

Wiltshire Council

Environment Select Committee

1 November 2012

Subject: Highways and Streetscene Works Contract

Cabinet Member: Councillor Dick Tonge – Highways and Transport

Key Decision: No

Executive Summary

The Council's highway and streetscene service is currently provided through a mixture of contracts with external suppliers and by in-house provision.

The majority of the Council's highways functions are delivered by the Highways Works Contract currently awarded to Ringway Infrastructure Services. There are separate contracts for street lighting and streetscene operations in some parts of the county. In other areas the streetscene operations are carried out by the Council's in-house workforce.

The proposals for procuring a new contract for these services were previously reported to the Environment Select Committee in November 2011, with subsequent updates on progress. Cabinet resolved to invite tenders for a single contract to provide the Council's highways and streetscene works, and tenders were invited in June. The returned tenders are currently being assessed and the results will be reported to Cabinet in December. The new contract will start on 1 June 2013, and is expected to have a value in the region of £27 million annually.

The contract has the potential to deliver a number of benefits for the Council:

- *A single supplier will deliver the highways and streetscene services previously provided by two contractors and an in-house provider.*
- *The street lighting maintenance will be carried out by the same contractor as the highways and street scene service rather than being a separate contract.*
- *The single service supplier will mean there is one point of contact, with simplified management to deliver efficiencies.*
- *A number of service improvements are being included in the contract, including the establishment of Community Teams to build on the success of the Parish Steward scheme.*
- *The contract will make full use of new technology to improve communications and control of operations, and potentially improve the management of street lighting.*

The new contract has the potential to deliver significant improvements in service delivery in this important area for the Council.

Proposals

It is recommended that:

- (i) In view of the importance of the Council's Highways and Streetscene service to the public there should be regular reports to this Committee during the lead in and transition to the new service supplier. The next report to be in February 2013.
- (ii) The creation of the new Community Teams to deliver the highways and streetscene service should be monitored and progress on implementation reported to this Committee.
- (iii) The changes and improvements to be implemented as a result of the new contract should be monitored and reported to ensure that the potential benefits are fully realised.

Reasons for Proposals

- (i) The Highways and Streetscene service is important to the public, and this has been confirmed by People's Voice surveys over a number of years, and by recent national surveys.
- (ii) The single large contract for Highways and Streetscene offers substantial opportunities for further cost reductions and for achieving service improvements from economies of scale and by incentivising the contractor.
- (iii) There are benefits that a major contractor can bring to the Council, including provision of a new fully integrated communication system to provide a more responsive service to customers, and efficient operation.
- (iv) The Systems Thinking project on potholes with the existing contractor has seen average repair times reduce from over 30 days to 7 days. There is scope for improvements to other aspects of the service through a similar approach with the new contract.

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Key Decision: No

Purpose of Report

1. To report on the procurement process for the new Highways and Streetscene Works Contract which will replace the services currently delivered through a mixture of separate contracts and in-house provision.

Background

Existing Service Delivery

2. A large proportion of the Council's highways functions are delivered by the Highways Works Contract. The contract was initially awarded to Ringway by the then Wiltshire County Council in June 1999, when the highways service was substantially out-sourced. The contract was operated as a joint arrangement with the Council's term highways consultant under the name of Ringway Parkman until May 2006. The contracts were then retendered and the Highways Works Contract was awarded to Ringway Infrastructure Services. This contract will end in May 2013.
3. There are separate contracts for street cleansing and landscaping with English Landscapes, which were procured by the former West Wiltshire and Salisbury District Councils. These services are operated by in-house teams in the other parts of the county. There is a separate contract for street lighting maintenance. These contracts will now also all end in May 2013, providing the opportunity for all of these services to be provided by a single supplier.

New Contract

4. The new contract will combine the services currently provided by the three different contractors and those provided by an in-house team. There are opportunities for a single management structure and support services. As well as delivering efficiencies this has the potential to lead to more effective and responsive service delivery.

5. The main service to be provided under the new contract will include:
- Local Highways and Streetscene – Street cleansing, litter picking, grass cutting, maintenance of public open space, Parish Steward service, footway and carriageway repairs, potholes, gully emptying, road markings and signing.
 - Highways Major Maintenance – Road resurfacing, surface dressing, road reconstruction, footway surfacing, road improvements and schemes.
 - Weather and Emergency response – Winter gritting, grit bins, response to flooding, emergency response to incidents on the highway.
 - Bridges and Structures – Bridge strengthening and repair, maintenance of retaining walls and other highway structures.
 - Street Lighting – Maintenance of lighting, replacement of damaged units, new street lighting and improvements.
 - Drainage and Flood Alleviation – Drainage surveys, improvements and flood protection works.
6. Total expenditure through the contract is anticipated to be in the region of £27 million annually. The budgeted is likely to be divided almost equally between revenue and capital budgets. An indication of the main areas of expenditure based on current budgets is included in **Appendix 1**.

Potential Benefits of the New Contract

7. There are a number of potential benefits for the Council that the new contract will deliver if it is implemented and managed effectively. These are summarised in **Appendix 2**.
8. As well as the potential cost savings resulting from economies of scale and reduced overheads, there are other benefits which are important to the Council. These include the advantages of having a single supplier, single point of contact, improved communications and the opportunity to create a more responsive service.
9. The formation of One Council provided the opportunity to integrate the highways and streetscene functions, and achieve efficiencies and improve effectiveness by combining the services, both in terms of delivery and management. A Systems Thinking project was undertaken to transform future service delivery in the local highways and streetscene service in trial areas.
10. The Systems Thinking review involved council staff, contractors and internal partners (e.g. HR and customer contact centre). Participation events were held with Town and Parish Councils and local community groups. The purpose of the Service was identified during the early stage of the review as *'working with the community to meet the needs of the asset and the community priorities whilst maximising the use of resources.'* It was concluded that there was an opportunity to improve community involvement and meet community priorities, which is the essence of the localism agenda and our corporate vision and goals.

11. As part of the review the Council is introducing community teams (assigned to a community area) who are empowered to set their own priorities in partnership with the local community ensuring the service undertakes the right fix, first time. Leading the team is a Team Co-ordinator, with the responsibility of being the local contact and organising community involvement. The Team Co-ordinator is supported by a specialist who looks after two community areas and the whole team will report to an Area Manager. The driver is to adopt a 'Can Do' approach, ensuring a customer first philosophy whilst strengthening communities to become more resilient themselves.
12. The intention is to continue the creation of Community Teams across the county with the new contractor taking the lead in forming the new teams.
13. An important time for the new contract will be the lead in and start periods when the new contractor will need to manage the cultural transition of transferring employees and new recruits. The bringing together of a number of workforces currently with different employers will be a challenge for the new contractor and their proposals will be carefully considered as part of the tender evaluation before recommending a preferred bidder.
14. The introduction of Information Technology and new communications systems will be provided by the new contractor. This offers the opportunity to create a new fully integrated system to allow customers to report defects and concerns which are communicated directly to those doing the work. This has the potential to include work scheduling, reprioritising to react to events, and financial and cost information. The system would have the potential to update customers, Councillors and local councils and provide real time information on highways and streetscene operations.
15. Trials in connection with the Systems Thinking project have demonstrated the benefits and feasibility of these communications systems, which are becoming more effective and increasingly used by contractors to streamline their operations. Such a system is a key requirement for the future service provider, with the necessary equipment being supplied under the contract.
16. In order to make full use of the potential communications improvements it is likely that major changes to the existing website and Clarence reporting of defects and problems would be necessary in order to improve the customer experience. This will be the subject of a separate project to be developed in parallel with the start of this contract. Existing systems are inadequate and there are now much better equipment and processes being used by other councils.
17. In order to improve the service and create the opportunity to achieve future cost savings the contract includes the potential provision of a Central Management System for street lighting. This will enable the timing and efficiency of the majority of street lights to be individually controlled centrally. Street lighting has been the subject of a recent public consultation, and will be the subject of a future report to Cabinet. If it is decided to proceed with changes to street lighting the procurement process for the equipment will already have been completed as part of the new contract to allow early implementation and early realisation of benefits.

18. Since the introduction of the Area Boards, the Highways Service has taken significant steps to delegate decisions and budgets to local communities. Examples are the Parish Steward Scheme, Speedwatch, and Community Area Transport Groups. Since April 2010, £1.1 million has been handed over to Area Boards for funding locally identified and prioritised highways improvements.
19. The direction of travel will undoubtedly require further involvement of communities in the decisions regarding service delivery during the life of the next contract. The new contract has therefore been designed to, not only support the Council in developing resilient communities, but to add value to the process by offering innovative solutions that involve local communities.
20. The new contract will be capable of accommodating changes resulting from delegation of services to local groups or Town and Parish Councils. The Council will be able to transfer part of the service and the associated resources in response to requests for delegation to local level. The contract will have a mechanism for change of scope which will accommodate service delegation, asset transfer, or service withdrawal.

Management of the Contract

21. The current Highways Works Contract is considered to deliver a good service. This is evidenced by measuring performance, and the existing service supplier has achieved the performance targets set in the existing contracts, which were incentivised through links to extension of the contract period. This arrangement has been operating for 12 years. The service has continuously improved during this period and officers have worked with suppliers to constantly improve performance and drive down costs. The systems and processes have been under constant scrutiny, and changes have been introduced on a regular basis. These include changes in management, protocols, products, design, supply chain, construction techniques, plant and Health and Safety.
22. The highway contractor's performance in terms of quality, programme, delivery, safety and other factors has been scored annually across a range of factors and they have consistently scored over 8 out of 10, which is indicative of very good performance. In addition, the contractor's performance has been monitored against over 700 undertakings given at the contract award stage. The Council has put in place contract governance which imposes a tight performance culture which is fully evidenced in the annual service reports which have been reported to the relevant Overview and Scrutiny Committee annually.
23. It is proposed that similar management arrangements will be used to monitor and manage the new contract. This will include the use of Service Delivery Teams with Council Officers, Consultants and Contractors working together to ensure service delivery and improve services.
24. The Council Officers generally deal with Councillors, Parish and Town Councils and the public. They also have responsibility for setting budgets, priorities and programmes. This model has evolved in the highways service for over a decade and it is intended to apply the principle to the new contract.

25. In order to ensure that the contract delivers its full potential a number of steps have been taken in the procurement process to ensure:
- The selected Contractor is genuinely capable of delivering all the operational benefits attributed to a good service provider;
 - The Council will be capable of partnering with the new contractor and ensuring that contract performance is delivered;
 - The Contract Terms and Conditions embody appropriate mechanisms for ordering and pricing works, incentivisation for innovation and efficiency;
 - There will be clear responsibility on the participating organisations, (Client, Consultant and Contractor) to support and improve the delivery of their activities in the context of a partnering arrangement.

Future Programme

26. The tenders were returned on 28 September and are currently being assessed. The outcome of the tender assessment will be reported to Cabinet in December when it is anticipated that the contract will be awarded.
27. There is a substantial lead in period to the start of the contract in June 2013. This is to provide sufficient time for the contractor to source plant and equipment, put in place staff transfer and recruitment processes and to make arrangements with supply chain partners and plan the necessary changes.
28. It is envisaged that the formation of the Community Teams will take place during the early stages of the contract and the contractor will need to maintain service delivery whilst making these changes and improvements. A number of improvements, including electronic work ordering and communications systems, will need to be operational on day one of the contract.
29. The details of the programme for making changes to the service will be agreed with the successful bidder and will be reported to a future meeting of this Committee.

Environmental and Climate Change Considerations

30. Existing services that are contracted through the existing contracts account for 12.57% of the Council's carbon footprint (Streetlighting – 7,084.03 tCO₂, Ringway – 816.38 tCO₂ and English Landscapes 250.6 tCO₂). Of these emissions, allowances under the Carbon Reduction Commitment (CRC) Scheme are payable for street lighting as the Council is responsible for procuring and paying for electricity consumption. These allowances will be payable from 2014/15 onwards at an estimated cost of £128,000, a cost that is likely to increase year-on-year. The Council has a target to reduce its carbon footprint by 20% by 2013/14 and an aspiration to achieve a 50% reduction by 2020.
31. The new contract includes a requirement for the contractor to both accurately report emissions and seek to reduce them in line with targets set out in the Council's Business Plan. With the increasing cost of fuel and CRC allowances this approach has the potential to improve the sustainability of the contract and avoid exposure to increased costs in the future.

32. The Climate Change Adaptation Plan (2011-2014) outlines the risks the Council could be exposed to due to future climatic changes. With recent variability in weather conditions experienced in Wiltshire, this contract presents an opportunity to mitigate some of the risks associated with highways and streetscene services. There is the opportunity to achieve environmental improvements, especially in terms of reduced carbon footprint and recycling of materials. The existing highways contracts have already introduced changes with the use of new road construction techniques to reduce landfill and the introduction of energy efficient lighting units.
33. The maintenance of highways, verges, open spaces and watercourses carried out by the highways and streetscene services can have an important influence on the local ecology and environment in Wiltshire, and this will be reflected in future arrangements for the provision of these services.
34. The tender assessment process will take into account the environmental implications of the bids in the quality assessments.
35. Recent winters have been particularly severe, and have emphasised the importance of the precautionary salting and snow clearing which will be operated by the new contractor. The duties of the Council as Lead Local Flood Authority will increase the importance of responding to emergencies. The new contractor will provide an immediate response to flooding incidents in the county, with resources being increased in response to events. It is likely that flood alleviation and community protection works will increase in importance during the life of the future contract.
36. The specialist contractors providing services to the Council can offer valuable advice in the use of designs and materials which are better suited for coping with longer term changing climate conditions. They can often bring knowledge and experience from other countries and contracts, and their own materials research, to assist the Council in developing longer term strategies.

Financial Implications

37. The Highways and Streetscene Works Contract is anticipated to have an annual value of about £27 million, which comprises both capital (circa £14 million) and revenue (circa £13 million) expenditure. This excludes the Highways Consultancy Service (approximately £4 million) which is the subject of a separate contract recently awarded to Atkins.
38. The cost implications of the new contract are currently being analysed. A similar contract recently awarded by another authority also rationalised a mixture of highways contracts, streetscene contracts and in-house streetscene service provision into a single external contract and delivered savings of 4% against previous costs. It is anticipated that the future Wiltshire contract would show similar or better cost reductions.

39. Predictions for further savings during the life of the contract will become apparent as understanding of the service is developed and processes such as Systems Thinking are applied by the new contractor to increase efficiency. However, it should be noted that initial savings against the contract could be impacted by year-on-year inflationary increases, especially with regard to fuel which is an important aspect of these operations. It is envisaged that the future service delivery will offer value for money and provide the flexibility to adapt to future events.

Legal and Procurement Implications

40. The new contract will help ensure that the Council meets its obligations under the Highways Act and other legislation.
41. The procurement process has been in accordance with the legal requirements, and has followed a robust decision pathway. The key award principles have been developed to avoid legal challenge at a later date.
42. The transfer of staff under TUPE from existing service suppliers and from the Council to external suppliers will be managed, with appropriate legal advice, as part of the contract procurement and transition process.

Equalities Impact of the Proposal

43. The new contract will result in existing employees of service providers and the Council having the right under TUPE regulations to transfer to the new suppliers, and the successful tenderer will have to make the appropriate arrangements.
44. The successful tenderer will be required to demonstrate good practice in terms of employment policies and practices, and to conform to the Council's standards. The tenderers' employment policies will be a factor taken into account in considering the tenders.
45. It is proposed to complete an equalities impact assessment of the group of Wiltshire Council staff who could potentially be TUPE transferred to a new provider. This is a two-stage process, with the second stage as part of the tendering process to check the impact on staff and on equal pay.
46. The staff currently employed by the Council on the streetscene elements of the service are regularly updated on the progress of both the Systems Thinking Review and the procurement process. Meetings with the representatives of the trade unions have already been held, and a Union Representative sits on the Systems Thinking Working Group, the Contract Project Board and on the Project Team.

Risk Assessment

47. The existing highways and related contracts deliver a significant proportion of the Council's highways and streetscene activities. There are significant risks associated with these operations, especially in terms of health and safety, and in financial and reputational risks to the Council.

48. The procurement process and transition to the new contractor will need to manage those risks. The risks will be reviewed regularly during the procurement and transition process, and appropriate risk mitigation and reduction measures will be taken.
49. A key risk has been that the procurement process will not be completed in time to have suppliers in place for the required dates. This risk has been significantly reduced by the current procurement process.

Conclusions

50. The highways and streetscene service is important to the public. The People's Voice and national surveys have shown that road maintenance is a Council service where most members of the public would wish to see increased investment.
51. The new Highways and Streetscene contract provides the opportunity to achieve efficiencies and improve the service to the public. The establishment of Community Teams to deliver the local highway and streetscene service has the potential to improve service delivery and facilitate closer working with the local communities.
52. It would be appropriate for this Committee to receive reports on the progress being made to implement the changes during the transition to the new contract arrangements.

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

None

Appendices:

Appendix 1 – Typical Expenditure
Appendix 2 – Benefits of New Contract