

Business Case Template including Funding Application

Date: 16/05/23

Version number: 1.0

Project title:	Project Manager:	Senior Responsible Officer:
Highways and Lighting Service Options	Mel Gadd	James O Regan
Directorate:	Corporate Theme:	Estimated cost of project: Revenue / Capital / Ongoing
Neighbourhoods	Cleaner & Safer	Estimated at £17m per annum. £12.5m capital and £4.5m revenue.
Finance Business Partner:	Board/Governance Lead:	Projected cost savings: Incremental Revenue Savings
Vanya Alexander	Imran Kazalbash	£125k in 2024/25

Project overview	
What is the reason for the project?	<p>The Authority's current separate outsourced highways maintenance and street lighting contracts both end on 31st March 2024 and therefore an options analysis is required to consider the best service model for delivery of these functions in the future.</p> <p>The Authority has a duty to maintain the highway in accordance with section 41 of the Highways Act 1980.</p> <p>The Authority must maintain repair and replace street lighting across the borough and has a duty to maintain all existing street lighting and illuminated equipment in accordance with the electrical Regulations BS 7671 (2018)</p> <p>The project is shaped by the vision "The Havering you want to be part of" and will deliver on the following strategic objectives;</p> <p>Place – a great place to live, work and enjoy Resources – A well run Council that delivers for people and place</p>
What specific problem is the project solving?	<p>The Authority must comply with its statutory duty as outlined above.</p> <p>The current contracts were entered into in 2017 for a period of 5 years and then extended in 2022 for a period of 2 years and expire as of 31 March 2024. The option to extend further has now been exhausted.</p> <p>Volker Highways Ltd currently deliver the contract for Maintenance, Repair and Replacement of Street Lighting, other Illuminated Signs and Associated Electrical Equipment. The spend over the life of this current contract is expected to be £8.3m</p>

	<p>Marlborough Highways currently deliver the contract for some reactive maintenance & all planned highway maintenance and construction of improvement schemes and some installations of dropped crossings. The spend over the life of this current contract is expected to be £61.3m</p> <p>The in-house Highways Direct Service Organisation (DSO) deliver elements of the reactive maintenance, dropped crossing installations, winter gritting, some ad hoc gully cleaning and emergency call outs on behalf of the Council.</p> <p>Failure to make provision for these services would result in the Authority failing to deliver its statutory duty.</p>																					
<p>What total investment is required?</p>	<p>The estimated value required to deliver the range of services within the scope of this contract is around £17m per year based on current capital and revenue allocations. It should be noted that there is no minimum value prescribed to deliver the contract nor are there exclusive rights for any particular Contractor to deliver the range of services. There is an annual budget setting process both within the Council and for external bodies which would agree funding allocations for the forthcoming year. Based on the allocations for the last year £12.5m would be required to deliver the range of services funded from capital and around £4.5m for the range of services delivered within the Council's revenue budget. This is broken down below in Table 1.</p> <p>Table 1</p> <table border="1" data-bbox="352 1093 1286 1955"> <tr> <td data-bbox="352 1093 647 1317">Capital Allocations per annum</td> <td data-bbox="647 1093 1075 1317">Highways Improvement Programme (HIP) – Programme of street lighting, footway and carriageway renewals and reconstruction</td> <td data-bbox="1075 1093 1286 1317">£7.000m</td> </tr> <tr> <td data-bbox="352 1317 647 1576"></td> <td data-bbox="647 1317 1075 1576">Funding contributions from developers and external agencies – S106, CIL & regeneration schemes funding contributions from the Environment Agency and similar bodies</td> <td data-bbox="1075 1317 1286 1576">£3.500m</td> </tr> <tr> <td data-bbox="352 1576 647 1653"></td> <td data-bbox="647 1576 1075 1653">Funding contributions from TfL</td> <td data-bbox="1075 1576 1286 1653">£2.000m</td> </tr> <tr> <td data-bbox="352 1653 647 1765">Revenue Allocations per annum</td> <td data-bbox="647 1653 1075 1765">Maintenance of structures</td> <td data-bbox="1075 1653 1286 1765">£0.050m</td> </tr> <tr> <td data-bbox="352 1765 647 1841"></td> <td data-bbox="647 1765 1075 1841">Maintenance of Rivers and Brook courses</td> <td data-bbox="1075 1765 1286 1841">£0.080m</td> </tr> <tr> <td data-bbox="352 1841 647 1917"></td> <td data-bbox="647 1841 1075 1917">Funding of minor traffic and parking improvements</td> <td data-bbox="1075 1841 1286 1917">£0.140m</td> </tr> <tr> <td data-bbox="352 1917 647 1955"></td> <td data-bbox="647 1917 1075 1955">Reactive maintenance</td> <td data-bbox="1075 1917 1286 1955">£2.200m</td> </tr> </table>	Capital Allocations per annum	Highways Improvement Programme (HIP) – Programme of street lighting, footway and carriageway renewals and reconstruction	£7.000m		Funding contributions from developers and external agencies – S106, CIL & regeneration schemes funding contributions from the Environment Agency and similar bodies	£3.500m		Funding contributions from TfL	£2.000m	Revenue Allocations per annum	Maintenance of structures	£0.050m		Maintenance of Rivers and Brook courses	£0.080m		Funding of minor traffic and parking improvements	£0.140m		Reactive maintenance	£2.200m
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	Cleansing of gully network	£0.350m
	Winter maintenance	£0.200m
	Implementation of dropped crossings	£0.600m
	Street lighting maintenance	£0.900m

There will be costs for external consultants e.g., for external legal advice. OneSource have confirmed they do not have the capacity or detailed knowledge in New Engineering Contract (NEC) contracts to support this procurement. In addition, there will be costs associated with training staff on managing NEC contracts. Quotes are being sought for the external legal advice estimated to be between £50,000 and £100,000. The training costs are estimated to be approximately £5k.

There is potential for this contract to come in higher than the existing budget, this will be mitigated as far as possible. This is due to the volatility in the market including costs of labour and materials. However, the market is beginning to stabilise in terms of materials, and this will be reflected in bidders pricing.

The Councils MTFS has indicated a saving of £125,000 in 24/25 against this procurement.

What options have been considered?

The Authority currently delivers its Highways services through a combination of contracted out services with Marlborough Highways, Volker Highways Ltd and in house through the Direct Services Organisation (DSO).

The service considered all options regarding the future of the service, the scope for this procurement and route to market.

After consideration the recommendation is that the full scope of services set out in Table 2 below should be included in the procurement.

Table 2

	Service	Current Service Delivery Method	Contract end Date (if relevant)	Future Service Delivery Method
1	Planned Highways maintenance	Outsourced	31/03/24	Outsourced
2	Reactive Highways maintenance	In-house & outsourced	31/03/24	Outsourced
3	Street Lighting & associated Services	Outsourced	31/03/24	Outsourced
4	Gully Cleansing & maintenance	In-house & outsourced	31/03/24	Outsourced
5	Winter Maintenance	In-house	N/A	Outsourced

6	New schemes – minor e.g., minor traffic schemes such as implementation of traffic islands, dropped kerbs, signage schemes	In-house & outsourced	31/03/24	Outsourced
7	New Schemes – major e.g., major traffic engineering schemes such as traffic calming schemes, zebra crossing schemes, cycle schemes. Also, to include flood management schemes and structures improvement schemes	Outsourced	31/03/24	Outsourced
8	Sign & Lining	In-house & outsourced	31/03/24	Outsourced
9	Installation of equipment/infrastructure on the public highway and off street including the appointment of nominated subcontractors/suppliers	In House & outsourced	31/03/24	Outsourced
10	Structures and Bridges	In house and outsourced	31/03/24	Outsourced
11	Flood management and drainage maintenance	In house and outsourced	31/03/24	Outsourced
12	Emergency – out of hours call outs	In house	N/A	Outsourced
13	Call off for Professional Services e.g., Design of traffic schemes, provision of traffic surveys, provision of Structural Inspections (please note this is not an exhaustive list)	N/A	N/A	Outsourced

Options that have been considered for the future delivery of services include:

Option 1: Do nothing

This option was considered and rejected. The current contracts within the scope include statutory functions and services that the Authority has a duty to discharge. The services are currently delivered as part of separate contracts with approaching expiry dates, so the option of “Do Nothing” is not a viable consideration going forward.

Option 2: Extend current contract

This option was considered and rejected. The contracts in place have been extended to their full capacity. The Authority must obtain advice in accordance with the limitations of the Public Contracts Regulations 2015 (PCR 2015) for any further extensions to be considered and must ensure that this constitutes best value to the Authority.

Option 3: Shared service delivery model

The Authority have undertaken discussions with neighbouring London authorities to consider the option of adopting this model. The development of this model represents a considerable challenge which would add significant additional work and risk to any procurement. 2 neighbouring authorities have completed procurement of these services in the last 18 months and 1 authority has indicated that they are considering extending with their incumbent provider. Therefore, this is not considered a viable option.

Option 4: Contracting services out

This option is considered viable given the Authority’s current position where parts of the service are currently delivered by an external provider.

Option 5: Bringing services in house

This option is considered viable given the Authority’s current position where parts of the service are delivered by an in-house team.

Option 6: Setting up a Local Authority Company (LAC)

This option is considered viable given the Authority’s current position where part of the service is delivered by an in-house team

Option 7: Hybrid model - in house and part outsourced.

This option is considered viable given this is the current service delivery model.

Officers concluded that options 4, 5, 6 & 7 should be considered further. The cost and financial implications and qualitative and risk factors were considered and appraised against the four shortlisted options for the outcomes are shown in Appendix 1 at the end of the document.

In terms of reputational risk, the Authority would be exposed to some level of risk regardless of the option.

In view of the information in Appendix 1 and 2, the Business Case supports Option 4, contracting the services out, as this will best meet the needs of the service both currently and ongoing for the following reasons:

- Reduce demarcation inefficiencies and conflicts within the service area
- Opportunity to integrate and harmonise contracts/services
- Maximise market innovation securing a contract that is fit for the future
- Reduce risk to the authority both financially and operationally
- Reduction in corporate overheads such as ICT, HR and fleet costs
- Increase accountability and collaborative working
- Deliver efficiencies in client management structures
- Deliver robust contract management
- Increase the value of the contract which could lead to improved competition from the market
- The specification will be designed to embrace innovative new technology and integrate with the Authority systems as required

Procurement Procedure

Having considered the current best practice and the procurement timeline it was concluded that the best outcome would be achieved by procuring these services using the Competitive Procedure with Negotiation. This procedure allows the contracting authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the tender advertisement) not to negotiate and to simply award the contract based on initial tenders submitted.

The advantage of this method is that the council may enter into a negotiation if upon receipt of the submissions the council is of the view that the procurement could be enhanced by a negotiation session.

All suppliers acknowledged the importance of ensuring the tender documentation is detailed to enable them to be precise in their submissions but agreed the opportunity to participate in a session of negotiation would be helpful in finalising their bids. However, all participants agreed that competitive dialogue would not add any value to the process.

To enable the market to respond to the opportunity it is recommended that the procurement be split into 2 Lots. Based on the information obtained during the market engagement suppliers expressed a preference and are more likely to bid if the services are split into the following lots:

1. Highways Services - refer Table 2 -(1,2,4,5,6,7,8,9,10,11,12)
2. Street Lighting and associated services refer Table 2 - (3)

It is proposed to limit the number of suppliers that are taken through to the final stage to a desired minimum of three and a maximum of five in each lot. By taking this number of suppliers through it will provide a level of confidence to the Authority should a supplier decide not to continue with this opportunity

(through soft market testing suppliers indicated they tend to look at several procurements at the same time) but will also provide suppliers with a realistic prospect of a successful bid.

The length of the contract will be for an initial term of 6 years with an option to extend to a maximum of 10 years in periods of 1, 2,3 or 4 years. This is considered to represent the optimum timescale for Contractors wishing to invest in the contract so that efficiencies and cost savings could be introduced with regards to long term costs (depot facilities, plant etc.) but one that would also allow for the Council to provide a review and break period should the Contractor not perform to required standards.

In accordance with Regulation 67 of the PCR 2015 the Authority will award the contract on the Most Economically Advantageous tender (MEAT). The Authority will apply a 60/40 price quality split. This figure was arrived at by utilising a price/quality matrix, which indicated that the chosen percentage split was suitable for this procurement, according to the risk/complexity and estimated contract value.

Overall MEAT Score	Quality	Price	Social Value
100%	30%	60%	10%

As part of the Competitive Procedure with negotiation process, the minimum requirements and the award criteria shall not be subject to negotiation. The process shall follow the criteria set out in Regulation 29 of the PCR 2015.

The aim of the operating model is to deliver the Authorities responsibilities and priorities in accordance with the relevant legislation delivering best value and improving the overall environment and street scene for the borough.

The Authority can consider how the procurement of this contract can provide efficiencies and cost savings in other parts of the Public Realm service as set out above. The specialisms, resource capacity and economies of scale rates can be utilised to benefit other council teams such as Facilities, Housing, Regeneration and Parks and Open Spaces.

A strong partnership with shared vision and approach will be developed, resulting in a responsive and high performing service.

The integration of these services will improve the way in which Havering looks and feels and will improve the customer journey thereby improving residents' satisfaction as similar standards would apply to services.

This model would maintain one identity as several services are managed under one contract which means that common data sets, systems, processes and procedures are developed and aligned.

	<p>Whilst income generation will not be a main factor there may be opportunities for the Authority to develop commercial strategies in partnership with the contractor.</p> <p>The outsourcing of the services in scope will enable the Authority to deliver a streamlined client structure and consider a reduction in costs. This will encourage an efficient delivery model by driving productivity levels and allowing for a Contractor to combine the delivery of services.</p> <p>This provides the Authority with the opportunity to consider the climate change action plan and social value initiatives within the procurement contributing to making a positive impact on social and environmental sustainability.</p> <p>Bidders will be expected to provide detailed method statements outlining the benefits they are able to bring to the new contract.</p>
<p>What are the key business impacts both positive and negative?</p>	<p>Negative</p> <ul style="list-style-type: none"> • Possible increase in budgets • A TUPE process would need to be managed for the in-house DSO team <p>Positive</p> <ul style="list-style-type: none"> • Harmonisation of services if awarded to single contractor • Improved operational emissions and year on year reduction and carbon offsetting initiatives • Innovation in service delivery incorporating new delivery methods and materials • Greater impact on Social Value • Efficiencies in managing one contractor in terms of monitoring operations, finances and KPIs under a single contract • Transference of some operational and financial risk

Delivering the Project				
<p>How will the project be delivered?</p>	<p>A governance board and working groups have been established and will remain in place throughout the procurement and through mobilisation. At this point BAU will resume with the project handed to the contract management team to manage.</p>			
Delivery Confidence RAG Rating				
<input type="checkbox"/> Red - Completely new approach, a new pilot and/or process with a new supplier.		<input type="checkbox"/> AMBER – Known method/process/ supplier but not used before.	<input type="checkbox"/> GREEN – Tried and trusted method/process with known supplier.	
<p>What are the key milestones for the project?</p>	<p>Business Case and ED authorised</p> <p>See attached Project Plan</p>			
Route to approval if known				
<input type="checkbox"/> Consultation	<input type="checkbox"/> Key Decision	<input type="checkbox"/> Non key Decision	<input checked="" type="checkbox"/> Cabinet Approval	<input type="checkbox"/> Other (specify)
<p>Date:</p>	<p>Date:</p>	<p>Date:</p>	<p>Date:</p>	<p>Date:</p>

<p>What are the key risks to the project?</p>	<p>The potential risks are:</p> <ul style="list-style-type: none"> • That the project is not sufficiently resourced, and the Authority does not retain adequately skilled stakeholders • That bidders may pull out during the process due to the volatility of the market or by seeking more attractive opportunities elsewhere • Bidder's proposed solutions are not financially affordable, resulting in reconsideration of the service specification • Stakeholders and resource do not fully commit during the entire period of the project • Award may be delayed due to: <ul style="list-style-type: none"> ○ Protracted internal processes ○ Challenge from unsuccessful bidder(s) challenging award decision • Any delayed award would impact and lead to delays on the mobilisation period <p>A number of risks to the procurement were raised by the Programme Board. In view of this a series of market engagement events were carried out to develop an accurate understanding of the marketplace to allow better decisions to be made by both the Council and bidders.</p> <p>During this process the Council tested assumptions and ensured that the procurement objectives are achievable. The outcome of the market engagement events can be found in Appendix 2.</p>
<p>What assumptions have been made?</p>	<p>The assumptions made are:</p> <ul style="list-style-type: none"> • Stakeholders remain engaged and resource available during the whole period • Decisions will be made in a timely manner • Suppliers will bid for this opportunity and the volatility of the market will not preclude the Authority from awarding the contract • Finances will be available
<p>What is included and excluded from scope?</p>	<p>Planned and Reactive highway maintenance, Street Lighting and associated services, Gully Cleansing, Winter Maintenance, highway improvements and new schemes - major and minor, Sign & Lining, Installation of equipment on the public highway and off street, Structures and Bridges, Flood Management, drainage maintenance and repair, emergency response including out of hours calls.</p> <p>A number of Councils have procured larger contracts to include the scope of services above for similar reasons that have been set out in this document.</p> <p>Design and professional services will be retained in house. However, the contract will contain a provision to draw down on these services should they be required.</p>

	<p>Services may be instructed in areas of the council's estate including parks and housing ensuring economies of scale and value for money can be benefited by others.</p>																
<p>What project board will this project report to?</p>	<p>Public Realm Programme Board, Themed Board</p>																
<p>Who are the identified stakeholders for the project?</p>	<ul style="list-style-type: none"> • Members • Chief Executive • Assistant Director of Public Realm • Programme Board, including Business Partners • Affected staff • Trade Unions 																
<p>Who or what are impacted by this project (including headcount reduction)?</p>	<p>There are currently 17 posts in the in-house DSO structure which are:</p> <ul style="list-style-type: none"> • Highways Maintenance Team Leader x 1 post • Highway Maintenance Officer x 16 posts <p>Of the current posts, the Team Leader post is vacant but an Officer from elsewhere in the Service has been seconded into the role to fulfil business / operational requirements. Of the 16 Maintenance Officer posts, 7.5 positions are vacant.</p> <p>The remaining 8.5 occupied posts would be subject to TUPE.</p> <p>There may also be the requirement to review the current in-house Highways management team to consider the client structure going forward.</p> <p>Consideration needs to be given to the 2 Business Support Officer posts that currently carry out work for this service. The nature of the contract would mean that a significant amount of the work would fall away and the functions that would remain are mainly transactional in managing the operational aspects of the Highways Contract.</p> <p>The indicative minimum investment in respect of resources, plant and depot required to provide an in-house service is set out below in Table 3. This does not include any running costs for the services which would include materials, permits, licences and staff capital costs etc.</p> <p>Table 3</p> <table border="1" data-bbox="368 1727 1425 1986"> <thead> <tr> <th>Item</th> <th>Number</th> <th>Revenue Cost</th> <th>Capital Cost</th> </tr> </thead> <tbody> <tr> <td>Management/Specialist posts</td> <td>11</td> <td>£0.587m</td> <td></td> </tr> <tr> <td>Supervisors/Team Leaders</td> <td>8</td> <td>£0.612m</td> <td></td> </tr> <tr> <td>Administration</td> <td>2</td> <td>£0.085m</td> <td></td> </tr> </tbody> </table>	Item	Number	Revenue Cost	Capital Cost	Management/Specialist posts	11	£0.587m		Supervisors/Team Leaders	8	£0.612m		Administration	2	£0.085m	
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Management/Specialist posts	11	£0.587m															
Supervisors/Team Leaders	8	£0.612m															
Administration	2	£0.085m															

Operatives	80	£3.400m	
Plant - various	60		£20/25m
Depot	1		£15/20m
Total indicative cost		£4.684m	£35/45m

The total cost of the service for the term of 6 years would be £62.6m which does not include items such as materials, licences, permits or other staff costs.

What are the critical success factors for the project	
Deliverable	Success measure
Business need	Satisfy the existing and future business needs of the organisation.
Affordability	Delivers value for money ensuring the services are affordable
Achievability	Provides the Authority the best opportunity to innovate and deliver the best ways of working within the financial constraints
Achievability	Provides the Authority the opportunity to innovate and adapt to future proof the service

Total Cost and Saving Projections (please attach appendices if required)

Supporting Narrative:

The Councils MTFS has indicated a saving of £125,000 in 24/25 against this procurement. See Table 1 above for costs.

Existing Revenue Budget indicate if HRA, Grant, or General fund applicable, Transformation	Yr1 24-25	Yr2 25-26	Yr3 26-27	Yr4 27-28	Yr5 28-29	Total
Cost centre 1						
Cost centre 2						
Total:						
One off Capital costs e.g. significant building modifications						
Cost A						
Cost B						
Total:						
One off Revenue costs						
Cost A						
Cost B						
Total:						
Ongoing Costs e.g. Programme Manager, Legal Advice						

Cost A						
Cost B						
Total:						
Savings e.g. Existing budget less ongoing costs or income generation						
Saving A						
Income generation A						
Total:						

Financing the Project	
What assurances can you give that costs/benefits identified will be delivered?	The evaluation process will ensure that value for money is achieved whilst ensuring the delivery of high-quality services.
	What methods of value for money have been used? E.g. Benchmarking, soft market testing, competitive analysis:
	Through the evaluation framework, specification and robust contract management.
What are the key financial risks to the proposed option?	Financial Confidence Rating
	<input checked="" type="checkbox"/> RED - Indicative figures that are yet to be ratified, further work required to develop full costings and/or savings. <input type="checkbox"/> AMBER - Costs and saving identified for part of the project but delivery in some areas is uncertain. <input type="checkbox"/> GREEN – Costs are known and saving targets are deliverable.
If savings been listed under MTFS or any other savings target, please explain?	The Councils MTFS has indicated a saving of £125,000 in 24/25 against this procurement.
Can this project be delivered within existing budgets if not why not?	<p>The market has been volatile both in terms of labour and materials however, there are signs that the market is levelling out and there is more stability around both aspects.</p> <p>Significant investment would be required to retain an in-house service. The current budgets do not make provision for this. However, cost avoidance can be achieved by outsourcing a greater degree of the services as the Authority will not be required to invest in a depot, fleet, or health & safety management and training.</p>
What other sources of funding could be considered?	None

Initial Equality & Health Impact Assessment Checklist		YES	NO	Action
Are you changing, introducing a new, or removing a service, policy, strategy or function?		<input checked="" type="checkbox"/>	<input type="checkbox"/>	If you answered YES to any of these questions complete full EQHIA If you answered NO Please provide an explanation on why your activity does not require an EQHIA below. <i>This is essential in case the activity is challenged under the Equality Act 2010.</i>
Does this activity have the potential to impact (either positively or negatively) upon people (9 protected characteristics)?		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Does the activity have the potential to impact (either positively or negatively) upon any factors which determine people's health and wellbeing?		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
EQHIA not required:	The group of staff in scope is very small and therefore individuals may be identifiable. EQIA data is therefore not included in this report.			
Further guidance and advice https://intranet.havering.gov.uk/help-with-work/equality-impact-assessment/				

Consultation & Approvals			
Consultation:	Officer Name:	Approval:	Signature:
Procurement:	Rebecca Nipress	Responsible Director:	Imran Kazalbash
Legal:	Tara Philip	Finance Business Partner:	Vanya Alexander/Julie Oldale
Democratic Services:	Jacqui Barr	Lead Member:	Cllr Mugglestone
Equality & Diversity:	Jerry Haley	Other:	
IT (if appropriate):	Louise Smith		
Public Health (if appropriate):	Jack Davies		
Communications (if appropriate):			
HR (if appropriate):	Geraldine Minchin		
Other:			

Appendix 1 Version History

Record of Amendments to the Business Case

Revision Date	Revision By	Summary of Changes	Author
24/03/23	Mel Gadd	First draft	
16/05/23	Mel Gadd	Final	James O 'Regan/Mel Gadd

Appendix 1

Service options

Commissioning Option	Pro's	Con's
Contracting out all services	<ul style="list-style-type: none"> • Costs can be kept competitive • Benefit from innovation and best practice • Service that is fit for the future delivering efficiencies and value for money • Transfer of operational and financial risk to contractor • Can attract expert and multi skilled workforce • Relative certainty on costs and performance • Robust performance management through KPI's and incentives/penalties • Established suppliers that are able to provide depots/fleet which removes the financial burden on the Council • The Council can derive economies of scale by packaging services together • Suppliers have extensive buying power which includes IT systems and fleet costs • Reduction in corporate overheads e.g., HR, ICT, depot 	<ul style="list-style-type: none"> • Staff impact and TUPE considerations for DSO staff • Perceived loss of control and responsiveness • Supplier may perform poorly • Market forces may require contract renegotiation • Recent market volatility may have led to nervousness in supply chain, resulting in higher prices
<p>Most bidders confirmed at market engagement that they would deliver services for Havering from depots that they already operate from. They confirmed that these depots were located within acceptable distances that would not impact on the delivery of the services.</p>		

<p>Contractors have the flexibility with resources and plant to ensure that there is full utilisation. E.g., a gully unit can be deployed on a number of contracts as required as can the resource providing additional value. Resources and plant that are shared between contracts ensure better value for money.</p>		
<p>In House</p>	<ul style="list-style-type: none"> • Perceived greater level of control with flexibility over change Can change or set standards/timeframes easily • Savings as a result of not delivering a procurement • Perceived reputational and legacy control • Removal of Private sector overhead (but replaces with Council overhead) 	<ul style="list-style-type: none"> • Depot would be required – acquisition of land or location of suitable depot • Considerable financial outlay for depot provision both capital and ongoing revenue • Acquisition of new fleet – capital cost • Increased costs for Pension payments • The council would retain the whole risk of operating a large service in house, including HR and staffing issues • The council would be required to invest in a suitable IT system as the process is substantially paper based at present • Financial implications of increase in grades to attract suitably qualified operatives • High risk in both financial and operational terms as the level of resources to deliver the full service is unknown e.g., productivity levels and Health & Safety implications • The workforce would need to be of sufficient size to encompass all aspects of the business with a robust management structure to reflect the requirements of the statutory function • Limited career progression • The Council cannot achieve the economies of scale for bulk purchasing of materials and equipment • The Council would be required to make a substantial investment into Health & Safety

		<p>mechanisms, environmental and quality management systems</p> <ul style="list-style-type: none"> The Council would be required to guarantee that specialist roles were filled to ensure the service was compliant
<p>It is unlikely that a depot or suitable land (based on recent searches) of the size and location that is required would be available in the borough.</p> <p>In terms of resources the Authority would need to consider the range of services to be delivered and how they would efficiently resource all areas of work e.g. whilst reactive maintenance would be required 12 months of the year, services such as schemes, structures, flood management, winter maintenance etc. would require specialist operatives at certain times so resources and plant would need to address this. There is the potential for a high investment in plant that sits idle for periods of time whilst not in use.</p>		
LAC	<ul style="list-style-type: none"> Reduction in pension costs – although does not affect TUPE Council has direct control as the only shareholder Opportunity for commercialisation Independent decision-making process so can be more agile in decision making 	<ul style="list-style-type: none"> Depot would be required – acquisition of land or location of suitable depot Considerable capital financial outlay for depot provision Acquisition of new fleet – capital cost Considerable financial outlay in respect of set up costs, council must consider affordability The Council does not have expertise to establish and run a LAC Authority would retain 100% of both financial and operational risk Salaries would need to be at a higher level to attract expertise for the skilled workforce both operational and management that would be required Requirement for ongoing costs for services such as but not limited to Legal, IT, HR, H & S, payroll and employee wellbeing systems

		<ul style="list-style-type: none"> • Requirement for independent governance arrangements with board of directors • Extensive governance requirements which must be satisfied
<p>It is unlikely that a depot or suitable land (based on recent searches) of the size and location that is required would be available in the borough.</p> <p>Creating a LAC as a separate company can deliver a more agile way of working which is responsive to changes in demand. However, it can be seen as another arm of the council, which is not the case. The formation of the LAC allows the service to move away from the constraints of the council's decision-making processes.</p>		
Hybrid Option	<ul style="list-style-type: none"> • Greater level of control with flexibility over change • Savings because of not delivering a procurement 	<ul style="list-style-type: none"> • Depot would be required – acquisition of land or location of suitable depot • Considerable capital financial outlay for depot provision • Acquisition of new fleet – capital cost • Increased costs for pension payments • Financial implications of increase in grades to attract suitably qualified operatives • High risk in both financial and operational terms as the level of resources to deliver part of the service is unknown e.g., productivity levels and Health & Safety implications • The workforce would need to be of sufficient size to encompass the aspects of the business to be delivered in house with a robust management structure to reflect the requirements of the statutory function • Limited career progression for LBH staff • The Council cannot achieve the economies of scale for bulk purchasing of materials and equipment

		<ul style="list-style-type: none"> • The Council would be required to make a substantial investment into Health & Safety mechanisms, environmental and quality management systems • The Council would be required to guarantee that specialist roles were filled to ensure the service was compliant • The authority would need to retain the same infrastructure as the contractor to deliver the services in house so would be paying twice • There would be considerable investment into the workforce required both operationally and financially to meet the current standards e.g., health & safety, training and organisational skills
<p>It is unlikely that a depot or suitable land (based on recent searches) of the size and location that is required would be available in the borough.</p>		

Appendix 2

Market Engagement

Market engagement was carried out during March 2023 with a PIN being published; 9 organisations were invited to participate. The aim of the market testing was to establish the market's preparedness to bid for tenders and if prepared, preferred procurement options and explore procurement barriers and limitations.

Of the 9 organisations 3 withdrew due to resourcing issues and 1 withdrew without providing a reason. 5 organisations took part in the market engagement and the anonymised information is set out below.

Suppliers were asked what the optimum contract term including optional extensions would be for them to invest in this opportunity

<p>4 of the suppliers advised between an initial term of between 5 & 8 years with an option to extend of potential 3/4 years would encourage them to bid for this tender</p> <p>1 supplier preferred a much-reduced contract term of 2/3 years</p> <p>Suppliers were of the view that the extension should be of one fixed term and not based on an annual re-occurrence</p>
<p>Recommendation 6 years with 4-year extension</p>
<p>Suppliers were asked what depot facilities they had in the area and particularly how they would deliver services to Havering</p>
<p>3 suppliers confirmed they have depots available that they would use for this contract within close proximity of the borough, 1 supplier would be prepared to consider a depot in the borough however this would be dependent upon contract being split into lots 1 supplier has depot facilities in reasonable proximity that could be used and would be dependent upon winning the contract</p>
<p>Suppliers were asked their views on the split between cost and quality</p>
<p>All suppliers recognised the importance of quality, but all favoured the split to be higher on price</p>
<p>Recommendation 60% price/40% quality</p>
<p>Suppliers were asked if they would subcontract any of the services and if so indicate if this would be with multiple suppliers including SME's</p>
<p>1 supplier confirmed they would retain everything 1 supplier would retain highways, but subcontract gullies and lighting 1 supplier confirmed they would only be interested in the street lighting services 1 supplier, would subcontract all services apart from gullies and drainage but not interested in the street lighting aspects 1 supplier would deliver everything apart from gullies and look to use SME's</p>
<p>Suppliers were asked their views on the type of contract they would expect to use on a procurement of this nature</p>
<p>All suppliers favoured the NEC 4 industry standard contract</p>
<p>Recommendation NEC 4 Option B priced contract with Bill of Quantities</p>
<p>Suppliers were asked their views on forthcoming and concurrent opportunities elsewhere in the region and whether the Havering procurement would be a priority for them.</p>
<p>2 suppliers would definitely prioritise Havering above any other procurement, of which 1 stated that another procurement would be live at the same time</p>

1 supplier advised they would be interested if separated into smaller lots
1 supplier would only be interested in lighting and if split in lots
1 supplier would be interested in lighting but would consider another procurement opportunity that would be live at the same time
Suppliers were asked their views on whether the services should be sub divided into lots
Suppliers were of mixed views on this matter but overall favoured the approach of sub dividing the procurement into 2 lots: 1. Highways 2. Street Lighting This approach was favoured as at least 2 suppliers stated they would only be interested in bidding for the street lighting services. Procuring a combined contract would discourage some suppliers from bidding which would reduce the market. Splitting the procurement into 2 separate lots will enable suppliers to bid for either or both Lots. This will ensure that the council achieves best value across both services.