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**Meeting:** Environment Select Committee

**Subject:** Highways and Streetscene Contract

**Cabinet Member:** Councillor John Thomson

**Date:** 15<sup>th</sup> April 2014

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### **Purpose of Report**

1. To update the Environment Select Committee regarding the operation of the Council's Highways and Streetscene Contract.

### **Background**

2. The Highways and Streetscene contract was awarded to Balfour Beatty Living Places (BBLP) in December 2012. The contract started on 1<sup>st</sup> June 2013 and is for five years, with the option to award a further two year extension subject to performance.
3. A large proportion of the Council's highways functions are delivered by the contract. It combines a number of services previously provided by separate contracts and an element of in-house provision. Expenditure through the contract is expected to be in the region of £24 million this financial year, and over £30 million in 2014/15. The contract brings significant benefits to the Council (See **Appendix A**)
4. The contract provides construction and highways maintenance services in connection with roads and bridges, including road resurfacing, drainage works, bridge strengthening and maintenance, improvement schemes, road markings, gully emptying and pothole repairs. It provides the Council's out-of-hours emergency response on the highway network, and delivers the Council's winter precautionary salting operation. It also delivers street cleansing, grounds maintenance, street lighting maintenance and the maintenance of the highways and streetscene vehicle fleet.
5. The Environment Select Committee was actively involved in the review of the highway and other services prior to the decisions regarding the new contract and the contract award criteria.
6. On 10<sup>th</sup> December 2013 a rapid scrutiny exercise was undertaken of the operation of the contract, and rapid scrutiny met again on 27<sup>th</sup> March 2014 to review the work undertaken in connection with the contract, especially with regard to IT, local streetscene and Community Teams, reporting and feedback procedures, grass cutting and operational performance during the winter.

## **Current Position**

### Weather and Flooding

7. The Environment Select Committee was particularly interested in monitoring the performance of BBLP through the winter. This was also an aspect of the service considered by the Rapid Scrutiny exercise.
8. The main issue during the winter was the severe weather and extensive flooding that started in December and continued into March in some parts of the county. The response by BBLP to these events was very good. As the extent and duration of the event became apparent BBLP redirected resources as required by the Council and took operatives off less urgent work. The actions of the BBLP work force were a large element in the Council's successful response to the flooding. There were also several periods of high winds and storms, which required immediate response across the highway network.
9. It may not be immediately apparent, but despite the flooding and fairly mild winter, this winter there were 43 occasions when precautionary salt runs were required. The BBLP operation of the winter maintenance was very good, which was particularly helpful given the other ongoing weather problems.
10. The operation of both the response to flooding and winter maintenance has already been the subject of an initial review by officers to see if there would be benefits in making minor changes to the management of these operations. Further consideration is being given by the Council and BBLP to means of reducing the impact on the usual day to day operations when operatives have to be diverted to these vital tasks.
11. The weather had an adverse effect on the delivery of some of the construction works being provided under the contract, with schemes having to be deferred because sites or traffic diversion routes were flooded, or the weather was unsuitable for some types of work. The diversion of operatives to flooding and weather response duties also meant that work had to be reprioritised.
12. The flooding and severe weather has had a significant impact on the condition of the network with a massive increase in potholes and carriageway defects. In order to meet this need BBLP have committed additional resources to address the carriageways repairs, and processes are being reviewed to ensure that the Council is able to react to the changing demands on the network.

### Contract Management

13. The performance of BBLP was reported to rapid scrutiny, and the relevant information is also included below. There are robust measures in place to manage the contract and monitor the performance of BBLP. As well as the regular Service Delivery Team and Contract Management Meetings, there are weekly Director level meetings with BBLP. These are chaired by Dr Carlton

Brand, Corporate Director, and attended by Cllr Whitehead, the Portfolio holder. An Action List with Red/Amber/Green ratings was used to monitor how outstanding issues were being addressed, and information on this was provided to rapid scrutiny. By the end of December this process was no longer needed as most of the actions have been progressed sufficiently.

14. The weekly Director level meetings have continued, and are focussed on particular aspects of the service, which were identified by the rapid scrutiny. These include pothole repairs, gully emptying, grass cutting, work programming and Community Teams. BBLP have been working with the Council officers to address the remaining issues, including participating in workshops to develop service improvements, review procedures and increase resources in key areas.
15. There are a number of areas where BBLP's performance has been generally good, including the response to weather emergencies, winter maintenance and drainage works. In highway resurfacing the project delivery has been good, but improvements are being made in streetworks noticing, communications with the public, and the speed in agreeing final accounts.
16. The Key Performance Indicators (KPI) satisfaction scoring results for October, where Wiltshire Council, Atkins and BBLP score each other, was reported at the start of the rapid scrutiny exercise, and the latest results are shown below:

Service Area	October 2013	February 2014
Highways Major Maintenance	7.10	7.00
Drainage Works	8.00	7.90
Integrated Transport	6.90	5.60
Local Highways and Streetscene	4.50	4.50
Major Schemes	7.70	8.00
Street Lighting Maintenance	7.80	7.80
Street Lighting Improvements	7.70	7.80
Structures	6.70	7.00

17. The Community Highway Steward and Community Team operations were a problem at the start of the contract, but steps have been taken to ensure that the Stewards are now available to carry out their duties, and Community Days are now taking place and being well received by local communities. The benefits of the recent changes to the Community Teams operations have not yet had sufficient time to be reflected in the February scores, but these would be expected to become apparent in the scores over the next few months.
18. With Integrated Transport schemes there were problems with delivery during 2013, and the weather this winter caused further problems. BBLP now are developing a programme to address the backlog and to deliver schemes during 2014/15. Progress on delivering these schemes will be closely monitored in the months ahead to ensure that the programme is followed.

19. The street lighting maintenance performance did drop towards the end of 2013, but this has been turned round so that the service is now on target. It should be noted that many of the long standing street lighting faults were because of supply problems which are the responsibility of SSE, who are have up to 20 working days to visit sites. BBLP are not allowed to work on SSE equipment.
20. The KPI scoring reported to the rapid scrutiny meeting in March indicated that based on the scale set out in the contract documentation the BBLP performance had been 'adequate', which was below the level anticipated.

Organisation	Scored by	June 2013	July 2013	Aug 2013	Sept 2013	Oct 2013	Dec 2013	Feb 2014
Wiltshire Council	Atkins	7.7	6.6	7.9	7.8	8.0	8.2	8.2
	BBLP	7.2	7.1	7.8	6.4	7.0	8.2	6.6
Atkins	Wiltshire	8.1	8.4	8.4	8.1	8.4	8.4	8.9
	BBLP	7.4	7.4	7.6	6.4	7.2	8.1	7.6
BBLP	Wiltshire	5.6	5.4	4.9	5.5	5.0	6.2	5.3
	Atkins	5.3	-	5.4	5.4	6.3	6.1	6.3

21. From the above results it can be seen that the BBLP average score did increase from 5.45 in June to 6.15 in December. The disruption because of the weather has meant that scoring in January has not been possible. The February score for BBLP was slightly lower at 5.80, but this reflected the ongoing disruption in some service areas because of the weather. The scoring process will continue and be used to inform the contract performance review to take place in June.
22. The contract monitoring systems and measures in place to manage the contract are continuing, with regular service delivery team meetings and monthly Contract Management Meetings. Where there are outstanding commercial or financial issues to be resolved it has been agreed that the processes should be sped up so that matters are escalated and resolved quickly.

#### Contract and Early Warning Notices

23. The Contract is based on the NEC3 form of contract, which was developed by the construction industry because the more traditional forms of contract had not kept pace with developments in technology and management. Contracts had not changed much over the 120 years since the railway era and there was dissatisfaction with increases in cost of projects, delays in completion and frequent disputes. A review by the Institution of Civil Engineers in 1991 and the government sponsored report by Sir Michael Latham resulted in the development of the New Engineering Contract (NEC) in 1995. This form of contract is now widely used on major projects, both in the UK and abroad.
24. The NEC contract was drafted with the three main objectives of flexibility, clarity and stimulus to good management. A key principle is that foresighted co-operative management of the interactions between the parties can shrink

the risks inherent in construction work. The use of Early Warning Notices allows either of the parties to raise potential problems at the earliest opportunity. These could include cost, performance or quality issues.

25. With the older types of contract Default Notices were often used to deal with some of these issues, often accompanied by some form of penalty. The problem with this approach is that it is applied after the event has occurred. The change to Early Warning Notices is to provide a means of identifying these events before they occur so that the parties can work to avoid them.
26. Collaborative working is a key aspect of the NEC3 contract. On the Wiltshire contract the monthly Risk Management Meetings review the potential problems to determine what steps should be taken to reduce the risk or address the issue. The issues dealt with could range from the need to agree prices for a minor element of work to concerns about delivery of whole service areas. Any unresolved issues would be referred to the regular Contract Management Meeting for consideration.
27. The contract may not include Default Notices, but it does include requirements for the contractor to rectify defects and other obligations with regard to performance. However, rather than penalise the contractor for poor performance, the Wiltshire contract generally provides an incentive for good performance. The contractor can be awarded extensions of the contract if the performance reaches the required standard. On the previous Highways Works contract this acted as a significant incentive for the contractor who made significant efforts to meet the requirements. In the event of poor performance the contract does offer the opportunity to terminate the contract.

#### Community Teams and Grass Cutting

28. The Community Team has a key role in delivering the local highway service, and it has taken longer than had been hoped for the teams to operate effectively. Getting an understanding of their role and operation has involved considerable work by both the Council's staff and BBLP, with a series of workshops taking place including the staff involved in the service. There is now a better understanding of the role of the team.
29. It is important that the Community Team's role is communicated effectively to the local communities, including local members and Parish and Town Councils. It is clear that this has not happened, and there is a need to build that trust and understanding. BBLP are working with the Council to attend a number of events to promote the scheme, which have started this month in Trowbridge, and will continue in other areas, with a larger event in June.
30. BBLP have reviewed the resources required to deliver grass cutting and have considered the number of operatives required for each area. It is proposed that new equipment will be introduced following the lessons learnt from last year, and the experience currently being gained. Initial indications are that grass cutting will be better than last year, but it is still early in the season, and the situation continues to be monitored as it is an area of potential concern.

## IT and Technology

31. The IT issues identified at the rapid scrutiny meetings are being addressed, but this took longer than anticipated. There are security issues with both organisations systems which need to be satisfied. The interface problems between the Council's systems and BBLP systems are being resolved, but this has hampered operations in some areas and required temporary arrangements in the short term.
32. The system interface problems have affected the effectiveness of the MyWiltshire App which allows the public to report issues directly. The App offers enormous potential to provide a more reactive service, but does present problems in terms of the quality of information submitted, and the high numbers of reports having to be dealt with using the existing arrangements. The IT issues have been substantially resolved which is allowing the more effective operation of the system, with more up to date reporting of work completed. However, the operation of the processes will continue to be monitored.

## Conclusions

33. The performance of BBLP during the recent flooding has been acknowledged as good, and BBLP made significant contribution to the Council's response to the adverse weather. The winter maintenance service involving the precautionary salting of the roads was also carried out successfully despite the need to respond frequently to flooding incidents on other parts of the network.
34. The Council's contract with BBLP provides substantial financial benefits of over £2 million annually, and will deliver significant long term benefits in terms of more flexible and effective service delivery. It remains a key contract for both parties and there is a clear commitment from BBLP senior management to address the difficulties that have been experienced.
35. An initial audit of the contract was undertaken by the South West Audit Partnership in August 2013, which concluded that it was possible to give partial assurance in relation to the areas reviewed and the controls found to be in place. Since then the outstanding issues have all been satisfactorily completed. A further audit in connection with the contract is planned for later this year.
36. The operation of the contract will continue to be monitored closely by the Council's officers to ensure that the BBLP contract does deliver all of the benefits originally anticipated. There will be a full review of BBLPs performance, including monitoring against the undertaking given at the tender stage, which will be undertaken in June to review the first full year of the contract.

## APPENDIX A

### Benefits of New Contract

The benefits of the new contract are expected to include:

1. Community involvement opportunities.
2. Simplified management of the service currently provided by three contractors and in-house teams.
3. Ability to reconfigure resources in event of reduced workload.
4. Contractor carries workforce employment risks in connection with redeployment and occupational hazards.
5. Specialist personnel and corporate best practice processes and procedures.
6. Management capability and capacity which has been assessed at the prequalification stage and tender quality assessment.
7. Greater flexibility for optimising deployment of operatives and resources.
8. Greater flexibility for redeploying personnel in response to budget changes.
9. Group-wide call-off arrangements for highway related materials and consumables resulting in price benefits due to bulk buying.
10. Established skills in dealing with highways related sub-contractors.
11. Ability to apply common operational management systems across services.
12. Established mobile working solutions for communications with field operatives.
13. Provision, updating, maintenance and renewal of specialist highways related ICT included in rates.
14. Effective specialist IT support for operational management systems.
15. Expertise in working with clients to develop public interfaces.
16. Dedicated Health and Safety specialist personnel and best practice procedures.
17. Economies of scale by dealing with Health and Safety issues across services and contracts.
18. Ingrained familiarity with regulations and procedures relating to CDM, H&S, HSE, etc.
19. Corporate Quality management and Environmental Management Systems.
20. Group wide training programmes for operatives and management.
21. Apprenticeships or work opportunities.
22. Access to wider highway community through other contracts and industry groups.
23. Highways research and development activities.
24. Joint innovation trials and sharing costs.
25. Collaboration and systems thinking reviews in conjunction with client.
26. Transfer of responsibility for non-strategic fleet to contractor.
27. Local management structure across the range of services.
28. Potentially reduced overhead costs for centrally provided support.
29. Potential capital investment in plant and equipment.