

Meeting: Sustainable Communities Overview and Scrutiny Committee
Date: 25 October 2011
Subject: Report of the Highways and Transportation Task Force
Report of: Cllr R Johnstone, Task Force Chairman
Summary: The attached report sets out the conclusions and recommendations of the Highways and Transportation Task Force in respect of.

- the Council’s draft “Approach to Parking”;
- the managing agency contract (MAC) with Amey and
- the Council’s draft approach to road and footway maintenance – “Approach to Delivering a Sustainable Highway Network”

Advising Officer: Basil Jackson, Assistant Director, Highways and Transport
Contact Officer: Iain Sutherland, Corporate Policy Adviser.
 0300 300 6022
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

The matters considered by the Task Force support the Council’s priorities of:

- creating safer communities
- managing growth effectively

and are integral to achieving the Council’s vision of being “globally connected, delivering sustainable growth to ensure a green, prosperous and ambitious place for the benefit of all”.

Financial:

The Task Force is recommending that an additional £4M a year is included in the highways maintenance budget for the next three years, as set out at paragraph 6.6 of the report.

Legal:

The Highways Act 1980 requires highway authorities to maintain public highways to keep them open for public access and to remove obstructions which may affect the use and safety of the highway.

Failure to maintain a public highway can be subject to legal action for enforcement and, if the state of repair of a highway is a contributory factor in a road traffic crash, could result in a claim for damages. It is therefore important that the Council has effective arrangements in place to maintain the highway network for which it is responsible.

An important function of the highway authority is to manage on and off-street parking.

Risk Management:

The Council's programme of work is managed by Amey which has appropriate staff resources not only within this contract but also which can be called on from outside the contract.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

Equality impact assessments will be developed in respect of the two strategies considered by the Task Force.

Community Safety:

The Traffic Management Act 2004 places a duty on local traffic authorities to ensure the expeditious movement of traffic on their road network. The Act gives authorities additional tools to better manage parking policies, moving traffic enforcement and coordination of street works which are all important components of community safety.

Sustainability:

The effective maintenance of the highway network is a key part of facilitating the Council's sustainable growth agenda.

RECOMMENDATION(S):

1. (a) **That the Overview and Scrutiny Committee endorses the conclusions and recommendations contained in the report of the Highways and Transportation Task Force.**

Introduction and background

1. The Highways and Transportation Task force was established by the Overview and Scrutiny Committee on 21 June 2011 with terms of reference to review:
 - the Council's draft "Approach to Parking";
 - the managing agency contract (MAC) with Amey LG; and
 - the Council's draft approach to road and footway maintenance – "Approach to Delivering a Sustainable Highway Network".
2. The Task Force has met six times between July and October 2011.
3. The report of the Task Force is attached.

Highways and Transportation Task Force

Report to Sustainable Communities Overview and Scrutiny Committee 25 October 2011

Introduction

The Highways and Transportation Task force was established by the Overview and Scrutiny Committee on 21 June 2011 with terms of reference to review:

- the Council's draft "Approach to Parking";
- the managing agency contract (MAC) with Amey LG; and
- the Council's draft approach to road and footway maintenance – "Approach to Delivering a Sustainable Highway Network".

The Members of the Task Force are:

Councillors Johnstone (Chairman), Murray (Vice-chairman), Aldis, Bastable, Mackilligan and McVicar.

The Task Force met five times between July and October 2011.

1 **PART A: THE COUNCIL'S DRAFT APPROACH TO PARKING**

- 1.1 On 12 July 2011 the Executive approved a proposal to consult the wider community on the draft Approach to Parking. The draft document provides a high level strategic position on various elements of parking management. It also:
- outlines how the Council will develop its parking services;
 - provides detail and clarity on how parking operates in Central Bedfordshire; and
 - provides parking guidance to facilitate the achievement of the objectives in the Local Transport Plan.
- 1.2 At their first meeting the Task Force decided to focus on the following matters:
- controlled parking zones;
 - residents' parking zones; and
 - parking on pavements and grass verges.

To inform their deliberations the Task Force received a report from the Assistant Director (Highways and Transport) which dealt with the advantages, disadvantages, costs, risks and implementation timescales for these parking arrangements.

The Task Force also considered information from previous rounds of Let's Talk Together meetings. In the event, the information proved to be rather limited and nothing particularly new or unique had come up at the meetings. In some areas parking issues did not seem to have been raised.

- 1.3 The Task Force identified the following as particular concerns:
- the difficulty in identifying who might have caused damage by parking on verges and pavements;
 - the reasons why people park on verges and pavements – to avoid blocking the road or simply for convenience?;
 - the problems caused to pedestrians by parking on verges and pavements and the need for management on a monthly basis; and
 - the potential problem that the enforcement of parking restrictions moves the problem elsewhere.

Members of the Task Force and other attendees also highlighted particular concerns and issues in their areas.

It was also noted that damaging verges and pavements was a criminal offence and that in some areas (in London for example) blanket zones had been created to make such parking a civil offence.

- 1.4 The Task Force concluded that the introduction of controlled parking zones should be used as the major measure for parking management. Such zones would have to be selectively introduced, following proper evaluation, and sufficiently and adequately funded.

The Task Force were also of the view that the existing parking standards (as set out in Appendix C to the draft approach) were fair and reasonable.

Residents' parking zones

- 1.5 While the Task Force supports controlled parking zones, this support does not extend to the further introduction of residents' parking zones for cost and effectiveness reasons.

On costs, by way of example, the Task Force received a report from the Assistant Director (Highways and Transport) on the costs of running the scheme in the Prince Regent area of Dunstable (attached as Appendix A).

Members noted that the example demonstrated that the Council was not covering its costs and that therefore to meet further requests for such zones, as they currently operate, would require a rise in the price of permits. Otherwise such requests would have to be resisted.

- 1.6 However, an alternative solution raised by the Task Force was not to charge for permits, establish a database of residents' number plates and use automatic number plate recognition (ANPR) for enforcement. Residents could be charged a one-off fee to register up to, say, three vehicles.

The Task Force subsequently received a more detailed briefing note from the Assistant Director (Highways and Transport) on such an arrangement. This included reference to actions already being taken to deal with some problems associated with residents' parking zones:

- the commissioning of consultants to examine the Dunstable and Leighton Buzzard zones with a remit to recommend measures to increase overall kerb side parking by:
 - reducing the amount of single and double yellow lines where it is safe to do so;

- adjust or remove any kerb-line features etc where appropriate and safe to do so: and
- review the free 2 hour waiting period to determine whether or not it is required.
- submitting proposals to update the software for parking management to include automated permitting (thereby significantly reducing administration costs), on-line payments and review by vehicle owners of photographs of their traffic offence.

1.7 To test the Task Force's concerns that residents' parking zones are not an effective solution, a survey of the permit holders in the Prince Regent area has been carried out. Survey forms were sent to permit holders at 150 different addresses in the area. Fifty-five forms were returned, giving a response rate of 37%.

1.8 The key findings of the survey are as follows:

- 68% of respondents were either dissatisfied or very dissatisfied with the current scheme;
- 78% felt the scheme did not represent good value for money; and
- 87% felt the scheme did not solve the problem of residents not being able to park near their own homes.

The survey also obtained permit holders' views about the problems and suggested solutions.

The most frequently mentioned **problems** were:

- too many non-resident cars parked as a result of the 2 hour free parking;
- cost of permits too high with no guarantee of a parking space;
- residents not informed of the price increase;
- neighbour disputes over parking spaces;
- too many permits issued for spaces available; and
- disability access issues.

The most frequently mentioned **solutions** were:

- need for improved enforcement;
- issue permits for the number of spaces available;
- permit holders only scheme;
- provision for visitor parking;
- free use of local car parks if unable to park in the zone;
- install parking meters for non-permit holders; and
- improve road markings of bays to gain more car parking spaces.

1.9 The Task Force considered that the survey, carried out in-house, was most worthwhile and confirmed many of their concerns about the use of residents' parking zones as an effective measure for parking control.

- 1.10 The Task Force is also aware that a wider stakeholder consultation on the draft “Approach to Parking” is being conducted by the Highways and Transport service in conjunction with Amey. The outcome of the consultation will be submitted direct to the Overview and Scrutiny Committee when the consultation process is over.

To support the wider consultation the Task Force has:

- arranged for an email to be sent to all Members of the Council urging them to respond to the consultation and to highlight any issues and problems in their wards; and
- requested that the consultation features in the current round of Let’s Talk Together meetings.

1.11 **Recommendation:**

That the Overview and Scrutiny Committee endorses the following recommendations and comments for submission to the Executive in respect of the draft Approach to Parking:

- i) **the draft Approach to Parking is supported as the basis for the development of parking services in Central Bedfordshire**
- ii) **that controlled parking zones be used as a major measure for the management of car parking, provided that such zones are selectively introduced following proper evaluation and are sufficiently and adequately funded.**
- iii) **that residents’ parking zones as such should not be used by the Council in the future as a parking control measure and that any further requests should be considered in the context of controlled parking zones.**
- iv) **that the parking standards (as set out in Appendix C to the draft Approach to Parking) are fair and reasonable.**

PART B: MANAGING AGENT CONTRACT (MAC) WITH AMEY AND THE COUNCIL'S DRAFT APPROACH TO ROAD AND FOOTWAY MAINTENANCE

Managing Agent Contract (MAC)

1 Background

- 1.1 In October 2005 Amey took over responsibility for the delivery of highway services in Bedfordshire, assuming responsibility for both works and consultancy services. In February 2011 the contract was novated to Central Bedfordshire Council, giving the Council full control. The contract expires at the end of March 2016. In 2014 members will give a steer on what type of contract should be let.
- 1.2 The principal focus of the Task Force's work has been to gain a full understanding of how the contract works so as to form conclusions and recommendations about whether:
- the MAC contract is the right type of contract for Central Bedfordshire Council;
 - the contract is operating well and delivering value for money;
 - there is room for improvement; and
 - Member engagement and interaction with the contract can be improved.
- 1.3 To inform their deliberations the Task Force received a detailed and extensive report from the Assistant Director (Highways and Transport) on the following matters:
- why the contract is in its current form;
 - the features of the contract;
 - how money is spent (understanding priorities);
 - how councillors can access the contract;
 - value for money of the contract; and
 - how the contract can be improved.

This report is attached as Appendix B.

- 1.4 The report was accompanied by a number of supporting papers:
- Highways Services: Best Value Review (Bedfordshire County Council, 2002)
 - Highways Service: Inspection report: Bedfordshire County Council (Audit Commission, April 2004)
 - Going the Distance: Achieving better value for money in road maintenance (Audit Commission, May 2011)
 - Contract Review Report for the Amey Contract (Central Bedfordshire Council (Head of Procurement), December 2009).

NOTE: These papers are not attached and can be obtained from:
Iain Sutherland, Corporate Policy Adviser
0300 300 6022

iain.sutherland@centralbedfordshire.gov.uk

1.5 The report itself and the supporting papers have provided members of the Task Force with valuable information to gain a full understanding of the contract and useful evidence in addressing the key matters identified.

2 **Is the MAC contract the right type of contract for Central Bedfordshire Council?**

2.1 The Task Force has concluded that the MAC contract is the right type of contract for Central Bedfordshire Council. The Task Force reached this conclusion having regard to a number of considerations.

2.2 First, the extensive and lengthy best value review conducted by the former Bedfordshire County Council reached a clear conclusion that the procurement of highway services in the future should be based on a “works and professional consortium”. The objective of letting the contract the Council currently has was therefore to retain the advantage of appointing the private sector while addressing the shortcomings identified in the best value review. These shortcomings included quality of work, accountability and complaints handling.

The best value review was informed by various forms of consultation so as to receive an appropriate level of feedback from the key stakeholders. These included members of Bedfordshire County Council and other local councils, other local authorities, staff, expert witnesses, the general public and trade unions.

The review was also informed by consultations with the industry to support the development of the contract documentation, particularly in relation to the form of contract, the pricing of services and the provision of incentives.

2.3 Second, in 2004 the Audit Commission inspected the highways service in Bedfordshire. As a result of the measures being introduced to deal with the issues identified during the best value review in 2002 they assessed the services as providing a “fair, one star service” with “excellent prospects for improvement”.

2.4 The Task Force considers it essential therefore that the Council holds on to the learning gathered from the mistakes made by the former Bedfordshire County Council.

2.5 Third, there are a number of features of the contract which the Task Force consider to be particularly advantageous. These include:

- the contract gives Amey the appropriate amount of incentive and responsibility – the Council sets policy, standards and budgets and Amey develops a forward programme of maintenance, renewal and improvement schemes. The contract encourages Amey to balance budgets and programmes to meet the Council’s aims and objectives and, in effect, behave as if they were the Council;
- provisions in respect of the Watchman, quality management, a penalty points system, a network board and performance management (see paragraph 20 of Appendix B for further details);
- the facility to amend flexible aspects of the contract in line with Members’ concerns – for example last year money was switched to unclassified

- roads;
- the provision of lump sums (capital and revenue) for a wide range of fixed cost services which would otherwise be charged at an hourly rate. These include the watchman role, attendance at meetings, IT systems, accident analysis, asset management and winter maintenance;
- the transfer of risk to Amey for services such as winter maintenance (with the exception of snow ploughing); and
- the provision of extensions in the contract to encourage the contractor to continue to invest in the contract.

2.6 Fourth, the Task Force considers that to bring work back in-house would be impractical and expensive, involving the creation of a client side, over and above that currently in place, and a high amount of capital expenditure.

The Task Force would also stress that the Council could not deliver an equivalent standard of service at the price it currently pays Amey and is therefore securing better value for money (see section 3 below).

2.7 The Task Force appreciates that Members will provide a steer on the contract in 2014, in time for its re-letting in 2016, and that other options, including taking the work back in-house, will be considered at that time.

Recommendation:

That the Overview and Scrutiny Committee advises the Executive that the MAC contract is the right type of contract for Central Bedfordshire Council and recommends that such a contract should be the default option when considering options for the re-letting of the contract.

3 Is the contract operating well and delivering value for money?

3.1 The Task force has concluded that generally the contract is operating well and delivering value for money. They appreciate however that perceptions do exist among Members to the contrary – this is discussed further in section 5 of this report.

The reasons why the Task Force reached this conclusion are discussed below.

3.2 First, a company the size and scale of Amey has the ability to secure economies of scale in areas such as the acquisition of salt. The Council itself could not acquire salt at the prices Amey would pay. Similarly, while the Council could provide a winter gritting service and would have to provide gritters it would not have the funds to keep up to date with the latest technology

In addition the MAC form of contract relies on quality management systems and uses self certification procedures to remove unnecessary supervision and duplication of effort, thus reducing costs to the Council. There is a team of five people employed by the Council who audit the contract and the internal audit service also carries out audits of the service.

3.3 Second, the Audit Commission report mentioned in paragraph 1.4 above contains examples (at pages 38 and 39) of the range of prices charged by contractors for certain services. Comparing the prices charged by Amey for

the services quoted demonstrates that the Council has gained tangible efficiencies (more for less). For example:

- cost of patching treatment (per square metre) – the cost across councils varies from about £13 to about £128. Amey's figures show that the Council paid an average cost of about £16 in 2009/10
- gulley emptying (per gulley) – the cost varies across councils from £3.50 to £9.70. Amey charges the Council £2.98.

As mentioned above, Amey provides a winter gritting service for a fixed cost and therefore carries the full cost of a bad winter. This has meant that Amey has borne the cost of additional treatment in each of the last two winters.

- 3.4 Fourth, the Council has had sight of Amey's analysis which shows that:
- for white lining, comparison against five other lining contractors at tender shows that the key supply partner used by Amey is cheaper by 3.34% to their nearest competitor and over 50% when compared to others
 - supply and lay surfacing - comparison against three recently secured Amey contracts shows that the rates tendered for the Bedfordshire Highways contract are cheaper by between 1.39% and 8.31%.

Generally, the schedule of rates is structured to ensure that the Council gets favourable prices for high volume work – consequently more is paid for low volume work.

- 3.5 Fifth, and more generally, a review by the Council's Head of Procurement in 2009 of the 40 largest contracts inherited by the Council found that the contract was one of the two top contracts. The contract was assessed as "good" and described as "performing satisfactorily or better" in all areas with the exception of risk management (performing "less than satisfactorily"). The risk issue has now been addressed by Amey.

The Assistant Director (Highways and Transport) has also provided a number of examples of innovations and cost savings introduced by Amey (see Appendix B, paragraph 52).

The Task Force therefore concludes that the contract is operating well and delivering value for money

4 Is there room for improvement?

- 4.1 In his report to the Task Force the Assistant Director (Highways and Transport) indicated that officers had been reviewing the operation of the contract with Amey. This had resulted in the identification of a number of potential improvements. These are set out at paragraphs 57 to 62 of the report (Appendix B).
- 4.2 The potential improvements are summarised as follows:
- communications – Amey proposes to maintain closer personal relationships with Members as the contract moves forward;
 - scheme consultation – Amey will now be engaging with ward Members during the design phase of each Local Area Transport Plan improvement scheme;

- traffic sensitive streets – the Council is reviewing the network of such streets to determine whether some could be reclassified to allow unrestricted or daytime working, thus potentially saving up to £100,000 a year, although this will need to be balanced against the potential for increased disruption and congestion;
- surface dressing in urban areas – although not normally used in urban areas surface dressing could, if applied at the right time, extend the life of a structurally sound road by 7 to 10 years; and
- lighting columns – changing the way lighting columns are replaced could considerably reduce the replacement time (to one day) and achieve a 10% cost saving.

Recommendation:

That the Overview and Scrutiny Committee endorses the potential improvements as identified in paragraphs 57 to 62 of the report of the Assistant Director (Highways and Transport) and that those which have not yet been implemented be authorised by the relevant Executive Member (or Executive if deemed necessary) for action by officers and Amey.

- 4.3 In the course of their deliberations the Task Force itself has also identified matters that could usefully improve the operation of the contract. These are discussed below.
- 4.4. First, while it was recognised that the area bulletins are useful in providing retrospective information about the progress of work, it was noted that items were designated as “closed” by Amey once they had been passed to other teams e.g. arboriculture or housing. This did not help Members in seeking to track the progress of a case from beginning to end.

Recommendation

That the Overview and Scrutiny Committee requests the officers to explore with Amey a mechanism to ensure that cases retain their Highways Help Desk reference number when they are passed on to other teams etc within the Council so that they can continue to be tracked.

- 4.5 Second, the matter of communication has been identified as a major theme in the Task Force’s review and is discussed further in the next section.

However, in terms of improving the operation of the contract, the Task Force has identified the need for centralised information to be made available so that Members can be fully briefed about the emerging situation in respect of planned infrastructure and other developments over the ensuing three months.

The Task Force has also identified that such an arrangement would benefit from a computerised GIS map which showed all schemes, works etc that were underway or planned in the area.

The Task Force has also noted that there is an apparent disconnect between the Council’s planning division and Amey over matters such as Section 106 agreements and major planning schemes.

Recommendation:

That the Overview and Scrutiny Committee requests the officers to:

- i) make provision for centralised information to be made available so that Members can be fully briefed about the emerging situation in respect of planned infrastructure and other developments over the ensuing three months;**
- ii) explore the implementation of a computerised GIS map to support such an arrangement; and**
- iii) request Amey to liaise with the Council's planning division to ensure Amey is better apprised of matters such as Section 106 agreements, major schemes etc.**

5 Can Member engagement and interaction with the contract be improved?

- 5.1 The Task Force appreciates that highways matters such as potholes, blocked gulleys and overgrown hedges are important and sensitive issues for Members and their constituents. Members must therefore be equipped to deal with such matters in the most effective way.

The Task Force also appreciates that Members' perceptions about the contract are formed when things go wrong and that staff attitudes also play a part.

Good communication, and understanding and using the correct mechanisms and channels to engage with highways matters are therefore essential.

- 5.2 The report of the Assistant Director (Highways and Transport) (Appendix B) at paragraphs 35 to 43 sets out the various routes open to Members. First and foremost however the Task Force would stress that the points of contact are exclusively with Amey. The Council's Highways Service does not have the capacity to deal with enquiries.

The mechanisms to enable Members to engage with highways matters can be summarised as:

- highways help desk – for reporting problems;
- area teams - for highways advice and non-routine matters (areas are aligned with wards so that Members only have to deal with one team); and
- the Watchman – to whom matters can be escalated.

- 5.3 While the day to day highways matters are important to Members and their constituents the Task Force would stress that the contract with Amey is very large and extensive and Members should also engage with the consultation on minor and major schemes not only to appreciate the bigger picture but also to influence the outcome.

- 5.4 Again, there are procedures in place to ensure that Members are consulted on the maintenance schemes in their particular areas. These are set out at paragraphs 44 to 47 of the report at Appendix B.

Essentially they provide for:

- Amey develops a programme of maintenance schemes to meet the Council's objectives, within the available budget;
- draft programmes are produced each year for consultation with ward members and town and parish councils;
- schemes are assessed and ranked for further consultation in January; and
- the final programme is set in March after the Council has agreed its budget.

Recommendation:

That the Overview and Scrutiny Committee requests the officers to update and reissue to all Members the "Highways and Transport – Service Provision Guide for Members" along with the one page map and contact details of Amey's area teams.

6 Draft approach to road and footway maintenance

- 6.1 On 31 May 2011 the Executive approved a proposal to consult the wider community on the draft Approach to Road and Footway Maintenance.

The draft approach explains the maintenance challenges facing highway authorities and examines the options for a sustainable approach to road and footway maintenance.

- 6.2 In his report the Assistant Director (Highways and Transport) provided a summary of the breakdown of the revenue and capital budgets for highways. In 2011/12 the Council will spend a minimum of £5.458M revenue and £8.291M capital through the MAC contract.

The Task Force noted that the budget for structural maintenance has fallen from £7.320M in 2009/10 to £3.857M in 2011/12.

Members also noted that often highways were seen as an "easy target" when it came to budget reductions although it was open to the Council to redistribute funding between Council services as a whole.

- 6.3 The reduction in funding means that the classified roads in Central Bedfordshire will deteriorate this financial year from top quartile to median. Further deterioration will take place increasingly quickly unless funding is increased.

- 6.4 By way of illustration the Assistant Director (Highways and Transport) presented an estimate of the rising costs of repairing a road which has gone beyond the ideal point of intervention. Taking as an example a stretch of the A4012 in Leighton Linlade it was demonstrated that:
- intervention in 2011/12, requiring **shallow inlay**, would cost £146,250;
 - intervention in 2012/13 would require **deep inlay** at an increased cost of £292,000; and
 - intervention to 2013/14 would require **full carriageway reconstruction** at a cost of £487,500.

It was reported that there were 44 schemes identified where the road is beyond the ideal point of intervention.

- 6.5 The issues mentioned above raise questions about the future strategy for road maintenance. The Task Force recognises that the Council's roads need to be viewed as an asset and the key to improving value for money of road maintenance is knowing and understanding when and how to intervene. This requires striking a balance between "worst first" and "whole life" strategies.

A "whole life" strategy could mean resurfacing roads in relatively good condition (to keep them that way) and to prevent long term problems building up. A "worst first" strategy would result in money quickly running out.

- 6.6 The Task Force have noted that:
- the £3.9M the Council receives from the government only manages to treat roads in the very worst condition;
 - working through all the known schemes that have past the ideal point of intervention the officers estimate that the additional cost of carrying out work will be £12.9M pa at 2013/14 if no additional funds are added to the DfT formula grant; and
 - if extra funds are added in 2012/13 an additional £4M pa would be required.

Recommendation:

That the Overview and Scrutiny Committee recommends to the Executive that additional funds of £4M for each of the next three years be included in the highways maintenance budget.

Cost of operating RPZs in Central Bedfordshire

The following is a costed example of one of the Council's RPZs known as Prince Regent in Dunstable.

At present, each resident's parking permit issued costs the Council £26.40. Members should note that officers are exploring ways to reduce this.

Members should also note that it is very difficult to extract the total enforcement time specifically for the Prince Regent Zone from the data we receive. An assumption has therefore been made that the area received around 2 hours of enforcement per week and is deemed sufficiently robust for this exercise. It is possible to get a more accurate figure, but this will involve a lot of time and significant cost.

Item	Cost
Traffic warden costs	£16.47 per hour
PCN cost	£7.50 per PCN
Cost of producing permits	£26.40 each
Permits sold in Prince Regent	186
Total cost of issuing permits	£4910
Estimated cost of enforcement	£8,000
Total cost of administering scheme	£12,910
Income (@ £50 per permit) NB cost was £20 per permit	£9300

B Jackson
 Assistant Director (Highways and Transport)
 September 2011

Meeting: Highways and Transportation Task Force
Date: 24 August 2011
Subject: **The Central Bedfordshire Managing Agent Contractor (MAC) Highways Contract**
Report of: Basil Jackson, Assistant Director, Highways and Transport
Summary: This report looks at how the contract was procured and how it has performed to date. It identifies key challenges for the future and will allow Members to discuss how the contract should be developed between now and the contract end date of March 2016. In addition, it will allow Members to begin the process of deciding how highways could be delivered from April 2016.

RECOMMENDATION(S):

1. **Members are asked to consider and form a conclusion on the following aspects of the report:**
 - (a) **Why the highway contract is in its current form;**
 - (b) **The features of the contract;**
 - (c) **How money is spent (understanding priorities);**
 - (d) **How councillors can access the contract;**
 - (e) **Value for money of the contract; and**
 - (f) **How the contract could be improved.**

Introduction

1. In October 2005 Amey took over responsibility for the delivery of the highway service in Bedfordshire, assuming responsibility for both works and consultancy services. At the time Bedfordshire County Council was judged to be a failing (zero star) authority. The contract was initially for a five and a half year term with up to five, one year extensions based on performance. All five extensions have been awarded and the contract runs until March 2016.
2. In April 2009 when unitary authorities were formed in Bedfordshire the Government vested the highways contract to Bedford Borough Council as the continuing authority. In February 2011 the contract was novated to Central Bedfordshire Council giving the Council full control of the contract.

3. This report looks at how the contract was procured and how it has performed to date. It identifies key challenges for the future and will allow Members to discuss how the contract should be developed between now and the contract end date of March 2016. In addition, it will allow Members to begin the process of deciding how highways could be delivered from April 2016.

Background to the current MAC contract

4. The former Bedfordshire County Council had a highways turnover approaching £30m per annum and it was the Council's view that highway services of this scale could be delivered more effectively through the private sector because of the flexible resources available to major companies and the increased levels of investment and innovation they must provide to their business in order to continue to compete globally.
5. As a result the Council underwent a major outsourcing programme between 1997 and 2000 and the previously in-house highways service was divided into three contracts covering consultancy services, client services (including contract management) and works services. The functions remaining in-house were mainly connected with highways policy and business management.

Best Value Review

6. In 2002, a best value review of the outsourced highways service identified a number of shortcomings including quality of work, accountability and complaints handling. In addition the service structure was confusing to the public and a key recommendation of the review was that the existing contract should be replaced with a works and professional services consortium. The Select Committee spent approximately 12 months examining the issue of Highway Services in Bedfordshire. The key conclusions were:
 - (a) It was recognised that very clear and defined criticism had to be addressed. Specific claims against certain service areas, particularly in relation to the quality of ad-hoc scheme maintenance, complaint handling and accountability, needed to be thoroughly investigated.
 - (b) Unfortunately the current provision falls short of expectation in that the overall picture is too complicated and creates problems for all parties, not least the general public.
7. The report made the following recommendations to provide a firm base upon which services could be improved
 - (a) The procurement of future Highway Services shall be based on a consultancy and works consortium.
 - (b) To develop a range of Key Success Factor indicators and a performance hierarchy, to ensure that clear connections are made to the County Council's objectives and a monitoring system is implemented.

- (c) The present roles and responsibilities within the Highways partnership shall be restructured to be more efficient and clearer for the community and partners.
- (d) The County Council and its partners create and implement clear lines of accountability to ensure much greater clarity of responsibility for specific activities / areas.
- (e) A consistent and structured system of providing a response to customers shall be developed and implemented.

- 8. A full copy of the Best Value Review report can be found in Appendix A.
- 9. The objective in letting the contract we currently have was therefore to retain the advantages of appointing the private sector whilst addressing the shortcomings identified by the best value review. The contract was to be devised to encourage the Provider to behave as if they were the client through contract incentives linked to performance management.

Consultation on the form of the contract

- 10. The best value review of the highway service included extensive consultation of stakeholders and had identified some shortcomings and fundamental areas for improvement in the delivery of the service.
- 11. Building on this review, a facilitated internal workshop was held with client stakeholders to identify what was good about the previous arrangements, what could be improved and the critical success factors for a new contract.
- 12. Prospective tenderers were then invited to attend a briefing and workshop session. Representatives of over thirty organisations, including two Local Authorities, attended the session and were briefed on the Council's proposals and the critical success factors for a new contract. Views were sought on a form of contract to deliver the objectives, the means of building partnerships and ways of achieving innovation. The workshop was then followed up with a number of 1 to 1 consultations with interested companies.
- 13. The results of the industry consultations were informative and played a significant part in the development of the contract documentation, particularly in relation to the form of contract, the pricing of services and the provision of incentives.

Audit Commission Inspection 2004

- 14. In 2004 the Audit Commission inspected the highways service in Bedfordshire. As a result of the measures being introduced to deal with the issues identified during the Best Value Review in 2002 they assessed the service as providing a fair, one star service that has excellent prospects for improvement.
- 15. A copy of the report may be found in Appendix B.

WHY THE HIGHWAY CONTRACT IS IN ITS CURRENT FORM

16. The previous three party arrangement hindered communication and blurred responsibilities. Much of the local knowledge of the network was held by the Council's providers but there was no incentive for programmes of work, levels of design and construction methods to be balanced to provide best value. There was a compelling need therefore for the new contract to create the single point of responsibility as highlighted by the best value review.
17. A Managing Agent Contractor (MAC) form of contract was chosen because it gives the provider, who we now know is Amey, the appropriate amount of incentive and responsibility. Under the MAC contract the Council sets policy, standards and budgets and Amey develops a forward programme of maintenance, renewal and improvement schemes to meet the agreed targets and budgets. The contract encourages Amey to balance budgets and programmes to meet the Council's aims and objectives and, in effect, behave as if they were the Council.
18. The MAC contract is derived from the Engineering and Construction Contract published by the Institution of Civil Engineers. It adopted the 'partnering' approach and philosophy advocated in reports by Latham and Egan and was consistent with the then Government procurement policy promoted through the Office of Government Commerce.
19. The MAC form of contract relies on quality management systems and uses self certification procedures to remove unnecessary supervision and duplication of effort and thus reduces cost to the Authority.

THE FEATURES OF THE CONTRACT

20. (a) **Contract Value**
Amey are responsible for the planning, design and construction of all works up to £0.5m at the time of tender, (currently £0.64m with inflation), and the design, preparation of tender documents and supervision of all works over £0.5m (currently £0.64m).

When let, the contract was based on an annual contract valuation of £20m and Amey was entitled to a rate uplift if the annual outturn fell below £17m and a further increase if the value fell below £15m. However, Amey agreed to the removal of this clause in February 2011 when the contract was novated to the Council in exchange for the final one year extension taking the contract to March 2016.

- (b) **Incentives**
From consultations with the industry it was clear that companies were looking for a secure, long term base in Bedfordshire and their greatest incentive to perform was through the opportunity to earn extensions to the contract. The MAC contract allowed annual extensions to be earned for each of the first five years of the contract by meeting an agreed level of performance against contract performance indicators. The decision to allow the award of extensions after the first year was included to give the provider confidence to continue investing in the contract. All five contract extensions have been awarded to Amey giving a contract end date of March 2016.
- (c) **Pricing Strategy**
The pricing strategy developed after consultation included a combination of schedule of rates, fixed cost services, scale fees and time charge. The introduction of 'target cost' was rejected as a principal form of contract payment because of the additional administrative burden it imposes on small scale schemes, which comprises the bulk of the work.
- (d) **The effects of inflation**
Inflation of contract prices is adjusted annually for inflation based on the Baxter Index which is used as a formulae price adjustment method for adjusting building and civil and specialist engineering contracts. However, to drive efficiencies, the index value is deflated by one tenth each year; e.g. if the index is measured at 5.0%, 0.5% (one tenth) is set aside and contract prices increase by only 4.5%.
- (e) **The Watchman**
An important feature of the MAC contract is the introduction of the Watchman. This is a named person as well as a duty of Amey. The Watchman's role is to oversee the network and monitor its operation in terms of traffic, safety and environmental terms, engage with and understand the wishes of local people and develop a forward programme of works to meet the Council's aims, objectives and policies.
- (f) **Quality Management**
Amey is responsible for an integrated quality management system setting out the procedures for dealing with the Council's requirements and delivering the quality of work promised in the tender. This includes procedures for auditing, recording and reporting on their compliance with the quality system. Satisfactory compliance is essential for the success of the contract and failure to comply could lead to the termination of the contract through a penalty points system.
- (g) **Penalty Points System**
The contract does not provide for financial penalties to be levied as a result of poor performance. A penalty points system was devised that links Amey's compliance with their quality management system and any non compliance could have led to the loss of contract extensions and even termination of the contract.

- (h) **Network Board**
The Council and Amey each appoint representatives to the Network Board. The membership of the board is set out in the contract. The membership for the Council includes the Executive Member, Director of Sustainable Communities, Assistant Director Highways and Transport and the Head of Highways Contract. The membership for Amey includes the Regional Director, the Account Director and the Watchman. The objective of the Network Board is to enshrine the spirit of partnering and team culture into the contract and to allow a mechanism for the implementation of changes.
- (i) **Performance Management**
The contract is performance driven and extensions to the contract have been earned by meeting agreed performance criteria. Performance Indicators and targets are linked to Council priorities and agreed annually by the Network Board.

Procurement of the MAC Contract

21. The procurement process began in November 2003 with a tight timetable. The previous contracts had been extended to 31st September 2005 but elections in May 2005 meant that decisions relating to the award had to be taken before the dissolution of the Executive to allow a sufficient mobilisation period. A target date for the award of the contract was set for April 2005.
22. There was a need for additional resources to manage the procurement process to assist in the contract development.
23. As the new contract would have a value of at least £120m over the initial contract period, a team of experienced people assisting in the contract preparation was essential. Tenders for a professional services contract were invited on a time charge basis only and were assessed on 80% quality and 20% price, with the relevant experience of people allocated to the project weighted heavily in the assessment.
24. The total resources utilised for the project from inception to award, including internal consultees, was approximately 8,000 person hours.

HOW MONEY IS SPENT (UNDERSTANDING PRIORITIES)

25. Central Bedfordshire Council will spend a minimum of £5.458m revenue and £8.291m capital through the MAC contract in 2011/12.

26. The revenue budget can be broken down as follows;

CBC Highways Revenue Budgets	2011/12 Budget (£)
Area Teams	1,880,000
Bridges - Network	130,000
Bridges - Ass & Insp	190,000
Street Lighting	400,000
Traffic Signals	50,000
Landscape	160,000
White Lining	80,000
Fixed Cost Services	2,042,724
Technical	10,000
Transportation	80,000
Roads	60,000
Drainage	30,000
Winter Maintenance Funding	346,000
Total	5,458,724

27. The capital budget can be broken down as follows;

Work Area	2011/12 Budget (£)
Structural Maintenance	£3,857,000
Street Lighting	£1,054,000
Bridges	£570,000
Drainage	£340,000
Fixed Cost Services	£964,000
Winter Maintenance Funding	£441,000
Integrated Schemes	£1,065,000
TOTAL	£8,291,000

28. The main area of concern for local residents and town and parish councils is road and footway maintenance. Since Central Bedfordshire Council was formed in 2009 it has provided the following funding for structural maintenance of roads and footways:

Year	Budget (£)
2009/10	£7,320,000
2010/11	£5,486,000
2011/12	£3,857,000

For 2011/12 the Network Board reluctantly accepted that with the current levels of funding the classified roads in Central Bedfordshire will deteriorate this financial year from top quartile to median.

29. Unless funding is increased as planned by the Network Board in future years they will deteriorate increasingly quickly.

30. The structural maintenance element of the capital budget for 2011/12 can be broken down as follows;

Structural Maintenance Breakdown	2011/12 Budget (£)
Principal Roads	£450,000
B & C Roads	£600,000
Unclassified Roads	£1,807,000
Footways	£1,000,000
Total	£3,857,000

31. The street lighting strategy is driven by the need to replace life-expired columns and failing electrical systems in a seven-year programme across the whole authority, thereby reducing risk and revenue expenditure
32. The current funding for bridges will ensure that within the next six years all structures across the authority meet the required standards of assessment and repair, as required by the DfT.
33. Maintaining the drainage budgets will allow the Council to begin fulfilling its obligations under the Flood and Water Management Act 2010.
34. From 2011 Local Area Transport Plans have been drawn up by local Members with Amey support determining which improvement schemes will be introduced.

HOW COUNCILLORS CAN ACCESS THE CONTRACT

35. In delivering the highways service in Bedfordshire, Amey Bedfordshire Highways employs 260 staff. They have a head / design office in Bedford plus operational depots in Bedford and Dunstable.
36. **Highways Helpdesk**
The majority of the items that get reported to councillors such as deep potholes, blocked gullies and overgrown hedges can be passed to the Highways Helpdesk where they will be given an individual reference number and their progress will be tracked. This is the most effective way to deal with routine highway requests. Councillors and local councils are kept informed of progress of issues in their areas via the weekly bulletin.
37. The Helpdesk should also always be the first choice when reporting dangerous defects such as deep potholes or accident damage that needs to be cleared before the road can be reopened or streetlights with exposed wires. It is staffed 24 / 7 by CBC officers during office hours and at night, over the weekends and on bank holidays it is staffed by Amey at one of their out of hours call centres.
38. The Helpdesk can be contacted by phone on 0300 300 8049 or by email to highways@centralbedfordshire.gov.uk.

39. **Area Teams**
Within Central Bedfordshire there are six Area Teams who carry out the role of stewardship within their area and are empowered to deliver routine maintenance. The Area Teams each have a budget of between £20k to £30k per month for emergency repairs (Cat 0 & Cat 1) and routine maintenance (Cat 2).
40. Their areas are aligned with councillor divisions so that each councillor only has to deal with a single Area Team.
41. For non-routine issues where councillors need highways advice rather than simply reporting defects the Area Teams should be the first point of contact. All councillors have been contacted by their Area Team offering a walkabout or meeting following the elections in May.
42. The Area Teams have access to the Amey specialist teams who provide stewardship for traffic and safety issues, structures, landscaping, street lights, drainage and structural maintenance across the whole of the Authority's area.

Escalation of Issues

43. There will always be some issues that cannot be resolved via the Helpdesk or Area Teams. For such issues members are advised to contact The Watchman who is a member of Amey's senior management team.

Maintenance Schemes

44. Prior to the MAC contract, schemes were carried out on an ad hoc basis. In line with the Audit Commission's recommendations a prioritised system of scheme selection was introduced. Under this process the Council sets the policies and objectives for maintenance schemes, and provides an annual budget, and Amey develop a programme of works to meet these objectives within the available funds.
45. For maintenance schemes Amey has established Working Groups to determine needs-led programmes of maintenance schemes for roads, structures, lighting and drainage.
46. Draft programmes are produced each year and Local Members and local councils are consulted in August about the schemes that are important within their areas. These are assessed and ranked and councillors are consulted again in January on the ranked list. The final programme is agreed by the Network Board in March after the Council's budget has been confirmed. Amey are then set targets for delivery and cost control.
47. The introduction of needs led works programmes, targeted funding to bring the road condition in Bedfordshire from around the lower quartile mark when compared with other councils to upper quartile within two and a half years of the start of the contract.

VALUE FOR MONEY OF THE CONTRACT

48. In May 2011 the Audit Commission published a report on 'Achieving better value for money in road maintenance'. The report recognises that Councils must find a strategy to deliver road maintenance that balances growing service demands with reducing resources. A full copy of this Audit Commission report, which is aimed specifically at councillors, can be found in Appendix C.
49. Outlined below are a number of areas where we can see that CBC has received value for money from Amey, and areas where we have gained tangible efficiency (more for less) for our budgets.
50. (a) **Cost of Patching Treatment (per m²)**
Chapter 5 Figure 9 (page 39) of the Audit Commission Report shows that the cost across Councils varies from c£13/m² to c£128/m². Analysis of Amey's figures shows that Central Bedfordshire paid a blended average cost of c£16/m² in 2009/10.
- (b) **Cost of Gully Emptying (per gully)**
Chapter 5 Item 69 (page 38) of the Audit Commission Report states that the cost of gully emptying across Councils varies from £3.50 to £9.70 per gully. Amey's cost to us is £2.98 each.
- (c) **Winter Maintenance**
Amey provides the gritting service for a fixed cost and therefore carries the full risk of any 'bad' winter, with the Authority bearing no risk. This has meant that Amey has borne the cost of additional treatment in each of the last two winters, which in other contracts would have fallen to the Authority. This is the most favourable approach for any Authority to benefit fully.
51. As part of the ongoing collaborative approach to understand Amey's position and leverage in the market with respect to procurement, we have had sight of some of Amey's analysis to secure the best price from the supply chain, which are reflected in the rates we pay.
- (a) **White Lining**
Comparison against five other lining contractors at tender shows that the key supply partner used by Amey, Linkline, is cheaper by 3.34% to their nearest competitor and over 50% cheaper when compared to others.
- (b) **Supply and Lay Surfacing**
Comparison against three recently secured Amey contracts shows that the rates tendered for the Bedfordshire Highways contract are cheaper by between 1.39% & 8.31%. This was highlighted in a report prepared in 2009 by Rob Gregan, Head of Procurement for Central Bedfordshire Council on benchmarking the 40 largest contracts the council had inherited. The MAC contract was found to be one of the two top contracts the council inherited. A full copy of the report can be found in Appendix D.

52. Amey employs an Innovations Coordinator who manages innovations for the contract. All staff are asked to submit at least one innovation each year. This has led to the introduction of a large number of innovations of both a major and minor nature. A selection of the key innovations and cost savings are given below:

(a) **Walk and Build**

Under the previous contract arrangements, maintenance schemes were designed by the consultancy services provider and constructed by the works provider. From the outset of the contract, Amey introduced a concept known as “Walk and Build” where they use staff with extensive experience of highway maintenance that carry out both the design and construction of the works without the need for design drawings. A County Council report showed that adoption of this innovative best practise reduced the traditional need to over-design, and realised cashable savings of 23%.

(b) **West Street, Leighton Linlade**

By delivering this scheme through the MAC Contract, rather than as a traditional Managed Work Scheme, a paper produced in 2009 demonstrated a saving of c£565k. This was achieved by reducing the costs associated with the need for tendering, supervision fees and especially the costs associated with alterations to the scheme’s scope made by the County Council during the construction phase.

(c) **NRSWA**

In 2008 the County Council outsourced the New Roads and Streetworks function to Amey. Amey taking over this function has delivered cashable savings of £244k per annum.

(d) **LED Lighting**

Following a proposal from Amey, recent investment in replacing life expired lighting stock with LED lighting in Dunstable and Flitwick will save CBC c43% in running costs per annum.

(e) **Street Lighting Strategy**

In 2009/10 the lighting stock in Central Bedfordshire was assessed and the outcome was that the majority of lanterns were found to be past their service life and required replacement. In 2010/11 Amey developed a strategy to replace 15,600 complete lanterns on structurally sound columns. The direct revenue savings from reduced maintenance costs increase from £107k in year 1 to £305k in year 7 and the indirect savings in energy and carbon value increase from £21k in year 1 to £240k in year 7.

(f) **Thin Paving**

In 2008/09 Amey introduced a programme of Insitu Micro Asphalt Surfacing (Thin Pave) on lightly trafficked and residential roads. The process involves overlaying the road with a thin layer of surfacing to seal the road and restore the surface. The use of Thin Pave has so far saved CBC £2.035m in life cycle costs and maintenance over 20 years, against using more traditional surfacing models.

- (g) **Gulley Cleansing**
In 2009 Amey put forward an innovation to amend the way gulley cleansing was carried out in Central Bedfordshire. Amey proposed and delivered a change to the gully-emptying regime in 2010/11 that saves CBC £119k per annum on the contract rates by moving to a risk-based approach with a three-yearly routine cycle, and three cleanses per year at vulnerable locations.
- (h) **Road Safety Education, Publicity and Training (ETP)**
In 2010 the Councils road safety staff both retired. Amey took over this function from the Council delivering revenue savings to CBC of 10% (or £8.3k) per annum
- (i) **Performance Measurement**
By reducing the measure, monitor & collection requirements for KPIs, the council are saving £50k per annum from April 2011.

53. The other key point to note is that there have been no compensation event claims from Amey throughout the entire length of the contract to date. Variations have been resolved by negotiation and compromise on the contract, in line with the partnership ethos embedded into the contract.

Evidence of Change

- 54. Between 2004 and 2008 the CPA rating for the County Council improved dramatically. In 2004 the Council was a zero stars authority. By 2007 the Council had achieved a rating of 3 stars and in 2008 the Environment Directorate was awarded a maximum 4 stars and it was acknowledged that the work and innovations Amey had introduced through the MAC contract had contributed significantly towards this.
- 55. In 2009 Amey and Central Bedfordshire Council won the Highways Magazine Excellence Award for Traffic Flow Improvement Scheme of the Year for the innovative scheme in West Street, Leighton Linlade. This scheme removed the traffic signals in West Street and introduced calming measure to improve journey times through the town.
- 56. In 2010 Bedfordshire Highways was also short listed for the EDIE Environmental Awards for the LED lighting projects carried out in Flitwick and Dunstable (from 584 applicants) and for an Urban Design award for the West Street, Leighton Linlade scheme.

HOW THE CONTRACT COULD BE IMPROVED

- 57. Officers have been reviewing the operation of the contract with Amey, and Members may wish to consider the following potential improvements to the service provided through the MAC contract that have so far been identified:

58. **Communications**
Prior to the elections in May, Area Teams contacted councillors on a monthly basis usually via email. Since the elections the Area Teams have stepped up their approach and contacted every CBC councillor offering either a meeting or walkabout. We intend to maintain closer personal relationships with councillors as the contract moves forward.
59. **Scheme Consultation**
Some members have previously expressed concerns over the level of formal and informal scheme consultation on the Local Area Transport Plan improvement schemes. To ensure schemes are delivered in line with the aims of local members when the LATPs were drawn up Amey will now be engaging with ward members during the design phase of each scheme.
60. **Traffic Sensitive Streets**
Central Bedfordshire Council has a defined network of roads that are classed as 'traffic sensitive'. On sensitive streets work may only be carried out at specific times. We currently pay Amey a rate uplift for working short days and working at night and this is currently in the order of £300k per annum. Reviewing the network and reclassifying some roads to allow unrestricted or daytime working could potentially achieve savings of up to £100k per annum, although this will need to be balanced against the potential for increased disruption and congestion.
61. **Surface Dressing in Urban Areas**
Within Central Bedfordshire we currently do not permit the use of surface dressing in urban areas. Surface dressing is a low cost treatment that seals the road surface and reinstates the skid resistance by overlaying a road with 'tar and chips'. The treatment is not suitable for all roads as it does not improve the strength of the road however applied at the right time it can extend the life of a road that is structurally sound by 7-10 years. Neighbouring authorities such as Northamptonshire and Bedford Borough have successfully used surface dressing in urban areas to enable them to achieve more for less, although this is not always well received by residents.
62. **Light Columns**
When replacing lighting columns a significant part of the cost is the disconnection and reconnection fees. This work has to be carried out by the electricity company and as a result of the two visits it can take up to 13 weeks to replace a column. Amey have put forward an innovative proposal to cut off lighting columns above the base and fit a new column over the stump. This will allow Amey's electricians to make the connections within the column. All of the work could be carried out within a single day and it is anticipated that a 10% cost saving could be obtained on current prices.

Appendices:

- Appendix A Highways Service Best Value Review 2002.
Appendix B Audit Commission inspection report entitled Highways Service Bedfordshire CC April 2004.
Appendix C Audit Commission report entitled Achieving better value for money in road maintenance May 2011.
Appendix D Contract Review Report for the Amey Contract December 2009.