

Cabinet Meeting on Wednesday 20 November 2019

Infrastructure+ Performance Update



Cllr Helen Fisher, Cabinet Member for Highways and Transport said,

“Good roads are hugely important to the council, to our communities and to growing our economy.

“This partnership with Amey is not only helping us to manage the condition of our huge network but has also delivered more than £30m of savings on behalf of taxpayers.”

Report Summary:

Infrastructure+ is an outcome-based public-private-partnership delivery model between the County Council and Amey LG Limited ('Amey'). As well as the management and delivery of routine highway operations and services, the arrangement provides Amey with exclusivity for the delivery of maintenance schemes up to £1m and improvement schemes up to £0.5m. Subject to meeting minimum performance levels and being able to demonstrate best-value, under the Overarching Agreement the County Council will grant a right of first refusal to Amey to provide the Capital Works which include the Capital Project Call-Off Contracts. Currently, any approved additional Capital Project Call-Off Contracts with a value greater than £2m require Cabinet approval.

Recommendations

I recommend that:

- a. Cabinet considers the latest contract performance for the Infrastructure+ partnership; and
- b. Cabinet delegates authority for the approval and completion of additional future Capital Projects Call-Off Contracts to Amey in accordance with the Overarching Agreement between the County Council as Employer and Amey as the Contractor dated 15th August 2015 up to a value of up to £5 million to the Director of Economy, Infrastructure & Skills in consultation with the Cabinet Members of Economic Growth, Commercial and Highways and Transport respectively.

Local Members Interest
N/A

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Recommendations of the Cabinet Member for Highways and Transport

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Report of the Director of Economy, Infrastructure and Skills

Reasons for Recommendations:

Background

1. Infrastructure+ is subject to an Overarching Agreement (OA) between the County Council and Amey providing an outcome focused approach to the delivery of highway and non-property infrastructure services across Staffordshire. It is aligned to the County Council's Strategic Plan through the achievement of priority outcomes as demonstrated in Appendix 1.
2. The contract went live on 1 October 2014, since then it has:
 - a. Successfully delivered over £150m of highway maintenance operations and projects;
 - b. Achieved over £30m of front-line service cost savings; and
 - c. Implemented more than £100m of inward investment highway and transport infrastructure improvements to support the creation of over 10,000 new jobs and 8,500 new houses across Staffordshire.
3. A core element of the Infrastructure+ partnership is a Term Service Contract (TSC) for the maintenance, management and improvement of over 6,300Kms of highway network, with exclusivity for maintenance works under £1m and Improvement works under £0.5m.
4. Subject to meeting minimum performance levels in this challenging front-line service area, and demonstrating Best Value, Amey is given a right of first refusal to provide the Capital Project Call-Off Contracts for the delivery of major highway

infrastructure improvement projects. The majority of these works are developer funded and represent little financial risk to the County Council. Increasingly, the value of these works also exceeds the maximum officer delegated contract award approval threshold of £2m, therefore requiring approval from Cabinet which can cause delay.

5. Major infrastructure projects under the Overarching Agreement have their own performance management system, including assurance around key performance measures such as the predictability of time, cost and quality.

Governance Arrangements

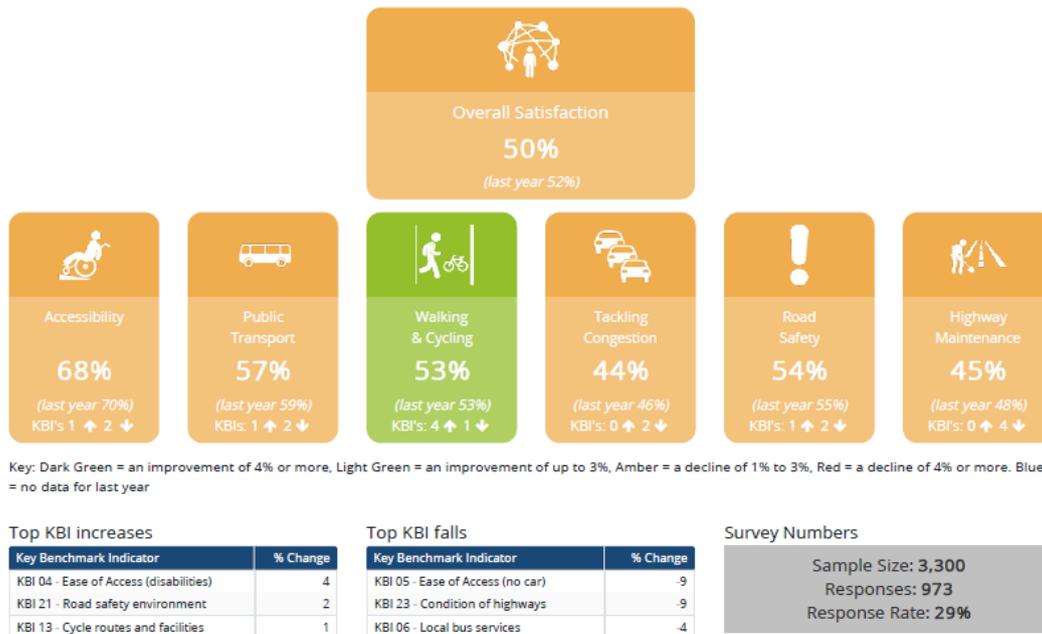
6. The governance framework for Infrastructure+, which includes Performance Management, operates within three tiers:
 - a. Strategic Partnership Board (SPB);
 - b. Operational Commissioning Board (OCB); and
 - c. Delivery Project Teams (DPT's) and Outcome Groups (OG's).
7. The SPB generally meets three or four times per year and receives a report on performance at each of its meetings. Membership of the SPB from the County Council is: Darryl Evers Director for Economy, Infrastructure and Skills (Chair); Rob Salmon County Treasurer; Helen Fisher, Cabinet Member for Highways and Transport; Mark Winnington, Cabinet Member for Economic Growth; and Mark Deaville, Cabinet Member for Commercial.
8. The OCB generally meets monthly and receives performance reports from each of the DPTs on a rotating quarterly basis. Membership of OCB includes senior managers from both the County Council and Amey.
9. The DPT's and OG's similarly meet monthly to review the performance and continually improve the services for which the respective groups are responsible. Membership is made up of operational delivery managers from both the County Council and Amey. The Customer Outcome Group is chaired by Helen Fisher, Cabinet Member for Highways and Transport, and has cross-party support from other engaged local Members.

Performance Management

10. An overview of the Infrastructure+ performance management framework is provided in Appendix 2.
11. Operational performance is managed through a balanced scorecard process for each of the following areas:
 - a. Staffing
 - b. Routine, reactive and cyclical maintenance
 - c. Asset Management
 - d. Planning
 - e. Network Management & Inspections

- f. Quality
- g. Laboratory

12. The scorecards compare each measure against a target to produce a score on a range of +/-1. Two targets are generally set for each measure, including one based on historic performance and a higher stretched target based on being able to secure performance improvements. Each DPT is responsible for agreeing these targets and will also seek to use wider benchmarking information across Amey or the wider sector wherever this is available.
13. Operational performance of the partnership is discussed at each meeting of the Strategic Partnership Board. At the last meeting of the SPB on 25 September 2019 operational performance was scored as +34 on a range of +/- 63 and accepted as satisfactory taking into consideration the funding constraints particularly around highway maintenance. The SPB Performance report and supporting scorecards is attached as Appendix 3.
14. There are also several other activities and programmes that require bespoke performance reporting arrangements. The following provides a summary of each.
 - a. Finance: Expenditure against budget allocations is monitored through the year and adjustments made as necessary, for example to be able to respond to weather events. The partnership has an excellent track record of ensuring that service delivery is constrained to within the overall level of financial resources. Up to the end of April 2019 over 88% of Infrastructure+ supply chain expenditure has been retained within the geography of Staffordshire and neighbouring authority areas.
 - b. Value for Money: Value for money continues to be ensured through commercial competition within the supply chain (subcontractors, plant and materials) as well as benchmarking of direct labour costs and operational performance. An independent Value for Money (VfM) review completed in the summer of 2018 by the Future Highways Research Club (FHRC) concluded that: *“Infrastructure+ is providing satisfactory value for money through a forward looking and constructive partnership”* and that *“the service compares favourably to many peers and peer authorities are often keen to understand how the partnership operates”*. Additionally, early in 2019 an independent review of the Target Cost estimate for Stafford Western Access Road completed by Faithful and Gould concluded that: *“Amey’s Target cost is competitive and reflective of current market conditions”*.
 - c. Public Satisfaction: The National Highways and Transport customer survey shows a downward trend in public satisfaction for highways and transport services across the country. The largest downward movement is in the Condition of Highways, where 85% of the authorities saw their result drop by more than 4% in 2018. The other main areas of decline are in respect of Pavement & Footpath condition and general Highway Maintenance. The Overall Summary for Staffordshire County Council shows there to be a decline in levels of satisfaction across all but one of the key themes.



15. As part of the 2019/20 Infrastructure+ Business Plan the Strategic Partnership Board has agreed the following improvement-plan priorities:

- Implement new national code of practice 'Well Managed Highway Infrastructure' 2016;
- Develop Permit Scheme Business Case including consideration of delivery options;
- Review how the partnership manages third-party claims, including allocation of risk and liability;
- Maintenance management tracker and reporting;
- Develop and implement a Communication Strategy, roadmap and delivery plan;
- Develop and implement a new workforce plan;
- Review how the partnership undertakes asset management, from strategic role to life cycle planning and delivery mechanisms; and
- Review and develop an asset-based Performance Management Framework.

Extra Investment Strategy

16. The local road network is the County Council's single largest physical asset, with a gross replace value of over £7 Billion. The Government's own endorsed Asset Management approach to highway maintenance recognises that a highway network the size of Staffordshire's requires around £42m/year of sustained capital (life-adding and renewals) investment to achieve 'steady-state' condition. Staffordshire's allocation for 2019/20, inclusive of all well publicised 'top-ups' such as the Pothole Action Fund is around £20m i.e. about half of what is needed to keep the network in the same condition as it is now.

17. Additionally, reductions in Revenue Support Grant and internal pressures in social care and children's services mean that since 09/10 highway maintenance revenue budgets, which traditionally pay for the routine day-to-day management of the

network, have had to make savings that now add up to over £13m/year (57%) ongoing.

18. To help achieve these savings some of the capital grant funding allocation is now being used to fund elements of routine highway maintenance traditionally funded from revenue. The consequence being that even less capital funding is available for the larger and much needed renewal and resurfacing schemes.
19. The total remaining highway revenue budget is £26m; approximately 5% of the County Councils total annual revenue budget. After commitments including the streetlighting PFI, School Crossing Patrols and a range of statutory functions approximately £10m (2% of the County Council's total revenue budget) remains for highway maintenance operations. This provides the following functions:
 - a. Response to emergency defects, accidents and weather events (£3m)
 - b. Winter Gritting operations (£3m)
 - c. Grass cutting, weed treatment and tree management (£1m)
 - d. Signing, lining, barriers, fencing, etc. (£1m)
 - e. Gully emptying (£1m)
 - f. Other e.g. Recycling, safety equipment and training (£1m)
20. Due to the growing pressure on highway resources, reducing public satisfaction and an increasing trend in 3rd party claims Cabinet agreed a £5m/year extra investment strategy between 2017/18 – 2020/21. The aim of this money is to reduce the backlog, and associated reputational and financial liability, of long-standing low-risk potholes.
21. Progress is monitored monthly through a specific governance meeting chaired by the cabinet Member for Highways and Transport. In the 2-years to date the Extra Investment has provided c.100,000m² of additional pothole repairs, over 50miles of pothole prevention surface treatments and £1m of targeted drainage improvements. The positive effect can be seen both in terms of reducing the total number and long-standing low-risk carriageway and footway pothole defects.
22. The investment strategy during 2019/20 is being used to provide an extra:
 - a. £2m to provide a further 40,000m² of extra pothole repairs (approx. 9,000 individual defects);
 - b. £2m to provide approximately 40 miles of additional low-cost pothole prevention surface treatments; and
 - c. £1m towards additional drainage repairs, targeted at locations where poor drainage is leading to premature road surface deterioration.

Table 1: Extra Investment Progress

	01/05/17	26/03/18	25/03/19	Current	Notes	Trend
Total number of pothole defects recorded on network at the start of new Financial Year.	11908	9,652	7,281	6,664		↓
No. of Cat 3 defects greater than 90-days old	8812	7376	5356	5218		↓
New customer reports of pothole defects	23,000*	19934	16565	4906	*Report system changed in 17/18. The 16/17 data is a pro-rata estimate.	↓
Right 1 st time repair	96%	96%	96%	97%	Quality stable/improved despite the increase in work volume.	↑

List of Background Documents/Appendices:

- Appendix 1 – Infrastructure Plus Outcomes 2018 – 2021
- Appendix 2 – Infrastructure Plus Performance Management Roadmap
- Appendix 3 – Infrastructure Plus Performance Report September 2019

Contact Details

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