

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Executive Lead Member for Transport and Environment Strategy
Date:	3 October 2022
Title:	Hampshire Highways Service Contract - Contract Extension
Report From:	Director of Economy, Transport and Environment

Contact name: Peter Rooney

Tel: 0370 779 4628

Email: peter.rooney@hants.gov.uk

1. The decision:

- 1.1. That the Executive Lead Member for Transport and Environment Strategy notes the contractual timescales for the Hampshire Highways Service Contract and the significant risks associated with procuring a new contract in the current financial and economic climate.
- 1.2. That the Executive Lead Member for Transport and Environment Strategy notes the opportunities proposed by Milestone Infrastructure Limited to improve the highway service for the duration of the extended contract period, and also the comments and advice provided by an external specialist appointed to independently review the proposals, as part of the due diligence process, and provide an overview of current market conditions.
- 1.3. That the Executive Lead Member for Transport and Environment Strategy approves the development of revised performance measures to ensure the opportunities proposed by Milestone become contractual obligations and are bound into the contract documents, and that authority to agree the timescale and scope of these is delegated to the Director of Economy, Transport and Environment in consultation with the Head of Legal Services.
- 1.4. That the Executive Lead Member for Transport and Environment Strategy approves the extension of the Hampshire Highways Service Contract for the maximum duration of five years, which will take the contract term to 30 April 2029, and delegates authority to the Director of Economy, Transport and Environment to enter into continued contractual arrangements with Milestone in consultation with the Head of Legal Services.

2. Reasons for the decision:

- 2.1. The Hampshire Highways Service Contract exists to facilitate the delivery of core highway maintenance activities across Hampshire (excluding the Strategic Road Network, which is managed by National Highways). Milestone Infrastructure Limited (Milestone) is the current service provider. The initial core

term of the contract runs to 30 April 2024 and there is an option to extend this by an additional five years to 2029.

- 2.2. The construction industry and highways sectors, nationally, are experiencing extreme levels of financial volatility, resulting in high levels of inflation, financial/commercial uncertainty, and risk. If an extension is not awarded the County Council will need to procure a new term highways contract at a time when the sector is significantly unstable and the procurement market congested.
- 2.3. The current contract with Milestone is in a very stable and mature position with a strong collaborative relationship in place. This has provided a strong foundation for the County's highway service and the contract continues to improve and deliver its objectives despite the extreme instability in the wider sector. Milestone has proposed a suite of offers to develop, improve and decarbonize the highway service over the extended period of the contract and, as well as yielding financial benefits for the County Council, these will provide positive benefits for all residents in Hampshire.

3. Other options considered and rejected:

- 3.1. The contract is not extended and the procurement process for a new contract is started immediately. This would mean that the procurement of one of the County Council's largest contracts is undertaken in a period of high volatility and inflation, in a heavily congested market with an estimated 26 highway authorities procuring new contracts over the next four and a half years. This is a period that will heavily favour any prospective bidders and any perceived risks would almost certainly be covered by higher prices. This is a significant risk for the County Council and by extending the contract it is anticipated these risks will be mitigated by enabling the County Council to procure in a calmer, less congested, market.
- 3.2. The contract could be extended by a shorter duration than the maximum five years proposed. However, five years is considered the optimum in order to provide the most favourable commercial position to release all of the benefits to Hampshire. It will also allow the County Council to continue with its current contractual arrangements until such time that the market conditions become more favourable. The five-year extension will also provide suitable time for the County Council to review alternative contract delivery models and procurement options for its next highway maintenance contract.
- 3.3. The County Council's current provider Milestone Infrastructure Limited has provided details of a number of proposals to be introduced during the extended period of the contract, over the full five years. A shorter duration would not provide the required time or financial payback period needed to implement the proposals. Therefore, by not extending the contract by the full five years, the County Council would not maximise the full benefit of the opportunities available for the development and improvement of the highway service.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker:

4.2. Conflicts of interest declared by other Executive Members consulted:

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

I thank the Select Committee for considering and supporting the proposals.

Approved by:

Date:

3 October 2022

**Executive Lead Member for Transport and
Environment Strategy
Councillor Edward Heron**