

Report to: Place Scrutiny Committee

Date of meeting: 22 July 2025

By: Director of Communities, Economy and Transport

Title: East Sussex Highways Year 2 Contract Performance Report

Purpose: To update Scrutiny Committee on the performance of the second year of the Highways Infrastructure and Services contract 2023-2030 with Balfour Beatty Living Places

RECOMMENDATIONS:

- (1) Place Scrutiny Committee is asked to note the performance of the second year of the Highways Infrastructure and Services contract with Balfour Beatty Living Places.**
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1 Background Information

- 1.1. The highways infrastructure and services contract with Balfour Beatty Living Places (BBLP) commenced on 1 May 2023. Service Year 1 was only 11 months in length to bring the contract in line with the financial year end, Year 2 began on 1 April 2024. This report summarises the performance of the contract through the second year (2024/2025) in relation to achieving the contract Service Performance Indicators (SPIs) and outcomes.
- 1.2. The contract is required to deliver against the specific service outcomes as agreed as part of the procurement of the highways infrastructure and services contract, with input from Place Scrutiny Committee. These can be summarised as quality assurance; to have the best area network condition for the investment available; and effective stakeholder management, sustainable economic growth, and carbon reduction.
- 1.3. SPIs and Key Performance Indicators (KPIs) are the same as those used in Year 1. On some SPIs, the targets have increased and will continue to increase year on year to drive improved performance over time.
- 1.4. The SPIs and KPIs are monitored through an evidence-based audit process carried out by the ESCC client team as well as the contractor's own programme of performance management and audits. Performance management is overseen by the contract's Service Management Board, made up of senior managers from ESCC and BBLP, on a monthly basis.
- 1.5. There are two incentives within the contract for the contractor to perform well: the SPI reward model and the KPI extension model. The SPI reward model is based on the performance of the individual SPIs in each service year and allows the contractor access to a financial reward should levels of performance meet or exceed the service requirements, and the contractor's works costing less than the expected Target Costs. Conversely, the contractor puts its declared profit at risk from poor performance. The KPI extension model provides the contractor an opportunity to access the seven-year extension of the contract if all the KPIs are met or exceeded. This would not be considered until year four of the contract where a business case would be submitted from the contractor outlining their performance and ensuring the contract remains focussed on delivering the Council's priorities. It is at the contractor's discretion to apply to extend the contract, but it will be a Cabinet decision to agree the extension.

2 Overall SPI Outturn for Year 2

2.1 There are 17 SPIs included in the contract, see details in Appendix 1. The overall outturn for year 2 is 87.4% against the target of 92.8%.

2.2 Within these:

- 5 achieved their target (green)
- 8 finished within 10% of the target (amber)
- 4 finished below 10% of the target (red)

Furthermore, 12 SPIs had an improved performance between Year 1 and Year 2, and 5 SPIs had a fall in performance, evidence that the contract has delivered continuous improvement in some areas, but greater focus is still required in other areas.

3. Detailed SPI Outturns

Quality Assurance

3.1 SPI 01 Safety defects inspected within time

BBLP has continued to attend and inspect safety defect and hazard enquiries within the contract timescales (SPI 1) and have delivered a second year of very good response times for customer reported defects, with 99% of hazards being initially inspected within the required timescale, and this includes attending Category 1 enquiries within 2 hours.

3.2 SPI 02 – Safety defect correction within time for Carriageway/Cycleway/Footway asset types

SPI 2, which measures whether carriageway and footway potholes are repaired within the specified timescales, improved by 10 percentage points compared with year 1 demonstrating an improvement. Performance across each of Category 1, 2, and 3 defects have markedly improved in year 2. Throughout year 2, BBLP met with the pothole subcontractor daily to discuss performance. Despite this improvement, the SPI failed to reach the minimum required level for the contract and will require further focus throughout year 3. It should be noted that around half of the total failures within the year occurred in Quarter 1 (April-June 2024), when the previous subcontractor was still being employed. The eventual replacement of this sub-contractor in June 2024 is a major factor in improvements since then for both the timeliness and quality of pothole repairs, however, between January and April 2025, the service continued to experience a high volume of defects and failures. In response, BBLP conducted a series of service reviews during this period to assess and design a more resilient delivery model. As a result, a revised service model, bringing additional functions back in-house, has been developed. Implementation of these changes began in June this year, with the aim of achieving sustained improvements in service performance.

The number of carriageway and footway safety defects recorded fell by over 10,000 between 2023/24 and 2024/25. This is attributed to drier weather, better quality first-time repairs longer-lasting pothole repairs, and an extensive patching programme, with a focus on pothole hotspots and key locations.

3.3 SPI 03 – Works/faults and safety defects correction within time for other asset types

The performance for repairs to other types of defects, including drainage, signs, road markings, and street lighting has slightly fallen in Year 2 and has failed to reach the minimum required level for the contract. Following identification of inconsistencies in how some street lighting jobs were recorded on the system by BBLP, an investigation was carried out by the ESCC client team, and an improved process for recording street lighting defect jobs that meets the requirements of the contract has subsequently been agreed. This is an area of continued focus for BBLP and the client to monitor.

3.4 SPI 04 – Safety defects permanently repaired first time

One of BBLP's key objectives of the contract and year 2, "Right First Time" has seen an improvement with the majority of defects being permanently repaired first time. The outturn was within 10% of the target (amber) and remains a key focus for the new subcontractor in year 3.

3.5 SPI 05 – Winter Maintenance – Precautionary Treatments

The performance for winter gritting was below the minimum required level in year 2. The primary cause was due to the contractor using gritting routes from the previous contract when Sidley depot was still operational. Following closure of the Sidley depot, winter operations were transferred to the depot at Cripps Corner, and the additional travel time from Cripps Corner to the start of the old Sidley gritting routes has hampered the contractor's ability to complete all routes within the expected timescales. This has meant that not all roads have been treated within the expected timescales. BBLP are aware of their responsibility to re-design and optimise the routes ahead of the year 3 winter season and are currently updating and adjusting routes to provide an efficient winter service.

3.6 SPI 06 – Defect free works

This SPI is measured in 2 parts; defect free works for schemes, and defect free works on core activities, such as pothole repairs. It is worth noting that 'defects' measured in this SPI are not the same as safety defects covered under SPIs 1 to 3; defects measured here are not safety concerns but smaller snagging issues that mean the works do not meet the specification within the contract. The ESCC client team inspected a minimum of 10% sample of each during the year. The performance on this SPI is much improved compared with the previous year although neither year met the target. On schemes work, 75.9% of those inspected were found to be defect free. For reactive defects such as pothole repairs, 86.1% met the contract specification for quality of repair. Only a small proportion of the failed repairs required repeat repairs as the rest were within an acceptable limit (albeit not meeting the specification exactly). All remedial / repeat repairs are carried out at the contractor's cost.

3.7 SPI 07 – Notified Defects corrected

Any defects found within a year of a scheme being completed should be repaired by the contractor within 12 weeks of the defect being found. This is measured in SPI 7, and within year 2 this narrowly missed the target. An improvement plan has been established by BBLP to address the identified underperformance. The plan introduces enhanced management information utilising

the Operational Control Hub in Ringmer and reinforces team accountability to support improved performance against this indicator.

3.8 SPI 08 – Programme Delivery – Work Activities

The Programme Delivery – Work Activities SPI measures whether the Works Programme for year 2 was fully complete by the end of the service year (31 March 2025). In year 2 there were a number of schemes that were not completed by the deadline and therefore the target wasn't reached. Performance of this SPI was around the same level as in year 1. Part of the reason for schemes not being completed on time relates to Defects still outstanding on jobs that have in the main part been completed. BBLP has since identified enhancements in programme governance and management information systems to improve the visibility of key dates and milestones. These improvements also create opportunities for greater collaboration across the network; an important step in light of the Lane Rental scheme's implementation.

3.9 SPI 09 – Final Accounts

SPI 9 has achieved the target for year 2 with 212 of the 229 final accounts submitted on time.

3.10 SPI 10 – Permit regulations met on site

Permit regulations met on site is also measured in 2 parts; one, the sub-contractors works comply with Permit conditions and two, gangs are recording the time they both started and stopped works at the site. Performance has improved in year 2, although has narrowly missed the target. The main reason for Permit conditions not being met is that the Permit number was not displayed on site. This is being addressed through the implementation of enhanced training programmes for supervisory and management teams and will see significant improvement in Service Year 3.

Stakeholder Engagement

3.11 SPI 11 – Well planned permits

This SPI fell slightly from last year and is now amber. This change is mainly due to the recording of gangs leaving sites later than the planned permit allows.

3.12 SPI 12 - Work Activities started on time

The SPI measures whether Work Activities started on the day stated within the stakeholder communication. Performance within this measure improved since year 1 and is within 10% of the target. The primary reason for the failures was the contractor was not being ready to start for reasons such as not having a Permit agreed, overrunning from previous jobs, and insufficient gang resource.

3.13 SPI 13 – Works communications

During year 2 almost 800 scheme public information packs (PIPs) were distributed to residents and stakeholders. The vast majority were distributed correctly and within the required time, resulting in this SPI finishing above target.

3.14 SPI 14 – Stakeholder communications

The SPI exceeded the target meaning the measures for timely responses to customer enquiries and complaints have performed well in year 2.

It should be noted that quality of communications is very hard to measure and is therefore not included in the SPIs. There have been some quality issues identified in BBLPs stakeholder management and these are being addressed through the contractual mechanism of Early Warning Notices. These subsequently have their own improvement plans which is monitored alongside the SPI measures.

There were 36,162 enquiries raised through the various channels (website, phone and social media) with 97.1% answered within 10 working days. During the year, enhancements were made to the website to allow Councillors to have direct access to their own Member's portal, which provides them with a wealth of information for their Division, including but not limited to; repairs carried out, enquiries raised, and any planned works in their area. Since implementation in October 2024, 31 councillors have been given training and set up with a personal login, however only a small number have used the portal to date. The Stakeholder and Engagement team are continuing to look at ways to make the portal more tailored and accessible to councillors to encourage take up.

Improvements are also being explored in the provision of information for parish and town councils and other customers that will help foster stronger relationships and better inform of the service provided.

3.15 SPI 15 - Percentage of responses sent to claimants within timeframe

A 'soft start' period for SPI 15 was extended to 30 June 2024 due to the volume of red claims received and resources needed to process these; largely as a result of road condition arising from recent winters.

As a further reflection of the falling number of potholes, the number of claims received for vehicle damage caused by potholes more than halved between years 1 and 2, from 2,058 to 1,002. With the number of claims received falling, the performance of SPI 15 has significantly improved. This is now within 10% of the target and currently almost all claims are being responded to on time.

Promote Economic Growth

3.16 SPI 16 – Social Value Plan Commitments

The social value plan was fully delivered in year 2, returning a 100% result making it the highest scoring SPI within the year. The team delivered a great number of social value initiatives in the year. Some of items delivered within the year included:

- 783 hours of staff volunteering
- 315 hours of training and support offered to local micro businesses/SMEs
- 5 local people supported to achieve NVQ Level 2 or 3
- 12 staff started apprenticeships at level 2 or 3
- 103 hours of career awareness programmes offered through local schools and colleges
- 14 Job opportunities offered to local people from priority groups
- Fundraising and donations to the value of £8,116 given to local voluntary and community groups
- 236 hours of commercial support offered to local voluntary and community groups

3.17 SPI 17 – Local Spend

The SPI for local spend improved and continues to exceed the target. Many of the key sub-contractors used for highways works are based within East Sussex showing strong support for local SMEs.

4. Focus for Year 3

4.1 Any areas of concern throughout year 2 have been addressed with BBLP using formal contract mechanisms in the form of Early Warning Notices. This triggers a formal process where BBLP must provide a detailed plan as to how they intend to resolve the issue, which is then closely monitored by the client team. This process will continue in year 3 to address ongoing performance concerns. In addition, BBLP has put in place an overall improvement plan to address overall performance which has been agreed and is monitored by the client team.

Quality Assurance

4.2 The backlog of potholes in the 2024/25 winter period was still high and the primary cause of a low SPI 2 score. The visibility of potholes by the public, and the potential financial and reputational damage for not repairing them within timescale means the continuing underperformance of repairing potholes within the requisite timescales remains one of the key focus areas for year 3. Pothole gang resources were insufficient to deal with the volumes experienced particularly in January and February.

4.3 During the winter there were a significant increase in the number of temporary pothole repairs which placed further strain on the resource available to follow up with permanent repairs. To compound this, there were often delays in the raising of the permanent follow up repair, which therefore meant a significant number of the permanent follow up repairs were out of date at the point of them being raised, which reduced the SPI 2 score. Therefore, an important objective during year 3 is to have fewer temporary repairs, with more permanently completed at the first attendance.

4.4 A review of the core-reactive service has been undertaken by BBLP considering how it is delivered currently and what an improved model might look like to improve performance and provide BBLP with greater control over how the repairs are carried out. The new model transitions to a multi-contractor approach with BBLP managing work planning and scheduling using the Operational Control Hub (OCH) in Ringmer, and two different contractors carrying out reactive road repairs. This model improves service resilience, reduces the risk of operational bottlenecks, and enhances responsiveness to changing demands. Additionally, distributing responsibilities across multiple contractors located in different areas strengthens resource availability, optimises efficiency, and supports improved quality control.

4.5 Similarly, improving SPI 3 performance will continue to be a focus for year 3. The specific areas of lower performance within year 2 were street lighting, drainage covers, and road signs. Within street lighting, having a relatively small number of lights not working for long periods of time is having a big impact on the overall score. The client team will work with BBLP to analyse the common causes of the delays and arrange street lighting installations and repairs much faster than is currently the case. For drainage covers, road signs, and street furniture, additional materials will be carried to site to cater for all eventualities, and materials will be ordered at the earliest possible point. This ties in with the overall review of the reactive service previously mentioned in point 4.4.

4.6 The reconfiguration of the winter gritting routes will be a key factor in the improvement of the performance of SPI 5. This will require the contractor to employ a specialist third party to

optimise the routes using the current primary and secondary road network and the available salt depots.

4.7 To improve the performance for SPI 6 (defect free works), joint meetings between the client team and BBLP have already been implemented so issues can be identified before completion of jobs. BBLP are analysing the common causes of failure and focus on solutions in these areas. Furthermore, they plan on greater use of innovation and looking at a wider number of solutions at design stage.

4.8 In order to boost the score for SPI 8 (programme delivery – work activities), regular meetings are held with the project managers to track the progress of each scheme with an aim of closing out jobs on the system more efficiently. This ensures clearer ownership of any outstanding projects, and reasons for non-completion of schemes are understood by senior management.

4.9 From service year 3 onwards, the implementation of the lane rental scheme will add an additional financial risk to not raising Permits in good time and ensuring those schemes run on time. This gives an even greater incentive to improve SPI 10 performance.

4.10 Going forward for SPI 11 to improve, there needs to be a focus on gangs following the requirements of the permit, especially the time they must leave site by.

Stakeholder Engagement

4.11 There are a number of improvements underway to address poor performance in the stakeholder engagement service overall. For SPI 12, more stringent conditions have been put on Project Managers before stakeholder communications can be agreed, for example they will have to evidence Permits are in place. There is a continued focus from BBLP and the client team on improving quality of stakeholder communications and resources, and the timeliness of those communications.

5. KPI Performance for Year 2

5.1 There are 6 KPIs included in the contract, see details in Appendix 2. The overall outturn for year 2 is 91.2% against the target of 92.3%.

5.2 Within these:

- 4 achieved their target (green)
- 2 finished within 10% of the target (amber)

KPI 1 – Quality Assurance - Combined SPI 1-10 performance

KPI1 was above the minimum level required in year 2 with a score of 86.7% against a target of 95.2%. All four of the 'Red' SPIs are counted within KPI1.

KPI 2 - Effective Stakeholder Engagement - Combined SPI 11-15 performance

KPI2 was above the minimum level required for year 2 making it 'Amber' with a score of 91.2% against a target of 93.2%.

5.5 KPI 3 - Promote Economic Growth - Combined SPI 16-17 performance

KPI3 was above target with a score of 82.5% against a target of 80.0% making it 'Green'.

5.6 KPI 4 - Promote Economic Growth - Delivery of supply chain strategy

The supply chain strategy was successfully submitted and accepted in December 2024, making the measure for KPI4 in year 2 100%. Going forward into year 3 this KPI will measure the contractor for a wider number of items that relate to their supply chain strategy. The strategy includes a year 3 action plan and each deliverable will need to be successfully achieved for KPI4 to be successful in year 3.

5.7 KPI 5 – Carbon Reduction / Sustainability Plan

The environment and sustainability plan was successfully delivered in year 2 with all 20 items on the plan delivered before year end, which gave KPI5 a score of 100%. The evidence for these are presented by the contractor at quarterly board meetings where further details are discussed with the client team and other ESCC officers with an expert knowledge in carbon savings and sustainability. The contractor delivered a 35% carbon saving in year 2 compared with year 1 (year 1 was a baseline year so there were no savings), although some of this saving will have come from a reduction in volume of works delivered.

5.8 KPI 6 – Business Improvement - Contractors' performance against Contractor's quality plan

The contractor met the target for KPI6 which measures the delivery of the contractor's quality action plan. The action plan contained 18 separate measures of quality, with the score for the KPI being 87.3%, which was just above the year 2 target of 87.0%. Progress against each item in the plan is discussed at monthly meetings between the contractor and the client team in order to monitor progress throughout the year.

6. Conclusion and Reasons for Recommendations

6.1 Year 2 performance is much improved on year 1 but there is still plenty of scope for improvement in most areas of the contract in year 3. The focus of improvement, as set out above and further detailed in BBLP's Improvement Plan, will ensure that the contractor address areas of concern, and continues to deliver value for money and a continuously improving service to the residents of East Sussex.

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LOCAL MEMBERS

All