

Report to: Place Scrutiny Committee

Date of meeting: 12 July 2024

By: Director of Communities, Economy and Transport

Title: East Sussex Highways Year 1 Performance Report and Pothole Review Update

Purpose: To update the Scrutiny Committee on the performance of the first year of the Highways Infrastructure Services contract with Balfour Beatty Living Places and provide an update on the scrutiny pothole review recommendations.

RECOMMENDATIONS:

- (1) The Place Scrutiny Committee is asked to note the performance of the first year of the Highways Infrastructure and Services contract with Balfour Beatty Living Places; and**
 - (2) Note the updates to the pothole review recommendations contained in Appendix 2 of the report.**
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1 Background Information

1.1. The highways infrastructure services contract with Balfour Beatty Living Places (BBLP) commenced on 1 May 2023. This report summarises the performance of the contractor through the first year.

1.2. The contract is delivered against specific service outcomes as agreed as part of the re-procurement of the highway's infrastructure services contract. These include, quality assurance; to have the best area network condition for the investment available; effective stakeholder management, sustainable economic growth, and carbon reduction.

1.3. Service Performance Indicators (SPIs) and Key Performance Indicators (KPIs) were developed as part of the re-procurement process. A full list of SPIs and KPIs, including their outturns are detailed in Appendix 1.

1.4. The SPIs and KPIs are monitored through an evidence-based audit process carried out by the East Sussex County Council (ESCC) Contracts Management Group (CMG). Performance management is overseen by the contract's Service Management Board, made up of senior managers from ESCC and BBLP, who meet monthly.

1.5. The contract is designed to incentivise BBLP to provide an efficient and effective service. This is achieved through operating an SPI Incentive Model, where the successful performance of the individual SPIs in each service area enables the contractor to access a financial reward should levels of performance meet or exceed their targets. The funds for the financial incentive are derived by the Contractor delivering works throughout the year at a cost less than the agreed price for those works. This is achieved through efficiencies in operational delivery. Should no such efficiencies be achieved then there would be no financial reward even if the SPI targets are met. If the Contractor falls below defined lower performance levels then it puts its declared profit at risk for poor performance.

1.6 There is further incentive to the contractor to perform well in the form of the KPI Extension Model which has also been adopted. This provides the contractor an opportunity to access the seven year extension of the contract if all the KPIs are met or exceeded. This will not be considered until year four of the contract where a business case would be submitted by the contractor outlining their performance.

1.7 Whilst SPIs need to be robust in nature, it is acknowledged that there will be some mitigating factors outside the control of the Contractor which affect their ability to achieve the targets. In year 1 of the contract that has included the impact the performance of the previous contractor had on the number of claims being submitted and the number of outstanding defects left on the network. As such a 'soft start' for the SPIs was agreed, with these not being formally measured until November 2023.

1.8 A further extension of a 'soft start' was also permitted on SPI 15, in relation to the number of claims being submitted, which had been impacted by both the inclement weather experienced in 2023, and the number of outstanding claims not closed by the previous contractor. This extension ends in June 2024, and no further extensions will be granted in relation to this.

1.9 Performance is not only monitored using the SPIs outlined in Appendix 1. The scrutiny committee continues to act as a critical friend to the service, to identify areas of improvement. This is most welcome by the department and on 23 January 2024 the outcome of the scrutiny review of pothole management was taken to Cabinet and 13 recommendations were ratified. 10 recommendations have now been completed and 3 are ongoing to be completed this financial year. See Appendix 2 for an update on each recommendation.

2 SPI Outturns for Year 1

2.1 There are 17 SPIs measuring specific areas of the service. It is important to note that the SPIs cannot be used in isolation to measure the performance of the overall contract, and it is acknowledged that there are areas where significant improvement is needed, which have not been highlighted using the SPI mechanism, but are being addressed via the appropriate contract mechanisms.

2.2 SPIs are one tool to measure whether the service is efficient and effective. Overall, there are a number of areas where BBLP have excelled and provided the expected service levels.

2.3 Out of 17 SPIs, 7 have met or exceeded the target and are considered "green" or a pass. 4 SPI's met the lower threshold of the performance score and therefore considered "amber" within acceptable limits, however 5 did not meet the lower threshold, these are considered "red" and are marked as fail.

2.4 The overall outturn for year one is 86.1% against the minimum target of 91.9%. As such this overall score is considered a fail. A full summary of the scores is provided in Appendix 1.

3 Results of SPIs in Year 1

3.1 In Appendix 1 it is important to note that a number of SPIs were successful and demonstrate areas of real achievement by BBLP.

- SPI 5 for Winter Maintenance has met its target of 100% precautionary treatments delivered within the target treatment time for each route in the Winter Service Plan and BBLP delivered a successful winter maintenance service during the first winter of their contract.
- SPI 7, notified defects corrected within the defect correction period, and SPI 9, final accounts submitted right first time, have both achieved their targets in year 1

and there is focus on these to ensure this continues into year 2. Please note that SPI 7 measures scheme defects, not reactive works such as potholes.

- SPIs 11, 13 and 14 - the SPIs for timely responses have all done well and met or exceeded their targets, and BBLP continue to successfully deliver communications on time.
- It should be noted that quality of communications is difficult to successfully or meaningfully measure and is therefore not included in the SPIs. However, as above there are other mechanisms for performance to be monitored. The CMG have identified quality issues with BBLP stakeholder management approach and these are being addressed robustly, with a detailed notice of concern being issued. This is being continually reported against with BBLP providing the CMG with a detailed action plan with key areas of improvement.
- SPI 16, Social Value, has arguably been the most successful SPI given there was a big gap in resource initially and the amount of work that has been carried out to bring the score to almost 100%. There has been a great number of social value initiatives in a number of priority areas including; support and training provided to local businesses; apprenticeships and NVQs offered; work experience provided; job opportunities for those in long-term unemployment, people with disabilities, local ex-offenders and 18-24 year olds not in employment, education, or training; support for care leavers; fundraising activities and donations provided to locally based voluntary and community groups; commercial support and facilities offered to local voluntary and community groups; and initiatives to tackle homelessness and support rough sleepers. This has all been done in collaboration with the CMG, other key ESCC teams and sub-contractors and there is robust plan in place for year 2 to continue the success of BBLPs social value commitment.
- SPI 17, Local Growth, continues to exceed the target of the contractor's defined costs being spent locally supporting the promotion of economic growth in the county.

3.2 As demonstrated in Appendix 1, 9 of the SPIs have not met the necessary target. The below outlines where improvement has been identified in key areas.

- SPI 2 & 3 – Whilst it is acknowledged that BBLP have been in the main successful at addressing immediate emergencies (category ones), there have been issues with the scheduling and quality of permanent repairs carried out within the necessary time frames. BBLP have acknowledged this area of failure and have appointed a new sub-contractor to deliver carriageway repairs, with more stringent requirements in place. The ESCC CMG is also formally addressing this matter through the contract mechanisms, where BBLP are regularly reporting and demonstrating the improvement to this area of work.
- SPI 6 – this relates to works being done to the expected quality, and no outstanding or remedial works should be necessary. It is measured against both reactive safety repairs and the larger scale improvement schemes. This SPI has not been successful due to the number of “works defects” (formal notification of works not being done to required standard) having to be raised by the CMG. BBLP

is working closely with CMG to improve this, and this will include carrying out more robust joint inspections where the CMG can highlight areas of concerns at the point of source on site and educate the contractor on what is expected.

- SPI 8 – there is a requirement for the entire programme of works to be completed by the end of the service year (31 March). As there were a number of schemes that did not meet the deadline, mainly due to defects being raised by the client on works, this SPI was a fail. Improved live monitoring and data analysis by the BBLP Performance team will enable this to be better managed.
- SPI 10 – this focuses on permits being complied with and that appropriate records are provided around when works started and were completed. Whilst BBLP has been successful at measuring the commencement and completion date of schemes, they have not been ensuring that appropriate signage is being erected at the time of scheme, and therefore not providing the necessary information. BBLP are addressing this with increased education and communications to the sub-contractors and penalties being passed to the sub-contractor if there is a failure.
- SPI 12, Work Activities started on time, measures whether works started on the day stated in the letter/email communication sent to members, key stakeholders and residents. This measure is within 10% of the target due primarily to several schemes where the contractor was not ready to start due to resources not being available, even though they were previously identified to carry out the work. This will be a focus for improvement moving into year two, where key gateways have to be met before communications are sent out. Including firm confirmation of resources being sourced and allocated.

4 Conclusion and Reason for Recommendations

4.1 Whilst it is acknowledged there have been a number of challenges in year 1 outside the control of BBLP, including inclement weather, the results for year one of the contract are below the standard expected.

4.2 The CMG have started, and will continue, to address areas of poor performance. In particular around the strategic management of operational delivery and stakeholder engagement. This has included issuing formal notices of concern, which require demonstrative action from BBLP to remedy the issues.

4.3 BBLP acknowledge that the performance in year 1 has been disappointing and are currently devising an improvement plan which will be closely monitored by the CMG performance analysts.

4.4 The CMG will ensure the remaining three actions outlined in the Scrutiny Review, are actioned by the end of the financial year and further update is provided at that time to confirm that all actions are closed.

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