

**Environment, Communities and Fire Select Committee****14 January 2019****Highway Maintenance Contract Procurement  
Options Appraisal Summary and Update****Report by Executive Director Economy Infrastructure and  
Environment and Director of Highways and Transport****Summary**

The Highways Term Maintenance Contract is used to deliver a range of statutory highway maintenance services. There is currently no long-term contract in place and so arrangements have been made, through a recent key decision, to extend the current provisions for service delivery. This is to ensure sufficient time for an effective new procurement process whilst safeguarding statutory service provision.

Provision has also been made through a separate key decision to commence procurement of a new highway maintenance contract, or set of contracts, and input from Legal, Procurement and Finance is being sought to help make the final plans for the procurement route and contract model.

The length and scope of the new contract or set of contracts, and the detailed terms, will be fully developed once the procurement is underway. The first part of the procurement process is to narrow down the available options, and to identify a preferred option, using an options appraisal.

**The focus for scrutiny**

This report is to update Committee on progress with the new procurement, and to set out the preferred options, identified through the initial options appraisal. The Committee is asked to consider the suggested scope and timing of the procurement process.

## **Proposal**

### **1. Background and Context**

- 1.1 The Cabinet Member for Highways and Transport has been asked to approve a request for the County Council to procure and enter into a new term maintenance contract (TMC), or set of contracts, to commence when the current contract expires in accordance with the Council's Standing Orders on Procurement and Contracts.
- 1.2 This report is to update Committee on progress with the new procurement, to set out the preferred options identified through the initial options appraisal, and to outline expected next steps.

### **2. Proposal**

- 2.1 It is proposed to procure a new term maintenance contract, or set of contracts, for an initial period of five to seven years. It is anticipated that contract extensions will be available, subject to performance, to a maximum contract length of ten years.
- 2.2 Primary drivers for the new contract are customer service, financial savings, efficiency and continuous improvement, integrated service delivery, flexibility of the contract model, and achieving the most economically advantageous offering for the County Council. Resource implications and value for money attached to the different available options will be developed as the project advances.
- 2.3 The arrangement of the contract landscape, including the recommended length of the contract(s), is subject to the recommendations of an options appraisal, which has been commissioned with an independent specialist consultant. Final decisions regarding the arrangement of the contract landscape will be made by the highways team with input from legal, procurement and finance colleagues.

### **3. Options Appraisal**

- 3.1 A detailed appraisal of contract models and procurement options has been undertaken by an independent specialist consultant. To ensure an objective assessment, the options appraisal has used multiple sources, including for example agreed council objectives, commercial considerations, staff workshops and market insight.
- 3.2 Recognised industry standard contracting models have been used as the basis of the options appraisal, which are generally aligned with guidance published by Department for Transport, and the Highways Maintenance Efficiency Programme procurement toolkit. These are well established contracting models, widely used by other local authorities, and are supported and understood by the industry. Funding from Department for Transport is now aligned to support, at least in part, authorities that promote standardised delivery models.

- 3.3 Ten delivery model options were assessed against an agreed set of suitability drivers (Appendix A). The drivers were derived from a number of Highways and Transport work stream areas including the Service Improvement Programme, Business Plan, Experiential Place Statements, Asset Management Plan and previous contract objectives.
- 3.4 Primary service areas (Appendix B) were included in the initial review of the contract model options with secondary considerations being analysed against shortlisted options later in the appraisal.
- 3.5 A number of more detailed objectives were further developed and linked to the H&T Strategic and Service Delivery Objectives which ultimately flow through from 'The West Sussex Plan' in the form of themes (Appendix C). These objectives will be used as part of the procurement model and will be used to establish the new contract performance framework. This ensures continuity from the options appraisal throughout the entire contract lifecycle.
- 3.6 Market insight was obtained through two primary methods; informal industry discussions and a questionnaire. Financial insight was obtained by using anonymised financial data from across a range of contract types and included, for example, typical overhead and fee charges.
- 3.7 Initial procurement considerations within the options appraisal include the likely procurement strategy, routes to market, timescales, form of contract, and the scope and agility of various procurement routes.
- 3.8 Once the contract model options appraisal was completed, and shortlisting finalised against the suitability drivers, six potential contract options emerged as follows:
- a) Single supplier commissioning model
  - b) Single supplier traditional TMC
  - c) Mixed economy single provider frameworks
  - d) Mixed economy multiple provider frameworks
  - e) In-house with top up delivery
  - f) In-house delivery
- 3.9 These options were then further appraised and objectively scored against the Council's objectives. It is recognised that several of the options are closely aligned and broadly similar and these options may be distilled down to:
- Single supplier
  - Framework
  - In-house
- 3.10 Further factors were then considered, including client contract management maturity, time to market, Highways and Transport (H&T) concerns and pressures, financial appraisal, affordability test, value for money and savings opportunities.

- 3.11 After detailed analysis the options appraisal recommends the Mixed Economy Single Supplier Framework as the preferred option. In plain English this may best be described as a multiple provider contract landscape set around a core Term Maintenance Contract.
- 3.12 Next steps are to complete a full business case for the preferred option and to develop a procurement strategy to deliver the required contract landscape.

#### **4. Resources**

- 3.13 Core average annual expenditure through the Highway Maintenance Term Contract from financial years 2016/17 to 2018/19 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.

	2016/17	2017/18	2018/19
	£m	£m	£m
Revenue Contract Spend Estimate	12.2	8.8	8.3
Capital Contract Spend Estimate	15.9	20.3	22.3
	<b>28.1</b>	<b>29.1</b>	<b>30.6</b>

- 3.14 The new contract, or set of contracts, will contribute towards savings of £1.5m in the highways maintenance budget by 2020/21.
- 3.15 The new contract landscape will be designed with sufficient flexibility to contain expenditure within projected budgets.

#### **Factors taken into account**

##### **5. Issues for consideration by the Select Committee**

- 5.1 The Committee is asked to consider the scope and timing of their scrutiny of the procurement process.

##### **6. Consultation**

- 6.1 The industry sector has been consulted, through a soft market testing questionnaire, which has informed development of the options appraisal. Further market engagement is planned to help shape the detail of the new contract landscape.
- 6.2 Visits to other local authorities have taken place, to explore the advantages and disadvantages of various procurement models for a new contract landscape, and to identify contemporary best practice.

- 6.3 Governance arrangements will be established (Appendix D) to initiate good levels of engagement and accountability, a communication plan will be developed to ensure good communication as the project evolves, and an initial timeline for the procurement has been produced (Appendix E).
- 6.4 Ultimately the procurement will be signed off by the Cabinet Member for Highways and Infrastructure acting through a Project Board, which will include the Executive Director for Economy Infrastructure and Environment, the Director of Highways and Transport and the Section 151 Officer.
- 6.5 The procurement will be available to be scrutinised by Environment, Communities and Fire Select Committee.

## **7. Risk Management Implications**

- 7.1 The risk of not completing the procurement of a new Highway Maintenance Term Contract, or set of contracts, is that the County Council's statutory duty to maintain the public highway will not be met.
- 7.2 This project will apply techniques and strategies to manage and mitigate risk. The status of current identified risks will be summarised in a risk register, where they remain until the risk has either been removed entirely, or moderated to an acceptable level through mitigating action. The risk register will be a live document which will be regularly updated and reviewed in line with industry best practice and the County Council's risk management processes and governance arrangements.

## **8. Other Options Considered**

- 8.1 As the current maintenance contract approaches expiry there is little 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 fully explored in the development of the options identified through the options appraisal. A copy of the options appraisal is attached (Appendix F).

## **9. Equality Duty**

- 9.1 An Equality Impact Report (EIR) is not required because this report is dealing with procedural matters only. The public sector equality duty will apply to the delivery of the services which fall within the contract, and the terms of the contract will ensure that they enable the Council to fulfil its obligations through the delivery of the contract, and provide sufficient assurance that the duty will be complied with.

## **10. Social Value**

- 10.1 The new Highway Maintenance Term Contract, or set of contracts, will be designed to provide added social value. This reflects the County Council's duty under the Public Services (Social Value) Act 2012. The design of the contract landscape will consider the wider social, environmental and economic benefits, which are set out in the County Council's 2015 Sustainability Strategy. The new contract arrangement will also include a commitment to the West Sussex Community Covenant.

## **11. Crime and Disorder Implications**

- 11.1 There are no foreseeable crime and disorder implications to this proposal.

## **12. Human Rights Implications**

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

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## **Appendices**

Appendix A – Suitability Driver Analysis

Appendix B – Primary and Secondary Service Considerations

Appendix C – Highways and Transport Themes

Appendix D – Governance Arrangements

Appendix E – Initial Timeline (Draft)

Appendix F – Options Appraisal

## **Background papers**

Key Decision Report: Highway Maintenance Term Contract Procurement  
HI21(18/19)

Key Decision Report: Interim Highway Maintenance Term Contract  
HI22(18/19)