

Report to: Economy, Transport and Environment Scrutiny Committee

Date of meeting: 15 March 2017

By: Director of Communities, Economy and Transport

Title: Update on the new Highways Infrastructure Services Contract

Purpose: A report to update the Scrutiny Committee following mobilisation and implementation of the new Highways Infrastructure and Services contract 2016-2023.

RECOMMENDATION: Scrutiny is asked to consider this update report and requirements for future updates.

1 Background Information

1.1. On 15 December 2015 Cabinet approved the award of a new seven year, £300m Highways Maintenance contract to Costain who formed a joint venture with CH2M (the JV), which commenced on 1 May 2016. A new East Sussex County Council (ESCC) Contract Management Team was created to oversee the management of the new contract including commercial management, compliance and performance, asset management and service development. The contract management team is led by a Contract Manager (Head of Service) for the Highway Services.

1.2. The new contract with Costain replaced three separate maintenance contracts for highways, street lighting and traffic signals. A key advantage of the new contract was the introduction of efficiencies and savings delivered by the Joint Venture's (JV's) ability to control end to end processes and specifically in the JV's bid were promises to introduce innovative systems and technology to improve the efficiency of highway works, visibility of data and customer communication.

1.3. Mobilisation of the new contract commenced following award of the contract on 6 January 2016. The JV's mobilisation and management team were based locally at the Ringmer highways office and worked closely with the new contract management team, existing highways staff, and the incumbent contractors' teams to ensure a smooth transition. This included engaging with all transferring staff and running joint workshops to develop the culture and behaviours of the new organisation, in line with ESCC outcomes. In keeping with the ethos of the contract model and industry best practice the JV and ESCC teams work in a spirit of mutual trust and co-operation as East Sussex Highways (ESH) and have developed a genuinely open and honest approach to managing the Highways service.

1.4. The contract commenced on 1 May 2016 with the successful Transfer of Undertakings Protection of Employment (TUPE) transfer of 150 staff with new services commencing immediately over the bank holiday weekend.

1.5. Over the following months there was an intense period of training for staff on new systems, processes and organisation culture presenting a number of challenges to the delivery of services as new ways of working were introduced. This did result in some customer service challenges, but these early challenges have now largely been addressed through recruitment and training. A process of learning and improvement is still ongoing, as staff and the organisations continue to fully embrace the new ethos and the new service delivery model that is required. The contractor's senior team has met with the Chair of the Economy, Transport and Environment (ET&E) Scrutiny Committee and with Scrutiny Members to hear first hand their concerns, and for Members to hear the JV's proposed improvement plan.

1.6. In moving to the new service model, Members were very keen that there was appropriate management and scrutiny of the service with robust client commercial and performance regimes in place. The first full contract year will be completed on 30 April 2017 and the final contractual performance outturns will be determined in early July 2017. However, there is early evidence that the new contract and new way of working is delivering genuine service improvements compared to previous

arrangements. The contract is required to deliver against the specific outcomes requested by members of the Scrutiny Members Reference Panel: namely, to have the best road network condition for the funding available; to improve network condition; promote economic growth; reduce the level of third party claims; provide value for money; promote local engagement; and improve customer satisfaction. Despite some early hiccups, there is already evidence that the new contract is beginning to deliver against these outcomes.

1.7. Specific performance measures were developed for the contract to ensure the contract provides the level of service required, and can incentivise or penalise the contractor as necessary. These are linked to wider business measures to show delivery against the desired outcomes. The new Contract Performance and Compliance Team ensure measurement of performance is combined with contract compliance checks to ensure the level of service and the requirements of the contract are being delivered. A robust performance and compliance framework has been developed to support this (please see Appendix 1).

2 Progress against the contract outcomes

2.1 The new highways contract is designed to deliver a number of outcomes with the principal outcome to have the best road network for the funding available. After 10 months of service delivery there is already evidence of some significant progress towards achieving these outcomes.

Improve Asset Condition

2.2 Our progressive asset management approach to managing the network has meant overall road condition continues to improve with the 2016/17 network condition surveys showing further improvement in the condition of rural roads, with a reduction from 22% to 19% of the unclassified roads requiring maintenance. The condition of the principle and non-principle roads has also been maintained at the previous levels of 5% and 6% respectively.

2.3. Improved systems and data collection combined with the use of other asset intelligence has already helped us develop a proactive approach to managing the drainage network. A targeted approach to reducing winter flooding has been introduced by identifying the flooding hotspots through intelligence collected from the Highway Stewards, customers and our defect data, meaning we are proactively clearing gullies and grips where the network is liable to flood when heavy rain is forecast. We have identified a range of remedies for our flooding hotspots, which include both planned drainage infrastructure improvements and increased maintenance frequency of gullies, ditches, grips and soakaways. This will reduce the impact, longer term, of damage to the network caused by water on the highway.

Ensuring a Safe Network (reduce third party claims)

2.4. The County Council's Asset Management Policy and Highway Inspection guidance set out the intervention levels and response times, which enable us to maintain a safe road network. The introduction of new hand-held field data devices for both Highway Stewards and the maintenance crews directly linked to the defect recording and work scheduling systems enables more effective repair times and clear instructions for crews. This means work can be undertaken right first time and better evidence of a repair being carried out within the timescales required. By ensuring we adhere to the inspection regime and defect rectification timescales the County Council has been able to successfully repudiate 91% of third party claims since the start of the contract, and increase from circa 60%.

2.5. The packaging of County Council core maintenance services (pothole repairs, winter gritting, grass cutting and gulley emptying) as annual lump sum arrangements provided the County Council with revenue savings of £1.4m at contract award, compared to previous contract arrangements. In addition, some of the core service requirements have been enhanced in the new contract to provide improved service standards (e.g. routine ditching works and road marking replacement). Since the start of the contract improved systems and information have also enabled a more planned approach to minor works to be developed providing further service efficiencies and resulting in an increase in the volume of minor works that will be undertaken in the first contract year. This has included the introduction of a full hedge cutting programme, full cut back of the rural grass verges, additional ditching works, additional lining works, and sign cleaning and replacement.

2.6. There is also early evidence that the procurement efficiencies suggested in the detailed business case of circa 10-18% for capital works are beginning to be delivered through effective packaging of works. These efficiencies have been reinvested in the capital programme through additional and accelerated works enabling approximately an additional 50 planned highway resurfacing schemes to be delivered this year. The total value of these efficiencies will be determined at the end of the contract year when a full assessment of the cost and performance outturn is completed.

Promoting the Local Economy

2.7. There is a specific requirement for the contract to promote the local economy by supporting local businesses. The JV has successfully partnered with local contractor Hailsham Roadway who have successfully won further work on the contract thus contributing to an increased turnover for this successful Hailsham business.

2.8. The JV have also supported local contractors Gorringer Plant Ltd, based at Uckfield, by providing Site Supervisors training, introducing start of shift safety briefings and ensuring all operatives have appropriate Construction Skills Certification Scheme (CSCS) safety cards. This has enabled the JV to offer an increased workload to Gorringer through the contract.

2.9. Both companies are keen to continue to work and expand their businesses through their work with East Sussex Highways and introduce innovation and new ideas into service.

Promoting Local Engagement

2.10. Since the commencement of the contract East Sussex Highways has carried out a number of parish council road shows to introduce the new contract and establish clear communication with parish councils. ESH have also re-launched an enhanced community match programme including a clear process to support parish councils with applications. ESH are also supporting parishes to develop winter plans and have recently begun work to help parishes develop their own ability to undertake minor services, but while working in a safe environment. These services include local sign cleaning, grass cutting and footway siding (the cutting back of vegetation overgrowing footways). This proactive engagement has been very positively received by parish councils.

Improving Customer Satisfaction

2.11. The new contract has enabled the introduction of a world leading and innovative customer relationship management system to improve the way we manage and communicate with residents and local businesses. This includes a brand new dedicated ESH website with a web team who provide up to date information about services and an extended call handling centre to deal with customer queries. The use of the website to log issues and search for information about our services is increasing in popularity, with customer web usage considerably increased since the start of the contract. The ESH website also includes a Member log-in area that provides County Councillors with additional information and access to case histories. At the same time the use of social media like Twitter and Facebook is also an increasingly popular way for the public to communicate with us about services like grass cutting, winter gritting and our planned road works. In 2016 ESH won the Salesforce Global Innovation Award in the Public Sector category for the use of this technology in this environment.

2.12. However, the introduction of new systems and processes for handling customer queries led to some customer service challenges in the early months of the contract and this part of the service continues to be an area of important focus for improvement. The JV has put in place an improvement plan, and additional customer service advisers have been recruited and the customer contact centre restructured to provide a quicker response to customers. Customer advisers now retain ownership of a customer case from beginning to end, and deal with customers on an individual basis to provide timely updates and information about their issue. In addition, innovative analytical software enables live monitoring of queue times of customer phone calls and case progress. Despite the early challenges there is clear evidence of continued improvement with over 55% of calls answered immediately, 80% of calls answered within the 90 second target and an overall average wait time of 63 seconds (the best 100 companies target 90 seconds).

3 Conclusion

3.1. The wholesale changes to the contract arrangements that have been undertaken since May 2016 have presented a number of challenges, not least in continuing to deliver day to day services, every day. The scale of the handover from three out-going maintenance contractors, the TUPE transfer of a large number of ESCC and contractor staff, and the seamless mobilisation of the new contract should not be under estimated. The introduction of new systems and processes has also presented a number of challenges, but the required change in culture to deliver a new service has presented perhaps the biggest challenge. However, there is genuine evidence that this innovative contract has started well and is delivering real benefits to the residents of East Sussex by providing improved services, value for money and support to local communities. These early successes suggest that with continued effort and focus on improvement there is no doubt that further benefits can be realised as the contract progresses through the next 6 years.

RUPERT CLUBB

Director of Communities, Economy and Transport

Contact Officer: Dale Poore & Hannah Cawley

Tel. No. 01273 481916

Email: dale.poore@eastsussex.gov.uk & hannah.cawley@eastsussex.gov.uk

LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None