

CET/24/65

Corporate Infrastructure and Regulatory Services Scrutiny Committee  
25 September 2024

## **Future Delivery Model for the Highway Maintenance Service**

### **Report of the Director of Climate Change, Environment and Transport**

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Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

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#### **1) Recommendation**

That the Committee be asked to:

- a) Confirm to Cabinet the Members' ranking of the most important attributes of a Future Delivery Model for the Highway Maintenance Service as summarised in Appendix 4 to report [CET/24/44](#);
- b) Having considered the financial information in the outline business case at Appendix 1 to this report, together with the information contained in report [CET/24/44](#), advise Cabinet of the Committee's views on the short list of 5 Delivery Model options.

#### **2) Background / Introduction**

The 27 June 2024 meeting of this Committee considered report CET/24/44 explaining the work that has been undertaken on how the overall Highway Maintenance service could be delivered beyond March 2027, and considering the short list of 5 Delivery Model options.

It was resolved that a further report be brought to this Committee's next meeting on an outline business case, prior to consideration by Cabinet (detailing costs including TUPE, pensions, reactive work components; savings; full market effects, shareholder dividends, value for money, tax and other issues included in the risks and opportunities analysis), for the respective delivery models options and for the further consideration of attributes.

#### **3) Outline Business Case**

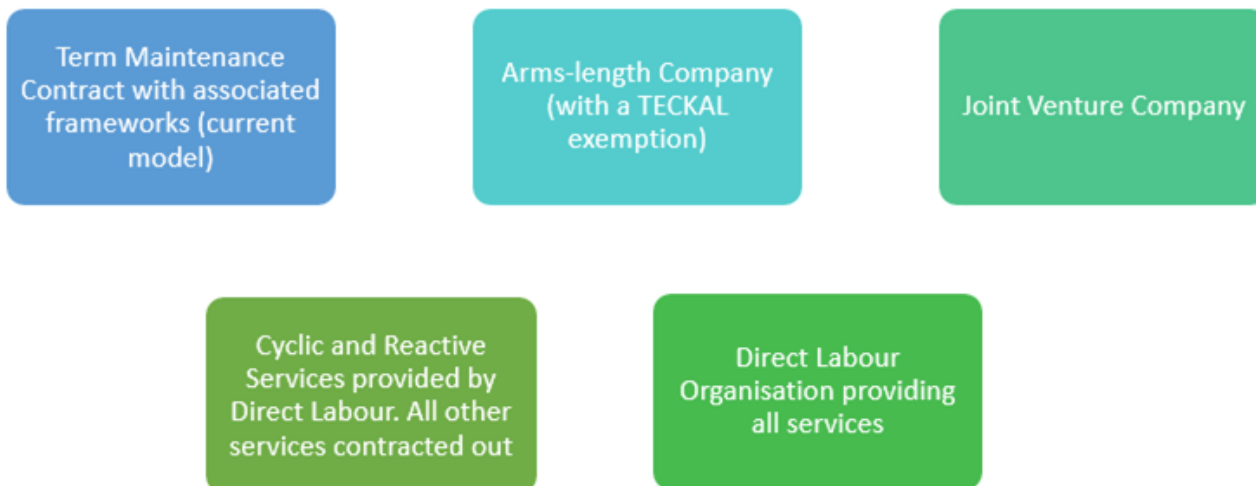
An outline business case is attached at Appendix 1 including in:-

Section 3 - an assessment of the potential ongoing annual financial values of the significant issues identified in the Strengths, Weaknesses, Opportunities and Threats analysis of the 5 identified Delivery Model options in report CET/24/44;

Section 7 - an analysis of estimated additional costs over the next 2 years preparing and procuring contracts or setting up companies / organisations for each option.

## 4) Options / Alternatives

The identified short list of Delivery Model options is



*The Teckal exemption is a legal principle that allows public authorities to award contracts to a separate, controlled legal entity, where certain conditions are met, without following public procurement rules.*

When a similar exercise was carried out approximately ten years ago the preferred option was a **Term Maintenance Contract** (TMC) to deliver the core functions of the Service including safety defect repairs, cyclic operations (gully emptying and grass cutting), winter service and emergency response (road traffic incidents and severe weather events such as the 'Beast from the East'). This TMC was then supported with a series of framework contracts with a mix of specialist and smaller, local contractors that deliver additional patching and surfacing operations, drainage improvements and specialist operations such as surface dressing or replacement of road side barriers, etc.

If the TMC model was the preferred option beyond 2027 it would be subject to a full review of the scope of the contract (what work streams sit with either the TMC or framework contracts), the contract terms and the specification that the contractor needs to meet. The contract would also require a full, competitive procurement process to select a new supplier.

An **Arms–Length Company** (with a Teckal exemption) would require the establishment of a new contracting organisation that would be wholly owned by the County Council. The new company would be the employer of all the management team and operatives responsible for delivering the works. The company would retain the ability to sub-contract the operation to others through a public procurement process, similar to DCC.

An **All In-House** option would see all of the highway maintenance operations being managed and delivered by a Direct Labour Organisation (DLO) with staff directly employed by the County Council. The County Council would retain the ability to establish framework contracts to deliver certain work streams, specialist operations or provide additional capacity.

A variation on the All In-House option would be for **Cyclic and Reactive Services** to be provided in-house through a smaller DLO with all other services contracted out through framework agreements.

A **Joint Venture Company** would see the County Council establishing a new company with a contracting partner selected through competitive procurement and negotiation. This arrangement would be based on the partners sharing all profits/losses and liabilities. While this option was shortlisted, as of August 2024 it is thought that there is insufficient time to select a partner and establish a new company ahead of the end of the current TMC in March 2027. As such this option has been discounted but included in this process for completeness and transparency.

## **5) Consultations**

Consultations as part of the option assessment process are detailed in report CET/24/44 to the 27 June 2024 meeting of this Committee.

## **6) Strategic Plan**

As detailed in report CET/24/44 to the June 2024 meeting of this Committee, no specific considerations have been identified regarding the Strategic Plan priorities in assessing the Delivery Model options, as any decision on Delivery Model does not alter service levels or policies.

## **7) Financial Considerations**

Delivery of the Highway Maintenance Service is funded from revenue and capital budgets. In 2023/24 the combined spend was £94.7m and the value of the work that has been delivered through the current Term Maintenance Contract was £52.5m.

The additional financial information requested at the 27 June 2024 meeting of this Committee is included in the outline business case attached at Appendix 1.

## **8) Legal Considerations**

The lawful implications/consequences of the Delivery Model options have been considered and taken into account in the preparation of this report and report CET/24/44 to the June 2024 meeting of this Committee. Whichever Delivery Model is chosen external legal advice and support will be required on preparing and procuring contracts and/or setting up a corporate vehicle.

## **9) Environmental Impact (Including Climate Change, Sustainability and Socio-economic) and Equality Considerations**

In progressing this project, an Impact Assessment has been prepared which will be circulated separately to Cabinet Members and also is available on the Council's website at [Future Delivery Model for Highway Maintenance Service - Impact Assessment \(devon.gov.uk\)](https://www.devon.gov.uk).

In choosing the future Delivery Model for the Highway Maintenance Service, it is not proposed to alter service levels, policies, or levels of funding. The Impact Assessment has therefore focussed on the level of influence the County Council would have over the following impacts for each of the short list of 5 Delivery Model options.

**Equality** - discrimination against staff delivering the Highway Maintenance Service

**Environmental** – reuse and recycling of materials, minimising greenhouse gas emissions and pollution, reducing water consumption.

**Economic** – impact on local businesses.

The County Council would have most influence over these impacts with the In-House or Arms-Length Company options, and least control with the Term Maintenance Contract option where it would be relying on contractual requirements and conditions.

## 10) Risk Management Considerations

The balance of risk will be one of the key factors in determining the future delivery model.

There are inherent risks associated with the maintenance of live highway assets. These risks relate to the safety and performance of the work force, the volatility of the construction and highway maintenance sector as well as the safe use of the network by the travelling public.

The assessment of Delivery Model options in the short list has involved the identification and evaluation of risks in providing the future Highway Maintenance Service. Consideration has been given to the significant risks and which party (DCC or Contractor) would be liable for these risks. This is included in the assessment of each option as detailed in report CET/24/44 to the 27 June 2024 meeting of this Committee, and further assessed in Section 5 of Appendix 1 to this report.

## 11) Summary

An outline business case has been prepared assessing the financial values of the significant issues identified in the analysis of the short list of Delivery Model options. The Committee is asked to consider this additional information, together with the information contained in report CET/24/44, and advise Cabinet of the Committee's views on the short list of 5 Delivery Model options.

At the 27 June 2024 meeting of this Committee the results of the Members' survey regarding the most important attributes of a Future Delivery Model were discussed. The Committee is asked to confirm to Cabinet the ranking of attributes.

**Meg Booth**

Director of Climate Change, Environment and Transport

**Electoral Divisions:** All

Cabinet Member for Highway Management: Councillor Stuart Hughes

**Local Government Act 1972: List of background papers**

Background Paper	Report to Corporate Infrastructure and Regulatory Services Scrutiny Committee
Date	27 June 2024
File Reference	CET/24/44

The above mentioned Report is published on the Council's Website [CET/24/44](#)

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## PROJECT BUSINESS CASE

<b>Purpose:</b> <i>The purpose of the project is to appraise options for future delivery of the Highway Maintenance Service and take the assessment of the options through the Scrutiny process and make a recommendation on the preferred option to Cabinet for approval.</i>	
<b>Project Title:</b> <i>Future Delivery Model for the Highway Maintenance Service</i>	
<b>Document Version No:</b> 01	<b>Document Ref:</b> 240712 Outline business case.doc
<b>Author:</b> Tony Matthews	<b>Date:</b> July 2024

### Document History

Revision Date	Summary of changes	Version Issued	Project Sponsor sign-off

## 1. REASONS

The County Council's Highway Term Maintenance Contract with Milestone Infrastructure terminates in March 2027 with no options to further extend the contract.

The Highways and Traffic Management Service is taking the opportunity to review the choice of Delivery Model to ensure it best meets the future needs of both the organisation and users of Devon's network.

## 2. OPTIONS

An initial list of 17 delivery model options have been assessed by officers from the Highways and Traffic Management Team and Procurement Team in a series of workshops following the Future Highways Research Group methodology. The options were scored on how each model would contribute to the delivery of the Service's nine Strategic Goals, and how attractive (value for money) and achievable they are against 13 factors.

### 2.1. Shortlist Criteria

#### Strategic Goals

- Strengthen Financial Resilience
- Use insights from data to improve performance and inform what we do.
- Work with Communities to understand needs and clarify what we can do.
- Deliver Social Value.
- Recruit and retain a resilient and empowered workforce where diversity is valued.
- Maintain, operate and improve our highway network and infrastructure for all users.
- Develop and improve the service using best practice, emerging technology and innovation.
- Deliver our contribution to the climate emergency response.
- Protect and enhance our natural and historic environment.

#### Attractiveness Analysis (VfM)

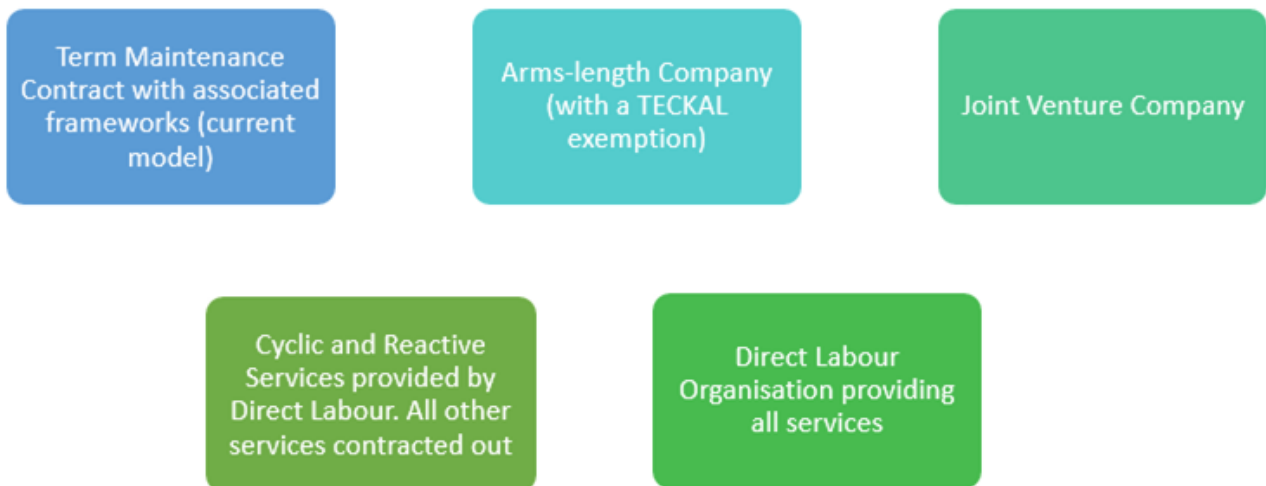
- Economy
- Efficiency
- Effectiveness
- Stakeholder value

#### Achievability Analysis

- Complexity (inherent risk)
- Capability and Capacity
- Affordability
- Authority Readiness
- Provider Readiness
- Sector Success Stories

- Governance and Reporting
- Partner Management
- Cultural Alignment

This work has identified a clear short list of 5 Delivery Model options to be considered further.



## 2.2. Description of Options

When a similar exercise was carried out approximately ten years ago the preferred option was a **Term Maintenance Contract (TMC)** to deliver the core functions of the Service including safety defect repairs, cyclic operations (gully emptying and grass cutting), winter service and emergency response (road traffic incidents and severe weather events such as the ‘Beast from the East’). This TMC was then supported with a series of framework contracts with a mix of specialist and smaller, local contractors that deliver additional patching and surfacing operations, drainage improvements and specialist operations such as surface dressing or replacement of road side barriers, etc.

If the TMC model was the preferred option beyond 2027 it would be subject to a full review of the scope of the contract (what work streams sit with either the TMC or framework contracts), the contract terms and the specification that the contractor needs to meet. The contract would also require a full, competitive procurement process to select a new supplier.

An **Arms–Length Company** (with a Teckal exemption) would require the establishment of a new contracting organisation that would be wholly owned by the County Council. The new company would be the employer of all the management team and operatives responsible for delivering the works. The company would retain the ability to sub-contract the operation to others through a public procurement process, similar to DCC.



An **All In-House** option would see all of the highway maintenance operations being managed and delivered by a Direct Labour Organisation (DLO) with staff directly employed by the County Council. The County Council would retain the ability to establish framework contracts to deliver certain work streams, specialist operations or provide additional capacity.

A variation on the All In-House option would be for **Cyclic and Reactive Services** to be provided in-house through a smaller DLO with all other services contracted out through framework agreements.

A **Joint Venture Company** would see the County Council establishing a new company with a contracting partner selected through competitive procurement and negotiation. This arrangement would be based on the partners sharing all profits/losses and liabilities. While this option was shortlisted, as of August 2024 it is thought that there is insufficient time to select a partner and establish a new company ahead of the end of the current TMC in March 2027. As such this option has been discounted but included in this process for completeness and transparency.

### 3. FINANCIAL CONSIDERATIONS

Through the option assessment workshops, liaison with other highway authorities, and advice from County Council support services, an assessment of the Strengths, Weaknesses, Opportunities and Threats of the 5 identified options has been made as summarised in Appendix 1 of the report to Corporate Infrastructure and Regulatory Services Scrutiny Committee [CET/24/44](#).

An assessment has been made of the potential costs associated with the establishment of each option and the ongoing annual financial values of the significant issues identified in this analysis.

#### 3.1. Profits

Based on the average pre-tax profit margin<sup>1</sup> of the top 100 UK construction companies over the last few years a potential range for the annual cost to the County Council of the profit element of contracted out work has been estimated. It has been assumed that a Joint Venture would be on a 50/50 profit share basis, and that the All In-House and Arms-Length Company options would operate on a cost recharge basis, with no contracted out or sub contracted services.

### 3.2. Taxation Considerations

Companies and Limited Liability Partnerships (LLP) are subject to different statutory regulation than Local Authorities e.g. Companies Act 2006 and Limited Liability Partnerships Act 2000 and different accounting regimes to those of the public sector. A company or LLP would be liable for tax on any profits or gains on disposal of business assets produced in any year. Corporate Tax is payable by companies on profits and gains as assessed by taxation legislation for each fiscal year. The current rates for Corporate Taxation depend on the assessed profits:

Profits <£50,000      Tax rate 19%  
 Profits >£250,000      Tax rate 25%

UK Local Authorities are exempt from Corporation Tax on their income and exempt from Capital Gains Tax.

The impact of taxation of the delivery model options are summarised below.

<b>Joint Venture</b>	A Joint Venture could be established through setting up a limited company or through the creation of a LLP. Profits of a limited company would be subject to Corporation Tax on any profits or net gains from the disposal of business assets in any fiscal year. With a LLP the profits or losses revert to the partners to be dealt with in the way that they are normally taxed, and Local Authorities are exempt from Corporate Taxation.
<b>All In-House</b>	In-House activity is exempt from Corporate Taxation.
<b>Cyclic and Reactive In-House</b>	In-House delivery of Cyclic and Reactive Services would be exempt from Corporate Taxation. Contractors providing all other services are obliged to account for taxation according to their own corporate status, and there are no taxation implications for the County Council through placing contracts for services.
<b>Arms-Length Company</b>	It has been assumed the company would operate on a cost recharge basis. However, as a limited company, albeit wholly owned by the local authority, any profits or net gains from disposals of business assets would be liable to Corporate Taxation.
<b>Term Maintenance and Framework Contracts</b>	Contractors are obliged to account for taxation according to their own corporate status, and there are no taxation implications for the County Council through placing contracts for services.

### **3.3. Pension Contributions**

With the In-House options the workforce and staff would be auto enrolled into the Local Government Pension Scheme, in which the employer contribution rate<sup>2</sup> is significantly higher than the typical market contribution rate for a construction company pension scheme<sup>3</sup>. An estimated range for the annual cost of employer contribution has been produced for the workforce and staff to deliver the Highway Maintenance Service. If some of the All In-House option work is contracted out or sub contracted, the cost of the employer contribution for this option would be proportionally less.

The effect is to increase the cost of the labour associated with both the All-In House and Cyclic and Reactive In-House delivery models.

### **3.4. Buying Power**

An In-House operation or Arms-Length Company would be a relatively local medium sized commercial operation when compared with the national or multinational companies likely to be interested in a TMC. As an example, in delivering the existing TMC, Milestone Infrastructure annually spends £6m on plant and fleet, and £7m on materials. Whilst spend for M Group, their parent company, is £125m on plant and fleet, and £340m on materials, which provides them with the opportunity to negotiate and leverage reduced prices.

Milestone Infrastructure have provided examples of the discount rates they achieve in the annual spend on materials and plant through the buying power of M Group, when compared to the prices available to a smaller operation. This is potentially an extra cost for the In-House and Arms-Length Company options, and an estimate of the potential range of this annual cost is shown in the following table.

**TABLE 1 ESTIMATED ONGOING ANNUAL COST TO COUNTY COUNCIL OF IDENTIFIED ISSUES.**

	<b>Contractors' Pre-tax profit</b>	<b>Employer pension contributions</b>	<b>Buying power (Additional costs for plant and materials)</b>	<b>Total</b>
<b>Joint Venture</b>	£0.6m to £1.1m	£0.5m to £1.3m	Nil	<b>£1.1m to £2.4m</b>
<b>All In-House</b>	Nil	£3.6m	£0.6m to £2.1m	<b>£4.2m to £5.7m</b>
<b>Cyclic and Reactive In-House</b>	£1.0m to £1.7m	£1.3m to £1.9m	£0.6m to £2.1m	<b>£2.9m to £5.7m</b>
<b>Arms-Length Company</b>	Nil	£0.5m to £1.3m	£0.6m to £2.1m	<b>£1.1m to £3.4m</b>
<b>Term Maintenance and Framework Contracts</b>	£1.3m to £2.3m	£0.5m to £1.3m	Nil	<b>£1.8m to £3.6m</b>

### 3.5. Cyclic and Reactive Costs

To aid understanding of the Cyclic and Reactive In-House option the Committee requested a breakdown of labour, materials and plant costs for this work stream. The analysis of cost of work undertaken directly by Milestone Infrastructure in 2023/24 for Cyclic and Reactive Work (including grass cutting, gully emptying, drainage, reactive patching, siding, emergency response, safety defects and winter service) compared with Planned Work, is as follows:-

**TABLE 2 BREAKDOWN OF COSTS ASSOCIATED WITH CYCLIC AND REACTIVE WORKS**

	<b>Cyclic and Reactive Work</b>	<b>Planned Work</b>
<b>Labour</b>	43%	23%
<b>Inspectors / designers</b>	5%	<1%
<b>Plant</b>	31%	25%
<b>Materials</b>	21%	52%

These figures do not include work undertaken by sub-contractors.

### 3.6. Value for Money

An assessment of the value for money of each model option in delivering the Highway Maintenance Service

**TABLE 3 CONSIDERATION OF VALUE FOR MONEY OF EACH DELIVERY MODEL**

<b>Joint Venture</b>	Contract prices and the corporate vehicle arrangements would be subject to competitive tender (which could involve an element of negotiation) in the open market. Any profits would be shared with the contracting partner.
<b>All In-House</b>	<p>The efficiency and effectiveness of a newly formed In-House organisation would depend on the management and monitoring regime the County Council wishes to implement, and the balance targeted between issues including costs, quality, and flexibility.</p> <p>Due to accounting rules, the overheads associated with manging and operating the company would be considered a revenue burden as opposed to capital.</p>
<b>Cyclic and Reactive In-House</b>	Similar comments to the All In-House option for Cyclic and Reactive works. Contract prices for the rest of the work would be subject to competitive tender in the open market (which could involve an element of negotiation).
<b>Arms-Length Company</b>	The efficiency and effectiveness a newly formed Arms-Length Company would depend on the management and monitoring regime the County Council wishes to implement, and the balance targeted between issues including costs, quality, and flexibility.
<b>Term Maintenance and Framework Contracts</b>	Contract prices would be subject to competitive tender (which could involve an element of negotiation) in the open market.

#### 4. NON-FINANCIAL CONSIDERATIONS

The non-financial issues are included in the assessment of the Strengths, Weaknesses, Opportunities and Threats for the 5 Delivery Model options summarised in Appendix 1 of the report to Corporate Infrastructure and Regulatory Services Scrutiny Committee [CET/24/44](#).

Members have identified Quality of Work as one of the most important attributes of a Future Delivery Model. The specification that lays out the standards for quality is built on national publications, with modification for local preferences. This document would be common across each of the models. The 'employer's requirements' that expands the specification, defines the full scope of the works, and embeds the County Council's policies would again be similar across each model.

The TUPE regulations would also apply to each of the models and see the majority of the workforce currently delivering the Service transferring to the new contractor / organisation.

#### 5. RISKS

The risks during the procurement, negotiation and mobilisation for the various options were considered in the assessment of the Strengths, Weaknesses, Opportunities and Threats summarised in Appendix 1 of the report to Corporate Infrastructure and Regulatory Services Scrutiny Committee [CET/24/44](#).

##### 5.1. ESTABLISHMENT RISKS

The risks can be broken down into different categories. Ahead of the operational phase there are a series of risks or challenges with the establishment of each of the various options that place a lesser or greater burden on the County Council. The table below highlights the risks associated with each model, and where they would be held by the County Council.

**TABLE 4 LIABILITY FOR ESTABLISHMENT RISKS**

Risk	Joint Venture	All In-House	Cyclic and Reactive In-House	Arms-Length Company	Term Maintenance & Framework Contracts
Challenging to deliver within timescale and risk of failed procurement	X				
Need to strengthen commercial / contracting expertise		X	X	X	
Impact on revenue budget of overhead costs		X	X		
Market prices at time of tender	X		X		X

Contractors' overhead costs are included in charges for work and funded from capital or revenue budgets as appropriate. Local Government accounting rules prevent certain internal overhead costs being capitalised, so the In-House options would result in an estimated increase of up to £2m in revenue costs per annum, and an equivalent reduction in capital costs. This would impact on the amount of reactive work (e.g. drainage jetting or siding & ditching) delivered from the highway revenue budget.

## 5.2. OPERATIONAL RISKS

The most significant risks associated with the management and delivery phase:

- Personal Injury claims (including up to multiple fatalities)
- Insurance claims (eg damage to car tyres and wheels)
- Third party claims liability for non-performance and damage
- Poor quality resulting in remedial work
- The efficiency of performance in delivering the contract for the tendered price
- Management of the supply chain
- Inflation
- Variation in budget

An assessment of the potential impact of these risks to the county council can be seen in the table below. Consideration has been given to the potential impact on the county council's finances, reputation and exposure to litigation (\*or impact on Legal/HR resources).

**TABLE 5 ASSESSMENT OF IMPACT OF OPERATIONAL RISKS**

Type	Potential Severity			Likelihood	Impact
	Financial	Reputational	Legal		
Personal Injury Claim	Very High	Very High	Very High	Low	Very High
Insurance Claim	Medium	High	Medium	High	High
Third Party Claim	Medium	Medium	Medium	Medium	Medium
Poor Quality of Workmanship	Medium	High	Low	High	High
Efficiency of Delivery	High	Medium	Low	High	High
Supply Chain Management	Medium	High	Low	High	High
Inflation	Medium	Medium	High*	High	High
Variation in Budget	Medium	Medium	High*	High	High

The various delivery models place the liability for these different management and delivery risks either with the contractor, with DCC or share the risk. The table below lays out which party would carry the liability for each risk for each delivery model.

**TABLE 6 LIABILITY OF RISK FOR EACH DELIVERY MODEL**

Type	Type of Risk	Joint Venture	All In-House	Cyclic and Reactive In-House	Arms-Length Company	Term Maintenance & Framework Contracts
Personal Injury Claim	Claims	Shared	Devon CC	Shared	Devon CC	Contractor
Insurance Claim						
Third Party Claim						
Poor Quality of Workmanship	Delivery	Shared	Devon CC	Shared	Devon CC	Contractor
Efficiency of Delivery						
Supply Chain Management						
Inflation	Finance	Shared	Devon CC	Shared	Devon CC	Contractor
Variation in Budget						

## 6. IMPACT ASSESSMENT

An Impact Assessment to be considered by Cabinet has been prepared, providing an equality, environmental and economic analysis of the short list of options. In choosing the future Delivery Model for the Highway Maintenance Service, it is not proposed to alter service levels, policies, or levels of funding. The Impact Assessment has therefore focussed on the level of influence the County Council would have over the equality, environmental and economic impacts for each of the short list of 5 Delivery Model options.

## 7. SET UP COSTS

Whichever Delivery Model is chosen there will be significant additional costs over the next 2 years preparing and procuring contracts or setting up companies / organisations. External legal and financial advice, staffing a project team and ICT hardware and systems will form a major part of these costs.



**Table 7 Estimated establishment costs**

	<b>External Legal and Financial Advice</b>	<b>Project Team</b>	<b>ICT hardware, systems, and management</b>	<b>TUPE, property services and contingencies</b>	<b>Total</b>
<b>Joint Venture</b>	£0.9m to £1.1m	£0.7m	£0.1m	£0.4m	<b>£2.1m to £2.3m</b>
<b>All In-House</b>	£0.1m to £0.2m	£0.9m	£0.6m	£0.6m	<b>£2.2m to £2.3m</b>
<b>Cyclic and Reactive In-House</b>	£0.1m to £0.2m	£0.9m	£0.4m	£0.6m	<b>£2.0m to £2.1m</b>
<b>Arms-Length Company</b>	£0.5m to £0.7m	£0.9m	£1.3m	£0.7m	<b>£3.4m to £3.6m</b>
<b>Term Maintenance and Framework Contracts</b>	£0.4m to £0.6m	£0.7m	£0.1m	£0.2m	<b>£1.4m to £1.6m</b>

There is potential for significant upfront capital investment for plant and fleet with the In-House and Arms-Length Company options. However, currently Milestone Infrastructure leases plant and fleet, and it is assumed these leases would be able to be transferred if an In-House or Arms-Length Company option is progressed, avoiding upfront capital investment.

## **8. SUMMARY**

At the June 24 CIRS Scrutiny Committee Members were presented with report [CET/24/44](#) that included a 'SWOT' analysis for the 5 options short listed through the Future Highways Research Group model.

This business case has expanded on the previous information by providing cost estimates of the ongoing annual financial values of the significant issues identified in the SWOT analysis. In addition, it has looked at the likely one-off upfront costs associated with establishing the various options.

The range of ongoing annual costs is £1.1m to £5.7m (£4.6m)  
The range of one-off set up costs is £1.4 to £3.6 (£2.2m)

These costs need to be considered in the context of approximately £80m of annual spend which over the life of the chosen model could be in excess of £1bn.

In addition to the financial considerations the report has considered the various risks to both establishing and operating the various models. The liability for these risks can sit with either the contractor or Devon County Council through the choice of delivery model. The delivery model that has the fewer risks, both for establishment and operation, is the Term Maintenance and Framework Contracts.

## References

<sup>1</sup> *theconstructionindex.co.uk* "Top 100 Construction Companies 2023"  
*Institution of Civil Engineers* "Where do Tier 1 contractors make their money?"

<sup>2</sup> *Peninsula Pensions 2024 rate*

<sup>3</sup> *Examples from three highway contracting companies operating in the Southwest.*

## Appendix 2 to CET/24/65

### Future Delivery Model for the Highway Maintenance Service

Timeline to commencement of new model (Go Live): 1<sup>st</sup> April 2027

	<b>Duration</b>	<b>Start</b>
<b>Date</b>		
<b>Term Maintenance and Framework Contracts</b>		
Prepare Contract Documents	12 Months	Oct '24
Tender Period	5 Months	Oct '25
Tender Assessment	4 Months	Mar '26
Cabinet approval to award		July '26
Mobilisation	9 Months	Jul '26
Go Live		Apr '27
<b>Arms-Length Company</b>		
<b>In-House options</b>		
Recruit Management Team	12 Months	Jan '25
Establish New Organisation	12 Months	Jul '25
Mobilisation	9 Months	Jul '26
Go Live		Apr '27