

<b>Meeting:</b>	<b>General scrutiny committee</b>
<b>Meeting date:</b>	<b>Monday 29 January 2018</b>
<b>Title of report:</b>	<b>Herefordshire Council public realm service report</b>
<b>Report by:</b>	<b>Assistant director environment and place</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

To review the performance of the public realm service contract to enable the committee to make reports or recommendations to the executive with respect to the discharge of a function which is the responsibility of the executive.

A presentation will be delivered to the scrutiny panel by the council's head of highways and community services, and commercial and contracts manager supported by members of Balfour Beatty Living Places' (BBLP) senior management team. The presentation will provide a strategic overview of this contract, together with explanation as to how the service has been enabled to develop and improve. The presentation will also provide detail on performance, the annual plan process and what is intended for delivery in 2018/19.

## **Recommendation(s)**

That:

- (a) **the committee determine any recommendations it wishes to make to the executive regarding the public realm service's performance and opportunities for improvement;**
- (b) **the committee determine any recommendations it wishes to make to the executive in regard to priorities for consideration in the development of the annual plan for 2018/19 and future years.**

## **Alternative options**

- 1. There are no alternative options to the recommended action as it is a function of the committee to make reports or recommendations to the executive on the discharge of executive functions.

## **Key considerations**

- 2. The Public Realm services contract with Balfour Beatty Living Places commenced on 1<sup>st</sup> September 2013. General Overview and Scrutiny Committee considered an update and progress report on the successful delivery of the first twelve months of the contract in September 2014 and established a task and finish group to examine the service in more detail and identify areas for further improvements. In March 2015 the committee received the report of the task and finish group and provided 13 recommendations. These recommendations were welcomed by the executive and informed the implementation of a number of improvements which have been delivered. The recommendations and improvements made included improved communication with the transfer of call handling to the service, the development of contract management team, improving the effectiveness of locality stewards, improved ICT and the roll out of the enhanced lengthman scheme.
- 3. This report seeks to provide the committee with an overview of the service and provide the opportunity to consider priorities for further improvement as well as priorities to be considered for the development of the Annual Plan for the service for 2018/19 which will be the subject of a Cabinet Member decision scheduled for March. A presentation by the contract management team and Balfour Beatty Living Places contract manager will be provided alongside this report at the meeting and is contained within appendix 2.

### **Strategic Overview – Creating an environment for change**

- 4. Herefordshire faces many challenges and BBLP are a key strategic partner in tackling those challenges. Herefordshire is a rural county, with an aged highway network and the council is dealing with significant budgetary pressures. In this context a strong and effective delivery partnership is key to ensuring the best possible service, to support economic growth, improve satisfaction, provide a safe clean and well maintained environment and deliver value for money.

5. The public realm service contract is outcome focused and provides end to end service, from planning to design then build and management. This scope enables opportunities to continuously improve the service and deliver value for money. The contract is based on the New Engineering Contract (NEC3) model, with a 10 year initial term and has the potential for up to a further 10 year extension.
6. The contract model uses different payment mechanisms, to account for the range of risk scenarios that exist across the services. All payment mechanisms account for a provider's fee which was set at the tender stage, all operate on open book accounting for full cost transparency.
7. Effective change control systems are used to ensure a culture of early warning which mitigates risk where possible and manages change efficiently.
8. The partnership develops an annual plan, engaging with key stakeholders to do so. The annual plan is designed to support the council's priorities for the year ahead. The annual plan defines service outcomes and performance requirements with the partners jointly managing the delivery risk.
9. The performance of the contract to date has delivered benefits to both parties, providing a solid platform for a successful strategic relationship throughout the contract term:
  - (a) **Lean** - In the first four years of the contract revenue costs have been reduced by a third, whilst successfully delivering significant increase in capital expenditure.
  - (b) **Trusted** - In the 2015 National Highways and Transport Network (NHT) customer satisfaction survey Herefordshire was the most improved council.
  - (c) **Expert** – We are in the top 10 councils nationally for asset management. The highway services has a Band 3 rating from the Department for Transport (DfT), the highest rating available and this brings with it financial benefits.
  - (d) **Safe** – Herefordshire had one of the highest number of third party highway claims, a significant safety, financial and political risk. Claims have reduced by 90% in 2015/16 compared to the 2013 baseline, this is the largest reduction in the country.
  - (e) **Innovation** – The progressive approach enables the trial of new innovations to deliver continuous improvement.
  - (f) **Forward Planning** – Joint development of forward plans enables growth, development and improvements in value for money.

### **Defects - Enabling a Risk Based Approach**

10. Good asset management is essential for success, it is embedded in this contract. Asset management is a common sense approach to the upkeep of large infrastructure assets, such as our highways. It is widely thought that it's best practice to manage and maintain large infrastructure assets through adopting a 'whole life' approach to asset management. This means looking ahead at how the asset is likely to deteriorate and deciding what might be the best treatments to deliver, when, over the life of the asset and if done well this approach will provide value for money and a good state of repair in the long term. Through

sound asset management, the safety, availability, reliability and long-term integrity of our transport assets can be secured.

11. In Herefordshire the public highway is by far the most extensive of those transport assets and is the most significant physical asset that is in the council's management..

### **Overarching Asset Management Policy**

12. The aim of the Asset Management Policy is to support the growth of the county by making the best use of its transport assets and where possible facilitate more efficient usage together with improvements in the quality of our public places. Public places should be safe and enjoyable for all to use responsibly. Public places should also remain safe through all seasons of the year. The infrastructure that is vital to a functioning county should be resilient to the impact of weather and climate.
13. The transport assets should provide a network that facilitates the efficient and safe movement of people and goods whilst protecting the quality of life within communities. Through this approach the council will encourage and enable delivery within localities. This as part of a delivery model that is affordable now and proves to be value for money now and in the future.
14. We encourage and support the growth of competitive local business and enterprise through works to enhance and maintain public places and by the way that work is delivered.

### **Policy LTP Highway Asset Management Strategy for Herefordshire's Roads**

15. Our Highway Asset Management Strategy has the following key components:
  - (1) Major Investment
  - (2) Sustained Investment over the whole life of the highway asset.
  - (3) Reduce the need for reactive 'temporary' pothole repairs as a response to safety defects. We will aim to deliver a high proportion of our routine pothole repairs using permanent fixes that not only make the road safe, but improve the condition of the road and extends its useful life.
  - (4) Shift our routine resources further towards preventative activities.
  - (5) Provide the support that enables routine maintenance work to be delivered locally so that defects on the road can be responded to locally when they are recognised as an issue by local people.
16. Through this five point Highway Asset Management Strategy the council will reduce the cost of potholes to the council and the community by over £1.6 billion. We will reduce the whole life cost of maintenance by over £72 million and the strategy will prevent over 386,000 potholes over the 34 year lifecycle of our roads.

## Repairing Defects

17. The council have implemented a risk based approach for repairing defects as the Highways Maintenance Plan (HMP). Our locality stewards routinely inspect our roads for safety and categorise each defect based on the risk that it presents to all highway users. This approach enables a right-first-time approach to defect repair in many instances. This reduces the risk to the travelling public across the entire asset in the longer term. BBLP provide an emergency response service on a functional 365/24/7 basis.

## Locality Working

18. A team of locality stewards undertake the highways safety inspections, street works and public rights of way inspections. They also respond to enquiries and emergencies. They interface directly with ward and parish council members and other community groups. They coordinate our activities with the work of the Lengthsman, Parish Paths Scheme and other community groups. In this way, the service works in partnership with communities to tailor delivery to meet the local need, minimising waste and enabling communities to become more self-reliant.
19. The role played by the parish councils in maintaining the public realm is highly valued. Whilst Herefordshire Council's financial contribution is being reduced the scheme will continue to be part of the service and Parish Councils have continued to support the Lengthsman scheme with their own funding.
20. The level of requests for service from communities has increased, and with delivery having to be focused on meeting our core obligations to the county, in some service areas this has led to a 'waiting list'. We have developed a community commissioning model to provide a supportive process for communities who wish to invest in the public realm. This model has been designed to provide clear information regarding scope, service delivery, risk allocation, price and timescales. The model allows communities to decide who they wish to undertake such works.

## Herefordshire Major Infrastructure Projects

21. The major projects are managed through four packages, these packages are:
  - **South Wye Transport Package (SWTP)** - The Southern Link Road is the new road linking the to the A465 and the B4349 Clehonger Road, the delivery of the road will be complemented by active travel measures.
  - **Hereford Transport Package (HTP)** - Hereford Bypass will be a new road to the west of the city, with citywide improvements for walking, cycling and public transport.
  - **Hereford City Centre Transport Package (HCCTP)** - City Link Road opened in mid December 2017. Further works will include a transport hub, the refurbishment of Commercial Road, Newmarket and Blueschool Streets.
  - **Hereford City Centre Improvements (HCCI)** – Ongoing High Town Refurbishment delivered in annual phases to create a clean, modern and clutter free city centre and a number of other related improvements to support the role of the city centre.

## **Continuous Improvement in Value for Money**

22. Continuous improvement is written into the contract, each annex of the Annual Plan captures the specific improvement plans for that part of the service. Continuous improvement and innovation is overseen by a Continuous Improvement Cluster Group.
23. Opportunities to improve the service are reviewed jointly. Monthly meetings are held to review key areas that have been identified as having potential for improvement. Audits, which focus on value for money, are also undertaken by the council's contract management team.

## **Contract Term – How Potential Extension Incentivises Performance**

24. The contract offers the potential of extension which incentivises performance. It follows a model that is designed to incentivise BBLP to achieve successful performance delivery throughout the contract term. Successful performance is gauged against strategic indicators (SPI) which are monitored and considered at set points throughout the term of the contract. If BBLP perform they are entitled to a contract extension, unless the council reasonably exercises its discretion to do otherwise.
25. There are 16 SPIs, which measure the contract's contribution to the council's strategic objectives. Each SPI has a definition which includes how each will be measured and performance calculated within set thresholds. The first review of performance against the SPI has been completed. The results are positive with 12 of the 16 indicators being achieved. A full report and audit will be provided to Cabinet in March 2018.
26. There are also 12 Operational Performance Indicators (OPI), these are measured monthly. BBLP are only entitled to a proportion of their fee (25%) if they achieve at least 85% of the OPI's in any month. To date these have been achieved throughout the contract term to date. See Appendix 1 – Performance report presented to the Strategic Partnership Board for the contract in December 2017.

## **Annual Plan Priorities**

27. The annual plan is developed to meet the council's objectives for the public realm within the assigned budgets. Acceptance of the annual plan is designed to ensure that it complies with the terms of the contract and will further the council's objectives well, providing a sound basis for performance and contract management during the forthcoming financial year.
28. The annual plan for 2017/18 is the fourth such plan, it was developed utilising the knowledge and lessons learnt and during the first three years of the contract term.
29. The annual plan consists of the fourteen technical annexes, including supporting financial information. In addition the plan includes a Service Overview. This overview includes a summary of commercial and financial information and points to relevant supporting detail captured elsewhere, for example in the Public Realm Contract itself.
30. The committee is invited to consider the recommendations and provide feedback regarding priorities for improvement and in relation to the development of the 2018/19 annual plan for the service.

## Community impact

31. The effective management of the public realm, is an important contributor to the county's health, wellbeing and economy.
32. A clear measurable annual plan provides a mechanism for monitoring performance and supports the achievement of the corporate plan priorities, securing better services, quality of life and value for money for the people of Herefordshire.
33. As set out in the council's code of corporate governance, we must ensure that we have an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this system. The council is committed to promoting a safe and positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review.
34. BBLP closely monitor health and safety, which is reported monthly through the performance monitoring, with benchmarking and continuous improvement supported through Balfour Beatty.

## Equality duty

35. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
36. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. BBLP are fully aware of their contractual requirements in regards to equality legislation. This decision will have no negative impact on the council or BBLP's compliance with this duty.

## Resource implications

37. The annual contract value does vary year on year, the value of the core services is approximately £20 million, of capital and revenue. The annual plan is developed in advance each year, which sets out the proposed service and budget.

38. An executive decision is taken each March for the financial year ahead, following Council's approval of the annual capital and revenue budgets which in turn align to the council's medium term financial strategy.

## Legal implications

39. The council has statutory duties to provide a number of the services which are contracted to BBLP under this arrangement. The council must ensure that the contract is robustly managed and appropriately scrutinised and reviewed to ensure that its specific statutory duties are met and also that the council's wider duty to obtain best value in the provision of all of its services is satisfied.
40. In procuring this long term contractual arrangement in 2013 the council contemplated a series of commercial incentives for the appointed contractor, of which this contract extension mechanism is part. To depart from this agreed mechanism so early in the contract without compelling financial or quality related reasons could give rise to difficulties with the contractual relationship with BBLP.
41. Robust contract management is any event essential for a long term contract which is of high financial value and of significant strategic importance. Price and quality must be regularly benchmarked to ensure that the contract continues to deliver best value for the council and its communities.

## Risk management

42. The key associated risks with contract performance are detailed below:

Risk / opportunity	Mitigation
Ensuring value for money is achieved	Value for money is tested at various stages of the annual commissioning process and we are constantly looking at ways to improve value for the council and residents of Herefordshire. Audits are undertaken by the council's contract management team to assess value for money and identify opportunities to drive improvement.
Good quality effective service is continuously delivered	Performance is closely monitored through Operational Performance Indicators and Strategic Performance Indicators, to ensure services are delivering to target and continuously improved, where possible. The contract model incentivises good quality performance.  Performance is measured at a strategic and operational level, this is reviewed and



Performance is appropriately measured and captures the priorities and objectives of the council

adjusted at relevant periods to reflect desired changes. The performance is audited by the council's contract management team to ensure the data provided is accurate and is being applied correctly.

## **Consultees**

43. None.

## **Appendices**

Appendix 1 – Balfour Beatty Performance Report to Strategic Partnership Board December 2017

Appendix 2 – Presentation

## **Background papers**

None