

Highways and Transport Committee

Agenda

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| Date: | Friday, 19th July, 2024 |
| Time: | 10.00 am |
| Venue: | The Capesthorne Room - Town Hall, Macclesfield SK10 1EA |

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

To note any apologies for absence from Members.

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary interests, other registerable interests, and non-registerable interests in any item on the agenda.

3. **Minutes of Previous Meeting (Pages 3 - 10)**

To approve as a correct record the minutes of the previous meeting held on 20 June 2024.

For requests for further information

Contact: Karen Shuker

Tel: 01270 686459

E-Mail: karen.shuker@cheshireeast.gov.uk with any apologies

4. **Public Speaking/Open Session**

In accordance with paragraph 2.24 of the Council's Committee Procedure Rules and Appendix on Public Speaking, set out in the [Constitution](#), a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days in advance of the meeting.

Petitions - To receive any petitions which have met the criteria - [Petitions Scheme Criteria](#), and falls within the remit of the Committee. Petition organisers will be allowed up to three minutes to speak.

5. **Highway Service Contract (Pages 11 - 68)**

To consider a report on the review of the Highway Service Contract (HSC) and recommended actions.

6. **Work Programme (Pages 69 - 74)**

To consider the Work Programme and determine any required amendments.

7. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded. The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 - MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

8. **Appendix 4 - Highway Service Contract (Pages 75 - 86)**

To consider Appendix 4.

Membership: Councillors C Browne, L Braithwaite, R Chadwick, P Coan, A Coiley, L Crane (Vice-Chair), H Faddes, A Gage, M Goldsmith (Chair), C Hilliard, M Muldoon, J Priest, M Sewart

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Highways and Transport Committee**
held on Thursday, 20th June, 2024 in the The Capesthorne Room - Town
Hall, Macclesfield SK10 1EA

PRESENT

Councillor M Goldsmith (Chair)
Councillor L Crane (Vice-Chair)

Councillors C Browne, L Braithwaite, R Chadwick, H Faddes, A Gage,
C Hilliard, M Muldoon, J Priest, M Sewart and K Edwards

OFFICERS IN ATTENDANCE

Tom Moody, Director of Highways and Infrastructure
Richard Hibbert, Head of Strategic Transport and Parking
Nicola Lewis-Smith, Public Rights of Way Manager
Richard Chamberlain, Public Path Orders Officer
Adele Mayer, Definitive Map Officer
Steve Reading, Principal Accountant
Mandy Withington, Solicitor
Karen Shuker, Democratic Services Officer

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P Coan and A Coiley. Councillor K Edwards attended as a substitute.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES OF PREVIOUS MEETING**RESOLVED:**

That the minutes of the meetings held on Thursday 4 April 2024 be approved as a correct record and signed by the Chair.

4 PUBLIC SPEAKING/OPEN SESSION

Ms C Jones addressed the committee in relation to agenda item 5 - Bus Service Improvement Plan Refresh 2024/25 Delivery Programme. Ms Jones requested that the bus user groups were provided with regular updates by officers as it was difficult to get updates at times and they wanted to help residents and the Council to achieve a better bus service.

Officers requested that a forward plan of the bus user group meetings was shared with them, and they would endeavour to attend the meetings where possible.

5 BUS SERVICE IMPROVEMENT PLAN REFRESH 2024/25 DELIVERY PROGRAMME

The committee considered a report which outlined the Cheshire East Bus Service Improvement Plan (BSIP) refresh. The new BSIP built on the previous plan prepared in 2021 and reflected the recovery of the bus market post-pandemic. The plan updated the vision, delivery programme, ambition to 2030, targets and performance monitoring framework.

The BCIP draft report had been submitted to the DfT on the 12 June 2024. Any amendments required by the committee would be incorporated into the document and the final version published at the end of June 2024. The indicative funding allocation for 2024/25 was £3.455m.

Officers reported that the majority of the funding was revenue and was intended to be used to increase bus services within the borough such as reintroducing a Sunday service. There were plans to look at changes to tickets such as a reduced fare for 16–19-year-olds which was due to go live in September, and multi operator tickets in certain areas.

The committee welcomed the report, asked questions, and made comments in respect of

- Whether other groups such as parish/town councils and community groups would be able to feed their views into the consultation.
- if there was a plan to introduce food and drink provision at bus stations
- would real-time information displays include bus stops as well as bus stations.
- Would advertising at bus shelters help generate more income or would that go into the general pot.
- when there were traffic delays or roadworks were bus operators having that information relayed to them in a timely manner
- how the website would be reviewed with regards to those people with learning disabilities
- whether an inhouse application could be developed for live GPS tracking as used by some of the larger operators.

In response, officers reported that:

- Engagement with all parties on further route changes would form part of the planning process once next year's funding had been agreed.
- There would need to be conversations with Town Councils and traders as having food and drink provision, whilst handy for

passengers, could lead to competition and a requirement for extra cleansing etc.

- There was a plan to roll out real-time information displays to the two principal bus stations and then potentially roll it out in other areas.
- Acknowledged that there was further work to be done with bus operators to ensure that they get information on street works in a timely manner.
- The Councils contract to sell marketing space at bus shelters was coming up for renewal so there would be a need to assess the market to see how much people would pay.
- Work was ongoing with the relevant team within the council who provide specialist support and advice, then sense checking the design with relevant specialists and local groups.
- The larger companies track their own services, but the statutory role of the Council was as the transport coordinating authority – aiming to give a complete picture and estimated costs were £20k.

The committee welcomed the funding given but emphasised that support was required for maintaining finance in this area as the overall authority budget must be maintained at least at the same level to ensure eligibility for future funding.

The committee agreed that the challenge, and the key to stabilising, strengthening, and growing the network would be to get those who do not use buses to use them.

RESOLVED: (Unanimously)

That the Highways and Transport Committee

1. Approve the draft Bus Service Improvement Plan (BSIP) refresh 2024 for submission to the Department for Transport (DfT) and publication on the Council's website by the end of June 2024.

2. Approve the proposals for spending the Council's allocation of BSIP+ funding (value £1,187,596) and the BSIP phase 3 funding (£2,268,000) for the current financial year 2024/25 and delegate the authority to spend the funding to the Director of Infrastructure and Highways, in consultation with the Enhanced Partnership Board.

6 FINAL OUTTURN 2023/24

The Committee received a report which provided an overview of the Cheshire East Council provisional outturn for the financial year 2023/24 and the financial performance of the Council relevant to the committee remit.

Some members expressed their disappointment that the Highways £0.6million underspend could not be rolled over and shared fears that residents would end up paying the price for this on car repairs etc due to

potholes. They also encouraged the Council to be transparent with the community as to why this money would be returned so that they had a better understanding of the financial process.

In respect of a question raised in relation to the HS2 underspend, this was a similar process and was a wider council decision on where best to spend the money or make savings.

Following a question raised about what documentary evidence there was to demonstrate that the service doubled up on shifts to spend money given that adverse weather was listed as the cause for this underspend officers agreed to provide a written response outside of the meeting.

In respect of a question raised as to what type of vacancies the service was carrying officers reported that these included Civil Enforcement Officers, Transport Planners, and Contract Managers within the Highways Thin Client Team. Vacancies varied throughout the year and there had been several applications for Civil Enforcement Officers which were going through the assessment process and others which were currently undertaking training, so the situation had improved in the last 6 months.

In respect of a question in relation to debt, officers agreed that they would provide a written response summarising figures and how they change over time.

In respect of a question as to why there were such challenges with adverse weather due to climate change and communicating what had gone wrong to residents' officers agreed to provide a summary note of what had happened in the recent period and what mitigations were being put in place for the future. This would be made available online for residents to view.

RESOLVED: (By Majority)

That the Highways and Transport Committee:

1. Note the factors leading to a positive Net Revenue financial outturn of £1.5m against a revised budget of £21.1m (7.1%), for Highways and Transport Committee services.
2. Note the contents of Annex 1 and note that any financial mitigation decisions requiring approval will be made in line with relevant delegations.
3. Approve the Supplementary Capital Estimate above £500,000 up to and including £1,000,000, as detailed in Annex 1, Section 3 Capital Strategy, Table 3 of the report.
4. Note that Finance Sub Committee will be asked to approve the Supplementary Capital Estimate (SCE) over £1,000,000 in accordance with Financial Procedure Rules as detailed in Annex 1, Section 3 Capital Strategy, Table 4 of the report.

7 SERVICE BUDGETS 2024/25 (HIGHWAYS & TRANSPORT COMMITTEE)

The committee received the report which set out the allocation of the approved budgets for 2024/25 to the Highways and Transport Committee.

Service committees were being allocated budgets for 2024/25 in line with the approved MTFS. The financial reporting cycle would provide regular updates on progress on delivery of the budget change items, the forecast outturn position, progress on capital schemes, movement on reserves and details of any supplementary estimates and virements.

In respect of a question raised as to why the implementation of parking charges was taking place during the Pre-election Period officers reported that the Committee had made this decision back in January 2024 and the Council had not departed from business as usual during the Pre-election Period.

A further question was raised in respect of whether all the infrastructure requirements necessary were in place. Officers stated that the new tariffs would commence from the 8 July 2024 and would take effect in those car parks which already had charging. The programme to equip those free car parks with ticket machines remained in place as agreed at the January Committee and the parking charges in those car parks would commence no later than 1 October 2024.

Officers agreed to check the specifics of the lease for electric vehicle charges and confirm whether there was a need to pay for parking if people were charging their vehicles in a car park.

In respect of a question raised about whether the Highways and Transport Committee would be consulted on the actions to be taken to address any adverse variances from the approved budget officers reported that the Director of Transformation would be providing members with a briefing, which would include the next steps.

In respect of a request to see further detail around the Highways Revenue Services, in particular the service levels and business plans officers agreed to provide further details outside of the meeting.

In respect of a request to have further information on highway maintenance savings identified officers agreed to provide further information outside of the meeting.

Officers agreed to check whether the £88,433 allocated to Congleton Link Road included lighting as currently there were lampposts but no lighting.

RESOLVED:

That The Highways & Transport Committee

1. Note the decision of the Finance Sub-Committee to allocate the approved revenue and capital budgets, related budget policy changes and earmarked reserves to the Highways & Transport Committee, as set out in Appendix A of the report.
2. Note the financial reporting timetable for 2024/25 set out in Appendix B of the report, as approved at Finance Sub-Committee on 22 March 2024.
3. Note the progress on the delivery of the MTFS budget policy change items, the RAG ratings and latest forecasts, and understand the actions to be taken to address any adverse variances from the approved budget.

The Committee adjourned for a short break following this item.

8 PROPOSED DIVERSION OF PUBLIC FOOTPATH NO. 3 (PART) IN THE PARISH OF SMALLWOOD

The committee considered a report which outlined the investigation to divert part of Public Footpath No. 3 in the Parish of Smallwood following receipt of an application from the landowner.

The committee considered the evidence submitted as outlined within the report and in accordance with Section 119 of the Highways Act 1980, noted it was within the Council's discretion to make an Order if it appeared to be expedient to do so in the interests of the public or of the owner, lessee or occupier of the land crossed by the path. The committee agreed that the proposed diversion to divert part of Public Footpath No.3 in the Parish of Smallwood was in the interests of the landowner.

RESOLVED: (Unanimously)

That the Highways and Transport Committee

1. Agree that a Public Path Diversion Order be made under Section 119 of the Highways Act 1980, as amended by the Wildlife and Countryside Act 1981, to divert part of Public Footpath No.3 in the Parish of Smallwood as illustrated on plan number HA/153D on the grounds that it is expedient in the interests of the landowner
2. Agree that public notice of the making of the Order be given and in the event of there being no objections within the period specified, the Order be confirmed in the exercise of the powers conferred on the Council by the said Act.
3. Note that in the event of objections being received, Cheshire East Borough Council be responsible for the conduct of any hearing or Public Inquiry.

9 APPLICATION NO. CN-7-28: APPLICATION FOR THE ADDITION OF A PUBLIC FOOTPATH IN AUDLEM PARISH

The committee considered a report detailing the evidence submitted and researched in the application to amend the Definitive Map and Statement in adding Public Footpaths in Audlem Parish.

The committee considered the evidence submitted as outlined within the report and agreed that the balance of user evidence combined with documentary evidence did not support the case that the route or routes being used, and public footpaths could not be reasonably alleged to subsist on a balance of probabilities.

RESOLVED: (Unanimously)

That the Highways and Transport Committee

1. Agree that the application for the addition of footpaths is to be refused on the grounds that it cannot be demonstrated that the rights subsist or can be alleged to subsist.

10 APPOINTMENTS TO SUB-COMMITTEES, WORKING GROUPS, PANELS, BOARDS AND JOINT COMMITTEES

The committee considered a report which sought approval from the Highways and Transport Committee to appoint the Public Rights of Way Consultative Group and to nominate two elected Members of the Highways and Transport Committee to it.

The committee were also asked to note the Terms of Reference (Appendix 1 of the report) of the Public Rights of Way Consultative Group and the membership for the Enhanced Partnership Board.

In respect of a question asked in relation to whether there was any flexibility in expanding the membership of the Enhanced partnership Board officers agreed to take that away and report back.

RESOLVED: (Unanimously)

That the Highways and Transport Committee

1. Appoint Councillors L Crane and H Faddes to the Public Rights of Way Consultative Group.
2. Note the Terms of Reference for the Public Rights of Way Consultative Group attached as Appendix 1 to the report;
3. Note the Enhanced Partnership Board membership, as set out within Appendix 2.

11 WORK PROGRAMME

The committee considered the Work Programme. It was noted that

- The Tree Planting and Verge Maintenance Policy had been moved from November 2024 to the January 2025 committee meeting.
- The Lane Rental Scheme had been moved from November 2024 to January 2025 committee meeting, but this would not delay the implementation of the scheme.

In respect of a question asked as to whether there would be an all-member briefing on the line rental scheme officers reported that a briefing for Highways and Transport Committee members was the main priority but if there was interest from other members officers would review this.

In respect of a question raised about whether the Highways and Transport Committee would be responsible for the decision on the allocation of where Network North money would be spent officers assured members that the money would be allocated in the most responsible way.

Officers informed members that a briefing would be taking place shortly on the Parking Permit scheme.

RESOLVED:

That the Work Programme, with the amendments highlighted above be noted.

The meeting commenced at 6.00 pm and concluded at 8.00 pm

Councillor M Goldsmith (Chair)

OPEN

Highways and Transport Committee

19 July 2024

Highway Service Contract

Report of: Tom Moody, Director of Highways and Infrastructure

Report Reference No: HTC/16/24-25

Ward(s) Affected: All

Purpose of Report

- 1 On 3 October 2018 the Council commenced a 15-year contract to deliver highway services with Ringway Jacobs Limited (the “Highway Service Contract” or “HSC”).
- 2 The HSC contains a mid-term break clause which, in general terms, allows the Council to shorten the service period to eight years in specific circumstances. If exercised, the Council must notify Ringway Jacobs by 2 October 2024.
- 3 This report recommends the action to be taken regarding the exercise of the break clause in the context of the potential financial and legal implications of this decision for the Council.

Executive Summary

- 4 The Council appointed the Future Highways Research Group (FHRG) as an experienced, external peer to undertake a review of the HSC. This review was to inform future decisions regarding the HSC.
- 5 This committee also convened a Member Advisory Panel (MAP) to advise, from a Member perspective, the Director of Highways and Infrastructure on matters concerning the peer review.
- 6 Under delegated authority from this committee, the principal recommendation from the Director of Highways and Infrastructure is that the Council should not exercise the break clause. Further

recommendations are also made on how the Council should proceed with the HSC in support of this decision.

RECOMMENDATIONS

The Highways and Transport Committee is recommended to:

1. Note the findings of the peer review in Appendix 1 report and the views of the Member Advisory Panel in Appendix 3.
2. Approve the contract break clause is not exercised.
3. Delegate to the Director of Highways and Infrastructure to develop and implement a plan to respond to the findings of the peer review.
4. Approve that resources to consider the successor delivery model are included in financial planning from April 2028 to October 2033.

Background

- 7 Cheshire East Borough Council (CEC) is the Local Highway Authority for the Borough of Cheshire East and thus has statutory duties to maintain and manage the public highway under principally the Highways Act 1980, New Roads and Street Works Act 1991 and Traffic Management Act 2004. CEC is also the Lead Local Flood Authority under The Flood and Water Management Act 2010. These statutory duties are predominantly delivered through the HSC.
- 8 In implementing the current contract, the Council adopted a model featuring:
 - (a) A predominantly externalised service;
 - (b) Integrated highway maintenance, management and engineering services;
 - (c) management and oversight through an in-house client team.
- 9 The procurement strategy was approved as a 15-year contract with a break clause at year 8 linked to performance. The contract term sought to maximise the benefit of a longer-term partnership. This was to take advantage of long-term planning to maximise investment in the network, aligning with DfT best practice. The strategy was also validated through market engagement.
- 10 The contract is based on the Highway Maintenance Efficiency Programme's New Engineering Contract version 3 Term Service Contract ("NEC3"), which has been tailored to meet the Council's needs.

- 11 The Council's contract model and procurement has supported the Council in maximising funding from the Department for Transport ("DfT") through the Local Highways Maintenance Incentive Fund.

The Peer Review

- 12 FHRG is a group of 40 highway authorities around the country, linking with Cranfield University and utilising experienced highway maintenance practitioners. The review undertaken by FHRG used its Value for Money Analysis tool. This blends qualitative and quantitative measures to assess the performance of the Council's highway service contract across categories of Economy, Efficiency and Effectiveness.
- 13 The reviewers undertaking the assessment had broad experience of working within highway authorities at a senior level and in analysing public sector highway services delivery. The review provides an in depth understanding of the statutory functions, challenges and limitations placed upon highway authorities supported by a strong analytical analysis of service performance.
- 14 FHRG's report is shown in Appendix 1. There are eight high priority recommendations in section 8, which are (in summary):
- (a) Increasing the capacity of the Council's Highways client team and recruiting appropriate staff.
 - (b) Reviewing the contract governance structure to ensure that it remains fit for purpose.
 - (c) Refreshing the performance management framework to ensure outcome-based metrics and benchmarking externally.
 - (d) Refreshing the asset management policy and strategy to seek a more preventative approach to maintenance.
 - (e) Using the contract break point as an opportunity to review priorities for CEH and consider delivery options for certain services.
 - (f) Developing the approach to external benchmarking to ensure that there is continued evaluation of value for money.
 - (g) Develop longer term, preventative work programmes as part of setting budgets earlier and conducting a zero-base budget exercise.
 - (h) Develop a stakeholder management plan to improve communication about the service and how enquiries are dealt with.

There are also 12 other recommendations across a range of areas.

- 15 An improvement action plan is proposed to be developed for the service to respond to the recommendations. This plan will take time to implement. The action plan will respond to all the recommendations, implementing the measures where appropriate, or where not appropriate explaining how the issue is being taken forward. However, the plan should be expected to demonstrate improvements through repeating the peer review process in around three years' time.

The Member Advisory Panel (MAP)

- 16 The terms of reference and composition of the MAP are shown in Appendix 2. The report of the MAP is shown in Appendix 3.

Consultation and Engagement

- 17 The recommendations of this report have been informed by the cross-party MAP.

Reasons for Recommendations

- 18 The process of undertaking a peer review with oversight by the MAP provides an objective basis for the Council's decision regarding the exercise of the break clause. The review found overall that the Council obtains reasonable value for money for its Highways Service, given the level resource allocated to it. This also compares reasonably to both other authorities within FHRG and those that are similar to Cheshire East.
- 19 The review's findings and the views of the MAP do not support exercising the break clause.
- 20 Accepting the findings of the peer review and implementing an improvement action plan can be considered best practice. Implementing a plan to address FHRG's recommendations will support the Council's Highways service achieving its full potential.
- 21 By implementing the recommendations of this paper, the Council is operating in a transparent, Open and Fair manner.

Other Options Considered

- 22 The options for the Council in respect of this decision are as follows:

| Option | Impact | Risk |
|---|---|------|
| 1. Do nothing: No action is taken to | By default, the contract will continue to term in October 2033. | |

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| exercise the break clause. | | |
| 2. Exercise the break clause: The council exercises the break clause and gives notice to terminate the HSC from October 2026. | The contract will terminate in October 2026. | The risks are detailed in the Part 2 report. |
| 3. Not exercise the break clause: The council does not exercise the break clause. | The contract will continue to term in October 2033. Actively taking this decision allows the council to work with Cheshire East Highways on the way forward to 2033. | The risks are detailed in the Part 2 report. |

Implications and Comments

Monitoring Officer / Legal

- 23 Please see confidential Appendix 4: Part 2 Report - Private Information for legal implications and comments on the review of the HSC.

Section 151 Officer / Finance

- 24 Please see confidential Appendix 4: Part 2 Report - Private Information for financial implications and comments on the review of the HSC.
- 25 In taking a decision to proceed with the contract to 2033, the Council should recognise that:
- (a) The delivery model that succeeds this contract in 2033 needs to be considered appropriately in advance of the end of the contract; and
 - (b) This requires dedicated internal (and potentially external) resource in addition to business as usual in operating the HSC.
- 26 The current Medium Term Financial Strategy (MTFS) runs to March 2028. It is recommended that longer term financial planning from April 2028 onwards should take into account the resources required to consider and implement the successor delivery model.
- 27 While many of the recommendations in the FHRG Peer Review can be implemented within existing resources, others have potential financial

implications (e.g. implementing changes to Highways depots to achieve operational efficiencies and increasing the capacity of the Highways Service client team). The action plan developed to respond to the review (recommendation 3 of this report) must take account of decisions needed to implement such recommendations.

Policy

28 The HSC supports the following priorities in the [Corporate Plan](#):

| Open | Fair | Green |
|--|-------------|--|
| Support a sustainable financial future for the Council, through service development, improvement and transformation. | N/A | <p>A great place for people to live, work and visit.</p> <p>A transport network that is safe and promotes active travel.</p> |

29 As the Corporate Plan is developed from 2025 onwards, opportunities to support the Council's emerging priorities will be considered. This will be reflected in the improvement action plan.

Equality, Diversity and Inclusion

30 An Equality Impact Assessment (EIA) has been conducted and is published under "H" on the [Council's web page](#).

31 The EIA has identified that while the delivery of services under the HSC can have impacts on equality and diversity issues, taking this decision does not fundamentally change the council's approach to the delivery of service in respect of protected characteristics.

Human Resources

32 Please see Appendix 4: Part 2 Report - Private Information for human resource implications arising from the decisions in this report.

33 Implementing the recommendations of the peer review relating to increasing the capacity of the Highways service client team will have human resource implications.

Risk Management

34 Please see Appendix 4: Part 2 Report - Private Information for risk management implications arising from the decisions in this report.

Rural Communities

- 35 There are no specific implications for rural communities arising from the decisions in this report. Any decisions made regarding the Highway Asset Management Policy following on from this will be regarded as a separate decision.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 36 There are no specific implications for children, young people and cared for children or those with special needs arising from the decisions in this report.

Public Health

- 37 There are no Public Health Implications arising from the decisions in this report.

Climate Change

- 38 There are no climate change implications arising from the decisions in this report. In developing the action plan, specific priority actions will be considered in terms of further advancing the Council's carbon neutral agenda.

| Access to Information | |
|------------------------------|---|
| Contact Officer: | Domenic de Bechi, Head of Highways Domenic.deBechi@CheshireEast.gov.uk |
| Appendices: | Appendix 1 Peer Review Report Appendix 2 Terms of Reference, Member Advisory Panel Appendix 3 Report of the Member Advisory Panel Appendix 4 Part 2 Report - Private Information |
| Background Papers: | None |

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| Date | May 2024 |
| Author | Proving Services |
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Cheshire East Council

Highways Service Contract

Peer Review

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1 Executive Summary

On 3rd October 2018, Cheshire East Council (CEC) entered into a 15-year Highways Service Contract (HSC) with Ringway Jacobs Limited (RJ). The HSC contains a pre-defined mid-term break clause which, in general terms, allows CEC to consider shortening the service period to eight years. As the mid-term break clause date approaches, to help inform decision making, the Council has commissioned Proving Services Ltd, which runs the Future Highways Research Group (FHRG), to undertake a peer review of the performance of the HSC.

Any decision to procure a new long term operating model or contract for the provision of highways services requires careful consideration. As far back as 2018, the FHRG identified that the direct and indirect costs of re-procurement are seldom less than £1.5m. In addition, the distraction for the commissioning team and the process of demobilisation and remobilisation ordinarily sees a reduction in service performance and a hiatus in strategic transformation that can last up to three years.

This review has considered both qualitative and quantitative evidence. It has encompassed a full value for money assessment, using a methodology used extensively to benchmark performance across the 40 local highways authorities who are members of the FHRG, supported by focus groups with key internal stakeholders and a comprehensive review of all relevant policies, strategies, performance reports and other documents.

When considering the performance of any highways service, it is not possible to entirely disaggregate the contribution of the client and contractor, and this is particularly true with an integrated model. In overall terms, our review concluded that Cheshire East Highways (CEH) demonstrates excellent collaboration and achieves the majority of the performance goals set. CEH has clearly delivered a lot of value and efficiency savings during the life of the contract, albeit at a transactional level it is not always easy to evidence value for money. The ability for RJ to reach back into its shareholder companies also provides CEC with an agility, resilience, and access to high quality resource it would otherwise find challenging to acquire.

Our review has also identified many improvement opportunities, but these are primarily contingent on the level of investment and client capacity. The latter will be important to better ensure service delivery is properly aligned to strategic priorities and to apply robust challenge and commercial tension. CEC also needs to deploy its scarce resources more strategically, and improve stakeholder management, as at present customer satisfaction does not reflect the overall condition of the asset and general service performance.

When benchmarked in terms of value for money, CEH currently ranks 14th out of forty FHRG members. It should be noted that many of the top performers are large county councils with significant resources and relatively generous budgets.

Having many years' experience of considering value for money in the highways sector, the FHRG have concluded there are ten attributes for any high performing highways service, regardless of operating model and provider. We have summarised below our observations in respect of CEH's performance against each of these attributes.

1. Adequate investment

The majority of the highways authorities are managing a declining asset with budgets that are insufficient to meet the aspirations of stakeholders. In this respect, CEH is no different and its capital and revenue budgets are not dissimilar from other smaller authorities. Overall road condition is good, compared to most authorities. There is a prospect of greater investment in the future, if central government funds originally earmarked for Network North are passed down, but within the current funding envelope there may be an opportunity to invest smarter.

A lot of the current budget is invested in reactive maintenance whereas a more preventive strategy may help scarce resource go further and generate better medium-term outcomes. A zero-based budgeting exercise may also help make the difficult decisions necessary as to the allocation of funds between different priorities, for example the Council's aspirations around active travel versus carriageway condition. Improving stakeholder satisfaction may also be served by revisiting the balance of maintenance activity between the rural and highly visible urban network.

2. Appropriate elected member behaviour and support

Effective highways authorities are typified by Informed, knowledgeable and supportive elected members who offer constructive and proportionate challenge but also act as advocates for the service, helping to convey the constraints of the service to local communities. Critically, they also adhere to formal communication protocols, allowing officers the space and capacity to manage the service.

Within CEH, there is generally a good, constructive relationship between elected members and officers of both the Council and RJ. Many elected members, including the chair and several members of the Highways and Transport Committee are relatively new, however, and do not yet have the level of knowledge and confidence to act as effective advocates for the service. This will be essential going forward given the low levels of public satisfaction. There is also a tendency for members to bypass formal communication protocols; this creates additional burdens for scarce officer resource.

3. Culture of collaboration and mutuality.

Collaboration is a key strength for CEH. There is an excellent relationship between all parties which facilitates an agile, responsive, and resilient service. This observation was offered by all stakeholders we spoke to. Many further acknowledged that RJ is able to supply a diverse, highly skilled and committed workforce that CEC itself would not be able to attract.

This strength of collaboration is not observed in too many authorities and is critical for any improvement journey. As mentioned further below, there is a need to consider whether current client capacity provides for sufficient commercial tension and challenge.

4. Good governance

Good governance is exemplified by comprehensive policies and strategies that flow through to operational delivery plans, and a clear understanding of and accountability for roles and responsibilities across all partners.

Within CEH, there are comprehensive, accredited asset management policies, strategies, and plans, but CEC's strategic objectives could be better embedded within these documents, to demonstrate how the objectives cascade through to operational delivery and impact what work actually takes

place on the network. It would be helpful for all stakeholders to have clearer visibility as to how the whole life cycle plans for each class of asset translate into annual budgets and operational delivery.

In terms of the governance structure, this is robust in principle with a Strategic Board, a Service Performance Board, and a number of supporting boards which encompass consideration of finance and performance. Terms of reference, defining the roles and responsibilities of each board and their independencies, would be a useful addition. For several reasons, the Strategic Board has not met for some while, so the service lacks strategic direction and oversight, resulting in work programmes that can appear ad hoc and misaligned with priorities. As well as ensuring the Strategic Board plays a more prominent role going forward, it may be timely to review the governance structure to ensure it remains fit for purpose as the service has evolved.

Several internal stakeholders also stated that they had little understanding of the detail of the contract. Some form of contract manual, allied to a series of internal briefings, may be helpful in ensuring all parties are fully aware of the contract terms and the respective roles and responsibilities of all parties.

5. Effective stakeholder management

Customer satisfaction, as measured by the National Highways and Transport (NHT) survey, is very poor currently, notwithstanding an overall roads condition that compares favourably with many authorities. CEC is looking to move away from the NHT survey in future, in favour of using the Association of Public Service Excellence (APSE) methodology. The service may also wish to consider mechanisms for systematically collecting customer feedback locally. A review of the prioritisation between the urban and rural network may also be timely; the review team did note the poor condition of some of the very visible urban network.

Notwithstanding the above, stakeholder management is an area that needs to improve. Some work is being done in this area, for example replacing Fix My Street and upskilling staff involved directly with customer communications, but more needs to be done to ensure customers can self-serve and that the information on the website addresses the majority of customer enquiries. The service, through both officers and elected members, also needs to be better at conveying to the public both forward work programmes and the budgetary and resource constraints within which the service operates.

6. Robust budgetary control and financial management

CEH has an excellent track record of delivering within its revenue budgets. There has been a tendency to underspend the capital budget, however, which is unhelpful in ensuring the maximum available resource is invested in the network. It would be beneficial at this juncture to undertake a comprehensive zero based budgeting exercise, rather than continuing a tendency to allocate annual budgets across activities according to historical apportionments.

At a contract level, there is an open book approach, and the governance structure facilitates regular commercial discussion and reconciliation between client and contractor. At an individual job level, the majority of task orders are delivered within budget, although the fact most task orders are issued for blocks of work can obscure the audit trail.

Many internal stakeholders are not always clear, however, that value is being delivered. The analysis of costs sometimes lacks clarity and client capacity tends to mean financial scrutiny is focused on reconciling transactions rather than assessing value.

RJ does undertake considerable benchmarking across its shareholder group, which provides some assurance at a higher level, but not all of this is shared with the client. The nature of the contract payment mechanism, with the majority of work being paid for on a 'cost reimbursable' basis, suggests the client needs to do more to gain assurance that costs incurred are reasonable in the context of both the volume of work delivered and comparable market rates.

7. Adequately resourced intelligent client function

All the top performing members of the FHRG have a well-resourced, intelligent client function, including adequate commissioning, contract management and commercial skills and capacity. Every authority that opted for a thin client model reversed that decision at the next procurement juncture. The nature of the integrated operating model is of course such that much of the client function is outsourced to the contractor. Nevertheless, it is important to retain control over direction and strategy and to be able to apply commercial tension and challenge to the contractor.

The CEC client function lacks the capacity to adequately discharge its role currently, a situation acknowledged by both the client and RJ, and exacerbated by a high turnover in the Head of Highways role in recent years. This lack of capacity has manifested itself in the absence of strategic direction and contractual challenge already described. It has also meant that the capacity that does exist is fully focused on operational delivery and that forward looking, strategic transformation is driven largely by the contractor.

At the time of this review, we understand consideration is being given to increase the capacity of the client function by five officers, so by around 60%. This investment should pay dividends in enabling CEH to address many of the improvement opportunities identified in this report.

8. Comprehensive forward programming with robust, joint planning and risk management

At present, CEH operates primarily on an annual programme basis. This is largely driven by the Council's budget setting timeline, which to date has seen final budgets agreed in February. We understand there is a corporate commitment to complete budget setting much earlier for 2025-26 and this should facilitate earlier and longer-term programming. This would have several benefits including giving RJ and its supply chain the certainty of future pipeline necessary to generate savings and efficiencies through longer-term resource planning. It would also enable CEH to convey to the public and other stakeholders a longer-term programme that demonstrates considered scheme selection and scheduling and a clear link to priorities.

In terms of joint planning, early contractor involvement (ECI) and early warnings (EWs) are generally deployed well to minimise the number of compensation events. The nature of the contract payment mechanism is such that the client bears the majority of risk, although we saw little in the contract itself that was explicit around risk allocation.

9. Robust performance management framework

The best performing authorities have comprehensive performance management frameworks with productivity and outcome measures that span the whole service and cascade from strategic objectives to team and individuals' targets.

CEH has a performance management framework that encompasses a number of strategic and operational indicators, the majority of which are met. The indicators included are similar to measures used by many other authorities although there are some obvious gaps, for example around finance, programming, and professional services. Targets have mostly been set based on historical performance, with little benchmarking to ensure these are stretching relative to those set by other authorities. A lot of work has been undertaken by CEH to increase the ease of visibility of performance, for example through dashboards in the Confirm system.

The performance indicator set has, however, developed organically over the life of the contract and there is a significant challenge as to whether it is measuring the right things. CEH has eight strategic objectives, but these are not widely publicised and lack outcome measures. The performance management framework should be focused on the delivery of these objectives, with outcome, output and productivity measures that cascade through the service, contract and team and individuals' objectives. Moving to this structure will be key in conveying to stakeholders the actual performance of the service relative to the vision and priorities set out by the Council.

10. Fit for purpose, fully functional and integrated information technology systems

A range of different corporate and service specific systems are used to deliver the service currently, including some good use of artificial intelligence. However, the CEC client team and RJ use different financial systems which creates the need for manual reconciliations and exacerbates the challenge of enabling the client to establish a full and transparent understanding of the breakdown of costs invoiced. This issue was raised by many stakeholders.

Integrated information systems at every level would facilitate a greater understanding of costs and also drive efficiencies in process. We understand that consideration is being given to the procurement of a bespoke contract management system.

Summary conclusions

Taking account of the current performance of CEH overall, our view is that, subject to adequate investment, the majority of the performance improvement opportunities identified could be realised by increasing client-side capacity. As well as enabling the client to set the strategic direction for the service clearly and visibly, this will allow the introduction of the challenge to RJ and commercial tension that would provide greater evidence and assurance to all stakeholders. There is, in any event, insufficient capacity within CEC to manage a procurement exercise at this juncture without major disruption to delivery of the strategic vision or bringing in significant external support.

It would be beneficial to use the advent of the break clause date as an opportunity for a contract reset; to put in place a clear action plan for strategic and operational improvement and to create the capacity and systems that will enable, at the end of the contract, clear, evidence-based decision making as to the optimum future operating model. It would also be timely to invite RJ to present to CEC on its own plans for the future of the integrated model, as there may be concepts that could be usefully explored during the remainder of the contract.

If CEC decides not to exercise the break clause, it would be prudent to start considering future operating model and contract options at least 3 years in advance of the end of the current contract, as well as the internal and external support that will be required to manage the procurement. Section 7 of this report sets out a series of future operating model options for CEC to consider and describes some of the perceived strengths and weaknesses of each.

Section 8 sets out our recommendations for improvement, the majority of which would add value regardless of the decision taken in respect of the break clause.



2 Background and Purpose

On 3rd October 2018, Cheshire East Council (CEC) entered into a 15-year Highways Service Contract (HSC) with Ringway Jacobs Limited. The HSC contains a pre-defined mid-term break clause which, in general terms, allows the Council to consider shortening the service period to eight years.

CEC commissioned a peer review to assess the HSC's performance, to inform the Council's approach to the contract break clause and the requirements of the service moving into future years. The ethos required of the peer review was to conduct an objective review in line with the CEC's strategic aims to be open and fair.

CEC set out the requirements for the peer review in a Review Scoping Specification (RSS) dated 6th December 2023. To address the full requirements of the RSS, the scope, and objectives of the review which this document reports was to:

- Undertake a review of the contractor's performance against the Performance Measures Framework (Strategic Indicators) in the HSC.
- Undertake a series of workshops with HSC stakeholders to obtain qualitative views and opinions, namely:
 - Highways, Transport, and Infrastructure contract users.
 - The Council's Corporate Leadership Team members whose service areas interface with the HSC.
 - Wider Council departments who access services under the contract.
 - The Council Member Advisory Panel.
- Benchmark the HSC against performance on other relevant peer highway service contracts across the country which are considered to be comparable to CEC's HSC.
- Provide further insight into areas of strength and weakness within the operation of the HSC.
- Provide comment on the alternatives for the Council regarding future contract options and market position.
- Deliver a detailed Peer Review Report which can be used as a stand-alone report and in a format and language suitable for review by members.

3 Overall Conclusions

Our review considered both qualitative and quantitative evidence. It has encompassed a full value for money assessment, using a methodology used extensively to benchmark performance across the 40 local highways authorities who are members of the FHRG, supported by focus groups with key internal stakeholders and a comprehensive review of all relevant policies, strategies, performance reports and other documents. We identified a high correlation across all these sources of evidence in terms of both the current performance of the contract and suggested areas for improvement.

When considering the performance of any highways service, it is not possible to entirely disaggregate the contribution of the client and contractor, and this is particularly true with an integrated model. In overall terms, our review concluded that Cheshire East Highways (CEH) demonstrates excellent collaboration and achieves the majority of the performance goals set. CEH has clearly delivered a lot of value and efficiency savings during the life of the contract, albeit at a transactional level it is not always easy to evidence value for money. The ability for RJ to reach back into its shareholder companies also provides CEC with an agility, resilience, and access to high quality resource it would otherwise find challenging to acquire.

Our review has also identified many improvement opportunities, but these are primarily contingent on the level of investment and client capacity. The latter will be important to better ensure service delivery is properly aligned to strategic priorities and to apply robust challenge and commercial tension. CEC also needs to deploy its scarce resources more strategically, and improve stakeholder management, as at present customer satisfaction does not reflect the overall condition of the asset and general service performance.

When benchmarked in terms of value for money, CEH currently ranks 14th out of forty FHRG members. It should be noted that many of the top performers are large county councils with significant resources and relatively generous budgets.

Taking account of the current performance of CEH overall, our view is that, subject to adequate investment, the majority of the performance improvement opportunities identified could be realised by increasing client-side capacity. As well as enabling the client to set the strategic direction for the service clearly and visibly, this will allow the introduction of the challenge to RJ and commercial tension that would provide greater evidence and comfort to all stakeholders. There is, in any event, insufficient capacity within CEC to manage a procurement exercise at this juncture without major disruption to delivery of the strategic vision or bringing in external support.

It would be beneficial to use the advent of the break clause date as an opportunity for a contract reset; to put in place a clear action plan for strategic and operational improvement and to create the capacity and systems that will enable, at the end of the contract, clear, evidence-based decision making as to the optimum future operating model. It would also be timely to invite RJ to present to CEC on its own plans for the future of the integrated model, as there may be concepts that could usefully be usefully explored during the remainder of the contract.

Section 7 of this report sets out a series of options for CEC to consider with regard to potential future operating models prior to the next procurement. Section 8 sets out our recommendations for improvement, the majority of which would add value regardless of the decision taken in respect of the break clause.

4 Policy and Performance Framework

As part of our assessment, we undertook a detailed review of relevant policies, strategies, plans, and other documents, as well as the performance management framework, to help gain an understanding of the priorities, direction and performance of the contract and wider service.

4.1 Policies and Strategies

CEH has an Asset Management Policy and Strategy in place along with a Highway Infrastructure Asset Management Plan (HIAMP). Running through them all is the three stage approach to managing the asset:

- Stage 1 Keeping the Network Safe and Serviceable
- Stage 2 Maintaining and Protecting the Network
- Stage 3 Investing to Improve the Network

All three documents reference the Corporate Plan and how asset management activity on the highway can support key areas such as ‘Safe and Well Maintained Highways’, including improved customer satisfaction with highways and improved condition of highways.

Although the Policy and Strategy refer to the challenging budget picture there is no reference to the most impactful maintenance strategy to address this. A preventative maintenance strategy which includes a move to more surface treatments such as dressing and a focus on the “deep ambers” would make best use of limited resources.

In the HIAMP, the Lifecycle Plans for carriageways and footways do contain details of deterioration modelling with reference to treatment cycles. This could be more explicit however, including the need to focus on preventative maintenance and an increase in surface treatments.

CEH has benefitted from a range of additional capital funding for highways, and this is reflected in good overall Road Condition Indicator’s (RCI’s). But a focus on high speed, high risk rural roads has left the more noticeable urban network in a challenging condition. Relatively generous highway maintenance budgets often result in a move away from less popular surface treatments such as dressing to full resurfacing. But a long term preventative maintenance strategy is essential to ensure the whole network is maintained in the best possible condition with the resources available.

Moving budget between asset types may be required to address challenges for a specific asset type. The indicative rates from the contract suggest that RJ can provide surface treatments at a competitive level in relation to other providers.

Overall conclusions

The building blocks of a strong asset management policy, strategy and plan are in place. However, they would benefit from clearer links to CEH’s eight strategic objectives, which themselves cascade from the Corporate Plan. Most high performing highway authorities now follow a rigorous approach to preventative maintenance to ensure relatively scarce resources are used to arrest the decline of the network. CEH’s Asset Management Policy, Strategy and Plan would benefit from a more explicit inclusion of preventative maintenance, supported by clearer lifecycle planning for each asset group. CEH can make good use of a competitive rate for surface treatments from RJ. An increased programme of such works should generate efficiencies if planned collaboratively.

4.2 Finance

Notwithstanding the Government's regular announcements of more funds to fix potholes, all local highway authorities struggle for adequate funding, especially when compared with National Highways. CEH has benefitted from a recent history of additional capital funding for roads, which has left its network in a good condition when compared to its peers. However, there are certain challenges to address if the network is to be maintained at this level and public perception is to be improved to reflect this.

As described above, compared to peers, CEH carries out a low level of preventative maintenance such as surface dressing on its network and has an asset management policy and strategy which lack fully developed lifecycle plans to highlight the importance of preventative maintenance as a key approach to managing the network. Recent additional capital funding may have allowed a move to the more favoured full surfacing, but this is not sustainable in the long-term. The focus on higher cost treatments means only about 1% of the network is treated annually. A switch to more cost effective surface treatments would allow more of the network to be treated within the existing budget envelope.

A revenue budget of £2.184m for potholes appears high when compared to only £10.099m for capital repairs to highways. It suggests a reactive approach to maintenance at the expense of a preventative one. Whilst helping to support a very high claim repudiation rate, it adds little to the long term asset condition of the network and may result in a longer term spiral of decline without regular inputs of additional funding. Like most authorities, CEC is managing a declining asset, and a sustained increase in capital expenditure over a number of years would be required to start to arrest that decline and to reduce the reactive revenue spend.

Inter asset funding decisions tend to be based on historic budget levels. Assets such as bridges appear to operate with fairly generous levels of funding when compared to others such as roads. Other elements of the service which appear to be well funded include drainage and winter. This may be partly due to contract rates, and it is understood that recent flooding events have led to a focus on drainage operations and funding. However, a zero based budget review with a focus on cross asset prioritisation may prove beneficial.

Overall conclusions

CEH should carry out a zero based budget review driven by a refreshed Asset Management Policy, Strategy and Plan. Cross asset prioritisation may be required to free up resources for an increase in preventative maintenance activity with more focus on the higher profile urban road network.

4.3 Performance

A wide range of performance data is available for CEH. This includes the FHRG Value for Money Benchmarking Report, Road Condition Indicators (RCI's), National Highways and Transport Survey (NHT) and its related Cost, Quality, Customer (CQC) Report and further upcoming benchmarking results from APSE and MHA+.

It is difficult to draw absolute conclusions from all these sources, but the picture is broadly positive. Consistency of data input did appear to be an issue, partly explained by the different requirements of the various submissions. The core documents reviewed were as follows and the detailed observations drawn from each document are captured in Appendix C.

- National Audit Office submission – January 2024
- ALARM Survey 2024
- NHT PMF and CQC submissions
- DFT Road Condition survey 2021-23
- DFT Self-Assessment
- APSE Return 2023

The Contract Performance Management Framework (PMF) contains a range of mainly output based measures which encompass many of those commonly found within most highway contract performance frameworks.

Operational Performance Indicators include measures such as safety, utility and bridge inspections carried out on time. These are measures more closely aligned with a client function in authorities not so comprehensively outsourced. The targets are all high and generally met. There are more traditional measures relating to emergency repairs and response and gulley attendance. Targets are suitably challenging and usually met although a recent flurry of defects, no doubt linked to the very wet weather, has resulted in some targets being missed. Appropriate Performance Improvement Plans are in place to address this.

Four Strategic Performance Indicators are in place, but these are not all obviously linked to CEH's strategic objectives. Principal inspections of bridges, for example, is a target that may more reasonably be classed as operational. A carbon reduction target for highway depots might be expanded to include highway operations but is being exceeded in its current format. Recycling is performing well at 100% but a customer journey analysis measure is well below target.

Finally, there are a series of Wider Service Indicators which include many condition measures and NHT related perception measures. Although a function of available budget, most of the condition indicators are at or above target. These compare well with other highway authorities indicating that recent additional funding has been spent well, notwithstanding low public satisfaction. Condition indicators can now be mapped directly to the Corporate Plan and may be rebranded as Strategic Performance Indicators to reflect this. Customer satisfaction measures are all well below target and may require a refocus by CEH to deliver works on the more noticeable urban highway network.

Overall conclusions

The PMF has been in place since the start of the contract. Indicators have been adjusted as required by changing circumstances, such as the achievement of Level 3 for the DFT's Self-Assessment.

Contract performance is generally very good with targets being met or surpassed. Where this is not the case, Performance Improvement Plans are implemented. Highlights include the response to defects and carriageway condition indicators. Areas of challenge mainly relate to the perception of the service either by members of the public or elected members. The NHT scores are especially disappointing, with some of the lowest scores nationally. CEC is now looking to cease engagement with the NHT for survey purposes and engage instead with APSE which provides a much broader and deeper set of data that will be easier to interpret and use to drive positive change.

Road condition indicators are good with A's with 4% red, B/C's 5% and Unclassified 13%. The good condition of the network, relative to peers, is at odds with the results presented from the NHT Survey. Although to some extent this is a national issue, fuelled by regular press and television articles on potholes, the CEH approach to scheme selection may be worthy of further consideration

as discussed above. The poor condition of the urban network may go some way to explaining the apparent disconnect between road condition and public perception.

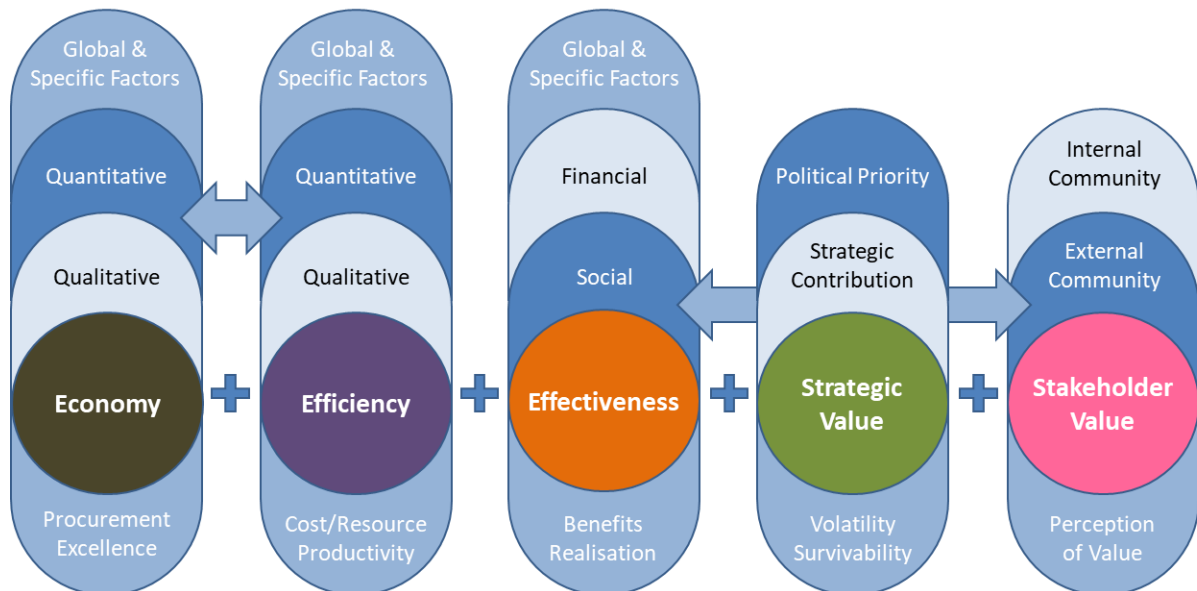
The Contract PMF should link more closely to CEH's eight strategic objectives, which themselves are derived from the Corporate Plan targets and aspirations. Strategic indicators usually seen in equivalent contracts relating to social value, inward investment and growth enhancement are missing and would benefit from inclusion. Given the nature of the contract and client/contractor/consultant relationship then a relationship scoring mechanism may also be a helpful addition to the suite of measures.

Another obvious area for development is benchmarking of contract costs. This may be provided by the planned engagement with the MHA+ cost benchmarking process, but more extensive productivity benchmarking is usually evidenced in other cost reimbursable contracts.

5 Value for Money Performance

To evaluate the current value for money performance (vfm) of CEH, and benchmark this against the performance of the other 40 members of the FHRG (Appendix D), we used Proving's long standing and accredited framework for assessing vfm across the five dimensions shown in Figure 1.

Figure 1 – Value for money framework



Each of the above dimensions is underpinned by a number of factors. The assessment was undertaken in a workshop with representatives from both the client and contractor leadership teams. Each factor was discussed in the context of a scoring guide that describes the attributes of a service that is performing at Excellent, Good, Satisfactory, Requires Improvement or Poor standard. The appropriate score was entered into Proving's Value Analyser scoring tool. A confidence adjustment was also applied, and, for each factor, the tool also records any opportunities for improvement. Finally, the tool auto generates the priorities for action, focusing on those actions that will give the highest return in terms of value for money, and enables a series of graphs to be generated that illustrate current and benchmarked vfm performance.

Further details of the vfm framework and methodology are contained in Appendix A. The detailed scorecards for each dimension for CEH are set out in Appendix B.

5.1 Overall conclusions

Our assessment concluded that CEH operates in highly collaborative partnership and that RJ provides an agility, responsiveness, and access to resource that CEC would struggle to do itself. Within a context of scarce resource and limited investment, budgetary control is robust, and CEH achieves the majority of performance measures set. In overall terms, the network is in a reasonable condition, something not reflected in very low levels of public satisfaction.

It is less clear that current activity reflects strategic priorities. CEH has eight well defined strategic objectives, but it is difficult to see how these flow through policies, strategies, and operational

delivery or how they feature in the performance management framework. There is a considered view across CEH that resource could be used more efficiently, and better outcomes achieved, with a mandate from elected members to pursue a more preventative and less reactive maintenance strategy. Over time, this may also improve customer satisfaction.

RJ does provide CEC with a wealth of information seeking to demonstrate cost competitiveness and value for money. A lack of capacity on the client side however means this information is not challenged robustly, and both parties acknowledge there is insufficient commercial tension in the contract currently. This is not helped by a lack of integration of some information systems.

CEH does have a number of improvement plans in flight, notably around operational efficiency and customer, with stakeholder management being a critical area for improvement.

Figure 2 below summarises the overall score for each vfm dimension, and Figure 3 shows how CEH's current vfm performance compares to that of other members of the FHRG. Two things are worthy of note when considering this comparison:

- The majority of the top performing authorities are large county councils with well-resourced client functions and relatively generous budgets.
- There is potential for CEH to make quite significant progress by simply incremental progress; the plot 'CEC Potential' demonstrates what could be achieved by moving each factor currently scoring 'Requires Improvement' to 'Satisfactory', and each factor currently scoring 'Satisfactory' to 'Good.'

Figure 2 – Value for money score by dimension

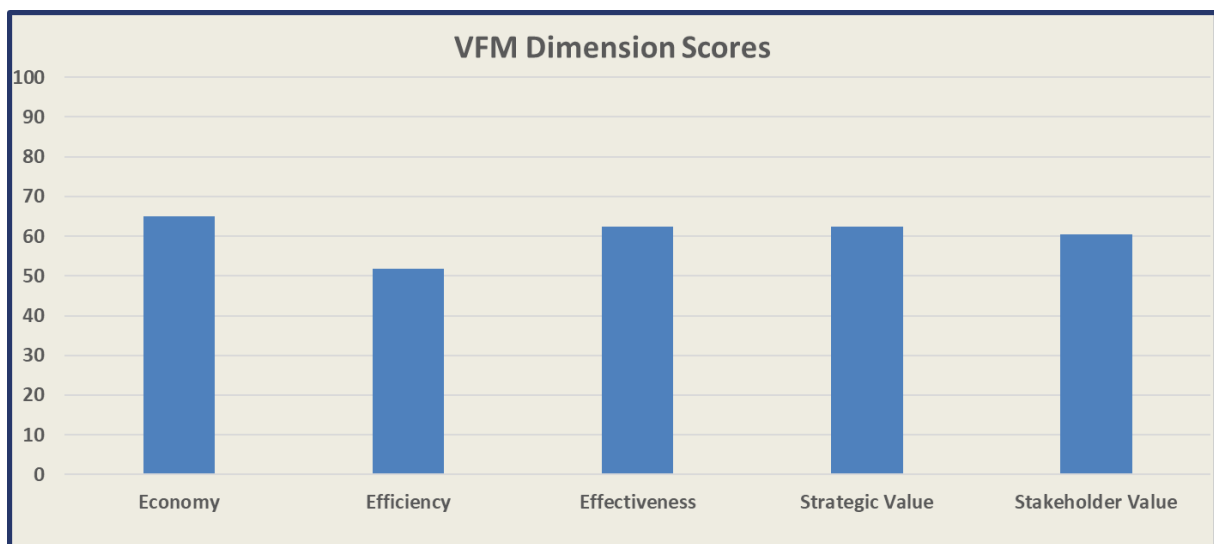


Figure 3: Current value for money performance (benchmarked)

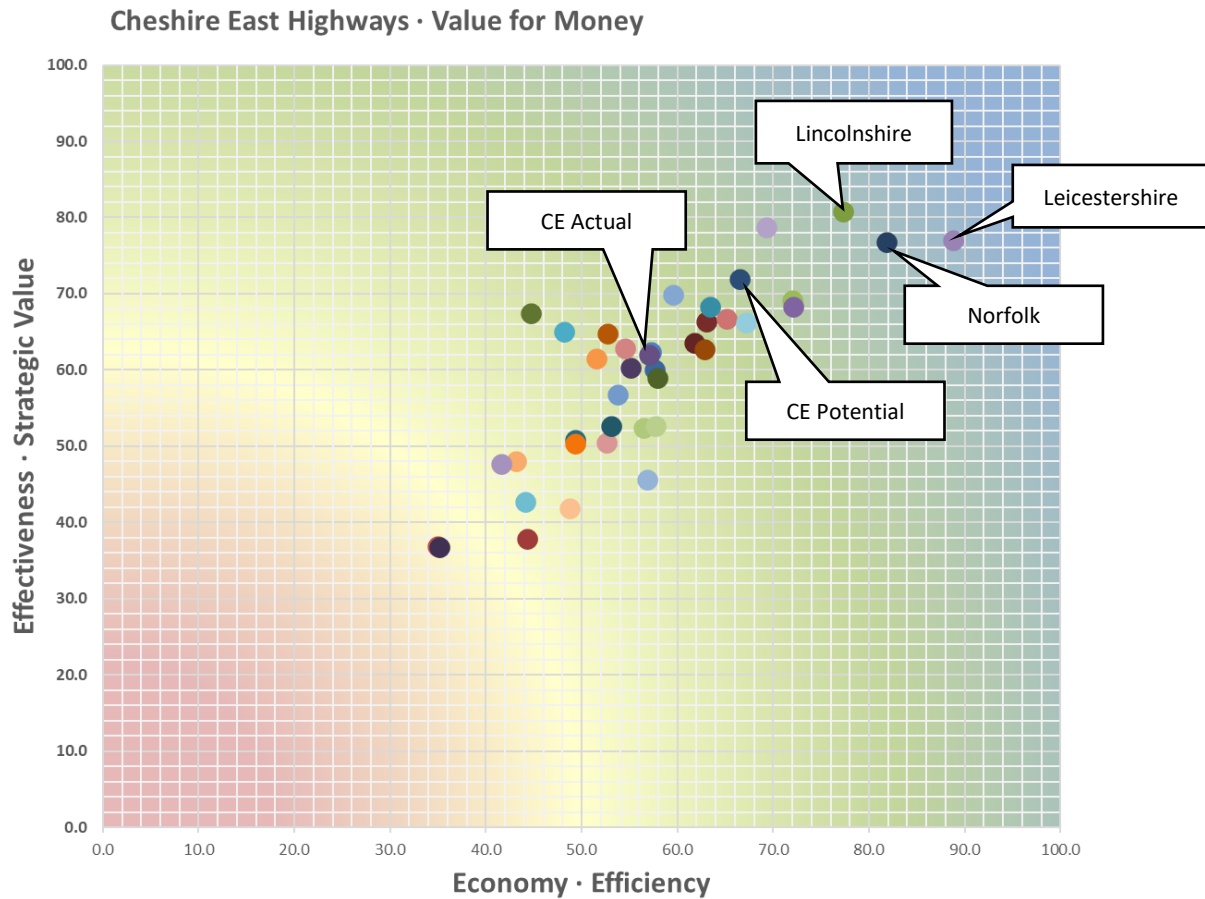


Figure 4 overleaf shows how CEH's performance compares to a more localised group of authorities:

- Cheshire West and Chester Council
- Derbyshire County Council
- Shropshire Council
- Staffordshire County Council

Figure 5 then compares CEH's performance against a selection of authorities with similar network lengths (2000km to 4,000km):

- Buckinghamshire Council
- Cheshire West and Chester Council
- Essex County Council
- Herefordshire Council
- Leicestershire County Council
- West Sussex County Council

Figure 4: Current value for money performance (benchmarked against near neighbours)

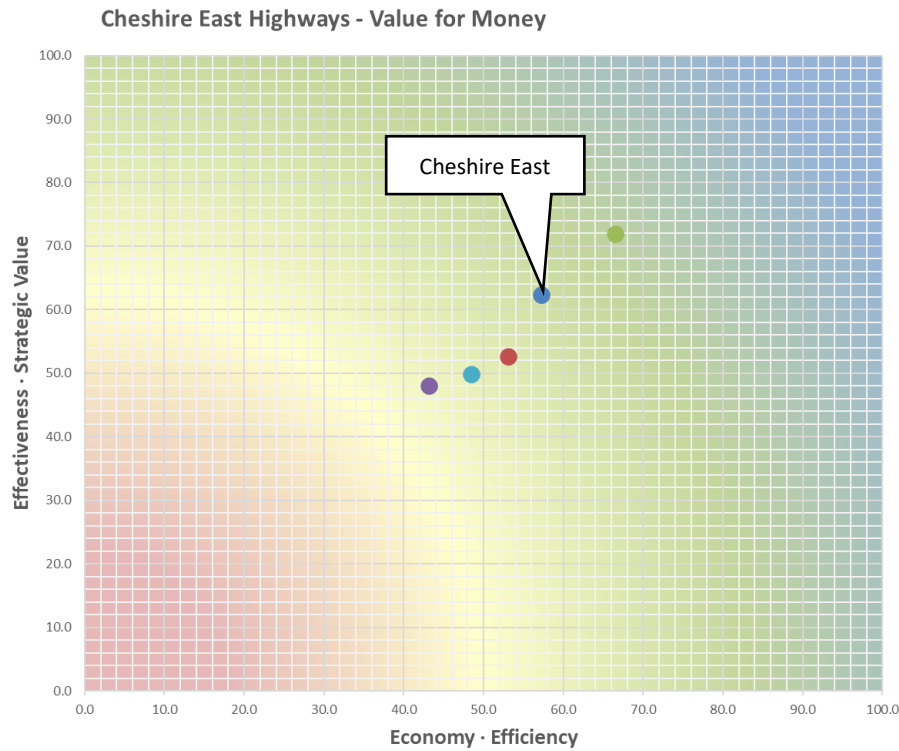
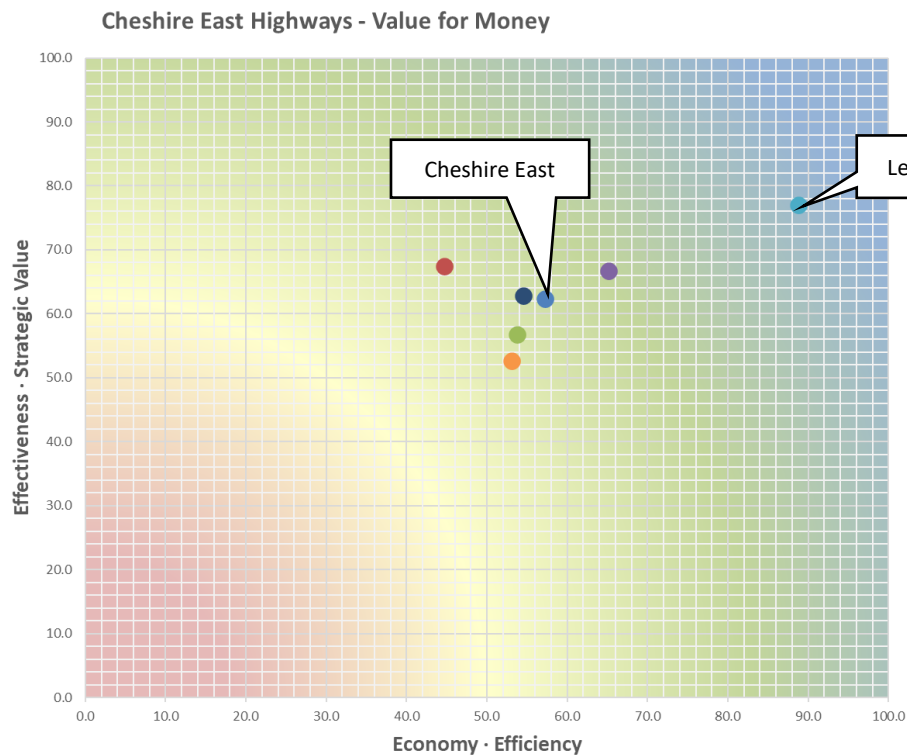


Figure 5: Current value for money performance (benchmarked against authorities with network length 2,000 – 4,000km)



The following sections describe our findings in more detail in respect of each dimension and set out the improvement considerations. These then feed into the recommendations in Section 8 of this report.

5.2 Economy

CEH has an excellent track record of delivering within its revenue budgets. There has been a tendency to underspend the capital budget, however, which is unhelpful in ensuring the maximum available resource is invested in the network.. The Council's annual budget setting process only concludes around a month in advance of the financial year, which is a significant barrier to early programming and effective planning. There is a corporate commitment to bring the budget timetable forward for 2025-26.

The highways client team is very lean, only eight posts, which creates many challenges as described in the following sections. RJ's management, professional service and operative teams are also lean and there is sufficient evidence through benchmarking and recruitment exercises that rates of pay are in line with the market. RJ's annual business plan sets out the resource to be deployed to deliver the agreed programme of work, and the unit costs applied to activities, for example surface dressing or resurfacing, appear reasonable.

Notwithstanding the open book approach, there is less direct evidence that the volume of activity delivered represents value for the budget consumed. External benchmarking tends to focus on rates rather than productivity, e.g. volume of tasks achieved or time taken to deliver a design or scheme. In addition, although RJ have robust processes at both a corporate and contract level to ensure supply chain costs are competitive, given the nature of the payment mechanism is such that 70% of activity is priced under NEC Option E (cost reimbursable), the client needs to do more to satisfy itself that prices quoted are competitive. The reconciliation of commercial transactions between the separate financial systems of CEC and RJ is complex, and tends to focus on transactional reconciliation rather than value. Many task orders are also issued at the operation level, which further obscures the audit trail.

An area where all parties acknowledge further savings could be made concerns depot utilisation. Moving from a three depot to two depot strategy would facilitate greater self delivery for RJ and deliver efficiency savings. There is an intent to progress this strategy, but timelines are unclear.

The cost of risk is generally well managed, with Early Contractor Involvement (ECI) and Early Warnings (EWs) used effectively to minimise the number of compensation events (CEs). RJ are also proactive in bringing forward suggested solutions alongside EWs. There are comprehensive risk and opportunity workshops at the outset of schemes and joint risk registers from strategic to project level. There is little reference to risk allocation in the contract itself, with risk apportioned on a project by project basis. Given the nature of the payment mechanism, most risk is assumed by the client. RJ acknowledges that more could be done to ensure the learning from risks that do arise is reflected in amendments to systems and processes, and that the client is given visibility of this.

An area of great strength for the partners concerns securing grant and investment funding, where Jacobs, an RJ parent company, has used its expertise to secure close to £300m for CEC and develop a pipeline of schemes that flow from the Local Transport Plan. It is important however to consider the

whole life costs of capital schemes and ensure the revenue consequences of future maintenance are encompassed within business cases.

There is also a reasonable level of income generation; fees and charges are benchmarked and adjusted annually and CEH secures a good income stream through Highways Act activities and green claims. Both client and contractor acknowledge more could be done to generate further income, and consideration will be given to lane rentals and securing monies from developers going forward. CEC considers the introduction of a 'Cheshire East specification' for works could assist with the latter.

In summary, the main opportunities identified to deliver further vfm in respect of the Economy dimension are:

- Ensure the client team has the commercial skills and capacity to deliver comprehensive contract management, including a robust challenge to cost and value for money data presented.
- Extend external benchmarking to encompass productivity measures as well as rates. We understand CEC intends to engage with APSE and MHA+ benchmarking exercises to facilitate this.
- Execute the depot strategy to enable greater self delivery and realise cost savings.
- Ensure the learning gained from risk events that materialise is used to improve the relevant systems and processes.
- Develop a business case for additional resource to extend the breadth of income generation activities being undertaken.

5.3 Efficiency

CEH is one of the top scoring authorities in the NHT Cost Quality Customer (CQC) tables. Nonetheless, our review identified capacity and efficiency as the key areas for further improvement across the service.

RJ has a well skilled, collaborative, and responsive management team that is highly valued by the client. RJ also provides a diverse, well skilled workforce and is able to secure skills and expertise that CEC would itself struggle to attract. Productivity indicators are being built into Confirm dashboards and there is an operational efficiency improvement plan that is well progressed. A lot of data and management information is made available to CEC, but the exceptionally thin client team lacks the capacity to properly use this information to challenge RJ and gain assurance that the cost and activity data presented is both accurate and good value. There is no direct evidence that this is not the case, but the contract lacks commercial tension, something both parties acknowledge.

Levels of service provided by corporate support functions vary. In particular, the level of support that can sometimes be offered by Human Resources and Legal Services is less that CEH would want. The corporate support functions themselves face resource constraints of course, and we understand these functions are subject to review currently.

The lack of client capacity also manifests itself in other ways. The team is almost fully deployed on operational oversight and is unable to give sufficient attention to developing the strategic, forward agenda. This in turn results in annual work programmes that lack strategic direction and cause

inefficiencies in resource deployment as well as difficulties in evidencing to stakeholders appropriate prioritisation and progress.

Longer term, strategic programmes would help address both these challenges as would a more preventative approach to maintenance work and perhaps a reflection on the balance of activity between rural and urban networks. Whilst overall network condition compares well with peers, this review team did note that some of the very visible urban network is in a poor state of repair.

Whilst the majority of productivity indicators in place are being met, there is a need to ensure indicators exist for all functions, and in particular there are currently no indicators for professional services. This is a complex function serving three client teams, and whilst there are some concerns about productivity and demonstrating vfm, the reasons for this are multi-faceted. RJ has recruited a new manager to improve resource management, programme management and governance, but the client also needs to give better direction as to prioritisation, clearer briefs, and earlier visibility of work programmes.

Other inhibitors of productivity currently are ineffectual triage by the contact centre, the volume of enquiries generated by Fix My Street and a tendency of elected members to bypass formal communication channels. These challenges are all indicative of the need to improve stakeholder management and enable customers and elected members to self-serve through the website and other means wherever possible. There are some initiatives currently in-flight to upskill staff in customer communications and consideration is being given to replacing Fix My Street with a system that will enable separate enquiries regarding a single issue to be linked. Continuous education programmes are also in place for members.

Set against these challenges, alongside CEH's widely ranging operational efficiency improvement programme, there is a sector leading trial being concluded of a system called Triopsis, which could deliver significant efficiencies in job scheduling. Efforts to further integrate other information management systems between CEC and RJ, using Confirm, would further simplify the exchange of information, and facilitate efficiencies.

In terms of service sustainability, CEC is aware there will be further budget pressures and more demand for services. This presents a challenge for both financial and staff resources. In terms of the latter, RJ plays a key supporting role and demonstrates good outcomes in succession planning, talent management and assuring a future pipeline of resource through apprenticeship schemes and other initiatives.

In summary, the main opportunities identified to deliver further vfm in respect of the Efficiency dimension are:

- Ensure the client team has the capacity to properly prioritise and direct contract activity, in line with the service's strategic objectives.
- Develop earlier and longer term programmes of work that are clearly aligned to service objectives and consider whether a more preventative approach to maintenance would deliver efficiency savings.
- Undertake an end to end review of the delivery of professional services and determine what each party needs to do better or differently to facilitate a more productive and timely service.

- Ensure productivity indicators are in place for all functions and easily visible to all parties, through Confirm dashboards or otherwise.
- Develop and deliver a comprehensive plan to improve stakeholder management and drive efficiency, including:
 - Delivering current initiatives to upskill staff in customer communications and replace Fix My Street.
 - Engaging with the Contact Centre to ensure staff have the requisite knowledge and skills to properly triage enquiries.
 - Continue to develop the website as the primary information portal for all enquiries from elected members and customers.
 - In alignment with longer term planning and programming, better communicate strategy and planned activity to local communities.
 - Equip elected members with the skills and knowledge to be effective advocates for the service.
- Consider how information management systems can be further integrated between CEC and RJ to eliminate the need for separate spreadsheets and manual reconciliations.

5.4 Effectiveness

CEH delivers at least the statutory minimum level of service across all functions but with few if any discretionary services. CEH has all the necessary business continuity plans in place and is highly resilient at the service level, although this is driven by RJ with little if any resilience on the client side.

At an individual task and project level, most activities are delivered within budget, on time and right first time. There is scope however for RJ to better report the volume and mix of activities actually delivered relative to what was planned. There is a performance management framework (PMF) in place, and most measures are met. It is less clear whether the PMF properly reflects the strategic priorities of the service; indicators have been added and amended organically and it would be timely to have a reset for the remainder of the contract, clearly setting out the objectives, how will these be delivered and how success will be measured. Targets also need to be set with reference to external benchmarking, currently they are set only with reference to previous performance.

CEC has received external accreditation for delivery of its asset management strategy; in practice however, it is difficult to see how the strategy reflects the core objectives and how life cycle plans flow into operational budgets. Demonstrating this link more clearly would go some way to helping convey to stakeholders how operational activity is actually delivering political priorities.

Although there is an Innovations Group within the governance structure, this isn't defining or driving strategic and operational innovation currently. Innovation is happening but is it organic rather than planned. Increased client-side capacity will again be a critical enabler of progress in this area going forward. Service improvement plans do exist for carbon, customer, and operational efficiency, and these are at varying stages of implementation.

CEH does perform well in respect of the carbon reduction and social value agendas. CEC has a very ambitious target of 2025 for net zero, which we understand is in the process of being revised to 2027. CEC is viewed as something of a leader in this area and RJ has its own carbon action plan to

demonstrate what can and can't be achieved in that timeframe. There are already several very positive initiatives in flight.

CEH is also amongst sector leaders in terms of social value. RJ is active in terms of engaging local supply chains, apprenticeship schemes, volunteering, engaging with education providers and giving opportunities to care leavers and former members of the armed forces. The social value delivered is measured through a nationally recognised framework and the Cheshire and Warrington Social Value Partnership has been recognised and accredited. It is notable that this agenda is being led and delivered by RJ; CEC does need to do more to be able to both contribute to the agenda and offer constructive challenge to RJ.

Notwithstanding the level of performance and clear commitment of all partners, customer satisfaction is very low. Potential strategies and actions to help address that are described elsewhere in this report.

In summary, the main opportunities identified to deliver further vfm in respect of the Effectiveness dimension are:

- Reset the performance management framework to ensure it flows from the eight service objectives and contains SMART outcome and output measures that have been benchmarked externally.
- Revisit the asset management policy, strategy and plans to ensure they properly reflect the service objectives and improve and demonstrate the link between life cycle plans and operational budgets.
- Ensure management information explicitly demonstrates the volume and mix of activity delivered relative to that planned.
- Ensure there is adequate resilience to cover core client functions that cannot be delegated to RJ.
- Reinvigorate the Innovations Group and ensure it properly defines, determines, monitors and measures strategic and operational innovation.
- Consider how CEC can strengthen its approach to social value and contribute more fully to the good work being delivered through the CEH partnership.
- Continue to refine and deliver corporate and service specific strategies to improve customer satisfaction.

5.5 Strategic Value

CEH has eight strategic objectives, which cascade from the corporate plan and align well with those of many FHRG members:

- Maintain a safe highway network
- Deliver capital investment to maintain the network
- Manage traffic effectively on the network
- Support the Council's wider infrastructure and transport agenda
- Deliver the Council's obligations as Lead Local Flood Authority
- Provide services that are responsive to our residents
- Support the Council's carbon reduction agenda

- Deliver social value alongside the contract

These objectives are not, however, widely publicised and do not determine policies, strategies, operational delivery, and the composition of the performance management framework in the way they should.

Good progress is actually being made in delivering most of these strategic objectives, but the evidence for this is anecdotal and ad hoc rather than clearly evidence through outcome-based metrics and milestones. All policies and strategies should be centred on delivering these strategic objectives and all activities at contract, function, team, and individual level should align to the objectives by golden thread. The outcome-based metrics that will define success should be reflected in the highest tier of the performance management framework.

In summary, the main opportunities identified to deliver further vfm in respect of the Strategic Value dimension are:

- Define outcome measures of success, with milestones, for each strategic objective and reflect these in the highest tier of the performance management framework.
- Ensure all policies, strategies, operational delivery programmes and contract, function, team, and individual performance activities are demonstrably linked to achieving one or more of the strategic objectives.
- Consider how best to improve performance against the following objectives:
 - Deliver capital investment to maintain the network: as described elsewhere in this report, a more preventative approach to capital investment would deliver more sustainable and efficient maintenance.
 - Deliver the Council's obligations as Lead Local Flood Authority: performance in this area has improved but there remains scope to do more
 - Provide services that are responsive to our residents: activities should focus more on needs and less on wants.
- Consider whether an additional strategic objective should be added to reflect a commitment to deliver value for money.

5.6 Stakeholder Value

We explored CEH's perception of the views of various stakeholders groups (see Appendix B) of the service. This subjective analysis was supported by recent elected member and town and parish council surveys.

Broadly, the perception is that internal stakeholders, including elected members, the corporate management team and other council departments, view CEH as highly collaborative and responsive. The service received a lot of plaudits through the pandemic for the amount of cover and support it gave to other departments. There is, however, less satisfaction with the level of service delivered, although there is some acknowledgement that the level of investment is a critical inhibitor.

External stakeholders, including the Department for Transport, neighbouring authorities and supply chain partners perhaps view the service more favourably, but general public satisfaction is very low, as evidenced through the NHT survey and local and anecdotal feedback.



Moving forward, it would be helpful for CEH to survey all stakeholder groups directly, to obtain first hand feedback on their perception of the service and suggestions for improvement. This feedback will then help shape future strategy.

6 Wider Stakeholder Feedback

As part of our assessment, we interviewed a number of stakeholders outside CEH to establish whether their perceptions of the contract and relationship with RJ aligned with other evidence. We spoke to the following role holders, two of whom had performed the Head of Highways role for CEC previously:

- Interim Director for Environment and Neighbourhoods
- Head of Environmental Services
- Head of Infrastructure
- Infrastructure Delivery Lead
- Former HS2 Programme Director
- Finance Manager, Place and Core Services
- Legal Team Manager, Place

These stakeholders offered the following observations in terms of the strengths of RJ and the current contract:

- Highly collaborative and responsive, very easy to work with.
- Very committed to CEC and represent the service well in interactions with elected members.
- Deliver the core service very well within the constraints of the budget and direction CEC gives them.
- Bring to the service resources with skills, experiences, and diversity that CEC alone could not attract. CEC has benefited from some excellent long term secondments.
- Ability to reach back into Jacobs brings significant benefits in terms of capacity and skills and the ability to avoid costly procurement.
- RJ staff primarily work in the office; this helps collaboration and responsiveness.
- When we emerged from the pandemic, RJ were very helpful in assisting us with moving to a more customer focused approach, to help rebuild relationships that had degraded through lack of interaction.

The following observations were offered in terms of the perceived weaknesses/improvement opportunities in terms of the way RJ and contract more widely operate currently:

- Very proactive in initiating projects, but project management is not always strong, there can be issues with the timeliness of delivery for professional services, albeit the end quality is usually good.
- It can be difficult to evidence value with a payment mechanism that is usually cost-reimbursable and in the absence of occasional tenders for work packages.
- Not all stakeholders fully understand the contract, some uncertainty as to whether anyone now does on the client side? Could there be some form of 'contract refresher' for contract users?
- The breakdown of costs is complex to understand; CEC and RJ use different financial systems which are difficult to reconcile. A general lack of clarity around budget versus forecast versus outcome.
- Change control is sometimes communicated after costs have been incurred.
- For Legal Services specifically (primarily for work in respect of TROs), there are bottlenecks and friction sometimes because of confusion about roles; Legal Services can only take instruction from the client.

- The work RJ do to prepare TROs is also relatively expensive – would there be a business case to bring it back in-house?
- Formal processes around raising task orders is quite bureaucratic, could there be a de minimis level beneath which more relaxed protocols are applied?
- Lack of clarity around governance and the terms of reference for the various boards.
- Do our performance measures actually measure the right things?
- For some services, Road Safety was mentioned specifically, it seems the same budget and approach is applied last year, as inherited at the inception of the unitary authority, with no regard to risk and a changing environment. This approach does not receive sufficient challenge.
- More generally it is difficult to see the link between CEC's strategic objectives and operational work programmes.

In summary, our stakeholder consultation provided very helpful feedback, which triangulated a lot of the evidence we had obtained from elements of our assessment. All stakeholders were at pains to acknowledge that many of the perceived weaknesses in the current operation of the contract are a consequence of lack of capacity in the client function.

The observation was also made that notwithstanding the decision to procure an outsourced model, senior CEC officers and elected members often still seek a level of direct interaction with client officers that would be a more appropriate with an in-house or mixed economy model.

Relevant recommendations arising from our wider stakeholder engagement exercise have been included in Section 8 of this report.

7 Future Contract and Service Delivery Options

CEC will need to start considering its future operating model and contract options at least three years in advance of the current contract end date. In terms of potential future operating models, the Council has many different options. Research undertaken by the FHRG over the past 2-3 years, evaluating the strengths and weaknesses of the most popular operating models, can help inform the decision-making process.

In 2021, with consideration to the number of authorities coming to the end of their current highways delivery arrangements, eight FHRG members commissioned Proving to undertake a review of the marketplace and evaluate future service delivery options. As part of the study, Proving developed a methodology to enable individual authorities to evaluate some 15 potential future operating models and rank these in terms of their strategic fit, attractiveness, and achievability.

This methodology has now been applied by 16 authorities over the past three years. Some authorities have undertaken the study to help prepare for re-procurement and some to help inform decisions in respect of break clauses. The methodology helps an LHA to consider, for a range of potential operating models:

- How well each model may contribute to the delivery of the highways service's strategic objectives, relative to the current model.
- How attractive each model is, in terms of value for money (economy, efficiency, effectiveness and stakeholder value), relative to the current model.
- How achievable the transition to each model might be, relative to continuing with the current model. Achievability includes the cost and complexity of transition, the appetite for the model, both within the authority and across potential providers, as well as how successful each model has been across the wider sector.

The outcome of the above process is a provisional ranking of the potential future service delivery options, which can be evolved as the procurement process develops and the scope and breadth of services to be encompassed becomes clearer.

Across the 16 authorities that have undertaken this detailed study, some key conclusions can be drawn:

- There is a general recognition that scarcity of skills and capacity suggests change must be evolutionary rather than revolutionary.
- The majority of services are looking to move toward a more mixed economy in future. This stands true whether the current service is a DLO, fully outsourced or somewhere in between.
- The majority of services are also looking to install a stronger, more intelligent client function in future models.
- Some services are willing to retain or move toward inhouse services to support political priorities, whilst acknowledging that these models may not deliver best economy or efficiency.
- There remains no appetite for shared service models.
- A minority of services are considering or have implemented a more fundamental change of operating model, e.g. North Yorkshire moving to a Teckal.

A summary of the relative popularity of each operating model is captured in Figure 6, and this provides for some interesting analysis:

Figure 6 – Future Service Delivery Options: Ranking across 16 authorities

| Service Delivery Option | Ranking | | | |
|------------------------------------|---------|---------------|----------------|---------------|
| | Overall | Strategic Fit | Attractiveness | Achievability |
| Primary Design + Add On | 1 | 3 | 3 | 3 |
| Function Orientated Provider | 2 | 7 | 1 | 6 |
| Contractor + Designer (Integrated) | 3 | 4 | 8 | 1 |
| Best Option by Function | 4 | 6 | 2 | 5 |
| Contractor + Designer (Separate) | 5 | 5 | 7 | 2 |
| Cyclical & Reactive In-House | 6 | 9 | 4 | 6 |
| Arms Length Company | 7 | 2 | 5 | 11 |
| Joint Venture | 8 | 1 | 6 | 9 |
| All In-House | 9 | 8 | 9 | 8 |
| Multiple Providers | 10 | 11 | 11 | 12 |
| 4 Year Framework | 11 | 12 | 12 | 7 |
| Shared Service | 12 | 10 | 10 | 10 |

Primary Design plus Add On was the top ranked model overall. Essentially, this model entails an in-house delivery function for general professional services, with specialist design and delivery services outsourced. No services that currently deliver design services in-house would choose to change their delivery model and taking design services back in house is seen as a model that would facilitate greater local involvement in the design process and also enable greater cost control and more timely delivery. Challenges would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and local government pension costs may be an inhibitor.

Best Option by Function and Function Orientated Providers were the models that scored most highly for Attractiveness (value for money). These options involve selecting the best provider for each individual function within the service, in the case of Best Option by Function that provider may be internal or external. These models were generally deemed most likely to provide the best outcome in terms of economy, efficiency and effectiveness and were also considered attractive to internal stakeholders and local communities. The challenge of providing a fully joined up service under these models was noted, however. It was notable that these models have become increasingly popular over the past 18 months with most authorities coming to market now considering some form of mixed economy. These models do require a very robust client commissioning function.

Integrated Contractor and Designer, and Separate Contractor and Designer, achieved their position primarily through Achievability; scoring less highly for their perceived Attractiveness (VFM) or potential to achieve authorities' strategic drivers. The potential economies and efficiencies of scale

and benefits of joined up service delivery were, however, recognised as advantages of these models. Given the majority of early participants worked with only a small number of significant partners under their current arrangement, the transition to these models was deemed to be relatively straightforward.

The Integrated Contractor and Designer model is of course the model that the Council deploys currently. Across other commissioners deploying this model, some of the feedback included that this model can lack the appropriate commercial tension and may obscure transparency in terms of data and reporting with an absence of key, outcome-based metrics. Across all single provider models, there was a general disappointment that they had failed to leverage their scale of operation to deliver real innovation. It should be noted that Ringway Jacobs are currently consulting on how the integrated model should be evolved to better meet the contemporary needs of LHAs.

Cyclical and Reactive In-house models and options that would involve taking significant elements of the service back in house were generally viewed as attractive from the perspective of control and agility and may also be attractive to staff and local community stakeholders. There were conflicting views as to whether these models would perform better or worse than outsourcing models in terms of economy and efficiency but an acknowledgement that the lack of exposure to the wider market may dampen innovation. The **All-In-house** model was generally rejected however on the grounds of Achievability, in particular the cost and complexity of transition, again reflecting the starting point of the participant authorities.

Arms-Length Management Organisation (ALMO) and Joint Venture options are not common in the highways sector and several authorities chose not to include these amongst the option appraised. It is notable however that where scored, the level of control afforded by these models suggested they could be the most effective in the pursuit of strategic drivers. It was less certain however that they would deliver value for money, and they were deemed amongst the most difficult to achieve, as local authorities tend to lack the requisite experience and commercial skills to successfully establish and operate these more complex models. There is also a dearth of current sector success stories to draw on with these models.

Multiple Provider and Four-Year Framework options were not favoured by the majority of authorities to the degree of direct client oversight required, procurement capacity and the risk of divergent standards and an inability to provide an integrated service. A minority of authorities, however, expressed a contrary view, judging these models to be the best in terms of facilitating the involvement of local providers and ensuring a level of competition that could serve to both reduce costs and improve quality.

Shared Service models attract little appetite across either commissioners or providers. Political sovereignty, dilution of focus and absence of sector success stories were amongst the barriers cited. In considering its future operating model and contract options, the Council can draw on the analysis and conclusions of its peers, as set out above. It may also wish to undertake the options analysis study itself, to develop a bespoke shortlist of potential future operating models.

It is worth concluding this section however with reference to the ten features of top performing highways authorities, as observed by Proving across multiple value for money assessments and future operating model reviews. The choice of operating model is less important than that ensuring

these key foundations are in place:

1. Adequate investment.
2. Appropriate elected member behaviour and support.
 - a. Informed, knowledgeable and supportive lead member.
 - b. Constructive and proportionate challenge.
 - c. Adherence to formal mechanisms and protocols for communications.
 - d. Advocates for the service.
3. Culture of collaboration and mutuality.
 - a. Collaborative behaviours championed by all partners.
4. Good governance
 - a. Comprehensive policies and strategies that flow through to operational delivery plans.
 - b. A clear understanding of and accountability for roles and responsibilities across all partners.
5. Effective stakeholder management.
6. Robust budgetary control and financial management.
7. Properly resourced intelligent client function.
 - a. Including adequate commissioning, contract management and commercial skills and capacity.
8. Robust performance management framework with productivity and outcome measures that span the whole service and cascade from strategic objectives to team and individuals' targets.
9. Fit for purpose, fully functional and integrated information technology systems.
10. Comprehensive forward programming with robust, joint planning and risk management.

8 Key Recommendations

8.1 High priority recommendations

1. Determine and recruit the additional skills and capacity required by the client team to deliver clear direction and comprehensive contract management. An experienced service manager with a clear understanding of the contract provisions is essential. A good cost engineer is also vital.
2. Review the governance structure to ensure it remains fit for purpose and develop a robust approach to contract management with a clear contract management structure and procedures.
 - a. Supplement this with training for both parties on the contract ethos and provisions.
 - b. Consider member involvement in the Strategic Board to build buy in to the contract and service.
 - c. The governance structure should be supported by a clear and concise contract manual, regularly updated with Service Manager decisions.
 - d. Resolve the current conflict of interests for Legal Services, whereby timeliness is impacted by the need for CEC client approvals.
3. Refresh the performance management framework to ensure it cascades from outcome based metrics that support delivery of the strategic objectives, encompasses all functions within the service, and contains milestones and targets that are benchmarked externally.
4. Refresh the asset management policy, strategy, and plans to reflect the service's strategic priorities and rebalance the current urban/rural approach which perhaps drives a reactive spiral at the expense of preventative work. Demonstrate explicitly how the asset management strategy and full lifecycle asset plans cascade through budgets and into operational delivery plans. A more preventative approach to maintenance would make better use of scarce resource.
5. Use the contract break point as an opportunity to reinvigorate the service:
 - a. Use the refreshed policies and strategies to define priorities for CEH over the short and medium term planning periods.
 - b. Engage with RJ to understand its vision and plans for the integrated model going forward. Determine whether there are concepts that could usefully be explored and trialled during the remainder of the contract.
 - c. Consider whether there are certain elements of the service that could be delivered more economically in house. Stakeholder suggestions included:
 - i. Traffic Regulation Orders (TROs).
 - ii. Verge cutting.
 - iii. Utilising CEC's refuse fleet to undertake highways inspections.
 - d. Consider whether there may be a de minimis value beneath which the formal task order process could be simplified.

6. Develop a more rigorous and open approach to benchmarking to help apply commercial challenge to RJ, identify any issues and give confidence to the wider public and members.
 - a. The use of MHA+ and APSE should help but absolute clarity on the data used will be critical as evidenced by the eclectic approach in the current data. A single source of the truth approach may be required to ensure clarity and consistency.
 - b. Infrequent open tendering of packages of work for professional services will also help CEC gain assurance around cost competitiveness.
7. Use the opportunity presented by the corporate commitment to earlier budget setting to develop longer term work, preventative work programmes that are made visible to the supply chain and general public. A zero based budget exercise incorporating cross asset prioritisation should also be a regular feature of budget setting.
8. Develop and deliver a comprehensive plan to improve stakeholder management and drive efficiency, including:
 - a. Delivering current initiatives to upskill staff in customer communications and replace Fix My Street.
 - b. Engaging with the Contact Centre to ensure staff have the requisite knowledge and skills to properly triage enquiries.
 - c. Continue to develop the website as the primary information portal for all enquiries from elected members and customers.
 - d. In alignment with longer term planning and programming, better communicate strategy and planned activity to local communities.
 - e. Equip elected members with the skills and knowledge to be effective advocates for the service.

8.2 Other recommendations

9. Execute the depot strategy to enable greater self-delivery and realise cost savings.
10. Ensure the learning gained from risk events that materialise is used to improve the relevant systems and processes.
11. Develop a business case for additional resource to extend the breadth of income generation activities being undertaken.
12. Increased Target Costing would help to build skills during the second half of the contract period, as Option C is likely to be the main pricing approach for any replacement contract.
13. Undertake an end to end review of the delivery of professional services and determine what each party needs to do better or differently to facilitate a more productive and timely service.

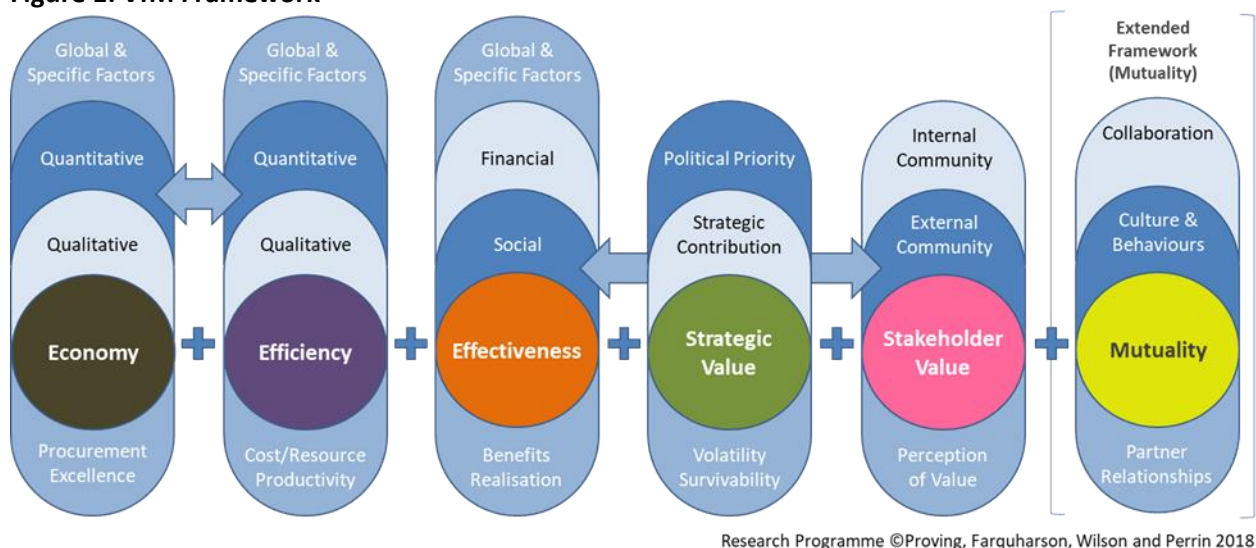
14. Ensure productivity indicators are in place for all functions and easily visible to all parties, through Confirm dashboards or otherwise.
15. Consider how information management systems can be further integrated between CEC and RJ to eliminate the need for separate spreadsheets and manual reconciliations.
16. Ensure management information explicitly demonstrates the volume and mix of activity delivered relative to that planned.
17. Ensure there is adequate resilience to cover core client functions that cannot be delegated to RJ.
18. Reinvigorate the Innovations Group and ensure it properly defines, determines, monitors and measures strategic and operational innovation.
19. Consider how CEC can strengthen its approach to social value and contribute more fully to the good work being delivered through the CEH partnership.
20. Survey each of the stakeholder groups considered in the Stakeholder Value dimension of the vfm assessment to ascertain directly their views of the service and any suggestions for improvement.

Appendix A – Proving Services Value for Money Framework

In 2011, Proving Services researched, designed, and developed a rigorous and comprehensive framework for VfM assessment. The Proving Processes and Toolkits have been endorsed by CIPFA and accredited to Gold Standard by APMG.

VfM assessments are completed using **Value Analyser v12**, the tool that underpins the Proving methodology. This is an assessment of current activities and future service options based on the recognised VfM criteria of *Economy*, *Efficiency* and *Effectiveness*, *Stakeholder Value* and *Strategic Value*. An optional sixth dimension is *Mutuality*. The framework is illustrated in Figure 1.

Figure 1: VfM Framework



The **VfM Dimensions** can be described as follows:

1. **Economy** – An assessment of the inputs (costs), including staff, facilities, and equipment, considering whether a 'fair' price is being paid for the resources purchased. This includes costs, revenues, and cost savings/cost offsets.
2. **Efficiency** – An assessment of the productivity, quality and resilience of the service provided.
3. **Effectiveness** – An assessment of the impact that has been achieved, including cashable financial benefits, social (non-financial) benefits, environmental benefits, political benefits and reputational benefits.
4. **Strategic Value** – The alignment & contribution of benefits and outcomes to the strategic drivers of the service.
5. **Stakeholder Value** – An assessment of the requirements and expectations by stakeholder community; typically including, *inter alia*, members, served communities, officers, commercial partners, other partners, and scrutineers.
6. **Mutuality** – Used to assess how effectively partners collaborate to achieve best outcomes. *This dimension is used primarily where a relationship or contract is new or dysfunctional and will not be used for this assessment.*

Assessments are completed via a stakeholder scoring workshop with attendees from both client and contractor. The workshop is facilitated by a Proving director and subject matter expert challenge is provided by either one or two peer reviewers drawn from the FHRG membership.

For CEH, the exercise was undertaken using the factor set at Appendix B that was tailored for CEH from the Standard FHRG Highways Service Factor Set, to enable benchmarking with peer authorities. However, the factor weightings were reviewed as we went through the scoring exercise to ensure they reflect the relative importance CECHS attaches to each.

The attendees were asked to consider each of the VfM factors and score them using the scoring guidelines provided.

Each factor was assessed using three distinct data elements:

1. A **performance score**: an assessment of the scale of performance of the service against the respective factor.
2. A **confidence score**: an assessment as to the level of evidence and stakeholder agreement supporting the performance score.
3. An **opportunity score**: an assessment of the extent to which factor performance can be improved.

Stakeholder Scoring captures the views of the stakeholders as a group for each VfM dimension and factor. Where there is disagreement regarding the level of current performance, this is reflected in a lower *Confidence Score*.

The following scoring guidance has been developed to encourage consistent scoring between workshops. The detailed descriptors for performance for each individual factor are contained in a separate guide. In overall terms however, the following scoring guidelines apply:

- **Excellent (VfM Factor / Category) Scoring Requirement (Score: 100)**
 - The category has been reviewed and there is little or no scope of improvement.
 - Or improvements have been identified and are currently being implemented.
 - Performance has been optimised.
 - Most stakeholders recognise the performance for this category as “excellent”.
 - There are clear performance measures; targets are **almost always** achieved.
 - The category is well managed and supported by a motivated team.
 - The performance for this category is externally benchmarked and frequently tested.
- **Good (VfM Factor / Category) Scoring Requirement (Score: 75)**
 - The category has been reviewed and areas for improvement identified.
 - Improvements have clearly defined costs and benefits cases.
 - Most stakeholders recognise the performance for this category as “good”.
 - There are clear performance measures; targets are **often** achieved.
 - The category is well managed and supported by a motivated team.
 - The performance for this category is benchmarked and frequently tested.
- **Satisfactory (VfM Factor / Category) Scoring Requirement (Score: 50)**
 - The category has been reviewed and areas for improvement identified.
 - Improvements have indication costs and benefits cases.
 - Most stakeholders recognise the performance for this category as “satisfactory”.

- There are some performance measures; targets are **sometimes** achieved.
- The category is well managed, but team motivation is variable / low.
- **Requires Improvement Scoring Requirement (Score: 25)**
 - The category has been reviewed and areas for improvement identified.
 - Improvements have indication costs and benefits cases.
 - Radical changes may be required.
 - Most stakeholders recognise the performance for this category as “requiring improvement”.
 - There are some performance measures, but targets are **frequently** missed.
 - The category requires improvements in management and / or team skills / motivation.
- **Poor (VfM Factor / Category) Scoring Requirement**
 - The category has been reviewed and areas for improvement identified.
 - Improvements have not yet been designed or documented.
 - Radical changes, including people, processes and systems may be required.
 - Most stakeholders recognise the performance for this category as “poor”.
 - There are some performance measures and targets are **not usually** achieved.
 - The category requires improvements in management and / or team skills / motivation.
- **Not Applicable (Weighting Set to 0 (zero))**

For each factor score, a confidence score is applied. The confidence score reflects the degree of certainty in the factor score.

- **High (Score: 100)**
 - Directly Observed, Strong, Recent Supporting Evidence
- **Medium-High (Score: 75)**
 - Some Relevant, Recent Supporting Evidence
 - **Medium (Score: 50)**
 - Limited Evidence, Stakeholders Confident
- **Medium-Low (Score 25)**
 - Indications Only, Based on Stakeholder Intuition
- **Low (Score: 0)**
 - No Evidence, No Stakeholder Confidence
 -

For each factor score, an opportunity score may also be recorded. The opportunity score does not affect the scorecard total.

- **Definitely (Score: 100)**
 - Definite opportunity for a tangible and sustainable improvement in factor performance.
- **Probably (Score: 75)**
 - Probable opportunity for a tangible and sustainable improvement in factor performance.
- **Possibly (Score: 50)**
 - Some opportunity for a tangible improvement in factor performance.
- **Probably Not (Score 25)**
 - Limited opportunity for an improvement in factor performance.
- **Definitely Not (Score: 0)**
 - No opportunity for improvement in factor performance.

The *VfM Baseline Assessment* provides an analysis of the function from a VfM perspective, highlighting current performance, VfM shortfalls and priorities / opportunities for improvement. This review provides a cornerstone, informing a wide range of planning and decision-making events), including:

- 1. The relative and absolute VfM performance of the service.**
 - a. Utilising FHRG benchmark data where relevant.
 - b. Where a retrospective assessment is also undertaken, a clear indication of the movement in VfM performance over time.
- 2. Prioritised services changes that can be implemented to improve VfM performance.**
 - a. As VfM is typically a trade-off between potentially competing dimensions, it will also enable senior stakeholders to reassess the operational priorities, adjusting for the prevailing economic conditions and service / community / asset demands.

In addition to the tabular reports, a range of graphical reports can be produced to illustrate the current and, optionally, the anticipated performance of the function over time.

Appendix B Cheshire East Highways – Detailed Value for Money Scorecards

| ID | Dimension | Factor Name | Weighting | Score (Text) | Score | Confidence (Text) | Confidence | Opportunity (Text) | Opportunity | Priority |
|-----|------------|--|-----------|---------------------------|-------|-------------------|------------|--------------------|-------------|----------|
| 100 | Economy | Commissioned Service Contracts | | | | | | | | |
| 101 | Economy | RJ - Management Staff | 40 | Good [75] | 75 | Medium-High [75] | 75 | Probably Not [25] | 25 | 1.1 |
| 102 | Economy | RJ - Professional Staff | 100 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 7.8 |
| 103 | Economy | RJ - Frontline Operatives | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 15.6 |
| 104 | Economy | RJ - Sub-Contractors | 80 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 4.4 |
| 105 | Economy | Other Significant External Contracts | 0 | | | | | | | |
| 106 | Economy | Transactional Activity Costs (Stability and Justification) | 90 | Satisfactory [50] | 50 | Medium [50] | 50 | Probably [75] | 75 | 12.7 |
| 107 | Economy | Internal Costs | | | | | | | | |
| 108 | Economy | Management & Staff | 40 | Good [75] | 75 | High [100] | 100 | Definitely Not [0] | 0 | 0.0 |
| 110 | Economy | Corporate Support Services | 40 | Satisfactory [50] | 50 | Medium-Low [25] | 25 | Possibly [50] | 50 | 4.4 |
| 111 | Economy | Professional / Consultancy Services | 30 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 1.6 |
| 112 | Economy | IT / IS Equipment & Software | 50 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 3.9 |
| 113 | Economy | Materials & Consumables | 0 | | | | | | | |
| 114 | Economy | Vehicles / Equipment | 0 | | | | | | | |
| 115 | Economy | Depots / Offices | 80 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 16.3 |
| 116 | Economy | Other Operating Costs | 0 | | | | | | | |
| 117 | Economy | Cost of Risk (Where Applicable) | | | | | | | | |
| 118 | Economy | Cost of Compensation (Including CEs / Functional FTP Events) | 60 | Good [75] | 75 | Medium-High [75] | 75 | Probably [75] | 75 | 4.9 |
| 119 | Economy | Cost of Risk (Anticipated & Emergent) | 60 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 3.3 |
| 120 | Economy | Revenue Generation (Where Applicable) | | | | | | | | |
| 121 | Economy | Income / Services Trading | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 15.6 |
| 122 | Economy | Grant / Investment Winning | 80 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 4.4 |
| 123 | Economy | Delivery of Service Within Budget | 100 | Good [75] | 75 | High [100] | 100 | Definitely Not [0] | 0 | 0.0 |
| 200 | Efficiency | External Resource Efficiency (Commissioned / Outsourced Service Contract) | | | | | | | | |
| 201 | Efficiency | Productivity of RJ Management | 100 | Good [75] | 75 | Medium-High [75] | 75 | Probably Not [25] | 25 | 2.7 |
| 202 | Efficiency | Productivity of RJ Professional Staff | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 20.3 |
| 203 | Efficiency | Productivity of RJ Frontline Operatives | 100 | Good [75] | 75 | Medium [50] | 50 | Definitely [100] | 100 | 15.6 |
| 204 | Efficiency | Productivity of RJ Sub Contractors | 100 | Good [75] | 75 | Medium [50] | 50 | Definitely [100] | 100 | 15.6 |
| 205 | Efficiency | Productivity of Other Significant External Contracts | 0 | | | | | | | |
| 206 | Efficiency | Internal Resource Efficiency | | | | | | | | |
| 207 | Efficiency | Capacity and Productivity of Management & Staff | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Probably [75] | 75 | 15.2 |
| 208 | Efficiency | Productivity of Staff | 0 | | | | | | | |
| 209 | Efficiency | Productivity of Corporate Support Services | 80 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 16.3 |
| 210 | Efficiency | Efficiency Performance Management | | | | | | | | |
| 211 | Efficiency | Service Productivity & Throughput | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 15.6 |
| 212 | Efficiency | Service Optimisation | 100 | Good [75] | 75 | High [100] | 100 | Probably [75] | 75 | 4.7 |
| 213 | Efficiency | Service Sustainability | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Probably [75] | 75 | 15.2 |
| 214 | Efficiency | Stakeholder Management (Internal & External) | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 20.3 |
| 215 | Efficiency | Service Agility (Scope & Scale of Operations: Demand Matching) | 80 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 4.4 |
| 216 | Efficiency | IT / IS Management | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 15.6 |
| 217 | Efficiency | Information Analysis & Reporting Management | 90 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 14.1 |
| 218 | Efficiency | Staff Travel | 60 | Good [75] | 75 | Medium-High [75] | 75 | Definitely [100] | 100 | 6.6 |

| ID | Dimension | Factor Name | Weighting | Score (Text) | Score | Confidence (Text) | Confidence | Opportunity (Text) | Opportunity | Priority |
|-----|-------------------|---|-----------|---------------------------|-------|-------------------|------------|--------------------|-------------|----------|
| 300 | Effectiveness | Effectiveness Management | | | | | | | | |
| 301 | Effectiveness | Quality of Service | 100 | Good [75] | 75 | Medium [50] | 50 | Definitely [100] | 100 | 15.6 |
| 302 | Effectiveness | Scope and Scale of Service | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Possibly [50] | 50 | 7.8 |
| 303 | Effectiveness | Asset Management Plan Delivery | 100 | Good [75] | 75 | Medium-High [75] | 75 | Definitely [100] | 100 | 10.9 |
| 304 | Effectiveness | Environmental Value (Air Quality / Biodiversity / Carbon) | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 15.6 |
| 305 | Effectiveness | Social Value | 100 | Good [75] | 75 | Medium-High [75] | 75 | Probably [75] | 75 | 8.2 |
| 306 | Effectiveness | Resilience of Service | 90 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 14.1 |
| 307 | Effectiveness | Service Development and Innovation | 80 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 12.5 |
| 308 | Effectiveness | Serious Events (Public Protection / Safety / Regulatory Compliance) | 75 | Good [75] | 75 | Medium-High [75] | 75 | Probably Not [25] | 25 | 2.1 |
| 309 | Effectiveness | Overall Customer Satisfaction | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 20.3 |
| 310 | Effectiveness | Service Improvement Plan | 80 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Definitely [100] | 100 | 12.5 |
| 311 | Effectiveness | Transactional Performance | | | | | | | | |
| 312 | Effectiveness | % of On-Budget Transactions | 90 | Good [75] | 75 | Medium-High [75] | 75 | Probably [75] | 75 | 7.4 |
| 313 | Effectiveness | % of Error-Free Transactions | 90 | Good [75] | 75 | Medium-High [75] | 75 | Definitely [100] | 100 | 9.8 |
| 314 | Effectiveness | % of On-Time Transactions | 90 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 4.9 |
| 315 | Effectiveness | % of Reworked / Discarded Outputs | 75 | Good [75] | 75 | Medium-High [75] | 75 | Probably Not [25] | 25 | 2.1 |
| 400 | Strategic Value | Maintaining a safe highway network | 100 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 5.5 |
| 401 | Strategic Value | Delivering capital investment to maintain the network | 100 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Definitely [100] | 100 | 20.3 |
| 402 | Strategic Value | Managing traffic effectively on the network | 100 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 7.8 |
| 403 | Strategic Value | Supporting the Council's wider infrastructure and transport agenda | 100 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 7.8 |
| 404 | Strategic Value | Delivering the Council's obligations as Lead Local Flood Authority | 100 | Satisfactory [50] | 50 | Medium-High [75] | 75 | Probably [75] | 75 | 11.7 |
| 405 | Strategic Value | Providing services that are responsive to our residents | 100 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 9.4 |
| 406 | Strategic Value | Supporting the Council's carbon reduction programme | 100 | Good [75] | 75 | Medium-High [75] | 75 | Probably [75] | 75 | 8.2 |
| 407 | Strategic Value | Delivering social value alongside the contract | 100 | Good [75] | 75 | Medium-High [75] | 75 | Possibly [50] | 50 | 5.5 |
| 500 | Stakeholder Value | Politicians (Leader) | 90 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 8.4 |
| 501 | Stakeholder Value | Committee Chair | 100 | Satisfactory [50] | 50 | High [100] | 100 | Definitely [100] | 100 | 12.5 |
| 502 | Stakeholder Value | Committee | 90 | Satisfactory [50] | 50 | Medium-Low [25] | 25 | Possibly [50] | 50 | 9.8 |
| 503 | Stakeholder Value | Politicians (Other) | 80 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 7.5 |
| 504 | Stakeholder Value | Other Councils | | | | | | | | |
| 505 | Stakeholder Value | Districts | 0 | | | | | | | |
| 506 | Stakeholder Value | Parishes and Town Councils | 80 | Requires Improvement [25] | 25 | Medium-High [75] | 75 | Possibly [50] | 50 | 8.1 |
| 507 | Stakeholder Value | Neighbouring Authorities | 60 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 4.7 |
| 508 | Stakeholder Value | Officers | | | | | | | | |
| 509 | Stakeholder Value | CEO & Corporate Team Management | 100 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 9.4 |
| 510 | Stakeholder Value | In-Function | 100 | Good [75] | 75 | High [100] | 100 | Definitely [100] | 100 | 6.3 |
| 511 | Stakeholder Value | In Other Dependent Functions | 80 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 6.3 |
| 512 | Stakeholder Value | Partners (Delivery / Value Chain) | 100 | Good [75] | 75 | High [100] | 100 | Definitely [100] | 100 | 5.0 |
| 513 | Stakeholder Value | Utilities Organisations | 50 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 3.9 |
| 514 | Stakeholder Value | Developers | 60 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 5.6 |
| 515 | Stakeholder Value | DfT | 50 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 3.9 |
| 516 | Stakeholder Value | National Highways | 50 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 3.9 |
| 517 | Stakeholder Value | Other Transport-related Organisations / Agencies | 60 | Satisfactory [50] | 50 | Medium [50] | 50 | Possibly [50] | 50 | 5.6 |
| 518 | Stakeholder Value | Regional Highways Alliance | 80 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 6.3 |
| 519 | Stakeholder Value | General Public | 100 | Requires Improvement [25] | 25 | Medium [50] | 50 | Possibly [50] | 50 | 10.9 |
| 520 | Stakeholder Value | Regulators | 80 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 6.3 |
| 521 | Stakeholder Value | Special Interest Groups | 80 | Good [75] | 75 | Medium [50] | 50 | Possibly [50] | 50 | 6.3 |

Appendix C – Performance documentation review

National Audit Office Submission – January 2024

- CEH only considers the current condition of the local road network to be average but other metrics suggest that it is in relatively good condition when compared nationally. This is probably as a result of recent injections of additional capital money.
- Like many other local highways services, CEH considers that CEC attaches only a moderate priority to highways matters because of the more pressing situation with the funding for adults and children's services. CEH considers there is a maintenance backlog of more than £200m due to insufficient capital and revenue funding.
- Capital and revenue funding for highway maintenance appears to vary widely between years. Capital funding was £8m in 2018/19, dropped to £4m in 2019/20 went back up to £9.5m in 2020/21 before settling down to around £6m for 2021/22 and 2022/23. Revenue funding was even more volatile, ranging from £700k in 2018/19 to £2.8m in 2019/20.
- Staffing numbers engaged in day to day highway operations varied from 197 FTE's in 2018/19 to 245 in 2022/23. There appeared to be little correlation between staff numbers and budget.
- Compensation payout numbers for highway related claims are usually 800-900/year with outliers of 555 in 2020/21 and an estimated 1200 in 2023/24. No cost has been attributed to these claims. The return did not provide any data on the cause relating to these claims which would assist asset investment decisions.

ALARM 2024

- This survey is promoted by an alliance of road material manufacturers which seeks to influence an increase in spending on highway maintenance. The return for CEH suggests a total road network of 2699kms which is broken down into A Roads 414kms, B/C Roads 716kms and Unclassified 1569kms.
- For Whole of Government Accounting purposes, the Gross Replacement Cost (GRC) is noted as, Total £2,523,100, A Roads £636,322, B/C Roads £620,605 and Unclassified £1,266,161. The footway network is 2204kms, but no GRC is given.
- The highway maintenance budget given is Capital £22,547,440 and Revenue £10,562,050. Confusingly, the total highway maintenance budget is then given as £30,657,320. The source breakdown is then given as £15,777,000 from the DfT and £6,770,448 from other sources which gives a third total highway budget.
- Road Condition Indicator figures suggest a relatively well maintained network with only a potential issue with B/C's. Greens are 67.7% A's, 4.81% B/C's and 87% Unclassified. Reds are 3.6% A's, 66.28% B/C's and 13% Unclassified. The figure for B/C's appears to be an error and later data entries suggest the red/green figures have been transposed. The condition of the Unclassified network is good by national standards.
- Some target condition levels are offered with an annual budget of £27million required to achieve these. A figure of £233m is offered as being required to get the network up to ideal condition. This is £30m more than last year.
- The frequency of resurfacing data suggests that 18 kms of network were resurfaced last year. A relatively small surface treatment programme is recorded, indicating that only 31kms of network were treated in total. This is just over 1% of the total network, which if sustained will inevitably lead to a deteriorating network over time.
- The cost of a planned pothole repair is given as £104 and a reactive one as £55. These costs are comparable with other authorities, but the reactive cost indicates a lack of "first time fix" approach which can result in poor public perception of a somewhat temporary repair. This short term approach appears to be driven by a need to support the very good claims repudiation level for CEH.

- The Council has not declared a climate emergency but has a commitment to a reduction by 2045.

NHT PMF and CQC

- Slightly different carriageway lengths are given for this return, 2,725 kms as opposed to the 2,699 kms for the ALARM survey including 10 kms more A roads.
- A total claims figure of £4m is noted for this and the previous year.
- A different set of RCI's are given for the red and ambers from the Alarm survey which may explain the odd B/C figure offered in ALARM.
- The return indicates only 30 Cat 1 defects on the network in a year but 34,596 Cat 2.
- The financial data appeared to match those given in the NAO survey, but the RCI data was at odds with those given for the ALARM survey

DfT Road Condition; Carriageway Work Done Survey 2021 and 2023

- A survey carried out by the DfT to establish the level of maintenance activity on the local road network. The data return for 2022/23, which should match the period covered by the ALARM survey, replicated the figure of just over 30kms of network treated.
- The return indicates that each year CEH survey by SCANNER 100% of A's and 98% of B/C's. 50% of Unclassified roads are surveyed by Course Visual Inspection (CVI).
- Road condition appears to be good with A's being 4% red, 29% amber and 68% green. B/C's are 5% red, 29% amber and 66% green. Both are a deterioration from the previous period, which may reflect the relatively low level of surfacing and surface treatment.

DfT Self-Assessment

- This return was introduced some years ago together with an Incentive Fund which was a proportion of the Capital Maintenance Grant to local highway authorities. It tested an authority's approach to planning, programming, engagement, and asset management. Authorities were placed into bands depending on an assessment of efficiency measured against the key areas of the service. Those failing to meet the level required lost a proportion of available grant through the Incentive Fund. CEC are in the highest band and therefore receive full funding. Areas of note in the return for CEC are:
- Q.1. Asset management policy and strategy in place and approved by members, although the Cabinet paper was from 2015. Also, RJ are ISO registered. The policy is separate from the strategy and sets out the high level aspirations and links to corporate policy. The strategy offers a Gross Replacement Cost of £6bn for all highway assets with the ALARM figure of just over £2billion for carriageways. CEH use Confirm, IMTRAC, KaarbonTech and Vaisala Road AI. Xais Asset Management is used for modelling which all suggests that up to date technology is used to manage the asset. The strategy did lack specific asset group strategies as did the lifecycle summaries.
- Q2. Covers communication with stakeholders. A relevant Communication Strategy is in place which covers most of the essentials such as keeping staff safe, valuing them, right first time, Total Road Enhancement, social value etc.
- The Communication Plan had a comprehensive set of objectives including extensive of engagement with members. The external communication section was a little more basic. This plan was for 2022 and a further plan dated 2022/23 was also included.
- A copy of the NHT PMF Annual Report was included but it was not clear which year it related to. Trend data looked challenging as many were amber, but more concerning were the specific indicator performance. The condition indicators were quite good with almost all of

- them matching the PMF Average. But no claims or repudiation data was offered to benchmark against even though the repudiation level is exceptional. CEH had not offered data for many of the specific indicators but many of those that they had were showing red with a downward trend. Many of the important indicators placed CEC close to being the worst performers:
 - Public satisfaction with condition of roads CEH 20 Ave 32 Worst 19
 - Public satisfaction which deals with potholes and damage CEH 22 Ave 31 Worst 18
 - Public satisfaction with speed of repair CEH 18 Ave 27 Worst 16
 - Salting runs completed on time CEH 92 Ave 99 Worst 92
 - Satisfaction with salting CEH 51 Ave 58 Worst 49
 - Satisfaction with snow clearing CEH48 Ave 53 Worst 45
 - Satisfaction with cycle route condition CEH 46 Ave 52 Worst 44
 - Satisfaction with drainage CEH 35 Ave 44 Worst 33
 - Satisfaction with flooding CEH 34 Ave 42 Worst 34
 - Speed of repair to footways CEH 27 Ave 35 Worst 25
 - Satisfaction with condition of highways CEH 22 Ave 33 Worst 20
 - Satisfaction with highway maintenance CEH 39 Ave 45 Worst 39
- These negative indicators are balanced by a very positive CQC rating of 97%, which places CEH near the best. The normalised cost of £3,147/km places CEH between average £3,458/km and best £3,065/km
- The apparent disconnect between the actual condition and cost data with customer perception may reflect the focus on repairing high speed rural roads at the expense of the lower speed and lower risk urban roads. Included in the documents are details of a customer experience programme.
- Q3, 4 and 5. One of the documents attached is a High Level Business Case (HLBC) bid for more revenue funding. It refers to an additional £52m of capital which was invested in highways between 2013/14 and 2018/19. Another HLBC seeks an additional £15m capital/year from 21-25.
- Further documents refer to performance. A social value figure provided by RJ appears to include local employment and material spend. There is no reference to wider SV activity such as STEM Ambassadors, SEND employment etc. The rest of the measures are fairly standard including inspections, emergency response, road condition etc. which all appear to be performing well. Recycling is an outstanding 100%. Street lighting inspections were a fail as were the measures linked to the NHT, the customer journey measure and carbon reduction. Some targets are linked to retained fee payment which were broadly met, resulting in almost all of the £394k fee being released
- Q 6,7 and 8. A series of policies etc.
- Q 9. Comms Strategy, Flood Risk Strategy and Emergency Response Plan.
- Q 10. Recommendations summary.
- Q 11. Flood/drainage related documents including a Challenge Fund Bid for 2019/20.
- Q12,13,14,15,16 and 17. A series of documents including the NHT Annual PMF which is covered above and others relating to the Customer Experience Programme.
- Q18. ISO 44001 which is held by RJ.
- Q19,20,21,22 and 23. Includes the VfM Review and VfM Health Check from 2020.

APSE Return 2023

- A wide range of data which suggested only 61,572 + 196,525 sqm of surface dressing was carried out with no patching for next year.

- The only other carriageway work recorded was 9,113sqm of thin/micro surfacing and 41,108 sqm of patching.
- The total cost of planned maintenance was noted as £13,037,224 with the surfacing, dressing and patching costing around £5.6m at the unit rates suggested for the contract. This indicates that a high proportion of the available budget is spent on reactive works.
- There were some carriageway claims settled figure which ranged from £87k to £10k for the last 4 years.
- 45,312 gullies were emptied at a cost of £15.36 per gulley.
- Winter maintenance data indicates 1024km of network is treated during each run which suggests a relatively high percentage of roads are treated at around 37-38%. Number of occasions treated was given as 221. 7,200t of salt were used. Total winter spend was stated as £1,855,899.
- Settled claims relating to footways is very low, ranging from £18,367 to £1,230 for the last 4 years. 1.49km or 1,392 + 8,067sqm of footways were treated for a cost of £1,822,405, although it is expected that this included attending the 5,000 defects noted. The figures indicate a very high proportion of the budget is spent on reactive work, as with carriageways.

Appendix D – FHRG and VfM Benchmarking Club Membership

- Buckinghamshire Council
- Central Bedfordshire Council
- Cheshire East Council
- Cheshire West and Chester Council
- Cornwall Council
- Derby City Council
- Derbyshire County Council
- Devon County Council
- Dorset Council
- East Sussex County Council
- Essex County Council
- Hampshire County Council
- Herefordshire Council
- Hertfordshire County Council
- Kent County Council
- Kirklees Council
- Leicestershire County Council
- Lincolnshire County Council
- Liverpool City Council
- Luton Borough Council
- Newham LB
- Norfolk County Council
- North Lanarkshire Council
- North Somerset County Council
- North Yorkshire County Council
- Northumberland County Council
- Nottinghamshire County Council
- Oxfordshire County Council
- Rutland Council
- Shropshire Council
- Solihull MBC
- Somerset County Council
- South Gloucester Council
- Staffordshire County Council
- Suffolk County Council
- Surrey County Council
- Trafford Council
- Warwickshire County Council
- West Morland and Furness Council
- West Sussex County Council

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Appendix 2 - Member Advisory Panel Terms of Reference

Purpose

This Member Advisory Panel has been established as part of the Council's peer review of the Highway Service Contract, ahead of the Highways and Transport Committee's consideration of the performance and service period of the Contract at year 6 of the Contract.

This Advisory Panel is a non-decision-making Advisory Panel whose purpose is to advise the Director of Highways and Infrastructure from a Member's perspective in interpreting and understanding the findings of the peer review.

Members

- The Chair of the Highways and Transport Committee
- The Vice Chair of the Highways and Transport Committee
- The Chair of the Finance Sub-Committee
- The Leader of the Conservative Group

Roles and responsibilities

To advise, from a Member perspective, the Director of Highways and Infrastructure on matters concerning the peer review

Key Principles for members of the Panel

- Work as an advisory panel for the Highways and Transport Committee.
- Have no formal delegated decision-making authority from the Highways and Transport Committee.
- Attend on a voluntary basis and receive no remuneration.
- Be expected to maintain the confidentiality and integrity of any confidential information that they may receive that is not publicly available.

Periodicity

The frequency of this group will be determined following the initial group meeting.

Support

Meetings will be chaired by the Director of Infrastructure and Highways. Other attendees will include the Head of Highways and other technical officers by exception, where the agenda dictates. Meetings will be confidential to

maintain the commercial sensitivity and position of the Council in the Highway Service Contract.

Meetings

The primary purpose of the first meeting will be to introduce the Cheshire East officers to the Member Advisory Panel, agree the purpose of the meetings and explain the peer review process and key gateways.

Substitutes will be subject to the approval of the Chair prior to the meeting.

The Secretariat for the Panel will be provided by Cheshire East Council Officers, preparing agendas and supporting papers.

Meetings will either be held by Teams or a Council venue will be provided for face to face meetings.

Appendix 3 - Report of the Member Advisory Panel to the Director of Highways and Infrastructure, May 2024

- 1 We were appointed by the Highways and Transport Committee to act in a non-decision-making capacity to advise the Director of Highways and Infrastructure from a Member's perspective in interpreting and understanding the findings of the peer review. We undertook this process through a number of meetings with officers between March and May 2024, either side of the review conducted by Future Highways Research Group (FHRG) in April 2024.
- 2 Prior to FHRG conducting the review we were briefed regarding the capability and capacity of FHRG. We were satisfied with their experience in conducting such reviews and that their analysis tool was appropriate for the council's needs. We were also briefed regarding the consideration of the council's commercial position and set our comments in that appropriate context.
- 3 In considering the review findings, we recognised the reflection it represented of our Highways service. It is a fair reflection that the service provides reasonable value for money. While there are some clear opportunities to improve, it came across clearly that improvements should be sought in partnership with Cheshire East Highways / Ringway-Jacobs as our current service partner. The relationship and collaborative working within the service are recognised as key and relatively unusual strengths and it is clear that we should build upon those aspects rather than risk losing them.
- 4 We would particularly like to see the following in the response to this review:
 - (a) As members, we recognise the Highways service's importance to residents and want to feel confident acting as advocates for the service with them. We are keen to provide members with more information about:
 - (i) The service and its scope;
 - (ii) More specific and accessible communication about service delivery; and
 - (iii) Events to help members better understand how services are delivered.
 - (b) The review recognises that the council's ability to improve in no small part relies upon the capacity of its Highways client team. While capable, this team is too small and under-resourced. We also note that other

authorities have moved away from a 'thin' client model. Increasing the resourcing of this team is critical if the council is to improve this service.

- (c) We support making the link clearer between the objectives of the highway maintenance policy and how it delivers the council's strategic goals of Open, Fair and Green.
 - (d) We must remember that while it is a Highways service contract, the contract is the council's and not just Highways'. We need to enable services outside Highways and Infrastructure to both understand how they can use services delivered by and work closer with CEH as our partner.
- 5 We note that the Highways service will be developing an action plan to respond to the recommendations of the review. We also note that the service will be looking to benchmark its performance and value for money in the future and look forward to a similar future review to measure progress.

Councillor Mark Goldsmith, Chair – Highways and Transport Committee

Councillor Laura Crane – Vice-Chair – Highways and Transport Committee

Councillor Nick Mannion – Chair – Finance Sub-Committee

Councillor Janet Clowes – Leader – Conservative Group

Highways and Transport Committee Work Programme 2024-25

| Committee Date | Report Reference | Directorate | Title | Purpose of Report | Corporate Plan Priority | Lead Officer | Exempt Item | Consultation | Equality Impact Assessment | Part of Budget and Policy Framework |
|----------------|------------------|-------------|--|--|-------------------------|---|-------------|--------------|----------------------------|-------------------------------------|
| September 2024 | | | | | | | | | | |
| 19/09/24 | HT/26/21-22 | Place | Flowerpot Junction Improvement Scheme | <p>Authorise to make Compulsory Purchase Orders and Side Roads Orders for the delivery of the Flowerpot Junction Improvement Scheme.</p> <p>Approve the forward funding of the additional developer contributions in accordance with the capital programme</p> | Green | Director of Highways and Infrastructure | Yes | No | No | Yes |
| 19/09/24 | HTC/07/24-25 | Place | Crossings Strategy Consultation Outcome Report | Feedback following consultation | Open;#Green;#Fair | Director of Highways and Infrastructure | No | No | No | No |
| 19/09/24 | HTC/09/24/25 | Place | National Parking Platform Update | To provide committee with a status update on the development of the National Parking Platform and to consider | Open | Director of Highways and Infrastructure | No | No | TBC | No |

Highways and Transport Committee Work Programme 2024-25

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| | | | | its application in Cheshire East | | | | | | |
| 19/09/24 | HTC/19/24-25 | Place | First Financial Review of 2024/25 (Highways & Transport Committee) | To note and comment on the First Financial Review and Performance position of 2024/25, including progress on policy proposals and material variances from the MTFS and (if necessary) approve Supplementary Estimates and Virements. | Open | Director of Finance and Customer Services | No | No | No | Yes |
| 19/09/24 | HTC/28/24-25 | Place | Middlewich Eastern Bypass - Approval of Revised Full Business Case (Provisional Report) | To approve the submission of a revised Full Business Case for the Middlewich Eastern Bypass to the Department for Transport for the release of the grant funding. | Green | Director of Highways and Infrastructure | No | No | No | Yes |
| 19/09/24 | HTC/29/24-25 | Place | PROW - Mill Lane to the Junction with Footpath No 8 Hassall, Hassall - Definitive Map Modification Order Application | Determination of Mill Lane to the Junction with Footpath No 8 Hassall, Hassall - Definitive Map Modification Order Application | Open | Acting Executive Director, Place | No | No | Yes | No |

Highways and Transport Committee Work Programme 2024-25

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| 19/09/24 | HTC/30/24-25 | Place | PROW - Footpath No9 Hassall (junction with Hassall Moss) to the Junction with Footpath No8 Hassall, Hassall - Definitive Map Modification Order Application | Determination of Footpath No9 Hassall (junction with Hassall Moss) to the Junction with Footpath No8 Hassall, Hassall - Definitive Map Modification Order Application | Open | Acting Executive Director, Place | No | No | Yes | No |
| 19/09/24 | HTC/31/24-25 | Place | PROW: Upgrade of Hulme Walfield Public Footpath No. 2 to Bridleway | A decision on the proposed upgrade of Hulme Walfield Public Footpath No. 2 to Bridleway status, under s25 Highways Act 1980 | Green | Acting Executive Director, Place | No | Yes | No | No |
| November 2024 | | | | | | | | | | |
| 21/11/24 | HTC/20/24-25 | Place | Second Financial Review of 2024/25 (Highways and Transport Committee) | To note and comment on the Second Financial Review and Performance position of 2024/25, including progress on policy proposals and material variances from the MTFS and (if necessary) approve Supplementary Estimates and Virements. | Open | Director of Finance and Customer Services | No | No | No | Yes |

Highways and Transport Committee Work Programme 2024-25

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|---------------------|--------------|-------|--|--|-------------|---|----|-----|----|-----|
| 21/11/24 | HTC/22/24-25 | Place | Medium Term Financial Strategy Consultation 2025/26 - 2028/29 (Highways & Transport Committee) | All Committees were being asked to provide feedback in relation to their financial responsibilities as identified within the Constitution and linked to the budget alignment approved by the Finance Sub-Committee in March 2024. Responses to the consultation would be reported to the Corporate Policy Committee to support that Committee in making recommendations to Council on changes to the current financial strategy. | Open | Director of Finance and Customer Services | No | No | No | Yes |
| January 2025 | | | | | | | | | | |
| 23/01/25 | HTC/09/23-24 | Place | Tree Planting and Verge Maintenance (Nature Based Approach) Policy | To seek approval for highways to adopt a tree planting and verge maintenance policy to allow its implementation from 2024/25 onwards. | Open;#Green | DE BECHI, Domenic | No | Yes | No | Yes |

Highways and Transport Committee Work Programme 2024-25

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| 23/01/25 | HTC/14/24-25 | Place | Application to approve a Lane Rental Scheme | To outline the process required to develop a Lane Rental Scheme and to consider implementation of the scheme | Open | MOODY, Thomas | TBC | No | Yes | No |
| 23/01/25 | HTC/21/24-25 | Place | Third Financial Review of 2024/25 (Highways & Transport Committee) | To note and comment on the Third Financial Review and Performance position of 2024/25, including progress on policy proposals and material variances from the MTFS and (if necessary) approve Supplementary Estimates and Virements. | Open | Director of Finance and Customer Services | No | No | No | Yes |
| 23/01/25 | HTC/24/24-25 | Place | Medium Term Financial Strategy Consultation 2025/26 - 2028/29 Provisional Settlement Update (Highways & Transport Committee) | All Committees were being asked to provide feedback in relation to their financial responsibilities as identified within the Constitution and linked to the budget alignment approved by the Finance Sub-Committee in March 2024. Responses to the consultation | Open | Director of Finance and Customer Services | No | No | No | Yes |

Highways and Transport Committee Work Programme 2024-25

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| | | | | would be reported to the Corporate Policy Committee to support that Committee in making recommendations to Council on changes to the current financial strategy. | | | | | | |
| April 2025 | | | | | | | | | | |
| 03/04/25 | HTC/23/24-25 | Place | Service Budgets 2025/26 (Highways & Transport Committee) | The purpose of this report is to set out the allocation of approved budgets for 2025/26 for services under the Committee's remit, as determined by Finance Sub Committee | Open | Director of Finance and Customer Services | No | No | No | Yes |

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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