



Hampshire County Council

Hampshire Highways Service Contract – Contract Extension

ETE Select Committee
3 October 2022

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Hampshire Highways Service Contract - Overview

- Contract started 1 August 2017, initial term of 7-years to 2024, extendable to 2029.
- Main contractor is Milestone Infrastructure Limited (part of M Group Services). Milestone are also a HCC (Gen4) supplier for major highway projects.
- Contract includes all highway maintenance operations (Planned, Reactive, Routine, Winter, Environmental).
- Includes provision to deliver larger capital improvement and maintenance projects (Redbridge Causeway, Town Mills, A326 South).
- Spend through the contract is circa £62m pa.
- From the outset the contract has been focussed on integration and collaboration - “one team, one service” ethos.

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Why consider an extension now? And why for the full 5 years?

1. Always intended to consider extensions beyond 2024 around this time (2022) to allow sufficient lead-time to consider other options should re-procurement be necessary for 2024.
2. The contract is in a stable position with a strong collaborative relationship in place.
3. Milestone are keen to continue working in Hampshire and have proposed an attractive 'added value' offer to HCC for the extension period.
4. A five year extension will enable maximum value to be secured from Milestone's proposals and the highways contract, and allow HCC time to consider a revised contract model for 2029 onwards.



Other options Considered

Full re-procurement from 2024

- Prices likely to be very high – possibly 20% higher.
- Contracting sector is now very selective with bidding decisions. Also possible that there could be limited interest in tendering while the sector remains so unstable.
- There is significant congestion (market saturation) in the TMC market place over the next 3-4 years.

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Shorter duration extension

- Would not realise maximum value to HCC from the contract offer and would be less attractive to Milestone.
- Will still result in HCC entering the market while the sector is unstable.



The screenshot shows the top of a news article from Construction Enquirer. The header is orange with the site name in white. Below the header is a navigation bar with links for News, Jobs, Directory, and Data. The article title is 'Tender price inflation to soar to 10% this year' by Aaron Morby, published 3 months ago. There are social media share icons for Twitter, LinkedIn, and Facebook. The article text begins with 'Leading cost consultant Arcadis is warning the spectre of stagflation could hit construction as soaring materials inflation and risk allowances in tenders delay project pipelines.'

Market Conditions

- Inflation is currently high, unpredictable and difficult to forecast ahead – this increases contract risk & uncertainty. Higher prices are already evident for materials and labour. Other overhead costs increasing, e.g. energy.
- The term maintenance sector has become a bidders' market - compounded by known saturation/congestion in the UK sector for next 3-4 years
- Extending the contract to 2029 should mean the procurement of the next highways contract is undertaken during a period of greater certainty and stability. Work on this is likely to begin in 2025/6, subject to confirmation of the extension period, when a variety of delivery models can be considered.
- Other LA's with similar arrangements have recognised the current sector issues and risks and have extended, or are in the process of extending, their TMC contracts.

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in

31 August 2022

News

Council chiefs warn of plague of potholes and salt shortages

Council leaders warn that local authorities will struggle to maintain roads and street lights, and face salt shortages due to inflation and energy prices.



Construction Enquirer

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News

Pothole repair and new road costs soar over 20%

Aaron Morby 2 days ago

Share

Councils are warning they could be forced to halt planned road projects in order to prioritise road maintenance as spiralling inflation eats away at budgets.

Local councils are reporting that pothole repair and new road costs have spiralled by 21% and 22% respectively in the last six months. While the cost of running and repairing street lights has risen 38%

sky news Home > Politics

Cost of fixing potholes soars since invasion of Ukraine

Councils already face a £12bn pothole backlog - but the war in Ukraine has caused a shortage of materials, pushing up costs and delaying repairs.

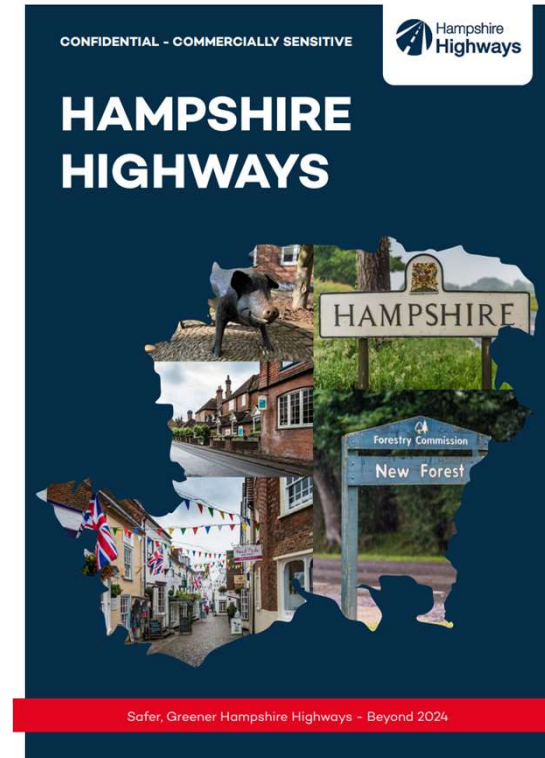
By Faye Brown, Political reporter @fayebrownjourno
Tuesday 30 August 2022 18:01, UK



Safer, Greener Hampshire Highways – Beyond 2024

Milestone’s documented proposal for the extended period of the contract (2024-2029) provides credible and deliverable opportunities to improve and innovate Hampshire’s highways service. Their offer can be summarised as:-

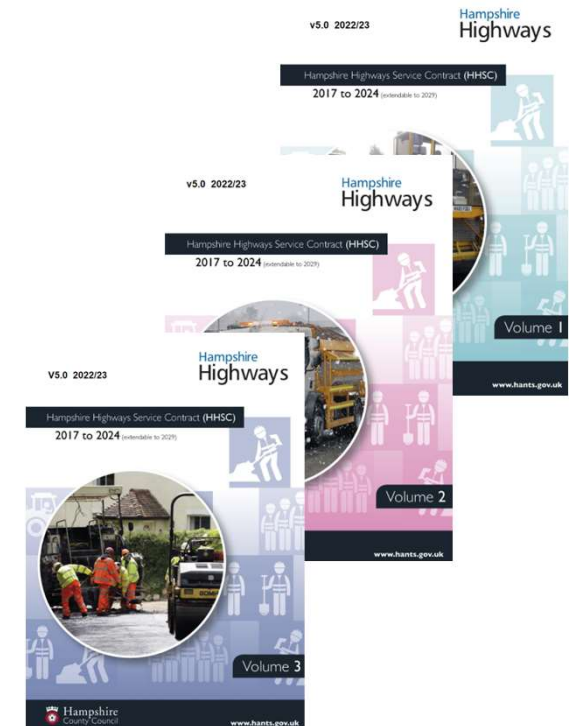
- Continued service improvements and efficiencies across all contract activities.
- Sustained carbon reduction (including further investment in materials recycling).
- Improved resilience to climate adaption.
- Local community support, e.g. parish lengthsman scheme.
- Cashable savings over the 5 year extension period.
- Additional social value.
- Further innovation and smart solutions, including more use of data intelligence.



HHSC Performance Management - Overview

- Contract compliance and service delivery performance is routinely managed through data analysis and the jointly-managed contract governance structure, e.g. activity service leads, local depot management teams, HHSC Operations & Strategic Boards.
- HCC and Milestone IT systems are integrated and produce a large volume of data that is routinely used for service analysis.
- Quantative data is imported into Power BI and used to create real-time interactive dashboards that measure performance and outputs across the whole service.
- Performance measures are not hard-wired into the current contract. This has enabled collaborative development of 'smart' and relevant kpi-type measures as the contract has matured.

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Performance Management (1) – sample extracts of dashboards & PI measures.

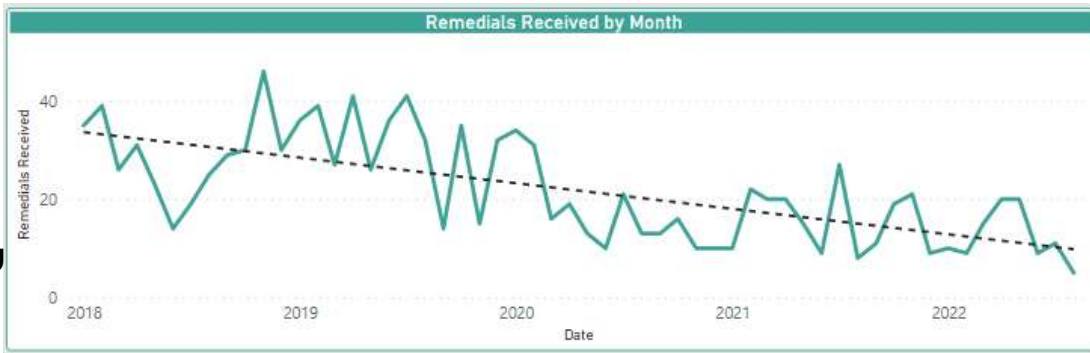
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Service Element/Activity	Service Activity Indicators	When Measured	Who Measures	Target percentage agreed with Milestone	April
Vehicle Restraint System Service	i. Percentage completion of biennial inspection by end of September – Target shall be 100%;	Annually – on completion of programme	Service Lead	Y	Not measure this month.
Vehicle Restraint System Service	ii. Percentage completion of biennial toning-in by end of September – Target shall be 100%;	Annually – on completion of programme	Service Lead	Y	Not measure this month.
Vehicle Restraint System Service	iii. Notification to Service Manager of a hazardous defect, within 24 hours – Target shall be 100%.	Annually – on completion of programme	Service Lead	Y	Not measure this month.
Surface Treatments Service	i. 90% of AWS signs to be in place 2-weeks in advance of works and display the correct date	Monthly	Surface Treatments Team	Y	No work was programmed
Surface Treatments Service	ii. 90% of sites to have road markings replaced 3 weeks after surface treatment is complete.	Monthly	Surface Treatments Team or Milestone (Ba)	Y	No work was programmed
Surface Treatments Service	iii. 90% of surface dressing sites to have no significant loose chippings on site (has the road been swept enough)	Monthly	Surface Treatments Team	Y	No work was programmed
Surface Treatments Service	iv. 90% of sites to have all traffic management and temporary signs removed	Monthly	Surface Treatments Team	Y	No work was programmed
Surface Treatments Service	v. 95% of sites to have no signs of early surface failures	Monthly	Surface Treatments Team	Y	No work was programmed
Arboricultural Service	i. Percentage commencement or completion of Service Activity Orders within the agreed timescales – Target shall be 99%;	Monthly	Contract Mgt Team	Y	100% 98% 72% 74% 70%
Arboricultural Service	ii. Percentage completion of Service Activity Orders without renewal Service Activity Orders being raised by the Service Manager – Target shall be 99%;	Monthly	Contract Mgt Team	Y	100% 100% 100% 100%



Performance Management (2) – examples of performance

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Number of Remedial Orders received per month (**Downward trend**)



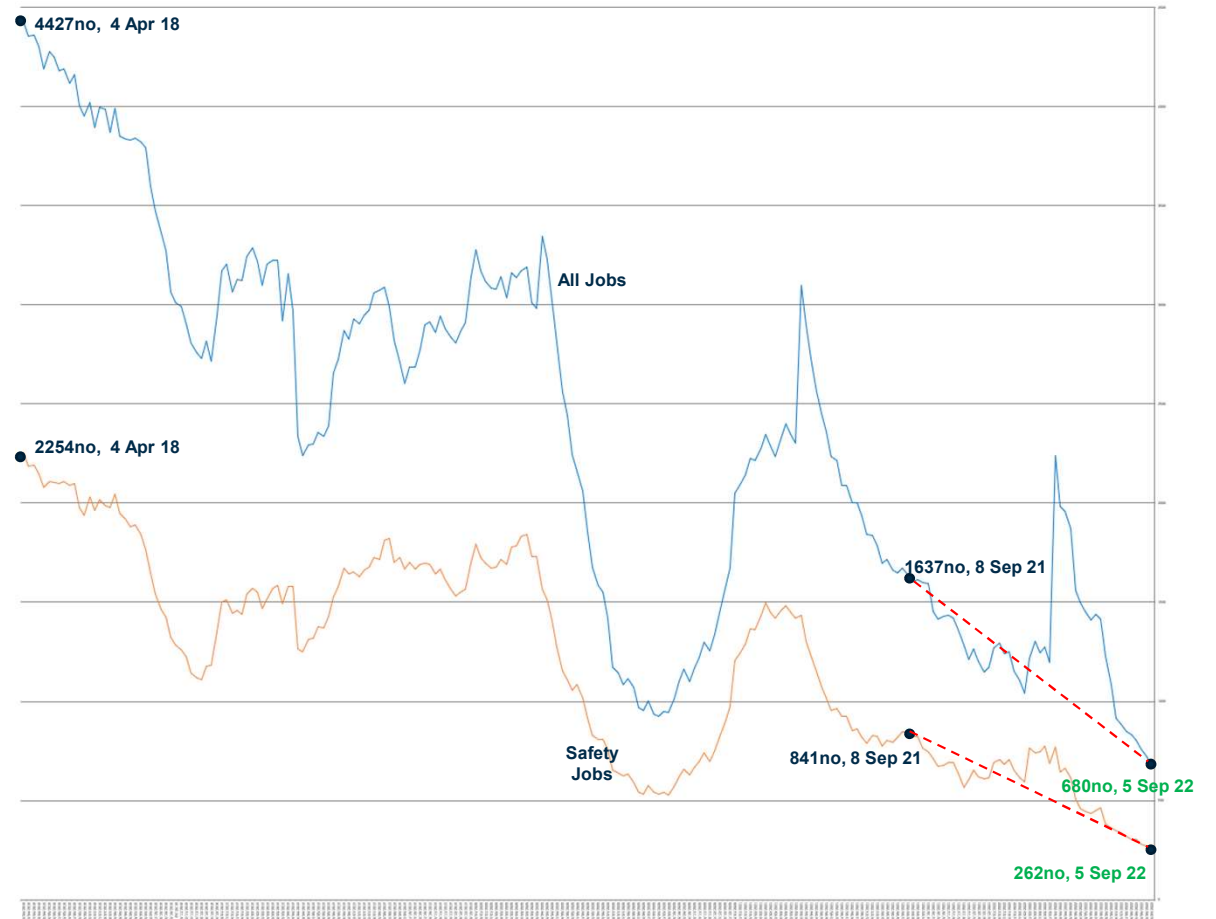
Productivity – number of jobs completed per week (**Upward trend**)

Performance - Delivery

- Workstack is routinely analysed by Service leads, local teams, HHSC Operations and Strategic Boards.
 - Enables targeted interventions (where needed and necessary) and a managed response to spikes in demand, e.g. as a consequence of severe weather events.
- Downward trend in outstanding jobs since 2018.

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Jobs Across Whole Contract – Situation at 5 September 2022



Summary

- The report outlines the advantages of granting the contract extension in light of current sector conditions.
- The collaborative 'Hampshire Highways' relationship and team integration between Milestone and HCC is mature, and this has yielded tangible positive results to date, i.e. increasing productivity, decreasing workstack.
- Milestone have offered a credible opportunity to HCC to enhance and add value to the highway service.
- Independent legal view obtained from sector specialists has assessed the credibility and value of the Milestone proposal, and also provided a summary of current market conditions which supports the recommendation to extend the contract.
- A shorter contract extension would not yield the range of benefits being offered by Milestone.
- The full 5-year extension will allow HCC time to properly consider future contract delivery models when the market is expected to be more stable.
- Milestone's performance has been good to date and they have demonstrated they can rise to service delivery challenges and spikes in demand.

Questions

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