

Insourcing

Assessment of insourcing – O'Hara Bros, GW Highways and Velocity UK

The Council considered the appropriate delivery model for highways maintenance through its Redefining Local Services (RLS) programme before procuring the current O'Hara Bros and GW Highways contracts. The later procurement of the specialist injection-patching service was considered separately and included its own explicit assessment of whether the service should be delivered in-house.

O'Hara Bros Surfacing Ltd and GW Highways Ltd

The RLS process considered alternative delivery models for highways maintenance before the current contracts were procured. Cabinet approved the proposed delivery model and authority to tender on 7 February 2022, with the subsequent contract award approved on 16 January 2023.

The assessment included a trial of bringing part of the highways reactive maintenance service in-house. The proposed model involved establishing an in-house team to undertake around 20% of reactive defects, particularly minor potholes and footway defects. The trial encountered significant difficulties in recruiting suitable staff. The financial assessment also indicated that bringing the full reactive maintenance function in-house would have resulted in an estimated additional cost of approximately £600,000 per annum, alongside an estimated £335,000 annual pressure associated with the proposed depot operating model.

On this basis, Cabinet determined that the full reactive maintenance service should remain outsourced. The subsequent procurement nevertheless sought to improve resilience by splitting the service into two lots, awarded to O'Hara Bros Surfacing Ltd and GW Highways Ltd. The two-contractor model provides the Council with greater flexibility to manage workload and performance issues and provides an alternative source of capacity should one contractor experience operational difficulties.

The procurement itself was competitive and assessed both price and quality. The evaluation included technical/quality, commercial and social-value considerations, rather than selecting the contractors solely on price. The resulting arrangements therefore represented a combination of:

- an assessment of the costs and practicality of insourcing;
- consideration of workforce recruitment and capacity;
- consideration of resilience and operational risk;
- competitive market testing; and
- retention of a strong Council client function.

The Council also retained key activities in-house, including highway safety inspections and contract/client management, allowing it to maintain direct control over identification and prioritisation of defects and oversight of contractor performance.

Velocity UK Ltd – Injection Patching

The position regarding Velocity UK Ltd is different, because injection patching was procured separately as a specialist service rather than as part of the RLS Lot 1/Lot 2 procurement.

Importantly, the Council's October 2023 Authority to Tender report contains an explicit assessment of the in-house option. The report states that the Council had determined that the most appropriate delivery method was to procure a specialist contractor, because the service requires specialist machinery and trained operatives. It specifically considered purchasing the equipment and recruiting and training Council staff to undertake the work in-house.

The report estimated that an injection-patching machine would cost approximately £200,000, with an expected vehicle life of around 10 years, subject to usage and servicing. It also identified the need for regular maintenance, appropriate storage for the machinery and materials, and the difficulty of making the model viable because injection patching is seasonal work concentrated in the summer months. The report concluded that purchasing the equipment and maintaining sufficient staff capacity throughout the year did not appear viable at that time.

The operational requirement was for a specialist contractor to undertake a borough-wide programme of pothole and carriageway-defect repairs, with an anticipated output of approximately 60 repairs per day for around four months each year, or until the allocated budget was exhausted.

The contract was subsequently structured as a 48-month contract with no extensions, with an estimated total value of £1m based on the available budget. The procurement evaluation gave 55% to price, 35% to technical/quality and 10% to social value. The technical assessment included delivery, resources, traffic management, quality/monitoring, sustainability and circular economy.

The report also records that the use of the specialist technology meant that there were a limited number of suppliers in the market, and three pre-identified organisations with the required capability were invited to tender. This is relevant to the resilience assessment: a specialist outsourced model provides access to equipment and trained operatives without the Council having to maintain those resources throughout the year, but it also means that there is a more limited specialist supplier market.

There were no additional Council staffing requirements associated with the proposed contract. The successful contractor was also to be permitted, under a lease/licence arrangement, to use a small area of an existing Council depot for storage and overnight parking of the injection-patching vehicle.

The Council's financial contribution was to come from the existing highways budget, rather than requiring a separate staffing or capital-investment budget for an in-house operation.

The business case also identified operational and environmental benefits from the specialist approach. The report describes injection patching as a method for rapidly treating large numbers of defects, with no excavation, road closures or hot materials, and identifies reduced waste and carbon emissions as benefits.

Comparison of the three arrangements

Contract	Insourcing assessment	Principal consideration	Result
O'Hara Bros – Lot 1	Considered through RLS, including in-house reactive maintenance trial	Workforce capacity, cost, operational resilience and value for money	Outsourced
GW Highways – Lot 2	Considered through the same RLS process	As above; two-lot model also provided resilience	Outsourced
Velocity Injection Patching	Specific in-house option assessed in Authority to Tender report	£200k specialist machine, trained staff, storage, maintenance and seasonal utilisation	Specialist outsourced contract

Overall conclusion

Insourcing was therefore considered in deciding the current delivery arrangements.

For O'Hara and GW, the Council considered insourcing through the RLS programme, including an actual in-house reactive maintenance trial and financial assessment, before deciding that the full service should remain outsourced. The subsequent two-lot procurement was intended to provide competitive value and improve operational resilience.

For Velocity, the Council's 2023 Authority to Tender report contains a specific and documented assessment of insourcing. The Council considered buying the approximately £200,000 specialist machine, recruiting and training its own operatives, providing storage and maintaining the equipment. The assessment concluded that this was not practical at that time, principally because of the specialist nature of the operation, the need for trained operatives and the seasonal nature of injection patching, which would make it difficult to utilise the equipment and workforce economically throughout the year.

The outsourced model consequently allows the Council to purchase the specialist capacity when required, without carrying the full capital, staffing, storage and maintenance costs of an in-house operation throughout the year. The contract is subject to defined quality, delivery, resource and performance requirements, while the Council retains responsibility for determining maintenance priorities and managing the contract.