



Committee and Date

**Place Overview Committee**

**08/04/2021**

Item

Public

## **KIER CONTRACT**

**Responsible Officer** Professor Mark Barrow; Executive Director of Place  
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### **1. Summary**

- 1.1. On the 1<sup>st</sup> of April 2018, following a competitive tender process, Kier started a seven-year contract with Shropshire Council, following a six months contract mobilisation.
- 1.2. The contract is a NEC3 Term Service Contract.
- 1.3. The purpose of this report is to outline the challenges that have impacted the contract, but also highlight the positive changes which have taken place and the progress made on improvements. It will also provide an opportunity to engage with councillors to help identify further areas for further consideration and improvement.

### **2. Decisions**

**The Committee is asked to;**

- 2.1. Note the contents of this report;
- 2.2. Identify areas of concern, not already considered within the report, for consideration as part of the improvement plan and development of the Kier contract.

## REPORT

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1. The highway service is an essential council service that ensures the safe and effective movement of people and goods across the county. Local highways are a key part of the infrastructure that enable road users to access essential service, places of employment, education and leisure and it is therefore essential that resources are used effectively to enable optimal outcomes to be achieved.
- 3.2. The work of the highway team is one of the most visible elements of council activity and as such stakeholder satisfaction with the highway service often aligns with perceptions of the council as a whole.
- 3.3. Nationally, highway authorities are managing a deteriorating asset, due to the diminishing levels of real-terms funding for highways over many years/decades. A deteriorating asset increases service demand and seeks to stretch` s the limited resources available for maintenance.

### **4. Financial Implications**

- 4.1. There are no financial implications as a result of this report.
- 4.2. Any financial implications arising from future improvements or investment plans will be submitted to appropriate decision-making boards with a business case for approval.
- 4.3. There is a need for greater investment in the highway network, and officers and members are lobbying the government to increase the available funding to Shropshire.

### **5. Climate Change Appraisal**

- 5.1. There are no climate change implications as a result of this report.
- 5.2. The service recognises the carbon impact its activities have and are actively looking at steps to reduce the level of this impact over the medium term.

## **6. Kier**

### **Background**

- 6.1. In April 2018, Kier started the contact delivering highways and street scene service in Shropshire. Kier has 113 directly employed members of staff, 68 of which are local highways operatives.
- 6.2. Kier has 41 approved supply-chain partners who can undertake work on behalf of Shropshire Council. These range from large organisations, such as Tarmac and Ideverde, to smaller local contractors who are based in Shropshire.
- 6.3. Kier delivers a wide range of services to Shropshire Council, which include, but are not restricted to the following:
  - Highway maintenance
  - Street Lighting
  - Winter Maintenance
  - Street cleansing
  - Bridge maintenance
  - Grounds maintenance
  - Highway Capital projects
- 6.4. The contract turnover was advertised as approximately £21M per year, with a minimum value of £10M per year. However, the spend through the contract has been circa £27m per year. This is made up of 6,867 individual task orders, across 12 different workstreams.
- 6.5. The start of the Kier contract coincided with the 'Beast from the East' which resulted in a difficult start to the contract and a significant backlog of defects on the network. The first two years of this contract have been challenging and it is recognised that the contract has not lived up to stakeholders' expectations or been viewed as a success.

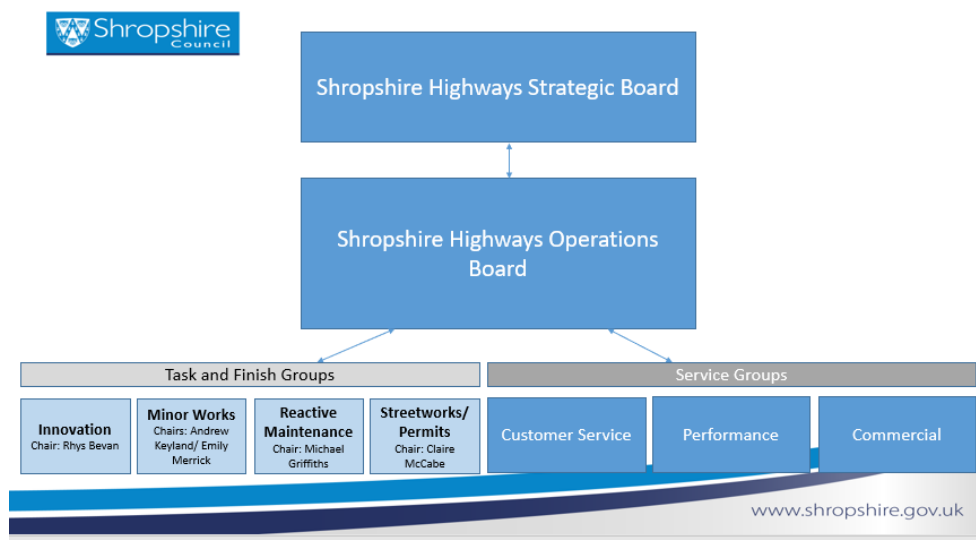
### **New Management Team**

- 6.6. In July 2020 a new Assistant Director for Infrastructure (Steve Smith) was appointed. In December 2020, a new Head of Highways (Andy Wilde) was appointed. At the same time, Kier has made significant changes to its management team in Shropshire. A new Contract Manager (Pete Woodhead) was appointed by Kier in August 2020, as well as a new Operations Manager (Jason Sapsford). Pete has over 40 years of experience and his most recent role in Kier was to lead the TOR2 joint venture between Torbay Council and Kier. Jason Sapsford has been in Shropshire since the start of the contract and was formally the Street lighting manager until he was promoted to the role of Operations Manager.

- 6.7. The new management team have continued with the improvements identified as part of the original highways improvement plan, but have also identified other areas of focus and priority. These have been incorporated into a new Collaboration and Improvement Plan, which has been signed-off by the Strategic Board and will be delivered jointly by council officers and Kier.
- 6.8. The new management team have had some very frank and honest conversations. What has emerged as a result of these interactions is a genuine recognition by Kier that the performance in key areas has required improvement. There has been a 'reset' on the relationships and the start of an improved culture that will define the future service offer and the roles both organisations will play will now be different.. However, the climate of honesty and collaboration that now exists in a new enlightened management team has resulted in this being embraced, locally regionally and nationally and it benefits from this endorsement.
- 6.9. Shropshire Council has recognised that some service expectations and outcomes are best met, managed and delivered locally, recognising and understanding the local need. The contract offer which Kier bid for placed little priority on this local service approach which often matters more to stakeholders. This has not been visible, prioritised or been seen to matter which has undoubtedly contributed to the perspective of the service and understandable frustrations.
- 6.10. The Council has now endorsed a "mixed economy" service delivery model and certainly, the feedback from key stakeholders helped shape this decision. What has emerged is a new 'hybrid model' which is seeing a more thoughtful and improved service being born and the benefits are emerging.
- 6.11. Councils have often gone from one end of the spectrum to the other in search of service frustration cure. For example, a council with a direct labour organisation (DLO) who experience costly, inefficient services that are difficult to manage will embrace the private sector in search of efficiency and commercial confidence. An Authority that experiences difficulties with an external contract will routinely look at "bringing in back in the house". This traditional dichotomy has been replaced with the balance required for success. A 'hybrid model' that offers local delivery and services in control of the authority, but has a larger partner to deliver at the other end of the spectrum provides the blend needed to provide a value for money service. I believe this compliments the Kier contract and should be viewed positively, not least because this shift is a result of the highways service listening to its stakeholders.
- 6.12. Our revised approach is starting to receive national recognition and a number of leading highway authorities are keen to engage in discussion on the approach we have adopted in Shropshire.

## Governance and Contract Management

- 6.13. One of the priorities for the new management team was to put in place a governance framework and a full suite of governance meetings that manage the contract and provide oversight.



- 6.14. This consists of a Strategic Board, which is attended by the Senior Management Team. Sitting below is an Operations Board that delivers outcomes set at the Strategic Board and drives operational change and delivery, which is chaired by the Head of Highways and the Kier Contract Manager. Reporting up, there are Task & Finish Groups and Service Groups. These groups are made up of individuals from across the Highways Alliance and focus on areas of priority for the service. The Operations Board delegates to these groups, but they also report up to the operations board with recommendations for endorsement approval.

## Key Performance Indicators

- 6.15. A new suite of Key Performance Indicators has been agreed upon with Kier and these have been in place since December 2020. This is now the agreed way in which both parties measure performance levels. Targets have been set against each which will enable bonus payments to be made. Conversely, should performance consistently fall below expected levels there are mechanisms in place to allow the council to take action, including the ability for the council to terminate the contract if performance is consistently below expectations.

6.16. The list of KPI's and Kier's current performance against them is shown below;

KPI	Description	Target Performance Level	Current KPI Score
KPI 1a	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Reactive Highways Works	70.00%	72.0%
KPI 1b	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Street Lighting	98.00%	100.0%
KPI 1c	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Emergency Response	98.00%	100.0%
KPI 2	Reactive, Routine Highway and Environmental Maintenance tasks to required quality	98.00%	99.7%
KPI 3	Highway Project and scheme works completed on time and without defects	98.00%	85.0%
KPI 4	Up to date financial management information is provided on time and +/-10% of final cost	98.00%	100.0%
KPI 5	Provision of all forward works plans received on time and to correct quality	98.00%	100.0%
KPI 6	Monthly Performance Figures provided on time without errors	100.00%	100.0%
KPI 7	Applications for payment submitted on time correctly without errors. (5%)	95.00%	99.0%
KPI 8	Customers satisfied with the performance of Kier and its supply chain (MeasureTBC)	0.00%	0.0%
KPI 9	Winter Maintenance - service completed on time	98.00%	98.5%

### Contract Management System

6.17. Kier has begun to move service from their existing “Causeway” operational software to the Councils “Confirm” software system. This will enable a smoother transition and synchronisation of systems. Before and after photographs of work carried out will be available for analysis. This will significantly reduce unnecessary travel to site to check on works and will enable the increase the sample size used to undertake quality checks ensuring the council is receiving the required service to the required standards. Amongst the wider benefits, this will also assist the Council with managing insurance claims.

## **Restructure and Redesign**

- 6.18. Both Shropshire Council and Kier now have aligned management structures and area operating models, based on North, Central and South areas.
- 6.19. Kier has appointed Area Managers to lead their teams and working relationships are already established with the Shropshire Council Managers in these areas.
- 6.20. Both Shropshire Council and Kier are developing restructure proposals and both parties are working closely to ensure that the proposed staffing changes are synchronised and are aligned to ensure a more joined-up approach and partnership working is supported and duplication avoided. The proposals have received all the necessary approvals. Additional temporary staff have been appointed in the meantime to ensure that the momentum for change and service continuity is maintained.
- 6.21. Shropshire Council and Kier recognise that senior-level management buy-in was essential to ensure a new approach was embraced. However, that culture must also be embraced by all staff at all levels and Covid restrictions have made that more challenging.
- 6.22. Both Shropshire Council and Kier have committed to a culture change programme which will cover all staff at all levels. This is planned for the new financial year.

## **Operational Improvements**

- 6.23. It is recognised that potholes maintenance has been an area of significant concern and is the single biggest factor in stakeholders view of the service. It is clear road users are not confident in these arrangements and seek improvement. This has been a key focus of the service to ensure these areas of the contract aligning with good practice elsewhere.
- 6.24. A standard operating model (SOM) was implemented with the following objectives:
- Provide a first time fix 100% of the time (excluding emergency repairs)
  - Transfer cost savings from reactive maintenance to planned works budget to enhance the sustainability of the network's assets
  - To plan the works in a way that influences and drives efficiency
  - Increase productivity to help reduce the backlog and ensure the pipeline going forward is manageable and reflects the resource provision
  - Improve workforce behaviours by providing effective engagement, communication and recognition
  - Provide clear visibility of performance through a consistent suite of metrics and share with the operational delivery team

- Improve the customer and stakeholder perception of Shropshire Highways
- 6.25. A comprehensive service review was carried out which provided difficult but useful information to the new Kier management team on how the contact was truly operating. This identified significant inconsistencies across operational depots. Areas of poor performance that were impacting on the productive output quality, efficiency and operational effectiveness were reorganised.
- 6.26. The review further identified where other factors such as vehicles, materials, and network access played a part in required changes to improve efficiency.
- 6.27. The benchmarking exercise has also highlighted potential areas of significant improvement:
- Temporary defect repairs were around 70% of the total. This has reduced to around 28%, with 72% of potholes being repaired permanently on first visit.
  - Despite the increasing demand, the teams have repaired 16,227 potholes, compared to almost 13,000 in the previous year.
  - The unit cost of the activity has also fallen steeply with 45% more work being completed for £1.45m less than the same work would have cost last year
  - Insurance claims are down on last year by 54%
  - Gully emptying productivity has increased
  - 100% of emergency responses are within the contract time frame
  - Response to January Flood in Shrewsbury
  - 100% of winter maintenance routes completed on time in the coldest January in 10 years
  - Innovations are being embraced to deliver improvements
- 6.28. Innovation and revised ways of working are at the forefront of the new approach. The service recognises, as do road users, that the maintenance approach to potholes has been unsuccessful.
- 6.29. In March 2021 a trial was started on a new approach on the A&B road network. This comes at a time when new technology is available in the market. We know that larger more meaningful asset interventions provide the best value for money. This will drive efficiency, by not repeating the same repair year after year and prevent future potholes from forming in the short to medium term.
- 6.30. Trials have taken place using both the JCB Pothole Pro and the Mutivo Multihog. Both of these trials have proved very successful with the new process delivering upwards of 100m<sup>2</sup> of carriageway repairs per day. This is informing our future strategy for A&B road maintenance.
- 6.31. The mixed economy of in-house teams to supplement the Kier workforce will continue and strengthen. These team primarily undertake repairs on the rural

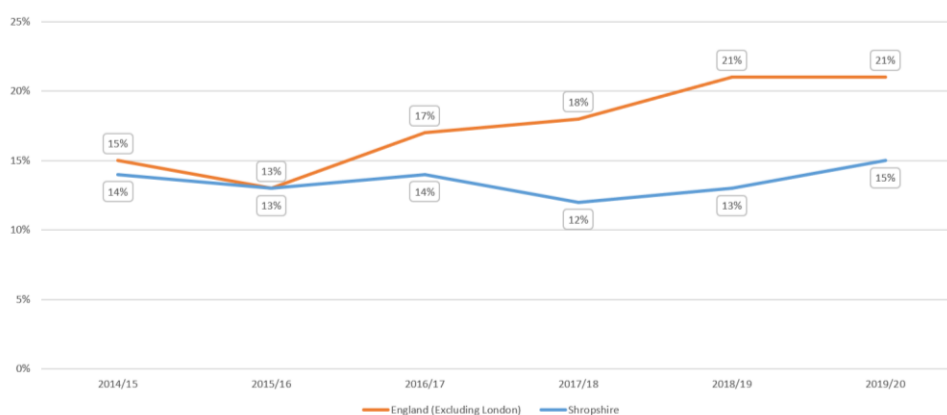


network to allow Kier to focus their resources on the more complex issues. The team also undertake repairs on the drainage systems connecting gullies, many of which have lacked the necessary maintenance over an extended period and contributed to an acceleration of network deterioration.

- 6.32. Whilst there are tangible improvements which can be demonstrated from the implementation of the improvement plan to date, the full benefits are unlikely to be realised until the next financial year to enable the full cycle of annual activity to take place (i.e. forward programmes submitted to the contractor for more effective planning will not start delivery until April 2021 and therefore the benefits of improved communications, increased value for money, improved quality of work, less disruptive traffic management etc. will not become apparent until these schemes complete.

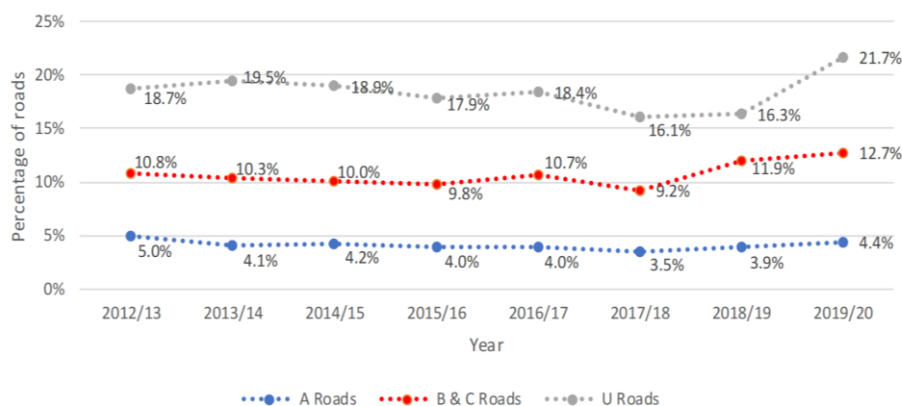
### Asset Condition

- 6.33. Shropshire, like the vast majority of highway authorities, is seeing a network in deterioration. It is often difficult for road users to determine the difference between poor maintenance practice and under-funding and the two things overlap.
- 6.34. Surveys show that approximately 21% of local authority roads considered to be in poor condition and in need of major repair, an increase from 13% in 2015. Whilst the situation in Shropshire is somewhat better with only 15% of the network in poor condition, the situation has deteriorated rapidly since the Beast from East storm in 2018/19.



**Network condition values by year**  
**(Percentage of network with a life expectancy below 5 years)**  
(source: Annual Local Authority Road Maintenance Survey)

- 6.35. This is becoming a significant problem on the county's more rural routes which saw a deterioration from 16.1% to 21.7% of unclassified roads considered to be in poor condition.



- 6.36. This deterioration in the condition is reflected in the number of potholes that are forming on the network with almost 16,000 being reported on the network between November and January alone compared to 11,000 during the same period last year. This is a significant risk and places more pressure on an area of the service that requires significant change.
- 6.37. Preventative maintenance is largely funded by the government and current funding is widely acknowledged to be significantly below the levels needed to maintain highway networks to a good standard. Funding varies from authority to authority to reflect the formula base on which allocations are derived. The total budget available to Shropshire Highways in recent years has been £3,603 per mile less than the national average. Local authorities across the country are lobbying the government to increase funding to allow improved maintenance of local roads and Shropshire officers and members have been active in supporting this lobbying.

### Customer Engagement

- 6.38. The highways teams have developed programmes of work for the coming year and these have been shared with Kier to enable the planning of their delivery at a significantly earlier stage than in previous years.
- 6.39. This earlier planning means that traffic management and engagement strategies can be built into the works programme to ensure that communication with stakeholders takes place on time and feedback properly considered.
- 6.40. From the end of March 2021, Kier will be adopting the councils "Confirm" software system for its own use. This will enable the increased transfer of information between the council's systems and Kier's systems. The Councils "My Shropshire" system draws information from the Confirm system and this should result in improved information being available through My Shropshire in the future.

## 7. Additional Information

- 7.1. Communication – the service needs to better communicate the activity it is undertaking to ensure that there is an awareness of what residents can expect to happen and when and ensure that their ability to engage with the service is improved. The service also needs to be more open with the information available to members of the public with regards to the work it undertakes to ensure that it can be appropriately scrutinised and challenged on the value for money that is provided.
- 7.2. Engagement – It is recognised that to better understand the needs of road users the council needs to engage more successfully with key stakeholders. The restructure is seeking to increase the number of highway technicians to provide capacity for proactive engagement to better understand areas of concern or priority.
- 7.3. Minor works – whilst a lot of activity has been undertaken in improving the delivery of defect repairs and will continue to do so, it is recognised that minor works (i.e. new signs, fencing repair etc.) can still have unacceptably long delay times between the team committing to undertaking the works and completion.
- 7.4. Schemes – For successive years the council had a limited budget for road safety, active travel, road improvement schemes. These budgets have increased in the last year however and are expected to increase still further as more government funding is released to support active travel. The service is therefore setting out its plans for future need as part of its Local Transport Plan 4 development and will enable stakeholders to influence proposals and inform future programmes of work. Workflow processes will be reviewed to ensure that the time scale between decisions and implementation can be reduced.
- 7.5. Drainage – whilst the service has improved its productivity in drainage maintenance the service is not currently utilising technologies to derive better value and understanding of its drainage asset. Good practice elsewhere has enabled authorities to reduce costs of maintenance significantly whilst improving service outcomes by developing gulley emptying programmes that better reflect actual need rather than a once size fits all approach. This may result in gulley's that are regularly blocked being cleansed more frequently and ones where the little waste is retrieved cleaned less frequently. This approach should also assist in identifying issues on the connecting drainage systems.
- 7.6. Streetlighting – the service will implement the programme to replace existing lanterns with LED to significantly reduce energy costs and increase the longevity of lamp life. This should ensure that street lights are lit for a higher proportion of time than at present.

## **8. Conclusions**

- 8.1. The highway service recognises that the first two years of the Kier contract have been challenging and performance have been disappointing at times. There are some mitigating factors but there is significant and tangible evidence that there have been significant service delivery improvements over the last six months.
- 8.2. The continuing deterioration of the road network and the resultant increased demand for requests for service does however significantly stretch existing resources and to some extent budgets. These operational improvements aren't necessarily visible to members of the public who understandably associate highway condition with council performance.

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

None

**Cabinet Member (Portfolio Holder) - Cllr Steve Davenport**

**Local Member - All**

**Appendices**