in the Customer Satisfaction, Performance (Cost Control) and Reputation (Market/Industry) and Continuity criteria.

There were a significant number of areas where the option may meet (C) the needs of the Council;

- Performance (All sub criteria)
- Staff/TUPE
- Risk
- Reputation (Customer)
- Deliverability (Legality and Cost)

There were two areas where the option was unlikely to meet the needs of the Council (D). These were Performance (Political Control) and Deliverability (Time for Procurement). The latter was assessed as being undeliverable in the time frame open to the Council given the process required to examine client structures.

This option was not taken forward for further consideration.

6.3.4. D

6.3.4.1. Alternative delivery vehicle (PPP (JV), Social enterprise)

This group covered a range of potential options for alternative service delivery. Some of the options may have had a range of rankings against some of the criteria.

In broad terms the appraisal matched that of the previous option with a significant proportion of the criteria being in the may meet (C) ranking of the measures.

There was however a significant risk area around the time required to develop an appropriate option and procure it. The timescale for this would not allow the Council to deliver an appropriate service at the end of the current service arrangements and therefore this option was not taken forward for further consideration.

6.4. Final options

6.4.1. Re-procurement of a single external contract

The options appraisal showed that there were two options that performed well against the criteria these being A2 and A3. These were differentiated by the form of contract documentation to be used. Option A2 would utilise the existing contract documentation with minimal changes in known areas. Option A3 would develop contract documentation to better meet the needs of the Council.

A2 would require less effort and therefore cost in the development of documentation prior to procurement but there would be two areas of risk. The first would be around the market perception of the procurement in this scenario with a risk that the market would perceive that the contract was too similar to the existing arrangements and that the current provider may have a deeper understanding of the risk issues in the service. The second area of risk would be around the overall performance of the contract using existing documentation that was developed over 6 years ago to meet the needs of the Council at the time. There have been significant changes in the budget for the Highway services over the life of the current contract and the existing documentation, whilst leading to good performance for the Council, has placed pressures on the existing provider which will be reflected in the market view of any future procurement. Utilising the existing documentation would not allow those changes to be reflected and would be likely to lead to some issues around the overall performance of the service.

A3 would require some effort and cost in developing a more appropriate form of contract documentation. This would involve considering alternative forms of contract, of which there are several used in the sector at the moment and are outlined in **Appendix B**. This would require some support to the Client side and an increased resource requirement from the Client side during the development for the procurement. The benefit of this investment would be that the documentation would be better placed to meet the needs of the Council for the duration of the contract. This would lead to an improved perception of the opportunity from the market and a likely improvement in the performance of the contract over its duration. This option would also be highly likely to make a strong contribution towards the corporate values of the Council.

Both of these options would enable a robust market testing exercise to be undertaken giving the Council confidence that they had tested the market with a comprehensive service option. The options would however reflect the changed position in the market since the procurement of the existing arrangements. The increased advantages of developing more appropriate contract documentation that meets the needs of the Council and prospective providers would mitigate that changed position. It is therefore recommended that of the two options A3 is further considered as it better meets the overall needs of the Council.

6.4.1.1. Consideration against Influencing factors

- 1 Market interest – Option A3 would be likely to attract interest from a range of service providers. The inclusion of planned works in an overall strategic service would give opportunities for alternative approaches to a supply chain for services to be tested in competition. It would be appropriate and beneficial to carry out a market sounding during development of the contract documentation to inform the development and to highlight areas that may carry particular risk during the operation of the service.
2. Duration of Contract – The effective delivery of a strategic service delivery contract does require a reasonable duration to allow a service provider to invest in appropriate arrangements that meet all the needs of the Council. Too short a period carries the risk of a lack of market interest, too long means that benchmarking and efficiencies may be difficult to demonstrate. Wider market issues around duration are discussed in **Appendix B**. Considering all the issues outlined in the appraisal, a minimum period of 4 years is recommended, with appropriate extensions based on satisfactory performance to be defined in the contract development.
3. Time for robust options appraisal – This option allows a procurement to be carried out in an appropriate time frame which will allow for robust, market tested, demonstration of VFM. It will not compare other options considered.

4. Resource – The option would require internal resource, supplemented by appropriate external resource, to develop revised contract documentation which would be based on readily available forms of contract.
5. Contractual Risk Transfer – The option would allow an appropriate balance of risk between Council and Provide to be developed and managed throughout the duration of the service. This would build upon the significant experience from the existing service, identifying key areas for robust management. Reaching an appropriate balance would be dependent upon the Council understanding and managing the risks around TUPE in the development of the contract documentation and prior to the commencement of procurement. This would apply to all options considered.
6. Scope of delivery – This option would reflect the existing scope of delivery contained in the Highway service. It would utilise proposed levels of Client side support.

6.4.2. Existing scope delivered through 1 or more external contracts and an internalised delivery of routine services

Option B3 would be a change from the current form of service delivery as part of the service relating to routine work would be carried out in-house. Staff engaged in this service would transfer to the Council. Planned work would be provided by external providers with a number of potential options for the format of this external work.

As highlighted above the key areas of risk in this approach are the replacement of a contractual relationship between the Council and an external provider in which risks are clearly identified and managed to an internal relationship between a service delivery element and the existing client side where risk management would need to be redefined.



The benefits of the changes brought about by internalisation are not able to be fully quantified in the timescale of this report and whilst there would be improvements against some criteria, particularly in terms of Performance (Political control) and Ability to contribute towards Corporate Values the appraisal suggested that they would not outweigh the high risk areas identified.

6.4.2.1. Consideration against influencing factors

1. Market Interest – This would be limited to the planned elements of the scope of services. These would be likely to attract an appropriate range of providers. Dependent upon the numbers of Lots used there would be the requirement for an enhanced Client input during the development for procurement and during the delivery of the contract. There would be a number of providers undertaking services alongside the internalised service. This to some degree mirrors the existing situation but the Council would need to manage all the interfaces whereas at the moment and in Option A3 this is managed by the service provider.
2. Duration of contract – This could be less than the 4 years identified above as the Council is bearing the risk of managing the overall elements of the service. This would allow a regular testing of the planned elements of the work which provide the majority of the service. Too short a period would place an increase burden on procurement from both a Council and provider perspective which would add costs to the service. Benchmarking of the internalised service would need to be developed and carried out on a regular basis to ensure VFM.
3. Time for robust options appraisal – Without direct comparison of costs between the internalised service and external provision through competition demonstration of VFM would be difficult. In the timescale to the end of the current service resource and effort would need to be focussed on mitigating the high risk areas identified above.
4. Resource – The resource requirements around the internalisation element of the service would require significant internal resource to develop and understand the implications. The requirements for resource to manage the internalised elements would need to be identified and acquired. There would be an additional resource required in the procurement and management of the planned works elements of the service.
5. Contractual risk transfer – the Planned elements of the service would need to be developed and an appropriate contractual form chosen. This would be dependent on the number of lots

selected. In the internalised element the approach to risk management would need to be clearly defined and managed in order that the Council could demonstrate that it was managing risks appropriately. As in the other options the Council will need to clearly understand and manage the risks around TUPE prior to any internalisation.

6. Scope of delivery – the option appraisal considered the existing scope of Highway services. During the appraisal it was noted that the internalisation of the routine highway service had some synergies with the delivery of other services within the Council which, if taken together, appear to have the potential for improvements to service delivery across the Council. This approach would however have implications across several service areas and would require consideration of a range of issues relating to Client organisation, Corporate planning etc. In the timescale before the expiry of the current Highway service delivery such a wide consideration of issues lies significantly outside the scope of this report and was not considered in any further detail.

6.4.3. Recommendations

1. Following the Options Appraisal Option A3, a re-procurement of the existing strategic service delivery contract using developed contract documentation is the Option that best meets the overall needs of the Council when considered against the criteria developed as part of the Options appraisal. It is highly likely or likely to meet all of the criteria identified and contains no significant risk issues to the Council.

6.4.4. Observations on other options

- 6.4.4.1. An option involving the internalisation of part of the service was considered but does not appear to meet all of the criteria identified as part of the Options Appraisal. The improvements in some areas would not mitigate some high risk areas identified. If the Council were minded to consider internalisation as an option there would be merit in considering the Highways service as part of a wider consideration of service delivery in related areas. This wider option is outside the scope of this report and would require to be developed over a period of time.

7. Preferred Option

7.1. Model

A3 All work currently within scope delivered through a single contract (Client unaltered)

7.2. Description of model

A new contract with a new or the existing provider based on a set of new contract documentation and terms and conditions. Scope of services (planned and routine works) and client structure remains unchanged.

7.3. Benefits of model

- Allows the advantages of Options A1 and A2
- Forces client to think about their approach so Performance and Efficiency should improve over time.
- Benchmarking should be far easier as can be written into new documentation.
- Should have an impact on customer satisfaction as can be written in to contract.
- Market interest should be high if associated with a new national model i.e. HEMP.
- Good alignment to corporate values can be created.
- Provides Client Budget surety and certainty
- Joint teams can be made responsible for achieving quality, performance and cost targets
- Opportunity to encourage the provider and local supply chain to integrate to drive efficiencies and improve productivity
- Delivers a way of balancing affordability with performance targets
- Private sector involvement in the development & delivery of services can add value, create innovation, drive out waste & reduce cost.

7.4. Detailed Risk assessment

- New unknown documents will require learning on both sides.
- Possible dip in the political control.
- Possible problem with legal and procurement departments wanting to go over the national documents and change them. May be a higher cost in terms of them looking at the whole documents.
- Time associated with looking at the documents.
- Short “J” curve in service delivery possible as a result of new contract documents.
- Familiarity with the contract may be limited.
- Contract possibly not market tested.
- Legal overview of the documentation may be required.

7.5. Services to be included

As existing services outlined in 4.3.1

7.6. Routine maintenance services - As existing

7.7. Planned Maintenance - As existing

7.8. Capital Infrastructure - As existing

Appendices

Appendix A. Options Appraisal

Highway and Engineering Services Options Appraisal - Scoring / Record Sheets A1

The key considerations that influenced the scores achieved were as follows:

<p>Option</p>	<p>A1 All work currently within scope delivered through a single contract (Client unaltered) -</p>
<p>Description</p>	<p>Extend existing arrangements. Business as usual (with on-going improvements as planned) including use of single tender contracts for large schemes (£200K plus). This is not a “Do Nothing” option but rather a continuation “as is” with continuous review and optimisation using the present review processes and meeting the Council's changing requirements.</p>
<p>Deliverables (What would we be doing / procuring)</p>	<p>A successful renegotiation of the existing contract terms between the Council and the current provider in order to alter or change the contract terms. Securing an agreed contract extension to the maximum allowable term based upon the altered or changed contract terms. Scope of services (planned and routine works) and client structure remains unchanged.</p> <p>A single Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M).</p>
<p>Advantages (Strengths and Opportunity)</p>	<ul style="list-style-type: none"> • Opportunity for the existing contractor to take on more responsibility around neighbourhoods etc. • The Council could get a better service in terms of quality, rates would need to increase. • The existing documents are fit for this purpose. • Contract performance is OK in current arrangements. • The Council gets average quality for a very good price. • The Council can benchmark against a basket of rates. • Would need open book accounting to show how money spent. No TUPE issues as the staff stay with Colas. • No unknown risks as the existing contract is well understood by the client. • Should provide an acceptable level of cost control. • Market will see this as a positive approach to issues. • Cost of renegotiation will be less compared to a full procurement (in simple terms). • The current method statements / SLA's reduce direct internal management & delivery costs. • Reduces some risk for the council.

	<ul style="list-style-type: none"> • Current arrangements provide for a focussed performance management approach to delivery.
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Delivers a fair highway service but does not now contribute to new corporate goals. • Would need open book accounting to show how money spent and demonstrate best value from new rates. • Contractor would need to take on more responsibility around neighbourhoods which they may not deliver. • Perception of poor quality amongst stakeholders which would be difficult to turn around. • There would need to be a large shift to deliver efficiency required. • The arrangements would need to be able to be benchmarked against other arrangements. • There may be a problem with customer satisfaction as the contractor would be seen to be the same contractor and not changed. • May have redundancy costs associated with downturn in budgets. • New arrangements may impact on political control negatively. • Existence of PID Audit report means perception is not likely to be easily changed. • Wirral can be a fairly risk adverse authority and this has risks associated. • May be high costs if legal challenge occurs. • Would have to run procurement process at the same time in case of negotiation failure with possible risk around market interest in terms of Colas having strong position. • Corporate values have changed but highway service will not have much impact going forwards.
Outline Risk Assessment	<ul style="list-style-type: none"> • Contractor needs to improve delivery. • Rates will increase and there is a need to justify these. • Perception not able to be turned around. • Need strong benchmarking. • Customer satisfaction may not be improved. • Time to negotiate is short and if no result procurement could be compromised. • Most operational risks are known. • Existing provider would need to “reinvent” themselves. • Value of negotiation may be an issue under OJEU rules. • High Risk of legal challenge from individuals / interest groups. • Fairly risk adverse authority.
Any further actions or information required	Legal interpretation of what the OJEU value is and if they can actually extend.
Type / Conditions of contract best suited	As existing

Duration and extensions	Short term based on OJEU			
Conclusion	High level risk around reputation of the service and deliverability of the solution which may threaten continuity of service delivery			
Score	A	B	C	D

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet A2

The key considerations that influenced the scores achieved were as follows:

Option	A2 All work currently within scope delivered through a single contract (Client unaltered) -
Description	<p>Reprocurement with existing contract documentation</p> <p>A single Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M).</p>
Deliverables (What would we be procuring)	A new contract with either a new or the existing provider based on the contract documentation used for the existing arrangements. In effect procurement process to provide an opportunity for the market to re-price the existing contract in open competition. Scope of services (planned and routine works) and client structure remains unchanged.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Customer satisfaction likely to go up with a different provider. • Efficiency is likely to be greater as new provider may think differently. • Will ensure appropriate risk transfer. • Politically a fresh start in terms of new provider. • Customer satisfaction and reputation will increase as there will be a new provider. • Nice and legal. • Low cost to procure. • Should be short procurement timescale but there are some issues to address. • Corporate value issues same as A1. • Client retains defect identification and most customer interface functions. Can create communication problems • No loss of control of emergency response and reactive gangs
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Contract Rates are open to market so may / probably will go up. • TUPE transfer and workforce arrangements may cause an issue with the market. • May get a smart contractor that tries to drive cost capture and sweat the contract. • The future will be a 20% smaller contract. Market competition may be small. • Alternative provider on the doorstep.

<p>Outline Risk Assessment</p>	<ul style="list-style-type: none"> • Council will need to understand TUPE issues to ensure effective procurement. • Brief Cabinet member now. • Two issues - Pension and over supply of staff resource for work going forward. • Need to ensure that procurement process allows long enough mobilisation process. 			
<p>Any further actions or information required</p>				
<p>Type / Conditions of contract best suited</p>	<p>As existing</p>			
<p>Duration and extensions</p>	<p>5 plus with extensions earned on performance</p>			
<p>Conclusion</p>	<p>Results in possibly just more of the same at a higher price. No fundamental opportunity to change things in the documentation that would have any real affect on performance of the contract. May give advantage to the existing contractor.</p>			
<p>Score</p>	<p>A</p>	<p>B</p>	<p>C</p>	<p>D</p>

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet A3

The key considerations that influenced the scores achieved were as follows:

Option	A3 All work currently within scope delivered through a single contract (Client unaltered) -
Description	<p>Procure the same scope of works but with different contract documentation / mechanism</p> <p>A single Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M).</p>
Deliverables (What would we be procuring)	A new contract with a new or the existing provider based on a set of new contract documentation and terms and conditions. Scope of services (planned and routine works) and client structure remains unchanged.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Allows the advantages of Options A1 and A2 • Forces client to think about their approach so Performance and efficiency should improve over time. • Benchmarking should be far easier as can be written into new documentation. • Should have an impact on customer satisfaction as can be written in to contractor. • Market interest should be high if associated with a new national model i.e. HMEP. • Good alignment to corporate values can be created. • Provides Client Budget surety and certainty • Joint teams can be made responsible for achieving quality, performance and cost targets • Opportunity to encourage the provider and local supply chain to integrate to drive efficiencies and improve productivity • Delivers a way of balancing affordability with performance targets • Private sector involvement in the development & delivery of services can add value, create innovation, drive out waste & reduce cost. <p>1.</p>
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • New unknown documents will require learning on both sides. • Possible dip in the political control. • Possible problem with legal and procurement departments wanting to go over the national documents and change them. May be a higher cost in terms of them looking at the whole documents. • Time associated with looking at the documents. • Short J curve in service delivery possible as a result of new contract documents.

Outline Risk Assessment	<ul style="list-style-type: none"> • Familiarity with the contract may be limited. • Contract possibly not market tested. • Legal overview may be required hence yellow. 			
Any further actions or information required				
Type / Conditions of contract best suited	HMEP or Cheshire West			
Duration and extensions	As per A2			
Conclusion	Provides a contract where changes can be incorporated to improve arrangements. Opportunity for a new start but with few risks associated with TUPE, able to deliver customer requirements but be scaled to meet financial challenges. Can use new HMEP contract documentation to demonstrate market lead.			
Score	A	B	C	D

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet A4

The key considerations that influenced the scores achieved were as follows:

Option	A4 All work currently within scope delivered through a single contract (Client unaltered) -
Description	<p>Collaboration with another contract / authority (Cheshire West, Shropshire, etc).</p> <p>A single Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M).</p>
Deliverables (What would we be procuring)	A new contract with a known provider for a fixed term based on using a previously competitively tendered contract open to use by other local authorities (Cheshire West and Chester / Shropshire). Scope of services and client structure to remain largely unchanged. (Planned and routine works).
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Getting the same or better as an existing authority is already getting from their arrangements. • Arrangements will have a newer market view than Wirral currently has but not a current one. • Could avoid procurement cost but may be a need to negotiate and procure in order to ensure delivery. • Strong local presence of the provider in Cheshire. • Possible added value from provider's current delivery models. • No real issues with customer perception. • Could run service from out of area initially if required. • Benefits from Economies of scale • Sharing best practice • Ability to manage peaks and troughs • Could be used as a Top-Up contract with little commitment to workload • Service infrastructure savings offices / depots / IT systems, vehicles, plant • Would be seen as Market leading
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Potential issues with different specifications and pricing • May be difficulties in getting an agreement in place in the time available. • Needs some more detailed investigatory work. • Possible loss of focus on Wirral in terms of customer satisfaction. • Effect of being part of a three party governance arrangement may be negative. • May not deliver the direct cost control required by Wirral. • Political drive/control may not be as strong as with some other options. • Will still need for a dual procurement. • Possible higher costs due to dual procurement.

	<ul style="list-style-type: none"> • Multi-client relationships Can suffer from sovereignty issues relating to member interest and political set up • Coordination of prioritisation of resource • Complex contractual relationships • Lack of identity for each authority – brand? • Perceived competition for resource / priority 			
Outline Risk Assessment	<ul style="list-style-type: none"> • What happens if others terminate for some reason? • How do they operate? 			
Any further actions or information required	<ul style="list-style-type: none"> • Are Cheshire and Shropshire getting what they need? • Need to understand current situation. • TUPE issues with regard to transfer to provider maybe complex. • Needs a legal review. 			
Type / Conditions of contract best suited	Fixed by existing arrangements			
Duration and extensions	Only for length of current arrangements or shorter as agreed			
Conclusion	Would be market leading and an opportunity to trial new contract documentation from HMEP. If negotiations failed it may leave risk of no service delivery so it would require a parallel procurement process.			
Score	A	B	C	D

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet A5

The key considerations that influenced the scores achieved were as follows:

Option	A5 All work currently within scope delivered through a single contract (Client unaltered) -
Description	Total In-house delivery A single arrangement to any value (but not exclusive over £0.2.0M).
Deliverables (What would we be doing / procuring)	The creation of a new delivery mechanism where all services (planned and routine works) are provided by in-house council employed staff. Where the required skills are not available in-house or through TUPE arrangements this would require targeted recruitment and/or sub-contracting of specialist providers.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Real control would be in the hands of the authority. • Time issues for delivery of routine maintenance would not be an issue as current contractor would support transfer
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • TUPE of staff would be an issue given numbers and future work load predictions • Health and Safety and operational risks would transfer back to the authority. • The Council would be taking on additional Staff employment liabilities. • Unknown risks and costs currently sit with the contractor. If these occur the Council budget may be impacted upon if they occur. • Big logistical issue with limited internal management knowledge base to manage & coordinate direct delivery. • Little potential for Capital investment • Succession planning in replacement of key engineering skills would be difficult. • Significantly increased requirements for direct management & coordination, with associated costs.
Outline Risk Assessment	<ul style="list-style-type: none"> • Significant TUPE transfer issues • Costs may increase. • Reduced capability due to lack of key capital investment. • Failure to manage & coordinate effectively may result in poor delivery for public. • Lack of focus & time to effectively develop service areas of activity occurs due to day to day pressures of running a business results in worse service for the public • Time to set up an operational business from scratch is short

Any further actions or information required	Along with all of the others there is the need to understand TUPE issues			
Type / Conditions of contract best suited	N/A			
Duration and extensions	Long term			
Conclusion	Whilst on the face of it the in-house option seems attractive there are significant risks associated with it that could impact on the authority both in the short and in the longer term.			
Score	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet B1

The key considerations that influenced the scores achieved were as follows:

Option	B1 All work currently within scope delivered through 2 or more contracts (Client unaltered)
Description	Planned work delivered through a number of Lots Routine work as single separate contract (No In-house bid)
Deliverables (What would we be procuring)	A single Partnership Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M) for the Routine work An arrangement that enables medium sized businesses to tender for specialist contracts to deliver specific Lots of work either through single supplier contracts (TMCs) or framework contracts with a maximum of 4 suppliers per Lot. Scope of services and client structure to remain largely unchanged.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Could use single supplier frameworks. • Longer two to three year single supplier contracts may help in some service areas. • Good for local benchmarking. • Local supply chain given a bite of the cherry.
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Possible inconsistency in standards, possible inefficient due to lack of scale and the possible need for a larger client to manage the arrangements. • Possible large and or frequent procurement exercises. • May be an issue with benchmarking in some areas. • Uncontrolled communication with customers combined with demand management, and small client. • Large workload to manage with separate contracts. • Issue with works ordering and invoicing system and multiple providers. • Possible mobilisation issues.

<p>Outline Risk Assessment</p>	<ul style="list-style-type: none"> • Risk contracted out but across a number of interfaces. • Workforce may be unhappy due to fractured TUPE to a number of other businesses 			
<p>Any further actions or information required</p>				
<p>Type / Conditions of contract best suited</p>	<p>Various but mainly small NEC arrangements or pre-determined framework arrangements</p>			
<p>Duration and extensions</p>	<p>Four year maximum</p>			
<p>Conclusion</p>	<p>TUPE to a number of providers would be complex and setting up the arrangements protracted which may put service delivery at risk. Customer satisfaction and performance may be compromised by multiple delivery structure and inconsistency.</p>			
<p>Score</p>	<p><u>A</u></p>	<p><u>B</u></p>	<p><u>C</u></p>	<p><u>D</u></p>

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet B2

The key considerations that influenced the scores achieved were as follows:

Option	B2 All work currently within scope delivered through 2 or more contracts (Client unaltered)
Description	Planned work delivered through a number of Lots Plus Routine work as single separate contract (In-house bid)
Deliverables (What would we be procuring)	<p>A single Partnership Contract for a set period (known as a Term Contract) to any value (but not exclusive over £0.2.0M) for the Routine work</p> <p>A separate arrangement that enables medium sized businesses to tender for specialist contracts to deliver specific Lots of work either through single supplier contracts (TMCs) or framework contracts with a maximum of 4 suppliers per Lot.</p> <p>Scope of services and client structure to remain largely unchanged.</p>
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Can be done in timescale
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Possible no win for In-House bid heightens risk over option A3. • Possible issue around governance for an In-house bid. • In-house bidding team set up a problem.
Outline Risk Assessment	Similar to option B1
Any further actions or information required	

Type / Conditions of contract best suited	Various but mainly small NEC arrangements or pre-determined framework arrangements			
Duration and extensions	Four year maximum			
Conclusion	TUPE to a number of providers would be complex and setting up the arrangements protracted which may put service delivery at risk. Customer satisfaction and performance may be compromised by multiple delivery structure and inconsistency. This would be combined with the issues associated with setting up an internal supplier covered in A5.			
Score	A	<u>B</u>	C	D

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet B3

The key considerations that influenced the scores achieved were as follows:

Option	B3 All work currently within scope delivered through 2 or more contracts (Client unaltered)
Description	Planned work delivered through a number of Lots Plus Routine work In-sourced (No competition)
Deliverables (What would we be procuring)	<p>The creation of a new delivery mechanism where all routine services are provided by in-house council employed staff. Where the required skills are not available in-house or through TUPE arrangements this would require targeted recruitment.</p> <p>A separate arrangement that enables medium sized businesses to tender for specialist contracts to deliver specific Lots of work either through single supplier contracts (TMCs) or framework contracts with a maximum of 4 suppliers per Lot.</p> <p>Scope of services and client structure to remain largely unchanged.</p>
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • Overall performance may be better due to greater control, lower overheads, programme control and customer communication. • Better reaction to client demands. • Clear risk allocation across contract Lots. • Good political impact on the basis of direct influence on routine works. • Reasonable customer impact. • Leads itself to a longer strategic goal. • Possible better for continuity than some other options. • Client gain comfort and control by delivering core services themselves •
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • Proving efficiency and benchmarking more difficult. • Would need single supplier frameworks to take TUPE issues. • Risks associated with a Routine service delivery would be similar to other In-house options. • Takes away a single managed risk allocation. • Range of contract provisions may heighten risks. • Does not drive whole service efficiencies or improving productivity • Puts pension risk and liability within LA • Difficult to evolve or change • Promotes silo behaviours, because each partner has differing objectives and targets

<p>Outline Risk Assessment</p>	<ul style="list-style-type: none"> • TUPE spread across providers may be problematic. • Smaller set up for routine only not total provision reduces some of the risks. • Not setting up a trading unit to bid, organisation could be tagged on to something else. • Can be impossible to nail down who is responsible • Challenging to manage each organisation 'herding cats' • Relationships get strained if in-house sections have no work 			
<p>Any further actions or information required</p>				
<p>Type / Conditions of contract best suited</p>	<p>Various but mainly small NEC arrangements or pre-determined framework arrangements</p>			
<p>Duration and extensions</p>	<p>Four years maximum</p>			
<p>Conclusion</p>	<p>TUPE to a number of providers would be complex and setting up the arrangements protracted which may put service delivery at risk. Customer satisfaction and performance may be compromised by multiple delivery structure and inconsistency. This would be combined with the issues associated with setting up an internal supplier covered in A5.</p>			
<p>Score</p>	<p>A</p>	<p>B</p>	<p>C</p>	<p>D</p>

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet C

The key considerations that influenced the scores achieved were as follows:

Option	C
Description	Change of scope to include some or all of client role
Deliverables (What would we be procuring)	A single contract arrangement that could deliver the required planned and routine maintenance functions along with a proportion of the existing client roles.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • May affect performance and efficiency positively but benchmarking may be affected. • Possible ability for one stop in terms of customer asking for something to be done on site and it happening. • Good for neighbourhood challenges. • Overhead cost significantly reduced • Back office benefits and efficiencies across the authority may free up more budget for works and services • Whole of 'doing' part focuses on achieving outcomes and delivering affordability • Has the potential to drive real efficiencies and much LEANER processes by removing waste and duplication of effort
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • TUPE out more staff. • Real problems with member perception. • Consultation with staff may take time. • Replies on an 'intelligent or thin' client function which decides on policy and strategy and sets service level agreement that focus on local priorities and affordability this take time to set up • Larger well established companies might step in and buy these contracts • Confusing for the public and end users to understand?
Outline Risk Assessment	<ul style="list-style-type: none"> • May take excessive time to arrange • Political control may be less • Question about value for money and deliverability may rule out the option • A brave new world for LA's intent on reducing their own costs associated with providing local services

Any further actions or information required				
Type / Conditions of contract best suited	NEC Term Maintenance Contract or Partnering Contract			
Duration and extensions	Longer the better 10 years +			
Conclusion	A good model that takes time to set up and a political will to deliver. The time scales for this current procurement are probably too short to sort out all of the required issues.			
Score	A	B	C	D

Highway and Engineering Services Options Appraisal - Scoring / Record Sheet D

The key considerations that influenced the scores achieved were as follows:

Option	D
Description	Alternative delivery vehicle (PPP (JV), Social enterprise)
Deliverables (What would we be procuring)	<ul style="list-style-type: none"> • A single contract arrangement with a special purpose vehicle set up specifically to deliver the services in scope. • Examples of special purpose vehicles include Private / Public joint ventures (both incorporated and unincorporated), Social enterprises and wholly owned (by the Local Authority) companies.
Advantages (Strengths and Opportunity)	<ul style="list-style-type: none"> • May give better political control if the authority owns a stake in the venture • Staff and TUPE issues may be better in a single JV. • A Social Enterprise may be seen as a benefit as a not for profit • Ability for the organisation to bid for third party contracts • With 20% share the authority is empowered to define high level strategy and monitor achievement of key performance indicators
Disadvantages (Weaknesses and Threats)	<ul style="list-style-type: none"> • New long term arrangement takes time to set up. • Higher risks to staff in separate enterprise. • Potential risk of JV making a loss • Complex ownership and funding issues • Dispute resolution will be complex • Change mechanism must be robust • Complex exit strategy
Outline Risk Assessment	<ul style="list-style-type: none"> • Less risk in terms of the council has a stake in its future. • Optimum level of equity and ownership will ultimately depend on the level of risk that both partners wish to accept • Issues around whether the Joint Venture is private sector or public sector influenced and subject to the Companies Order may affect decision to proceed • Commercial aspects more complex than many other models and is likely to require high legal adviser costs

<p>Any further actions or information required</p>				
<p>Conclusion</p>	<p>A really long term set up process requiring complex understanding and market engagement. Whilst there are benefits there are high risk deliverability issues.</p>			
<p>Score</p>	<p>A</p>	<p>B</p>	<p>C</p>	<p>D</p>

Appendix B. Market sector issues considered during the appraisal process

B.1. Model contract and specifications

B.1.1. NEC CONTRACT

B.1.1.1. There are several types of contract that can be used as a vehicle to serve the basis for a long term Maintenance contract. Having used the NEC contract previously to ask personnel to relearn an entirely new form of contract might be counter-productive.

B.1.1.2. The NEC is a contract usually manages to avoid serious contractual disputes, is understood across the market and leads to the development of reasonable working relationships between contractors and clients.

B.1.2. NEC3 options considered:

- Term Services Contract (TSC) - This is designed specifically to cover ongoing service provision, such as asset maintenance
- Engineering & Construction - Designed primarily for specific construction and Contract (ECC) engineering projects, rather than on going service provision

B.1.2.1. The NEC3 suite of contracts offer a collaborative approach to forming contractual relationships and they are the basis for the existing contractual arrangements so familiar to staff. They are also the only suite of contracts endorsed by Office of Government Commerce (now the Efficiency & Reform Group within the Cabinet Office)

B.2. Possible Pricing Options

- Option A: Priced contract with activity schedule (Price list)
- Option B: Priced contract with bill of quantities
- Option C: Target contract with activity schedule (Price List)
- Option D: Target contract with bill of quantities
- Option E: Cost-reimbursable contract

B.3. Pricing Options Analysis

B.3.1.1. Option A - Gives price certainty but as this passes the risk to the contractor, prices will include a premium to address this. It also provides no direct mechanism to reduce costs and, therefore, no recourse to taking costs out and making savings, during the course of the contract.

B.3.1.2. Option B – Allows the employer to see a rate for a given activity giving certainty of cost and estimates. This is the existing option in Wirral.

B.3.1.3. Option C - Allows the employer to challenge all aspect of contract costs and, through employer actions, to beneficially effect costs. It allows mechanisms to reduce prices throughout the contract. It allows the employer to benefit, employing the pain/ gain mechanism. It allows the employer to make beneficial changes to the contract, providing cost transparency.

B.3.1.4. Option E - All risk is with the employer, with a limited ability to control the risk. There is little/ no incentive for the contractor to reduce costs.

B.4. Contract duration

B.4.1.1. Many Local Authorities believe that a contract end date that coincides with the end / start of the financial year is not the optimum arrangement. In discussion with the Council the issue was not significant and that there was merit in leaving the end date at the end of the financial year.

B.4.1.2. During recent market soundings for other highway procurements there has been much discussion regarding contract length from the perspective of both contractors and employers.

B.4.2. Contractor perspective

B.4.2.1. Contractors prefer a longer contract and the certainty that this provides, allowing for capital investment and leasing arrangements to be optimised. However contract durations of 15 to 20 years are considered too long; unless they are using private financing arrangements.

B.4.2.2. With the number of suitable contractors who can actually carry out a term Maintenance Contract diminishing and with their emphasis positively switching from pure profit to real customer care, a short term maintenance contract is not going to offer a contractor a real opportunity to develop and improve service.

B.4.2.3. In other industries where term maintenance and long term contracts are considered (rail) the period of franchises and maintenance is around 12 years and this is now openly being considered as too short for a contractor to make real long term improvements.

B.4.2.4. In highways 10-12 years currently seems to be the optimum length for the market however 5 years, plus extension provisions are still normal.

B.4.2.5. Given the particular issues facing the Council a minimum length of 4 years for a strategic contract is recommended with appropriate extensions related to performance being defined during detailed development of the contract.

B.4.3. Employer perspective

B.4.3.1. Often the first 12 to 18 months are effectively a “bedding in” period, particularly if there is a change of provider and therefore it is unlikely to see the contract running at optimum performance.

B.4.3.2. Some authorities also believe that the last 18 months to 2 years of a contract can be disrupted as a re-tendering process takes place. This is true particularly if the current contractor will not be re-bidding for the contract or is thought unlikely to be successful.

B.4.4. Advantages and disadvantages

B.4.4.1. Longer terms offer:

- TUPE staff the luxury of a long term relationship with one employer
- The Management team to have a full range of options to improve the business
- Much greater use of own plant and employees
- Better commerciality in the open market in dealing with suppliers
- Incentivises the Contractor to make real savings
- The establishment of longer term relationships with suppliers.
- Opens up the “ideas” horizon to a full range of business opportunities
- Proper equipment maintenance scheduling
- Greater scope for additional investment in time and ideas
- The setting up of more meaningful KPI not affected by start up or wind down.
- Enhanced partnership between Client and Contractor by increasing the mutual interest

- B.4.4.2. The counter arguments against the longer term approach can be dealt with by suitable contractual drafting that enables a shortening or early termination of a contract for given pre-determined conditions.
- B.4.4.3. The extensions should also be linked to these “opt-outs” which should be available to both parties and tied to the anniversary of the contract. The reasons available for opt outs may be:
- Organisation or legal framework change
 - Employer performance
 - Persistent breaches of Health and Safety
 - Fraud
 - Failure to provide information as per contract terms
 - Failure to take measures to improve performance
 - Persistent cost over-runs
- B.4.4.4. Longer term contracts rely on the partners being willing to accept the other partner as genuinely taking part in a partnership for the greater good.
- B.4.4.5. The biggest stumbling block to such change will come from the “them and us” mentality that exists in certain parts of both client and contractor organisations.
- B.4.4.6. Ideally there is a minimum requirement for 4 to 6 years of high contract performance. In light of this and in conjunction with contractor preferences it is suggested that the optimum length of contract would equate to 10 to 12 years. This could comprise a 7 year core service, with extensions to potentially give an additional 5 years.
- B.4.4.7. The opt-outs could occur at the start of years 5, 7 and 10.

Appendix C. Link between outcomes and criteria

		Criteria													
		Value for Money			Customer Satisfaction	Staff / TUPE	Risk	Performance		Reputation		Deliverability			Ability to contribute towards corporate values
		Performance	Efficiency	Benchmarking				Cost control	Political control	Customer	Market / Industry	Legality	Cost	Time for procurement	
Diagram to show how the required Outcomes from the Highway Maintenance and Engineering Service map against the Criteria used for the options appraisal process															
Main Outcome	Sub -Outcome														
Achieve Policy priorities															
	<i>Corporate Values</i>														
	<i>Delivery of improvement plans</i>														
	<i>Addressing budget challenges</i>														
	<i>Access to jobs and business growth</i>														
	<i>Community benefits</i>														
	<i>Neighbourhood factors</i>														
Sustained efficiency savings															
Improved customer satisfaction															
	<i>Effective demand management</i>														
	<i>Appropriate quality of work undertaken</i>														
	<i>Perception of service</i>														
Appropriate levels of client control															
Demonstrable VFM, Performance and Benchmarking															
Underpinned move towards Asset Management															
National Best Practice (HMEP, Going the Distance)															

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