

<b>Committee(s):</b>	<b>Date(s):</b>
Streets and Walkways Sub Committee	24/07/17
<b>Subject:</b> Highways Maintenance Contract: Tarmac purchase of JB Riney	<b>Public</b>
<b>Report of:</b> Director of the Built Environment	<b>For Information</b>
<b>Summary</b>	
<p>The City's highways term maintenance contractor is J. B. Riney &amp; Co. Ltd (<b>Riney</b>), which delivers highway maintenance, resurfacing, drainage, street lighting, public realm enhancements, road marking and highway changes for the Department of the Built Environment, as well as similar services for other departments.</p> <p>This report notes that Tarmac Trading Limited have purchased the family shareholding of JB Riney &amp; Co Ltd and now own the company. However, Riney will continue to trade as usual, retaining the company name and corporate identity.</p> <p>Riney and Tarmac have reassured the City of London that they will continue the partnering ethos that has delivered a highly successful, high quality and cost effective service for the Square Mile, and although the ownership change does introduce a degree of uncertainty, the City remains committed to working with both parties to ensure the contract remains on track.</p>	
<b>Recommendation(s)</b>	
Members are asked to note the report.	

## Main Report

### Background

1. The City Corporation is the Highway Authority for all the public highway and City walkway areas in the Square Mile, except those streets that fall within the Transport for London Road Network.
2. As such, the Department of the Built Environment (**DBE**) is responsible for maintaining those streets, footpaths and walkways, including inspecting them for defects, undertaking repairs and resurfacing, maintaining signs, road markings, bollards, street nameplates and drainage, and looking after all the powered & illuminated street furniture in the City, from road signs to street lights. In addition, DBE are responsible for the highway construction aspect involved in making alterations to streets to satisfy road safety or transportation

requirements, as well as delivering projects to enhance the public realm and undertaking reparations and highway changes around new building developments.

3. DBE delivers all these functions through the use of a term contract, with the current incumbents being Riney, who have delivered between £4m and £12m worth of work each year depending on the volume of work required. Riney have almost completed Year 5 of the initial five year term under the contract, and Finance Committee (and the Court of Common Council) agreed late last year to exercise the City's option under the contract to extend that term by a further five years.
4. During that time, Riney have maintained a very high level of performance, both in terms of their contract delivery (as measured through their KPIs) and their quality of work. Projects are delivered to a very high standard, on time & budget, and with the minimum of fuss and disruption to the public.
5. However, late last year, their Managing Director and majority shareholder, Brendan Riney, sadly passed away, leaving the company and family to resolve any outstanding ownership issues.

### **Current Position**

6. On 15 May, Riney and Tarmac informed the City that Tarmac had purchased the family shareholding in Riney and now controlled the company. The acquisition would appear to give Tarmac a foothold in London's term maintenance contract marketplace, where it can take up to five years to win contracts from a standing start, allowing them to build on their strategic sites and operations in the South.
7. Tarmac, a CRH plc group company, has a turnover of around £2billion pa, with over 150 years of experience in the sector, 25 depots around the UK and nearly 7,000 employees. They have a combined breadth of capability and expertise that covers asphalt, concrete and other highway products, as well as highway services, construction and traffic management.
8. Representatives of Tarmac have made it clear that although Riney will be operating as part Tarmac's highways services arm, Riney will continue to trade as usual, retaining the company name, management team, corporate identity and branding.
9. Riney have suggested that joining forces will secure a more stable future for the company, and Tarmac's wider resources will bring economies of scale in terms of supply chain & tendering power. Tarmac does have a history of purchasing successful companies and managing them at arms' length, allowing them to retain their brand identity, staff and operation, which gives City officers confidence regarding this purchase.
10. There are always risks when such purchases do take place, but both companies are doing all they can to reassure the City that the contract will continue to its previous high delivery standards. Both Riney and Tarmac describe this transaction as merely a share purchase, and have explicitly

stated that the excellent working partnership ethos of the contract, which drives a low claim culture, will remain, and the high quality services provided to the City of London will continue to be delivered.

11. A financial and legal assessment of the purchase has been made by the Chamberlain and the Comptroller & City Solicitor respectively. They have confirmed that the share purchase does not involve a transfer of any of Riney's rights or obligations under the contract, so formal Member approval or alteration is not required to the current contract (or its extension), other than making Members aware of the change by way of this report.
12. Officers will continue to operate the contract in its normal format and look to ensure it delivers services to the same high standards. As part of that process, the Tarmac team will be formally introduced to the Chairman of your Committee in due course, allowing him the opportunity to emphasise the importance of this contract continuing to operate to its previous high standards. In particular, a number of extremely high profile schemes, such as Crossrail, Goldman Sachs, Bloomberg and London Wall Place are dependent on its continuing success.

### **Proposals**

13. The contract will aim to continue to deliver successful results and its performance will be monitored against the 12 KPI's relating to the contract. Monthly contractual meetings will continue, so key issues can be discussed and addressed, and the annual contract board provides senior officers the opportunity to address more strategic issues. I have therefore attached the current KPI's for your reference.

### **Corporate & Strategic Implications**

14. A change in ownership may bring a degree of uncertainty, and the City has to be prepared for Tarmac to bring a different perspective in the longer term. However, in the short term, the City will still pay and order from Riney, and our various contacts remain the same.

### **Conclusion**

15. In conclusion, the purchase brought initial concerns, but after further investigation and engagement with both Riney and Tarmac, it appears that all three parties want the contract to continue to perform to its same high standards. In particular, Tarmac's stated approach of looking for successful companies to acquire and improve (but retain their individual identities) would appear not to conflict with the City's requirements, and indeed may offer some future opportunities.
16. This purchase appears to be a positive step, and combining the expertise of both businesses in the London marketplace could strengthen Tarmac's overall

highways customer base whilst allowing Riney to focus on high quality, effective and efficient services to the City.

## **Appendices**

- Appendix 1 – KPI Results

## **Background Papers:**

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