Title	**Provider Consultations: Summary of Findings**
Research Theme	Highways Sector Marketplace & Future Options Study
Domain	**FHRG / ADEPT**
Component	**Provider Market Review**
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Contents

1 Executive Summary

New technologies, modal shift and an increased emphasis on sustainability, accelerated by COVID-19, are combining to present the highways sector with an unprecedented series of challenges and opportunities. The consequences of COVID mean there is likely to be an economic impact on capital and revenue local authority budgets.

Against this backdrop, within the next five years, twenty-four local highways authorities will be coming to the end of their current highways delivery arrangements. Seven of these authorities (who are also members of the Future Highways Research Group (FHRG)) have commissioned Proving Services to undertake a review of the marketplace and evaluate future service delivery options. A key objective of the review is to better understand how authorities and their partners can improve contractual and collaborative relationships to deliver mutually beneficial outcomes.

Thirteen private sector providers were interviewed, including director level representation from each organisation. All participants provided honest, open and constructive views. The following subject areas were discussed:

1. **Highways Market & Sector Commitment**
2. **Procurement & Contract Arrangements.**
3. **Financial Management & Services Funding Models.**
4. **Performance Management & Provider Remuneration.**
5. **Future Challenges.**
6. **Relationships & Behaviours.**
7. **Political & Citizen Needs & Satisfaction.**
8. **Other Strategic & Operational Considerations.**

The local authority highways sector is still an attractive market for the private sector. All providers interviewed indicated their intent to continue to offer their services to local authorities, although specific organisations have indicated that might be seeking to divest their UK Highways Service businesses. The majority also stated they would be increasingly selective as to which contracts they bid for.

Many challenges, opportunities and suggested changes were identified by the interviewees and these are documented in this report. However, a key theme ran through all interviews. Providers are seeking to work with authorities that are willing and able to build truly collaborative and strategic partnerships; based on trust, and for the benefit of all parties. This was described as the 'golden thread' of success that runs through the process from early market engagement, through procurement and contracting, and on to delivery.

This relationship would ideally be manifest in an outcomes-based rather than a transactional agreement, with a fair and proportionate allocation of risk and reward, agreed through the contract terms and conditions. If successfully established, such a relationship will help ensure the agility and commitment of all partners, such that the current and emerging sector challenges can be jointly and promptly addressed, and the opportunities presented by new technologies and innovation fully realised.

As part of the consultation, providers were asked to express their views as to the broad 'pros' and 'cons' of various service delivery models. As to be expected, the comments reflected the respective model that each provider is structured to deliver. However, there was general consensus that an integrated or small number of single providers, working as a collaborative partnership, provides the best opportunity to realise efficiencies, exploit innovation and new technologies, and access specialist skills and additional capacity.

2 Background

Proving Services re-established the Future Highways Research Group (FHRG) in 2017 as a forum for directors of service to share knowledge and experiences and identify, develop and assess innovations with the potential to transform the sector. ADEPT and Proving Services have an exclusive partnership offering access to the tools, materials and best practice research produced by the FHRG to all ADEPT local authority members.

Over the past three years, a consistent theme across the FHRG membership has been a recognition that the contractual relationships between commissioners and providers of highways services are, in many cases, failing to deliver the collaboration and outcomes that either party had hoped for. This period has also seen something of a contraction in the provider market, initiated by the collapse of Carillion, and a recognition that greater diligence and financial resilience will be critical features of future contracts.

Significant new opportunities and challenges have also emerged for the sector. Modal shift and an increased focus on sustainability and social value were gaining momentum pre-COVID-19 and have accelerated since. For commissioners and providers entering new, long term contractual relationships, the medium term landscape for the traditional highways function is now more difficult to predict. New technologies however, particularly with regards to 'smart places' technology, are attracting the interest of many potential new market entrants, from the energy and communications sectors, and are transforming the perception of the highways function from a costly liability to a revenue-generating asset.

Against this backdrop, within the next five years, twenty four local highways authorities will be coming to the end of their current highways term maintenance and associated contracts. Proving Services (Proving) have been commissioned by seven county and unitary local authority members[1] of the Future Highways Research Group (FHRG) to help assess the marketplace and evaluate future options for highways services delivery. These authorities recognise that this is the time to address historic weaknesses in contractual relationships and ensure future procurement enables authorities and their partners to fully address the challenges and opportunities now facing the sector.

As part of this review, Proving interviewed thirteen private sector service providers to better understand their drivers, constraints, concerns, and the opportunities for improvement when working with local authorities within this sector:

- **Amey**
- **Atkins**
- **Balfour Beatty**
- **BT *(Informal Discussion)***
- **Costain**
- **Jacobs**
- **Kier**
- **Ringway**

[1] The authorities commissioning the review include: East Sussex County Council, Surrey County Council, Buckinghamshire Council, Somerset County Council, Oxfordshire County Council, Hertfordshire County Council and Suffolk County Council.

- **Skanska**
- **Tarmac**
- **WSP**
- **SSE**
- **Ringway Jacobs**
- **Bird & Bird (Procurement Specialists)**

Each provider was interviewed individually, typically with two to three representatives from the organisation participating in the discussion. A briefing document, outlining the objectives and approach of each interview, was issued prior to the meeting.

Figure 1: Study Participants by Provider Role

All participants provided honest, open and constructive views. This report summarises the views expressed, with no specific comment or suggestions attributed directly to any specific provider. It is intended that the findings and suggestions will be used to inform and help shape the future scope of engagements within the sector.

The topics raised by the study participants, include:

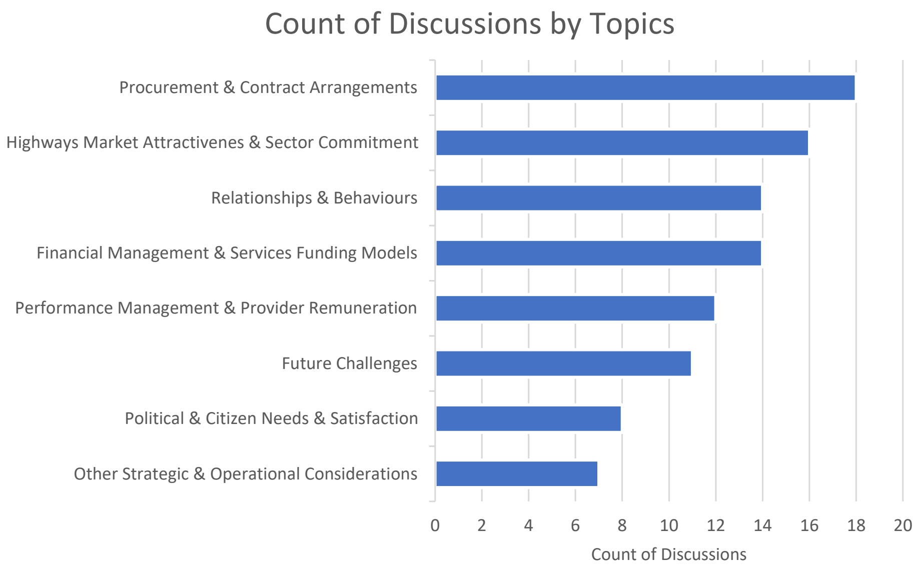
9. **Highways Market & Sector Commitment**
    - Perceptions of clients and client behaviours, market ambitions, target clients and readiness to bid.
10. **Procurement & Contract Arrangements.**
    - Including post-OJEU procurements, early engagement, the ability to express competitive advantages and alternative approaches and flexible contracting frameworks.
11. **Financial Management & Services Funding Models.**
    - Costs transparency, ensuring that services are properly funded for the duration of the contract and future revenue generation and sharing.
12. **Performance Management & Provider Remuneration.**
    - Including simplified KPIs, rebalanced client / provider roles and accountability and better gain / share arrangements.
13. **Future Challenges.**
    - Condition of the network, asset uses, shifting strategic priorities and client / provider expectations, evolving operating models.
14. **Relationships & Behaviours.**

- Better collaboration, client / provider mutuality, developing and sustaining trust.

15. **Political & Citizen Needs & Satisfaction.**
    - Engaging with the public and served communities, prioritising and meeting citizen demands, accommodating political volatility.
16. **Other Strategic & Operational Considerations.**
    - Preparing for post-COVID operations, carbon-neutral services, commercialisation, encouraging sector careers and succession management.

Over the course of the study, a count of discussions by topic reveals the focus of providers' issues and concerns. These are summarised in Figure 2, below.

Figure 2: Count of Discussions by Topic



3 Current State of Highways Sector

The participants were asked their views on the challenges facing the sector and services they provide.

3.1 Condition of the Network and Highways Assets

- All participants agreed that the sector is generally managing a declining asset which has been underfunded for many years.
- Effective highways infrastructure asset management is critical in optimising the quality of service provided, against available funding.
- Increasingly, the highways infrastructure is a critical enabler for realising the strategic aims of the authority, including environmental and social improvements and economic growth. There should be better recognition that the highways infrastructure is an asset, not just an operational cost, the value of which should be maximised.

3.2 Current Funding Sources and Funding Levels

- There is consensus that the service is underfunded. A considerable investment is required to bring the highways infrastructure to an acceptable standard which can then be sustained using current levels of funding.

- Currently the funding of the service is usually agreed on an annual basis with top-up funding awarded periodically, on an ad-hoc basis by the DfT. This often means funding is allocated to those projects which can be delivered within a specified time frame, rather than to those projects that would provide most long-term value. The ability to plan and schedule work over a longer time period would help maximise the value realised from any such funding.

3.3 Climate Emergency and Environmental Considerations

- Many local authorities have declared a Climate Emergency. By its very definition, this declaration should be having a significant impact on all future policies and activities. The prevailing voice within the sector, however, is 'and what next?'. Providers are looking for clear and ambitious strategies from local authorities to which they can usefully contribute. This will include carbon reductions, transport planning, improved air quality and modal shift (COVID accelerated).

3.4 Regulations and Legislation, including Procurement Rules

- Although not without some limitations, the OJEU process is generally well regarded by providers as it is established, understood, and helps ensures a fair and transparent tender process.
- The suite of NEC contracts are also viewed as largely fit-for-purpose, if correctly applied. They meet the diverse range of works and services that providers are asked to deliver.

3.5 Resourcing Skills and Availability

- Resource availability and succession planning is a critical issue across the sector, particularly within the public sector. However, several of the providers interviewed indicated they are managing to attract and retain staff of the necessary calibre. This applies in particular, to those organisations that offer professional services.

3.6 Impact of New Technologies and Modal Shift

- The core service to be delivered is still largely the same. However, new technologies and events (such as climate change and COVID) are changing priorities, accelerating activities, and providing opportunities for service improvement.
- The need for the accelerated digitalisation of the service was raised by many providers. The real-time capture, analysis and application of information and data is seen as a significant opportunity to improve the overall efficacy of the service provided.
- New sector entrants and adjacent sector providers feel they are better placed to support clients than the established, traditional providers. Understanding and deploying specialist new technologies requires a detailed understanding of the opportunities and challenges. Transformative technologies (including renewable energy, heat networks, EV and communications infrastructure) are not the core business of many of the established players on the market, although some would argue they do have the necessary expertise and experience in these technologies.
- The established providers may need to extend their relationships with other organisations, particularly SME's, to 'reach-back' to access greater knowledge and expertise in digital, power, energy and the environment.

3.7 Political, Executive and Officer Demands, Attitudes and Support

- As to be expected, the demands, attitudes and support from officers and members varies from authority to authority and has a significant impact on the success of the relationship and contract. All providers have had experience of collaborative, trusting and equitable relationships but also those that have been more challenging. There are key characteristics of a successful partnership / working relationship, as identified by all providers. These are described in Section 6.1.

3.8 Served Communities & Priorities

- A top priority of citizens usually includes the condition of their local roads[2]. This is reflected in the level of complaints received by members. Officers are often required to respond promptly to demands or requests from members, citizens or communities. This can make longer-term planning, investment and asset management more difficult. This issue can be further exacerbated by the local government four-year political cycle.

4 Market Attractiveness: Provider Drivers, Goals & Desired Outcomes

The local authority highways sector is still an attractive market for the private sector. All providers interviewed indicated their intent to continue to offer their services to local authorities, although two provider organisations have indicated that might be seeking to divest their UK Highways Service businesses. The majority of providers also stated they would be increasingly selective as to which contracts they bid for.

The following selection criteria were identified as factors that influence the decision as to whether to bid:

- **The reputation of the highways authority as a good client.**
- **The calibre of key staff, including the Chief Executive, Director of Service and the Senior Highways Officer.**
- **The willingness and ability of the authority to build a true collaborative and strategic partnership, based on trust, to the benefit of all parties.**
- **The offer of an outcomes-based agreement. The majority of providers were very clear that they did not want to engage in a transactional relationship and contract.**
- **The understanding and allocation of risk, and the ability of the provider to control or influence the decisions or outcomes that can mitigate the risks.**
- **The proposed level and stability of funding for the service required.**
- **The scope and scale of services on offer. Several providers indicated they would not be interested in bidding for a narrow scope of service provision.**
- **The length of contract, ideally 8-10 years. The longer the contract the greater the opportunity and incentive to invest in innovation that improves outcomes and reduces costs.**
- **The geographical location of the authority in proximity to current operations. (approx. 50% of the providers).**
- **The strength of the existing relationship, either as the incumbent or as established through contacts within the sector.**
- **Early engagement and consultation by the authority with the market, demonstrating a willingness to listen, discuss and evolve their thinking and requirements.**
- **The quality of dialogue during the procurement process i.e. being open, responsive and transparent.**

[2] Confirmed in the 2019 AA survey of local priorities.

- **The skills, attitude and cohesiveness of the procurement team.**
- **Timing with other active contracts or bids[3].**

Due to the cost and effort required to bid, several providers stated they plan only to bid for up to three tenders per year with a target win-rate of 1:2. One provider plans to target only one authority per year. The majority of providers have a bid budget and a formal gated process for bid / no bid decisions. Given the number of authorities coming to market, there is a real risk that some authorities may have a very limited number of bid responses (or none) based or the criteria specified above.

It was suggested by several providers that highways authorities should work together to agree and develop a staggered timeframe for coming to market to help ensure all authorities receive an adequate response. Each highways authority will need to give some consideration as to how attractive they appear to potential private sector partners.

5 Highways Sector: Strategic Drivers

A consolidated set of strategic drivers and goals of members of the FHRG is shown below. These vary slightly in intent and terminology between each of the seven authorities.

- **Support initiatives that deliver carbon neutral services, schemes and incentives.**
- **Optimise and improve network performance for all users and to support the local growth agenda.**
- **Enhance the local economy through network expansion and improvement.**
- **Sustain a financially resilient service that delivers best value with the resources available.**
- **Engage effectively to understand and meet the needs of our citizens and communities.**
- **Embrace best practice, innovations and new technologies.**
- **Develop and sustain collaborative partnerships that deliver the objectives of all partners.**
- **Attract, develop, empower and retain the best people (with the sector).**

Providers recognise and wish to contribute to achieving these strategic ambitions. Where appropriate, more detailed definition is requested, for example:

- What are the specific climate change initiatives or schemes the authority is proposing?
- What is the definition of 'best value' in the context of the authority?

A private sector provider typically has two further strategic objectives; to achieve an agreed contractual rate of return and to grow their business safely and profitably. These drivers need to be recognised by the authority as part of a collaborative, mutually beneficial partnership. Through the life of the contract, best practice collaboration would see authorities support their partner in realising the agreed margin.

[3] Observing either resources availability for bidding or to manage the significant costs associated with bidding.

6 Sector Characteristics, Behaviours and Changes

Described below are the characteristics, behaviours and suggested areas for change that the providers identified in achieving a successful outcome for all partners, in both procurement and the subsequent delivery of the contract.

6.1 Relationships & Behaviours; Transparency, Mutuality & Sustaining Trust

All providers stressed the critical importance of **trust** and the building of **strong relationships** from the start and throughout the life of the contract. The following factors were identified as those contributing towards the building and sustaining of trust and ensuring effective collaboration:

- The quality, continuity and strength of leadership of both the client and provider.
- The level of respect, cohesiveness and collaboration, both within the respective client and provider management teams, and then extended to the joint management of the service.
- The building of strong relationships at each level of the service.
- The degree of political support from members and the scale of constructive involvement during the life of the contract.
- Agreed behaviours between client and provider, represented in shared behavioural KPI's (*where possible*).
- The adoption of ISO 44001 and the principles of mutuality (bi-lateral non-exploitation agreements and the balanced realisation of each parties strategic goals); embedding these philosophies within the contract terms and services delivery model.
- Recognition from the start of the contract that there will be inevitable problems, and that these will require an agreed governance structure for prompt and fair resolution.
- Establishing an effective and fair process for the identification, resolution and cost allocation of risk (Refer 6.5).
- The behaviours and attitude of the client during the procurement process (Refer 6.3). These are often early stage indicators of how the provider will be treated during the life of the contract. Examples given include, was the client open, helpful, and responsive to questions, transparent and fair, and/or was there continued pressure to keep reducing costs?

6.2 Strategic and Operational Objectives

- All providers seek a strategic relationship with their clients, but this typically becomes an operationally focused relationship in reality. Providers acknowledge that skilled and experienced operational management teams will need to be supported with strategic thinking from elsewhere. This applies to both the provider and the client organisation.
- It is important that the client has clarity and agreement as to its strategic and operational objectives and understands the role and contribution that a provider can help in realising this ambition. For many authorities, the Highways Service is extending beyond its traditional scope to explore how the highways asset can be used to maximise the opportunities presented by innovations from other sectors, such as energy and communications. These initiatives can have benefits that extend into other service areas such as transport, social care and economic growth. Often the core service provider is not seen as the natural partner for exploring such opportunities, with the client turning to specialists or new market entrants for advice.

- All providers agree that the authority should ensure the necessary time and resource to invest in the forward and detailed thinking required to fully explore the technological and innovation opportunities available. Ideally, this will begin well before formal procurement commences. Providers are keen and willing to participate in informal / formal discussions with authorities to help explore such opportunities and help develop the strategic thinking and planning. Ideally, these discussions should also include representatives from other service areas that utilise the highways infrastructure.
- New sector entrants, especially those with specific capabilities and interests (e.g. energy or communications) have historically assumed that they will work with incumbent providers to deliver strategic projects. In reality, some have found these relationships difficult to establish and resistant to new ideas. This has led some to consider entering the sector as direct competitors, providing similar services on the network but with disruptive strategies and pricing models (e.g. offsetting the energy costs of a client through value exchanges, land for solar).

6.3 Procurement

Providers offered a number of suggestions and comments relating to the procurement process and contract arrangements:

- **Established Frameworks / Processes**
    - The established processes such as the OJEU tendering process and competitive dialogue all work well if used correctly. They help ensure transparency, consistency, and fairness. Some providers expressed nervousness that any alternatives may hinder fair competition.
    - If applied correctly, the suite of NEC contracts provides the options and flexibility to contract appropriately against the type of service provided.

- **Quality of Tender Documentation**
    - The level of thought and effort that has gone into the tender document is often a consideration as to whether a provider will bid.
    - The quality of Invitations to Tender varies enormously. Concerns raised included:
        - The clarity of overall requirements and level of consistency throughout the document.
        - The number, clarity and intent of specific questions.
        - The response expected / allowed for does not always reflect the question asked.
    - It was suggested that the authority should try and respond to its own tender (i.e. answer the questions) before the document is issued to the market.
    - Where possible, share good practice and documentation between authorities. This could include the establishment of a suite of standard contracts (similar to HMEP) that evolve, capturing the learning from each procurement. Providers would welcome the opportunity to collaborate with authorities to develop this suite.

- **Procurement Process**
    - A level of quality dialogue is required for a successful tender process, starting well before the tender is issued.
    - A successful procurement and contracting process is usually achieved through the shared involvement of both the highways service and central services, including procurement and legal expertise.

- Several providers suggested that when local authority central procurement teams take a leading role, the exercise can become more about process than desired outcomes.
- Ensure clarity, consistency and agreement as to the criteria on which the contract will be awarded, i.e. the balance of Price vs. Quality vs. Extras, such as social value or innovation. A number of providers suggested that these change during the procurement and contracting process and that price inevitably becomes the principle driver.
- It is recognised that whilst price still dominates, social value is starting to be of increasing importance in tender documents. However, agreeing meaningful KPI's that accurately measure social value is still a challenge.
- Each authority should identify and agree their criteria that will clearly differentiate one provider from another.
- Several providers indicated their reluctance for authorities to procure jointly. Past experience suggests issues of sovereignty mean two distinct contracts are required that minimise any economies of scale that could achieved.
- Providers suggested that ridged tender formats stifle the ability of providers to present innovative methods and new technologies, resulting in similar, hard to differentiate, bids.

d. Contract Arrangements

- Sufficient attention must be given to the contract terms and conditions. These are critical in determining how the contract and relationship will perform.
- In particular, fair and transparent procedures and processes for the management and resolution of risk need to be established. (Refer 6.5).
- The contract should reflect the intended benefits of the relationship for both parties.
- The NEC contracts suite provides for the flexibility demanded but this is often overlooked or not applied.

e. Professional Procurement Support

- The use of professional procurement consultants can provide valuable support for an often complex process; helping to ensure objectivity, consistency and rigour. However, the authority still needs to ensure it has the necessary oversight and takes full responsibility for the procurement process and success of the contract awarded.

6.4 Financial Management & Services Funding Models

- Ensure there is adequate funding throughout the life of the contract to deliver the level of service expected.
- If possible, support a longer-term planning and funding horizon. This has a number of benefits:

    - A greater proportion of funding can be used in the early years to bring the asset up to an acceptable standard with a reduced cost of maintenance in subsequent years.
    - The provider has the incentive and time to work with local SMEs; building closer working relationships and support structures.
    - The provider can agree more favourable terms with sub-contractors.
    - It encourages investment and innovation in operations, driving through greater efficiencies.

- Greater recognition that a change in provider incurs a significant cost in contract change and workforce mobilisation.

6.5 Performance Management & Provider Remuneration

- The risk and reward of the contract needs to be proportionate and fair.
- The provider cannot be expected to accept all the risk (and associated cost) of service performance if they have little or no control, or influence, over asset planning and decision-making.
- A client QS capability with appropriate skills and experience, can be useful in managing and resolving issues of risk and performance.
- Recognition across the authority, including members, that the provider has to make an agreed margin throughout the life of the contract.
- Non-capped rates for technical specialists that reflect the quality and skills of the individual provided.
- Several providers suggested the use of two-way KPI's linked to joint objectives that are reviewed regularly[4].

6.6 Structures, Operating Models & Services Transformation Support

- All providers stressed the need for an 'intelligent client'; a cohesive client team, with strong leadership that has the skills and experience to work effectively with the provider.
- There has been a loss of critical skills within the public sector which can impact adversely on the selection and management of highways contracts.
- The majority of providers stated that a very 'thin' client rarely works well, lacking the capability and capacity to adequately manage the contract and drive decision-making. It was also suggested that members were often uneasy with a very small client team, concerned about the apparent lack of transparency and control. Some key authority stakeholders, unfamiliar with the operational realities of the service, have become frustrated with provider processes and the perceived performance of highways services.
- The client needs to have a good understanding of the asset, with a clear and realistic asset management plan and strategy. It is essential that these plans are reality-checked against the budget and the resources available to undertake the work.
- An effective governance structure, which includes the provider, is critical to success of the contract. It requires authority, impetus and the capability to make timely decisions that are fair and consistent.

6.7 Innovation Management

- The level and source of innovation is often an area of contention between the client and providers. Many providers stated that they often introduce innovation within operations but this is not fully recognised or appreciated by the client.
- The funding of innovation is critical. A transactional contract that has very low margins rarely acts as an incentive for the provider to allocate the time, resources and funds required to explore new technologies or ways of working.
- Innovations pursued should be those that, if successful, would deliver benefits for both partners. For the provider, this may be an improved rate of return through either commercial gain or operational efficiencies.

[4] Bi-lateral KPIs are a feature of the mutuality philosophy.

- It should be recognised that innovation carries risk and may not deliver the intended benefits. If managed well, this should not be seen as a failure of the provider and the contract, if the adoption of the innovation was assessed and endorsed by both parties
- Many providers mentioned the need for the authority to develop and implement meaningful digital strategies; to drive through efficiencies and improve the quality of service provided. This would also include more common or standard management systems and GIS requirements.
- Both the client and provider can improve their collaboration to ensure the commercial opportunities presented by successful innovation are fully realised.
- Consider the introduction of an innovation fund, with contributions from both the client and the provider, and outcomes that benefit all contributors.
- One provider suggested that the sector as a whole needs to find a new modal for funding innovation, such that the opportunities from emerging technologies and changes in working can be fully realised. This could be some form of Public Private Partnership that encourages and funds innovation while sharing the risk and reward.
- New entrants from adjacent, specialist markets suggest that the traditional providers are not well placed to offer specialist services, as they do not possess the necessary skills, experience, and lack access to the most effective new technologies. Instead, they suggest clients either contract separately or form alliances with specialist providers; especially in carbon reduction, energy generation, communications, AI, heat and EV.

6.8 Political & Citizen Needs, Analysis & Services Alignment

- Between authorities, the influence and impact of members varies enormously. Different views were expressed by providers as to the relative advantages of members being directly involved in the contract and service delivery as opposed to being kept at arm's-length; with officers acting as the conduit between member and provider.
- Some providers prefer a direct relationship with members, other believe that it should always be through, or in close conjunction, with officers.
- A portfolio holder that is supportive of the contract and has knowledge and experience of the service delivered, is considered beneficial.
- All providers are keen to continue to deliver increased social value for the authority and its citizens. However, it was suggested that authorities need to ensure their social value policies are clear and consistent and that the actual implications are fully recognised. For example, the required use of local SME's can introduce an administrative burden and cost and may not be the most cost-effective option. Working with a short-term funding and planning timeframe is easier with established national supply-chains who can better manage the fluctuations in demand.

7 Future Delivery Models

As part of the review, Proving has been asked to explore the future delivery models that are likely to deliver best value for money and help each authority realise its strategic objectives. These future services delivery models include:

Table 1: Future Services Delivery Options

Single Provider	1	**Contractor & Designer (Separate)**
	2	**Integrated (Contractor + Designer)**
	3	**Multiple Providers Per Service Area**

Multiple Providers	4	Function-Orientated Service Providers
	5	Primary + Secondary (Risk Sharing)
Framework	6	4-Year Framework Agreement
JV	7	JV
	8	Pseudo JV (Partner + Profits Sharing)
Teckal	9	Arms-Length Company
Private Finance	10	PF2
Mixed Economy	11	Cyclical & Reactive In-House
	12	Best Option (By Function / Service)
	13	Highways Alliance
	14	All In-House
	15	Primary Design + Add On
Shared Services	16	Shared Service (Neighbouring Authority)
	17	Regional Combined Service

As part of the consultation, providers were asked to express their views as to the broad 'pros' and 'cons' of each option. As to be expected, the comments reflected the respective model that each provider is structured to deliver.

The benefits and dis-benefits of each delivery option forms part of the *Future Services Delivery Options Review*, a companion study to this *Marketplace Review*. As the pros and cons are comprehensively explored elsewhere, it is not proposed to list them all in this document. However, the following provider observations maybe useful:

- For any authority, their previous experience of a specific delivery model will influence their views and preferences. The providers ask that the authorities **objectively** consider the pros and cons of each delivery option, considering the impact, if at least some of changes outlined in this document are introduced.
- The greater the change in delivery model (e.g. integrated to multiple provider) the greater the cost of implementation and level of associated risk.
- An **integrated** or small number of **single providers** will provide the best opportunities to:

    - Identify and realise service efficiencies through joined-up working and economies of scale.
    - Explore innovations and new technologies that can have an immediate impact on service delivery.
    - Access specialist skills and additional capacity that can quickly and effectively collaborate with its existing partners.

- The use of **multiple providers** typically requires significant management resource for the client to ensure an efficient service and effective collaboration. If the value of contract is smaller, there is less incentive to invest in the service. A contract with multiple providers tends to be transactional rather than outcomes-based, as this requires greater control and influence of the end-to-end service. This delivery option is not popular with the majority of providers. This applies also to **framework** arrangements.
- Providers that are part of a successful **alliance,** consider this to be highly effective if set up and managed correctly. Criteria for success include:

- A joint governance structure, where each partner has responsibility, influence and accountability.
    - A well-resourced, intelligent client that retains the policy and strategy role, e.g. asset management and network management functions, but also leverages the expertise of its partners in these areas.
    - Careful partner selection; matching the drivers of each partner to those of both client and other partners.

- Providers expressed little appetite for creating a **Joint Venture** directly with an authority, stating that in some incidences, these models fail to deliver the intended benefits and can become costly and cumbersome to manage.
- However, many providers have successfully organised themselves as a joint venture to ensure that between them, they can provide the full range of skills and services necessary to win / deliver a contract.
- One provider expressed interest in exploring and developing a Public influenced Private JV model but has yet to find a public client
- Most providers indicated little enthusiasm for delivering a service through a **Teckal.** Most authorities lack the necessary funding, skills and experience to set-up and manage a Teckal that successfully and profitably delivers a service of the scope and complexity required for highways.
- **Private Finance** is currently unpopular within the public sector. However, a form of Public Private Funding may increasingly be required to fund large new schemes and/or extensive regeneration of existing networks and/or reconstructing public Realm to develop High Streets.
- **In House + Top Up** can work well for those authorities that have an established and proven in-house capability. Those providers offering professional services can work well within this model.
- Most providers indicated little enthusiasm for delivering services through a full **Shared Service** arrangement between authorities. This applied particularly to county councils and unitary authorities of any significant size. The opportunities for cost savings would be limited given the operational logistics required to manage the contract across a large region. Issues of sovereignty and priorities would likely be a recurring issue.
- A Devolution White Paper has been produced that could open up local funding opportunities but this will also need an update to the 1980 Highways Act, to enable Local Authorities to have different service standards, depending upon Highway type, use or shared space.

8 Next Steps

The conclusions and findings of this consultation review will be fed into the Future Highways Service Delivery Options Review. Once approved by the authorities that have commissioned this review, the conclusions will be shared with both FHRG and ADEPT members.

Proving and ADEPT will consider, in consultation with the FHRG membership, whether this review exercise should be repeated periodically.