

Appendix A - Options comparison table summary

Ambition of this project is to develop the optimum model to deliver the following outcomes;

- Deliver our statutory duties
- Provide robust, professional, efficient and effective services.
- Deliver best value with the resources available and work towards a financially resilient future.
- Embrace new and emerging technology and make the best use of available data and information.
- Partnerships, both internal and external, which enhance skills, learning and employment opportunities.
- Engage with, empower where appropriate and endeavour to meet the needs of our communities.
- Work with partners to deliver the best outcomes.
- A transport network that promotes active, accessible and low carbon travel and supports the growth agenda.
- Develop a service that is understanding of social value and actively participates in the delivery of the benefits that it provides.
- Ensure we meet the transport decarbonisation agenda to support the Council's objective to become a carbon neutral council and area by 2030

| | Option1: Single provider | Option 2: NSEC for cyclical and reactive maintenance, DPS/Framework for remainder of the service |
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| Estimated Cost of option to NSC over contract term | £83m | £76m |
| Market appetite | <p>The local authority highways sector is still an attractive market for the private sector, however providers are being increasingly selective as to which contracts they bid for</p> <p>Our research has shown that a number of Tier 1 contractors may not bid due to relative size of the contract, geographical location, and other opportunities in the market.</p> <p>This poses a risk we may not get a strong competition bidding</p> <p>Any reduction in Capital funding will make this model less attractive to the market.</p> | <p>The opportunity to work directly with NSC was seen as attractive to the Tier 2 and Tier 3 (SME) market</p> <p>There is likely to be healthy market interest in a model to support transferring cyclical and reactive maintenance into NSEC</p> <p>Further market testing has confirmed that there is strong interest from the market to support the proposed model and that NSC can secure supply chain rates with Tier 2 and SME's that are equivalent to those of a Tier 1 contractor.</p> |
| Strategic fit – to corporate objectives and the aims | Current strategic objectives can be written into the contract and delivered at a cost | Option two has the best strategic fit and has the most flexibility to change with the council |

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| <p>identified for the project at the top of this document</p> | <p>Changes or enhancement of current strategy (e.g. climate emergency, social value, local employment) would require contract amendments and would come at a cost. Often difficult to enforce.</p> | <p>NSEC has excellent alignment with strategic direction of organisation as company strategy is set by the council as the sole shareholder.</p> <p>This model provides us with the best opportunity to allow for changes in priorities during the life of the contract and divert funding to areas of the programme to promote corporate objectives</p> |
| <p>Financial benefits and risks</p> | <p>This option is expected to cost £1.9m more over the life of the contract compared to the current baseline.</p> <p>Service quality is ultimately motivated by profit not customer satisfaction and quality.</p> <p>Any changes required to service likely to have additional cost.</p> <p>The council would be expected to take on the financial risks related to inflation, cost of living etc</p> <p>Capital programme is delivered by subcontractors working on behalf of the Tier 1 Single Provider.</p> <p>The council is likely to have to fix the amount of capital expenditure over the contract term.</p> | <p>The overall estimated financial benefit of this option over the life of the contract is £5.6m compared to the current baseline.</p> <p>The amount of capital expenditure can be flexible depending on the level of funding approved.</p> <p>Engaging directly with the market through frameworks and a DPS, will drive competitive rates for delivering the surfacing, surface dressing and other highways maintenance and investment works funded through the capital programme. This will result in capital works being completed at a lower cost therefore reducing the amount of capital borrowing required.</p> |
| <p>Governance arrangements</p> | <p>Management of the single provider contract would be governed by the current arrangements of the NSC client team and finance partner</p> <p>The single provider would deliver the capital elements of the contract by engaging with a supply chain of Tier 2/3 suppliers – ultimately charging an overhead in the region for the delivery of this service</p> <p>Single provider model will come with a management team (operational and commercial) to deliver this contract</p> | <p>NSC retains full strategic control of NSEC as the sole shareholder – short of the service being brought in house this provides the best alignment with the council to manage this service.</p> <p>The opportunity to develop direct relationships with Tier 2/3 supplies and cut out the middleman, creating a financial saving as a result.</p> <p>Option to add clauses for an alliance contract that will create the requirement for members of the alliance to collaborate with each other to achieve alliance</p> |

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| | | <p>and partner objectives. To achieve this, alliance members work collectively to support delivery of the contract</p> <p>Robust governance arrangements put in place for all contracts to measure performance and ensure continuous improvement.</p> |
| <p>Operational benefits (in bold) and risks</p> | <p>A single provider will bring a well-established track record of delivering a single provider model</p> <p>NSC manages one contract with the single provider</p> <p>Operational risks sit with the contractor</p> <p>A single provider can bring innovation from other contracts and through the supply chain.</p> <p>There is a culture that focusses on targets and profits with separation from the Council, ultimately the provider are accountable to their shareholders.</p> <p>Can be difficult to make operational improvements without additional cost being required.</p> <p>This model is less flexible to change in priorities over the life of the contract.</p> | <p>Through their quality submission, NSEC have demonstrated their ability to deliver the service, suggesting areas of added value where they can exceed specification requirements, areas where they can demonstrate quality and compliance with specification, and where they bring technical knowledge and expertise to the submission.</p> <p>All efficiencies for cyclical and reactive maintenance are for the sole benefit of the service, and the company is solely accountable to the council – i.e HGV drivers, vehicle workshop, shared overheads for management/ HR/ ICT 20% reduction in cost to senior management costs for the waste contract.</p> <p>Resilience is improved through a wider pool of resources to support peaks in service (e.g Significant weather event)</p> <p>The opportunity to build and develop collaborative and strategic partnerships with NSEC and framework/ DPS providers</p> <p>There is a genuine interest from the market in working with NSC to understand the councils' priorities and constraints, and bring forward their ideas and innovation to develop the service</p> <p>NSEC have applied for partner membership with the Local Council Roads Innovation Group (LCRIG) and have brought forward innovation ideas in their quality submission</p> |

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| | | <p>Potential risk with ability to recruit into the internal Client and Commissioning team roles.</p> <p>Managing change from the existing ways of working – culture change would need to be adopted for option 2</p> <p>Risk of TUPE transfer of individuals from the current contractor to NSC</p> |
| <p>Commercial benefits and risks – income generation for council</p> | <p>Little opportunity to make efficiencies for NSC</p> | <p>There will be an efficiency saving on the Waste Contract as NSEC’s corporate costs will be shared across two contracts. This saving is estimated to be £65k and will help towards the waste savings captured within the MTFP.</p> <p>Benefit – 100% of any profit share and efficiency is realised by the council, as with the waste and recycling contact</p> <p>Commercial proposals have not yet been developed so quantum of profit and timescales are not yet known</p> <p>All investment and risk sits with the council as the NSEC shareholder</p> |
| <p>Reputation and customer experience</p> | <p>NSC retains majority of control over direct engagement with the customer</p> <p>NSC has no control over the outsourced service, branding and standards of customer care</p> <p>Contractors are not motivated by resident satisfaction so financial penalties are usually required to improve resident experience</p> | <p>Contract structure retains the key elements of customer/stakeholder engagement, decision making, scheme design, and works issuing within the Local Authority Highways team.</p> <p>NSEC was designed to prioritise resident experience and work proactively in neighbourhoods. This would improve resident experience of the service.</p> <p>Falling short of bringing the highway service fully in house, this option provides the best alignment between the</p> |

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| | <p>Disproportionate amount of client time required to monitor contract</p> | <p>council and NSEC to manage our relationship with the communities we represent</p> <p>It will be NSEC badges on the jackets, there is a strong relationship already in place that understands the council's reputation and image</p> <p>By installing an in-house client/ commissioning function we can develop stakeholder relationships with a key focus of sharing information with members and TPCs and develop communication processes</p> |
| <p>Supports objective to become carbon neutral by 2030</p> | <p>Established resources and routes to market to explore new innovations in products/ machinery</p> <p>Council ambitions would be secondary to those of the provider</p> <p>If not set out in original contract (ending 2030) this option will be less flexible to change, likely to incur extra costs and complications</p> <p>More difficult to ensure that commitments made by service providers are monitored and delivered</p> <p>Single provider is likely to suggest technologies that will benefit them, more so than the council.</p> | <p>NSEC is aligned to the council's climate Emergency Strategy</p> <p>The Council retains full control over investment decisions</p> <p>Working with Tier 2 and SME's gives us the best opportunity to mitigate the negative impact and maximising the value achieved for the environment</p> <p>This model can change priorities throughout the life of the contract</p> |
| <p>Contribution to social value</p> | <p>Well established links and policies for apprenticeships, statutory sick pay, rehabilitation of ex-prisoners, ex-army – to deliver social value</p> <p>Our ability to influence and develop through the life of the contract is less obvious</p> | <p>Contributes to the local growth agenda</p> <p>Opportunity to use a local workforce, grow our existing teckal Company and access the local market of Tier 2 and SME's</p> <p>Drive the creation and expansion of SME's</p> |

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| | | <p>Build lasting partnerships with local providers and local colleges, skill centres etc</p> <p>180 Operational staff already employed on the NSEC contract, training opportunities for those wishing to upskill/ cross skill</p> <p>NSEC aligned with the Council's ambitions to promote diversity and inclusion, and to create opportunities for local people by providing access to education, training and employment</p> <p>This model allows us to spend more money in the local market</p> |
| Recommended? | No | Yes |