

Outline Business Case



Project Name	MSF4 (Final draft of outline business case)
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1. Strategic Case

Introduction	<p><i>One of the MHA objectives is to develop an effective procurement option for the delivery of Medium Schemes. The current framework MSF3 adopted a collaborative, cost-based approach using the NEC4 form of contract. MSF3 framework closely follows the most recent National Construction Category Strategy for Local Government - Effective Construction Frameworks January 2016 (see appendix A). The current two stage collaborative approach is aligned with the Institution of Civil Engineers Project 13 approach and recent reports/ comment from Institute of Chartered Accountants, Chartered Institute of Builders and the Confederation of British Industry.</i></p> <p><i>The anticipated total value of MSF3 was published in the Official Journal of the European Union in 2017 as £500 million. Given the value of projects currently under discussion with MSF3 clients and contractors it is considered probable that the total value of Works Orders will exceed the published figure before the end date of the contract (July 2022). To mitigate this risk the MHA Executive Board (Nov 19) have requested that a business case be prepared for the potential replacement of MSF3.</i></p> <p><i>Discussions have taken place with the West Midlands Highway Alliance (Dec 19), several potential suppliers and the established MSF3 Framework Community (Jan 20). A core group of member authorities are now working together to prepare this business case. Further presentations/workshops may be delivered to internal/external stakeholders as requested including Civil Engineering Contractors Association before the detailed business case is completed by early summer 2020.</i></p>
Scope	<p><i>The scope of the proposed Medium Schemes Framework 4 (MSF4) is for the preparation and execution of highway, civil and municipal engineering. Typical schemes may involve, but not exclusively, highway improvements, highway maintenance, highway infrastructure works (including bridges, subways, culverts and retaining walls), public realm works (town centre enhancements), drainage improvements, canal works and other infrastructure works such as waste management facilities. This would be a direct continuation of the provisions of the existing framework.</i></p> <p><i>The established Medium schemes pipeline currently identifies over forty projects from ten existing member authorities with a potential total value of over £600 million. These projects range in value from £1million to £100million however it is not proposed to place limits on the size of projects which can be deliver through the framework. Member authorities typically have other delivery vehicles in place for lower value project work and maintenance work.</i></p> <p><i>The pipeline will require further verification before the detailed business case is complete. Current start dates for projects identified in the pipeline range from the current year to 2024 but they are all subject to change dependant upon future funding announcements. It is proposed to review the existing pipeline following the merger of MSig/WMHA/MHA in the early summer 2020.</i></p>
Aims and Objectives	<p><i>At the beginning of MSF3 the Framework Community Board FWCB reviewed the aims and objectives of the framework, these are now included within the MHA Business Plan. The primary aim of MSF4 will remain the efficient delivery of highway improvement projects, supported by the existing successful approach to</i></p> <ul style="list-style-type: none"> <i>• Collaboration – high levels of participation in the regular Framework Community Board</i> <i>• Early Contractor Involvement – contractors being selected typically more than twelve months before the start of construction, sometimes more</i> <i>• Investment in skills – every project has an Employment and Skills Plan in place and is committed to a Building Social Value assessment</i> <i>• Performance management – monthly reporting of performance across a range of quality criteria shows high levels of client satisfaction and over 25% of completed projects have secured regional/national awards.</i>

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2. Economic Case

Option 1: <i>Option 1 should always be 'do nothing' - this will provide a baseline from which to compare other options</i>						
Option 1 (Baseline/Do nothing)	<p><i>The existing MSF3 framework will no longer be available after the July 2022. The MHA Executive Board may choose not to procure a replacement framework.</i></p> <p><i>Alternative National and Regional frameworks are available for use by local authorities for the procurement of medium schemes. There are also several local frameworks available for the delivery of projects up to the current OJEU value (approx. £4million).</i></p> <p><i>National</i></p> <ul style="list-style-type: none"> <i>SCAPE National Infrastructure Framework (sole provider)</i> <i>Highways England DIP Framework</i> <i>Crown Commercial Services</i> <p><i>Regional (these all include various size lots and different forms of contract)</i></p> <ul style="list-style-type: none"> <i>YorCivils Major Framework</i> <i>Southern Construction Framework Generation 4</i> <i>Eastern Highway Alliance</i> <p><i>In addition, all Highway Authorities have the option to procure a project through a traditional standalone procurement process. Or to develop alternative framework proposals and make them available regionally.</i></p>					
	Option 1 Assumptions					
Option 1 Key Risks	Risk	Impact	Risk Rating	Mitigation		
	<i>Risk of challenge to placing works orders using MSF3 after OJEU value has been exceeded</i>					
	<i>Reduction in collaborative working between authorities</i>					
	<i>Loss of the opportunity for Local Highway Authorities to collectively influence the market in the Midlands region</i>					
	<i>Provisions of alternative delivery framework unsuitable for local authority requirements.</i>					
Option 1 Cost/Benefit Analysis	Key One Off Costs	Year 1	Year 2	Year 3	Year 4	Total
	Direct Project Delivery Costs	<i>Whilst there would not be any procurement costs with this option there would be fees payable when using any of the above frameworks. These fees would be set by others to recover their procurement and management fees.</i>				
	Ongoing Operating Costs	Year 1	Year 2	Year 3	Year 4	Total
	MHA Income	<i>There would be a loss of income to the MHA with this option</i>				
	Financial Benefits	Year 1	Year 2	Year 3	Year 4	Total
	Added Value	<i>Fees of other frameworks may be higher than current MSF3 fees (0.25%) with none of the current added benefits,</i>				
	<ul style="list-style-type: none"> <i>Regular NEC training opportunities</i> <i>Active Framework Community Board</i> 					

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Option 2:				
Option 2 To evolve the current cost-based, collaborative approach	<p>There was wide agreement at the Framework Community Board (Jan 20) that a replacement for the existing MSF3 approach should be developed since an established pipeline exists. The provisions of MSF3 continue to drive performance and provide added value. MSF3 benefits from established processes and lower procurement fees than other frameworks. Whilst MSF3 is regarded as a leading framework in the local authority highway sector, it was agreed that MSF4 could be further improved by incorporating the following proposals,</p> <ul style="list-style-type: none"> • Reconsider how the model projects are used in framework procurement • Stage 1 costs should be part of the model project • Consider including PSC to provide for very early ECI • Further develop the fee schedule • Measure the delivery of quality promises • Give high priority to Social Value at procurement • Clarify the approach to secondary options in general • Consider our approach to limited liability introduce X7 and X18 • Further develop existing selection options • Re-visit the sub region boundaries following merger MSig/WMHA • Extend length of framework • How we deal with inflation • 			
	<p>Option 2 Assumptions</p> <p>That MHA member authorities can identify appropriate resources to support the MSF3 procurement process</p> <p>That funding becomes available for the pipeline of projects identified for delivery in the period 2021/25</p> <p>That the number of authorities choosing to use the framework continues to increase as we achieve closer working with the wider Midlands Service Improvement Group and West Midlands Highway Alliance.</p>			
Option 2 Key Risks	Risk	Impact	Risk Rating	Mitigation
	Advisors who are not familiar with or committed to collaborative partnering processes may lead to tension within the framework community			
	Risk that funders (Developers) may require a price based or lump sum approach not provided for by this option leading to potential users not using MSF4			
	Contractor selection processes lead to unbalanced allocation of works packages leading to tension within the framework community			
	Failure to adhere to framework culture may impact on MHA member savings and quality of service			

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Option 2 Cost/Benefit Analysis	Key One Off Costs	Year 1	Year 2	Year 3	Year 4-6	Total
	Project Procurement Costs <i>Staff time from member authorities</i>	30,000	42,000			
	Tender Assessment Expenditure <i>Staff time from member authorities</i>		75,000			
	Other Costs <i>i.e. consultants, legal, procurement, etc.</i>	30,000	10,000			
	Total One-Off Cost	60,000	127,000	nil	nil	187,000
	Ongoing Operating Costs	Year 1	Year 2	Year 3	Year 4	Total
	<i>i.e. MHA team, NEC training, FWCB, etc.</i>	60,000	60,000	60,000	60,000 p.a.	360,000
	Financial Benefits	Year 1	Year 2	Year 3	Year 4 -6	Total
	<i>MHA fee estimated income (0.25%)</i>			150,000	150,000 p.a.	600,000
	<i>Capital Savings for member authorities</i>					
Net Benefit Position	negative	negative	positive	positive	£53,000 surplus	

Option 3:				
Option 3 To introduce additional price-based options.	<p>The framework should be expanded to include other payment options for example;</p> <ul style="list-style-type: none"> Alternative contract main options some clients prefer NEC4 option A Introduce NEC4 option B (BoQ or lump sum) to facilitate greater developer engagement with the framework <p>Has the potential to increase the number of MHA members using the framework.</p>			
Option 3 Key Risks	Risk	Impact	Risk Rating	Mitigation
	<i>Advisors who are not familiar with or committed to collaborative partnering processes may lead to tension within the framework community</i>			
	<i>The inclusion of both cost and price options within the framework may restrict the open book approach so far developed within the framework</i>			
	<i>Contractor selection processes lead to unbalanced allocation of works packages leading to tension within the framework community</i>			
	<i>Failure to adhere to framework culture may impact on MHA member savings and quality of service</i>			

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Option 3 Cost/Benefit Analysis	Key One Off Costs	Year 1	Year 2	Year 3	Year 4	Total
	Project Procurement Costs <i>Staff time from member authorities</i>	<i>Additional resources required to discuss, agree and make changes to existing documentation.</i>				
	Tender Assessment Expenditure <i>Staff time from member authorities</i>	<i>Significant increase in resources required to assess more than one approach to assessing model projects</i>				
	Other Costs <i>i.e. consultants, legal, procurement, etc.</i>	<i>Little change</i>				
	Ongoing Operating Costs	Year 1	Year 2	Year 3	Year 4	Total
		<i>No change</i>				
	Financial Benefits	Year 1	Year 2	Year 3	Year 4	Total
		<i>Potential additional MHA income</i>				
Net Benefit Position	<i>Unchanged</i>					

Option 4:

Option 4 To introduce various sized lots or bands.	<p><i>The framework should be expanded to include other payment options for example;</i></p> <ul style="list-style-type: none"> <i>More and different sized lots (e.g. YorCivils)</i> <i>Include provision for smaller contracts (e.g. bridge maintenance)</i> <i>Make separate provision for larger contracts MSF3+ (again this is something that YorCivils has done)</i> <p><i>Has the potential to increase the number of contractors competing for the work.</i></p>
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Option 4 Key Risks	Risk	Impact	Risk Rating	Mitigation
	<i>Advisors who are not familiar with or committed to collaborative partnering processes may lead to tension within the framework community</i>			
	<i>Contractor selection processes lead to unbalanced allocation of works packages leading to tension within the framework community</i>			
	<i>Has potential to reduce the value of work to each framework contractor which would restrict the level of resources available to commit to the framework</i>			
	<i>Failure to adhere to framework culture may impact on MHA member savings and quality of service</i>			

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Option 4 Cost/Benefit Analysis	Key One Off Costs	Year 1	Year 2	Year 3	Year 4	Total	
	Project Procurement Costs <i>Staff time from member authorities</i>	<i>Additional resources required to discuss, agree and make changes to existing documentation.</i>					
	Tender Assessment Expenditure <i>Staff time from member authorities</i>	<i>Very Significant increase in resources required to assess potentially multiple lots.</i>					
	Other Costs <i>i.e. consultants, legal, procurement, etc.</i>	<i>Little change</i>					
	Ongoing Operating Costs	Year 1	Year 2	Year 3	Year 4	Total	
		<i>No Change</i>					
	Financial Benefits	Year 1	Year 2	Year 3	Year 4	Total	
		<i>No Change</i>					
Net Benefit Position	<i>Greater initial expenditure with a longer payback period</i>						

3. Financial Case

Financial Summary for Preferred Option	<p><i>The preferred option is Option 2-To evolve the current cost based collaborative approach.</i></p> <p><i>The cost of procuring MSF4 has been estimated to be £187,000. Together with the ongoing costs of managing the framework £240,000 over a four-year period, including support for the FWCB and contract training, etc. These costs (£427,000 in total) will continue to be fully recovered through a charge levied for the use of the framework. Option two is expected to deliver the lowest cost of all the options with a payback period of not more than four years.</i></p> <p><i>Financially the recommended option provides the lowest cost option for procurement of highway projects taking advantage of the economies of scale the can be provided by securing a regional framework. In addition, the anticipated benefits to member authorities are</i></p> <ul style="list-style-type: none"> <i>Collaborative relationships</i> <i>Proven delivery route</i> <i>Early contractor involvement</i> <i>Well attended framework community board</i> <i>NEC contract training</i>
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Resource required to implement preferred option	Resource type	Product(s) to be delivered	Estimated effort <i>(in days where possible otherwise FTE)</i>	Time period		Cost £
				Start date	End date	
	<i>Steering Group</i>	<i>Governance</i>	<i>35 days</i>	<i>TBA</i>	<i>TBA</i>	<i>nil</i>
	<i>Working Group</i>	<i>Framework Documents</i>	<i>200 days</i>	<i>TBA</i>	<i>TBA</i>	<i>60k</i>
	<i>Project teams</i>	<i>Model Projects</i>	<i>40 days</i>	<i>TBA</i>	<i>TBA</i>	<i>12k</i>
<i>Assessors</i>	<i>Tender outcome</i>	<i>240 days</i>	<i>TBA</i>	<i>TBA</i>	<i>75k</i>	

Sources of Funding	Funding - Preferred Option				
	Cost	Year 1	Year 2	Year 3	Year 4
	<i>All costs to be met from MHA reserves</i>	£60,000	£127,000		

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4. Commercial Case

<p>Commercial Approach for Preferred Option</p>	<p><i>The Commercial Case demonstrates that the “preferred option” will result in a viable procurement and well-structured commissioning approach and contract if appropriate.</i></p> <p><i>The proposed procurement and contracting strategy are as follows;</i></p> <ul style="list-style-type: none"> ➤ <i>To include the preparation and execution of highway, civil and municipal engineering projects with no financial limits on size.</i> ➤ <i>Framework Information will be similar to MSF3 with improvements based on experience to date.</i> ➤ <i>A minimum of four suppliers will be appointed during the preparation of the detailed business case consideration will be given to increasing this number?</i> ➤ <i>The procurement route will use the Restricted procedure (pre-selection followed by invitation to tender).</i> ➤ <i>NEC4 Framework Contract with lead authority. Works orders placed by member authorities using either NEC4 ECC or ECSC.</i> ➤ <i>Contract duration initially four years consider an optional extension of a further two years?</i> ➤ <i>The established performance toolkit will be used to monitor performance.</i> ➤ <i>Appropriate resources will need to be identified by member authorities to complete the procurement. To date the following member authorities have agreed to provide resources.</i> <ul style="list-style-type: none"> <i>Steering Group/Framework Board</i> <i>Lincolnshire</i> <i>Leicestershire</i> <i>Oxfordshire</i> <i>Peterborough</i> <i>Staffordshire</i> <i>Working Group</i> <i>Leicestershire</i> <i>Lincolnshire</i> <i>Buckinghamshire</i> <i>Nottinghamshire</i> <i>Doncaster</i> ➤ <i>Proposed expenditure complies with commercial and legal rules and the “preferred option” will be procured competitively.</i>
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5. Management Case

<p>Implementation Approach</p>	<p><i>Subject to the MHA Executive Boards approval to proceed with this procurement.</i></p> <p><i>The established MSF3 Framework Board (Chair Paul Rusted) will be the steering group responsible for the delivery of this procurement. The Steering group will be supported by a MSF4 working group meeting monthly throughout the procurement. The working group will call on resources from member authorities, to date Buckinghamshire, Leicestershire, Lincolnshire and Nottinghamshire have been involved in developing the outline business case. It will also be necessary to identify specialist support from procurement and other colleagues.</i></p> <p><i>The start date for the procurement is yet to be determined once this has been agreed a PIN (prior information notice) will be published. It is anticipated that the selection questionnaire will be completed in 2020 and the tender process in 2021. The earliest start date for MSF4 would be July 2021 (three years after the start of MSF3). The latest start date for MSF4 would be July 2022 the current end date for MSF3.</i></p>
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Key stakeholders	Stakeholder	Why do they have an interest in the project?	What level of influence will they have on the success of the project? (H,M,L)
	<i>Insert additional lines as required</i>		
	MHA+ Executive Board	Governing Body	High
Implementation Impact Analysis	<p><i>Outline the significant impacts this project may have on other projects and business as usual. Areas for consideration are:</i></p> <p>People</p> <ul style="list-style-type: none"> • <i>What will it mean for staff e.g. changes to structure, culture, ways of working</i> • <i>Will staff from other departments be affected by the project</i> • <i>What will be the impact on service users</i> <p>Equalities & Human Rights Impact:</p> <ul style="list-style-type: none"> • <i>Identify any major equality or human rights impacts the project may cause and where possible the scope for mitigating negative effects. Which service user groups, employees, partners or other stakeholders e.g. voluntary group will be affected and how?</i> • <i>An outline plan and timetable for carrying out a full Equality Impact Assessment should be included as part of the project design phase. (See Intranet for further guidance on Equality & Human Rights)</i> <p>Process</p> <ul style="list-style-type: none"> • <i>What process will be impacted (at a high level)</i> • <i>Will any change in process impact on other parts of the department or the organisation?</i> <p>Information and Data</p> <ul style="list-style-type: none"> • <i>Will the way information is managed change</i> • <i>Is there a requirement to share information or data with partners</i> • <i>Are there any new information or data requirements</i> <p>IT Systems</p> <ul style="list-style-type: none"> • <i>Will system(s) need replacing or updating</i> • <i>Will existing links and interfaces be impacted</i> <p>Policies</p> <ul style="list-style-type: none"> • <i>Are there any policies that will need to be reviewed and amended</i> <p>Organisation</p> <ul style="list-style-type: none"> • <i>Will the project impact on other parts of the organisation</i> • <i>How will the project impact on the organisation and/or partnerships</i> <p>Environmental</p> <ul style="list-style-type: none"> • <i>Highlight the environmental implications of the project, both positive and negative.</i> <p><i>An Environmental Implications Tool (EIT) is available for evaluating the potential impacts of the project on the Council's Environmental Strategy objectives and the Sustainable Community Strategy objectives.</i></p>		

Completed by: _____ Date: _____

Approved by SRO: _____ Date: _____

Approved by TU Business Partner: _____ Date: _____

Approved by Finance Business Partner: _____ Date: _____

Outline Business Case



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