Business Case

Lincolnshire Highways 2020

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Contents

1. Executive Summary

1.1. Drivers

The current Lincolnshire Highways Alliance (LHA) is due to reach full term on the 31st March 2020 under European Union (EU) Procurement Law. This Business Case outlines the replacement options available to the Highway Service and recommends a future option that is best suited to Lincolnshire County Council (LCC)

Selection of the most efficient, effective and economic option to maintain the highway network and associated infrastructure is the key driver for the Highways 2020 project.

1.2. Background

The current LHA is comprised of the Highways Works term Contract (HWTC), the Traffic Signals Term Contract (TSTC), and the Professional Services Contract (PSC) that started on the 1st April 2010. The contract was awarded for an initial five year period with individual one year contract extensions to the full term length of ten years. The contract utilised the X12 Clause to link the contracts to create a linked performance management system and create the Alliance structure.

1.3. Options Summary

The options appraisal stage was carried out in three stages that broadly followed the Highways Maintenance Efficiency Programme Procurement (HMEP) Route Choice Toolkit. A variety of broad option types, progressing to detailed option variances were considered and reduced to five options that were best suited to LCC.

Change Impact Analysis, soft market testing, joint member/officer local authority visits and specific testing was carried out to differentiate between the remaining options. The Evaluate Options section of the HMEP Procurement Route Choice Toolkit was then undertaken with the Project Team and presented at a Councillor Workshop to obtain weightings and consensus of the assessment criteria. An additional Options Heat map exercise was carried out with members to fully define our preferred option.

1.4. Recommended Option

The recommended option following the Options Appraisal stage is to proceed with a developed iteration of the existing model with some notable changes in relation to the reactive service and a broader design (and other professional services) top up arrangement. The base contract will be the recently released New Engineering Contract four (NEC4) with incentive mechanisms that are performance related and encourage collaboration between parties. Particular areas for improvement include:

Reactive Service (quality and productivity)
Enhancing the client consultant dynamic within design services
Winter Maintenance
Cyclical works
Customer digital engagement
Engagement with local supply chain
Social Value
Value for Money assessment for Client and Provider functions

The reason to proceed with this model is that it improves on the existing model through a knowledge capture exercise from the current arrangement and offers the opportunity for ongoing improvement.

The risks involved with moving to an alternative model at this stage were not offset by the challenges that the existing model faces. Lessons learnt, soft market testing and local authority benchmarking confirmed that the model is the correct solution for LCC. Implementing these improvements, together with the continued implementation of the Future Operating Model (FOM), will enable Lincolnshire to continue to be a leading authority in the Highways sector.

1.5. Financials

The cost to implement the main five options considered within the Business Case have varied dramatically from a "do minimum" approach of approximately £150,000 to a major step change in service delivery that could result in a budget requirement of £800,000. The recommended option is projected to cost in the region of £250,000.

1.6. Timescales

The expectation is for the initial Official Journal of the European Union (OJEU) Notice to be issued in April 2018 under the Competitive Procedure with Negotiation route. Pre-qualification in May 2018 with invitations to tender issued in October 2018. The project is planning to have a mobilisation period of 6 months prior to the contract go live date of the 1st April 2020.

2. Glossary

DfT – Department for Transport
HMEP – Highways Maintenance Efficiency Programme
LHA – Lincolnshire Highways Alliance
NEC - New Engineering Contract
LCC – Lincolnshire County Council
FOM – Future Operating Model
MHA – Midlands Highway Alliance
TSTC – Traffic Signal Term Contract
PSC – Professional Services Contract
NHT – National Highways & Transportation
VfM – Value for Money
TSP – Technical Services Partnership
OAM – Operational Asset Management
OJEU – Official Journal of the European Union

3. Background

3.1. Context

The three contracts that form the backbone of the (LHA) began on 1st April 2010 and are due to reach full term on 31st March 2020. The contract was awarded for an initial five year period with individual one year contract extensions to the full term length of ten years. Work began on the LHA in 2007 with a preliminary report to the Highways Policy Development Group, the precursor to the current Scrutiny Committee. That resulted in the existing contracts being extended to align with a 1st April 2010 replacement target.

A Steering Group and Working Group were established to progress the project. Exploratory visits were carried out to a number of Authorities considered to be delivering innovation and/or high performance in one or a number of related areas. These included Kent, North Yorkshire and Worcestershire, some of which are now perceived to be behind Lincolnshire when measured by metrics such as the Department for Transport (DfT) Self –Assessment Process.

External facilitation from the Collaborative Working Centre was procured to support the options appraisal process. This took into account the work that had been done to develop an Outline Business Case for a Highways Private Finance Initiative, the Authorities appetite for risk and our core ability to manage any proposed delivery vehicle.

The eventual decision to progress with the LHA reflected all of our recent experiences, member's preference for the retention of some control and our best effort to provide flexibility for the future.

The chosen solution was highly innovative at the time and captured a number of areas of best practice from the projects knowledge capture exercise. We were one of the first Authorities to adopt the New Engineering Contract (NEC3) Term Service Contract and our template was soon adopted by the MHA and subsequently the HMEP for their model documents. Our use of the X12 Clause to link contracts remains class leading and the linked performance management system is still being used nationally as an example of best practice.

The three contracts that form the LHA are:

The HWTC delivers the majority of highway works including, surfacing, patching, surface dressing, drainage, street lighting, bridges/structures, signs, lines, grass cutting, weed control, drainage cleansing, emergency response and winter maintenance.

The TSTC delivers all the maintenance and improvement work to our existing signals and controlled crossings together with the provision of new signal installations.

The PSC provides access to professional consultancy services including, highway and drainage design, transport modelling, planning advice, ecology, archaeology expertise and support to bids for additional funding.

3.2. Requirement

To investigate, develop and implement a new service delivery model to commence in April 2020. The model will:

- maintain the current high-level performance of the Highways Service
- ensure appropriate value for money in terms of public spending
- continue to maintain DfT Self-Assessment highest status
- provide assurance to Members with regard to service performance
- increase operational effectiveness and efficiency
- improve public confidence and reduce the cost-to-serve
- provide appropriate responsiveness to the public's needs
- continue to be a national leader in the Local Authority Highway sector
- provide a successful transition from the incumbent providers if unsuccessful

4. Business Drivers

4.1. Scope

All existing service areas delivered on the client and provider side of the existing LHA contract are considered and reviewed. This should also include elements of the service such as IT and communication channels directly associated with the interfaces between LCC and the providers within the LHA. The project should also consider all contracts not currently within the alliance that could be introduced.

4.2. Alignment with LCC Business Plan and/or Service Plan

The 2017-2018 Lincolnshire County Council Financial Strategy outlines:

"The Council will implement a planned programme of major improvement, efficiency and transformation projects derived directly from key strategies such as the commissioning council model.

The programme will aim to achieve substantial savings to keep the Council's spending within the funding available from government grants and the council tax, and to allow modest development and improvement of priority services where possible. Savings will be achieved through improved efficiency wherever possible.

The Council will seek to identify and assess appropriate opportunities to engage in partnership/shared services initiatives with other partners in the public, voluntary and private sectors where this will result in tangible efficiency improvements"

The Highways 2020 project embodies the need for efficiencies and the search for savings, as outlined within our overarching Financial Strategy. The project will examine whether an alliance is still the most appropriate way of working within the Highways service sector.

The Project further improves alignment with corporate objectives by keeping in line with the following overarching commissioning strategies:

- Sustaining and growing business and the economy

This commissioning strategy covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce

- Sustaining and developing prosperity through infrastructure

This commissioning strategy facilitates growth and prosperity through encouraging investment and enhancing the economic potential of the county.

LCC recognises that the highways network and associated infrastructure plays a vital role in enabling the county to prosper, achieve its objectives and support the delivery of all seventeen commissioning strategies. Our highways network is one of the largest in the country and comprises of 9,000km of carriageway, 4,000km of footways, 65,000 street lights, 600 signals installations and 3,000 structures. The highways asset also includes associated drainage, street furniture and road markings and has a gross replacement cost of approximately £12bn.

The highway network and associated infrastructure will continue to be maintained, creating the need for a robust new arrangement after the completion of the LHA. The Highways 2020 project will need to provide for this arrangement to continue to adhere to the corporate commissioning strategies relevant to Highways

4.3. Why Do This Now

The current LHA is due to reach full term on the 31st March 2020 under European Union (EU) Procurement Law. A new service delivery mechanism will need to be created and implemented to start on April 1st 2020.

4.4. Strategic Benefits

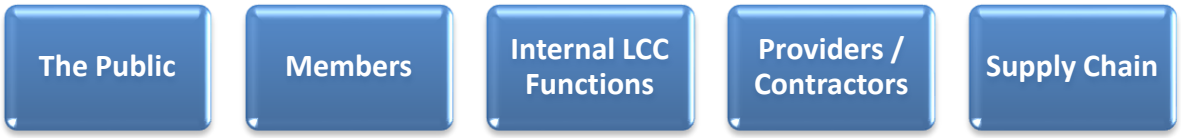
Strategic Benefits are described below:

- Increased Value for money without a drop in service quality and maintaining the road network and associated infrastructure appropriately
- Increase in efficiency and effectiveness

- A robust contract enabling all stakeholders to work productively and cooperatively
- Improve the current performance of the Highways Service
- Ensure LCC remains an attractive client to the market
- Facilitate the commercialisation agenda
- Increase customer satisfaction with the road network
- Provide sufficient resource to maintain a resilient winter service
- Delivering best practice

4.5. Key Stakeholder

Stakeholder analysis has been undertaken to identify and prioritise their influence on the project. Each stakeholder has had the current and future position plotted in terms of support for the project. A Communication and Engagement Strategy has also been carried out to identify the key communication channels and tools. The Key stakeholders identified as either having a High influence on the Project or the Project has a High impact on them are:



4.6. Known Constraints and Dependencies

The relatively recent implementation of the new LCC Highway Service FOM will have a direct impact on success of delivery partners. Clarity of roles and responsibilities within the embedded new structure will create a successful environment to deliver Value for Money (VfM) improvements for the service.

The One Public Estate (OPE) programme is an established national programme delivered in partnership by the Local Government Association and the Cabinet Office Government Property Unit. OPE partnerships across the country have shown the value of working together across the public sector and taking a strategic approach to asset management. The relationship between this project and the Highways 2020 project will be critical to determine the space available to Providers within LCC owned property.

5. Lessons Learnt

From the start of the LHA in 2010, LCC and its providers have sought to innovate and introduce change by amending the ways in which we work. On occasion, LCC have been unable to implement change without dramatically adjusting the contract mechanisms and moving away from the tendered rates. These have been captured to generate discussion for Highways 2020.

Since the initiation stage a lessons learnt workshop has been held with internal functions to capture suggestions of what could be done differently and changes that need capturing within the contract documentation. Meetings were also held with our incumbent suppliers.

The issues identified for further discussion at the following Highways 2020 groups:

Percentage	Areas of discussion
13%	Contract drafting
32%	Pricing document
27%	Specification

14%	Scope
8%	Performance
2%	Depot Management
4%	Procurement

6. Soft Market Testing

Soft market engagement has been carried out with both works and professional service providers to test the market position of the various options and collate best practice. To date meetings have been held with:

Eurovia
Skanska
Kier
Tarmac
Amey
Volker Highways
Costain
Dynniq
Siemens
Talent
WSP
Aecom

The meetings enabled the project team to test key aspects of the service arrangement so that the Highways 2020 recommended option can meet the market requirements and is viewed attractively. Ensuring that the recommended option matches the market strength will ensure that the providers are not forced into a relationship outside of their core offering with the associated increase in priced risk.

All contractors were keen to see the initial contract duration of more than five years to enable relationships to develop and incentivise investment over a long term period. The optimum plant investment period for heavy goods vehicles was consistently reported as six to seven years. Extensions of time beyond the initial contract duration were reported as a good tool to incentivise performance. Extensions should be awarded two to three years in advance of the extension start date so that the provider can continue to deliver best value or be awarded in full and reduced on poor performance. The full contract period was discussed and in theory it should be a multiple of the initial contract duration if that duration offers the optimum period to attain VfM.

The adoption of the NEC (NEC4) was expected from the providers and the approach to pricing mechanisms should be flexible. Consideration should be given to the supply chain when considering open book requirements as some tier two suppliers are not set up to deliver it.

All providers were keen to see historic data in terms of expenditure, order size and value, location of orders, governance structures and works ordering processes. Including this data within the tender documentation will enable bidders to clearly understand the risk and price accordingly.

The providers were keen to enter into limited dialogue either in advance of the procurement process or during it if it included the option for dialogue. The majority of providers would like to see either the Restricted Process or the Competitive Procedure with Negotiation limited to key discussion points due to the potentially large resource implication of taking part in a competitive tender process.

Throughout this phase of market engagement areas of operational interest were recorded for further investigation subject to funding and resource availability. These aspects were not thought to be linked to the option model but worth pursuing as part of the Highways 2020 project.

7. Local Authority Benchmarking

LCC carried out a service efficiency review in May 2017 to determine the areas of strengths and weaknesses in comparison with other local highway authorities. The review focused on the Customer Quality and Cost (CQC) data developed by the National Highways & Transportation network (NHT) and the NHT public satisfaction survey. The report concluded that dialogue should be progressed with Shropshire, Durham and Leicestershire as they were similar in characteristics to Lincolnshire and were showing strong performance in certain aspects.

The Project team has activity pursued current best practice within the market engaging with a wide variety of Local Authorities to test differing approaches to Highway maintenance and share best practice. Discussion has been carried out with the following authorities:

- Devon – Contractual arrangement and procurement route choice
- Hampshire – Contractual arrangement and procurement route choice
- Rutland – Incentivising the Reactive service
- Shropshire – General overview
- Leicestershire – General overview, reactive service, winter and design. Member involvement from both sides
- Staffordshire – General overview, reactive service, winter and design
- Durham - General overview, reactive service, winter and design. Member involvement from both sides
- Telford and Wrekin – Target Cost Vs Lump Sum

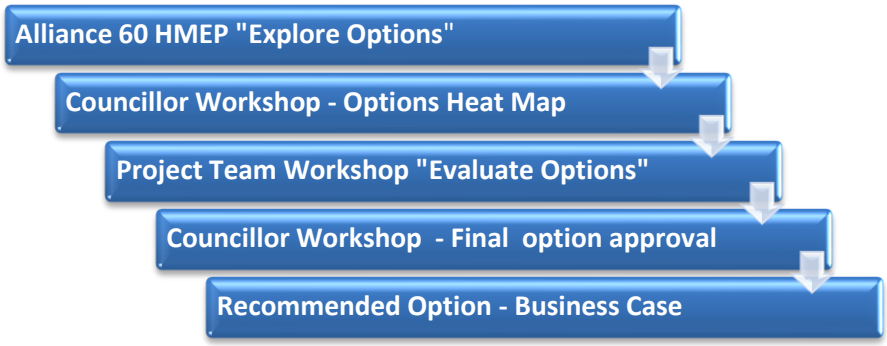
Each of the authorities visited varied in their approach to model selection and the split between client and provider. Each authority discussed their strengths and weaknesses and how LCC were approaching each aspect. Areas of interest were recorded for further investigation subject to funding and resource availability. These aspects were not thought to be linked to the option model but worth pursuing as part of the Highways 2020 project.

During discussion with the authorities, operational improvement tasks were identified and recorded for development within the Highway 2020 recommended option. The benchmarking exercise identified that all authorities were facing similar pressures regardless of the split between the client and the provider. The solution in most cases was not solved by the model itself but more related to people and process.

8. Options Appraisal

8.1. Options Overview, Criteria and Approach

The Highways 2020 Options Appraisal has been developed through iterative stages that have accumulated to inform the final recommended option. The approach taken at each stage was as follows:



Alliance 60 HMEP "Explore Options" – The LHA has held an Alliance 60 event every six months since 2010 that brings together management from each of the alliance partners. At the July Alliance 60 event, the group carried out the Explore Options section of the HMEP Procurement Route Choices for Highways Maintenance Services. Six tables (led by an LCC officer) discussed each of the questions and recorded comments prior to scoring.

Councillor Workshop – An Options Heat map was produced for discussion with members that considered seventeen options that were available to LCC. Each of the options was scored by the Project Team in terms of Attractiveness and Achievability. Factor importance and political preference was obtained to produce a shortlist for further investigation.

Project Team Workshop "Evaluate Options" – The Project Team carried out the "Evaluate Options" section of the HMEP Procurement Route Choices for Highways Maintenance Services. The criteria used to evaluate the options was selected by the Project Team. The scoring against the criteria was steered by the soft market testing, local authority benchmarking and individual work packages created to assist with the decision making process

Councillor Workshop, Final options approval – The final Project Team recommendation was then returned to a second Councillor Workshop where councillors reviewed the decision making process and influenced the weighting factors of the assessment criteria. The Project Team "Evaluate Options" scoring matrix was validated and agreed.

8.2. Options Appraisal

Alliance 60 HMEP "Explore Options" – The HMEP toolkit considers the use of eight models for highway service delivery. The eight alternative delivery models are listed below:

Private Funding
Single Provider
Multiple Providers
Framework
Joint Venture
In-House with top up
Teckal
In-House

The "Explore Options" element of the HMEP toolkit requires scores to be input against thirty two questions relating to the Highway Service. The scores and comments were inserted into the web based system and the results were as follows:

Works Contracts	**1st - Single Provider / 2nd - Joint Venture or Teckal / 3rd - In-house**
Design Contract	**1st - Single Provider or Teckal / 2nd - Joint Venture / 3rd - In-house**

The Private Funding and Framework options were withdrawn from the results above as they were deemed unsuitable options to progress. Private Funding was withdrawn as PF2 is not currently available and requires a long term financial arrangement which with an uncertain future highways funding situation did not seem attractive. The Framework option was withdrawn because these are restricted to four years under the Procurement Regulations and the timescales indicated from soft market testing suggested that the optimum timescales for plant and equipment procurement is six to seven years. The short timescale would also limit the likelihood of a collaborative relationship between parties if the duration was capped at four years.

The scoring preferences from the Explore Options section were fed into an Options Heat Map facilitated by Proving Services Ltd of Cranfield University. The remaining core options were expanded further to test hybrid elements and test refined options. Each option was scored in terms of Attractiveness and Achievability with weightings applied for factors that were politically most important. The Political Preference was obtained for each option and recorded during the Member Workshop. During this phase the seventeen options were reduced to five and subjected to further analysis. A copy of the Options Heat Map is included in Appendix A. During this phase a combined Contractor and Designer single provider was discounted as it is difficult to establish clear boundaries between those ordering works and supervising it to demonstrate probity or has not offered any benefits from streamlined processes.

8.3. Option Discussion

In advance of the final option recommendation, Change Impact Analysis workshops were carried out within the Project Team to differentiate each of the remaining five models and prioritise further packages of work. The packages of work were required at both a wider service level and detailed option level to inform the Project Team prior to a recommendation.

Wider Service Discussion

Following discussion with the market the remaining options all assume that the Traffic Signal service will be split out of the main works contract as a dedicated service. Following soft market testing and local authority benchmarking it is clear that this service is not currently offered from the main providers and would be sub-contracted. The reactive and high risk nature of this service is something that LCC should retain as a discrete contract. The decision to combine this element of the service with street lighting was also considered and not progressed as the skill sets of these specialisms fundamentally differ. An individual options appraisal for this element of the service is shown in Appendix B.

The current asset management and works ordering software tool within the Highway Service is Confirm that is procured from Pitney Bowes. The system was implemented by LCC in 2010 and is now firmly embedded within the service. Confirm is the most widely used software of its type within the Highway sector and has therefore been interfaced with multiple systems. For the Highways 2020 project it is considered that the software will remain in place subject to renewal agreements but the processes will be reviewed as part of the development.

The Cross Keys Swing Bridge is a vital LCC asset that conveys the A17 traffic over the River Nene at Sutton Bridge. The operation of the swing bridge is currently delivered by a directly employed labour force that provides a service four hours either side of high water. Introducing this element of service into either the PSC or the HWTC contract was considered as part of the Highways 2020 project. The conclusion of the review was that introducing this service element into the main contract would introduce risk to the overall service and may adversely influence the suppliers in terms of price. It is therefore recommended that the operation of the bridge is maintained in its current arrangement and considered as a separate commission at a later date. .

The Five Options

Option 2	**Single provider Contractor with improved reactive service incentivisation for works contract** **Single provider for design services with LCC design function externalised** **Separate works contract for Traffic Signals**

The fundamental difference of this option is to outsource the design element of the service to an external provider. The market is able to contend with all aspects of LCC's in house service but this option considered the traditional design service and was therefore restricted to Technical Services Partnership (TSP) and Operational Asset Management (OAM). If this option was selected it would result in approximately 100 FTEs moving from LCC to the provider.

The positive element of this approach would be that the design service is fully contained within the same organisation that can attract and deliver works on a national level combining best practice from a variety of sources.

The negative element of this approach is that LCC loses a major element of the potential for the intelligent client to make whole life cost considerations in relation to the asset that is being constructed. Outsourcing this element may also result in a higher percentage of design being completed outside of Lincolnshire that will gradually result in a loss of engineering skill in the region that will negatively impact the local economy.

Option 4	**Works contract split down into multiple providers (reactive service, schemes and cyclical)** **Design service top up widened to broader highway service** **Separate contract for Traffic Signals**

The fundamental difference in this option is to break up the current HWTC into specialisms such as cyclic maintenance, reactive service and surface treatments with the winter service delivered either within one of the contracts or delivered across them all.

The positive element of this approach is that the service (if won by local contractors) may result in corporate overhead expenditure that is more likely to be located within Lincolnshire and have a positive impact on the local economy. It is also anticipated that the direct cost relating to that discrete service area may drop as there is no additional main provider fee placed on top.

The negative element of this approach is that it would move the administration of these contracts back in house requiring additional resource. Risks and overlaps in service would sit with the client and the service would lose resilience as the potential to retain operatives

carrying out multiple disciplines would be lost. The winter service staffing pool would also be significantly reduced and split across various parties. This would result in a more expensive winter service or force LCC to implement a major change in winter service provision. The local supply market would also require time to develop the capacity to undertake the scale of LCCs operation.

Option 1	**Single provider contractor for works contract to remain as is** **Design service top up for current LCC in house design function to remain as is** **Separate contract for Traffic Signals to remain as is**

This option assumes that the current arrangement is maintained with only minor updates to accommodate changes in law and recommended best practice.

The positive element of this approach is that the model has enabled Lincolnshire to successfully deliver works and services for the duration of the contract. The delivery model has been in place since 2010 and is understood by the stakeholders involved. The model has assisted LCC to achieve and maintain Level 3 status Incentive funding from the DfT and suits the recent FOM restructure that was carried out on the internal Highway Service in February 2017. The cost to implement and mobilise this option would be low in comparison to all other options.

The negative element of this approach is that the current reactive service contractual mechanisms don't fully incentivise and enable the provider to deliver best value. The current design service is not able to effectively evidence the potential savings which should be achieved through the appropriate management of design risk provided by the In-house capability.

Option 17	**Single provider contractor with improved reactive service incentivisation for Works contract** **Design service top up widened to broader highway service** **Separate works contract for Traffic Signals**

The fundamental difference with this option is to develop on the current model by implementing further best practice and improving areas of weakness. The model specifically targets incentivising the reactive service and widening the design services top up arrangement to offer provision for the broader highway service.

The positive element of this approach is that it develops on a successful model and looks to improve elements from a known position. The model fits with the majority of providers within the market and should be viewed attractively due to its size and evolved position. Incentivising the reactive service contractually by creating specific performance measures and linking the service area to output improvement targets will improve on the area of weakness identified in the current model. The design top up arrangement would be widened to offer the possibility of providing the broader range of highway services with a more robust design review process to challenge the design option process whilst capturing realised benefits.

The negative element of this approach is that the reactive service incentivisation could lead to a drop in service quality if the mechanisms used are not robust. This element would need to be monitored and reviewed with the provider throughout the life of the contract to ensure this does not occur.

Option 13	**Single provider contractor with reactive service brought in house Design service top up widened to broader highway service. Separate works contract for Traffic Signals**

The fundamental difference in this approach is to bring the reactive service in house. If this option was selected it would create the demand for approximately 75FTEs within LCC which would initially be offered to the employees carrying out this role on the provider side.

The positive element of this approach is that it would enable LCC to deliver a combined service in response to fault identification and fault rectification of the asset. Delivering these elements of service in house would give full control to LCC to manage this process.

The negative element of this approach is that the skills to deliver this service are no longer contained within the authority and the reduced volume of work split between two parties reduces opportunity for efficiency. Splitting the works element of the service would confuse the winter service provision as the staffing pool would be split between the client and provider. A study has been carried out to calculate the anticipated financial impact this change would have on LCC. The net cost of this transfer is likely to result in an increase in service cost of approximately £380,000 per annum.

8.4. Option Recommendation

The criteria selected to differentiate between the remaining options were a combination of those recommended within the HMEP Options Appraisal toolkit and additional criteria selected by the Project Team. The criteria selected were:

Enhance the Local Economy – 14.29%
Deliver VfM – 14.29%
Complexity in delivering option (Project) – 3.57%
Complexity and capacity to manage the contract (Ongoing) – 7.14%
Enhance authority's access to capability & capacity – 7.14%
Supports Innovation and Continuous Improvement – 7.14%
Contribution to Corporate Strategic Plan Outcomes – 14.29%
Resilience (ability to react to uncertainty) – 10.71%
Retention of intelligent client and probity – 14.29%
Provider readiness and sector success stories – 7.14%

During the Evaluate Options stage the Project Team weighted each of the assessment criteria. The final weightings were agreed with members at the final Member workshop.

The evaluation identified the following preferred option:

Option 17	**Single provider contractor with improved reactive service incentivisation for works contract Design service top up widened to broader highway service Separate works contract for Traffic Signals**	**SCORE 101**

The remaining options scored:

Option 2: SCORE 60
Option 4: SCORE 69
Option 1: SCORE 93
Option 13: SCORE 78

A copy of the completed Evaluate Options Scoring Matrix can be found within Appendix C. The assessment reasoning for each of the scores can be found attached in Appendix D.

8.5. Options Summary

The recommended option following the Options Appraisal stage is to proceed with a developed iteration of the existing model with some notable changes in relation to the reactive service and a broader design (and other professional services) top up arrangement. The base contract will be the recently released NEC (NEC4) with incentive mechanisms that are performance related and encourage collaboration between parties. Particular areas for improvement include:

Reactive Service (quality and productivity)
Enhancing the client consultant dynamic within design services
Winter Maintenance
Cyclical works
Customer digital engagement
Engagement with local supply chain
Social Value
Value for Money assessment for Client and Provider functions

The reason to proceed with this model is that it improves on the existing model through a knowledge capture exercise from the current arrangement and offers the opportunity for ongoing improvement.

The risks involved with moving to an alternative model at this stage were not offset by the challenges that the existing model faces. Lessons learnt, soft market testing and local authority benchmarking confirmed that the model is the correct solution for LCC. Implementing these improvements, together with the continued implementation of the Future Operating Model, will enable Lincolnshire to continue to be a leading authority in the Highways sector.

Following agreement of the selected option, work begins to detail the procurement route and prepare contract documents, incentivisation schedules and specifications to enable contract award in October 2019 with service commencement in April 2020.

9. Recommended Option

9.1. Strategic Risks

A qualitative risk assessment has been carried for the Highways 2020 project that scored each of the risk sources that may impact the project. Each of the potential risks was ranked in terms of degree of impact and the probability of occurrence. Mitigation measures were considered and re-analysed to reduce risks where possible. The strategic risks that remain for the Highways 2020 project are contained within the following table:

Number	Source (Lack of/failure to...)	Consequences	Impact	Probability	Score	Status	Comments
1	Change in market conditions from previous tender	Potential jump in Prices compared to current provider Reduced competition for TSC / Professional services. Lower number of interested parties.	Major	Almost Certain	12	Active	Engage in soft market testing to ensure maximum level of competition. Fully understand contractual obligations and ownership of risk. Ensure stakeholders are aware of potential rise in Prices.
15	Future Operating Model structures / benefits not embedded	Poor efficiency and value for money from internal staff. Poor efficiency and value for money from private sector partners. Ineffective spending decisions Reputation damage	Major	Probable	9	Active	Value for money exercise undertaken for each function. Function specification defined. Senior Management commitment. Transition period for new functions.
2	Failure to ensure continued service delivery during contract switchover with or without change in service provider	Lack of continuity of service Increased costs - claims Lack of motivation of existing contractor Reputation	Major	Possible	6	Active	Project Plan TUPE transfer (if applicable) Ensure contract mobilisation remains at 6 months
11	Withdrawal of major partner at preferred bidder stage	Delay Failure to deliver service Loss of resource	Major	Possible	6	Active	Comprehensive use of Pre-qualification data in shortlist process. Maintain existing contracts through the process.

9.2. Dependencies

See section 4.6

9.3. Detailed Costs, Funding and Benefits

Work Activities	Timescale	Anticipated cost
Project Manager	Assume two thirds of Project Manager time is spent on Highways 2020 project for duration of project. 3.5 Yrs.	£123,000
Project Officer	Assume half of Project Officer time is spent on Highways 2020 project for duration of project. 3.5 Yrs.	£58,000
Internal staffing resource for document preparation and evaluation	7 working groups to draft contractual documentation and specification. Work to be completed in addition to daily activities. Approximately 800hrs for document preparation and 200hrs for evaluation.	£40,000 – This will not be seen as a direct cost to the project but is included within the business case as it will impact the output of the service.
External Professional advice (Legal/commercial)	4 month document drafting. Ad hoc advice.	£25,000
Redundancy costs related to recommended option	None	£0
NEC4 print licence, training, support, meeting venues.	Required as and when throughout project	£10,000
Total		**£256,000**

9.4. Procurement Route Option

The expectation is for the initial Official Journal of the European Union (OJEU) Notice to be issued in April 2018 under the Competitive Procedure with Negotiation route. During local authority visits and soft market testing evidence has been produced to suggest that savings of around 5% can be achieved from initial tender pricing. Early engagement and dialogue with contractors allows a better understanding of risk position from all parties.

Pre-qualification in May 2018 with invitations to tender issued in October 2018. The project is planning to have a mobilisation period of 6 months prior to the contract go live date of the 1st April 2020. Further detail can be found in section 10.

9.5. Availability of Resources

- Project Sponsor – Paul Rusted
- Project Manager – Jonathan Evans
- Project Officer – Vincent Van Doninck
- Project Board –
    - Richard Wills
    - Andy Gutherson
    - Steve Willis
    - Paul Rusted
    - Jonathan Evans
    - Councillor Richard Davies
- Councillor Panel –
    - Councillor Richard Davies
    - Councillor Michael Brookes
    - Councillor Clio Perraton-Williams
    - Councillor Chris Brewis
    - Councillor Stephen Roe
- Project Team
    - Paul Rusted
    - Jonathan Evans
    - Tom Gifford
    - Shaun Butcher
    - Mike Coates
    - Nicola Casburn
    - Vincent Van Doninck
    - John Monk
    - Dave Walton
    - Mike Nicholls / Tim Clark
- Advice
    - Procurement – Alex Botten
    - Legal – Sieglinde Erwee
    - HR – Elizabeth Hipworth
    - Audit – Rachel Abbott
- External resource
    - As appropriate

A Project Manager has been appointed to lead the Highways 2020 project with assistance from a Project Officer. A Project Board and Project Team have been identified and are meeting regularly. Internal staffing is currently being identified for the next phase of work and will commence once the preferred option is approved. External Professional resource has been identified and is ready to commence work once the preferred option is approved.

9.6. Impact Assessment

A Change Impact Assessment has been carried out. The assessment concluded that for the recommended option the Impact is low in comparison to the alternative options. The major areas of change and improvement will be subject to further Impact Assessments as the improvements are implemented.

Equality Impact Analysis (EIA) has been carried out on the recommended option. The results of the analysis are as follows:

Positive Impacts:
It is anticipated that the recommended option will encourage apprentice schemes within the provider contracts. This will be monitored through contractual performance indicators and commitments made by the providers during the procurement process.

Negative Impacts:
No perceived adverse Impacts

The EIA will be continually monitored throughout the process. A copy of the EIA is included within Appendix E.

10. Key Milestones

Outline Plan			
Activity/Milestone	**Start Date**	**End Date**	**Output/Deliverable**
Options Appraisal		05/12/2017	Decision on the preferred option
Market Engagement	01/03/2017	04/06/2018	
Decision on type of Contract	01/03/2017	05/12/2017	
Production of Contract Documents	06/12/2017	04/06/2018	
Tender period PQQ	04/06/2018	14/09/2018	
Tender Period ITT	02/10/2018	20/05/2019	
Contract Award		15/10/2019	
Mobilisation	16/10/2019	31/03/2019	
Commence Contract		01/04/2020	

APPENDIX A
Options Heat Map Scoring Matrix

Refresh Data

Option Family	#	Option Name	Political Preference	HMEP Prioritisation (Alliance Workshop)	Within Identified Constraints	Attractiveness Analysis (VfM)							Achievability Analysis										Position Analysis	
						Economy	Efficiency	Effectiveness	Strategic Value	Stakeholder Value	Total	Weight-Adjusted Score	Complexity (Inherent Risk)	Capability & Capacity	Affordability	Authority Readiness	Provider Readiness	Sector Success Stories	Governance & Reporting	Partner Management	Cultural Alignment	Total	Weight-Adjusted Score	Attractiveness & Achievability	Rank
Single Provider	1	Contractor	Tier 1	Tier 1	Yes	100	100	100	100	66	93	93	100	100	100	100	100	100	100	100	66	96	96	94.5	1
	2	Designer	Tier 2	Tier 1	Yes	66	100	66	100	66	80	80	66	100	66	100	100	100	100	100	66	89	89	84.5	3
	3	Contractor + Designer	Dismissed	Tier 1	Yes	100	100	66	100	66	86	86	66	100	66	100	100	33	100	100	66	81	81	83.5	4
Multiple Providers	4	Multiple Providers Per Service Area	Tier 1	Tier 3	Partially	100	66	66	66	66	73	71	66	100	66	66	100	33	66	66	66	70	70	70.6	6
	5	Function-Orientated Service Providers	Tier 1	Tier 3	Partially	66	33	33	66	33	46	45	33	100	33	66	100	33	66	66	66	63	63	53.9	16
Framework	6	4-Year Framework Agreement	Dismissed	Tier 3	No	66	33	33	33	33	40	38	100	100	66	66	100	33	100	66	66	77	77	57.8	14
JV	7	Company Limited by Guarantee (CLG)	Tier 3	Tier 2	Unknown	100	100	66	66	66	80	79	33	66	66	33	33	33	33	100	33	48	48	63.2	13
	8	Limited Partnership (LP)	Tier 3	Tier 2	Unknown	100	100	66	66	66	80	79	33	66	66	33	66	33	33	100	33	51	51	65.0	11
	9	Limited Liability Partnership (LLP)	Tier 3	Tier 2	Unknown	100	100	66	66	66	80	79	33	66	66	33	66	33	33	100	33	51	51	65.0	11
	10	Commissioned Partner (Profits Sharing)	Tier 2	Tier 2	Unknown	100	100	66	66	66	80	79	66	100	66	33	66	33	33	100	33	59	59	68.7	8
Teckal	11	Arms-Length Company	Tier 3	Tier 1	Unknown	100	100	66	100	66	86	86	66	66	66	33		66	66	66	66	62	55	70.3	7
Private Finance	12	PF2	Dismissed	Tier 1	No	0	100	66	66	66	60	63	33	33	33	33	33	66	33	66	66	44	44	53.4	17
DLO & Top Up	13	MMT + IRV	Tier 1	Tier 2	Yes	66	100	100	66	100	86	87	33	66	33	33	100	66	66	100	100	66	66	76.9	5
	14	Service Level	Tier 3	Tier 2	Yes	33	66	100	66	66	66	68	33	33	33	33	100	66	66	100	100	63	63	65.3	10
	15	Function Level	Tier 3	Tier 2	Yes	66	66	100	66	66	73	73	33	33	33	33	100	66	66	100	100	63	63	67.9	9
	16	All	Tier 3	Tier 2	Partially	33	66	100	66	66	66	68	33	33	33	33		66	66		100	52	40	54.2	15
In House + Top Up	17	Primary Design + Add On	Tier 1	Tier 1	Yes	100	66	100	100	100	93	93	100	100	100	100	100	100	100	66	100	96	96	94.5	1
		Factor Importance				75	100	100	100	100			100	100	100	100	100	100	100	100	100				
		Factor Score				76	82	74	74	66	53	53	55	74	58	55	84	56	66	87	68	47	46		

Key: Anticipated Performance	
	Not Applicable (In This Context)
0	Critical Issue / Barrier to Implementation
33	Poorer Than Current Performance
66	Unknown or Parity (At Best) Performance
100	Parity Or Better Than Current Performance

APPENDIX B
Traffic Signals Evaluate Options

Option	Contract Configurations				Assessment Criteria			Position Analysis		
	TS Maintenance	TS Improvements Signals Equipment	TS Improvements Civils	TS Design	Advantages	Disadvantages	Practicalities	Support to a resilient traffic signal service	Support to Overall Highway Objectives	Rank
A Existing	Signals Contractor	Signals Contractor	Highways Contractor	In house Design plus support from Design Consultant	Single Contact point for all signals works. Uses expertise of Highways Contractor for Civils. Ability to use Design Consultancy to cover workload peaks and troughs.	TS improvements programme heavily reliant on Highways contractor. Maintaining an In-house design function will become increasingly difficult due to ageing team and lack of new entrants with the necessary skills and knowledge.	Has worked successfully over the period of the current contract. Need to ensure key staff continuity within next contract.	Medium	High	1
B Alternative	Signals Contractor	Signals Contractor	Signals Contractor	In house Design plus support from Design Consultant	Single contact point for all signals site activity. More control over the programme	Due to the scale of larger signal improvement schemes there would be a risk that work would be sub-contracted in multiple ways.	Market testing shows that the work profile does not fit the scope of available Traffic Signal Contractors. Contract likely to be led by a civils contractor sub- contracting the signals work.	Low	Medium	2
C Alternative	Signals Contractor	Signals Contractor	Signals Contractor	Signals Contractor	Single point of contact for all signals activity. Good control over all resources.	Loss of client control and in-house signals expertise.	Much of the signals service outsourced and work likely to be sub-contracted by lead contractor. Loss of control over the service.	Low	Medium	2
D Alternative	Highways Contractor	Highways Contractor	Highways Contractor	In house Design plus support from Design Consultant	Allows the main highways contractor to organise and co-ordinate maintenance and improvement works.	Lack of control over procurement, operations, improvements and programmes of works.	Increased complexity of traffic signal equipment leading to maintenance difficulties and increased maintenance costs through sub contracting of service.	Low	Medium	2
E Alternative	Street Lighting Contractor	Signals Contractor	Highways Contractor	In house Design plus support from Design Consultant	Opportunity to share depot and contract administration.	Limited opportunities to share maintenance staff due to street lighting and traffic signals being distinct specialist operations requiring specialist knowledge. Difficult to manage dispersed signals operations.	Increased complexity of traffic signal equipment leading to maintenance difficulties and increased maintenance costs through sub contracting of service.	Low	Low	3
F Alternative	Street Lighting Contractor	Street Lighting Contractor	Highways Contractor	In house Design plus support from Design Consultant	All site highway related electrical operations managed under one contract.	Traffic signals operations highly likely to be sub-contracted. Loss of control over operations.	Increased complexity of traffic signal equipment leading to maintenance difficulties and increased maintenance costs through sub contracting of service.	Low	Low	3

APPENDIX C
Evaluate Options Scoring Matrix

Delivery model options under review		Assessment Criteria										Position Analysis	
Model Description		Enhance the Local Economy	Deliver Value for Money	Complexity in delivering option (Project)	Complexity and capacity to manage the contracts (Ongoing)	Enhance authority's access to capability & capacity	Supports Innovation and Continuous Improvement	Contribution to Corporate Strategic Plan Outcomes	Resilience (ability to react to uncertainty)	Retention of intelligent client and probity	Provider readiness and sector success stories	Total	Rank
Single Provider Contractor with improved MMT/IRV incentivistaion for works contract. Single provider for design services (TSP and OAM) externalised. Separate works contract for Traffic Signals.	Options 2	2	2	2	2	3	2	4	2	1	1	60	5
Works contract split down into multiple providers (Reactive service, Schemes and cyclical). Design service top up for TSP. Separate contract for Traffic Signals.	Option 4	3	2	3	1	3	2	4	2	2	2	69	4
Single provider contractor for works contract. Design service top up for TSP. Separate contract for Traffic Signals.	Option 1	3	3	4	3	3	3	4	3	4	3	93	2
Single Provider Contractor with improved MMT/IRV incentivisation for Works contract. Design service top up widened from TSP to Highway Service. Separate works contract for Traffic Signals.	Option 17	3	4	4	4	3	4	4	3	4	3	101	1
Single Provider Contractor with MMT/IRV brought in house. Design service top up widened for TSP and OAM. Separate works contract for Traffic Signals.	Option 13	3	2	1	1	3	3	4	3	4	1	78	3
Factor Weighting Score		4	4	1	2	2	2	4	3	4	2		
Score Criteria		0 - Not at all/Partially only 1 - In some respects 2 - In most respects 3 - In all but minor respects 4 - In all respects											

APPENDIX D
Evaluate Options Scoring Matrix Discussion

Assessment Criteria	Option 2	Single provider Contractor with improved reactive service incentivisation for works contract Single provider for design services with LCC design function externalised Separate works contract for Traffic Signals
Promote the Local Economy		Outsourcing the design element is likely to lead to more design being carried out away from Lincolnshire. The successful provider will look to use their current design offices and may even choose to use overseas design. As a result of this local spend is likely to drop.
Deliver Value for Money		Outsourcing design may lead to the designer taking a risk averse approach to design that doesn't take into account the whole life cost of the design. Rates of internal design engineers are cheaper than external staff (Including pension costs) but it is acknowledged that this will fluctuate over time. LCC will have less control over the service, member contact will be reduced. Loss of local knowledge that is important on smaller schemes. Pension costs may reduce over time.
Complexity in Delivering Option		Major staff transfer of up to 100 FTEs to the provider. This would be a major change following the recently introduced FOM. Making this step at this moment in time would not enable the current model to be tested and embedded.
Complexity and capacity to manage the contracts (Ongoing)		Outsourcing the design element would need carefully defined project briefs that were not subject to change. Change control may become more complex, especially for maintenance works. Increased administration would likely be required. The rest of the service would be similar to the current service.
Enhance Authority's Capability and Capacity		Access to capability and capacity remains the same as the design/works provider is still available. Additional resource could be brought in as and when required.
Support Innovation and Continuous Improvement		Outsourcing the design element could result in a reduction in innovation over the time as there is a lack of challenge from a single party. Having two organisations provides challenge and enables continuous improvement. Innovation may drop when considering whole life cost solutions as the driver could be to deliver risk averse design. National provider does however work with various authorities and is able to bring examples of what works elsewhere.
Contribution to Corporate Strategic Plan Outcomes		All commissioning outcomes at their broad level would be delivered with this option as it would provide a mechanism to deliver works and or services through either a provider or an in house service.
Resilience (ability to react to uncertainty)		A reduction of 100FTEs from LCC will lose resilience and the capacity to deal with emergencies. Grouping the majority of works within one contract enables the service provider to provide resilience on behalf of LCC. Maintaining this volume of work will allow the winter service to be provided from one provider.
Retention of intelligent client and probity		Loosing 100FTEs from LCC would be a major reduction in the intelligent client function. Once outsourced the staff may choose to stay with their current provider and be lost. A smaller commissioning function would be left in house that may struggle to retain good officers and may not attract junior staff with the correct skillset moving forward. Maintaining the manager role in house enables the service to develop skills and retained knowledge from experience from previous contracts.
Provider readiness and sector success stories		Outsourced design and works contracts have initially worked in some cases but over time the Local Authority staff are diluted and the culture of the organisation isn't delivered in the same way. Margins and profits on initial design will outweigh the ongoing maintenance costs. A small retained client will lose experience and struggle to recruit staff that have experienced design and will be less informed and able to challenge as a result.

APPENDIX D
Evaluate Options Scoring Matrix Discussion

Assessment Criteria	Option 4	Works contract split down into multiple providers (reactive service, schemes and cyclical) Design service top up widened to broader highway service Separate contract for Traffic Signals
Promote the Local Economy		Administration and back office functions will be split up across multiple providers and therefore (depending if the successful contractors are based in Lincolnshire) may be delivered locally compared to a national provider. Due to EU regulations the tender will be open to all contractors and some that are not area tied may be successful within the tender process and may not be based in Lincolnshire. Not outsourcing the design element is likely to mean that officers will remain in Lincolnshire.
Deliver Value for Money		Increased administration on LCC side to facilitate contracts. Risk of service overlaps or gaps. Potentially improved prices on individual contracts (Less Fee on Fee) but it is likely that the cost to deliver the Winter service will increase.
Complexity in Delivering Option		Additional contracts required with new set of procurement documents for each new service area split. Possible to have gaps or overlaps in service and would need to re-consider the Winter service provision.
Complexity and capacity to manage the contracts (Ongoing)		Introducing more providers will increase the complexity of the service area. Introducing additional parties is likely to reduce the opportunity for a joined up approach. LCC capacity would need to be increased to deal with additional contracts and interfaces.
Enhance Authority's Capability and Capacity		Access to capability and capacity remains the same as the design/works provider is still available. Additional resource could be brought in as and when required.
Support Innovation and Continuous Improvement		Easier to deliver change within a smaller organisation but loss of the national picture of working with other local authorities.
Contribution to Corporate Strategic Plan Outcomes		All commissioning outcomes at their broad level would be delivered with this option as it would provide a mechanism to deliver works and or services through either a provider or an in house service.
Resilience (ability to react to uncertainty)		Splitting up the existing works provider would reduce LCC's resilience for each service area. LCC would have a reduction of dedicated provider staff that would be working on the LCC contract as the ability for provider to move gangs between different work types. Retaining the 100FTE LCC officers will enable LCC to react to major events as and when required.
Retention of intelligent client and probity		Keeping the 100FTEs in house on the design element will enable LCC to remain an intelligent client. Splitting up the works contract to multiple contracts will reduce the opportunity to retain staff as they will be more likely to work for other providers. The client would be more likely to become stretched and result in a distracted management. Maintaining the designer and service manager role in house enables the service to develop skills and retained knowledge from experience from previous contracts.
Provider readiness and sector success stories		There are a reduced number of examples of this contract arrangement in the market. The consultation with the major suppliers to date would suggest that this isn't the correct approach for them but a second tier of contractor is available to take this on. Dealing directly with traditionally sub-contractors would result in a different service and may result in cultural differences between parties. In theory this approach doesn't incentivise efficiencies of combining work types as the smaller service areas would concentrate on their own works only.

APPENDIX D
Evaluate Options Scoring Matrix Discussion

Assessment Criteria	Option 1	Single provider contractor for works contract to remain as is Design service top up for current LCC in house design function to remain as is Separate contract for Traffic Signals to remain as is
Promote the Local Economy	As the majority of service work is based in Lincolnshire the contracts are split down to local providers. As with Option 4 the EU procurement regulations open up the market and therefore it can't be guaranteed that the contractors will be based in Lincolnshire. Not outsourcing the design element is likely to mean that officers will remain in Lincolnshire.	
Deliver Value for Money	Volume of work enables efficiencies to be made on the provider side. Combined works contract enables the Winter service staffing to be delivered from one provider. Benchmarking suggests that this is the most efficient mechanism to deliver the works element of the service. Designers kept in house are able to make whole life cost considerations.	
Complexity in Delivering Option	The complexity to deliver this option is low as it is the current solution in place.	
Complexity and capacity to manage the contracts (Ongoing)	LCC is experienced with the current structure and changing this could be seen as a risk. The resources to deliver this are currently in place.	
Enhance Authority's Capability and Capacity	Access to capability and capacity remains the same as the design/works provider is still available. Additional resource could be brought in as and when required.	
Support Innovation and Continuous Improvement	Grouping the majority of Highway works together makes synergies between service areas potential. Having enough value within the contract enables the provider to invest to make savings.	
Contribution to Corporate Strategic Plan Outcomes	All commissioning outcomes at their broad level would be delivered with this option as it would provide a mechanism to deliver works and or services through either a provider or an in house service.	
Resilience (ability to react to uncertainty)	Combing the majority of the works within one provider enables them to draw upon larger retained workforces that are dedicated to the LCC contract. Gangs can be retained and moved between work types in different work types. Retaining the 100FTE LCC officers will enable LCC to react to major events as and when required.	
Retention of intelligent client and probity	Maintaining the designer and service manager role in house enables the service to develop skills and retained knowledge from experience from previous contracts. Retaining the 100FTE LCC officers keeps the knowledge and experience in house. Decisions will be driven on a broader set of objectives compared to if the resource was outsourced.	
Provider readiness and sector success stories	The majority of the main providers in the market are set up to deliver works of this type. The size of the contract enables investment and introduces the ability to make more savings through creating LEAN environments. Having a main single works providers reduces the interfaces between LCC and the main provider. Keeping the majority of the design service in house enables officers to challenge the provider.	

APPENDIX D
Evaluate Options Scoring Matrix Discussion

Assessment Criteria	Option 17	Single provider contractor with improved reactive service incentivisation for Works contract Design service top up widened to broader highway service Separate works contract for Traffic Signals
Promote the Local Economy	As the majority of service work is based in Lincolnshire the contracts are split down to local providers. As with Option 4 the EU procurement regulations open up the market and therefore it can't be guaranteed that the contractors will be based in Lincolnshire. Not outsourcing the design element is likely to mean that officers will remain in Lincolnshire.	
Deliver Value for Money	Volume of work enables efficiencies to be made on the provider side. Combined works contract enables the Winter service staffing to be delivered from one provider. Benchmarking suggests that this is the most efficient mechanism to deliver the works element of the service. Designers kept in house are able to make whole life cost considerations. Improvements made to the reactive service are likely to result in increased gang performance and delivery on the ground. Widening the top up arrangement will enable OAM to deal with peaks and troughs in funding without over committing to long term staffing.	
Complexity in Delivering Option	The complexity to deliver this option is low as it is the current solution in place.	
Complexity and capacity to manage the contracts (Ongoing)	Following the introduction of the FOM, LCC are able to approach the delivery of works in a standardised approach and the contract documentation in these areas will be adjusted with this knowledge.	
Enhance Authority's Capability and Capacity	Access to capability and capacity remains the same as the design/works provider is still available. Additional resource could be brought in as and when required.	
Support Innovation and Continuous Improvement	Grouping the majority of Highway works together makes synergies between service areas potential. Having enough value within the contract enables the provider to invest to make savings. Innovation will be possible and continuous improvement will be delivered as we have been through a learning cycle within the contract to date.	
Contribution to Corporate Strategic Plan Outcomes	All commissioning outcomes at their broad level would be delivered with this option as it would provide a mechanism to deliver works and or services through either a provider or an in house service.	
Resilience (ability to react to uncertainty)	Combing the majority of the works within one provider enables them to draw upon larger retained workforces that are dedicated to the LCC contract. Gangs can be retained and moved between work types in different work types. Retaining the 100FTE LCC officers will enable LCC to react to major events as and when required.	
Retention of intelligent client and probity	Maintaining the designer and service manager role in house enables the service to develop skills and retained knowledge from experience from previous contracts. Retaining the 100FTE LCC officers keeps the knowledge and experience in house. Decisions will be driven on a broader set of objectives compared to if the resource was outsourced.	
Provider readiness and sector success stories	The majority of the main providers in the market are set up to deliver works of this type. The size of the contract enables investment and introduces the ability to make more savings through creating LEAN environments. Having a main single works providers reduces the interfaces between LCC and the main provider. Keeping the majority of the design service in house enables officers to challenge the provider.	

Assessment Criteria	Option 13	Single provider contractor with reactive service brought in house Design service top up widened to broader highway service. Separate works contract for Traffic Signals
Promote the Local Economy	Bringing in the Reactive service isn't likely to result in any change to the Local Economy as this service area is area based. There is no anticipated difference between the Provider or Client retaining this element. Not outsourcing the design element is likely to mean that officers will remain in Lincolnshire.	
Deliver Value for Money	Reduced volume of work reduces the ability for efficiencies to be made on the provider side. Bringing the reactive service in house confuses the Winter service provision and may lead to gaps in service provision when required. A study has been carried to calculate the anticipated cost of bringing the reactive service in house. The net cost of this is likely to result in an increase in service cost of approximately £380,000. LCC no longer skilled to manage this resource. Designers kept in house are able to make whole life cost considerations. Widening the top up arrangement will enable OAM to deal with peaks and troughs in funding without over committing to long term staffing.	
Complexity in Delivering Option	Whilst the contract documentation would be manageable and similar to option 4, bringing in approximately 75 FTEs from the provider would be complex. A new management structure would need creating and provider staff would need to be brought into LCC. GLEA system and JE criteria would be offered requiring additional resource and time on LCC.	
Complexity and capacity to manage the contracts (Ongoing)	Majority of blue collar management skills lost within the current organisation. Staff from existing provider would likely TUPE across to LCC although senior management would not. Complex HR and Job evaluation grading to be carried out as officers move from existing terms and conditions to LCC posts.	
Enhance Authority's Capability and Capacity	Access to capability and capacity remains the same as the design/works provider is still available. Additional resource could be brought in as and when required.	
Support Innovation and Continuous Improvement	Taking the reactive service away from the main contract will limit the ability to makes synergies between service areas. Having enough value within the contract enables the provider to invest to make savings. Innovation will be possible and continuous improvement will be delivered as we have been through a learning cycle within the contract to date. This element will be reduced for the reactive service as it will likely remain static during the transition. Innovation and continuous improvement at a later date remains unknown but we would lose the skills a national provider can deliver.	
Contribution to Corporate Strategic Plan Outcomes	All commissioning outcomes at their broad level would be delivered with this option as it would provide a mechanism to deliver works and or services through either a provider or an in house service.	
Resilience (ability to react to uncertainty)	Splitting up the works service restricts the ability to draw upon larger retained workforces that are dedicated to the LCC contract. Harder to move gangs between work types. Increased capacity to react quickly as an additional 75FTEs would be working for LCC. They could react directly to LCC instruction across all service areas. Taking the reactive service in house creates a confused Winter service provision as staffing would be delivered from two parties and gaps in provision may appear. Retaining the 100FTE LCC officers will enable LCC to react to major events as and when required.	

Retention of intelligent client and probity	Maintaining the designer and service manager role in house enables the service to develop skills and retained knowledge from experience from previous contracts. Retaining the 100FTE LCC officers keeps the knowledge and experience in house. Decisions will be driven on a broader set of objectives compared to if the resource was outsourced.
Provider readiness and sector success stories	Splitting the reactive service from the remaining works contract introduces difficulties in terms of depots, winter service and ability to combine elements of the service. Taking this element of the service out of the contract would reduce the appeal to the market. Few examples of this arrangement are currently being delivered in the market. There are more examples of fully in-house works than a hybrid model.

APPENDIX E
Equality Impact Analysis

Equality Impact Analysis to enable informed decisions

The purpose of this document is to:-

I. help decision makers fulfil their duties under the Equality Act 2010 and
II. for you to evidence the positive and adverse impacts of the proposed change on people with protected characteristics and ways to mitigate or eliminate any adverse impacts.

Using this form

This form must be updated and reviewed as your evidence on a proposal for a project/service change/policy/commissioning of a service or decommissioning of a service evolves taking into account any consultation feedback, significant changes to the proposals and data to support impacts of proposed changes. The key findings of the most up to date version of the Equality Impact Analysis must be explained in the report to the decision maker and the Equality Impact Analysis must be attached to the decision making report.

****Please make sure you read the information below so that you understand what is required under the Equality Act 2010****

Equality Act 2010

The Equality Act 2010 applies to both our workforce and our customers. Under the Equality Act 2010, decision makers are under a personal duty, to have due (that is proportionate) regard to the need to protect and promote the interests of persons with protected characteristics.

Protected characteristics

The protected characteristics under the Act are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

Section 149 of the Equality Act 2010

Section 149 requires a public authority to have due regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by/or under the Act
- Advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share those characteristics
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

APPENDIX E
Equality Impact Analysis

The purpose of Section 149 is to get decision makers to consider the impact their decisions may or will have on those with protected characteristics and by evidencing the impacts on people with protected characteristics decision makers should be able to demonstrate 'due regard'.

Decision makers duty under the Act
Having had careful regard to the Equality Impact Analysis, and also the consultation responses, decision makers are under a personal duty to have due regard to the need to protect and promote the interests of persons with protected characteristics (see above) and to:-

(i) consider and analyse how the decision is likely to affect those with protected characteristics, in practical terms,
(ii) remove any unlawful discrimination, harassment, victimisation and other prohibited conduct,
(iii) consider whether practical steps should be taken to mitigate or avoid any adverse consequences that the decision is likely to have, for persons with protected characteristics and, indeed, to consider whether the decision should not be taken at all, in the interests of persons with protected characteristics,
(iv) consider whether steps should be taken to advance equality, foster good relations and generally promote the interests of persons with protected characteristics, either by varying the recommended decision or by taking some other decision.

Conducting an Impact Analysis

The Equality Impact Analysis is a process to identify the impact or likely impact a project, proposed service change, commissioning, decommissioning or policy will have on people with protected characteristics listed above. It should be considered at the beginning of the decision making process.

The Lead Officer responsibility
This is the person writing the report for the decision maker. It is the responsibility of the Lead Officer to make sure that the Equality Impact Analysis is robust and proportionate to the decision being taken.

Summary of findings
You must provide a clear and concise summary of the key findings of this Equality Impact Analysis in the decision making report and attach this Equality Impact Analysis to the report.

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Equality Impact Analysis

Impact – definition

An impact is an intentional or unintentional lasting consequence or significant change to people's lives brought about by an action or series of actions.

How much detail to include?

The Equality Impact Analysis should be proportionate to the impact of proposed change. In deciding this asking simple questions “Who might be affected by this decision?” "Which protected characteristics might be affected?" and “How might they be affected?” will help you consider the extent to which you already have evidence, information and data, and where there are gaps that you will need to explore. Ensure the source and date of any existing data is referenced.

You must consider both obvious and any less obvious impacts. Engaging with people with the protected characteristics will help you to identify less obvious impacts as these groups share their perspectives with you.

A given proposal may have a positive impact on one or more protected characteristics and have an adverse impact on others. You must capture these differences in this form to help decision makers to arrive at a view as to where the balance of advantage or disadvantage lies. If an adverse impact is unavoidable then it must be clearly justified and recorded as such, with an explanation as to why no steps can be taken to avoid the impact. Consequences must be included.

Proposals for more than one option If more than one option is being proposed you must ensure that the Equality Impact Analysis covers all options. Depending on the circumstances, it may be more appropriate to complete an Equality Impact Analysis for each option.

The information you provide in this form must be sufficient to allow the decision maker to fulfil their role as above. You must include the latest version of the Equality Impact Analysis with the report to the decision maker. Please be aware that the information in this form must be able to stand up to legal challenge.

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Background Information

Title of the policy / project / service being considered	Highways 2020	**Person / people completing analysis**	Jonathan Evans/Vincent VanDoninck
Service Area	Infrastructure Commissioning	**Lead Officer**	Jonathan Evans
Who is the decision maker?	Paul Rusted	**How was the Equality Impact Analysis undertaken?**	Discussion between officers involved using guidance on Equality & Diversity.
Date of meeting when decision will be made	18/10/2017	**Version control**	V1.0
Is this proposed change to an existing policy/service/project or is it new?	Existing policy/service/project	**LCC directly delivered, commissioned, re-commissioned or de-commissioned?**	Commissioned
Describe the proposed change	The current Lincolnshire Highways Alliance is due to reach full term on 31st March 2020. A new service delivery mechanism will need to be created and implemented to start on April 1st 2020. The Business Case outlines the replacement options available to the Highway Service and recommends the option that is best suited to LCC for the Highways 2020 project. The recommended option following the Options Appraisal stage is to proceed with a developed iteration of the existing model with some notable changes in relation to the reactive service and a broader design top up arrangement. The reason to proceed with the model is that it improves on the existing model that has been through a learning cycle since it was introduced in 2010.		

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Evidencing the impacts

In this section you will explain the difference that proposed changes are likely to make on people with protected characteristics.
To help you do this first consider the impacts the proposed changes may have on people without protected characteristics before then considering the impacts the proposed changes may have on people with protected characteristics.

You must evidence here who will benefit and how they will benefit. If there are no benefits that you can identify please state 'No perceived benefit' under the relevant protected characteristic. You can add sub categories under the protected characteristics to make clear the impacts. For example under Age you may have considered the impact on 0-5 year olds or people aged 65 and over, under Race you may have considered Eastern European migrants, under Sex you may have considered specific impacts on men.

Data to support impacts of proposed changes

When considering the equality impact of a decision it is important to know who the people are that will be affected by any change.

Population data and the Joint Strategic Needs Assessment

The Lincolnshire Research Observatory (LRO) holds a range of population data by the protected characteristics. This can help put a decision into context. Visit the LRO website and its population theme page by following this link: http://www.research-lincs.org.uk If you cannot find what you are looking for, or need more information, please contact the LRO team. You will also find information about the Joint Strategic Needs Assessment on the LRO website.

Workforce profiles

You can obtain information by many of the protected characteristics for the Council's workforce and comparisons with the labour market on the Council's website. As of 1st April 2015, managers can obtain workforce profile data by the protected characteristics for their specific areas using Agresso.

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Positive impacts

The proposed change may have the following positive impacts on persons with protected characteristics

Age	The Highways 2020 Business Case has identified improvement to social value within the recommended option. It is anticipated that the recommended option will encourage Apprentice schemes within the provider contracts.
Disability	No positive impact.
Gender reassignment	No positive impact.
Marriage and civil partnership	No positive impact.
Pregnancy and maternity	No positive impact.
Race	No positive impact.

Religion or belief	No positive impact.
Sex	No positive impact.
Sexual orientation	No positive impact.

If you have identified positive impacts for other groups not specifically covered by the protected characteristics in the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

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Negative impacts

Negative Impacts of the proposed change and practical steps to mitigate or avoid any adverse consequences on people with protected characteristics are detailed below.

Age	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Disability	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Gender reassignment	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Marriage and civil partnership	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Pregnancy and maternity	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Race	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Religion or belief	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Sex	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.
Sexual orientation	No perceived adverse impact. Highways 2020 Business Case describes in general terms the contractual replacement options available to the highway service and recommends the best option for LCC. Its impacts are neutral between those with a protected characteristic and people who do not share that protected characteristic.

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If you have identified negative impacts for other groups not specifically covered by the protected characteristics under the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

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Stakeholders

Stake holders are people or groups who may be directly affected (primary stakeholders) and indirectly affected (secondary stakeholders)

Stakeholders

You must evidence here who you involved in gathering your evidence about benefits, adverse impacts and practical steps to mitigate or avoid any adverse consequences. You must be confident that any engagement was meaningful. The Community engagement team can help you to do this and you can contact them at consultation@lincolnshire.gov.uk

State clearly what (if any) consultation or engagement activity took place by stating who you involved when compiling this EIA under the protected characteristics. Include organisations you invited and organisations who attended, the date(s) they were involved and method of involvement i.e. Equality Impact Analysis workshop/email/telephone conversation/meeting/consultation. State clearly the objectives of the EIA consultation and findings from the EIA consultation under each of the protected characteristics. If you have not covered any of the protected characteristics please state the reasons why they were not consulted/engaged.

Objective(s) of the EIA consultation/engagement activity
No consultation or engagement activity undertaken outside of the Highways 2020 Project Team

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Who was involved in the EIA consultation/engagement activity? Detail any findings identified by the protected characteristic

Age	None identified.
Disability	None identified.
Gender reassignment	None identified.
Marriage and civil partnership	None identified.
Pregnancy and maternity	None identified.
Race	None identified.

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Religion or belief	None identified.
Sex	None identified.
Sexual orientation	None identified.
Are you confident that everyone who should have been involved in producing this version of the Equality Impact Analysis has been involved in a meaningful way? The purpose is to make sure you have got the perspective of all the protected characteristics.	Yes.
Once the changes have been implemented how will you undertake evaluation of the benefits and how effective the actions to reduce adverse impacts have been?	The benefits will be monitored through the contractual performance indicators and commitments made by providers during the procurement process

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Further Details	
	If yes, please give details.

Actions required Include any actions identified in this analysis for on-going monitoring of impacts.	Action	Lead officer	Timescale
	Regular Review	Jonathan Evans	Continual Monitoring.
Signed off by	Paul Rusted	**Date**	12/10/2017

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