

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	12 May 2015
Title:	Term Highways Contract
Reference:	6584
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

- 1.1. The purpose of this paper is to apprise the Executive Member for Economy, Transport and Environment on work carried out to date on the future delivery model for Hampshire's Highway Service, and to seek the necessary authority to finalise this work and develop a preferred option for future delivery.

2. Contextual information

Current highways maintenance contract

- 2.1. At present, the County Council delivers the majority of its highway maintenance activities via the Term Highway Contract. The contract is a traditional Term Maintenance Contract with the County Council retaining a strong Client role where all work undertaken through the contract is designed, ordered, managed and paid by the Client using a priced schedule of rates. The initial contract duration was seven years (2008-2015) and had the option of three, one-year extensions. To date, two of the extensions have been awarded and the contract is currently due to end on 30 April 2017. Amey LG is the current Service Provider.
- 2.2. Annual expenditure through the Contract has increased considerably during its lifetime. During the first year the value of spend was £37.5million and this has gradually increased to £62million in 2013/14. The main reasons for the growth have been:
- Recognising the importance of highway maintenance to the economy and the wellbeing of Hampshire, the County Council's Members have invested an additional £10-12million per year for several years for

planned maintenance schemes, namely carriageway resurfacing projects through the County Council's Operation Resilience programme.

- Successful bids for Government grants in response to emergencies, for example flood recovery damage and pot hole repairs. In 2014/15 this equated to £17.5million additional funding spent through the term highways contract.

The contract spend is made up of both revenue and capital budgets, in the approximate ratio of 35% revenue and 65% capital.

3. Revenue budget saving requirements

- 3.1. Along with the other services provided by the County Council, the Highways Service has set ambitious efficiencies targets which necessitate the transformation of the service delivery model. To achieve the revenue savings targets required by 2017, through both efficiencies and service alterations, it will be necessary to change the future operating model of the service. The programme of work outlined in this report has analysed a number of options to deliver this transformation, and authority is sought to finalise this programme of work ahead of a final decision on future service delivery.

4. Work Carried Out To Date

- 4.1. Officers have carried out detailed analysis on the full range of potential delivery models ranging from a Private Finance Initiative to a Direct Service Organisation. The full range of options considered has comprised:
 - A Direct Service Organisation (direct, in-house delivery);
 - Term Highway Contract Limited (similar to existing arrangements but excluding Planned Maintenance work);
 - Term Highway Contract Standard (continuation of existing arrangements);
 - Term Highway Contract Plus (a revised version of existing arrangements with a slimmer client and in-built flexibilities for levels of spend);
 - Integrated Client (outsourcing);
 - Joint Venture (a shared contract with a private sector partner); and
 - Private Finance Initiative (a long term contract with a private supplier with limited direct control over the asset).

- 4.2. In 2014 a cross party member Task & Finish Group (involving members from both the Economy, Transport and Environment Select Committee and the Policy and Resources Select Committee) worked with officers to review the variety of highway service delivery models available and recommend the preferred model for the County Council. This work concluded with a report to the Chair of the Economy, Transport and Environment Select Committee in January 2015, making the following recommendations:

That the County Council take steps to develop a contract following the Term Maintenance Contract Plus model, for provision of highway maintenance services following the end of the current contract.

The Members of the Highways Phase 2 Task and Finish Working Group form an Advisory Panel to work with the Executive Member for Economy, Transport and Environment going forwards, to provide advice and oversight as the new contract is developed.

- 4.3. In addition to this, the Local Government Association (LGA) was invited to Hampshire for a three day Strategic Peer Review to focus on the research and methodology undertaken by the County Council and progress made towards identifying the best option for the future of the Highways Service. The review was undertaken over two visits in January and March 2015 and included consultation with Members, Senior Managers, and discussions with frontline staff. Initial feedback has been very positive with the review team strongly supporting the work and approach taken to date, and endorsing Hampshire's proposed future strategic direction. The LGA Team recommended the continued development of this programme of work and recorded no major oversights.
- 4.4. Finally, a number of informal market engagement sessions have been held with service providers to gain information on the current situation of the market, and this has highlighted the importance of partnering, effective collaboration, and forming close working relationships. It has been a good opportunity to meet with various suppliers face to face and start the relationship building process, and it has provided potential bidders with a clearer indication of the County Council's corporate objectives. In addition, the early engagement of potential suppliers has provided a clearer understanding of how the Highway Service might engage in delivering wider Corporate outcomes. This will be advantageous to Hampshire with a high number of suppliers wanting to target and bid for Hampshire's contract when it comes to market.

5. Timescales – Procurement Constraints

- 5.1. All of the options listed above would in some form or other require the County Council to enter into a procurement process. Assuming one of these options is chosen, given the size of the spend over the duration of a future contract European procurement regulations would apply, and the County Council would be obliged to issue an Official Journal of the European Union

(OJEU) notice. If either the County Council or the existing contractor should choose not to exercise the final option for a twelve month extension, then this would need to be issued during 2015.

- 5.2. Procurement best practice would also require a Prior Information Notice (PIN) to be issued in advance of the OJEU notice, and this paper recommends that such action be taken.
- 5.3. It should be noted that issuing a PIN does not commit the County Council in any way to procure the future contract. The purpose of the PIN is to inform the service providers market that the County Council is intending to issue a Contract Notice and formally start procurement later in 2015.

6. Evaluation and Next Steps

- 6.1. It is now proposed that the future Highway Service programme of work is continued and brought to a state of completion to ensure the continuity of the Highway Service at the end of the current contract with the best possible delivery model to meet future challenges. As part of this work, it will be necessary to engage with the existing Term Highway Contractor to facilitate the transition to future arrangements.

7. Recommendations

That the Executive Member for Economy, Transport and Environment:

- 7.1. Notes the progress made to date, including the Member working groups, and the Economy, Transport and Environment Select Committee, in exploring options for the future delivery of the highway service beyond the term of the existing highways maintenance contract.
- 7.2. Approves further development of this programme of work and authorises further engagement with the existing term highway contractor to facilitate the transition to future arrangements.
- 7.3. Gives approval for the issue of a Prior Information Notice for a prospective contract for the delivery of the Highway Service in Hampshire after the expiry of existing contract arrangements.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

The decision does not commit the County Council to a particular delivery model for the Highways Service, and at such time that decisions are taken about future delivery, more specific impact assessments will be carried out.

2. Impact on Crime and Disorder:

2.1. None.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

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