

Cabinet – 10 September 2014

Review of Highways Repairs and Maintenance Contract & Future Delivery Options

Portfolio: Councillor Lee Jeavons – Environment and Transport

Service: Engineering and Transportation

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 The Council currently has a contract with Lafarge Tarmac Limited, formerly Tarmac Limited, for the provision of highway maintenance delivery which commenced on 1 May 2009.
- 1.2 Originally the contract was for a period of 4 years, expiring 30 April 2013, with options for the Council to extend for a further two years at that point and again for another 2 years in April 2015.
- 1.3 At a meeting of Cabinet in April 2012 the Council agreed to the first two year extension from 1 May 2013 to 30 April 2015. The Council now needs to decide whether or not to exercise the option to extend the contract period again for a further two years or to pursue alternative procurement options.
- 1.4 This report compares those options and presents recommendations based on the advice of an independent expert. Cabinet Members should refer to the private session report for confidential details and commercially sensitive matters relating to this assessment.

2. Recommendation

- 2.1 That Cabinet approve the granting of an extension of the existing contract with Lafarge Tarmac Limited for a period of 2 years commencing 1 May 2015 to 30 April 2017 in line with an internal assessment which takes into account the findings of the independent analysis.
- 2.2 Note that officers will continue to work with Lafarge Tarmac to further improve the efficiency and quality of the service to achieve value for money for the public.

3. Report detail

- 3.1 Walsall Council has a statutory duty to maintain around 528 miles (850km) of highway network, excluding the M6 motorway and the A5 trunk road. This network has an asset replacement value in excess of £1.4 billion, which makes it by far the most valuable asset owned, managed, and maintained by the authority.
- 3.2 Maintaining the condition of the road network and improving transport links are core objectives of Central Government strategy, policy, and guidance. The Council has locally adopted a significant number of the key themes and best practice identified since the release of the Government's Transport for 2010 vision, including: The Audit Commission's Going the Distance, achieving better value for money in road maintenance (2011); The Highways Maintenance Efficiency Partnership, Prevention is Better than Cure, Potholes Review (2012) and its follow up report 2013; The All Party Parliamentary Group on Highway Maintenance 'Managing a valuable asset, improving local road condition' (2013).
- 3.3 The Asphalt Industry Alliance, Annual Local Authority Road Maintenance (ALARM) Survey 2013 confirmed the view of local authority experts nationally: "roads are running out of life from the foundations upwards; most engineers will only see a principal road resurfaced once in their career; the unclassified network is getting worse and worse...significant investment is required; the structural condition of roads is a ticking time bomb."

The key findings of the 2013 ALARM survey in England identified:

- Frequency of road resurfacing (all classes) – 54 years
 - The average annual budget shortfall per authority - £6.2 million
 - The estimated time to clear carriageway maintenance backlog – 12 years
 - The estimated one-time catch-up cost per authority - £69 million
 - The average number of potholes filled per authority – 16,041
 - The amount paid in road user compensation claims - £23.8 million
- 3.4 The Council has proactively worked through Local Transport Plan 3 and has collaborated with neighbouring districts to develop a regional business case identifying sustainable future maintenance investment needs. Through its published Highways Maintenance Strategy (2012-15) and Highways Asset Management Plan (2014-19) The Council has strived to improve the delivery of the Highways Repair and Maintenance services across the borough by using longer term strategies to develop forward works programmes around robust prioritisation and lifecycle planning methodologies.
- 3.5 The total budget for highways maintenance works delivered through Lafarge Tarmac Ltd during 2013/14 was £6.5 million, consisting of Council mainstream capital, revenue and LTP funding. Walsall's network reflects the findings of the ALARM survey and the borough is suffering from a lack of investment from Central Government. The decision to outsource the highways maintenance service back in 2009 has helped to offset the impact of under investment, but despite this efficiency gain the Council's key national and local performance indicators have continued to decline, most particularly in the case of unclassified roads and all categories of footways.

- 3.6 Public opinion on the importance of a sound highway condition was acknowledged within the National Highways and Transportation (NHT) satisfaction survey 2013, where the public of Walsall ranked highways maintenance at 98% in its overall importance as a public service.
- 3.7 Against this backdrop it is even more vital that the Council make the best use of its resources and in particular secure the greatest quality and value it can from its contractual arrangements. Highway maintenance is currently delivered through a wide ranging contract with Lafarge Tarmac (formerly Tarmac) generally incorporating the following:
- Structural Repair of footways and carriageways
 - Minor highway improvements
 - Reactive highway repairs
 - Winter Service
 - Emergency out of hours service
 - Road Markings
 - Gully and stream cleansing
- 3.8 The initial contract with Lafarge Tarmac was for a period of four years running from 1 May 2009 to 30 April 2013 with the option of extending for two years from 2013 to 2015 and again from 2015 to April 2017. The Council has opted for the first two year extension which expires on 30 April 2015 and now needs to determine whether or not to extend the contract for a further two years.
- 3.9 As part of Options Appraisal as noted below, the advantages, disadvantages, implications, performance and risks associated with each of the options have been considered. Members' attention is drawn to the full details as set out in the Private Report. The outcome of this consideration has led to the Recommendations as set out in this report.
- 3.10 In assessing the strategic options available to the Council, the Engineering and Transportation Service has engaged the services of a leading independent engineering contract consultancy to assist in the process. The consultant in question was involved in the original procurement exercise, has been instrumental throughout the course of the ongoing contract, and has advised on such procurement matters both nationally and internationally. Cabinet members are asked to refer to the private session report for the details.
- 3.11 The Council does not have a 'do nothing option' as the current contractual arrangement will either come to an end in the first quarter of 2015 or after the final extension allowed by the contract in 2017.
- 3.12 Three options have been considered:
- a) Grant Lafarge Tarmac an extension of the existing contract for two years
 - b) Replace current service provider before the end of the available extension period
 - c) Create an in-house provision by in-sourcing (together with use of available frameworks)

- 3.13 It should be noted that a significant part of the budget is spent with specialist sub-contractors (resurfacing, road markings, and preventative maintenance) which would not change whichever option is chosen. In addition, there is also an effective and well-established planned maintenance regime (>50% of total budget) which would be likely to continue whoever provides the highways maintenance service, as Lafarge Tarmac are the market leader and are generally sub-contracted to carry out such works by other main contractors.

4. Council priorities

- 4.1 Sound transportation infrastructure clearly assists existing businesses and will attract investment nurturing economic growth and the creation and retention of employment. This has been specifically recognised by government in recent maintenance grant awards.
- 4.2 The condition of the highway also has a major impact on people's health and wellbeing. Safe carriageways and footways reduce the potential for accidents and associated injuries. In addition independence for older people, the infirm and disabled is enhanced.

5. Risk management

The condition of the highway and the inspection and maintenance regimes in place affect the potential exposure of the Council to insurance and compensation claims. If the Council does not undertake its statutory maintenance functions in a reasonable manner then it can clearly be held accountable for third party loss or damage as a result.

6. Financial implications

- 6.1 The budget available for the highways maintenance contract in the approved revenue budget for 2014/15 is £3.72 million. In addition, there is capital funding of £3.66 million making a total sum available to support the contract in 14/15 of £7.38 million. This includes an additional £888K capital and revenue grant money that has been awarded by DfT for highway Maintenance. Additional capital works are undertaken for other Services on an ad hoc basis. There is no guaranteed minimum budget for the contract.
- 6.2 Members should refer to the private session report for confidential details of the financial implications.

7. Legal implications

- 7.1 Under section 41 of the Highways Act 1980 the Council has a duty to maintain the highway which is done so at public expense.
- 7.2 Any extension of the Lafarge Tarmac contract will need to be carried out in accordance with the existing contract terms and conditions. If the contract is not extended, then the Council will need to liaise with Lafarge Tarmac and any new

contractor(s) in relation to the TUPE transfer of staff. In particular, if any element of the service provision is to be provided directly by the Council, then there may be some staff who are entitled to have their contract of employment transferred to the Council.

8. Property implications

At present Lafarge Tarmac have a lease on the depot at Apex Road which is owned by the Council. It is intended that this will continue if the contract is extended.

9. Health and wellbeing implications

The responsibility for maintaining the highway is a statutory duty of the Council. The ability to do this impacts on health and wellbeing in two ways. The condition of the highway contributes directly to the potential risk of accidents and injury. In addition the economic wellbeing of an area and its relative employment rates have clear health impacts. A smooth and efficient highway network is a recognised essential contributor to a region's economy.

10. Staffing implications

If the recommendation set out in 2.1 is agreed by Cabinet then there are no direct staffing implications other options will necessitate consideration relating to TUPE Regulations.

11. Equality implications

The highway network is essential to the safe and efficient movement of all members of all communities including all residents, businesses, and commerce and is an essential contributor to the economic wellbeing and regeneration of the borough.

12. Consultation

This report has been discussed with Finance, Legal, Risk and Insurance, Property Services and Procurement whose comments have been considered and incorporated where appropriate.

Background papers

Highways Repair and Maintenance Procurement Private Cabinet Report 4 April 2012

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Jamie Morris
Executive Director

A handwritten signature in black ink, appearing to read 'J Morris', with a stylized, cursive script.

1 September 2014

Councillor L Jeavons
Portfolio Holder

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1 September 2014