

OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
4th SEPTEMBER 2008

WILTSHIRE HIGHWAYS CONSULTANCY AND WORKS CONTRACTS -
ANNUAL REVIEW OF SERVICE 2007-08

Purpose of Report

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

Background

2. A large proportion of the County Council's highway and related function is delivered under the Highways Consultancy and Works Contracts. The previous contracts were awarded to Ringway and Parkman in June 1999 and were operated as a joint arrangement under the name of Ringway Parkman until May 2006.
3. Tenders for the current Highways Consultancy and Works Contracts were invited in 2005 and were awarded to Mouchel Parkman and Ringway Infrastructure Services respectively. Since the award of contract Mouchel Parkman has changed its name to Mouchel. The contracts are for five years and can be extended by up to two years, subject to delivery of continuing satisfactory performance and value for money. The expenditure through these contracts in 2007/8 was £19,566,061 and £5,900,804 respectively.
4. This Committee received a report on the performance during the first year of these contracts in September 2007. At that meeting a number of areas were identified for attention as a result of the review:
 - (i) Some delays in issuing briefs to consultants;
 - (ii) Concerns about delays in scheme delivery as a consequence of the need for third-party involvement;
 - (iii) Difficulties in recruitment and retention of specialist technical skills – and the lack of local knowledge if these are applied remotely; and,
 - (iv) Some concerns about the impact on the delivery and quality of schemes as a consequence of resource levels.
5. It was also resolved to support a jointly prepared report from the County Council's officers, Mouchel and Ringway to review performance of the highway contracts in 2007-2008, and that this should additionally cover:
 - (i) Scoring and undertakings of the County Council as client; and,
 - (ii) Identification of potential sites for a highways material recycling centre.
6. This review covers the period 1st June 2007 to 31st May 2008, which is the second year of the contracts. A copy of the jointly prepared Annual Review of Service for 2007/8 is **attached**.

Main Considerations

Briefs and Orders

7. It was noted in the previous review of the contracts that there were some delays in the Council issuing briefs to the consultant. This made it difficult for Mouchel to identify resource requirements and to efficiently programme their workload. In order to improve the situation closer monitoring of brief issue and response times was carried out by the contract monitoring team.
8. There were 5,492 briefs issued to the consultant in 2007/8, which was a slight reduction from 5,795 the previous year. In order to improve performance, the issuing of briefs, the time taken to produce the brief response and placing of orders were much more closely monitored, with regular reporting to Service Delivery Teams to reduce previous delays. Generally performance was considerably improved and there were fewer problems than in the previous year. The procedures to be adopted at the end of each financial year with regard to issuing new briefs and orders seem to be understood better by all involved, and the process is expected to operate smoothly next year. In order to ensure that briefs and responses are dealt with effectively the monitoring process will continue next year.

Scheme Programming

9. Scheme delivery is often affected by factors outside the immediate control of the client, consultant or contractor. These include works by public utilities on the highways network, the need for planning consent under Town and Country Planning Act, listed buildings consents, or other approvals from third parties, and the feedback from public consultation which can result in schemes being revised or even abandoned.
10. During 2007/8 there were still some changes required to scheme programmes as a result of these factors, but overall the situation has been improved by the recent introduction of the Traffic Management Act (TMA). This has introduced a better and more robust noticing system for works on the highway, giving better control and information to the Highway Authority, especially regarding works by others which could affect schemes.
11. The TMA also applies to works carried out by the Council's contractors on the highway network. The need to give three months notice for most types of works has resulted in improved forward planning of works. Greater consideration is given to the effects of improvement and maintenance works on traffic flows and, although works by others have resulted in the reprogramming of schemes occasionally, this generally happens far enough in advance to enable the introduction of substitute schemes to the programme or alternative arrangements to be made.
12. In order to improve the identification of potential problems with future delivery the Council is proposing to appoint a Programming Officer in order to monitor the progress on developing and delivering schemes by all three parties. An initial programme is currently prepared by the contractor at the start of the year, but there is a need to ensure that it is regularly updated and amended to take into account changing circumstances, and it needs to be extended to incorporate the preparation for future schemes still at the feasibility or early preliminary design stage. An activity schedule has been developed so that the progress on all schemes can be tracked on a similar basis irrespective of the type of scheme. It is anticipated that the Programming Officer will be in post later this year.

Recruitment and Retention of Staff

13. Ringway has reported that staff recruitment and retention has not been a problem in 2007/8, with retention at 94.5%. Two people retired, nine left for other reasons and thirteen new people joined, resulting in an increase of four for the year. Ringway employed operative apprentices on the Wiltshire contract during the year, three undergraduates on year long training, and three on summer short term training.
14. Mouchel reported marginally higher voluntary staff turnover this year at 14% compared to 13% for the previous year. A trend is becoming apparent that a growing proportion of the workforce in Britain, especially younger professional staff, now seeks portfolio careers rather than long term stable employment. Mouchel have recognised this trend and are seeking to reduce the rate to nearer 10% annually.
15. Mouchel have a formal succession planning process, now in its third year, which examines individuals' performance and potential and allows a better match between career development and new opportunities. In their Trowbridge office Mouchel actively encourage students to apply for work experience summer placements. In the past this has proved fruitful as students return to Mouchel having completed their studies.

Delivery, Quality and Resource Levels

16. The delivery and quality of works under the Works contract has generally been very good and has not given any cause for concern. In some areas where there have been problems for many years, such as with road markings, the situation has improved substantially, especially in terms of quality of work and promptness of action. The low turnover in operatives in Ringway and the resource levels that a major national contractor can provide are clearly delivering benefits to the contract.
17. Ringway has an extensive programme of training and refresher courses for their operatives, including addressing the changing requirements of the Traffic Management Act and health and safety legislation. The access to specialist advice from other parts of the company has proved to be of great assistance in developing schemes and introducing new construction techniques, especially in connection with highway maintenance.
18. Mouchel has expanded in recent years and today employs 11,000 people, with 3,500 within the highway division. This gives Mouchel a level of resource resilience and breadth of skills that exceeds that of most others in the industry. This access to external resources has proved useful to Wiltshire in specialist areas where additional expertise has been provided, for example in highway maintenance. Generally the resource levels have not caused significant difficulties in 2007/8, but the position will continue to be monitored.

Contract Management and Client Scoring

19. Performance under the contracts is monitored against a series of Key Performance Indicators (KPIs), which include satisfaction scores, and these are being developed to cover accuracy of programming and financial forecasting as well as environmental aspects of the contracts. An 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 in this report.

20. 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 are 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 training, management proposals, and financial systems, through to details of how specific services and works would be carried out.
21. As reported to this Committee at its meeting in September 2007, the KPIs and the Undertakings have been extended in scope in 2007/8 to enable the performance of the Client in connection with the contract to be monitored in a similar way. These indicators were discussed with the service suppliers before being agreed in order to ensure they addressed their concerns with the Council's performance. The results are reported below.
22. 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 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.

Recycling Centre

23. The submission by Ringway for the Works Contract included a proposal to open a recycling centre in Wiltshire in order to reuse highway materials arising from works. As well as the environmental considerations there are also sound business reasons for such an operation, especially in terms of increasing landfill costs and taxes on new aggregates.
24. Extensive efforts have been made by Ringway to identify a suitable site within Wiltshire for this purpose. A central location would be preferable, but sites across the county have been considered. However, there are planning implications, especially in terms of the impact of such an operation on local residents and the landscape. The lack of available land allocated within the Waste Local Plan for such facilities has made it difficult to identify a suitable site.
25. In order to progress matters, Council officers have been assisting Ringway in their efforts to locate an appropriate site. To date the search has not been successful, but efforts will continue as changing circumstances and land values may provide new opportunities.
26. In the meantime Ringway have sought to progress recycling initiatives as opportunities have arisen. The use of recycled material processed at a temporary site adjoining the road at Bodenham has been a major step forward, and the process will be repeated on the B4696 works near Ashton Keynes. Other sites where a significant volume of arisings are expected are being considered for the establishment of a mobile recycling operation.
27. In the longer term the need to establish a permanent highway material recycling centre remains, and efforts to progress this will continue. In view of the length of time still to run on the contract it may be appropriate for the Council to take the lead on this matter as any such centre is likely to have a useful life well beyond the life of the existing contract.

Other Issues

28. The use of external resources from other parts of both organisations to augment the staff in local offices has proved helpful to the Council, and has provided access to additional expertise which has been of great benefit. The problems of staff located in other parts of the country not having local knowledge of Wiltshire have been greatly reduced by the much more careful apportionment of work by all parties. In particular diversion routes are considered locally even though the technical design work may be done remotely.
29. The disruptions to scheme delivery caused by third parties have generally been reduced by the improved forward planning, but there have been some problem areas. In particular public utilities are often required to carry out works in the early stages of a scheme, but there can be no guarantee that they will perform to programme. It can be especially difficult if a road closure has been arranged and implemented, and subsequently little work is then carried out. This reflects badly on the Council and its contractors, but the influence that can be brought to bear on public utilities is limited. The Traffic Management Act provides opportunities for improving co-ordination of works with public utilities and this route is being explored as a means of getting better cooperation.

CWC Report

30. In order to identify opportunities for achieving improved value for money in the delivery of the service a review was commissioned from independent consultants from the Collaborative Working Centre (CWC). The review included a series of workshops in November and December 2007 and interviews with representatives from various levels of all the organisations involved in the contracts.
31. The report was completed in February 2008. It concluded that current service delivery is satisfactory and there is an excellent platform for driving efficiency and achieving and measuring better value for money. It suggested that some changes will be required in the organisation, processes, contracts and payment mechanisms. In particular it considered that the scale of efficiencies required in the future would require the Council to think in terms of step changes especially in the choice of payment mechanisms employed. An action plan was included in the report to start the process.
32. The recommendations were considered by senior managers of the three organisations involved in the contracts in order to prepare a prioritised Action Plan and timetable. The main actions are to implement Early Contractor Involvement (ECI) across all service delivery teams, assess the viability and financial implications of moving to an 'open book' payment for the contractor, introduce risk registers for all schemes, review organisational structures to identify commercial and lead capacity available, and roll out target fee proposals for consultant's services.
33. The report identified a number of other potential issues for consideration, including the effectiveness of service delivery teams, the three organisations having separate structures and not being integrated, risk sharing and accountability for risk management, levels of design costs, mechanisms for capturing innovation, staff understanding of contract provisions and value for money issues, and concerns that the contracts may not encourage collaborative working.

34. Many of the main recommendations are already being implemented, with the effects to be monitored and the action plan reviewed at the monthly Contract Management Meetings. The establishment of an Innovation Forum, the adoption of risk registers and the appointment of a Programming Officer are all being actively pursued.

Innovations and Efficiencies

35. The introduction of the new contracts included a number of innovations and improvements based on experience with the previous contracts. These included the introduction of the Parish Steward scheme, better contract management, a formal performance monitoring and scoring system, and other improvements. Most of these changes were contractual requirements, and others resulted from the undertakings given by the service suppliers at the tender stage. Most of these changes were implemented in the first year of the contract, with a few to be introduced in subsequent years, but some such as the highway material recycling centre proving more difficult to implement than originally envisaged.
36. The contracts require the service suppliers to introduce innovations and deliver efficiencies during the life of the contract, with the Works Contract making provision for savings to be spent through the contract. During the first year of the contracts innovation was mainly driven by the contractual requirements, but in the second year, which is the subject of this review, the onus is on the service providers, with the first year acting as a benchmark.
37. Generally the recording of innovation, efficiencies and improvements in connection with the contract during the current year was not as good as it could have been. Many innovations have been introduced, but there has not always been a formal means of recording these. In order to co-ordinate the introduction of changes, and to improve identification of potential innovations a Tri-partite Innovation Forum is being set up with membership from client, consultant and contractor.
38. A number of efficiencies have been delivered during 2007/8 by introducing changes to particular operations. Generally these have resulted in increased productivity within existing budgets. For comparison purposes a cash value has been estimated for these innovations which are summarised below.

Consultancy Contract

39. The drainage team at Mouchel in conjunction with the Council have been proactively pursuing public utilities to recover costs where damage has occurred to drainage pipes as a result of them laying cables or mains. In many cases the CCTV photographs record the presence of ducts and pipes within the drains and provide irrefutable evidence of the damage. During 2007/8 it was possible to invoice £40,634 to public utilities for damage to pay for the repairs. The damage often results in flooding or standing water on the road resulting in potential safety problems or inconvenience for road users. It is likely that this process will deliver similar results in future years, which enables drainage repairs to be made which otherwise may not be funded.
40. The Mouchel drainage team has also improved the management and operation of the CCTV survey team and the associated repair team. With better management and set targets it was possible to increase the productivity in terms of number of sites dealt with, length of pipe surveyed and cleaned, and volume of silt and material removed from the system. The value of additional work carried out is estimated at £32,658. In view of the flooding problems experienced this year, this improvement has been of particular benefit and should continue in future years.

41. The use of Service Delivery Teams with membership from client, consultant and contractor to deliver services and schemes was initially used under the old contracts, but was formalised under the existing contracts. This approach has proved to be particularly effective in some service areas with a reduction in the site supervision and management needed for some road surfacing treatments. A saving of £26,509 has resulted from the reduced level of supervision required on some of the more straightforward work, whilst still ensuring a high standard of workmanship and service to the public.
42. For the past two years the consultant has absorbed the administrative costs associated with work by sub-contractors, which has been estimated as being £20,015 during 2007/8. In view of commercial pressures and potential declining work loads it may not be viable for this arrangement to continue in future years, but other means of reducing overhead costs will be explored by Mouchel.
43. One feature of the current Consultancy and Works Contracts has been the attempt to co-ordinate works so that for example roadworks are carried out at the same time as an adjacent bridge or traffic management scheme. There has been some success with this approach during 2007/8 with at least £13,276 being saved in signing costs during the year.
44. During the year staff changes have resulted in some posts within the Wiltshire Highways Service being temporarily vacant. The opportunity has been taken to review staffing levels, especially in view of the emerging One Council staffing structures, and with a view to providing a natural progression for promotion within the organisation for both Mouchel and County Council staff. This is particularly important to ensure retention of experienced staff. Savings in the region of £18,922 arose from staffing costs in Wiltshire Highways, but there can be no certainty that this situation will be viable in future years.
45. Overall the Consultancy contract delivered significant efficiencies of £152,014 during its second year. The target put forward by Mouchel in their tender was to achieve savings of 2.5% based on the annual turnover which would be £150,412. The target for 2007/8 has been achieved.
46. A number of potential efficiencies for the current third year have already been identified, which together with the likely on going efficiencies already described, are likely to ensure the contract will deliver the additional Gershon efficiencies required next year. Progress will be reported in the next Annual Review of Service.

Works Contract

47. The Works contract makes provision for efficiencies gained to be spent on works through the contract, and in the tender submission a number of particular proposals were put forward. Making the efficiencies is dependent on agreeing an annual programme of works in sufficient detail by 31st March to enable the contractor to efficiently programme the works for the following year. A programme was established at the start of the year and generally the programme was followed. However, it became apparent that there was a need to establish a standard activity schedule across service areas, and the co-ordination and monitoring of progress required a joint programming officer. Arrangements are in hand to fill this post.

48. The main saving made was in streamlining invoicing and payment methods to reduce the contractors funding costs. This has resulted in savings of £120,136 during the year. These savings are expected to continue for future years, subject to workload and adequate programming, and represent a significant efficiency. There may be scope for further efficiencies by introducing further self certification, but there is a need to ensure probity and to make sure that there is a robust audit trail for all expenditure.
49. It was projected that some cost savings would be achieved by making savings against the predicted industry price indices. Trends over the last few years suggested that in the longer term real costs may not increase as much as the indices predict. As the contract progresses this disparity can increase as the indices diverge from actual costs. Unfortunately during the later part of the second contract year there has been a massive increase in fuel costs, and also in costs of bituminous based products, which are major items in road construction. As a result the cost indices have lagged behind actual costs by a significant amount. The fuel and road construction price increases are putting real pressure on highways contractors' profitability, and are a major cause of concern in the industry.
50. It was anticipated that a Wiltshire highways material recycling centre would be established early in the contract. As described previously the problems with identifying a feasible site have continued, and this has meant that the proportion of materials being recycled has been less than had been hoped. Some progress has been made in local recycling on the major scheme at Bodenham, and the same process will be used on the B4696 at Ashton Keynes and other sites, but the full financial benefits of recycling highway waste materials were not realised in 2007/8. It is likely that the establishment of temporary sites at various locations will provide an alternative means of achieving higher levels of recycling, and the client, consultant and contractor will continue to work together to make best use of recycling opportunities.
51. Whilst achieving cashable efficiencies within the Works Contract has proved difficult at a time of rising fuel and road materials prices, it has been possible to introduce a number of innovations to improve services. This has included the introduction of Viaphalt, a cold mixed product which reacts with water and hardens to provide an effective means of filling potholes. The use of this material by the Parish Stewards has been introduced in conjunction with the Pothole project to review processes with a view to applying lean management techniques. This provides the possibility of delivering long term benefits by allowing more efficient programming of the plant usually used to fix potholes.
52. Other new materials have been introduced, including recycled plastic kerbs to reduce lifting problems and increase the speed of kerb laying. The use of polycarbonate backed permanent signs is being investigated in order to prevent theft. New equipment used has included a mechanical kerb planer, newer ground radar equipment to locate underground services, and specialist plant to produce storage grade roadbase from recycled road material.
53. The use of slurry seal material for treating footways was an innovation introduced by Ringway based on experience on other contracts. It is a maintenance process to seal the existing surface, fill any holes and depressions, and to provide a non-slip surface for pedestrians. Unlike traditional construction methods using bituminous footway construction it does not require the excavation of the existing footway, and is significantly cheaper, allowing greater areas to be treated for the same money.

54. The finish of the slurry seal has a rough texture which can take time to weather and wear down. It is a water based process which can encourage weed growth in the short term, even with weed killing taking place before treatment. Consequently the material can give rise to adverse comment from the public when initially laid. However, the material has proved to be very durable at other locations, and offers significant cost savings in an area where expenditure has been low for many years.
55. During 2007/8 over 30,000 square metres of slurry seal material was laid. Generally the costs are at least £10.00 per square metre less than the costs of reconstructing the footway. In some cases savings are even greater, especially when the rising costs associated with removing and disposing of excavated material are taken into account. Even allowing for the fact that the process may not significantly add to the structural strength of the footway it would still be reasonable to assume that a saving in the region of £5.00 per square metre has been made, resulting in an overall saving of about £150,000.
56. The efficiencies delivered under the Works Contract have been disappointing in some respects, especially regarding the use of recycled material and savings against the indices which were anticipated. However, the savings described above total £270,136, which exceeds the contract target of £244,576 based on 1.25% savings during 2007/8. In addition the contractor is well placed to deliver additional savings next year as a result of the preparations made this year.

Performance Monitoring

57. In order to continue to monitor and improve the performance of the service suppliers under the Highway Works and Consultancy contracts and of the County Council, the Contract Monitoring Team in the Environmental Services Department continues to work in partnership with both Ringway and Mouchel. The Group has successfully developed and implemented a bespoke performance management system for the first two years of the contracts. This has enabled the Council to both audit and drive continuous improvement across all service areas.
58. The KPI performance system is based on 27 indicators, 10 of which are nationally recognised, and undertakings which were derived from the information submitted in the suppliers' tender submissions. The system has been extended to include the client's (County Council) elements of the service during 2007/08.
59. The KPIs and undertakings are used to determine the scores for each partner and support the assessment of possible contract extensions in accordance with the contract conditions. In order to ensure that both the contractor and consultant deliver against a number of proposals as highlighted in their tender submissions the group continues to audit each supplier's undertakings on an annual basis. The contract monitoring approach has been successful in improving services by addressing the management and reporting problems identified with the operation of the previous contracts.
60. During year 2 and together with the Council's Corporate Risk Manager the group have developed a generic risk management model (electronic) which will be used across all major service areas. The resulting risk registers will be managed by the individual Service Delivery Teams.
61. Working closely with the departmental finance team and in consultation with both partners the group has introduced a variation order system which, coupled with the brief and order process reported through the Service Delivery Teams, continues to support the controls on cost and programme through all service areas.

62. The service suppliers' Development Plans remain integral to the parties achieving continuous improvement across all service areas. The contract management team have worked closely with the stakeholders to ensure that those plans contain targets that are both measurable and can be incorporated into the yearly audit process. There have been delays in Mouchel completing their Development Plans in previous years, but this situation will be expected to improve for next year, with the plan to be prepared by February 2009.

Comparison of Performance in Year 1 and Year 2

63. During the second year of the contract, the Contract Management Group has continued to record and monitor scores for KPIs in order to determine the effectiveness of service delivery. KPIs are scored by 70 people across the partnership using standard templates with score ranges of 10 (excellent) down to 1 (very poor). This process is applied to any project valued at £5k and above. The scoring process is transparent with all 3 parties regularly scoring each other against 10 key contract objectives covering:
- General Management
 - Financial Management
 - Customer Service and Quality
 - Health and Safety
 - Staffing
 - Service Development and Innovation
 - Information Technology
 - Environmental Management
 - Quality
 - Programme and Cost
64. The scores against the key contract objectives across the partnership over the first two years of the contract have been compared, see **Appendix A**. In most cases there has been an improvement in performance with three areas concerning financial management, staffing and cost and programme showing a slight reduction in performance, but other areas showing significant improvements. All KPIs scored at 7 or below are raised and discussed at monthly Service Delivery Team meetings with corrective measures being agreed and actioned across the partnership.
65. There has been a significant improvement in the number of scores being entered over the 2 years of the contracts, with 86% of possible scores now being achieved. Those involved will continue to work towards 100% compliance in terms of scorecard completion during year 3. With the ongoing development of KPI scoring and comments on performance it is now possible to report to all 8 Service Delivery Teams highlighting the main issues which will require further work during year 3. One area to be improved is communication across the partnership, and to ensure that review and analysis of KPI scores and comments become more positively driven and are reported more frequently.

66. There is a need to establish improved sharing of information relating to performance trends as part of the contract monitoring process, with clarity of outcomes and actions required. It will also be necessary to provide further training to improve the quality of scoring and comments submitted.
67. During 2007/8 the Council's Contract Monitoring Group and the service suppliers have achieved the following:
- Developed additional KPI measures across the partnership whilst re-setting current measures around carbon management and supervision levels to ensure continuous improvement and value for money;
 - Delivered in-house training plans including workshops and one to one training around KPI applications to 100 plus staff across the partnership;
 - Completed 6 Construction Design and Management (CDM) Regulations audits across the county;
 - Completed 1,073 undertaking audits across Ringway, Mouchel and Wiltshire County Council;
 - Continued development of the *Contract E:bulletin* which is e-mailed to staff to highlight best practise and innovation across the partnership;
 - The ongoing management of the shared information platform to ensure consistent and up to date information is available to all involved in the contracts.

Extensions to Contract Periods

68. 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.
69. The combined scores of the undertakings and performance indicators each year are 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 ability to gain 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.
70. 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. The weightings applied to the undertakings and KPIs for each aspect of the contract have generally been equal for the first two years of the contract, 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.

71. The assessments previously reported for 2006/7, were that Ringway should be provisionally recommended an extension to the contract period of 6 months and Mouchel a 3 month extension.
72. The scores for 2007/8 indicate that both service suppliers would be entitled to a further six months extension, subject to continuing performance and value for money. This was the first year that a similar scoring system has been applied to the County Council staff as well. The scores range from 10 as excellent to 1 as very poor. The results for 2007/8 are:
- | | |
|----------|------|
| Ringway: | 8.62 |
| Mouchel: | 8.29 |
| WCC: | 7.43 |
73. The scores indicate that the performance of both Ringway and Mouchel are good, with the equivalent performance by the Council's officers being fair. The performance of both service suppliers was consistently good, with Mouchel showing appreciable improvement since the previous year. The County Council performance was being monitored using a similar process for the first time this year and the scoring process will be refined for next year, with better reporting back to service delivery teams to drive improvements in performance.
74. For the third year of the contract it is proposed that the weighting of scores for KPIs to Undertakings will be 70:30, which will reduce to 80:20 in year four, and 90:10 in year five. The intention is to move towards a greater emphasis being put on KPIs as the contract progresses and the Undertakings becoming less important as most of them should have been delivered. The operation of the KPI system for the contract will continue to be monitored to ensure that it continues to reflect actual performance.

Future Trends

Local Transport Plan funding levels

75. The majority of the work being carried out under the Highway Consultancy and Works Contracts is funded through the Local Transport Plan (LTP). This is especially the case with highway and bridge maintenance and integrated transport schemes. The funding levels for 2007/8 were good compared to previous years, but funding for 2008/9 was less and indicative funding levels for 2009/10 show a further slight reduction. It is not expected that there will be any significant increase in County Council funding levels for these service areas.
76. HM Treasury has recently published 'Regional Funding Advice: guidance on preparing advice' which sets out indicative long-term regional funding allocations for the interconnected areas of transport, housing, regeneration and economic development. It also provides guidance for regions on how advice should be prepared and submitted to the Government. With regard to transport the guidance seeks regional advice on:
- Local Authority and Highways Agency regional major transport schemes – proposals as to which schemes should receive funding and

- For local transport block funding (post 2010-11) – proposals as to the relative size and distribution of the budgets (including the proportions of funding to be allocated between blocks and major schemes).

Local transport block funding is for capital highways maintenance and to support smaller projects to enhance traffic management, public transport and road safety. The guidance recognises that the majority of such projects are local in nature and rightly the responsibility of local authorities but states that it is important that at a strategic level funds are prioritised and allocated in ways which are consistent with regional strategies as well as national objectives. The guidance confirms that allocations of block funds to local authorities announced as part of the Local Transport Settlement for 2008-09 to 2010-11 should be regarded as firm commitments.

77. Department for Transport has provided supplementary guidance which states that any virement from block funding to regional major transport schemes would be deemed to come from the grant component of the block funding, which is a mix of grant and borrowing approvals. Councils have until February to work with their RDA, leaders' forum and regional assembly to prepare their advice. There is concern that the block funding received by the Council could be reduced and the ability to use the funding to achieve local objectives could be undermined.
78. Based on current predictions it is anticipated that there will be a reasonably steady workload in the short term, probably with some decline in expenditure levels. This should allow adequate resource planning by all parties, and should enable forward plans to be prepared with some confidence.

Flooding

79. One of the features of 2007 was the flooding in July, which was particularly serious in the north of the county. This was followed by further flooding in some areas in December. This sudden high intensity rainfall in localised areas overwhelmed the existing drainage systems and highlighted limitations in capacity and defects in the systems.
80. The Council has had a programme of drainage inspection and repair in place for many years now and is better placed than many highway authorities in this regard. As a result it was possible to divert resources to address problems in the north of the county to deal with those incidents where property flooding and damage were most serious. The extent of the flooding and the number of sites affected have proved a challenge to deal with, but significant progress has been made in addressing many of these issues.
81. The Council has responsibility for highway drainage, with land drainage responsibilities being with the District Councils and the Environment Agency. Closer working has been adopted with the other organisations involved, especially with a view to the benefits of One Council. Often a co-ordinated response is required as the highway drainage will only function effectively if the adjacent land drainage and water courses are operating properly. Many of the road flooding problems resulted from water running off adjacent agricultural land, which the road drainage systems were never designed to accommodate.
82. In view of the drainage problems that occurred in 2007 the Council increased the budget for dealing with drainage matters by £200,000 for 2008/9. It is likely that these high intensity rainfall events will continue and drainage and flooding issues will remain important and a high priority for the foreseeable future.

Fuel and Bitumen Costs

83. The rising cost of fuel in recent months has been a major concern to many industries, but is of particular concern in highway maintenance because of the use of bituminous materials as well as the associated transport costs. Based on current trends some contractors are predicting price rises of up to 16% by the end of the year. Although the future prices are uncertain, there is a concern that rising costs will affect the volume of highway maintenance work it will be possible to carry out next year.

Economic Considerations

84. The slow down in house building and associated highway works has already had an effect on the amount of work which the Council requires the consultant's staff to supervise, with a consequent need for possible redeployment of some staff. There could also be implications for the number of developers' design checks required in the future. A reduction in work carried out for other clients by the consultant could also have implications regarding staffing levels at their local offices.
85. The contractor is less likely to be immediately affected by a slow down in the private sector as most highway maintenance work is procured through central and local government. However, any change in the economic situation could eventually have an effect on expenditure by central government, particularly through the LTP process, and may ultimately affect Council expenditure levels.

Towards One Council

86. The highway maintenance functions are currently predominantly undertaken by the County Council as highway authority. The District Councils have involvement in some related aspects such as streetscene, grass cutting and land drainage issues. At present it would appear that the proposed changes to One Council will not have a major immediate effect on the Highways Consultancy and Works contracts. However, the need for closer working with the District Councils in some areas has already been identified. With regard to drainage matters, this has been identified as a potential 'quick win' and a group has been set up to explore this aspect of service delivery, with other areas being progressed including signing and winter maintenance.

Development Plans

87. Both the Highways Consultancy and the Works Contracts require the service suppliers to prepare Annual Development Plans in order to demonstrate how their services will be changed in order to deliver continuous improvement. The undertakings given in the Development Plans are then incorporated in the assessment procedures for the following year, and performance against the targets set are taken into account in determining the provisional entitlement to extensions of the contracts.
88. Development Plans for 2008/9 have been prepared by both service suppliers and agreed with the Council Officers. The Mouchel Development Plan for year 3 includes 39 new Undertakings across all of the contract key objectives. These reflect the results of a review of progress during year 2, a Critical Friend Review and suggestions for improvements put forward by the Council officers.

89. The Ringway Development Plan includes 35 new Undertakings covering the contract key objectives. These include more public satisfaction surveys after completion of works, potential changes to operations of aspects of the service, implementation of the actions identified in the CWC report, better reporting on absence monitoring, core skills training, safety targets, better reporting on sustainability issues, improved management and supervision, and improved invoice procedures.
90. The preparation of the Development Plans for year 3 has taken longer than would have been hoped, and agreement of the content has not always been easy. The intention for next year is to seek earlier agreement of the Development Plans, with a particular emphasis on improving the identification and delivery of potential efficiency savings.

Environmental Impact of the Proposal

91. Despite the lack of a central highway material recycling centre, opportunities are being taken to reuse materials when suitable schemes or local opportunities arise. The introduction of foambase material at Bodenham and insitu recycling using the retread process has proved successful and will be applied to future schemes. These processes significantly reduce the volume of waste material going to landfill, and are likely to have long term cost benefits. The recycling of waste arising from carriageway surfacing work by using the material on rights of way has also been continued during the current year.
92. The need to recycle material from highway maintenance and related works will continue to be important for economic as well as environmental reasons. The Council will work with its service suppliers to identify suitable sites for both small and large scale recycling facilities, as well as seeking to introduce new materials and techniques with less environmental impact, and specifying more recycled materials for use in schemes.

Risk Assessment

93. Risks to the operation of the Highways Consultancy and Works Contracts are managed by the formal contract monitoring and service delivery team processes which are in place. Generally the main risks associated with the type of work being carried out under the contracts relate to health and safety, especially as most of the work is undertaken on live carriageways. Both service suppliers have demonstrated good practices and procedures in connection with this aspect of their work.
94. The risks in connection with the contracts, including financial, programming, and public relations, are managed through the service delivery teams comprising members from the County Council, consultant and contractor. In order to improve the identification, recording and management of risks a risk register development process is being rolled out across the service areas, which will align with the corporate risk management processes. As a first stage the process is being trialled on a number of the larger schemes.
95. There are some risks beyond the immediate control of the Council and its service suppliers. These include fuel and bitumen price increases which would have a serious effect on highway maintenance, and could reduce the future programme of works. The state of the general economy and levels of government spending could have an adverse effect on funding levels and expenditure through the contracts, with consequent financial implications if minimum expenditure levels are not met.

Financial Implications

96. The Highways Consultancy and Works Contracts have been successfully operated within their budgets this year and the Council has continued to provide the necessary services. Expenditure levels have been higher than last year with expenditure under the Consultancy Contract increasing from £5.6 million to £5.9 million, and that under the Works Contract increasing from £18.1 million to £19.6 million. The outlook for 2008/9 is that expenditure will reduce slightly to reflect the reduced LTP settlement, with further slight reductions likely in 2009/10.
97. The Highways Works Contract makes specific provision for the possible re-tendering of specialist highway surfacing elements of the contract at the end of the second year. During the previous contract the Council procured major highway surfacing under a separate contract which was generally tendered annually. In order to obtain potential economies of scale this surfacing work was included in the new Works contract, and this was reflected in the rates obtained.
98. The provision for re-tendering surfacing works was included because of the volatility of the prices for this type of work, and it was considered that there may be benefits in having the option to re-tender this type of work in order to obtain value for money in certain market conditions. However, the current uncertainties regarding fuel and bitumen prices make it highly unlikely that lower prices would result from any re-tendering exercise at this time. Contractors would be reluctant to commit to fixed prices for a year ahead, or would only do so at a premium. In the circumstances it is not proposed to exercise the option to re-tender this element of the contract at this time.
99. The Highways Contractor and Consultant have achieved their targets of delivering efficiencies based on expenditure by demonstrating savings of £152,014 and £270,136 respectively, and they are well positioned to continue to improve in future years. Any future recommendations for extensions to the contract periods are likely to depend on savings being delivered.

Options Considered

100. At the tender stage various options were considered with regard to driving service improvement, but it was considered that providing opportunities to achieve provisional extensions of the contract periods, subject 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 provisional extensions of the contract periods is regularly discussed with the service suppliers so that there is a clear understanding of the requirements.
101. The recommendation for Ringway and Mouchel to be granted a further, provisional, six-month extension of the contract appears to reflect the overall good performance of both service suppliers under these contracts. Recommending lesser extensions of three months or none at all, as would be possible under the contract, would not represent a fair reflection of the effort and achievements of all those involved in the contracts.
102. The Consultancy and Works Contracts are separate and it would be possible to review performance of each individually but, because in many ways they are interdependent, and performance also relies on the actions of the Council staff, there are benefits in having a joint report. It is proposed that a similar format should be followed for the next Annual Review of Service to take place in 2009.

Conclusion

103. The performance of both Mouchel and Ringway has been good during 2007-8 and this has been demonstrated by the results of the monitoring of the contract undertakings and performance indicators. The consultant and contractor have delivered significant efficiencies during the second year of the contract periods as planned.
104. Future trends identified in connection with the Highways Consultancy and Works Contracts are:
- That current funding levels are expected to provide a fairly stable workload for the next few years, which should assist forward planning, but there is likely to be a slight year on year reduction in expenditure;
 - Weather conditions with possibly wetter and warmer winters will continue to emphasise the importance of highway drainage and could require an increase in the number of emergency responses to deal with storm damage;
 - Rising fuel and bitumen prices have already had an effect on the service suppliers, and could have serious consequences for highway maintenance in the longer term;
 - The general economic situation is already having some effect in terms of decreased house building and development work, and there may be implications for future funding from central government.
105. The assessments of service suppliers for 2007-8 indicate that Mouchel and Ringway are provisionally recommended extensions to their respective contract periods of six months. 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. This provides an incentive for the suppliers to improve their performance throughout the life of the contracts.

Proposal

106. That Members:
- (i) Consider the Annual Review of Service 2007-2008 for the Wiltshire Highways Consultancy and Works Contracts;
 - (ii) Thank Mouchel and Ringway for their continuing contribution to the County's highway service;
 - (iii) Note the provisional recommendation of a six month contract extension for both Mouchel and Ringway as a result of their performance during 2007-2008;

- (iv) Request a jointly prepared report from the County Council's officers, Mouchel and Ringway be submitted next year to review performance of the highway contracts in 2008-2009.

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

None