

**From:** David Brazier, Cabinet Member for Highways & Transport  
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**To:** Environment and Transport Cabinet Committee – 23 May 2023

**Subject:** Highway Term Maintenance Service Commissioning Programme

**Classification:** Unrestricted

**Past Pathway of Paper:** N/A

**Future Pathway of Paper:** Environment and Transport Cabinet Committee; Cabinet Member Decision

**Electoral Division:** All

**Summary:** Kent County Council is the Statutory Authority responsible for the delivery of highways services to Kent residents. Many of these services are delivered through a Highways Term Maintenance Contract (HTMC). The prevailing contract will expire on 31 August 2023. A new commissioning programme to replace this contract is expected to take 27-months.

This paper identifies market risks and outlines the commissioning programme required to deliver a replacement contract.

**Recommendation:**

The Cabinet Committee is asked to note and comment on the report.

## 1. Introduction

1.1 Kent County Council (KCC) is the Statutory Authority responsible for the delivery of highway services for the residents of Kent (excluding Medway). The Highway Term Maintenance Contract (HTMC) is delivered by Amey Highways Ltd and the contract is managed by Highways and Transportation (H&T).

1.2 The current arrangement commenced on 1 September 2011 and has been worth between £40m and £50m per annum split across revenue and capital budgets and has relied upon both grant and KCC funding. Several key services are delivered through this contract including:

- **Winter Service Provision** – i.e. gritting of our major routes during freezing conditions.
- **Drainage Maintenance and Capital Projects** – i.e. gully cleansing and drainage repairs.
- **Structures Maintenance** – i.e. bridge repairs and construction.
- **Patching and Small Resurfacing Services** – i.e. pothole and surface defect repairs.

- **Surface Treatments** – i.e. road and footway surface preservation and life extension.
  - **Emergency Response** – i.e. supporting emergency services in response to incidents across the network including weather events and structural failure.
  - **Highway Schemes Delivery** – i.e. construction of highway improvement schemes, including those for crash remedial measures and s106 requirements.
- 1.3 Whilst the current contract is due to expire on 31 August 2023 work is nearing completion to secure a final extension to this contract which will see the expiry of the contract be revised to 30 April 2026.
- 1.4 This paper outlines the pathway to recommission this contract to ensure continuity of operational service from May 2026.

## 2. Current Market Capacity

- 2.1 The industry is experiencing significant volatility due to the impact and aftermath of COVID-19 and the war in Ukraine. The consequence of these and other market challenges has seen widescale problems in the supply of materials, skilled and unskilled labour and increasing fuel and financing costs. This has led to large uplifts in inflation with many indices (e.g. RPI, CPI and BCIS) forecasting be between 10% and 30% over the past 12-18 months.
- 2.2 It is expected that this market uncertainty will remain for the short/medium term with some forecasting that it may take many years to normalise.
- 2.3 Local authorities that are procuring new contracts are seeing highly volatile pricing, reduced supplier availability and tenderers seeking to transfer several critical risks back to the client.
- 2.4 Initial conversations have identified that there remains congestion in the tendering programmes of many industries (including highways and construction). In this climate there remains little confidence that letting a contract at this time would deliver a contract that would be affordable or that it would represent best value over the longer-term.
- 2.5 Market intelligence suggests that delaying procurement for a period of somewhere between 3-5 years should allow the market to stabilise.
- 2.6 In summary the prevailing primary procurement risks include amongst others:
- **Market Uncertainty** – Volatility throughout the market is affecting both pricing and risk provisioning. Tendering at this time for a long-term (10 year plus) could incorporate unnecessary cost and risk. Passage of time (3-5 years) should allow market to stabilise and contractors to regain operational confidence.

- **Supply Chain Capacity** – Some organisations may not survive the challenging operational environment. Whilst this may allow new market entrants it will curtail competition.
- **Manufacturing capability** – Scarcity and competition for raw materials and skilled operatives is extending times and increasing unit prices for plant and manufactured equipment/components very high. Over time is expected that the demand for these items will be satisfied and this market will normalise.

### 3. Procurement Timeline

- 3.1 To procure a replacement term maintenance contract is both complex and time consuming. Under normal circumstances, this process would be expected to take circa 27 months.
- 3.2 Whilst the below provides some detail on the expected stages and duration of the programme, there remains the need to align this schedule to the democratic decision and governance processes which could affect some of the durations stated:
- Formal Market Engagement – 6 Months
  - Selection Qualification (SQ) Process – 1 Month
  - SQ Evaluation and Approval – 2 Months
  - Initial Tender Period – 3 Months
  - Initial Tender Evaluation and Shortlist – 3 Months
  - Negotiation Period – 2 Months
  - Final Tender Period – 2 Month
  - Award Process – 2 Months
  - Mobilisation Period – 6 Months
- 3.3 KCC has a legal duty to maintain its respective sections of the highway network under section 41 of the Highways Act 1980 and this demands continuity of operational service.
- 3.4 Whilst the current contract is due to expire on 31 August 2023 work is nearing completion to secure a final extension to this contract which will see the expiry of the contract be revised to 30 April 2026.
- 3.5 This final extension to the HTMC will facilitate the above commissioning timeline and is in line with KCC MTFP budget ambition. The extension will also help to address the commissioning risks highlighted.
- 3.6 Whilst the contract is due to expire in August, due to activities required to prepare for Winter Service operations (vehicle maintenance, salt stocking, driver and route training and the like) the extension will allow the new term maintenance contract to commence in May. This provides a sufficient duration to mobilise for the formal start of Winter Service in October.

3.7 The final 32-month contract extension to the existing HTMC will be presented to the Environment and Transport Cabinet Committee in July 2023.

#### **4. Next Steps**

4.1 The programme team is being mobilised and this will continue over the summer of 2023 prior to the formal commencement of the HTMC commissioning programme.

4.2 A steering board to routinely measure and monitor progress will be set up and will regularly provide an update to this committee.

#### **5. Recommendation:**

The Cabinet Committee is asked to note and comment on the report.

#### **6. Report Authors**

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