
REPORT FOR: CABINET

Date of Meeting:	15 February 2018
Subject:	Highways Contract Re-Procurement
Key Decision:	Yes
Responsible Officer:	Paul Walker, Corporate Director of Community
Portfolio Holder:	Councillor Graham Henson, Portfolio Holder for Environment
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to embark on a procurement exercise for the provision of the Council's Highways maintenance services.

Recommendations:

Cabinet is requested to:

1. grant approval to procure and select the provider(s) for the Highways

maintenance service.

2. delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder Environment , and the Portfolio Holder for Finance and Commercialisation to finalise the procurement and award of the contract/s.

Reason: (For recommendations)

To ensure the Council fulfils its statutory responsibilities to maintain its highways.

Section 2 – Report

- 2.1 Harrow has a statutory duty to maintain its highway infrastructure and has committed financial and staff resources to discharge this responsibility. The highway infrastructure is the most used and highest valued asset that Harrow has. It is extensive as it is not just roads and footways, but includes drainage, bridges; signs, lines and all lighting infrastructure.
- 2.2 The Council undertakes its responsibilities in line with policies and strategies that are agreed with Transport for London (TFL) who provides funding for significant elements of the highways maintenance regime.
- 2.3 There are broadly four types of works undertaken in the Highways maintenance regime, namely:
- Reactive repairs such as pot-hole filling, dealing with flooding, faulty street lights, which, if neglected, would pose a potential danger to road users. This work is undertaken on the basis of agreed intervention levels identified by the Council’s highway compliance officers. Every section of every street is inspected 3-4 times per year and any defects identified for repairs.
 - Routine maintenance such as gully emptying, cleaning and clearing of drainage pipes, ducts and water channels, mostly carried out to a defined frequency to ensure that everything functions as it should and minimises any reactive work.
 - Planned, programmed or structural maintenance such as resurfacing, reconstruction, surface treatments, which is aimed at keeping roads structurally sound and reducing long term maintenance costs. Condition surveys are undertaken annually in accordance with the national UK Pavement Management System (UKPMS) standards and assessments of the data undertaken in order to determine the work priorities. This type of work is funded from capital resources.

- Planned or programmed transport improvements to the highway network such as junction improvements, parking controls, safety schemes and other local transport initiatives which are annually funded by grant from (TfL) to deliver the Council's agreed Transport Local Implementation Plan.

3. Background

- 3.1 The Council currently commissions its Highways maintenance services in two ways. There are external contracts with Kiers Highways Services for all roadways, footways and lighting maintenance and improvement schemes. The gully cleansing service is provided by a combination of in-house and external resources. The design of the schemes is done internally by traffic, highways and drainage engineers, who with the Community Directorate Contract Management team form the Council's in-house client function. The current contract with Kier will expire at the end of March 2019 and having been extended in 2017, there is no further option to extend.
- 3.2 As the level of funding for all local authority services reduces there is a greater need to ensure that the optimum funding levels and intervention strategies are identified for each of the transport and highway asset types. The procurement exercise is a key mechanism to ensure value for money in the provision of these services.

4. Options considered

4.1 The options considered are:

- (A) **Do Nothing** – this is not a viable option as the current contract ends.
- (B) **Deliver the service in-house** - This option is not viable as the Council does not have the resources (labour, machinery and equipment) to deliver this service internally at this stage. Even if the capital funding was made available to provide the relevant machinery, the Council does not have the time to create the required labour force necessary to deliver this service in-house. Additionally the revenue cost of labour makes this option unviable in terms of current available budget.
- (C) **Re-procure the contract via competitive tender** – This generally maintains the current delivery model as well as offer opportunities to secure best value.

4.2 In progressing Option C the procurement options and strategy considered included:

- Accessing a Highways Maintenance framework and call of the services required. This option is not recommended, because although it saves time, it eliminates the opportunity to use terms and conditions specific to Harrow and therefore reduces the opportunity to maximise value for money and social value commitments.
- A procurement tender exercise following the OJEU Restricted Tender process which would include a two stage procurement phase with the top 5 bidders from the Selection Questionnaire (SQ) stage being invited to submit final bids. This process is recommended over the negotiated process which not only adds more time but given the maturity of the market and the certainty around the Authority Requirements has been discounted.
- The contract will be for 5 years plus and option to extend for a further two years at the Authority's sole discretion.
- The pricing mechanism will incorporate a schedule of rates based on sample work packages to enable a Base Case Price List that would be subject to change control over the contract term.

5. Recommendations

It is recommended that **option C** above is progressed and a competitive tender process is undertaken to re-procure the Highways contract.

6. Risk Management Implications

Risk included on Directorate risk register? No
 Separate risk register in place? No

There are no risk management implications.

7. Legal Implications

The Highways Act 1980 (HA 1980) places an obligation on highway authorities in England and Wales to maintain its highways and related assets. The Council as the highway authority has a duty to ensure a safe passage for the highway user through the effective application of the legislation available to it, mainly in accordance with the HA 1980.

The procurement process undertaken by the Council for a new highways maintenance provider will be carried out in accordance with the Public Contract Regulations 2015 taking into consideration required thresholds for services and works contracts and the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

The award of the contract will be in accordance with the Council's Contract Procedure Rules (CPRs).

8. Financial Implications

The costs of Highways contract are currently funded from both revenue and capital budgets including external funding such as TfL, S106 and CIL.

The revenue expenditure on reactive repair works is forecast to be around £1.2m in 17/18. Saving targets exist in the current MTFS and will mean that the revenue budget will reduce by £162k in 18/19. The new contract will commence in April 2019. Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£250k in 19/20 which is expected to be generated from various procurements).

The budgets for structural maintenance and transport programme are included in the 3 year capital programme for Highway Services, and are around £8m per annum including TfL funding. There may be additional capital works subject to successful bids of other external funding. Capital works will be commissioned to the contractor(s) within the budget availability.

9. Equalities implications / Public Sector Equality Duty

The proposals described above do not adversely impact upon persons within the protected categories.

10. Council Priorities

This report incorporates the following administration's priority:

- **Making a difference for communities**

By procuring the highways services in the most competitive manner possible, enables the effective and efficient delivery of a service used by all residents

- **Be more Business-like and Business Friendly –**
Undertaking a competitive provides value for money.

Section 3 - Statutory Officer Clearance

Name: Jessie Mann	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 January 2018		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 8 January 2018		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	This is an existing service and no change is being projected in terms of delivery model.

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste
Tel: 020 8424 2492
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]