

**OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE**  
**6<sup>th</sup> SEPTEMBER 2007**

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**WILTSHIRE HIGHWAYS CONSULTANCY AND WORKS CONTRACTS -**  
**ANNUAL REVIEW OF SERVICE 2006-07****Purpose of Report**

1. To present to Members the Annual Review of the performance of services provided under contract by Mouchel Parkman and Ringway Infrastructure Services under the Wiltshire Highways Consultancy and Works Contracts.

**Background**

2. The Highways Consultancy and Works Contracts for the County Council deliver a large proportion of the County Council's highway and related functions. These contracts were previously awarded to Ringway and Parkman in June 1999 and were operated as a joint venture under the name of Ringway Parkman. The contracts were for five years with extensions of up to two years.
3. At its meeting on 9<sup>th</sup> November 2006 the Overview and Scrutiny Management Committee considered the Annual Review of Service for 2005-6 for the Ringway Parkman contracts. This was the final year of these contracts, and having considered the report the Committee resolved:
  - (1) *To thank Ringway Parkman for their contribution to the County's highways service since 1999.*
  - (2) *To make the Cabinet Member for Environment, Transport and Economic Development aware of the issues discussed in receiving the annual review of service report 2005-06.*
  - (3) *To note the intention to prepare a joint report from the County Council, Mouchel Parkman and Ringway next year to review performance of the first year of the new highway contracts 2006-07 and in doing so ask that more emphasis is given to making year on year comparisons where possible in order to identify trends.*
4. Tenders for the current contracts for Highways Consultancy and Works were invited in 2005. The Overview and Scrutiny Management Committee had considered a report on the proposed form of the new contracts at its meeting on 9<sup>th</sup> December 2004, before the matter was considered by Cabinet on 17<sup>th</sup> December 2004. The Cabinet agreed the programme for the procurement of the contracts, and that they should be for a period of five years to reflect the next Local Transport Plan (LTP) period and should be extendable by up to two years as the existing contracts.

**New Contracts**

5. Tenders were invited from five consultants and five contractors following an invitation for expressions of interest in the Official Journal of the European Communities. The tenderers were selected taking into account experience and capability as part of the pre-qualification procedure. The tenders from Mouchel Parkman and Ringway Highway Services were considered to be the best in terms of price and quality for the Consultancy and Works Contracts respectively, and on 18<sup>th</sup> November 2005 the Cabinet agreed to the award of these contracts.

6. The contracts came into operation on 1<sup>st</sup> June 2006, which provided a six-month lead in period from the award of contracts to their commencement. This would have been particularly important if new service suppliers were to be appointed and to deal with TUPE issues. The award of the contracts to the existing suppliers simplified this aspect of the transition, but provided a different challenge in having to establish new contractual relationships between the parties.
7. The new contracts were designed to create new working relationships between the parties with better contract and project management. They build on the Service Delivery Team approach started in the original contract, but add a Contract Monitoring Team reporting to a Contract Management Meeting, where representatives of all three parties meet to co-ordinate the operation of the services.
8. This report covers the first year of operation of the new Highways Consultancy and Works Contracts from 1<sup>st</sup> June 2006 to 31<sup>st</sup> May 2007. An Annual Review of Service 2006-7 has been prepared as a separate document and **circulated to Members**. The review describes the areas of work covered by the contracts and sets out the main achievements in the various service areas. Issues with regard to contract management, project management and quality were identified in previous service reviews as being of concern and these are discussed in more detail below.

## **Main Considerations**

### Contract Management

9. The transition to the new contracts and the changes to the management of the contracts were successfully implemented by all three organisations working together during the six-month lead in period between December 2005 and June 2006.
10. The electronic ordering and invoicing of work by the Contractor was implemented from the start of the new contract. There were some technical problems with the electronic transfer of information, but these have now been resolved by Ringway. The use of the Exor system for work ordering and invoicing has improved the quality and accuracy of financial information held regarding the contract, and has introduced more discipline into the placing and monitoring of orders.
11. The system for issuing Briefs to the Consultancy was amended to be based on electronic documents and e-mail rather than the previous paper system. The process was complicated by the start of the new contracts two months into the financial year, and with having to develop procedures for dealing with work spanning more than one financial year. There were some delays in issuing Briefs to the Consultant and in obtaining responses with estimates and proposals. Having operated the system through one year end it is anticipated that the system will operate more efficiently at the next year end in April 2008.
12. It was planned to phase in the use of Exor for work ordering and invoicing for the Consultant, depending on the success of the use of the system for the Contractor. At the start of the new contract work orders for the Consultancy were placed using the electronic system, with the intention being to start electronic invoicing during the second year of the contract. Mouchel Parkman have now put in place the necessary processes and equipment to facilitate electronic ordering and invoicing.
13. In the tender submissions both the Contractor and the Consultant put forward a number of proposals and descriptions of how they would operate the services. In order to ensure that these were delivered a series of 'undertakings' were extracted from the documents. These have been listed and agreed with the service suppliers so that they can be monitored throughout the contract period.

The undertakings cover all aspects of the service, from descriptions of training, management proposals, and financial systems, through to details of how specific services and works would be carried out.

14. A series of performance indicators have been established for the contracts, including satisfaction scores, and these are being developed to cover accuracy of programming and financial forecasting as well as environmental aspects of the contracts. The electronic system is used to record scores which are reported to the three parties at monthly Progress Meetings and which are used in the end of year assessments described below.
15. Overall the structure of the new contracts and the contract monitoring procedures put in place have been successful in improving services by addressing the management and reporting problems identified with the old contract. The creation of the new contracts and the altered contractual relationship between the parties appears to have assisted in the delivery of service improvements. The challenge will be to build on this and to achieve continuous improvement in future years.

#### Project Management

16. One of the continual problems during the previous contracts was regarding delays in project delivery, and uncertainty of programming. These issues were mentioned in a number of the previous Annual Service Reviews. The situation was exacerbated by the increase in work being managed through the contracts following the introduction of LTP funding, the large number of complex integrated transport schemes being progressed, and a background of skills shortages in a number of key technical areas.
17. The new contracts sought to address these issues, particularly through improved service management and by seeking to establish a new three way relationship between the organisations. The role of the Service Delivery Teams (SDTs) has been strengthened and they are now chaired by County Council officers and report monthly to Progress Meetings for the particular service area. The SDTs are responsible for scheme delivery, including programming and financial control. This helps provide co-ordinated planning of projects with early involvement of the Contractor in the development and design stage.
18. Initial indications are that scheme delivery has generally improved. A major improvement has been the preparation of an annual programme of works by Ringway which allows better programming of resources and co-ordination of work. This will help in delivering the efficiencies expected in future years of the contract. Concerns remain about the certainty of delivery with regard to those schemes subject to traffic orders, planning permission or other decisions where the process is outside of the direct control of the team. This has been managed to some extent by having reserve schemes and seeking decisions in advance where possible in order to provide more robust programming of schemes.
19. The better programming of workloads should help resource planning for all parties. Difficulties with regard to recruitment and retention are still apparent with specialist technical skills still being in short supply. Mouchel Parkman have mitigated these difficulties by making use of offices elsewhere in the country to undertake design work, but this needs careful management because of the potential lack of local knowledge. The skills shortages are likely to have an effect on salary levels, which could lead to problems if pay rates increase substantially ahead of the Retail Price Indices to which increases in contract rates are linked.

## Quality

20. The quality problems associated with some specialist work such as road markings were an on-going issue with the old contracts. To a large extent these appear to have been reduced with the new contracts. Ringway have moved away from using sub-contractors and towards more in-house delivery. They have provided operatives with the necessary skills and training to carry out a range of activities. The Parish Steward scheme was a major change with the new contracts, and Ringway provided excellent recruitment and training of staff for these important posts.
21. The management of programmes through the SDTs should help workload planning for the Consultancy contract. Mouchel Parkman has contributed to this process but some concerns remain about resource levels, especially for specialist areas such as structures and integrated transport schemes. The delivery and quality of work produced will continue to be monitored to ensure that the necessary standards are being met. At present the standard of designs and advice could be considered to be variable across service areas and the Mouchel Parkman Annual Development Plan will seek to address some of these outstanding issues in year two of the contract.

## Extensions to the Contract

22. In order to provide incentives for the service suppliers any extensions of the contract period are dependent on performance and ongoing provision of value for money. This is monitored through the undertakings identified from the quality submissions included in the tenders, and from performance indicators using satisfaction and performance scoring. The performance is assessed in terms of the ten performance factors which were used to assess the original tenders, listed in **Appendices A and B**.
23. The combined scores of the undertaking and performance indicators each year is used to inform a recommendation for the length of any extension, which could be 0, 3 or 6 months each year up to a total of two years over the contract period of five years. In the event of sub-standard performance any extension granted could be removed, or in an extreme case the contract could be terminated. It was assumed that the potential extensions to the contract would provide an incentive to improve service delivery, and initial indications are that this is proving to be the case.
24. The system is based on 27 key performance indicators, 10 of which are nationally recognised, and the undertakings which were derived from the information submitted in the tender submissions. There were 701 undertakings in the Ringway submission and 385 in the Mouchel Parkman tender. The Key Performance Indicators (KPIs) and undertakings have been used to determine the scores for each supplier which are used to assess the recommendation for contract extensions in accordance with the contract conditions.
25. The weightings applied to the undertakings and KPIs for each aspect of the contract are generally equal, but in the case of Information Technology the assessment is based on Undertakings only as a suitable KPI is not currently available. For the cost and programme element of Technical Performance the assessment is based on performance indicators only in order to reflect actual performance.
26. A summary of the results of the scoring for Mouchel Parkman is shown in **Appendix A** and for Ringway Infrastructure Services in **Appendix B**.
27. The assessments for 2006/7 indicate that Ringway are provisionally recommended an extension to the contract period of 6 months and Mouchel Parkman a 3 month extension.

28. The performance by Ringway has been particularly good, with a good corporate approach to financial management, solid delivery and a strong commitment to training and development. The slow progress on introducing local recycling and training centres has been a disappointment, which needs to be addressed in 2007-8.
29. The strengths of the Mouchel Parkman performance have included the strong commitment to staff development and training, corporate processes and Environmental Management System. The weaknesses, particularly in service development and innovations and the slower progress in achieving the undertakings made at the tender stage, provide scope for improvement in 2007-8, in addition to improvements required in the delivery and quality of work in certain service areas.
30. The new contract arrangements and the monitoring process appear to have resulted in appreciably better performance in many areas than was achieved with the previous contracts. New undertakings and targets have been set for the second year of the contract and old undertakings have been removed from the list. A similar assessment will be carried out at the end of subsequent years of the contract. This should provide ongoing incentives to maintain and improve service standards throughout the contract period.
31. The intention is to extend the system to include scoring of the Client by the Consultant and Contractor, and the potential development of a series of undertakings for the client so that the performance of all three parties can be monitored and improved. It is recognised that performance by all three parties will contribute to improvements in service delivery. Arrangements are currently being put in hand to facilitate this on a trial basis, the outcome of which will be reported in the Annual Review of Service 2007-08.

## **Future Trends**

### **LTP funding levels**

32. A majority of the work being carried out through the Highway Consultancy and Works contracts is funded through the LTP. This is especially the case with highway and bridge maintenance and integrated transport schemes. Indicative funding levels for the remaining years of the LTP2 period indicate that funding levels are likely to remain very similar to current levels. No major changes are anticipated with regard to County Council funding levels for these service areas.
33. Based on current predictions it is anticipated that there will be a steady workload over the next few years. This should allow better resource planning by all parties, and should enable forward plans to be prepared with more confidence. However, it will require early decisions to be made about the particular schemes and programmes to be implemented in order to take full advantage of this.

### **Weather conditions**

34. The apparent trend towards warmer and wetter winters has implications for the highway service. A reduction in the number of very cold days may reduce the number of precautionary salting runs required, but it can complicate the decisions regarding the appropriate response as there are likely to be more instances when the weather conditions are marginal. Rain can wash salt off the roads, the result being that additional treatment is required.

35. Despite warmer winters the possibility of extreme conditions including heavy snow cannot be discounted. In recent years heavy snow falls in other counties in the south-west have resulted in blocked roads causing severe problems. The situation is potentially exacerbated by drivers having less experience in driving in such conditions. Keeping an effective gritter and winter maintenance fleet remains an important aspect of keeping the roads safe in all conditions.
36. Instances of intense rainfall, and prolonged periods of wet weather, have resulted in significant flooding incidents on the highway network. Fortunately these have not been as serious as in some adjoining areas, but remain a potential threat. The periods of high rainfall have shown up the deficiencies in some parts of the highway drainage systems, and work is on-going to bring these systems up to standard. Lack of sufficient maintenance over many years means that there is a significant backlog of maintenance work required in order to bring them up to standard.
37. Another trend with the weather may be towards increased storms and high winds. Storm damage including fallen trees requires significant resources and planning in order to keep roads open. The introduction of the Parish Stewards provides a new resource to help deal with these problems, but the way these incidents are dealt with and managed will need to be kept under review.

#### Skills shortages

38. The comparatively high levels of expenditure on highway maintenance and related work compared to previous years are generally reflected across the country. The public utilities and service suppliers have also embarked on extensive upgrading and renewal of infrastructure. All of these trends are highly desirable, but do have the effect of organisations competing for limited resources in terms of suitably skilled and experienced staff.
39. Limited training opportunities as a result of previous low workloads have resulted in skills shortages in particular specialisms, and in potential problems with succession planning with an aging workforce. Recruitment and retention problems are becoming more noticeable in some areas, both within the Council's staff and the service suppliers. Both Mouchel Parkman and Ringway have effective training and development programmes to make best use of the potential of their staff, and these aspects were taken into account in the award of the contracts. However these pressures are likely to remain and could affect service delivery.

#### Traffic management

40. There is a large volume of work currently being carried out on the highway network, both by the highway authority and by the public utilities and others who have plant in the roads and footways. The need to provide adequate health and safety arrangements to enable this work to be carried out safely means that temporary traffic signals, road closures and diversions are often needed.
41. The number of schemes being undertaken means that the co-ordination of all of these different works is more complicated than ever before. The New Roads and Streetworks Act gives the Council the duty to co-ordinate these works, and the evolving powers of the Traffic Manager under the Traffic Management Act should improve this position. The co-ordination of major highway maintenance and bridge works is carefully planned to reduce works on routes being used as diversion routes, and this is likely to remain a challenge with the extensive works programmes proposed.

42. Road surfacing work is often carried out in the evenings or at night in order to reduce traffic delays but this is not always feasible especially in residential areas. Limits are sometimes applied to working hours in order to avoid disruption to traffic during peak periods but this delays progress on works resulting in longer construction periods. All of these factors increase the costs of carrying out the works. Within the limited budgets this results in being able to do less work for the available funds. Balancing these factors will remain a challenge.

### **Environmental Impact of the Proposal**

43. Environmental considerations have remained high priorities with regard to the operation of the Consultancy and Works Contracts, both in terms of the design of schemes and the operational aspects. The need to increase the use of recycled materials was one of the key factors to be addressed in the new highways contracts and improved measures have been put in place to monitor performance.
44. The recycling of waste arising from carriageway surfacing work has been continued by using the material on rights of way. Arrangements have been made with the Ringway surfacing material supplier for the inclusion of suitable waste material from schemes in new surfacing material. The effectiveness of this arrangement will be monitored and the scope for expanding the arrangements will be considered for future years.
45. It has been disappointing that more progress has not been made in establishing a highways material recycling centre. Ringway have investigated a number of sites but it has proved difficult to identify an available site where a planning application would be likely to be successful. Currently the County Council is working with Ringway to identify potential sites and the outcome of these investigations will be reported in the next Annual Review of Service.

### **Risk Assessment**

46. The year being reviewed has been the first year of the new contracts. The appointment of the previous service suppliers did ease the transition between contracts, and avoided the risk of disruption that may have occurred with staff changing employer. However, the use of the same service suppliers could have resulted in complacency, with no changes as a result of the re-tendering process. The risk of this happening was reduced by the introduction of the formal contract management procedures, and the system for monitoring and reviewing performance in order to establish the recommendations for extensions to the contract periods.

### **Financial Implications**

47. The Highways Consultancy and Works Contracts have successfully operated within their budgets this year and have continued to provide the necessary services. Expenditure levels have been broadly similar to recent years with £5.6 million expenditure through the Consultancy contract and £18.1 million through the Works contract. The introduction of electronic work ordering and invoicing has provided better and more up to date financial information for all involved in the operation of the service.

48. The re-tendering of the contracts enabled up to date prices to be obtained which reflect current market conditions for the year under consideration. The contract rates for subsequent years will be linked to price indices which should reflect future changes in relevant prices. In future years the contracts will need to show year on year efficiencies and the contracts are structured to facilitate this. Any future recommendations for extensions to the contract periods are likely to depend on those savings being delivered.

### **Options Considered**

49. Various options were considered with regard to driving service improvement but it was considered that providing opportunities to achieve recommendations for extensions of the contract periods linked directly to performance was the best way to provide an incentive to the service suppliers. The monitoring of performance in order to determine the recommendations for the extensions of the contract periods was discussed with the service suppliers in advance so that there was a clear understanding of the requirements.
50. The recommendation for Ringway to be granted a six-month extension and Mouchel Parkman a three-month extension of the contract periods appears to reflect the general impression of the County Council staff involved in the day to day operation of the contracts. The results have not been disputed by either of the service providers
51. Under the highways contracts it would be possible to ask Mouchel Parkman and Ringway to produce separate reviews of their services annually. Because the performance of each organisation depends to a large extent on the performance of the other, and of the County Council, it is considered that a joint report on services is more appropriate and it is proposed that this format should be followed for the next Annual Review of Service to take place in 2008.

### **Conclusion**

52. The performance of both Ringway and Mouchel Parkman has been good during 2006-7 and this has been demonstrated by the results of the monitoring of the contract undertakings and performance indicators. This overall view has been confirmed by the County Council staff involved in the delivery of the highways service.
53. Future trends identified in connection with the Highways Consultancy and Works contracts are that current funding levels indicate a stable workload for the next three years at least, which should assist forward planning. Weather conditions with possibly wetter and warmer winters will increase the importance of highway drainage and could require an increase in the number of emergency responses to deal with storm damage. Skills shortages in some technical specialisms could result in recruitment and retention problems in the future. Traffic management is likely to increase in importance with the high level of highway maintenance and infrastructure renewal work taking place on the network.
54. The assessments of service suppliers for 2006-7 indicate that Ringway are provisionally recommended an extension of six months and Mouchel Parkman a three month extension to their contract periods. Over the five years of the contract both suppliers could obtain recommendations for extensions of up to two years in total, subject to continuing satisfactory performance and value for money being achieved by delivering services through the contracts. This provides an incentive for the suppliers to improve their performance throughout the life of the contracts.



## **Proposal**

55. That Members:

- (i) Consider the Annual Review of Service 2006-2007 for the Wiltshire Highways Consultancy and Works contracts.
- (ii) Thank Mouchel Parkman and Ringway for their continuing contribution to the County's highway service.
- (iii) Note the provisional recommendation of a six month contract extension to Ringway and a three month extension to Mouchel Parkman as a result of their performance during 2006-2007.
- (iv) Request a jointly prepared report from the County Council's officers, Mouchel Parkman and Ringway be submitted next year to review performance of the highway contracts in 2007-2008.

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**The following unpublished documents have been relied on in the preparation of this Report:**

None