

WIRRAL COUNCIL

SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE – 21st JUNE 2010

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

HIGHWAY AND ENGINEERING SERVICES CONTRACT – FIRST ANNUAL REVIEW

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Committee Members on the current Highway and Engineering Services Contract at the end of its first year of operation. It also invites Members to provide views on potential areas for innovation or improvement to be included in the Innovation Sub-group programme for the coming year.

2.0 BACKGROUND

2.1 Contract Overview

On the 16th October 2008 (Minute 246 refers) Cabinet formally awarded the Highway and Engineering Services Contract to Colas following an extensive procurement exercise. The contract term is for 5 years plus 3 individually awarded annual extensions and has a value of approximately £8 million per annum.

Most maintenance activities are included within the Contract and comprise – reactive and planned maintenance for highway, street lighting, coastal and bridge works, together with winter maintenance activities, and painting programmes.

2.2 Partnership Management and Governance

A robust and clearly defined approach to partnership management and governance is an important aspect of the Highway and Engineering Services contract and can be instrumental in achieving a number of significant benefits. These include:

- Ensuring an appropriate management and governance framework to properly manage the day-to-day business of a large strategic service contract, including the effective use of management and performance information.
- Improved communication between Council Client and Partner Contractor representatives at all levels, with reporting on a “highlight/exception” basis to ensure information/issues are considered at the appropriate levels within both organisations.
- Improved working relationships between representatives from both organisations through a “cascading approach” to dispute resolution.
- An effective vehicle for driving continuous improvement and achieving added value from the Contract, supported by a formal Partnering Agreement.

This revised approach to Partnership Management and Governance including Risk/Opportunity and Innovation meetings was approved by the Partnering Board on 30th November 2009 and is **attached as Appendix 1**.

2.3 Partnership Development

A Partnering Workshop on 10th July 2009 developed a Charter from the common goals discussed and looked at the Strengths, Weaknesses, Opportunities and Threats affecting the Contract and how both parties could jointly maximise the

strengths and opportunities and minimise the weaknesses and threats identified. A copy of the Charter is **attached as Appendix 2**.

Also completed is the Partnering Agreement. This is a voluntary arrangement entered into by both Parties with a prime purpose:

- To provide a forum for open discussion and exchange of information and ideas.
- To establish an approach and mechanism for developing and sharing the benefits of improved performance of the Contract.
- To establish an approach and mechanism for problem solving in the Contract to the mutual advantage of the Council and Colas.
- To establish a form for agreeing a strategic approach to improving the Contract performance to the mutual advantage of the Council and Colas.
- To establish a framework to enable improvement and innovation and promote best practice and is responsive to legislative change.
- To further the concept of continuous improvement in service delivery by learning from other service providers to bring together other organisations and agencies to identify possibilities for future joint action.

The development of the Partnering Charter and Agreement was the start of a key process in the contract relationship. Following on a joint Innovation Forum was held from which the various Innovation Sub-groups were established. These groups subsequently becoming the springboard for innovation and continuous improvements.

3.0 OPERATIONAL OVERVIEW – FIRST TWELVE MONTHS

The first year of the contract has required a certain amount of “bedding in” with both client and contractor making adjustments and accommodations to their ways of working. Further changes will inevitably be required and these may well result from the work of the Innovation Sub-groups described later.

However it has been a productive year with a variety of work jointly completed, particularly with planned works. The list below gives an indication of the work completed in the first twelve months.

- 3 No. Pedestrian crossing facilities (Toucan/Puffin)
- 5 No. Cycling Strategy Schemes
- 12 No. Local Safety Schemes
- 1 No. Major safety Scheme
- 11 No. Safer Route to School Schemes
- 4 No. Pedestrian Facilities Schemes
- 11 No. Street Lighting Improvement Schemes
- 60,000 No. Road Gullies cleansed
- 37 No. Carriageway Surfacing Schemes (HRA/DBM)
- 64 No. Micro Asphalt Surface Treatment Schemes
- 101 No. Footway Slurry Seal Schemes
- 18 No. Carriageway Retread Schemes
- 11 No. Footway Reconstruction Schemes
- 37 No. Major patching locations
- 34 No. Area Forum Improvements (pedestrian droppers, vehicle activated signs, refuges)

The Winter Maintenance operation proved relatively successful despite issues once again over salt deliveries. However a separate report on the Council’s approach to

dealing with adverse winter weather will be presented to the Committee, and will detail the areas of concern, lessons learnt and the mitigating actions to be put in place to improve the Council's response to adverse weather conditions.

The severe weather in January and February caused extensive damage to our carriageways. However a joint recovery plan was instigated with Colas providing additional resources to complete the extra works within a limited time frame.

At contract commencement Colas occupied the part of the Council's Dock Road Depot previously taken by Operational Services. However from the end of April Colas are now located in their own depot on the Prenton Way Industrial Estate.

4.0 INNOVATION SUB GROUPS

These joint Sub-groups were established in the early part of the year and followed on from the Partnering Workshop and Innovation Forum. Listed below are the introduced improvements and innovations of each of the Sub-groups:

ISG 1 – Works Ordering

Progressive work has taken place within this Group to identify innovations and opportunities to improve works ordering and in particular the receipt and processing of orders to carry out the works efficiently.

Key achievements have been:

- Allocation of reactive and routine works twice monthly to assist planning and programming (August 2009).
- Clarification of reactive, routine and planned work.
- The provision of a collaborative sub group identifying additional functionality and training on CRM reporting, visibility and functionality.
- Further steps to assist planning and organisation by creating works batching to drive operational efficiency within areas.
- Inspector/Supervisor area champions to streamline communication and understanding of the works issue.

Work has also started on a reactive routine protocol to develop communication to avoid non productive time and abortive visits.

ISG 2 – Planned Works and Programming

Key achievements have been:

- Introduction of programming for planned works using Microsoft Project. This has provided a developed and collaborative approach to the "submitted" and "accepted" programme.
- Consolidation of client pre-programme activities introducing early contractor involvement and advanced visibility.
- Introduction of a shared web portal to provide transparency of key issues such as the Programme, Early Warning Register, Operational Protocols, Risk Register and Innovation Sub-groups.
- Introduction of the Planned Maintenance Protocol providing a consistent and holistic approach to the delivery of planned maintenance schemes.

ISG 3 – Street Lighting

Street lighting has benefited from the development of early close collaboration resulting in the following innovation successes:

- Lone working delivering efficiencies.
- Warranty management to avoid wastage.

- Holistic approach to works requiring traffic management (in accordance with Traffic Management Act).
- Joint inspection audits to ensure compliance.
- Energy saving measures.
- Cap prototype for damaged columns.

ISG 4 – Integrated Asset Management and ICT

Joint project work on this has resulted in good progress on the procurement exercise with a proposed contract award planned for Cabinet in September.

ISG 5 – Winter Maintenance

Innovation has been largely influenced by a challenging winter. Key development work still in progress includes:

- Rationalising supervision.
- Route optimisation.
- Ice prediction and forecasting.
- Increasing salt capacity and logistics.
- Introduction of advanced GPS tracking on gritters.
- Winter Maintenance Review to be reported to Committee.

ISG 6 – Material Innovation

An Inaugural meeting identified the following areas worthy of consideration:

- Early contractor involvement.
- First time permanent repair material.
- Integrated approach to carriageway condition surveys.
- Bound and concrete reinstatements to reduce excavation depths.

Committee Members' views are welcomed on potential areas for innovation or improvement to be included in the Innovation Sub-group programme for the coming year.

5.0 CONTRACT PERFORMANCE MANAGEMENT FRAMEWORK (attached as Appendix 3)

5.1 Key Principles

In order to monitor and manage performance in the delivery of the contract, there is a requirement in the contract, for information to be provided to the Client on a quarterly and annual basis by the Contractor.

The Contractor is responsible for monitoring his performance against pre-determined targets on a monthly basis in preparation for the quarterly review and has to make the monitoring system and records available to the client for inspection and audit.

The Contractor is also required to undertake random self audits on 5% of all Works Orders plus any varying by more than 10% from the initial Works Order value. The audits should address the technical, financial and programme aspects of the Works Orders. Self audit reports are also to be considered quarterly.

Due to the nature of the performance measures, it was not feasible to implement the performance monitoring regime from the commencement of the contract.

Collaborative work commenced during Year 1 of the contract to develop the performance framework in readiness for measurement and application from 1st April 2010. This involved working with the framework contained within the tender documents and jointly developing this to a point where it was workable. Additional

Performance Indicators (PIs) have been added to the performance framework but to date these remain non contractual.

A Performance Incentivisation is to be applied to the contract, whereby from Year 2 of the contract, a maximum sum of 3% of the estimated contract value will be used as a basis to implement adjustments to the Contractor's payment for failing to meet performance targets. This percentage of annual contract value will reduce by 0.5% per annum over the period of the contract, subject to the contractor meeting all targets by the time of the annual review or by the re-negotiation of improved targets. Any amendments to the Contractor's payments will be adjusted over the following quarter after assessments.

The final agreed version of the PMF was agreed at the Partnering Board meeting of the 1st July 2009.

5.2 Planned Work

The majority of these PIs during Year 1 were on hold pending the development of an agreed protocol for the lead in and delivery of planned works. Innovation Sub-group 2 led much of this work which resulted in the final version being reported to and agreed at the Liaison meeting of the 1st February 2010 and the Partnering Board of the 16th February 2010.

The only PI measured during 2009/10 was the number of Priority 2 Works Orders requiring completion within 7 days and these P2 Orders require 100% completion within the timescales. During 2009/10 this was not achieved in most months culminating in a worsening dip during December and January largely as a result of the severe winter. The average of the last 6 months is 78.44% with the last two months achieving 100. A recovery plan resolved this area of work with full compliance in February and March 2010. It is likely that the number of P2s will reduce as a result of the client's rationalisation of works ordering by moving the P2s to P1 or P3 to assist with the planning of the work.

5.3 Reactive Work

This area is relatively unchanged and therefore was measurable from Year 1.

- PMF6 response to reactionary treatment was fully compliant at 100%.
- PMF7 Emergency response fell below the required 100% at an average of 97.19% although with relatively small numbers a single failure can cause a wide performance reduction.
- PMF8 Priority 1 work fell below the required 100% at an average of 88.70%. This was largely affected by the severe winter and a marked improvement was recorded in February and March 2010.
- PMF9 was a change from the contract PI. The original PI looked for % data of lights on across the network. This presented logistical problems and resulted in a rationalised PI measuring the time to complete reactive street lighting works. The PI requirement was jointly set at 95% with 83.47% achieved. Figures improved during the final three months of 2009/2010 but remained below the target completion.

5.4 Contract Management

This area was not measured during 2009/10 as this relied on the development of the Planned Maintenance Protocol to ensure a consistency in the delivery of planned schemes.

5.5 Customer Interface

As above but additional collaboration with Technical Services' Performance Manager has helped to ensure an independent approach to measurement.

5.6 Client Performance

This area was not measured during 2009/10 as this relied on the development of the Planned Maintenance Protocol to ensure a consistency in the delivery of planned schemes.

5.7 Year 2 (2010/11)

Full agreement has been reached in respect of areas and methods of measurement. Dates of liaison meetings are now moved to the middle of each month to ensure that a full and jointly agreed set of performance figures can be presented to the meeting to overview and agree corrective actions.

It is further understood that whilst it is the Contractor's responsibility to collect and supply performance data during Year 2, both parties will continue to monitor, agree and present data until such time as the recording data is proved to be fully integrated.

Additional non contractual PIs have been included within the agreed framework. This is to ensure that the critical areas not included within the contract are monitored and recorded pending a full integration in due course, possibly for Year 3 of the contract.

These new PIs pick up the omitted P3 'time for completion', drainage, additional street lighting and other desirable measurables.

5.8 Outstanding Challenges

Even though good progress has been made in relation to the development and implementation of the PMF, there remain a number of outstanding challenges:

- Full improved IT visibility through CRM at the Contractor end to manage the order queues to complete within the required dates.
- Full improved IT visibility in respect of outstanding work and "jeopardy" reports.
- Organisation, resourcing and planning of works.

6.0 BENEFITS REALISATION PLAN (attached as Appendix 4)

6.1 Key Principles

This plan has been developed to determine a definitive benefits realisation strategy and plan that will ensure the aims, objectives and aspirations of the procurement exercise are fully delivered. Projects can be delivered in isolation and merely reaching the project completion is often seen as a milestone of success without really understanding or measuring to see if the purpose of the project has achieved the required outcomes.

It is realised that clear benefits can be delivered in two key areas: benefits arising from the completion of the HESPE Procurement Exercise and benefits arising from and during the delivery of the Highways and Engineering Service Contract itself.

6.2 Summary Overview of Year 1 (Y1) 2009/10

BR1 – Qualitative

The Performance Management Framework identifies the proposed performance targets on a 5-year basis during the contract. These are also cross-referenced to Corporate and Departmental aims for 2009/10.

An executive summary of the Year 1 (Y1) qualitative performance and plans for Year 2 (Y2) is provided.

In summary the Y1 qualitative performance requirements are not met in all areas.

BR2 – Improved Management of Risk

The management of micro contract risk managed through the NEC contract with risk reduction meetings where contract specific items are raised as early warnings with a view to mitigating an issue that has the propensity to change the works information.

This has worked well during the year with the early warning and compensation event process working well during Y1 with monthly commercial meetings. The register of events is up to date and accurate with only 13% (22 no.) of early warnings still open out of a total of 185. There are currently 52 compensation events and 8 Project Managers assessments.

Commercial risk is integrated into the macro risk and highlights more strategic partnership risks. Risk reduction meetings are collaborative and have resulted in a quarter-by-quarter contract strategic risk reduction. These are reported at monthly liaison meetings and quarterly Partnering board meetings.

Current risk stands at £0.8M compared to £1.8M at contract commencement.

BR3 (Capital Savings); BR4 (Revenue Savings)

Capital and Revenue efficiency savings from the contract were identified in a report to Cabinet in October 2008. These were linked to a baseline budget of 2008/09 and represents £550k, with a split of:

- £220k per annum true revenue saving against Revenue Works expenditure (£1.76m over the eight year contract term) to contribute to corporate efficiency savings targets.
- £330k per annum efficiency saving against Capital works expenditure (£2.64m over the eight year contract term) primarily to facilitate increased work output for the allocation available or possible offset the effect of the contract inflation in future.

With regard to the financial benefits achieved in the first year of the Highway and Engineering Services contract, officers are currently analysing the quantities and values of work achieved last year, together with a comparison against previous years.

This is a complex and lengthy task only now beginning as the end of financial year figures become available. It is the intention that this analysis is available for the Gateway 5 Review (Operations and Benefits Realisation) at the end of June.

BR5 – 1.5% Gershon Efficiency Savings

This is achieved by reducing the new rates following the application of Baxter by 1.5%. Therefore the efficiencies are achieved in line with the requirements of the contract and the benefits realisation strategy.

BR6 – Income generation and cost saving through the potential disposal of depots

Identified within the Colas tender Method Statement Submission was a move from the Council's Dock Road depot to their own premises. This has been realised, as from the beginning of Maty as Colas now operate from their depot on the Prenton Way Industrial Estate. This move allows the Council to gain some benefit from the Dock Road site.

BR7 – Cost saving through client staff reduction

Capita Symonds Outline Business Case for the project details a reducing client staff profile and subsequent cashable efficiency savings throughout the life of the contract. This emerging reduction is in line with predicted natural wastage and has produced savings of £100K in 2009/10 and £180K in 2010/11 and is therefore on target.

BR8 – Additional savings from ICT rationalisation and the introduction of a single integrated asset management facility

The procurement of an integrated highway asset management system is progressing well with procurement completion targeted for October 2010. This is therefore on target.

6.3 Summary RAG Analysis of Benefit Realisation Strategy

Benefits Progress at 1st April 2010			
Benefit Number	Description	8 Year Value (£M)	RAG
Qualitative			
BR1	Continuous improvement measured by performance management framework linked to Technical Services Divisional performance indicators that are a contributor to Wirral MBC Corporate aims.	Qualitative	A
Quantitative			
BR2	Improved management of risk – savings from effective risk management.	1.16	G
BR3	Capital savings	2.64	A
BR4	Revenue savings	1.76	A
BR5	1.5% Gershon efficiency savings	0.96	G
BR6	Income generation and cost saving through the potential disposal of depots.	0.93	A
BR7	Cost saving through client staff reduction.	2.18	G
BR8	Additional savings from ICT rationalisation and the introduction of a single integrated asset management facility.	0.25	G
Total realisable benefits		9.88	

7.0 PROPOSED GATEWAY 5 OPERATIONAL AND BENEFITS REALISATION REVIEW

7.1 Members will no doubt recall the procurement exercise for the new Contract was conducted using the Office of Government Commerce's "Gateway" process.

7.2 The Gateway 5 review will be carried out on the 22-24 June 2010 by the external Local Partnerships Organisation (formerly 4Ps). The review will consider the operational arrangements and look to establish the extent to which the qualitative and quantitative benefits that were identified during the procurement exercise have been brought to fruition.

7.3 The findings of the Gateway reviewers will be reported to Cabinet in the summer and it is proposed that a subsequent report is brought to the next Overview and Scrutiny Committee in September detailing progress made against any recommended actions.

8.0 FINANCIAL IMPLICATIONS

8.1 There are no specific financial implications arising from this report.

9.0 STAFFING IMPLICATIONS

9.1 There are no specific staffing implications arising from this report.

10.0 EQUAL OPPORTUNITIES/EQUALITY IMPACT ASSESSMENT

10.1 There are no specific equal opportunity implications arising from this report.

11.0 HEALTH IMPLICATIONS/IMPACT ASSESSMENT

11.1 There are no implications under this heading.

12.0 COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications under this heading.

13.0 LOCAL AGENDA 21 IMPLICATIONS

13.1 Opportunities have arisen throughout the year to use recycled produced and construction processes. In particular Brimstage Road utilised Colas' retread process.

14.0 PLANNING IMPLICATIONS

14.1 There are no specific planning implications arising from this report.

15.0 ANTI-POVERTY IMPLICATIONS

15.1 There are no implications under this heading.

16.0 SOCIAL INCLUSION IMPLICATIONS

16.1 There are no implications under this heading.

17.0 LOCAL MEMBER SUPPORT IMPLICATIONS

17.1 The Highway and Engineering Services Contract operates across all Wards.

18.0 BACKGROUND PAPERS

18.1 No background papers have been used in the preparation of this report.

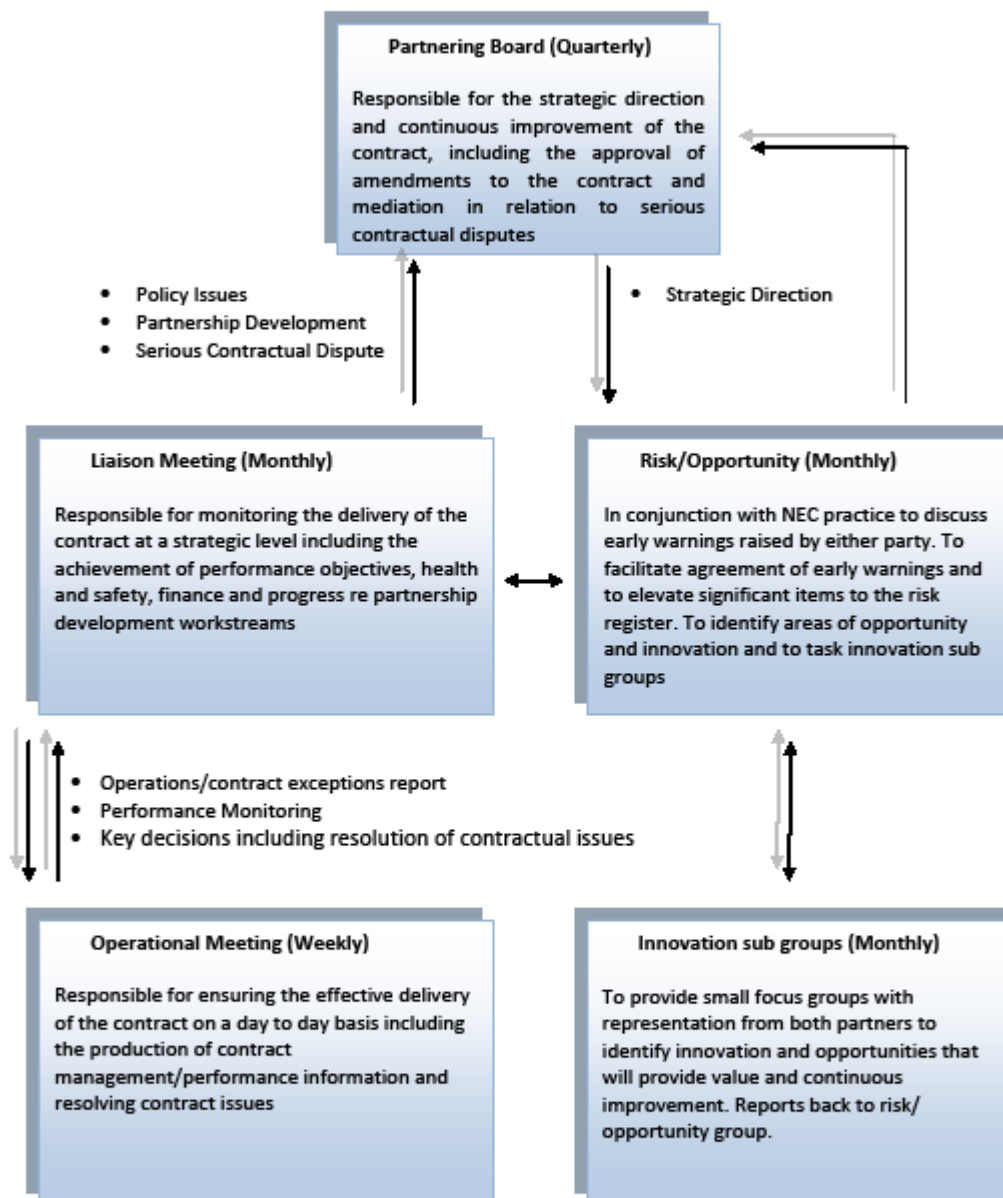
19.0 RECOMMENDATIONS

18.1 Committee is requested to:

- (i) Note the progress of the contract during the past year;
- (ii) Provide views on potential areas for innovation or improvement to be included in the Innovation Sub-group programme (refer Section 4.0) for the coming year as appropriate;
- (iii) Request officers to report to the next meeting on the outcome of the Gateway 5 Review and the progress made against any recommended actions.

DAVID GREEN, DIRECTOR
TECHNICAL SERVICES

WIRRAL Colas – Approach to Partnership Management & Governance



Note: Nominees for the partnering Board and Liaison Meeting are as stated in the Partnering Agreement



WIRRAL

... improving the way ahead



STREETSCENE PARTNERSHIP

**HIGHWAY AND ENGINEERING SERVICES 2009-2014
PARTNERING CHARTER**

OUR AIM

We will align our objectives and work together in the spirit of partnership to successfully deliver the Streetscene Vision. Our broad aims are to:

- △ Continually improve the condition of Wirral's highway infrastructure
- △ Provide a responsive customer-focused service dedicated to improving perception and satisfaction
- △ Deliver value for money cost efficient services

MUTUAL OBJECTIVES

Our mutual objectives in support of the above are to:

- △ Ensure that our customers' needs are recognised and addressed
- △ Aim for a "right first time" attitude
- △ Provide a high quality service at a fair price
- △ Meet cost, time and safety targets
- △ Minimise disruption to third parties
- △ Seek continuous improvement together to ensure the contract is successful for both parties
- △ Encourage innovation and sharing of best practice

TEAM VALUES

We will meet out mutual objectives through effective, integrated team-working across the parties, which will involve:

- △ Acting with honesty, fairness and co-operation
- △ Encourage an environment that enables constructive challenge
- △ Open communications at all levels
- △ Timely resolution of issues at the lowest practical level
- △ Creating an enjoyable working environment

Producing a "Win-Win" Relationship

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