



Title of report: Public realm service annual plan 2021/22

Decision maker: Cabinet member Infrastructure and transport

Decision date: Monday 26 April 2021

Report by: Commercial and Contract Manager

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Wards affected

(All Wards);

Purpose

To confirm the annual plan 2021/22 for the public realm services contract with Balfour Beatty Living Places

Recommendation(s)

That:

- a) the annual plan for public realm services, as outlined at Appendix A of this report be approved as the basis for service delivery during 2021/22 with an overall budget of up to £21,443,508 made up of £6,231,506 revenue and £15,212,000 capital budgets as detailed in paragraph 47 below; and
- b) the acting assistant director highways and transport be authorised to agree in consultation with the Section 151 officer, through the BBLP contract governance arrangements, final adjustments to the programme (including any recommendations from the strategic partnering board) and budget allocation to each of the annex and any in year adjustments to the plan, within the overall budget.

Alternative options

1. Not to approve the annual plan. This is not recommended as operating without an approved annual plan may put budget, performance and contract management arrangements at risk. If in year changes to the service as detailed in this annual plan are required, then these can be best managed, from the baseline position established in the annual plan, through the change management processes that are in the public realm services contract and managed through the client contract management team.
2. To approve an alternative annual plan for 2021/22; this option is not recommended as the development of the annual plan has gone through a robust process with BBLP and the council's representatives to ensure effective prioritisation and asset management have been applied within the overall budgets available

Key considerations

- 3 The public realm services contract between Herefordshire Council and BBLP commenced on 1 September 2013. This is one of the council's strategic and most significant contracts in terms of the range of services and their value. To ensure the services provided through the contract meet the council's requirements, the contract requires the production of an annual plan.
- 4 The services delivered in Herefordshire through the public realm contract support the council's key priorities: Support the growth of our economy, through infrastructure and transport projects and major surfacing programmes; Secure better services, quality of life and value for money, through effective forward planning, programming and early engagement with supply chains; Enable residents to live safe, healthy and independent lives, through delivering a safe, clean and well maintained network and engaging well with communities.
- 5 The annual plan has been developed by Balfour Beatty Living Places (BBLP) with council officers based on instruction by the council to ensure that it meets the council's objectives for the public realm (highways and related services) within the assigned budgets. The service manager's acceptance of the annual plan has ensured that the annual plan complies with the terms of the public realm services contract. Cabinet member approval of the plan provides final confirmation of this acceptance and in doing so ensures that the plan provides a sound basis for performance and contract management during the forthcoming financial year. The council has confirmed that the necessary contractual requirements have been complied with in regard to the annual plan.
- 6 This annual plan for the 2021/22 financial year will be the eighth such plan developed in relation to public realm services and has been developed utilising the knowledge, lessons learnt and continuous improvement during the first seven years of the contract. The annual plan has been formed by BBLP with council officers based on instruction from Herefordshire Council, with engagement from ward members and parish councils. It will make best use of the available capital and revenue resources and ensure the delivery of the revenue savings required by the Medium Term Financial Strategy.
- 7 Through the first seven years of the contract, the council and BBLP have together delivered a substantial increase in the investment in roads. All funds have been invested in accordance with the council's asset management strategy.
- 8 The National Highway Transport network (HNT) in its published results of the CQC (customer, quality, cost) Efficiency Network survey for 2020 confirms that Herefordshire Council has delivered year on year improvements in efficiency. Results can be viewed on their website by following the link below:

<http://www.nhtnetwork.org/nht-public-satisfaction-survey/findings/>

- 9 This CQC assessment compares theoretical minimum cost of maintaining the county's highways network and actual costs and confirms that efficiencies made by the Council and BBLP through the life of that contract can be demonstrated and are summarised as follows:
 - a. 9% efficiency improvements have been made since the beginning of the contract. This is improvement made without loss of quality. There has been a steady year on year improvement trend
 - b. £7.644m is the total value of realised efficiency. This represents the total amount of money we have saved by adopting more efficient practices since 2013/14. £0.968m of this was realised in 2019/20.
 - c. Normalised cost comparison allows direct comparison between authorities, we cost £3,975/km and the lowest is £3,534/km. The average is £4,018/km and highest measured in the Country is £7,642/km. As can be seen, our costs are a little below the average.
- 10 On going continuous improvement reviews within the public realm service have identified better ways of working and improvements required with overarching programming. This is continually being reviewed through lessons learnt and action plans to improve areas of the service and is monitored and assessed by the Council's contract management team.
- 11 The Contract management team also undertake value for money reviews to look at areas of the service with respect to efficient, effective, economic and equitable delivery and will recommence their function of spot checks "on the ground" once COVID restrictions allow.
- 12 There is a framework of strategic and operational performance indicators which the contract management team asses and monitor. As part of the development of the 2021/22 annual plan the current strategic performance indicators (SPIs) for the contract have been reviewed, in consultation with cabinet members to ensure alignment with the adopted County Plan and delivery plan. This has resulted in a number of existing SPIs being updated and the incorporation of two new SPIs into the performance measurement process. This ensures behaviours are aligned with the council's county plan, and the contract delivers against the set strategic intent. Details of that alignment process are in Appendix 4 of this report. Following feedback from cabinet members consideration will be given to the development of an SPI for Biodiversity and Ecology for the contract.
- 13 The council have worked with BBLP to transform the service and deliver revenue and capital savings over the contract period to date of 30%. This has seen a reduction in annual revenue expenditure on public realm services from £9.1m in 2014/15 (the first full year of the contract) to £6.1m in 2019/20. This has been achieved through a range of efficiencies and service changes. Where possible service has shifted from the reactive to the pro-active and works have been designed to enhance the value or life of the highway and other public realm assets. This has maximised the proportion of our activity that can be funded from capital budgets.
- 14 As set out in para 21.1.4.2 of the Public Realm Services Contract the Service delivery partner is required to "work with the Employer to achieve Cashable Savings of 3% in the relevant financial year (or whatever equivalent efficiency measure that may be placed upon the employer by central government or reasonably agreed between the employer and the provider during the contract period)". Operational efficiencies have been delivered through changes in working practices, a reduction in the number of depots used by the service, locality working with communities and the introduction of new technology supported by a single operational control centre.

- 15 Further to the savings achieved to date the savings target for the public realm contract for 2021/2022 are £350,000 of revenue savings from the annual plan that has been taken base revenue budget and £230,000 of expected capital gain share savings. Detailed savings plan for the delivery of the required revenue savings are being developed and these will be the subject of further governance reports.
- 16 The Service Overview at Appendix 1 takes account of this savings requirement however, the detail of how the savings are being realised is being developed and subject to further governance reports.
- 17 New arrangements for permitting of streetworks will be implemented from the 1 April 2021. The implementation of the Hereford Permit Scheme is the subject of separate governance reports. Its introduction will enable Herefordshire Council to meet the requirements of the new Street Manager regulations and enable the better management and co-ordination of works on the highway by applying conditions which are provided in statutory guidance. The permit scheme will be managed by Balfour Beatty Living Places (BBLP) through the public realm contract as this is within the scope of the contract and both BBLP and council costs will be covered by the income generated by the permitting scheme.
- 18 The council, in its approach to best practice has developed and operates a risk based approach to routine highway maintenance in accordance with the latest highway maintenance codes of practice.
- 19 The risk based approach Highways Maintenance Plan has been in place for 3.5 years and an extensive review of the implementation is now complete. The annual plan 2021/22 programmes of work have been constructed in accordance with this risk based approach and in line with the current administrations priorities.
- 20 The Highway Maintenance Plan (HMP) is a key policy document in delivering and responding to network risk. There has been significant work on the HMP prior to the covid pandemic, and a revised edition will be operable once Covid restrictions are lifted. Currently operations are undertaken against an agreed Covid variant of the HMP but this will be reviewed as restrictions are eased in coming months.
- 21 A decline in the overall condition of the highway asset can only be halted by a forward programme that includes for sustained investment at the right level over the whole life of the highway asset and an ongoing programme of works that is targeted at treating roads as they are showing signs of deterioration, fixing roads before they need larger, more costly repairs. This all in accord with the council's asset management strategy.
- 22 Each year's annual plan sets out details of the services to be provided during the relevant financial year and demonstrates that these public realm services can achieve the council's objectives within the available budget, whilst demonstrating value for money.
- 23 The contract sets out Operational Performance Indicators (OPI), which are monthly performance measures against service delivery, and are assessed by the council's contract management team. The total number of OPI's is 16, BBLP's overall performance for 2020/21 (to date) is positive with operational targets being achieved. Operational performance reports are produced, and scrutinised monthly at operational boards attended by BBLP, Cabinet members and Contract management team. The latest performance report is contained at Appendix 2
- 24 In developing the annual plan, the provider (BBLP) is expected to demonstrate within the available budget how we will ensure that the public realm is accessible, safe, clean and well maintained. In addition, the plan must demonstrate that the delivery of essential services is efficient, responsive to local needs and value for money.

- 25 The Contract management team (CMT) ensure value for money is evidenced through monthly financial assessments and additional value for money reviews of parts of the service. A VFM assessment plan for 2021/22 has been developed by the Contract management team and is contained in Appendix 4. Once current Covid/safety restrictions are lifted a programme of regular inspections and spot checks of works on the network will be re-started by CMT as access to the Public Realm network is resumed. The programme of spot checks is being developed and expected to resume May 2021.
- 26 Annual plan programmes are based upon an asset management driven risk based approach to management of the network, the approach is in line with national guidance and best practice, particularly the well managed highways infrastructure guidance and best practice.
- 27 Investment in the asset capital budget this year will increase spend on drainage, structures, footways and cycleways and a reduction in resurfacing. This is deemed the optimum use of available funding against the risk profile of the network. Any further funding if available will be utilised on those areas most needing investment based upon the sound asset management system.
- 28 There is continuation of some of programmes of works started in 20/21 into financial year 21/22. The commissions for these programmes of work will remain open and these schemes will be delivered as soon as possible in 21/22.
- 29 If necessary, changes can be agreed within the year to ensure objectives are achieved, subject to appropriate governance.
- 30 The public realm services contract requires each annual plan to be presented to the strategic partnering board for the contract. The strategic partnership board will be presented with the annual plan for 2021/22. The strategic partnering board should approve the plan developed by BBLP unless:
- the annual plan would not meet the employer's objectives; demonstrate value for money
 - the delivery of the annual plan will exceed the relevant services budget; or
 - the annual plan does not sufficiently demonstrate that it is capable of delivering on the target of cashable savings of 3% or other agreed savings in line with the contract, in the relevant financial year; or
 - the annual plan is not in accordance with the service information; or
 - the annual plan does not address priorities for the relevant financial year agreed by the strategic partnering board (SPB). The SPB members are: HC Director for Economy and Place; Assistant Director for Highways & Transport; Commercial & Contracts Manager; BBLP Managing Director; Work Winning Director and Contracts Director. The additional attendees to SPB are: the cabinet members Transport and Regulatory Services, and Infrastructure.
- 31 The public realm services contract also requires BBLP to provide details of time; cost; risk; cashable savings; local overheads; order and timing of work; key dates for access to the public realm, acceptances, materials/information that the employer and others will need to provide; payment mechanisms; and key service information.
- 32 In line with previous years, it is proposed that the acting assistant director, highways and transport be authorised (in consultation with the S151 officer) to make any in year adjustments as

recommended by the strategic partnering board, these adjustments will be in line with scheme of delegation and financial procedure rules. Any adjustment above that value would be subject to a separate governance decision.

- 33 The contract requires the Service Manager, Acting Assistant Director for Highways & Transport, to accept that the annual plan meets the requirements set out within the contract, within 20 days of it having been submitted, in preparation of it being considered by cabinet member. The service manager's acceptance has been given subject to a number of conditions (as detailed in Appendix 3).
- 34 It should be noted that under the terms of the contract the service manager can only reject the annual plan if:
 - it does not reflect matters approved by the strategic partnering board;
 - the provider's plans which it shows are not practicable;
 - it does not show the information which this contract requires;
 - it does not represent the provider's plans realistically; or
 - it does not comply with the service information.
- 35 The annual plan can be accepted, but it is not an approved plan until such time as the strategic partnering board grant approval. If that board require the plan to be amended then the service manager will consider the acceptance of that revised plan on receipt all in accordance with the terms of the contract.
- 36 An annual plan presentation was given to Management Board, Cabinet Members on the 25 March 2021 and local members on the 29 March 2021. Parish briefing sessions will also be undertaken by BBLP virtually during early April.
- 37 The full Annual plan Annexes will be published on the website once this decision is taken, and will include programme details or activity descriptions against all Annexes, this includes some 40 plus services delivered under the public realm, including such items as and a capital highway maintenance programme as summarised below:



Our services

Network Management

- Customer Liaison and Engagement
- Highway policy development and enforcement
- Safety Inspections and defect repair
- Condition Inspections
- Incident Response & Emergencies
- Winter Service
- Routine and Cyclical Maintenance
- Planning and Programming
- NRSWA Management and Coordination
- Highways Noticing
- Traffic Management
- Red Claims Management
- Third Party Claims Management

Construction

- Highway structural renewals
- Highway/Traffic Improvements
- Urban/Public Realm
- Street Lighting Renewals
- Structures refurbishment/replacement

Asset Management

- Highways Infrastructure
- Lighting and Energy
- Traffic Signals and CCTV
- Structures
- Public Rights of Way
- Bidding and project funding

Design

- Traffic and Transportation
- Highway Improvements
- Urban Design
- Structures

Services

- Horticultural & Arboriculture
- Street Cleansing
- Building Cleaning
- Cemetery maintenance
- Property maintenance

Renewal/Maintenance

- Street Lighting
- Traffic Signals and CCTV
- Drainage and Flood Risk

Community impact

- 38 There is clear evidence that the effective management of the public realm, which includes highways, parks and public rights of way, is an important contributor to the county's health, wellbeing and economy.
- 39 A clear measurable annual plan provides a mechanism for monitoring performance and supports the council to achieve its corporate plan priority to secure better services, quality of life and value for money for the people of Herefordshire.
- 40 The service supports a diverse range of community projects and events in Herefordshire through community engagement or volunteer days projects, with BBLP delivering 109 community projects for 2017/18, 101 projects for 2018/19 and 106 for 2019/20. There are 43 projects to date for 2020/21, this has been affected in year by the restrictions due to covid working. Staff time is provided at no cost to the council by BBLP to support community projects and 'in kind' support through the loan of kit, materials and equipment etc.

Environmental Impact

- 41 The annual plan work manages water on the network and feeds into the flood resilience activities, carbon emissions, working in partnership on the management of green spaces, verges and biodiversity.
- 42 The environmental impact of this annual plan has been considered through the service specification and includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management. Fleet management is inputting into the council's carbon footprint calculator and the provider is working with and feeding into the biodiversity net gain work.
- 43 Opportunities to work with parishes and local groups in wild flower, and management of verges are being explored within the annual plan, and the annual plan seeks opportunities in its management of green spaces.
- 44 The development of this plan has sought to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

Equality duty

- 45 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.

- 46 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 is fully aware of their contractual requirements in regards to equality legislation, and is proactive in considering its duty when commissioned by or working with the council to introduce public realm projects. The effective management of the public realm supports equality through the improvement of access to public spaces and maintenance (lighting, footways etc.) of public rights of way. This supports persons that share a protected characteristic in particular disabled people and women.

Resource implications

- 47 The annual plan is funded as summarised in the table below. In line with the approved annual capital and revenue budgets which in turn align to the council's medium term financial strategy.
- 48 The revenue budget for 2021/22 presented in the table below takes account of the £235K revenue interest repayment for 2021/22
- 49 The LTP capital budget shown in the table below includes HC staff capitalisation costs at £700K, these are Highways and Transport staff that are working on the Local Transport Plan (LTP) activities. Timesheets are kept to record time spent on Capital activities and a value of £700K is the anticipated level of costs for 2021/22. It also takes account of previous road infrastructure investment, which has principle loan repayments of £554K.
- 50 The Highway Asset Management funding of £1m shown below was approved by council in February 19 for investment in C & U roads only and funded from borrowing, this will form part of the annual plan capital highway maintenance programme.
- 51 The budgets for 2021/2022 included savings targets as follows:

Revenue		
	2020/21	2021/2022
Gross Base Budget	6,354,546	6,257,602
Less: Savings	-250,000	-350,000
Less: Capital Interest Repayments	-172,408	
Inflation Uplift	385,464	194,701
Gross Base Budget	6,317,602	6,102,303
Income (NRSWA, Dropped kerbs)	-228,000	-228,000
Net Revenue Budget	6,089,602	5,874,303
Other In-year adjustments		
Capital Interest Repayments	-60,000	-3,475
Commuted Sums (funded by commuted sums/developers income)	290,678	290,678
Lengthsman Scheme (One Off)	250,000	
Total Contract Net Revenue Budget	6,570,280	6,161,506
S38/S278 works	70,000	70,000
BBLP BUDGET FOR WORKS	6,640,280	6,231,506

	2020/21	2021/22
Capital	£000	£000
Local Transport Funding Block		
Highways Maintenance Block	9,272	6,395
Band 3	1,931	1,599
Integrated Transport Plan	1,069	1,077
National Productivity Investment Fund		6,395
Pothole Fund		
	12,272	15,466
Retained Herefordshire Council	£000	£000
Staff Capitalisation	700	700
£20m Road Infrastructure principal repayments	554	554
	1,254	1,254
LTP monies to be used across various programmes	£000	£000
	11,018	14,212
	11,018	
Highways Asset Management Budget	£000	£000
Other Funding Streams		
U & C road investment	1,500	1,000
	1,500	1,000

- 52 There are orders placed in the financial year in 2020/21 that have not been delivered in full and are programmed in to be delivered as soon as possible in financial year 2021/22 These service orders from last financial year will remain open until these works are completed.
- 53 All service Orders remaining open have the appropriate governance from the original decision in place. The contract has provision for tasks to remain open in these circumstances. All are part of a capital programme, it is not expected that revenue services will be extended past the financial year or any service orders where the governance is constrained by the annual plan decision.
- 54 The annual plan service overview appended to this report confirms service costs are aligned with the approved revenue and capital budgets. There is a risk that the provision of service cost could exceed the approved budget as services are delivered throughout 2021/2022. To mitigate this costs will be monitored regularly by the Contract management team to prevent overspend against budget. If costs are forecast to exceed the above budget a further decision will be required to maintain service delivery.
- 55 The local management overhead (LMO) annex sets out the key enabling functions and management resources that support the delivery of outcomes through all the service annexes (1-

14) This is included at Appendix 5 of this report. These functions impact the successful delivery of all annexes and therefore all service annexes. Any variation to the LMO will be managed through the Contract management team contract change mechanism and would be considered an operational decision.

Legal implications

56. The contract with BBLP enables the council to discharge a number of significant statutory duties to provide a number of services relating to the public realm. A list of the relevant legislation and policy context is set out on page 9 of the Annual Plan Service Overview (Appendix 1 to this Report). In addition the council has a general duty to secure best value in the exercise of all of its functions. The development and review of the annual plan, as part of the council's long term contractual relationship with BBLP, is a key mechanism for the discharge of these legal duties.
57. The process for the adoption of the annual plan as required by the Public Realm Services Contract is appropriately summarised above.
58. The delegation to the assistant director is permissible and allows the officer to make changes to the actual services delivered during 2020/2012 and allocations in the plan as agreed within the budget. As the cabinet member has made the decision to agree the annual plan as a basis for the service delivery, any changes to the plan will be operational decisions and will require a record of officer decision to be published.

Risk management

59. A comprehensive review of the annual plan undertaken by the council's contract management, service manager and a number of senior officers has identified a number of conditions of acceptance. (These are in addition to the conditions established in the public realm services contract). These additional conditions are designed to manage risk as associated with the acceptance of the annual plan as proposed. BBLP have agreed to these conditions.
60. The risks, their consequences and any mitigating actions have been considered in detail in the development of the annual plan. Risk is managed through the governance structures created for and supported by the public realm services contract, which links with and escalates to the council's corporate risk management regimes

Risk / opportunity	Mitigation
Ensuring value for money is achieved in future years	Value for money is tested at various stages of the annual commissioning process and the partnership are constantly looking at ways to improve value for the council and residents of Herefordshire. Through the various cluster groups, innovation and reviews of processes and ways of working
Good quality effective service is continuously delivered	Performance is closely monitored through Operational Performance Indicators (OPI) and Strategic Performance Indicators (SPI), to ensure services are delivering to target and continuously improved, where possible. The contract model incentivises good

	<p>quality performance, with SPIs being linked to contract extensions and OPIs to fee and rectification at no cost to HC. Assessment of the applications take place monthly, VFM assessments target specific areas for economy, efficiency, equality and effectiveness, and spot checks monitor work on the PR network</p>
Benchmarking	<p>As described in paras 8 and 9 above, the contract is assessed using CQC reports which benchmark normalised costs of service delivery</p>

Consultees

- 61. The drafting of the annual plans were consulted with clients from Herefordshire council and BBLP service champions. Feedback and lessons learnt for service improvement were brought into the finalisation of the annual plans.
- 62. Cabinet members considered the annual plan decision at a briefing on the 25 March 2020. All local members were invited to an annual plan briefing on the 29 March 2020. Feedback from these briefings is summarised in Appendix 6.

Appendices

Appendix 1: Annual plan service overview 2020/21

Appendix 2: BBLP Performance Report February 2020

Appendix 3: Annual plan service manager review 2020/21

Appendix 4: Contract Management Team - VFM programme 21/22

Appendix 4: Strategic Performance Indicators – alignment to county plan

Appendix 5: Local Management Overhead

Appendix 6 Member comments

Background papers

None