

Report Title:	Highways Maintenance Contract – Options for future service delivery.
Contains Confidential or Exempt Information	No – Part I
Lead Member:	Councillor Clark – Lead Member for Transport and Infrastructure
Meeting and Date:	29 th April 2021
Responsible Officer(s):	Andrew Durrant – Executive Director of Place Services
Wards affected:	All

REPORT SUMMARY

This report outlines options for future service delivery on highways maintenance taking account of the current performance of the service provider, VolkerHighways Ltd. (VH). This contract has an initial term which runs until April 2022 with an option to extend for two years up until April 2024 on a 1+1 basis.

It recommends exercising the extension provision, given the performance of VH has been above average in the key areas of public satisfaction, key performance indicators within the contract having been met or exceeded and the Royal Borough's road condition having been maintained or improved over the period of the contract. Under the terms of the contract, VH are required to bring efficiencies to the Royal Borough such as new ways of working, for example more planned than reactive work, innovation and new technology to the Royal Borough. Some of this is already evident or in the process of being introduced. Good condition roads and pavements is extremely important to residents, businesses and visitors to the Royal Borough.

In granting the extension, the Cabinet allows officers time to explore in greater detail how these services can be developed and delivered in the medium to long term, whether singly, collectively, grouped with other frontline services or in partnership.

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Cabinet agrees to adopt the extension options to the contract for a further 2 years on a 1+1 basis, given the performance of VH has been above average in the key areas of public satisfaction, key performance indicators within the contract having been met or exceeded and the Royal Borough's road condition has been maintained or improved over the period of the contract.

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Background

- 2.1 Following a competitive tender VolkerHighways Ltd was awarded a contract to deliver highway maintenance services for a period of five years (with the option of an extension for two further years on a 1+1 basis, subject to satisfactory performance each year) with effect from 1st April 2017.

The commissioned service contains the following core elements:

- Highway and Bridge Inspections;
- Highway and Bridge Repairs;
- Drainage and gully clearance;
- Winter Service;
- Street Cleansing;
- Project Delivery;
- Tree Inspections.

The main contractor is VolkerHighways Ltd. who have sub-contracted Street Cleansing to Urbaser and work with Project Centre Ltd. (scheme development and design; specialist professional services activities). The service delivery model was approved by Cabinet in June 2016 and the contract awarded by Cabinet in January 2017.

2.2 Contract performance

- 2.2.1 Performance is managed through a suite of performance measures and is compliant with the council's performance management framework. Contract management includes regular meetings to review operational matters, performance, issues from residents and members, discuss innovation and future efficiencies. There are also quarterly reviews and an annual Contract Board to ensure proper governance with senior management and the lead member. Infrastructure Overview and Scrutiny Committee have scrutinised the service several times over the life of the contract, as part of its work programme.
- 2.2.2 It recently received a presentation from officers on 6 April that offered a detailed insight into the performance measures and outcomes that VH has led on or contributed to during this initial term. There was recognition at the committee of the work done by VH and although some reservations were expressed about value for money aspects on the contract, for example, benchmarking of material costs with other providers, no evidence was presented that VH were not competitive or taking advantage of the council. It was made clear that the contract management in place does not allow for such situations. Overall, there was support for the extension at the end of the presentation which had been mentioned during the meeting as the likeliest option that would be presented to Cabinet.
- 2.2.3 To further ensure that there is scrutiny of VH performance, an overall commissioning report is considered annually by Cabinet which includes a summary of performance on this contract as part of the overall suite of commissioned services. This report includes the current suite of KPI's at **Appendix A.**
- 2.2.4 In addition, to the contract performance indicators, the Royal Borough participates in the Annual National Highways & Transport Benchmarking survey. This is conducted independently and engages directly with Royal Borough residents. 111 local authorities participate in the survey which is considered by industry professionals as an excellent and extremely reliable source of data in order to understand resident satisfaction levels and enable analysis and comparison on the Royal Borough's performance compared to the national

average. In all but two areas the Royal Borough exceeds the national average. **Appendix B** is an executive summary of performance.

2.2.5 In addition, a full audit was undertaken in 2019 of the contract management arrangements, based upon the controls in place. The opinion of the audit was that the controls were '*Complete and Generally Effective*'. In all round terms, key performance indicators, public satisfaction levels and audit, the contract is performing effectively and to an acceptable standard. There is occasional poor quality of work and response times outside of expected timeframes, but, this is the same of any highway maintenance service across the UK. Overall, feedback received around the performance of the existing provider is generally positive.

2.3 Options available

2.3.1 Contractually, the council is required to notify the existing provider within 12 months of the initial term expiring (April 2022) about whether it has an intention to extend the contract using the provisions within the contract. An officer team convened last year has considered options for future service delivery, in line with the adopted Commissioning Strategy. This team has completed an initial diagnostic analysis with further work in progress in the areas listed below. In addition, it has been agreed that the 'task and finish' group set up last year to review the background to the award of the present contract, has within its broader terms of reference, the scope to consider these future service delivery options.

2.3.2 On 10 March 2021, it also received a presentation from officers that offered a detailed insight into the performance measures and outcomes that VH has led on or contributed to during this initial term. The panel heard evidence that further service efficiencies are planned and recognised that in overall terms, the VH contract is working well. One member of the panel commented that graffiti removal should be re-introduced on private property, an arrangement that did exist pre-contract and this will be explored although it will need to be self-funding.

2.3.3 The table below presents the future service delivery options with an update on their current position and a recommended option.

OPTIONS AVAILABLE	UPDATE
1. Extend the contract for 2 years (like for like)	This would be compliant with procurement rules. VolkerHighways performance has been above satisfactory, which can be seen from the KPI's and customer survey data.
2. Extend the contract for 2 years (preferred option)	This would be compliant with procurement rules. VolkerHighways performance has been above satisfactory, which can be seen from the KPI's and customer survey data. However, as the contract has evolved over the past 5 years, there is a need to agree further improvements to service areas rather than simply extend like for like. Appendix C includes proposals to provide further value for money, innovation, savings & sustainability to the contract.

	<p>Given the performance of VH has been above average in the key areas of public satisfaction, key performance indicators within the contract having been met or exceeded and the Royal Borough's road condition has been maintained or improved over the period of the contract. The extension will allow for those further service improvements</p>
3. Re-procure the service on the current basis or with jointly agreed service improvement.	<p>Discounted - this doesn't allow us the opportunity to introduce the service improvements into the contract in advance. We wouldn't be able to prove that refining the service gives added value and service improvement.</p>
4. Re-procure the service on a new delivery model	<p>The current intelligence shows the contract is delivering the customer satisfaction to the set KPI's and delivers this within budget. Moreover, there is no justification for further out-sourcing of highway management services including design services and indeed, future service delivery options for Project Centre are currently under review</p> <p>Note - this option would require additional resources estimated to be £150k by way of legal, procurement and project management. It would also be challenging timescale-wise to develop a new model and conduct a procurement exercise for commencement in April 2022.</p>
5. Deliver services through a partnership / shared service solution	<p>Appendix D sets out the current contracts in neighbouring authorities and their duration. No contracts are 'co-terminus' unless this contract is extended for a minimum of 1 year.</p> <p>Note – this option would require additional resource estimated to be £150k by way of legal, procurement and project management. It would also be challenging timescale-wise to develop and agree a new partnership arrangement and joint procurement process for commencement in April 2022.</p>
6. Deliver all, or elements, of the service through an 'insourced' model	<p>The current customer satisfaction data and KPI's, show the contract is performing within the revised model.</p> <p>When the revised model was introduced in 2017, the budget was reduced by £500,000. To bring services back in house would come with a cost and resource implication. This option would require additional resources to develop the new 'in house' model. The key areas which would need to be addressed but not exhaustive to are: -</p> <ul style="list-style-type: none"> • A new management support structure • The governance • I.T. • Plant /vehicle fleet • HR potential pension fund liability

	<ul style="list-style-type: none"> • Finance <p>The timescale is also tight to have all these requirements in place for commencement in April 2022 and a council-wide project delivery team would be required estimated to cost £150k.</p>
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3. KEY IMPLICATIONS

The key implications are set out in table 2.

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Agree to the extension and implement the changes for 2022.	No option agreed by 1 st April 2022	Option agreed and changes introduced by 1st April 2022	Option introduced by 1 st April 2022 conditional on jointly agreed service improvements, efficiency savings and a revised suite of key performance indicators (KPI's) which are based around improved outcomes for the residents, businesses and visitors to the Royal Borough.		1 st April 2022

4. FINANCIAL DETAILS / VALUE MONEY

- 4.1 The value of the VH contract in 21/22 is £3,886,030, which reflects the 21-22 efficiency savings of £170,000. The proposed extension will explore further service improvements which will lead to additional efficiency savings for 22/23 and 23/24. at this stage it is not possible to define these as cashable or non-cashable. The former is preferable as the 22/23 budget preparation will begin in the next couple of months.

- 4.2 The annual capital investment improvement programme in highway maintenance is largely made up of grant received from DfT. This has been supplemented from the council's own capital programme in previous years and this investment is shown in **Appendix E**. Such has been the impact of that investment that the condition of the Borough's A B and C roads has improved over that same period to ensure that the Royal Borough maintains its Band 3 highway authority rating and is not penalised through a reduction in grant as some councils have experienced. This road condition analysis is shown in **Appendix F**.
- 4.3 It is consistent with the government's requirement to take an asset management approach to highways maintenance and is currently paying off for the Royal Borough, with VH as main contractor. The only disappointing aspect is that DfT grant has fallen for this financial year and the council will have to have regard for this in future years so as to maintain its banding and above average public satisfaction levels with road conditions. It is also vital to have a well-maintained network for business growth, regeneration, inward investment, housing growth and tourism.

5. LEGAL IMPLICATIONS

- 5.1 The council is enabled, by section 111 of the Local Government Act 1972, to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The council, therefore, has a general power to enter contracts for the discharge of any of its functions; including the extended contract set out in this report.
- 5.2 The current contract with Volker Highways allows for the contract to be extended for a period of up to two years upon the Council serving notice on the Contractor.

6. RISK MANAGEMENT

Table 3: Risk management

Risks	Uncontrolled Risk	Controls	Controlled Risk
Contractor will not want to extend for a further 2 years	Medium	The borough has a good working relationship with the Contractor.	Low
Delay in Agreeing the option to extend the contract.	Medium	Report has been taken to Cabinet and background work has been carried out to make an informed decision.	Low

7. POTENTIAL IMPACTS

Equality impact assessment screening has been completed.

8. CONSULTATION

- 8.1 Highways Maintenance 'Task and Finish' group has been consulted on 10th March and Infrastructure Overview and Scrutiny Committee has been consulted on 6th April 2021.

9. TIMETABLE FOR IMPLEMENTATION

Date	Details
May 2021 - March 2022	Work with the contractor to agree the 2-year extension. This will include agreed service improvements, innovation, revised KPI's and further efficiencies.

10. APPENDICES

Appendix A – KPI'S

Appendix B – Performance benchmarking

Appendix C – Future service improvement proposals

Appendix D – Partnering opportunities

Appendix E – Road investment

Appendix F – Road condition indicators

11. BACKGROUND INFORMATION

Initial contract award by Cabinet in December 2016.

https://rbwm.moderngov.co.uk/documents/s10581/meetings_161215_cab_highways.pdf

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Clark	Lead Member for Transport and Infrastructure	18-3-21	18-3-21
Duncan Sharkey	Managing Director	23-3-21	24-3-21
Adele Taylor	Director of Resources/S151 Officer	23-3-21	24-3-21
Andrew Durrant	Director of Place	23-3-21	-
Kevin McDaniel	Director of Children's Services	23-3-21	-
Hilary Hall	Director of Adults, Health and Commissioning	23-3-21	24-3-21
Andrew Vallance	Head of Finance	04-3-21	
Elaine Browne	Head of Law	04-3-21	18-3-21
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	23-3-21	24-3-21

Nikki Craig	Head of HR Corporate Projects and IT	23-3-21	25-3-21
Louisa Dean	Communications	23-3-21	-
Karen Shepherd	Head of Governance	23-3-21	24-3-21

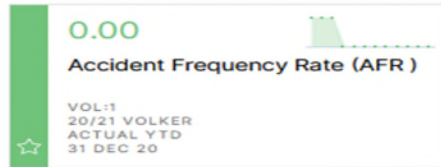
REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Key Decision 8 th December 2020	No	No

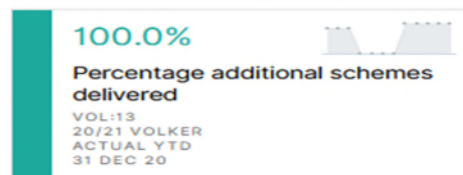
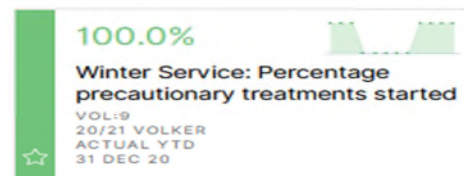
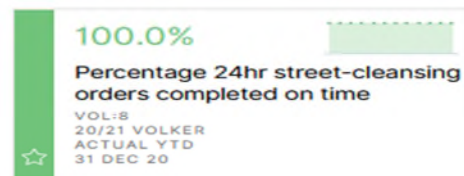
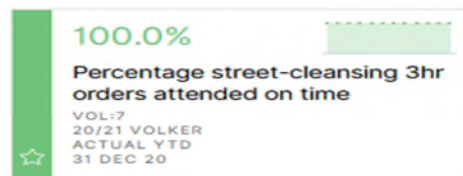
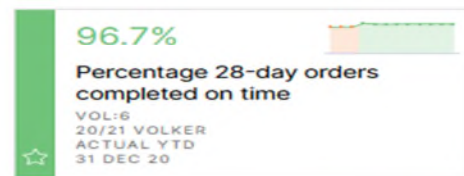
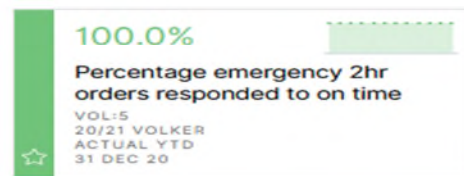
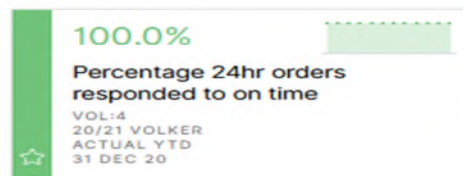
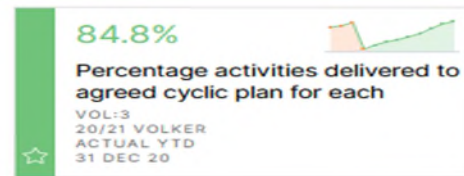
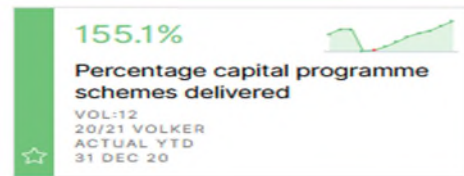
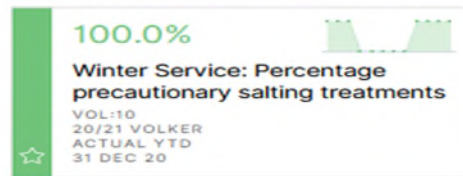
Report Author: Vikki Roberts and Simon Dale

Appendix A -VolkerHighway KPI's

A. Quality Management

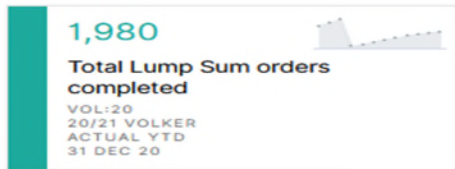
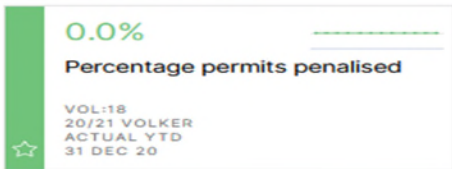


B. Contract Programme

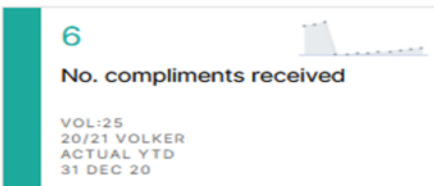
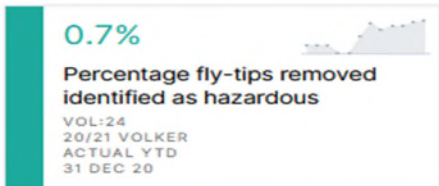
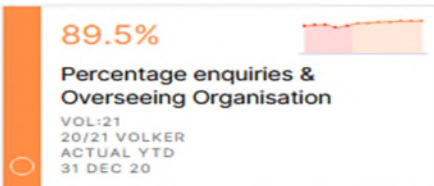


Appendix A -VolkerHighway KPI's

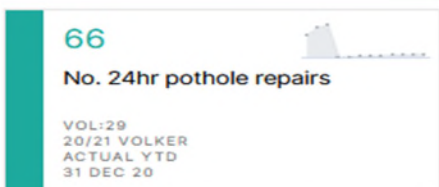
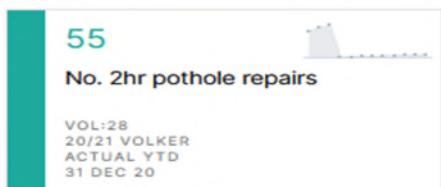
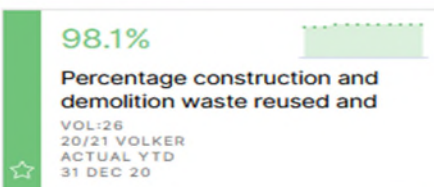
C. Service Provision



D. Customer Care



E. Added Value



National Highways & Transport Survey - Highway Maintenance 2020

Resident satisfaction % by subject	RBWM 2020	National Average	RBWM vs National Average
Condition of highways	40	36	4
Highway maintenance	52	50	2
Condition of road surfaces	42	37	5
Cleanliness of roads	60	54	6
Condition of road markings	61	54	7
Provision of Drains	52	50	2
Keeping drains clear and working	48	46	2
Deals with Potholes and damaged roads	38	35	3
Undertakes cold weather gritting	59	58	1
Deals with mud on the road	51	48	3
Deals with flooding on roads and pavements	43	44	-1
Speed of repair to damaged pavements	35	31	4
Quality of repair to damaged pavements	46	47	-1
Weed killing on pavements	51	45	6
Condition of road signs	64	61	3
Cleanliness of road signs	61	58	3
Speed of repair to damaged roads	35	31	4
Quality of repair to damaged roads	41	38	3
Weed killing on and roads	54	50	4

APPENDIX C - Future service improvement proposals

Optimisation of gully routes and mapping of drainage assets.

Build on the work already underway, of mapping gully assets and the savings given to RBWM on waste disposal.

Moving to a more sustainable delivery ensuring all gully waste is recycled. The gully fleet has been modernised with access to more resources for surveys and jetting.

There are now less days off the road for fleet repairs/breakdowns and RBWM have benefited from the savings achieved by recycling and no longer paying for disposal.

Lower Temperature asphalts for machine lay programme – sustainable saving in reduced energy/whole life saving. Costs the same.

Specification of lower temperature asphalts with higher WRAP content provides a more sustainable resurfacing programme. This can be incorporated into this year surfacing programme and requires PCL to specify in the design.

First time permanent pothole repairs e.g. roadmaster/Roadmole. (<https://www.roadmole.co.uk/>) infra-red repairs.

This will require a plan and programme of works to keep the activity fully utilised and avoid down time. Paid for trials could start once sites/locations and a schedule of work has been identified. Still need to keep network safe for users so emergency repairs will always be required particularly out of hours. RBWM/VH could consider buying a unit but need to consider down time etc and how / where else it could be utilised.

Electric vehicles – inspector vans and potentially sweepers

VH have several fully electric vehicles on site to undertake inspections and customer enquiry investigations in.

We have trailed several alternative small tools powered by electric. Urbaser are trialling an electric sweeper in May and VH area trialling an electric truck.

Future service improvement proposals

Providing value for money, innovation, savings & sustainability

Rationalise Inspections/Customer service team

To improve customer journey as well as providing efficiencies and better value for money.

Permitting

Avoid restrictions on contractual restrictions, allow road space based on reduced days not extending days – cost savings and less disruption, resulting in more m2 repaired on network.

Appendix D – Partnering Opportunities

Details	RBWM	Slough	Reading	Bracknell Forest	Bucks	Wokingham	West Berkshire	Oxfordshire county	Surrey
Highway service provision	VolkerHighways	In house team - DSO Direct Service Organisation	In house service + use of 3rd parties for some activities	3rd party - Ringway	3rd party - Ringway Jacobs	3rd party - Volker	3rd party - Volker	3rd party - Skanska	3rd party - Kier
Contract info	April 2017-April 2022 (+1+1year contract extension provision)	Only contracts for traffic and streetlights (Siemens and VolkerHighways) VolkerHighways via framework set by Wokingham	each capital project tendered separately	Oct 2014- Oct 2021 +potential 7 yrs. (already extended till 2025)	run till at least 2023 (dealt with this contractor since 2009)	2018 - 2025 + potential 3 yrs.	Oct 16 - Oct23	2010 - March 2022 (max March 2030) includes vehicle maintenance	current contract 2011 – March 2022 tender in progress, new contract anticipated 10yrs +
Value pa	£5.5m			£10m	£50m	£68m stated in OJEU	£7m	c£40m	£40m
Assessment of the potential opportunity by Highways		No, because of the in-house model	No, because of the in-house model	Timescales do not align.	potential opportunity to partner, if extend for 2 years.	potential opportunity to use their contract for certain elements of services (not testing the marking and maybe a mark up)	Time scales align, if extend for 2 years. however, a lot of services are 'in house'.	timescales do not align	timescales do not align

Appendix E – Road investment

Budget Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Roads Resurfacing-Transport Asset & Safety	£ 1,568,000.00	£ 1,468,500.00	£ 1,490,900.00	£ 3,400,000.00	£ 1,900,000.00	£ 2,000,000.00	£ 1,500,000.00
Pothole Action Fund-DfT Grant		£ 70,200.00	£ 199,295.00	£ 240,900.00	£ 121,018.00	£ 1,537,000.00	£ 1,209,000.00
£965k Local Highways Fund					£ 965,000.00	£ -	£ -
Grand Total	£ 1,568,000.00	£ 1,538,700.00	£ 1,690,195.00	£ 3,640,900.00	£ 2,986,018.00	£ 3,537,000.00	£ 2,709,000.00

Appendix F – Road Condition Indicators

