

Cabinet

13 February 2025

Approval to Procure Highways Maintenance Contract

Recommendation

That Cabinet

- 1) authorises the Executive Director for Communities in consultation with the Portfolio Holder for Transport and Planning to commence a procurement exercise to secure a replacement Highways Maintenance Contract (HMC26); and
- 2) authorises the Executive Director for Communities to award the contract for HMC26 and to enter into all agreements and other documents necessary on terms and conditions acceptable to the Executive Director for Resources.

1. Executive Summary

- 1.1 The Council entered into a contract (known as the Highways Maintenance Contract 2016 or HMC16) with Balfour Beatty in 2016 following a full competitive tender exercise. HMC16 had an initial term of 7 years, with an additional three annual extensions permitted under the contract terms. Balfour Beatty have been awarded all three extensions, taking the term to ten years and HMC16 is due to expire in May 2026.
- 1.2 The current value of HMC16 is approximately £35m per annum subject to levels of work required and available budget. It delivers all highways maintenance construction functions, reactive maintenance, winter service, streetlighting, as well as delivery of Members Highways Delegated Budget works, and (via the Council's Engineering Design Services Team (EDS)) small improvement works. The HMC16 contract is also utilised by other proximate local authorities and the intention is to continue that arrangement.
- 1.3 In preparation for procurement of a replacement contract (HMC26), the specification has been reviewed, and this has identified a number of improvements to the existing arrangements which will be incorporated into the procurement exercise in order to better meet our current and likely future needs. This includes new ways of working in relation to:
 - AI and digital improvements
 - Opportunity to explore how technology can assist in improving

prioritisation and notification of issues, together with better use of data and automation to drive efficiencies and leverage greater value

- Members Highways Delegated Budget Delivery
 - Improvements to enable schemes to deliver within set timescales following issue of order
 - Reactive maintenance service
 - Reviewing the model for resource allocation with focus on improved data to drive efficiencies
 - Winter Service
 - Exploring options to move from a County owned gritting fleet to one which is provided by the contractor if feasible and cost effective to do so, and
 - Improvements in billing
 - Recalibrating performance measures to ensure that the Contractor produces final billing for each order within a shorter timescale to enable closer cost control and monitoring
- 1.4 As the current contract is due to expire in May 2026, it is intended to commence work on the procurement activity in February 2025 with a view to issuing the tender in June 2025. This will enable a period of time for negotiation with the preferred bidder, and for mobilisation of the new contract.
- 1.5 The procurement will follow the requirements of procurement legislation in force at commencement of the procurement exercise. The intention is to follow a competitive flexible process in order to achieve the best results for the Council in terms of cost and effectiveness. HMC26 will be let under the terms of an amended standard form contract designed for use in the industry and to provide for the call off of reactive and planned works over a specified period. The current intention is for that period to be a minimum ten-year term (with appropriate break points and extensions to be incorporated within the terms).
- 1.6 The procurement exercise will be undertaken so as to preserve continuity of service until HMC26 commences and will allow the Council to select the contractor who can offer the most appropriate balance of quality and price. Should there be a change of provider the current contract terms and the timetable for the procurement will allow for mobilisation to new arrangements whilst maintaining service levels and build in processes for the management of such a change. Further, the procurement and contracting process will ensure sufficient flexibility to deal with any Local Government Reorganisation (LGR) scenario which emerges from Government's programme of LGR but due to the importance of the Contract and the services provided under it, and the fact that HMC16 cannot be further extended, the Council cannot wait until after 2028 to let a new contract
- 1.7 Early market engagement has shown that there is interest from the market and expertise is available to deliver what is needed.

2. Financial Implications

- 2.1 The current value of HMC16 is £35m per annum, albeit it should be noted that there is no commitment on annual or contract spend and HMC26 will operate on the same basis. It is not possible to accurately predict future spend as the contract is used on both a proactive and reactive basis. However, all works undertaken will be covered by budgets set for the relevant year and works will be managed and monitored to ensure that they remain within the approved budget envelope and in line with government grant levels. The council will be seeking social value commitments and added value from bidders for HMC26 with a clear commitment to value for money across the whole life of the contract.
- 2.2 Where additional professional support is needed to support the procurement exercise, this has been accounted for within the project budget.

3. Environmental Implications

- 3.1 By its nature the work undertaken under HMC26 will have an environmental impact given the need for aggregates and other construction materials and the need for specialist machinery to deliver the programme and projects needed once procured and instructed. However, as part of the procurement exercise the Council will be seeking clear commitments from bidders in respect of environmental mitigations and their commitment to net zero and sustainability, and any works under HMC26 will be required to comply with environmental legislation.
- 3.2 The Council will include robust performance and contract management measures which will include measures around sustainability and reduction in any negative environmental impacts related to construction activities.

4. Supporting Information

- 4.1 HMC26 will deliver all maintenance requirements related to county highways (planned and reactive), alongside winter services (gritting and repairs due to weather), streetlighting, pothole repair, minor construction works via Engineering Design Services and delivery of works utilising member delegated highway budgets.
- 4.2 With a current spend of circa £35m per annum and given the remit of the works undertaken through it, this is one of the Council's most significant contracts. The proposed approach will enable the Council to seek value for money and innovative approaches to delivery and to balance the need for quality in service delivery with cost effectiveness.

5. Timescales associated with the decision and next steps

- 5.1 If approved, work on the procurement activity will start in February 2025 with a view to issuing the tender in June 2025 to enable the new contract to commence in time to replace HMC2016 and ensure a seamless transition to the new arrangements. The timetable allows for mobilisation time to onboard new arrangements.

Appendices

None.

Background Papers

None.

	Name	Contact Information
Report Author	Shail Chohan Head of County Highways	shailchohan@warwickshire.gov.uk,
Director	David Ayton-Hill Director of Economy and Place	davidayton-hill@warwickshire.gov.uk
Executive Director	Mark Ryder Executive Director for Communities	markryder@warwickshire.gov.uk
Portfolio Holder	Cllr Jan Matecki Portfolio Holder for Transport and Planning	janmatecki@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): not applicable county wide report

Other members: Chair and Party Spokespersons of Communities Overview and Scrutiny Committee