

Environmental and Community Services Select Committee

11th January 2017

Highway Maintenance Term Contract 2018

Report by Director of Highways and Transport

Executive Summary

The existing Highway Maintenance Term Contract is currently delivered by Balfour Beatty Living Places and is due to expire 30th June 2018. Approval is being sought from the Cabinet Member for Highways and Transport for the County Council to procure and enter into a new term maintenance contract to commence 1st July 2018.

Recommendations

That the Committee:

- (1) Supports the commencement of a procurement process to procure a new Highway Maintenance Term Contract to commence 1st July 2018 in accordance with the recommendations of the Full Business Case;
- (2) Supports the letting of a contract for an initial period of between 5 and 7 years with the option to extend to a maximum duration of 10 years with the exact durations to be confirmed within the Full Business Case; and
- (3) Notes the delegation of authority to the Executive Director of Economy Infrastructure and Environment to enter into the contract, and to extend if appropriate, in accordance with the Council's Standing Orders on Procurement and Contracts.

1. Background and Context

- 1.1 The existing Highway Maintenance Term Contract is currently delivered by Balfour Beatty Living Places (BBLP) and commenced 1st July 2011 for an initial period of 5 years. A two year extension was agreed in January 2016 and the contract is now due to expire 30th June 2018.
- 1.2 Approval is being sought from the Cabinet Member for Highways and Transport for the County Council to procure and enter into a new term maintenance contract to commence 1st July 2018.
- 1.3 This report is to support preview by the Committee of the proposed decision by the Cabinet Member for Highways and Transport.

2. Proposals

- 2.1 It is proposed to procure a new term maintenance contract for an initial period of between five and seven years, with contract extensions available subject to performance, to a maximum contract length of ten years.
- 2.2 The initial contract term, and maximum contract duration, will be established through the outline and full business cases.

3. Alternative Options Considered

- 3.1 Since the current Term Maintenance Contract is due to expire on 30th June 2018 there is no option but to enter into a new arrangement for delivery of this statutory function. However, a number of procurement models and other options are available, and these will be explored further in the development of the outline and full business cases.

4. Issues for consideration by the Select Committee

- 4.1 Industry soft market testing tells us that the absolute minimum length of contract which would remain attractive to the sector is five years. The same feedback tells us that best value will be achieved if the minimum contract length is seven years since the additional two years gives more time to write down the contractor's initial capital investment costs.
- 4.2 The earliest opportunity to bring contract end dates into alignment with neighbouring authorities would be after five years. The Committee's views are sought on whether potential cost savings from the longer initial contract term, or early alignment of contract end dates, would be preferable. It would be useful to have the Committee's views prior to the planned second phase of soft market testing later in January so that any influence on contract end dates can be confirmed with the market.
- 4.3 When designing the new contract Officers will need to find a balance between service levels and affordability. Whilst all service levels will be subject to review, the Committee's initial views are sought on which service levels are considered most suitable, for service level reduction. Should this become necessary, any decision on service levels will most likely need to be made in the lead up to contract award, which is currently planned for February 2018.
- 4.4 The current Term Maintenance Contract has a maximum threshold of £500,000 per scheme, meaning that schemes above this value may not be procured through the contract. Generally speaking these schemes are self-contained and capital funded. Officers are minded to remove the threshold from the new contract, in order to offer more procurement choice, and the Committee's views are sought on this proposal.

5. Consultation

- 5.1 The Cabinet Member for Highways and Transport sits on the Project Board for this procurement and an Executive Task and Finish Group has been established to support the Project Board. A Member's day has been

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scheduled for 4th January 2017 with the objective of giving Members visibility of the planned procurement process.

- 5.2 The industry sector has been consulted through a soft market testing event which was well attended, well received, and has informed development of the Outline Business Case which is attached (Appendix B).
- 5.3 A Local Government Association peer review has been held, the findings have been reported, and an action plan is currently in development to address the suggestions made by the peer review.
- 5.4 Visits to other local authorities have taken place, to explore the advantages and disadvantages of various procurement models for a new Highway Maintenance Term Contract, and to identify contemporary best practice.
- 5.5 Governance arrangements have been established and are attached (Appendix C), to initiate good levels of engagement and accountability, and a communication plan will be developed to ensure good communication as the project evolves.

6. Resource Implications and Value for Money

- 6.1 Core annual expenditure through the current Term Maintenance Contract is in the region of £10million revenue and £20million capital. Further expenditure has also come through exceptional or one off funding streams, for example the Better Roads Programme, which contributed to total annual expenditure through the contract rising to more than £50million in the financial year 2014/2015.
- 6.2 A successful bid has been secured through the Transformation Fund to supply appropriate resources to support this complex procurement. The resource plan includes a combined team of consultants and a small WSCC team. This approach is designed to ensure continuity of service and protect service delivery whilst the project is in motion.
- 6.3 Primary drivers for the new contract are customer service, financial savings, efficiency and continuous improvement, integrated service delivery, and achieving the most economically advantageous offering for the Council. Resource implications and value for money attached to the various available options will be fully developed through the full business case.
- 6.4 The new contract will be designed with sufficient flexibility to contain expenditure within projected budgets.

7. Risk Management Implications

- 7.1 This project applies techniques and strategies to manage and mitigate risk. The status of current identified risks are summarised in the risk register which is attached (Appendix D).

8. Impact of the proposal

8.1 Equality Duty

An Equality Impact report (EIR) is not required because this report is dealing with procedural matters only.

8.2 Crime and Disorder Act Implications

The County Council is of the view that there are no foreseeable crime and disorder implications to this proposal.

8.3 Human Rights

The proposal has no implications under the Human Rights Act 1998.

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Background Papers

None

Appendices

[Appendix A – Project Plan](#)

[Appendix B – Outline Business Case \(Draft\)](#)

[Appendix C – Governance arrangements](#)

[Appendix D – Risk Register](#)