

Appendix 3

HIGHWAYS SERVICE DELIVERY 2021 TO 2026

REVIEW OF CURRENT SERVICE AND OTHER OPTIONS

1.0 CURRENT SERVICE REVIEW

1.1 Management and administration

All service management, contract management, inspection, supervision, and administration functions are carried out by professional Council officers in the Highways and Infrastructure service, Neighbourhoods directorate. This includes the specification and design of task orders. No external suppliers engaged under this service are contracted to make decisions on works that are undertaken on the highway. The service is now managed in accordance with the Council's Highway Infrastructure Asset Management (HIAM) Strategy and Policy, which were approved by the Environment, Climate Emergency and Transport Committee on 3 December 2020. There is no proposal to change this aspect of service delivery at the present time. The operational management structures required to effectively deliver the HIAM strategy will be considered as part of a Neighbourhoods directorate efficiency review.

1.2 Direct Works

A new lean Council direct works service was established in October 2018 by internalisation of the routine functions previously delivered by the single supplier, including all reactive repairs and winter maintenance. This involved the transfer of approximately 20 BAMN employees into the Council's employment under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). As part of the contract settlement process with BAMN a number of plant and equipment assets were also transferred. The direct service is delivered by the Highway Operational Service (HOS) based at the Council-owned depot at Prenton Trading Estate. The service operates at cost within defined budgets and includes an internal market for activities and prices. A number of supply contracts for provision of materials and equipment to HOS are in place with some currently being re-procured. These are listed as 'contract ID C' in Appendix 1 to this report. There is no proposal to change this aspect of service delivery at the present time. The HOS service will be reviewed as part of a Neighbourhoods directorate efficiency review and any proposed changes will be the subject of a separate report and decision of the Environment, Climate Emergency and Transport Committee.

1.3 Direct works top-up support

A number of discrete works contracts are administered to support HOS with top-up support for ad-hoc specialist services, which it would not be economically viable to supply direct, including: road patching; minor civil engineering works; traffic management and road lining. These contracts are

currently being re-procured and are listed as 'contract ID B' in Appendix 1 to this report. These contracts will be evaluated and awarded under the Scheme of Delegation. Effectively these suppliers provide sub-contract works services to HOS, but are procured, administered and managed strictly in accordance with the Council's Constitution and Rules of Procedure. Providing a range of support contracts will help HOS avoid procurement rules breaches reported to Audit and Risk Management Committee. There is no proposal to change this aspect of service delivery at the present time.

1.4 Planned works top-up support

The majority of highway maintenance and improvement works activities, in terms of scope and value, are delivered through planned annual programmes under the Council's Structural Maintenance Programme (SMP) and Combined Authority Transport Plan (CATP). From 2021 these programmes will be presented for approval to the Environment, Climate Emergency and Transport Committee for individual planned projects due to be delivered in the following financial year, with an indicative programme for future years. Works delivered through the highway service under the SMP include road resurfacing and surface treatments, as well as footway reconstruction or improvements. Works delivered through the highway service under the CATP include civil engineering highway improvements as part of road safety or active travel initiatives. Major transport improvements are separately procured and managed, and do not form part of the highway service delivery model. To efficiently deliver the planned SMP and CATP works a number of top-up term service contracts are in place. These are listed as 'contract ID A' in Appendix 1 to this report. When first established in April 2019 these seven 'A' contracts were let for a period of 12 months, extendable by a further 12 months. Six of these contracts were extended by 12 months in April 2020. One contract extension was not taken-up and that contract has not continued. All six contracts have recently been further extended, with the approval of the suppliers and the Council's Procurement service, until 30 November 2021, under a government directive, PPN/01, allowing contract extensions for essential services during the Covid-19 pandemic. It is now proposed that six new 'A' contracts, as listed in Appendix 1, be procured during summer 2021 for commencement on 1 December 2021.

1.5 Effectiveness of current service model

- 1.5.1 When the Council's current top-up term-service contracts were extended in April 2020 a detailed review was conducted to evaluate prices against the previous single supplier contract. This review was considered in the decision taken by the Cabinet Member for Community Services on 19 February 2020. In summary the prices the Council is currently paying suppliers for planned highway structural maintenance works activities, which constitute approximately 75% of the value of the top-up services are significantly lower than under the previous single provider model. Examples include hot-rolled asphalt resurfacing, 48% lower and Micro-asphalt overlay, 15% lower. In addition, prices for top-up support to the direct works service are also

significantly lower than the previous model, and the market average, including: patching (including pot-hole repair), 34% lower; traffic management, 14% lower and road lining, 5% lower. This may be explained by a combination of reduced costs, overheads and risk in supplier's prices under the top-up model, because the work for Wirral is only part of the suppliers' business and such costs are distributed amongst multiple clients.

- 1.5.2 There is some evidence that prices in some of those contracts covering planned civil engineering improvement works, constituting approximately 25% of the top-up service, are slightly higher for some items compared to the previous single provider model. However, this may be explained by the extremely short-term, 12-month, contract durations initially established. Longer-term contracts, combined with longer-term programmes of work, as proposed, would be expected to yield better value for money for the Council, since suppliers could resource accordingly.
- 1.5.3 At the same time performance monitoring, based upon a range of key performance indicators (KPIs) included in the contracts demonstrated performance in excess of targets. This level of performance has been maintained over the past year on these contracts.
- 1.5.4 The effectiveness of the in-house plus top-up service model is evidenced by Wirral's annual efficiency savings of £484,958 reported by the CQC (cost, quality, customer) Efficiency Network in 2019/20 as well as an overall rating of 90, which is higher than the preceding 10 years. The CQC Efficiency Network benchmarks the cost of carriageway maintenance in local authority areas on a like for like basis, where the improvement of each authority is measured, and their efficiency savings quantified over time. There are currently 91 English Highway Authorities in the Network, of which Wirral is one. The CQC Efficiency Network is joint venture between the National Highways & Transport Network (NHT) and the University of Leeds. CQC analysis adjusts our total annual expenditure (TOTEX) less additional Investment on Carriageway Maintenance each year for network size and composition, traffic volume, road condition and wages so that it can be compared on a consistent basis over time and with every other member of the Network.
- 1.5.5 Each year the Council must present a statement to DfT evidencing its self-assessment of performance on Highway Infrastructure Asset Management. There are three assessment levels where level 3 is best. An authority must reach level 3 in order to secure its full allocated capital funding for highways without any deductions. Wirral Council has recently completed its self-assessment for March 2021 with assistance and audit from Essency Consulting, who are the independent consultants appointed by other Liverpool City Region (LCR) authorities to assist partners in completing their self-assessments. The Council has now achieved level 3 for the first time.

Previously the Council has been assessed at level 2 but has been 'protected' at level 3 status because of its membership of a devolution deal area.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Highway Maintenance Efficiency Programme (HMEP) was a sector-led transformation and improvement initiative designed to maximise return from investment and drive efficiencies in highway maintenance services. The programme was established in 2011 with sponsorship from the Department for Transport (DfT) for a seven-year period, until 2018. When Wirral Council established its current highway service operating model in 2018 the HMEP's Procurement Toolkit was used to explore all eight service delivery model options suggested by HMEP, namely:

1. Private Funding (PFI)
2. Single Provider
3. Framework
4. Joint Venture
5. Multiple Providers
6. In-House + Top-Up
7. Teckal (public sector trading company)
8. In House

2.2 As a result of the toolkit analysis the first five models were rejected and ultimately the preferred delivery option approved by the Leader of The Council was an in-house plus top-up model as described below. At the time of that decision the Council was not in a position to establish a Teckal company, effectively trading as a commercial entity. Neither was it able to demonstrate any benefits from the very considerable financial investment that would be necessary to deliver all the services as a wholly in-house contractor. The current market for experienced highway operatives is very strong and matching salary expectations may be unaffordable and outside of the current staffing structure budgets. There would also be a very significant asset investment requirement in plant and equipment, which would not be fully productive since the majority of high-cost activities, such as road resurfacing, are seasonal. It would not be possible to deliver this model without considerable asset expansion and a long period of planning. The position has not changed in the intervening three years and for that reason, and given the relatively low financial value of the overall service, the options below are considered to be the only viable service delivery models for Wirral's highway services over the next five years.

2.3 Single Provider

This model was adopted by Wirral Council for a period of almost ten years from April 2009 until October 2018, except that Council retained the client function, rather than being externalised. All highway service construction activities up to a capped value of £250,000 per task order were delivered by a single external private sector supplier under a single term service contract, with two separate consecutive contracts and suppliers over that period. These contracts were based upon schedule of rates prices which included all of the supplier's risks and overheads, as well as operational and management costs. This did not achieve best value for money for the Council, or for the suppliers, since the Council's overall annual highways service is relatively low in value and managed by a well-resourced in-house client team. The single suppliers did not actively determine the works to be carried out, but the contracts required an annual plan to be agreed by both parties. The degree of control over programming of works by the supplier, the additional prices for works not fully defined in the contract and, in some cases, the quality of work delivered, did lead to some commercial issues. As a result, this model was rejected in 2018 and it is proposed it be rejected again for the same reasons.

2.4 Joint Venture

Another of the options explored in more detail at the time of establishing the current model, although rejected under the HMEP toolkit outputs, was joint venture working with neighbouring authorities. Indeed, one of the reasons for setting the top-up supply contracts over very short terms in 2018 was the possibility of re-visiting this option in 2020/21. Only closely neighbouring authorities would have the potential operational ability to provide joint services. Recent discussions with Liverpool City and Cheshire West & Chester Councils suggest there is limited current appetite for joint venture highways service provision and the timing of contractual obligations are not conducive at the present time.. However, both authorities recognise the need to keep this under review and the recommendations included in this report would not preclude aspects of the service potentially being delivered jointly in the future.

2.5 In-house plus top-up

Under this model the client retains control of service delivery and provides a direct works service, topped-up as necessary with single or multiple external suppliers. This is the model the Council has been operating since October 2018, with a lean direct works service and multiple top-up suppliers, as set out below. The benefits of this model include:

- Direct Council provision and control over reactive works;
- Greater flexibility, works ordered under the top-up contracts are conditional on budget availability and no work is guaranteed to suppliers;

- Significantly lower prices for structural maintenance items, which constitute the majority of the spend, provides better value for money for the Council;
- Retention of an internal professional client function, which is able to administer service management based upon policy, but with the ability to respond flexibly and quickly to shifting local need and Council priorities.