

Highways Future Service Model

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Electoral Divisions Affected	All Divisions	
Key Decision?	Key Decision	
Cabinet Forward Plan	Yes – 5 August 2026	
Report considered by		

1. Purpose of Report

The purpose of this report is to update Members of the progress that has been made in the progressive development of the highway services delivery model (termed – Mixed Economy Model) and the actions and decisions now required to implement the Highways Future Service Model by April 2028.

2. Recommendations

Cabinet is asked to:

- 2.1 Approve the insourcing of the non-devolved Street Scene services by 1st April 2027.
- 2.3 Note the procurement of the new enhanced Mixed Economy Defect Repair contract by 1st April 2027.

- 2.4 Note the preparation of an options study and business case for the Highways Future Service Model by the end December' 2026.
- 2.5 Refer the Future Service Model options to the relevant Scrutiny Committee for pre-decision by the end December' 2026.

3. Background

- 3.1 The Highway and Environmental Term Service Contract (HETSC), referred to as the Kier contract for the purpose of this report, commenced on 1st April 2018 for an initial Service Period of 7 years. The Service Period has been extended by two separate one-year extensions to 31st March 2027, in accordance with the conditions of contract.
- 3.2 The further extension is required because the Council is now managing several interdependent changes that were not capable of being completed within the earlier extension period, due to team capacity constraints: the insourcing of Street Scene services, procurement and mobilisation of the enhanced defect repair contract, completion of a fully evidenced options appraisal and business case, and implementation of the selected future model. The final year is therefore a time-limited transition and assurance period, not a continuation of the historic operating model.
- 3.3 Since the commencement of the Kier contract in 2018, the Council's operating, financial and strategic context has changed significantly. The evolution of the mixed economy model, the transfer of services from the contract, the development of local delivery arrangements and the Council's wider transformation agenda mean that a future service model cannot simply replicate historic arrangements. A structured options appraisal and business case is therefore required to ensure future service delivery is aligned with the Council's priorities, financial sustainability objectives and long-term service requirements.
- 3.4 During the Service Period, the Council has been collaboratively working with Kier as part of the ongoing process to reshape service delivery, to align with both the Policial Administration's priorities and the Councils Corporate Plan. This has included the insourcing of some services from the Contractor to the Council and the recent extension and re-procurement exercise taking place to commission the Mixed Economy Defect Repair contract.
- 3.5 The Council and Kier continue to work together to incrementally develop the "mixed economy model", including:
 - 3.5.1 the insourcing of Street Scene services by 1st April 2027, and
 - 3.5.2 the procurement and mobilisation of a successor to the "mixed economy model" contract with an increased scope of services by 1st April 2027
- 3.6 Consequently, the basis and scope of the original Kier contract have changed significantly since its original inception in 2018 now requiring a different ask of contractors and one that is commercially attractive to stimulate competition and

therefore value for the Council. Particularly around key safety critical services such as winter maintenance.

- 3.7 To ensure successor arrangements and a supporting contract attracts suitable partners, Council Officers are currently carrying out an options appraisal and business case to determine the optimum highways “future service operating model” with the intention of bringing forward options for Informal Cabinet consultation in late 2026, followed by Scrutiny Committee review.

Options appraisal criteria stages to include:
Scrutiny
Finance
Legal
Commercial and HR assurance
Informal Cabinet
Stakeholder and member consultation
Pre-decision scrutiny
Final business case approval
Procurement; mobilisation
Go-live by 1 April 2028

- 3.8 The final year extension of the Kier contract to the 1st April 2028 will enable the Council to:

3.8.1 complete the insourcing and integration of the Street Scene services by April 2027.

3.8.2 complete the procurement of the enhanced Mixed Economy Defect Repair contract by April 27.

- 3.9 carry out the options appraisal and businesses case for the Future Service operating model by December 2026, identifying and recommending the most efficient, effective and economic model, inclusive of contractual arrangements which will be required to be procured and mobilised ahead of 1st April 2028.

- 3.10 Have the recommended model fully mobilised and ready for implementation by 1st March 2028, enabling a seamless transition from 1 April 2028.” which aligns with the intended contractual end and implementation programme.

- 3.11 In October 2025, Cabinet approved a 1-year extension to the Kier contract, taking the end date until 31st March 2027. This extension has enabled the Council to further develop the “mixed economy model” with a further transfer of services from Kier to the Council during this period.

- 3.12 This has allowed the Council to:

- Transfer Street Scene services from the Kier subcontractor through Devolution to Shrewsbury Town Council and Broseley Town Council.

- The transfer of responsibility for reactive maintenance of the C road network from Kier to the Council's Defect Repair Contractor (Mullevo).
- Utilise favourable contract rates for major work such as surface dressing and resurfacing

4 Additional Information

4.1 Strategic Context and Political Priorities

- 4.1.1 The new Council administration has committed to empowering local communities with closer working relationships with Town and Parish Councils, improving visible services such as pothole repairs and street scene services and ensuring value for money through smarter contracting.
- 4.1.2 This is a managed transition rather than continuation of the historic model. During the extension, Street Scene services will transfer in-house by April 2027, the enhanced defect repair contract will be procured and mobilised, and the Council will complete the evidence, consultation and implementation work needed for a controlled long-term decision. This avoids forcing a rushed model into place by April 2027 while maintaining essential and safety-critical services.

4.2 The Benefits of an Extension to the Kier Contract

A 12-month extension to the Kier contract brings a number of benefits:

- 4.2.1 The extension will provide sufficient time for the Council to complete a detailed options appraisal, business case and stakeholder consultation on the Future Highways Service Model, ensuring future decisions are evidence-led, financially robust and aligned to the Council's strategic priorities rather than being driven by contractual deadlines.
- 4.2.2 The extension will reduce delivery risk by allowing the Council to complete the insourcing of Street Scene services and mobilisation of the successor Mixed Economy Defect Repair Contract, before implementing any wider future operating model changes. This will support service continuity and minimise disruption to residents.
- 4.2.3 The extension will allow the Council to continue utilising contract rates that remain commercially competitive when compared to current market conditions to be confirmed following Finance and Commercial assurance, whilst providing the time necessary to develop future procurement strategies that maximise competition, value for money and long-term financial sustainability.

4.3 Working Together to Respond to Service Pressures

- 4.3.1 The 2026 ALARM (Annual Local Authority Road Maintenance) Survey estimates the national highway maintenance backlog at £18.62 billion. In Shropshire, the total funding gap across all highway assets is estimated to exceed £130 million. This shortfall has had a significant impact on road condition and the resilience of the asset, resulting in a proliferation of potholes.

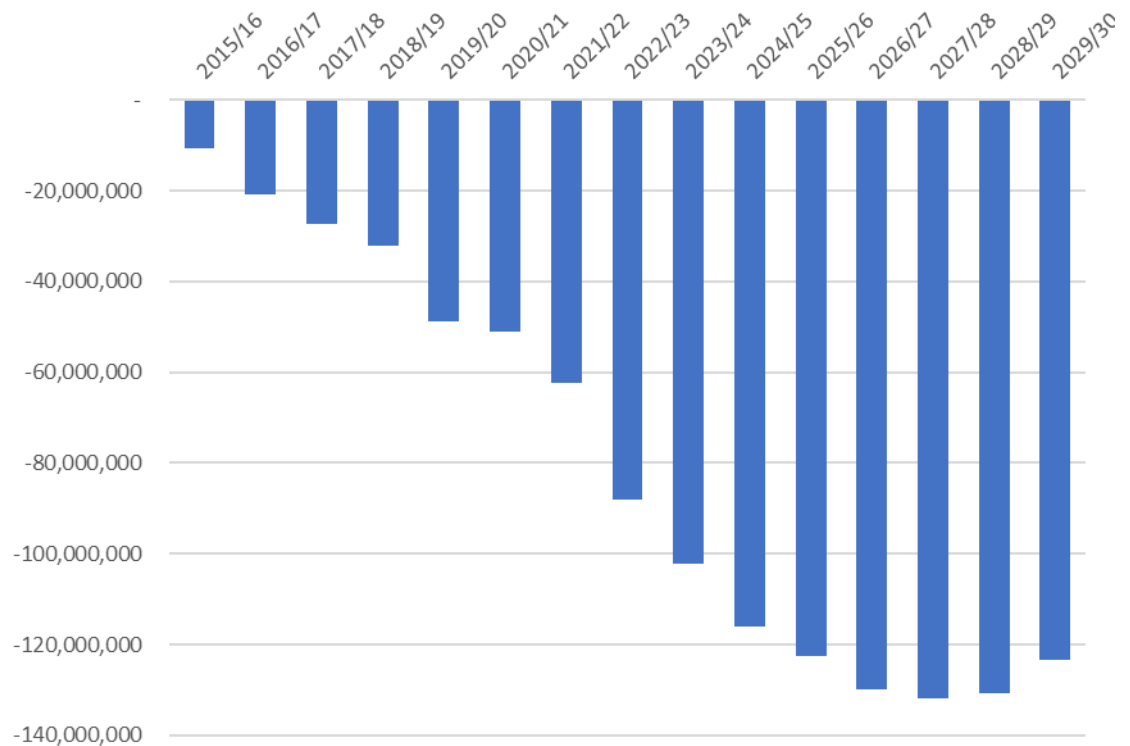


Figure 3. Cumulative backlog of maintenance at current prices

- 4.3.2 There is a chronic issue of under-investment in highways maintenance spanning decades, leading to a significant backlog in maintenance. A steady-state level of funding would enable the Council to maintain the network, so that it neither improves or declines. Over the last ten years, steady-state level of investment has not been achieved, resulting in what is termed a “managed decline”. The impact is an ageing asset that allows surfaces water to penetrate and threaten the integrity of the road. This threat is always present but presents itself during periods of wet and sub-zero temperatures, like the recent winter period. During this period, we saw pothole numbers triple which presented a significant service challenge.
- 4.3.3 This has been compounded by costs across highways sector increasing by over 30%, during the same period the revenue budget for the Kier contract has fallen by 24%, thereby creating a 55% real terms reduction in funding.
- 4.3.4 It should be noted that the Department for Transport consolidated funding allows Councils to make more localised decisions around funding allocations. Aligning with the Political priorities, the Council has now put more of the Department for Transport funding towards highways maintenance for 2026/27 and for future years. This will help to address the repairs backlog and provide extra funding towards achieving “steady state investment” which will slow the rate of deterioration.
- 4.3.5 As detailed in section 3 of this report, Kier have continued to demonstrate support the for evolution of the “mixed economy model” during the extensions to the Service Period.

- 4.3.6 The Kier contract which has been operational since April 2018, continues to demonstrate strong commercial value when assessed against current market benchmarks. The original tendered rates remain favourable. Comparative analysis shows that these rates consistently outperform those now being quoted in the open market, providing the Council with the best value for money on service delivered via the contract.

4.4 Insourcing of Street Scene Services

- 4.4.1 The Council has concluded that Street Scene services are better aligned to direct Council management than delivery through a large, outsourced highways contract. Bringing the service in-house will provide greater operational control, improve responsiveness to local priorities and enable closer integration with other Council and community-based services.
- 4.4.2 Direct management of Street Scene services will strengthen accountability, enabling service standards, priorities and resources to be managed by the Council without the additional layers of contractor and subcontractor management. This will support quicker decision-making, clearer performance oversight and improved visibility of costs and service outcomes.
- 4.4.3 The in-house model will provide greater flexibility to work with Town and Parish Councils, local communities and other Council services, supporting the administration's priorities of community empowerment and local service delivery. It will also ensure that any efficiencies achieved are retained directly by the Council and can be reinvested in frontline services.
- 4.4.4 Lessons from the previous Street Scene transition 1st April 2026 with problems with missed bins and late grass cutting have been identified and tackled have informed a dedicated insourcing programme with clear senior ownership, workstreams and assurance. The programme will include workforce and TUPE planning, asset and depot readiness, systems and data transfer, fleet and equipment availability, health and safety assurance, service continuity and contingency arrangements, financial controls, communications, and phased mobilisation checkpoints. Progress, risks and readiness will be reported through the agreed programme governance, with gateway reviews before transfer on 1 April 2027

4.5 Governance and Contract Management

- 4.5.1 The Kier contract is now focused on delivering value for money in areas where the contractor performs strongly for Shropshire. These include surface dressing, resurfacing, bridges/structures, major and minor highway projects and winter maintenance.
- 4.5.2 The Council manage Kier's performance through a KPI mechanism. These are reviewed regularly and provide insight into where Kier performs well and delivers value for money.
- 4.5.3 The management of the contract has been subject to other internal and external challenge and a review of Major Contracts by the Commissioning Team. All of which have provided reassurance on the Governance Model and management

arrangements, which has informed the re-modelling and help to inform the future service model.

- 4.5.4 The Kier Contract has recently been subject to an internal Audit. This has seen the number of fundamental and significant issues reduce from 11 down to 1. This is a significant reduction and further evidence of the strengthening control and management arrangements that are in place.

4.6 Conclusions

- 4.6.1 Future decisions will be supported by evidence, quantified benefits, realistic delivery plans and a robust options appraisal. The business case will include clear baselines, targets and accountable owners covering safety, service performance, value for money, customer outcomes, workforce capacity and environmental impact, with delivery reviewed after implementation.
- 4.6.2 Kier continues to work collaboratively with the Council to improve service delivery, reduce costs and support the implementation of the Council's priorities. Kier is now focussed on delivery of those works and services where their strengths and market position bring greatest benefit to the Council. The current contract in certain areas has been shown to offer value in the market.
- 4.6.3 An extension of 12 months to the current contract will enable the Council and Kier to continue to implement the Council's priorities and enable the Council to develop, consult upon, and implement a new service delivery model for services beyond March 2028.
- 4.6.4 This will provide the Council with sufficient time to develop and implement suitable market facing procurement strategies that will reflect the longer-term future service model of Highways.

4.7 Summary of Main Proposals

- 4.7.1 The Council delivers a wide range of highway and environmental services through a mixed economy model. The largest single component of the model is the Kier contract, which commenced in 2018. Since that time, the Contractor has worked collaboratively with the Council to reconfigure the services in order to meet the Council's priorities. As a result, certain services that were included in the Kier contract are now delivered by the Council and other contractors.
- 4.7.2 The Kier contract has been extensively changed but continues to successfully deliver the services that remain within it. These include capital investments such as surfacing and surface treatments, improvement schemes, and the safety-critical winter service.
- 4.7.3 The Council plans to continue the progressive development of the "mixed economy model" and is undertaking an options study and business case that will bring forward for consultation in late 2026.
- 4.7.4 The outcome of the options study and business case is not prejudged; however, it is realistic to expect that any new operating model will require 12 to 16 months to implement.

- 4.7.5 Therefore, an extension to the Kier contract to 31st March 2028 will enable the Council to implement any new model in a planned manner whilst continuing to deliver essential services, such as winter maintenance.

5. Alternative Options

Not extending the Kier contract: If the Council decided not to extend the Kier contract by 12 months this would require Council Officers to implement a highways future service model by 1st April 2027 whilst also insourcing the Street Scene services and procuring the successor Defect Repairs contract. This would remove the opportunity to consult with Members on the highways future service model and increase the risk of implementing a sub-optimal model.

6. Key risks and Opportunities

Risk	Mitigation	Link to Strategic Risk
Sub-optimal highways future operating model	Carry out a comprehensive options study and business case in consultation with the portfolio holder and bring forward for consultation during late 2026	Governance, assurance and value for money
Disruption to service delivery	Agree an extension to the Kier contract with Kier prior to the end of 2026 to enable Kier to plan resources to efficiently deliver services in the final year of the contract	Breakdown of critical contracts, providers or strategic partnerships
Lack of market interest in the highways future operating model	Carry out preliminary market engagement during the options study to help inform the decisions and raise market awareness of the opportunities	Achieving long-term financial sustainability
Disruption to the insourcing of Street Scene services and procurement of the Defect repair contract	Extending the Kier contract by 12 months provides Officers capacity to complete these two activities prior to April 2027	Workforce capacity and capability
Inability to deliver the capital delivery programme through the Kier contract	The Council has a DfT funded programme of capital works (surfacing and surface treatments) which may be jeopardised if it cannot be delivered through Kier contract	Breakdown of critical contracts, providers or strategic partnerships

7. Council Priorities

Supporting the local economy, working collaboratively with Town and Parish Councils and improving the condition of the highway network have remained important Council priorities. The Council and Kier have already begun to reflect these priorities through the progressive development of the mixed economy model. This includes transferring appropriate services to local delivery arrangements, bringing Street Scene services under greater Council control, expanding defect repair capacity and retaining Kier's support for major and safety-critical highway works where this provides operational and commercial benefit.

8. Financial Implications

- 8.1 The proposed extension supports the Council's objective of improving financial sustainability by providing sufficient time to identify, evaluate and quantify future service delivery options before long-term commitments are made. This approach seeks to ensure that future operating arrangements are supported by robust financial analysis, achievable implementation plans and clear benefit realisation measures.
- 8.2 Shropshire Council continues to manage unprecedented financial challenges. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council control and reduce spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped, and all essential spend challenged.
- 8.3 The report highlights the extensive work which has been carried out to reduce spend with Kier. The development of the "mixed service model" is driving efficiency and performance, quality and value for money. This is helping to inform the early considerations around Future Operating Models.
- 8.4 The final 12-month extension of the contract will enable the Council to have sufficient time to do a detailed exercise around options for the future service and procurement and mobilise the new model.

9. Legal and HR implications

- 9.1 The proposed extension is permissible under Regulation 72 (1) (a) of the PCR 2015 because it is provided for in the initial contract documents.
- 9.2 The extension will provide the Council with sufficient time to complete the options appraisal, business case development, consultation and implementation planning required for the Future Highways Service Model. The extension will also reduce the risk of disruption to the delivery of statutory highway functions during the transition period.
- 9.3 No direct employee transfers arise from the proposed contract extension itself. However, the Future Highways Service Model, the insourcing of Street Scene

services and any subsequent service changes may have workforce implications that will be considered through the appropriate consultation and governance processes as proposals are developed. Any employment, TUPE or organisational change implications associated with future decisions will be subject to separate assessment and consultation where applicable.

10 Electoral Division Implications

- 10.1 The recommendations relate to the future delivery of highway and environmental services across the whole of Shropshire. As such, the proposals have implications for all electoral divisions. The extension of the Kier contract will help ensure continuity of service delivery, maintenance activities, winter service operations and highway improvements across the entirety of the county whilst the Future Highways Service Model is developed and consulted upon.
- 10.2 The Council will continue to engage with Members, Town Councils, Parish Councils and local communities as part of the ongoing development of future service delivery arrangements.

11 Health, Social (including “Child Friendly Shropshire”) and Economic Implications

- 11.1 The continued delivery of highway maintenance, winter service operations, highway safety improvements and environmental services contributes positively to the health, wellbeing and economic prosperity of Shropshire communities. Safe and reliable highway infrastructure supports access to employment, education, healthcare, leisure opportunities and essential services across both urban and rural areas of the county.
- 11.2 The proposed extension will help ensure that critical highways services continue without interruption whilst the Future Highways Service Model is developed. Maintaining service continuity reduces the risk of deterioration in highway condition, supports road safety and assists in protecting vulnerable road users.
- 11.3 The development of the Future Highways Service Model presents opportunities to further support local economic growth, strengthen relationships with Town and Parish Councils, increase local service delivery where appropriate and improve value for money for residents. The proposal is therefore considered consistent with the Council's priorities relating to community empowerment, economic resilience and the provision of safe, effective public services.
- 11.4 For the purposes of Child Friendly Shropshire, the continued maintenance of safe highways, footways and public spaces supports children's access to education, recreation and community activities through a safer and more reliable transport network.

12 Equality and Diversity Implications

- 12.1 The proposed contract extension will maintain continuity of highway and environmental services across Shropshire whilst the Future Highways Service Model is developed and consulted upon. This will support continued access to safe

highways, footways and public services for all communities, including vulnerable groups and those with protected characteristics

- 12.2 The Council's Opportunity Risk Management Strategy requires equality considerations to be embedded within service reviews and decision-making through the Equality and Social Inclusion Impact Assessment (ESIIA) process. Any future service delivery changes arising from the Future Highways Service Model will be subject to appropriate equality assessment and consultation before implementation.
- 12.3 No adverse equality impacts have been identified from the proposed 12-month contract extension.

13 Climate Change, Biodiversity and Environmental Implications

- 13.1 The proposed extension will ensure continuity of highway maintenance, winter service operations, drainage maintenance and environmental services whilst the Future Highways Service Model is developed and implemented. These activities help maintain a resilient highway network and protect public assets.
- 13.2 The Council's Opportunity Risk Management Strategy requires environmental considerations to form part of all significant opportunities and risks. The additional time provided by the extension will enable environmental, climate change and biodiversity considerations to be fully evaluated as part of the future service model options appraisal and business case development.
- 13.3 The extension itself does not determine the future operating model but provides the opportunity to consider measures that could improve environmental performance, support local supply chains, reduce carbon emissions and deliver wider environmental benefits as part of the future service arrangements.

14 Background Papers

N/A

15 Appendices

Appendix A – Commercial and procurement information (exempt)