

From: Matthew Balfour, Cabinet Member for Planning, Highways, Transport and Waste
Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Environment and Transport Cabinet Committee – 30 November 2017

Subject: **Highway Maintenance Contract Commissioning Project**

Decision No: 17/00124

Past Pathway of Paper: N/A

Future Pathway of Paper: For Cabinet Member decision

Electoral Division: Countywide

Summary:

KCC 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) with AMEY. The current contract expires in August 2018. Alongside this, the Machine Resurfacing Contract¹ provided by Eurovia is also due to end in June 2018. Following a commissioning review of these services this report sets out a proposal to extend the HTMC for a period of two years and to re-procure the Machine Resurfacing Contract.

Recommendation(s):

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Planning, Highways, Transport and Waste on the proposed decision as attached at Appendix A to:

- give approval for awarding a two year extension with Amey until 31 August 2020;
- in consultation with the Cabinet Member for Planning, Highways, Transport and Waste delegate authority to the Corporate Director for Growth, Environment and Transport to award the final available year extension with Amey up to 31 August 2021;
- approve the procurement of the Road Asset Renewal Contract and in consultation with the Cabinet Member for Planning, Highways, Transport and Waste delegate authority to the Corporate Director for Growth, Environment and Transport to approve the award of the subsequent contract to the preferred bidder; and
- in consultation with the Cabinet Member for Planning, Highways, Transport and Waste delegate authority to the Corporate Director for Growth, Environment and Transport to award extensions of the Road Asset Renewal Contract in accordance with the possible extension clauses within the contract.

¹ Now renamed Road Asset Renewal Contract

1. Introduction

1.1 Kent County Council 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 currently provided by Amey and the contract is managed by Highways, Transportation and Waste (HTW). The current arrangement commenced on 1 September 2011, is due to terminate on the 31 August 2018 (following a two year extension) and has been worth approximately £40m per annum. A number of 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. potholing and patching of the highway
- **Surface Treatments** – i.e. small highway and footway resurfacing
- **Emergency Response** – i.e. response to emergencies across the network due to weather, crashes or structure failure
- **Highway Schemes Delivery** – i.e. construction of smaller schemes for crash remedial measures and s106 requirements.

1.2 In addition to the above contract, the Authority's Machine Resurfacing Contract delivers a number of specialist major resurfacing works which is provided by Eurovia. This contract is worth approximately £8m per annum and is due to terminate on the 30 June 2018. This involves the renewal of the Authority's road assets as part of a capital investment programme which replaces sections of road surface/structure that have reached the end of their service life. In line with the business asset management approach the delivery of these services has been renamed as the Road Asset Renewal Contract (RARC).

1.3 In September 2016 HTW started the Highways Maintenance Contract Commissioning Project (HMCCP) which focused on reviewing the current contractual arrangements as set out above and determining how these should be delivered post 2018 whilst ensuring that every pound spent by the Authority delivers better outcomes for Kent's residents, communities and businesses.

2. The Commissioning Project

2.1 A multi-disciplinary officer group involving representatives from Highways Asset Management and Transportation service areas within HTW have progressed a major piece of work in reviewing the current contracts, their performance and analysing the spend levels across the different services. Recommendations were presented to a Project Board that comprised of the following people across the business as well as Strategic and Corporate Services.

- **Strategic Commissioner (ST SC)**
- **Head of Highways Asset Management (GET HTW)**

- **Head of Waste Management and Business Services (GET HTW)**
- **Strategic Contract & Commissioning Support Manager (GET HTW)**
- **Business Manager (GET HTW)**
- **Principal Accountant (ST F)**
- **GET Portfolio Delivery Manager (GET CDO)**
- **HMCCP Project Manager (GET HTW)**

2.2 This evidence collation and analysis enabled officers to understand how the Authority can best package its requirements and make service improvements. The work included holding feedback workshops with colleagues, investigating best practice with other local authorities, engaging with the market and evaluating potential options. Three options were identified. :

- Option 1 – Extend the current arrangement with the incumbent contractor for up to a maximum three year period and commission a new machine resurfacing contract.
- Option 2 – Commission a large scale contract that incorporates all services as detailed in this report.
- Option 3 – Commission a number of contracts that includes a core highway maintenance contract (supports winter service) and a number of separate arrangements for specialist services.

2.3 The three options were then evaluated by the HMCCP Asset Manager group which included Head of Highways Asset Management, individual Asset Managers from within the business service areas including the Senior Highway Manager, Senior Asset Manager and the Strategic Contract & Commissioning Support Manager across four key criteria:

- Financial Impact
- Management Influence and Flexibility
- Impact of Change
- Delivering our Outcomes

2.4 Based on the initial evaluation, Option 3 was deemed to be the preferred delivery model. However the differences between all options were minimal and the evaluation team confirmed that all could deliver the Authority's requirements. Full details on the evaluation can be found in the attached HMCCP Commissioning Plan

2.5 Options were presented and discussed with the Strategic Commissioning and Commissioning Advisory Boards. Following these discussions and, in light of improved performance by the current provider and advice of the Section 151 Officer that it would be high risk to commence a procurement of a new HTMC where costs are likely to increase, the recommendation is to proceed with option 1 to extend the current arrangement with the incumbent contractor as set out above in paragraph 2.2.

3. Financial Implications

- 3.1 The recommended option is within the projected budgets set out in the Medium Term Financial Plan (MTFP).
- 3.2 In relation to Option 1, the financial impact of the Amey extension is favourable, as it has been agreed that the prices within the contract will remain the same and only rise in line with inflation indices in accordance with the contract. The financial impact of RARC is less clear, however it is anticipated that a competitive procurement process will drive a commercially favourable contract.

4. Policy Framework

- 4.1 The commission accords with the County Council's Strategic Statement "Increasing Opportunities – Improving Outcomes" that communities benefit from economic growth by being in work, healthy and enjoying a good quality of life.

5. Legal Implications

- 5.1 Both contracts went through an appropriate procurement process in 2010 and 2014 respectively. The HTMC allows for extensions up to 31 August 2021 however the RARC will expire in 2018 as the available extension periods have previously been granted.

6. Equality Implications

- 6.1 An Equalities Impact Assessment has been carried out and no implications for extending the HTMC and procuring the RARC have been identified. .

7. Conclusions

- 7.1 The current annual turnover of the HTMC will be at least £30.5m pending budget confirmation as the street lighting services will fully transfer to Bouygues from 1 September 2018. The current costs will only rise in accordance with the inflation indices detailed in the contract.
- 7.2 Due to the expiry of the RARC in June 2018 (there is no extension available), a procurement process will need to commence over the next few months with a contract due to be awarded in April 2018. The indicative timetable is as follows:

- Commencement of procurement – December 2018
- Contract award – May 2018
- Contract commencement – 1 July 2018

8. Recommendations

Recommendation(s):

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9. Background Documents

- Appendix A – Proposed Record of Decision
- HMCCP Commissioning Plan -
<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD5272&ID=5272&RPID=18573851>
- EqlA for Customers:
<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD5270&ID=5270&RPID=18573861>
- EqlA for Staff:
<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD5271&ID=5271&RPID=18573924>

10. Contact details

Lead officers:

Andrew Loosemore – Head of Highways Asset Management
03000 411652
Andrew.Loosemore@kent.gov.uk

Robert Clark – Contract and Commissioning Support Manager
03000 415915
Robert.Clark@kent.gov.uk

Lead Director:

Roger Wilkin – Director of Highways, Transportation and Waste

03000413479

Roger.Wilkin@kent.gov.uk