

CESHIRE EAST COUNCIL

REPORT TO: Environment and Prosperity Scrutiny Committee

Date of Meeting:	26 June 2012
Report of:	John Nicholson – Strategic Director, Places and Organisational Capacity
Subject/Title:	Cheshire East Highways, Highway Maintenance Update
Portfolio Holder:	Cllr Rod Menlove

1.0 Report Summary

- 1.1 This report is an update on the progress made during the first six months of the Highways Services Contract. Ringway Jacobs (Cheshire East Highways) commenced the contract on 6th October 2012 and this update report reflects the progress made during this period.

2.0 Recommendation

- 2.1 For members to note the progress and offer comments on the service provision.

3.0 Reasons for Recommendation

- 3.1 A key driver for service change was customer engagement and quality of service provided. The report will summarise progress made whilst giving members the opportunity to comment on their own experiences of the service, highlighting improvements whilst giving them the opportunity to comment/identify future improvements to consider.

4.0 Wards Affected

- 4.1 All Wards are potentially affected by the proposal.

5.0 Local Ward Members

- 5.1 All Ward Members are potentially affected by the proposal.

6.0 Policy Implications including - Climate Change

- Health

- 6.1 The contract requires Cheshire East Highways (CEH) to carry out the Services in a manner that achieves greater value for money for the Council, year on year, by reducing costs and delivering the Services more efficiently whilst seeking to maximise the achievement of the Council's Strategic Objectives throughout the contract period. The Strategic Objectives include "limiting carbon emissions", over the Contract period and CEH will be required to demonstrate that they are achieving this. Additionally, and in support of this, CEH must also maximise the "achievement of the objectives set out in the Local Transport Plan". The local Transport Plan includes Priority Policies that work towards carbon reduction, through for example, minimising the future need to travel.
- 6.2 CEH has developed plans to reduce emissions through the use of carbon efficient vehicles and by reducing fuel use through route optimisation techniques. In addition, a significant investment has been made in developing a new energy efficient depot at Brunswick Wharf. From an operational perspective CEH is pursuing the use of energy saving technology for street lighting and energy saving tools and techniques for all of its operational activities.
- 6.3 Over the life of the contract CEH will maintain a record of achievement associated with Carbon reductions and will be benchmarked against outputs prior to the Contract start date.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The services included within the scope of works for the Highways Services Contract as core services are set out in Appendix 1 and have a current annual value of around £15 million per annum.
- 7.2 The contract will deliver savings in excess of £7 million over the contract period when compared to the former Highway Service costs. Budgets have already been adjusted to reflect the benefits secured from the appointment of Ringway Jacobs. To achieve this year on year efficiency savings of 3% per annum, associated with innovation and efficiency gains are included within the Contract. These gains are expected to reduce back-office costs, allowing a greater proportion of the annual budget provision to be re-invested back into the Highway Service. These savings will be generated without a reduction in existing service provision
- 7.3 During the first six months of operation, Cheshire East Highways managed to provide the revenue service, including winter operations, reactive and routine maintenance within the half year budget provision allocated for revenue activities (£4m with a recorded under spend of £34,000).

8.0 Legal implications (authorised by the Borough Solicitor)

- 8.1 The Council, as Highway and Street Lighting Authority for the Cheshire East area, has numerous powers and duties under the Highways Act 1980 to carry out maintenance, improvement and repair work on the highway network. None of the arrangements with CEH under the Highways Services Contract relieves the Council of those powers and duties. However, the Council is likely to have potential remedies against CEH in respect of many of its obligations if breach of any of these obligations results from the non-performance by the Contractor under the Highways Services Contract.
- 8.2 The Highways Services Contract sets out very clearly the statutory obligations of the Council which are delegated to CEH and the protocol for the discharge of other statutory obligations of the Council.
- 8.3 Any claims against the Council as Highway or Street Lighting Authority, even if they relate to matters within the proposed contract, will still remain the ultimate responsibility of the Council.

9.0 Risk Management

- 9.1 The Highways Services Contract is based on CEH taking the lead in developing a rolling Annual Plan and Three Year Plan to meet the asset management needs of the Highway Network but also to address the Council's highways policy objectives. The Council has to sign off the Annual Plan via a Strategic Board comprising senior representatives of the Council and Ringway Jacobs (Cheshire East Highways). This ensures that the Annual Plan reflects the wider social need of Cheshire East as well as the strict asset management needs of the highways network. CEH takes the primary risk of delivery of each Annual Plan within the agreed target cost. The successful outcome of the Contract will depend on the parties working together as a genuine partnership focused on the needs of the Cheshire East ratepayer. Therefore, the on-going quality and effectiveness of the relationship between the Council and Contractor will determine the success of the Contract.

10.0 Background

- 10.1 Attached, as Appendix 2, is a short report that outlines the successes achieved to date. The report will be used as promotional literature over the next few months.
- 10.2 The success of the mobilisation period can be summarised by the simple fact that services continued to be delivered on day 1 of the contract, with our first call out being received at 08:30. The strength of the team was further demonstrated when a number of busy A roads on the outskirts of Nantwich were closed on day 2 following a serious fire in a local yard.
- 10.3 Winter did not see the extreme snowfall that had been experienced over the previous two years, it did however still prove challenging with over 70 precautionary treatments being carried out over the period. Our aim was to provide a service that was comparable to that provided in previous years, feedback received indicates that this was achieved.

- 10.4 The authority's budget was tight for the remaining 6 months of the financial year and this was acknowledged by both parties to the contract. Revenue budgets were delivered within the original allocation, a success for all involved.
- 10.5 During the first six months a good working relationship has been developed between both the Thin Client team and the Cheshire East Highways team. These relationships continue to develop and mature.
- 10.6 Performance of the contract is monitored via the performance framework that was developed during both the dialogue and mobilisation phases. The framework is split into three discrete areas:
- Key Strategic Indicators (KSI):- generally outcome related, these indicators focus on relationships and environmental issues. Success in the delivery of the KSIs will determine whether an extension of the contract is awarded.
- Key Performance Indicators (KPI):- generally output based, these indicators focus on the delivery of the service on the ground. Success in the delivery of the KPIs will determine the level of profit to be paid to CEH. It is important to remember that CEH can only lose profit, it cannot exceed the cap agreed during the dialogue process.
- Non-Scoring Performance Indicators:- these indicators measure the overall health of the contract and are focussed on day to day issues such as staff retention, accuracy of financial applications etc.
- 10.7 Performance monitoring is undertaken by the teams on a monthly basis. Our teams are learning rapidly the importance of the information that they present and the need to actively manage their respective teams to ensure that targets are delivered against.
- 10.8 Issues facing the contract revolve around the condition of the asset that has been inherited. It is acknowledged that our recent severe winters have taken a toll on the condition of the network and that the lack of capital investment in the Highway Network has contributed to a greater need for reactive type works.
- 10.9 Working with the Thin Client, CEH has developed a Highway Asset Recovery Plan that seeks to address the major problems facing the network. A number of investment scenarios have been developed that will allow the Council to make an informed decision on the amount of investment that can be afforded.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Appendix 1

Scope of Works – Core Activities

Highways Services:

1. General Management including control centre, emergency and out of hours response, statutory notices, legal claims investigation and support etc.
2. Asset management including safety inspections, surveys and planning;
3. Civil and structural Engineering - routine and reactive maintenance (including carriageway, footway, structural repairs and surfacing); capital schemes.
4. Traffic signals, street lighting and signs - routine and reactive maintenance; capital schemes.
5. Winter service including fleet management and contract management of rock salt provision and related monitoring services contracts.
6. Environmental services were added to the scope of the contract in March 2012.
7. Professional services (traffic engineering, bridge management and design, road safety engineering, design and project management and contract management services).

In addition, Cheshire East Council has been able to take advantage of the wider group activities that Ringway Jacobs can call upon. This has allowed for professional staff to be sourced to assist with the delivery of major projects.