

Highways and Associated Services Arrangement

Following a review of its requirement for highways and associated services for future years, the council has identified the need to procure a “single provider” arrangement(s) to deliver elements of the highways and associated services with effect from the end of the existing Highways Strategic Partnership (HSP) and Citywatch contracts.

Both these contracts are delivered through Balfour Beatty Living Places (BBLP) and expire on 30 September 2025. There are no further extension options available in respect of the HSP contract however, there remains a potential 2-year extension available to the council in respect of the Citywatch contract.

Background

The council has an obligation under the Highways Act 1980, the New Roads and Streetworks Act 1991, the Road Traffic Regulation Act 1984, the Traffic Management Act 2004 plus other associated legislation, to deliver a safe, maintained highway network that is fit for purpose.

In order to ascertain the appropriate delivery model for the future highways and associated services, a Delivery Model Assessment (DMA) was completed which recommended a “single provider” model (i.e a single commercial arrangement whereby most services are delivered by a private sector partner but where the council retains some elements of service such as policy and strategy). It also recommended further considering the incorporation of highways and citywatch services within one single provider arrangement to deliver efficiencies.

In the context of the severe financial constraints the council is experiencing, officers are reviewing the scope of services to be delivered under a replacement contract(s). As a minimum, the scope will ensure that the council’s statutory duties are delivered but may result in recommending a narrower scope of service and reduced service/performance standards when compared to the existing contracts. It will also recommend whether to include some or all services delivered under the existing HSP and Citywatch contracts within one single provider agreement.

Consideration is also being given to whether now is the right time to set a longer-term partnership of this nature or whether a shorter arrangement with a focus on a lean and efficient approach coupled with the lowest possible costs is the priority.

The intention is to commence the procurement process for the replacement contract under the current procurement legislative regime (i.e. prior to the coming into force of the new Procurement Act expected in October 2024).

Procurement Risks

Undertaking a procurement for a long-term contract (which would ordinarily be appropriate for highways services) requires considerable resource and brings risks associated with uncertainty of costs and bidder appetite. Until tenders are received, it will be difficult to estimate the actual costs of the new arrangement to the council which is a particular challenge at a time when the council requires cost certainty and is needing to restrict spending.

Current and recent market conditions continue to bring uncertainty to tendering and there is a risk that procuring a longer-term arrangement now will result in highly volatile pricing and tenderers seeking to transfer critical risks back to the council.

The council must consider the impact of the current financial situation on the market's appetite (when noting the likely reduction in capital spend at least during the short term) when compared with spend over the past 15 years.

Market engagement and research indicates that a number of authorities will be going to market for highways and associated service contracts between now and 2026 and potential bidders and industry and procurement specialists are reporting that bidders are carefully identifying which opportunities to tender for, due to the cost, time and risk associated with a competitive procurement process.

The council's current financial situation is affecting the level of resources which can be allocated to the project and increases risk around certainty of project delivery within the required timescales.

Financial implications

This report seeks to obtain approval to spend of a budget which is based on 2024/25 revenue of approximately £5 million, excluding inflation for subsequent years.

Current indications from informal market engagement is that committing to a guaranteed level of capital expenditure as part of the contract would be beneficial when encouraging competitive bids but due to the council's current financial situation, it is likely that any commitment guarantee would be considerably less than spent through the existing HSP arrangement.

Procurement Route Recommendations

Activity is currently underway to review options available to the council for appointing a single provider(s) with the purpose of securing and evidencing best value through the procurement, implementation and resulting arrangement as well as ensuring continuity of services for users and residents at a time where the council resources are limited.