



Committee and Date Environment and Services Scrutiny Committee
26 th October 2015
2.00pm

<u>Item</u>
6
<u>Public</u>

Highways and Environment Term Maintenance Contract - Progress report.

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1. Summary

- 1.1. The Highways and Environment Term Maintenance Contract (HETMC) commenced on 1 April 2012. There has been a mixed and in some areas disappointing performance from Ringway during the contract to date, particularly in the important area of ICT and system solutions. However, investment of time, resource and energy by Ringway and Shropshire Council (SC) within HETMC have developed joint improvements to contract outcomes.
- 1.2. This report focusses on specific issues with the contract, such as Winter Maintenance, Highway Surfacing, Street scene and a contextual background (as opposed to all of the contract), following prior discussions with the Chair of this Scrutiny Committee. The report attempts to look into the identified issues in the scope of the report in some depth.
- 1.3. As stated within this report:
 - Agreed performance Indicators for the contract are positive, with no recent performance deductions claimed.
 - Street Scene is achieving target performance (allowing for time limited performance issues earlier in the calendar year).
 - Winter Maintenance services are reviewed, ready for the winter season.
 - Capital delivery of work schemes in the region of £8 million for this current financial year are on course to be achieved.
 - Joint contract initiatives are in place, such as continuing to improve the management, delivery and design of the capital works programme.
 - A redesign is intended to be introduced for small scale work packages.

1.4. There are still strategic and operational issues affecting the contract, which are predominantly historical, but their legacy continues, and these issues are being jointly worked through to a determination. These issues coalesce around financial and contract issues rather than operational, which have improved.

2. Recommendations:

2.1. The Environment Services Scrutiny Committee are requested to consider the following recommendations:

- To make comment, scrutinise, challenge and debate the key areas within this report.
- To satisfy themselves that robust arrangements are in place for Winter Maintenance Services.
- To highlight any other specific areas that the committee would like considered at a future scrutiny committee in 6-12 months time.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. The key service risks and the mitigation and contingency plans in place are identified in the following table.

Operational risk	Impact of Risk	Mitigation
Contractor failure	Authority unable to fulfil its statutory Highway's Authority duties. Authority is subject to potential civil and criminal proceedings.	On-going monitoring and development of the client and contractor relationship. Monitoring of 'business' performance, and joint working to improve systems, process and the formal contract environment.

Operational risk	Impact of Risk	Mitigation
Contractor fails to comply with the contract conditions and requirements, leading to service not being provided effectively or efficiently.	Authority unable to fulfil its statutory Highway's Authority duties, unnecessary delays and an increase in base costs for maintenance, service and works activities.	<p>Performance monitoring is embedded in the contract management with a robust link to the payment mechanisms.</p> <p>Reduced performance will result in deductions of payments to the contractor.</p> <p>Ongoing discussions at a high level are frequent and ongoing.</p>
Contract performance becomes inadequate.	Council's reputation impacted upon due to inadequate delivery of Council works and services affecting the Council's reputation	<p>Constant performance and management review.</p> <p>Dialogue to resolve or improve issues.</p>
Contract terms ends at six years by agreement. No extension(s) requested or offered by mutual agreement.	Re-tender of Highway and Environment Term Maintenance Contract and impact upon the Council, plus risk of increased rates and contract preparation cost.	<p>Work relationship and evidence of issue being resolved with Ringway at all levels.</p> <p>Agreement that the contract will run its full course and terminate at year 6 – 31st March 2018</p>

4. Financial Implications

- 4.1. There are no direct financial issues arising from this report. The annual budget for the integrated highways and environment contract is approximately £25 million per annum which is funded through the local transport plan's central government settlement and our own revenue budget.
- 4.2. The Department for Transport has now provided information on the Council's block grant, which is linked to a self-assessment criteria; this in summary reduces the Council's block grant by over 11% in three years, from its approximate total of £16 million for the 2014 / 2015 financial year. SC is required to undertake a self-assessment exercise against new DfT criteria; this will allow for a separate incentivised funding to be obtained – this issue has been reported to Cabinet in October 2015. However any reduction in capital funds should be noted by the Committee, as there will be an undoubted negative impact on operational issues going forward.

4.3. The new engineering Consultancy Contract has been awarded to Mouchel, this began on April 1st 2015, and this contract is a key component and is interwoven with the Councils and Ringway's operations. To date this contract is performing well, and the creation of the Shropshire Highways and Transport Alliance has been formed to develop:

- Improved integration
- Improved cooperation
- Financial and operational efficiencies
- Improved outcomes

The previously mentioned Cabinet report of October 2015 referenced this issue.

4.4. Efficiencies and savings have already been identified and realised since contract inception, which are in the region of £1,000,000. These are a mixture of savings from joint procurement, awarding of the tender to Ringway, voluntary redundancies for service staff and service efficiencies.

4.5. Work continues with Ringway to develop services and operations and their allied systems and processes to ensure as great an efficiency as possible for both parties to support Ringway.

5. Context

5.1. This report provides an overview of the performance of Ringway up to September 2015, in respect of the services delivered by Ringway on behalf of Shropshire Council. The report continues the debate and narrative since the previous report was discussed and agreed at the last Scrutiny Committee in October 2014. Members of this committee will recall that a commitment was made to provide an updated report on an annual basis.

5.2. Members should be aware that Ringway have been consulted upon this report and are present at the committee meeting. Additionally the Portfolio Holder for Highways & Transport and local Environmental Maintenance Managers have also been involved with and consulted upon this report.

5.3. The Highways and Environmental Term Maintenance Contract (HETMC) was awarded to Ringway on 1 April 2012 for a 6 year term, with the ability, by agreement to increase by individual years for a further four years (maximum of ten years), subject to satisfactory performance thresholds and other performance criteria being achieved. This is an 'offer and acceptance' basis for both parties. It has been agreed that the contract will expire at the six year period of 31st March 2018, by joint agreement.

5.4. The integrated contract encompasses such services as:

- Highways maintenance
- Street Scene and grounds maintenance
- Vehicle maintenance
- Street lighting
- Structures and bridges
- Civil works
- Emergency and extreme weather responses
- Signs and lines
- Winter maintenance

5.5. The contract value is approximately £25 million per annum, with an average expenditure of approximately £2 million per month. Due to the nature of the integrated contract, this has allowed for the following key outcomes to be delivered to date:

- Successful delivery of £8 million capital programme for highways during the current calendar year.
- Efficiencies identified in service delivery, and to date savings in the region of £1,000,000 have been realised since contract inception.
- Changes in culture and practice from a re-design of the service, by developing programmes such as Hedge to Hedge (HtH) which is now subject to a further redesign, due to the improved IT infrastructure from Ringway, changes to Health and Safety regulations (Construction (Design and Management) Regulations) and a further recognition that improvements in smaller reactive works are possible and should be achieved.
- Praise from Britain in Bloom judges and Town and Parish Councils have been received in terms of the contribution towards Britain in Bloom for the appearance and cleanliness of towns and communities.
- Embedding an asset based management approach, as part of the process in delivering on the October 2105 Cabinet Report relating to the Asset Management Strategy. This is integral in cementing a commissioner and provider split and that of the Shropshire Highways Alliance. An asset managed approach will improve investment

decisions and allow larger and more efficient delivery of schemes across the county in partnership with Ringway.

- Improved management of capital scheme preparation and programming, via improved co-ordination of tripartite responsibilities – developing an even greater visibility of anticipated programmes, linked to budget settlements is a partnership target to receive greater focus.
- Effective delivery of winter maintenance and emergency severe weather response services

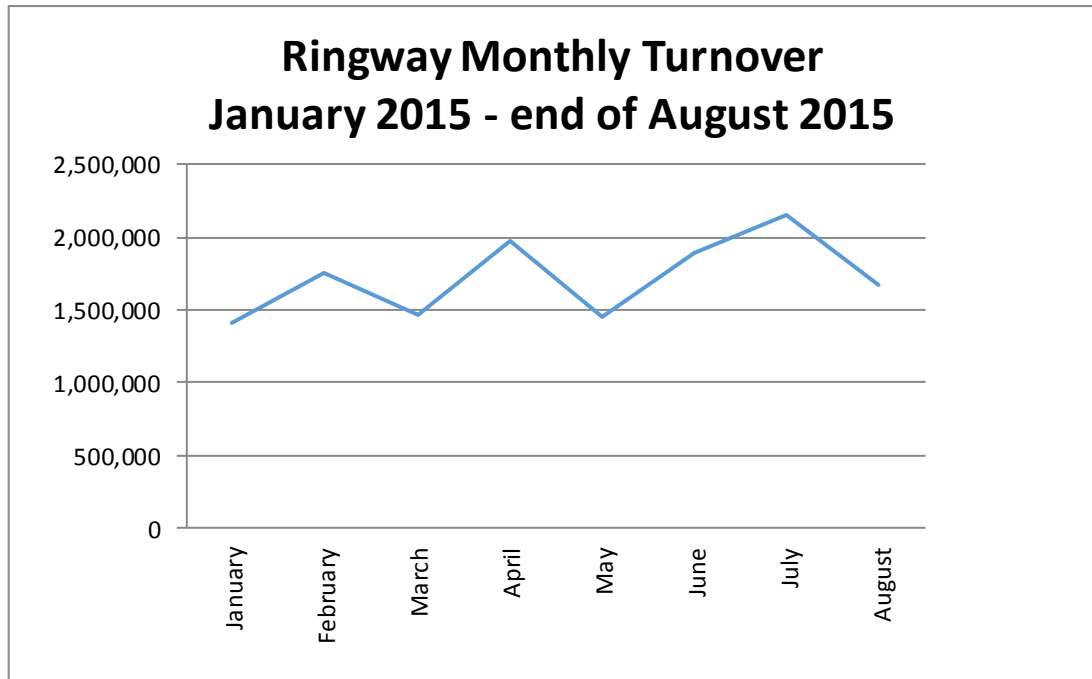
6. Community / Consultations Appraisal

6.1. There are daily and operational links to Members, Town and Parish Councils and local and national agencies by all levels of Environmental Maintenance staff.

7. Ringway Performance Summary

7.1. Members should be aware of key performance issues relating to this contract. Performance Indicators – Ringway's current performance indicators for this financial year are being achieved. This has obvious consequences. Performance deductions have been implemented to the value of £340,340.00 (April 2013 – March 2014). No performance deductions have been deducted in over a year.

7.2. Ringway's turnover demonstrates an improving trend (allowing for seasonal variations), enabling Highways / Street Scene offices to 'commit' expenditure more easily in order to ensure increased volume of works and services and prevent any potential year end underspend. Contingency plans are in place to prevent this occurring, but this risk still remains.



- 7.3. Scoping and quotation register – the historical backlog on the schemes have declined. Ringway have restructured their entire operation, from contract manager, operations manager, supervisors and operatives. New posts are in place with a focus on delivery. The re-structure intention is to focus on high quality staff, and outcomes. It is hoped that new posts and re-focused staff will galvanise performance delivery.
- 7.4. Shropshire Council has revised and remodelled its structure to support the contract, these posts are currently in situ and operating effectively; although interim in nature. A redesign of the structure is due to be consulted upon with all staff imminently. Newly revised posts are :
- Capital Programme Manager
 - Scoping and Quoting Officer
 - Operations Manager
 - Lead Senior Technician in each operational area to coordinate support contract management and efficiency of operations.
 - Appointment of a Highways, Environment and Transport Commissioning Manager.
 - Lead Permit Officer, to support Ringway operations.
- 7.5. Additionally the commissioning approach and use of Mouchel staff to further support with scoping, programming, permitting, technical advice, guidance, and works delivery, has further developed the commissioning role of Shropshire Council and the wider Shropshire Highways and Transport Alliance.

7.6. It is noted by all parties concerned that there have been improvements, and strategic and operational changes implemented will deliver further improvements. Historical issues relating to contractual and financial issues still remain and although being diminished still require attention. Via the contract process there are a number of Early Warning issues by both parties; these in the main are linked to financial claims. These claims will need to be resolved, either by acceptance, compromise, rejection or perhaps external review. All claims to date have been resolved internally, and relationships are positive with all parties, and as previously stated there is an atmosphere of increased optimism in contract operations.

7.7. Of recent concern is:

- Street lighting performance
- Minor patching operations
- Supervision on site
- Financial - (maximising budget expenditure and claiming income for works completed).
- IT issues
- Historical delays in replacing highway signs
- Operational resources can be limited
- Additional support for the contract by SC in terms of designated staff and other partners.

7.8. Stability with senior Ringway staff and the recent appointment of a new Ringway Operational Manager, Commercial Manager and Operations Manager has demonstrated improvements. The contract is more positive, and new issues are more operational 'cut and thrust' than strategic, financial, legal or contractual issues again, which are mainly historical but require resolution within ongoing dialogue to be settled.

8. Winter Maintenance

8.1. The Winter Service, formerly known as Winter Maintenance Season, started on October 1st 2015 and will run until April 30th 2016. In preparation for this Shropshire Council has replenished its salt stocks at its 5 area depots and has 20,000 tonnes of rock salt in its stores. In previous years a stock of 4,000 tonnes has been held at a store at Much Wenlock, this has been redistributed to the depots resulting in a saving of £32,000 per annum.

8.2. The overall level of stocks held has reduced slightly by 2,000 tonnes but guarantee of supply by Compass Minerals, formerly Salt Union, coupled with close monitoring of stocks will ensure resilience.

- 8.3. Shropshire Council has changed the provider for its weather forecasting service from The MeteoGroup to the Met Office as of 1st October 2015. The procurement of this contract was done as a joint exercise with Worcestershire, Herefordshire and Warwickshire and resulted in a saving of approximately £7,000 per annum. Shropshire Council has also renewed its contract with Vaisala for its Bureau Service and Manager Software. The Bureau Service provides 24 hour access to information from the eight weather stations owned by Shropshire Council, along with access to weather stations owned by other neighbouring authorities. This allows staff to monitor road and weather conditions remotely, and along with information provided in the weather forecast, to plan what action is required to prevent frost or ice forming on the defined network.
- 8.4. The Manager Software allows all of Shropshire Council's Winter Service activities to be planned and actions logged on one central database which can be accessed remotely by staff. The software records all planned actions and operations, recording start and end times of gritting runs along with the amount of salt used. All Shropshire Council technicians and managers along with Ringway's supervisors have been trained to use 'Manager' which will allow a complete contemporary record to be available at any time.
- 8.5. Ringway have trained additional drivers during the summer to ensure that the demands of the service can be met. Dry runs have been undertaken to ensure the drivers are familiar with their routes and equipment in preparation for the forthcoming winter.
- 8.6. Ringway have formally confirmed on numerous occasions that all arrangements and resources (drivers, supervisors, mechanics etc.) will be available; further a formal letter of reassurance has been requested and received from Ringway. Historically Ringway have delivered this service well. Concern has been raised relating to possible changes to Ringway's terms and conditions; this is not directly a Shropshire Council issue, however the outcome is, if there is any unrest of operational staff in employment terms. Again, Ringway have confirmed that any 'consolidation of terms and conditions' will not begin until spring 2016, after the winter period.
- 8.7. A large amount of work has been carried out to install additional equipment into the gritters to map and monitor gritting activities. This will allow the amount of salt being used to be controlled and monitored more closely, leading to more accurate application on the network and reduction in the amount of salt used. Grit bins across the county have been replenished and farmers who have Shropshire Council tractor mounted gritters have had their salt stocks replenished.
- 8.8. Letters have been sent out to all farmers who currently hold items of Shropshire Council plant informing them of the rates of pay and terms of hire. The farmers provide a valuable supplement to the frontline gritting service provided by Ringway in clearing snow during adverse weather

conditions. Many of the farmers have received updates to their training to operate the equipment that they hold and further training will be carried out to ensure that everyone who undertakes work on behalf of the Council is competent.

- 8.9. A joint review of winter operations was held during the summer, with three workshops delivered. This identified improvements and efficiencies to winter maintenance that are being worked through. Key issues were:
- Use of technology to drive efficiencies and extrapolate efficiency savings
 - Review of staff vehicles and rationalisation
 - Remapping and regulating of gritting routes
 - Recalculation and calibration of gritting spread
 - Revised operations manual
- 8.10. This approach has not affected or revised the councils approved winter maintenance policy, but the approach and execution of it has allowed efficiencies to be obtained without detracting from service outcomes.

9. Highways Surfacing

- 9.1. The Highways Resurfacing Programme for the financial year 2015/16 has been derived using a combination of asset management data and local engineering knowledge. This approach has meant that highway investment priorities have been identified using a combination of highway condition data and engineering judgement, which is both objective and auditable. This robust process has replaced the traditional approach where funding was allocated to divisional areas for local prioritisation, and now forms part of a centrally managed and centrally funded programme. This approach facilitates early development of a visible long term highway maintenance design and procurement programme which is continually evolving to assist in obtaining funding available from the Department for Transport through improved asset management evaluation and efficiencies.
- 9.2. Shropshire Council is identifying ways to reduce the amount of reactive maintenance work that needs to be carried out, such as potholes, in order to move towards planned / preventative measures designed to reduce whole life construction and maintenance costs. Planned and targeted carriageway re-surfacing forms a big part of that process; and is in line with the Department for Transport Guidelines on Asset Management and Shropshire Council's Asset Management Strategy.
- 9.3. Planning and Programming
- 9.3.1. A central programming team has been established in order to establish closer working relationships between all parties involved with the

implementation of re-surfacing schemes. All of the major carriageway re-surfacing work is now programmed centrally as part of a county-wide programme. This enables the work to be planned and programmed efficiently so that as much value for money as possible can be extracted by issuing larger values of work in a managed and co-ordinated manner. This approach supports the development of forward programmes of work and links directly into the Street works permit process.

9.3.2. A big part of achieving this is based on 'breaking the cycle' of designing and constructing in the same year which has inherent risks. We are now working towards a 2 year approach for all programmable highway maintenance schemes. The outcome of this new approach is a robust set of schemes which has now been developed into a works programme and is being delivered as detailed below:

9.3.3. **Year 1 (Identification & Design)** - A prioritised list of high value maintenance schemes is produced, based on asset management data and local engineering evidence. Design work is then undertaken based on appropriate best value designs solutions giving better 'whole life costs'. Undertaking design work well in advance allows for more forward planning, early contractor involvement and contract procurement. This in turn allows the Term Maintenance Contractor to plan the works more effectively and engage sub-contractors and also promotes innovation and best whole life practice from the onset of design.

9.3.4. **Year 2 (Implementation)** - High value schemes are developed into a work programme for construction, targeting the more favourable weather periods (spring / summer) to avoid the difficulties that can be experienced when attempting to implement resurfacing contracts during winter weather conditions.

9.4. 2015/16 Scheme Delivery

9.4.1. The re-surfacing programme for 2015/16 will see work to the value of £5.1 million undertaken on roads across the county.

- There are 15 re-surfacing schemes being undertaken on the A & B road network with a combined value of approximately £3.1 million
- There are 76 re-surfacing schemes being undertaken on the C & unclassified road network with a combined value of approximately £2 million.

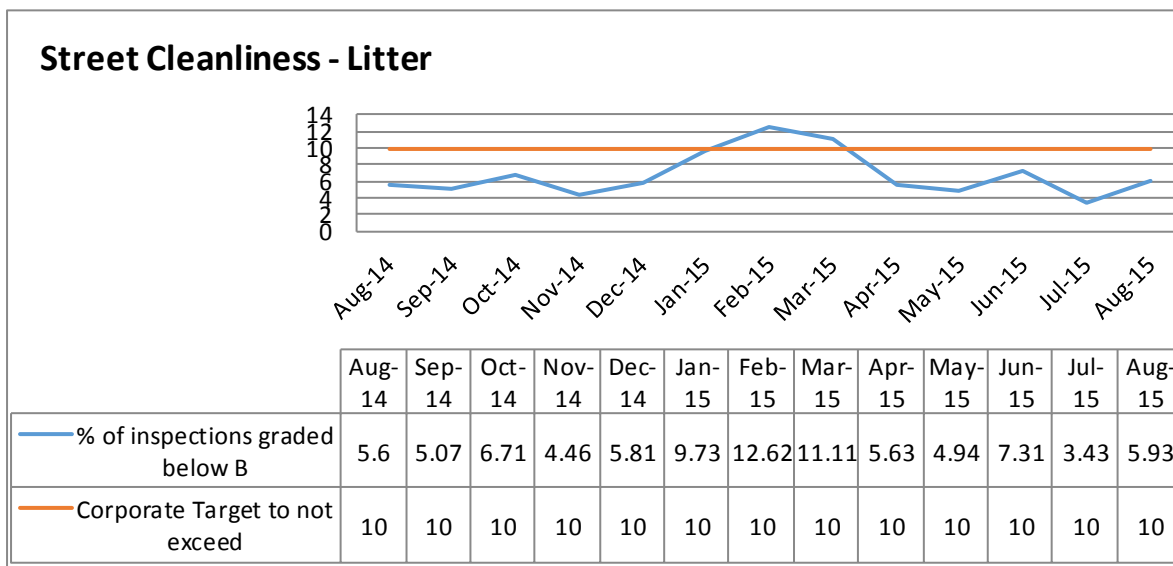
9.4.2. This work is being undertaken by a combination of Shropshire Councils term-contractor (Ringway) and other civil engineering contractors procured by competitive tender under Shropshire Council's procurement rules.

10. Street Scene

10.1. The following provides an overview of the performance of Ringway from August 2014 to August 2015, in respect of street cleansing and grounds maintenance services delivered by Ringway on behalf of Shropshire Council.

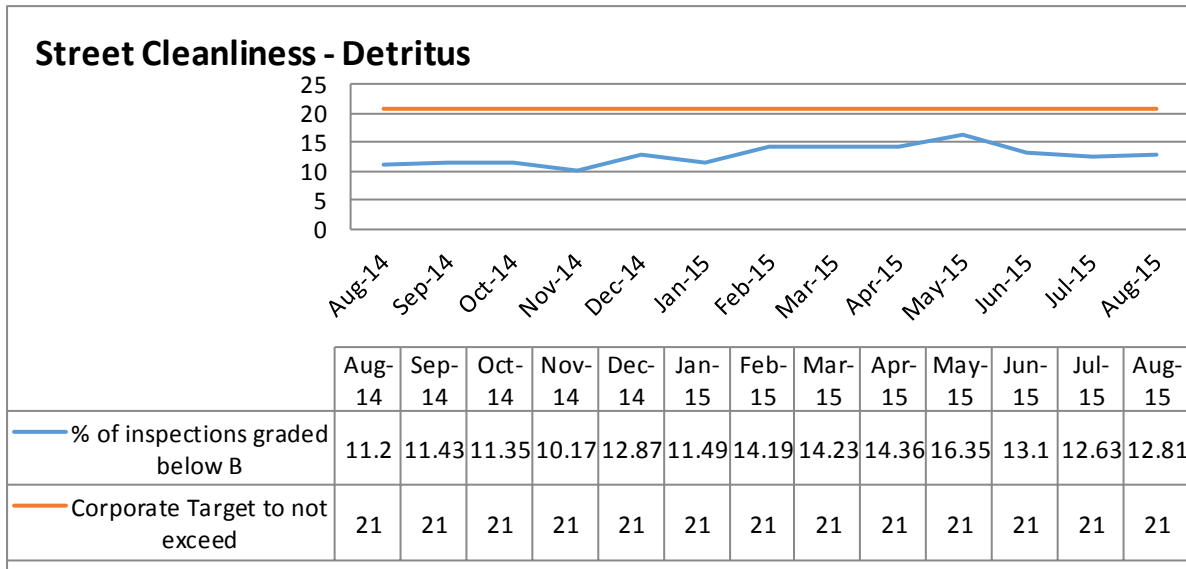
10.2. **Street Cleansing** - the data provided charts the results of monthly surveys conducted by client officers measuring the quality of street cleanliness. The data is used as a measure of performance as it indicates the standard of cleanliness being achieved through Ringway's routine street cleansing activity. The surveys are carried out in accordance with the principles of the former national indicator NI195 a) – litter and b) - detritus. The surveys also include for grading the presence of weed growth, dog fouling, graffiti and fly posting. (Data for dog fouling, graffiti, fly posting and fly tipping have not been included in this report as they are not used as indicators of contractor performance.)

10.3. Ringway is required to maintain cleanliness to a minimum Grade B as defined in DEFRA's Code of Practice on Litter & Refuse. The blue line on the graphs show the percentage of inspections that fall below Grade B, i.e. fail to meet the contract standard. The red line shows the target set with corporate performance. The aim is to not exceed the corporate targets that are broadly based on pre-contract performance and national averages in the Local Environmental Quality Survey for England 2013/14.

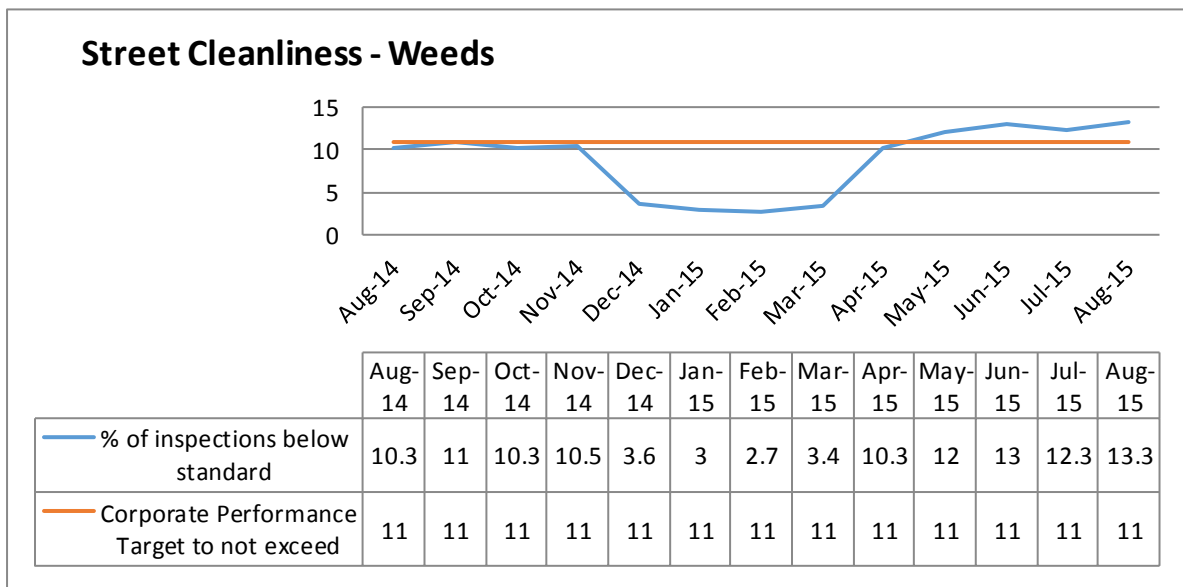


10.4. There was a dip in litter picking performance during the late winter / early spring period (this has been referenced earlier in the report) and is demonstrated in the graph above. This correlated with an increase in related service requests and a letter of complaint from Highways England in respect of accumulations of litter along sections of their all-purpose trunk roads. Early Warning Notice (EWN) 88 was issued by Highways Officers requiring Ringway to recover cleansing to an acceptable standard. Their

response was to re-focus programmed works and resources to bring affected areas back to a Grade B. The standard of cleanliness was quickly recovered and subsequently improved and since this period has been acceptable and remained within target parameters.



10.5. Whilst the chart shows a small increase in detritus present on our streets over the 12 month period, the inspections indicate that street sweeping performance is within target.



10.6. On comparison of results for August 2014 to August 2015 the chart shows an increase in weeds present on our streets; indicating that Ringway's performance with respect to weed control is less effective this year, resulting in an increase in the number of remedial instructions being issued. Improvement is needed to ensure compliance with contract and corporate performance requirements.

10.7. Ringway's routine emptying of litter bins and response to reactive cleansing requests overall is good.

10.8. **Grounds Maintenance** – Ringway are required to cut grass on highway verges, maintain amenity grass areas, hedges and shrub beds on a variety of public spaces and routinely inspect and maintain lifebuoy stations.

10.9. Dog Fouling

10.9.1. Church Stretton Town Council, in partnership with CPRE, West Mercia Police and Shropshire Council, have launched a Clean Dog Walkers' Pledge to encourage all responsible dog owners in Church Stretton to take a lead in getting rid of the blight of dog fouling in the town.

10.9.2. The [Pledge](#) can be downloaded and signed and returned to the Town Council Office or a paper copy obtained from the office itself. Alternatively you can [complete the On-Line Pledge](#).

10.9.3. Street Scene will remove dog fouling (on appropriate land / areas) as routine works, which is obviously reactive. Wider educational and enforcement work is the longer term answer and a change in general cultural attitudes. Where required there is targeted action by officers with the support of local PCSOs, and this action has demonstrated improvements. However, dog fouling is always a key concern, and an ongoing issue for all concerned.

11. Small Work Pages – intended redesign.

11.1. A redesign of approach and delivery of Small Works, has been undertaken by SC / Ringway, although not all of the detail is yet agreed upon, there is a high level of confidence that this redesign will be implemented ASAP.

11.2. The intention of the redesign is for Ringway to re-designate existing work gangs for tackling works which fall between the remit of Hedge to Hedge (H2H) gangs and those on the annual work programme of capital works. These will be predominantly the jobs that will lead to road network improvement or extension of the life of the network. The works will be such things as structural patching and minor drainage works which amount to more than maintenance but falls short of drainage system renewal. It will be things like the construction and connection of a new gully into an existing system, renewal of a length of kerbing or short lengths of footway renewal. There will broadly be two types of gang; those delivering tarmac based works and those doing civil works (concrete and ironworks). In time we may

need to consider a masonry / stonework gang to do works in the historic centres of our market towns.

- 11.3. These would be minor works for immediate / urgent repair and be on a 3 to 10 day permit lead-in. The gangs will be provided with all the necessary plant they need to undertake the type of work required, such as small road rollers and mini-diggers, as well as the necessary traffic management equipment for the work proposed. It is proposed to form these gangs from within the existing workforce. We will be decreasing the number of H2H gangs to compensate for the establishment of these gangs.
- 11.4. Work will be ordered by our Highway Technicians as they go about their inspections or respond to customer / Member requests. The work will be submitted to Ringway with a target completion date and enough information to allow Ringway to schedule the work and make sure the correct gang, with all the necessary plant and materials arrive on site at the right time. Scheduling will be done with a mapping tool so the gangs operate as efficiently as possible.
- 11.5. A similar way of working has been adopted in Worcestershire where the productivity and quality of repair has increased considerably. They now have gangs that are doing over 20 defect repairs per day. There will inevitably be occasions when a permanent repair cannot be done, for example on a dangerous and fast road without a full road closure; on these occasions it might be appropriate to do a temporary fix until a programmed scheme is delivered. However, approximately 85% of Worcestershire's repairs are permanent and therefore can be capitalised. With the greatest pressure on council budgets being in revenue spend, the more that can be undertaken and classed as capital works will both improve the overall budget situation but more importantly provide better outcomes for our customers.
- 11.6. Initially it is proposed paying for the works on a rate for work activity type. Officers will monitor productivity and quality of jobs done, and if possible could move to 'cost per defect', which is how they now operate in Worcestershire, and through the 'proper permanent fix first time' the number of defects picked up on inspections has decreased for each of the last two years.
- 11.7. Thus subject to further details and discussions being concluded, and discussions with colleagues in Finance and Insurance, it is anticipated that this redesign could be implemented prior to Christmas 2015, with a review period and possible 'tweaks' to the system, and then movement to a payment by defect model. Obviously there would be a financial ceiling placed upon this model of approximately £2 million. For clarity this would be within existing budgets and be effectively a reorganisation of existing budgets. Although there will be higher costs on the operational redesign, these should be offset over time with reductions in gangs coupled with efficiency implements.

11.8. This then would provide a system of :-

Hedge to Hedge - reduced number of gangs by approximately 50%.

Emergency Gangs (2 in total) to react to countywide emergencies, when not being utilised would support other daily maintenance operations.

Redesign – based upon works that are not time critical safety defects, but not full programme schedule of rate tasks.

Programme works – via in house, subcontract or tendered providers.

It is believed that this will improve delivery of services, improve quality of works, and increase productivity and accountability across the contract for all concerned.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Minutes of Protecting and Enhancing the Environment Scrutiny committee January 2013, October 2014.

Cabinet Member (Portfolio Holder) - Councillor Simon Jones – Portfolio Holder for Highways and Transport

Local Member's – All local members affected.