

Scrutiny Committee

3 November 2016

Highways Services Contract

Summary

1. On 1 October 2013, the Council entered into a contract with Kier for the provision of highways services. Under the terms of the contract, which will run for five years (to 2018) with potential for extensions to 2023, Kier took on responsibility for a range of services relating to the Council's statutory obligations as Highways Authority. The County Council retained responsibility for the setting of policy and strategy and for budgetary allocation and monitoring.
2. The Committee has scrutinised progress with the delivery of the contract at several previous meetings. This report provides an update on activities since the last scrutiny review and recommendations made in October 2015.

Objective of the Scrutiny

3. The objective of this scrutiny is to provide the Committee with an update on the actions taken in response to the recommendations made on 29 October 2015 and an opportunity to explore current issues relating to the delivery of the contract.

Scrutiny Focus

4. The scope of this scrutiny has been developed to provide the Committee with information to come to a view on the following key questions:
 - a) What actions have been taken as a result of the recommendations made by Scrutiny Committee on 29 October 2015 (as set out in Evidence Set 1)?
 - b) If no action has been taken, what are the reasons for this?
 - c) What are the current staff vacancy rates, to what are they attributable and how do they impact on the organisation?
 - d) What skills gaps have been identified and how is this being addressed?
 - e) What data is available to demonstrate how Kier is currently performing against the contract and how does this compare with performance in previous years?
 - f) To what extent is Suffolk's highway's work sub-contracted to third parties?
 - g) What changes are being made under the highways transformation programme?

- h) What has been done to improve sharing of information, processes and systems between the County Council and Kier, and what difference has this made?
- i) How does the target costing work and how successful has this been in enabling shared savings?
- j) Are reported savings to date sustainable?
- k) To what extent have issues relating to final account disputes been resolved?
- l) What has been done to improve the programming and visibility of minor works?
- m) To what extent does the County Council liaise with other councils who contract with Keir for Highways services, to share information and experience?
- n) How have changes to the design process made this quicker and more cost effective?
- o) What are the arrangements for gully clearing and how is this work prioritised and monitored?
- p) What are the arrangements for responding to requests for Highways attendance at local parish and town council and area committee meetings?

How does this relate to County Council priorities?

5. This scrutiny is linked to the County Council's corporate priorities as indicated below. All scrutiny items should consider how well they are delivering against the County Council priorities and Suffolk's Community Strategy.

Suffolk County Council's Corporate Priorities	Link to this Scrutiny
Raise educational attainment and skill levels	
Support the Local Enterprise Partnerships (LEPs) to increase economic growth	
Maintain roads and developing Suffolk's infrastructure	✓
Support those most vulnerable in our communities	
Empower local communities	

6. Having considered the information, the Committee may wish to:

- a) make recommendations to the Cabinet Member for Highways and Transport and/or Cabinet Member for Finance and Heritage;
- b) make recommendations to the Director of Resource Management and/or Assistant Director for Operational Highways;
- c) identify topics which may warrant further scrutiny;
- d) request further information.

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Background

7. The County Council, as Highways Authority, has responsibility for all non-trunk roads maintainable at public expense in Suffolk (trunk roads in Suffolk being the A14, A11 and the A12 south of Ipswich and north of the Lowestoft Bascule Bridge). The Council is required to ensure that in all reasonable circumstances, non-trunk roads are not dangerous for traffic.
8. The Council's regime for the inspection of highways, and timescales for rectification of different types and severities of highways defects are defined in its Highways Maintenance Operational Plan. Its Winter Service Plan sets out policies and standards to ensure that as far as is reasonably practicable, safe passage along a highway is not impeded by snow or ice.
9. The Council has obligations to remove encroachments and obstructions on the highway, to co-ordinate work taking place within the highway and to monitor the signing, guarding and quality of work of others working in the highway. It also has powers to make improvements to the highways network.
10. On 1 October 2013, the Council entered into a five year contract with Kier for the provision of highways services, with possible extensions up to ten years. Kier took on responsibility for a range of services including design and construction of highways maintenance and improvements, winter maintenance, emergency works, street lighting, traffic signals, bridge maintenance and repairs, materials testing, road condition surveys, laboratory services and fleet maintenance. The County Council retains responsibility for the setting of policy and strategy and for budgetary allocation and monitoring.
11. Under the terms of the contract, the Council controls the flow of work to Kier, the primary payment mechanism being via a price list of clearly defined items. This is combined with target costing; the final cost of any works or services is compared with the target cost agreed before the work commenced, and any over or under-spend is split between Kier and the Council. Target costing, combined with a mechanism for annual comparison of prices in the price list with the actual costs of work undertaken each year, was included in the contract to incentivise Kier to provide projects below the agreed target cost figure, drive out efficiencies and help ensure that the Council shares in any savings.
12. The Scrutiny Committee has scrutinised and made recommendations on the Highways Services Contract and related issues on several occasions. Links to the written evidence presented to the Committee and minutes of the meetings are provided in the Supporting Information section below.
13. On 7 May 2014 the Committee heard that the workload of the Highways Area Offices was challenging, and had been put under further strain by the new contract. It therefore scrutinised the Highways Area Teams in more detail on 25 September 2014, considering their structures, processes and relationships with Kier. Responses to the Committee's recommendations regarding the Highways Services Contract, and information on the subsequent actions that had been taken were considered by the Committee on 12 March 2015.
14. On 2 July 2015 the Committee received information on performance against the contract's key performance indicators for the first 4 months of 2015, and staff turnover from the beginning of the contract. It decided to undertake further scrutiny of Kier's performance and operation of the contract and, at its meeting on

29 October 2015, received information about several Operational and Management Performance Measures including street lighting, over-run of road works, staff sickness, turnover and pricing of works. The Committee heard that a theoretical exercise had indicated that the contract had delivered the required £2m savings per year and asked questions about the amounts of money spent and saved, the volumes of work delivered and the nature of outstanding accounts between the Council and Kier. The Committee requested additional information on these points, which was presented in an information bulletin to the meeting on 10 February 2016 (available from: <http://tinyurl.com/h7qum5x> and <http://tinyurl.com/h7qum5x>)

15. The Committee was concerned about recruitment and training for Kier staff, long term sickness rates and staff morale, and requested an update on these matters, which was received on 7 June 2016 (see: <http://tinyurl.com/jruqvt9> and <http://tinyurl.com/j9247s6>). Members were concerned by the number of staff vacancies at Suffolk Highways, and their impact on the organisation.
16. On 7 May 2014 the Committee had recommended that communications between Highways and local community representatives should be improved, especially in unparished areas. On 12 March 2015 it heard about an on-line reporting tool which provided information and updates about reactive repairs. In an update on 29 October 2015, the Committee was reminded that there were a very large number of minor works, and weather variability made it hard to predict completion dates, but the forward view would be increasing from 1 to 3 months. The Committee requested a progress report on these matters, along with responses to other recommendations made on 29 October, as set out in Evidence Set 1.
17. On 18 October 2015, the Cabinet agreed that the Highways Services contract with Kier be extended by five years, to its maximum 10 year duration. The report to Cabinet recommends that the extension should be conditional on clarifying and formally agreeing the detail of the financial investment and other commitments broadly indicated in the business case submitted by Kier, which was presented to Cabinet alongside the report. Cabinet agreed the responsibility for finalising such clarification should be delegated to the Director of Resource Management, in consultation with the Cabinet Member for Highways and Transport and the Cabinet Member for Finance and Heritage.
18. Cabinet agreed that an assessment of adequacy of overall achievement of the outcomes in the Suffolk Highways performance management framework should be developed by the end of December 2016, so as to determine whether there shall be any time deductions in the five-year extension for under-performance. Any time deductions from the overall contract period would be determined on an annual basis by the Director of Resource Management in consultation with the Cabinet Member for Highways and Transport and Cabinet Member for Finance and Heritage, until such time as two years remain of the contract, at which point it shall naturally expire.
19. The report to Cabinet proposed that a performance update should be provided to Scrutiny Committee on an annual basis. As the National Highways and Transport (NHT) satisfaction survey results are not released until the end of October, the proposal that performance under the contract should be reported to the Scrutiny Committee in December each year.

Main body of evidence

Evidence Set 1 sets out the recommendations made by the Committee on 29 October 2015, and reasons for those recommendations.

Evidence Set 2 has been prepared in response to the key areas of investigation set out in the Scrutiny Focus section above.

Glossary

HIAMP	Highways Infrastructure Asset Management Plan
HMOP	Highways Maintenance Operational Plan
IWP	Integrated Works Programme
LHB	Local Highways Budgets
NHT	National Highways and Transport
OPMs	Operational Performance Measures
PMF	Performance Management Framework
TMM	Temporary Traffic Management
WMS	Works Manager System

Supporting Information

Papers relating to Scrutiny of Highways Contract on 7 May 2014 (Agenda Item 5) and minutes of the meeting; Available from:

[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=7/May/2014&c=Scrutiny Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=7/May/2014&c=ScrutinyCommittee)

Papers relating to Scrutiny of Highways Contract on 25 September 2014 (Agenda Item 5) and minutes of the meeting; Available from:

[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=25/Sep/2014&c=Scrutiny Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=25/Sep/2014&c=ScrutinyCommittee)

Papers relating to Scrutiny of Highways Contract on 12 March 2015 (Agenda Item 5) and minutes of the meeting; Available from:

[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=12/mar/2015&c=Scrutiny Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=12/mar/2015&c=ScrutinyCommittee)

Information Bulletin presented to Committee 2 July 2015 (Agenda Item 7 and Appendix 1); Available from:

[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=02/jul/2015&c=Scrutiny Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=02/jul/2015&c=ScrutinyCommittee)

Papers relating to Scrutiny of Highways Contract on 29 October 2015 (Agenda Item 5) and minutes of the meeting; Available from:

[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=29/oct/2015&c=Scrutiny Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=29/oct/2015&c=ScrutinyCommittee)

Information Bulletin presented to Committee 7 June 2016 (Agenda Items 7a and 7b):
Available from:
[http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=07/jun/2016&c=Scrutiny
Committee](http://committeeminutes.suffolk.gov.uk/meeting.aspx?d=07/jun/2016&c=Scrutiny+Committee)

Cabinet (18 October 2016); Agenda Item 6; Extension to the Highways Services
Contract; Available from:
[http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181dd7
68a&qry=c_committee%7e%7eThe+Cabinet](http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181dd768a&qry=c_committee%7e%7eThe+Cabinet) and Kier Business Case, Available
from:
[http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181dd7
68b&qry=c_committee%7e%7eThe+Cabinet](http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181dd768b&qry=c_committee%7e%7eThe+Cabinet)

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