

DERBYSHIRE COUNTY COUNCIL

CABINET

1 September 2015

Report of the Strategic Director – Economy, Transport and Environment

**ASSET MANAGEMENT OF HIGHWAYS MAINTENANCE OPERATIONS
(HIGHWAYS, TRANSPORT AND INFRASTRUCTURE)**

(1) **Purpose of Report** To inform Cabinet of progress made on the development of an asset management approach to the maintenance of the County's highways network and to seek approval for a procurement exercise to be undertaken on behalf of the Council and members of the Midlands Highways Alliance (MHA) for a highways maintenance framework contract.

(2) **Information and Analysis** In December 2014, as part of a £6 billion national programme, the Council was informed by the Department for Transport (DfT) of the anticipated levels of highway maintenance capital funds for the six years from 2015-16 to 2020-21. This equates to approximately £19 million per year for the County Council.

The advantage of longer term stability of funding will give the Council the ability to plan ahead and manage the maintenance of the highway network, using the principles of asset management.

The Council has, for some time, been developing an asset management approach and, in 2008, published its first Transport Asset Management Plan. The Council is preparing records of the location and condition of all its highway assets; carriageways, footways, bridges, retaining walls, street lights, safety fencing, signs etc. These will, taking into account available funding, inform decisions to be made on when and how the various assets should be maintained. In some instances, such as the £23 million Accelerated Highways Maintenance programme, the plans could form the basis of a bid for additional funds based on knowledge of the condition of the network and the investment required for its maintenance.

More recently, the Highways Maintenance Efficiency Programme (HMEP), which is promoted by the DfT and practitioners, has been leading the way in offering guidance and direction for those authorities wishing to manage their highways in a more efficient and effective manner. Some elements of the programme, such as the "Pothole Review" and the resulting best practice guidance, are well known and respected across the country.

Key Principles of Asset Management

The County Council is required to implement an effective Asset Management Policy and Strategy following consultation with key stakeholders, and these will be linked to key performance measures for the Economy, Transport and Environment Department. The Council's register of all key highway assets and their condition will be used to inform long term, lifecycle investment in all maintenance decisions.

The Council will establish a resilient network of key routes that are the priority during extreme weather events, and is expected to be implementing best practice when repairing defects to the carriageway and drainage systems.

Customer and public feedback will be used to guide all maintenance decisions, while the public will be well informed about the highway service. Regular benchmarking of the service will drive and demonstrate improvements and efficiencies achieved.

A review of service delivery suggests that using an in-house organisation that is "topped up" from external resources is the most appropriate model for the local circumstances. Where external services are bought in to supplement in-house resources, the Council is expected to demonstrate it has procured this in the most effective way using established best practice. To this end, a new highway maintenance framework contract is proposed, as set out later in this report.

An outcome will be a three to five year rolling programme of maintenance works, based on agreed priorities and criteria.

Incentive Fund

The DfT is committed to the principles of asset management in driving efficiencies and directing local authorities to better ways of maintaining their most valuable asset. The DfT is challenging all highway authorities to adopt this best practice approach by setting aside £578 million of the £6 billion national pot as an incentive fund.

Under the incentive fund, local authorities will be banded in one of three bands. Band 3 authorities will comprise those authorities that have fully adopted the HMEP asset management programme and are using it to drive continuous improvement; those authorities will keep all of their indicative allocation. Authorities that are in band 1, judged to be at the start of the journey to implement basic essentials of asset management, will lose increasing amounts of their maintenance funds over time, starting in 2016-17. In the Council's case, this could amount to a potential loss of £15 million over the period to 2020-21. Councils in band 2 will also lose a proportion of their funding over time, although the reduction will start in 2017-18 and is not as severe as for band 1.

There is a very clear financial incentive for the Council in achieving at least band 2 for 2016-17 and band 3 for 2017-18 if it is to receive all of its allocated maintenance funds. Also, by adopting and applying asset management principles, the County Council will be making the best possible use of that funding.

To determine the band of each authority, the DfT has recently published a Self-Assessment Questionnaire (SAQ) comprising 22 questions. Each question clearly articulates the stages that an authority needs to reach to be classified as band 1, 2 or 3. The SAQ is intended to be completed by each authority and signed off by the Section 151 Officer (the Director of Finance for the Council). The evidence for the assessment should be available for audit by the DfT.

The DfT will require the SAQ to be submitted on an annual basis in November, with the band determining the level of incentive funding for the following year. Therefore, the SAQ submitted at the end of this year will affect the settlement for 2016-17, and the 2016 submission will determine the funds for 2017-18.

This is the first year that the SAQ has been used to determine funding and the DfT decided on a “dry run” submission at the end of July 2015 to allow authorities to assess where they are and the work they need to do before the November submission. Following a meeting with the Section 151 Officer, a ‘dry run’ of the SAQ has been submitted to DfT which places the Council in band 2. Further work is underway to compile the evidence for the final submission of the SAQ.

Before November 2015, it will be necessary to bring reports to Cabinet for consideration so that the information can be included in the SAQ. This will include:

- Reviewed and revised asset management and highways maintenance strategies, following stakeholder consultations.
- Reviewed and revised performance frameworks and maintenance lifecycle plans.
- Proposals for a resilient network.
- A proposal for a new highways maintenance framework contract.
- A proposal for a three to five year programme of maintenance works.

While the Council has made good progress in many areas over the past few years, the clarity and priorities of the SAQ have identified various work streams that will need to be evidenced to achieve band 2 and band 3 status in 2015 and 2016.

Much of the work will be carried out by officers, but there are areas where consultants are being engaged to assist with strategy development, lifestyle

planning and preparing the term framework contract, to ensure the tight timescales can be achieved.

Highway Maintenance Framework Contract

The Council currently has a number of separate contracts with various suppliers for services such as white lining and surface dressing. These are with single suppliers, using a variety of forms of contract and covering differing timescales, and have worked reasonably well in the past. However, best practice now suggests that the provision of these services can be more efficiently delivered via a dedicated Framework that runs for a period of up to four years. The Framework will be divided into Lots which will still enable local suppliers to tender for individual lots as they currently do.

The proposal is to use the Midlands Highways Alliance (MHA) standard contract for this purpose. The MHA is a collaboration between 20 local authorities from Derbyshire to Oxfordshire. Its aim is to promote best practice and produce efficiency savings by working together on common resources, procurement, standards and guidance.

The contract specification will be developed for the Council's needs and will replace a number of contracts currently used by the Council when they expire. In some instances, however, it may be necessary to extend current contracts so that they expire when the new Framework takes effect. Reports will be brought to Cabinet or the Cabinet Member as appropriate, for approval of any extensions.

The new Framework would be used, for example, to procure the top up surface dressing capacity to work alongside the in-house service to deliver the Accelerated Highways Maintenance programme over the next three years. In the spirit of the MHA, it is also intended to let the Framework in collaboration with and for use by member authorities of the alliance. The aggregated spend of £150 million should produce greater efficiencies through increased purchasing power.

Cabinet approval is therefore sought to undertake a procurement exercise on behalf of the Council and members of the MHA in line with European Procurement Regulations, inviting tenders for the provision of a Highways Maintenance Framework Contract.

(3) **Financial Considerations** The incentivised element of the Council's Capital Maintenance Funds for 2015-16 to 2020-21 represents around £15 million over the six year period. Some, or all, of this funding is at risk if the Council does not reach SAQ band 2 in November 2015 and band 3 by November 2016. The action plan being developed which will be reported to Cabinet at future meetings, should enable the Council to meet these targets, and SAQ submissions will be agreed with the Section 151 Officer.

Other authorities in the MHA will be able to utilise the Framework Contract which the Council will procure on behalf of itself and members of the MHA. The Council will be able to charge a fee for this service in recognition of the up-front costs in developing the initial contract. A further report to Cabinet will be made to seek approval of the award of contract.

(4) **Legal Considerations** The procurement exercise for the highways maintenance framework contract will be undertaken in accordance with European Procurement Regulations. The contract will use NEC3 Conditions of Contract and be approved by the Director of Legal Services.

Other Considerations

In preparing this report the relevance of the following factors has also been considered: prevention of crime and disorder, equality and diversity, human resources, environment, health, property and transport considerations.

(5) **Key Decision** No.

(6) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(7) **Background Papers** Held on file within the Economy, Transport and Environment Department. Officer contact details – Geoff Pickford, extension 38194.

(8) **OFFICER'S RECOMMENDATIONS** That Cabinet:

- 8.1 Notes the ongoing approach to Asset Management, Highway Maintenance, and the work programme to meet band 2/band 3 performance against the Department for Transport's Incentive Fund Self-Assessment Questionnaire.
- 8.2 Gives approval for a procurement exercise to be undertaken by the Council on behalf of itself and the Midlands Highways Alliance for the establishment of a Highways Maintenance Framework Contract.

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