

HAMPSHIRE COUNTY COUNCIL**Report**

Committee:	Economy Transport & Environment Select Committee
Date:	20 January 2015
Title:	Outcomes: Task & Finish Working Group on the Future for Highways Maintenance
Reference:	6384
Report From:	Director of Policy & Governance, Corporate Services

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1. Purpose of Report

- 1.1. In July 2014 the Economy Transport & Environment Select Committee agreed to establish a Task & Finish Working Group regarding highways maintenance, to consider the future options for provision of highway maintenance services following the end of the current Term Highway Contract. This report summarises the considerations of this Working Group and their recommendations, for endorsement by the full Committee. If supported, the recommendations will then be provided to the Executive Member for Economy Transport & Environment for his consideration.
- 1.2. The Select Committee will monitor at future meetings the response of the Executive Member to the recommendations, and it is proposed that the Members of this Task & Finish group re-convene in future to input to the next stage of preparations.

2. Contextual Information

- 2.1. At the 28 April 2014 meeting of the Economy Transport & Environment Select Committee, the Committee considered a report regarding the future of highway service delivery arrangements (reference 5806). The Select Committee made a recommendation to the Executive Member for Economy Transport & Environment to support a one year extension to the current highway maintenance contract, which was agreed by the Executive Member at his decision day on 6 May 2014.
- 2.2. The Select Committee noted that extending the contract would allow time for the County Council to fully consider the options for different ways of providing highway services in future once the current contract comes to an end. The Select Committee resolved to set up a Task & Finish Working Group to consider the options for provision of highway maintenance services in future (referred to as Highways Phase 2 Task & Finish Group to distinguish it from the other highways Task & Finish Group).

- 2.3. The arrangements for the Task & Finish Working Group, including terms of reference, were agreed by the Economy Transport & Environment Select Committee at their meeting held on 8 July 2014 (reference 5969), and supported by the Policy & Resources Select Committee at their meeting held on 24 July 2014 (reference 6008).

3. Working Group Considerations

- 3.1. The Economy Transport & Environment Select Committee established a Task & Finish Working Group jointly with the Policy & Resources Select Committee, to reflect the fact that the highways contract is a significant contract. The Task & Finish Working Group was a cross party group which comprised:

From the Economy Transport & Environment Select Committee

- Cllr Sharyn Wheale (Chairman)
- Cllr Geoff Hockley
- Cllr Peter Latham
- Cllr Shaun Cully

From the Policy & Resources Select Committee

- Cllr Ray Bolton
- Cllr Adrian Collett
- Cllr Andy Moore

- 3.2. The group held an initial meeting in early September 2014, at which officers presented an overview of the current contract for highways maintenance (which is a Standard Term Maintenance Contract) and the alternative delivery models. At this meeting Members were able to question a consultant who had experience of working with highways departments at other Local Authorities. Members identified what further information they wished to see at the next meeting.
- 3.3. The group held a second meeting in October 2014 at which Members explored in more detail each of the possible models for delivering highway maintenance services. As a result of the debate on the information presented, the group agreed to discount a number of options which in their view would not meet the needs and priorities of Hampshire County Council. Further investigation of the remaining options was requested.
- 3.4. The group met again in December 2014 and considered the further information they had requested. Members debated what they had heard and arrived at a consensus regarding their preferred model.
- 3.5. Two Members of the Working Group were unable to make the meeting in December, therefore they were offered the opportunity to meet with officers at an alternative time, to consider the evidence, and indicate if they supported the outcome agreed by the rest of the group. These Members met with officers in early January 2015, and after considering and questioning the information presented, supported the outcome arrived at by the rest of the group.

4. Findings

4.1. Members considered the following options:

- Direct Service Organisation (DSO) – the County Council providing the highways maintenance service directly using its own staff.
- Term Maintenance Contract (TMC), within which there could be ‘limited’, ‘standard’ and ‘plus’ – Service mainly provided ‘on the ground’ by a contractor, with varying degrees of decision making responsibility remaining with the Local Authority
- Integrated, which could be ‘strong client’ or ‘thin client’ – majority of work undertaken by an integrated team of local authority and contract staff with minor contract management aspects retained purely by the Local Authority
- Joint Venture/Teckal – like integrated only a separate legal entity
- Private Finance Initiative (PFI) – whole service outsourced
- Multiple provider – use of different contractors for different aspects of highway maintenance

4.2. At their second meeting, Members considered data arising from the National survey of public perception of highways services. It was noted that Hampshire County Council was placed first nationally across all County Council highways authorities for overall public satisfaction with highways maintenance. Hampshire County Council was placed top in three of the four categories in highway maintenance, and in the fourth category (road condition) Hampshire County Council was third nationally. The survey data had been cross referenced with which service delivery model authorities use, to see whether a particular model generated higher public satisfaction. While there was a slight pattern of PFI models at the lower end of satisfaction, and DSO models to the higher end, the overall picture was mixed. It was noted that only a small number of Local Authorities use a DSO model, the majority use some form of contract model.

4.3. At their second meeting, the Task & Finish Working Group also considered opportunities for joint working with other Local Authorities. Members were provided with information regarding the service model used by other authorities, and their contract end dates. Members investigated the opportunity for joint working with neighbouring authorities. It was noted that in some cases contract end dates were not conducive. It was discussed that for joint working to be a success, both authorities would need to be aligned in their views on the style of contract required. Initial discussions with a potential partner authority suggested they favoured a model which gave more control to the contractor and less to the Local Authority than Hampshire was likely to opt for.

4.4. Discussions with contractors had also indicated that there would be minimal benefit to procuring a highway contract covering a larger area, as any savings due to economy of scale would be balanced against the contractor needing to liaise with two authorities and the risk that the two authorities would have different requirements. Therefore, Members concluded it was not in Hampshire’s interest to pursue a joint solution at this time. However, Members were assured that other opportunities for joint working were being

explored e.g. sharing of depots on the border between authorities, possible sharing of salting routes etc.

- 4.5. When the models were explored at the second meeting, a consensus emerged that Members considered the Local Authority retaining control a priority. Therefore, at the end of the second meeting, there was consensus to discount the PFI model, a joint venture/teckal, and Integrated 'thin client', as these models would mean reduced control for the County Council.
- 4.6. At the third meeting, having considered further information on the remaining models, Members concluded that a 'strong client' Integrated model would be a risk due to the need to integrate public sector local authority staff and private sector contractor staff. Members were concerned it would be difficult to align two cultures.
- 4.7. At the third meeting Members also considered evidence regarding the likely costs and implications of a DSO model. Based on estimates and benchmarking it was anticipated there would be one off costs amounting to around £7.5 million to move to this model, including staff and TUPE costs and operational mobilisation costs. It was also noted that this model would have ongoing disadvantages compared to a contract model due to the difference in purchasing power between the Local Authority on it's own compared to a contractor providing a number of highways services across the country (for example in purchasing materials and equipment). It was estimated this additional operating cost year on year would come to around £5 million. This model would also have limited flexibility for generating revenue savings on this budget in future, as the spend would be tied up in staff costs, as opposed to contract spend. Members concluded that while this model had some advantages due to the level of control the local authority would have, given the financial circumstances, it was not viable to provide the level of investment required to move to this model at this time.
- 4.8. Members considered the differences between a TMC 'Standard' and 'Plus', noting that under the 'Standard' model, there were a large number of interactions between local authority staff as client and contractor staff, in order to process works requests. Under a TMC 'Plus' these stages would be reduced as the contractor would take on greater responsibility. Reductions in process would enable savings to be made on a new contract which would not impact on front line service delivery.
- 4.9. Members queried the elements that would move from being the responsibility of the local authority to the contractor under a TMC 'plus' compared to a TMC 'standard', due to Members priority for the County Council to retain control over important aspects of highway service delivery. Members were re-assured that the Local Authority would retain priority setting of planned maintenance, and decision making in the event of emergencies (e.g. severe weather events). However the contractor would have greater involvement in designing planned maintenance schemes, and would take responsibility for decisions regarding when to undertake salting the highway network. Greater use of contractor staff to identify defects on the highway is likely to occur in any new contract. The contractor would be required to indemnify the County Council against accident claims arising from safety defects and therefore would be incentivised to undertake this role effectively. Members commented that they would like assurance that this is taking place, and to ensure the quality of maintenance works undertaken. It was noted technological

solutions could be explored to provide a cost effective way to do so, for example GPS tracking of vehicles, and use of 'before and after' photo records of defects and completed works. These IT solutions would seek to be developed as part of the County Councils digital strategy. Approaches to ensure quality of works could be revisited when developing any contract requirements.

- 4.10. As a result of their deliberations, the Task & Finish Working Group came to the conclusion that a TMC Plus model was their preference, due to providing the best fit with the needs of the County Council. The evidence considered suggested this model provided for as much control being retained by the Local Authority as possible, while providing opportunity to achieve the savings required for 2017.
- 4.11. At their third meeting, the Task & Finish Working Group also considered the timescales for procurement of a new highways contract, given that the current contract is due to come to an end in April 2017. It was noted that the option exists to extend the current contract by a further year to end in 2018. However, the next round of savings are required by 2017 under the corporate 'Transformation to 2017' programme. If a new contract was sought to start in 2017, the required savings could be built in to the new contract. It would be difficult to achieve the savings required if the existing contract was extended to 2018, as the extension would be on the basis of the existing contract arrangements. The timetable allowed for taking the time up to December 2015 to develop the next contract, to allow January 2016 to January 2017 for the process required to select the new contractor, with January 2017 to May 2017 the mobilisation period.
- 4.12. During the course of their discussions, Members highlighted the high visibility of highway maintenance with the public, and commented that there was room to improve how highways enquiries from members of the public are handled. Officers acknowledged this, and at the third meeting presented their plans to improve this interface in future.
- 4.13. It is proposed that 65-70% of enquiries could be dealt with without referral to the highways section, through enhanced digital self service and better provision of information including to hantsdirect staff. It is further proposed that any enquiries that do get passed on be directed through a highways operation centre, rather than going direct to local area teams. This would free up time of staff in the local area teams to focus on service delivery. Members highlighted that it was important for Members to be able to follow up highways queries on behalf of residents, and therefore the plans for responding to highways queries needed to support this. It was noted that this model for handling highways enquiries would be used whichever model of service delivery was selected.
- 4.14. During the course of their deliberations, a frequent theme was how the quality of works on the highway could be ensured. It was noted that only a proportion of works undertaken by the contractor were checked by Local Authority staff under the current model. Consideration would need to be given to cost effective mechanisms to provide assurance about the quality of works undertaken and provide performance measures.
- 4.15. Officers indicated that options to ensure the new arrangements provide appropriate quality would be explored as the new contract is developed. It

was therefore suggested that the Members of the Highways Phase 2 Task & Finish Working Group could form an advisory panel on behalf of the Executive Member for Economy Transport & Environment, to provide input as the new contract is developed.

5. Conclusions

5.1. Therefore, as a result of their deliberations and the evidence considered, the Task & Finish Working Group recommend to the Economy Transport and Environment Select Committee that the following recommendations be made to the Executive Member for Economy Transport & Environment:

1) That the County Council take steps to develop a contract following the Term Maintenance Contract Plus model, for provision of highway maintenance services following the end of the current contract.

2) The Members of the Highways Phase 2 Task & Finish Working Group form an Advisory Panel, to work with the Executive Member for Economy Transport & Environment going forwards, to provide advice and oversight as the new contract is developed.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> Highways Maintenance Task & Finish Group Plans	<u>Reference</u> 5969	<u>Date</u> 08 July 2014
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
none	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

This report is regarding making recommendations, not a decision. Therefore, any potential impact will be considered if and when a decision is required, and referred to in the supporting decision report as necessary.

2. Impact on Crime and Disorder:

2.1. This report is regarding making recommendations, not a decision. Therefore, any potential impact will be considered if and when a decision is required, and referred to in the supporting decision report as necessary.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

This report is regarding making recommendations, not a decision. Therefore, any potential impact will be considered if and when a decision is required, and referred to in the supporting decision report as necessary.