

## APPENDIX 2

### Evaluation summary of contract options

	<b>Preferred Option</b>	<b>3</b>	
	<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Able to achieve value for money and most economical advantageous bid</li> <li>• Able to provide Southwark with control and flexibility to manage service as required</li> <li>• Able to ensure Southwark access to market expertise and quality service delivery</li> <li>• Able to select partner(s) with whom Southwark can build a relationship to deliver</li> <li>• Mitigation / minimisation of risk</li> <li>• Sufficient flexibility to allow all potential suppliers an opportunity to bid</li> </ul>	

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
1	Separate Function Contracts – e.g. one for surfacing, one for structures, one for major highway projects etc	<ul style="list-style-type: none"> <li>• Originally operating in many highway authorities</li> <li>• Staff 'know the system'</li> <li>• Contract rewriting not absolutely essential</li> <li>• Less need of sub contracting hence possible greater control of works and reporting.</li> <li>• Potential growth of local contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Duplication of contract management for contractor and Client</li> <li>• Not immediately clear to third parties</li> <li>• Economy of scale not obtained</li> <li>• Client possibly not so important on small contracts and hence not getting best service.</li> <li>• Avoidance of OJEU if works value is less than</li> </ul>

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
			<p>£3,927,260</p> <ul style="list-style-type: none"> <li>• More vulnerable to financial failure or buy out</li> <li>• Potential clash of contractors for overlapping services/schemes</li> </ul>
2	One Large Works Contract	<ul style="list-style-type: none"> <li>• More efficient contract management</li> <li>• Economy of scale</li> <li>• Single point of contact for works and contractor immediately known</li> <li>• Customers (public, Members etc) know the contractor</li> <li>• Client is important to the contractor</li> <li>• As operated by a number of highway authorities</li> <li>• Sufficient (local) resources for reallocation to emergencies such as winter maintenance</li> <li>• More able to cope with peaks in workload</li> <li>• Better planning of multi-disciplinary schemes.</li> </ul>	<ul style="list-style-type: none"> <li>• Some works may have to be subcontracted</li> <li>• All eggs in one basket, if contractor not performing / in difficulties</li> <li>• Longer lead in time as such bidding will have to be advertised in the OJEU (Official Journal of the European Union) as well as the new contract drafted.</li> </ul>
3	<ul style="list-style-type: none"> <li>• A combination of contract lots. Integrated highways maintenance, project delivery (works) and professional services</li> </ul>	<ul style="list-style-type: none"> <li>• Able to achieve value for money and most economical advantageous bid</li> <li>• Will represented market value</li> <li>• Allows for smaller focused specialist suppliers to compete</li> <li>• Client has one point of contact with contractor</li> <li>• Possible contract savings on client side</li> <li>• Considered to be reflective of market consolidation and conditions</li> <li>• Able to ensure Southwark access to market expertise and quality service delivery</li> <li>• Mitigation / minimisation of risk</li> </ul>	<ul style="list-style-type: none"> <li>• Skills requirement may be seen as too diverse</li> <li>• May lead to duplicated client arrangements</li> <li>• May need joint venture arrangements</li> <li>• May duplicate effort in co-ordination across service function.</li> </ul>

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
		<ul style="list-style-type: none"> <li>• Sufficient flexibility to allow all potential suppliers an opportunity to bid.</li> </ul>	
4	(vi) Private Finance Initiative (PFI)	<ul style="list-style-type: none"> <li>• Major risks transferred to PFI contractor</li> <li>• PFI credits (funding) available from Central Government</li> <li>• Improvements to conditions obtained in first few years of contract.</li> </ul>	<ul style="list-style-type: none"> <li>• Long lead in times (5+ years)</li> <li>• Locked into long term contract (25 years )</li> <li>• Changes may be costly</li> <li>• Major strategic shift and buy in needed from client</li> <li>• Difficult current financial climate.</li> </ul>
5	Geographical Split (e.g. North/South)	<ul style="list-style-type: none"> <li>• Delivers competitive edge since boundary can be adjusted dependant on performance</li> <li>• Allows easy price comparison through the same specification applies to both areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Confusing for 3<sup>rd</sup> parties on or near boundary</li> <li>• Works such as Winter Service would lack continuity</li> <li>• Impact of works such as scheme design could impact of other area.</li> <li>• Doubling up of officer staff time.</li> </ul>