



North
Northamptonshire
Council

Place & Environment Scrutiny Committee Tuesday 19th December 2023

Report Title	New Highways Contract Provider (Highways & Transport)
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Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	

List of Appendices

Appendix A – Contract Governance Meetings

Appendix B – Key Performance Indicators and October 2023 Performance

Appendix C - Strategic Performance Indicators

1. Purpose of Report

- 1.1. The purpose of the report is to provide a review of the performance of the Council's contract to provide Highways Maintenance Works and Services and its provider Kier Transportation, after the first year of operation of the contract.
- 1.2. The report covers performance for the period 1st October 2022 to 30th September 2023.

2. Executive Summary

- 2.1. On 12th September 2022 North Northamptonshire began its contract for Kier to deliver a variety of highway services including highway maintenance and improvements, rights of way, road safety, asset management, major projects,

professional services, emergency response, winter services and customer engagement.

- 2.2. This contract was a significant change from the previous contract which had been operated initially by Northamptonshire County Council and then shared between West Northamptonshire Council and North Northamptonshire Council.
- 2.3. The contract saw the provision of service from KierWSP to Kier Transportation which is a separate entity and therefore required significant transition of staff, systems and processes between the old service provision to the new service provision.
- 2.4. The form of contract also changed requiring the management of the contract by both parties to change.
- 2.5. Kier have generally exceeded performance target requirements within the contract. Where performance has not been met Kier have promptly put in place corrective actions that has enabled performance to be consistently met.
- 2.6. Kier have significantly exceeded the level of Social Value they provide above and beyond operational requirements, with £13.8m of added value provided in the first year of operation.
- 2.7. The overall condition of the highway network is deteriorating which has increased the level of demand for pot-hole repairs above that which was anticipated in the first year of the contract. This is a national issue and is replicated across all highway authorities not subject to Private Finance Initiative (PFI).

3. Recommendations

- 3.1. It is recommended that the Place and Environment Scrutiny Committee
 - (a) Note the contents of the report
 - (b) Advise of any areas of concern about current service delivery.

4. Report Background

- 4.1. On 12th September 2022 North Northamptonshire began its contract with Kier Transportation (Kier) to deliver a variety of highway services including but not limited to
 - Carriageway maintenance
 - Footway maintenance
 - Drainage maintenance

- Bridge and structures maintenance
 - Highway improvements
 - Rights of way management
 - Road safety
 - Asset management
 - Major projects
 - Professional services
 - Incident and emergency response
 - Winter services
 - Customer engagement.
- 4.2. The contract excludes street lighting which is delivered by Balfour Beatty as part of separate contracted arrangement.
- 4.3. The new Highways Maintenance and Services Term contract was a significant change from the previous contract which had been operated initially by Northamptonshire County Council and then shared between West Northamptonshire Council and North Northamptonshire Council.
- 4.4. The contract saw the provision of service transfer from KierWSP to Kier which is a separate entity and therefore required significant transition of staff, systems and processes between the old service provision to the new service provision.
- 4.5. A new governance structure was put in place to ensure that decisions and disputes are resolved as quickly as possible by the most appropriate staffing levels. The details and terms of reference for each meeting is supplied in Appendix A.
- 4.6. The Strategic Board – attended by the Executive Director for Place and Economy and the Executive Member for Highways, Travel and Assets- is responsible for providing strategic direction, monitoring performance, and approving strategies, priorities and targets.
- 4.7. The form of contract also changed to a national standard contract model (NEC4) with adapted clauses. The contract has significant changes to the previous contract with new pricing mechanisms, performance indicator suite and reporting requirements resulting in significant learning curve and changes to the management of the contract by both parties.
- 4.8. The full contract is 1,533 pages long and ongoing agreement of common interpretations of contract clauses means that typically such contracts take 18 months to operate as envisaged following a full cycle of activity having taken place. This contract is no different to a typical bedding in period, albeit any issues have been resolved quickly with little disagreement with no substantial issues needing to be raised to the Strategic Board as is often the case in the contract bedding in periods.

- 4.9. The contract requires Kier to deliver against a new suite of performance indicators both reflecting operational activity and longer-term strategic ambitions and are monitored monthly. The Operational Performance Indicators and Kier's performance against them for the end of October are provided in Appendix B.
- 4.10. If Kier are not performing against the relevant KPI's they are required to provide a Corrective Action Plan (CAP) to demonstrate how they will bring the performance back to the required level. Three consecutive months of under performance would lead to Kier incur a financial deduction to their contract sum. Three consecutive months of performance back on track allows the CAP to be closed.
- 4.11. Strategic Performance Indicators consider the maturity of the contract and are linked to extensions of the contract should Kier meet level 3 of the maturity matrix. Kier have recently met level 1 of the maturity matrix at the end of the first year of operation. The Strategic Indicators and Kier's performance against them are provided in Appendix C.
- 4.12. Kier have generally performed very well against the Performance Indicators set out in the contract. There have been 3 exceptions to this which have required CAPs to be produced.
- 4.13. The first CAP was in January 2023 and reflected an under performance of KPI 6.1: *Timeliness of response for incidents* meeting only 91% of call outs within time rather than 97%. This was as a result of staff and supply chain still getting used to new systems in the first 2 months of the contract. Four actions were identified including training of staff and supply chain on new systems. These actions were successful in bringing performance back on track.
- 4.14. The second CAP required was required in January 2023 and reflected under performance of KPI 9.1: *Requests for Service* which provide a timescale under which Kier must respond to resident reports of defects or incidents. The reason for this was a significant spike in demand arising from a large increase in the number of potholes and incidents being reported due to the winter weather and insufficient resources available to address this spike so early in the contract.
- 4.15. Kier identified 7 actions, including enhanced recruitment campaign, authorised overtime to increase daily productivity, system optimisation, improved reporting and reorganising internal resources to provide additional front-line response. These actions were successful in bringing the performance back on track.
- 4.16. The third CAP was introduced in May 2023 to reflect underperformance in KPI 5.5b: *Time to respond to defect category p3*. This arose due to a significant increase in the number of all defects identified as a result of the impact that the winter weather had on the carriageway network. This was not just an issue within North Northamptonshire but a national problem which meant that the

availability of the broader supply chain was reduced resulting in insufficient national capacity to meet the increased demand.

- 4.17. Kier identified 5 actions including increasing the number of directly employed staff to better reduce reliance on supply chain, authorising overtime to increase daily productivity and changes to ways of working to ensure that gangs were not diverted onto other emerging issues. These issues were successful in bringing the performance back on track.
- 4.18. In addition to operational activity, the contract requires Kier to deliver additional social value to benefit local communities. The target is to generate 30% of contract value in social value each year. A variety of initiatives measured using the national social value measurement (TOMs) Framework calculator shows that Kier had generated £13.8m of social value by the end of the first year which is far in excess of the target value of approximately £9m for the equivalent period.
- 4.19. In order to ensure that the Council continues to achieve value for money, Kier have brought many new innovations into North Northamptonshire over the first year of operation to ensure that pressures from increasing demand and ensure that the Council achieves greater value from the budgets available.

5. Issues and Choices

- 5.1. As is the case with many highway authorities North Northamptonshire is managing a highway network in decline. The Annual Local Authority Road Maintenance Survey Report 2023 shows that the majority of highway authorities has seen several years of decreasing or static budgets at a time when construction inflation rates are around 20% meaning that significantly less maintenance is able to be undertaken each year than previous years. As a result, 39% of the nation's road network maintained by local authorities are deemed to be in need of resurfacing. North Northamptonshire is in a similar position to that outlined above.
- 5.2. It is estimated that an additional £14.02bn nationally would be required to reduce this national maintenance backlog and this has been recognised by Government who have recently made an additional £8.3bn of funding available over the next 11 years. North Northamptonshire has been allocated an additional £1.069m of this funding.
- 5.3. There is often a perception that there is a link between highway network condition and contractor performance. As can be seen from the information above however this is not necessarily the case and the biggest influence on the condition of the highway network is the level of sustained funding available for annual maintenance programmes.
- 5.4. The current condition of the highway network in North Northamptonshire makes it extremely susceptible to increased damage during winter months because of water ingress into cracks in the surface of the road that then

freezes and expands and damages the structure of the road, eventually creating a pothole. As a result, each winter sees a significant rise in the number of potholes across the country.

- 5.5. This first year of operation has seen delays in agreeing final works plans for the year due to an iterative approach in ensuring the proposals met budgetary requirements. This was further disrupted by additional funding of £1.5m being awarded by the Department for Transport. This was awarded to all authorities and resulted in an increase in demand for the national supply chain. Late injections of funding such as this make it difficult to programme with certainty as it is reliant on the availability of third-party suppliers and can often be at short notice. This impacts the ability to effectively communicate and engage on proposals.
- 5.6. There will be times when Kier has to provide a temporary repair to a pothole. These are typically where a defect is deemed to be dangerous and needs to be made safe as soon as possible or where the defect needs to be undertaken within 28 days or less to meet policy requirements and a road or lane closure requiring a 3-month notice is needed to undertake a permanent repair safely; or where exceptional defect numbers mean that there is simply not the capacity within the supply chain to undertake permanent repairs and meet the Council's maintenance policy specifications. In these instances, Kier will undertake a permanent repair at a later date at their own costs.
- 5.7. Where any works are demonstrably of insufficient quality Kier are required to rectify those works at their own cost. Both Kier and the Council employ quality inspectors to audit works and maintain a log of any issues of quality which require rectification and these are monitored to ensure that the remedial works are undertaken.

6. Next Steps

- 6.1. The service is currently developing the Annual Plan of Works for 2024/25 with Kier, with a view to finalising plans by March 2024. This will allow Kier to resource the works and develop programmes of activity.
- 6.2. The process for agreeing these Annual Plans was able to be started significantly earlier this year compared to the first year of operation. The early announcement of additional funding from Government also provides greater certainty of programmes of work, which should significantly improve communication and engagement ahead of works.
- 6.3. The policies and strategies of the service currently reflect those of the former County Council. It is intended to review these over the next 12 months to ensure that they are fit for purpose for North Northamptonshire. These documents will be brought for future meetings for scrutiny ahead of seeking approval to adopt them.

7. Implications (including financial implications)

7.1. Resources and Financial

- 7.1.1. There are no financial implications arising from this report.
- 7.1.2. As a result of a national skills shortage, the highways team are currently experiencing difficulty in recruiting permanent staff to assist in the management of the contract and the broader highway service.
- 7.1.3. Whilst, interim staff have been secured to ensure that the Council's interests are protected as far as practicable the service remains under-resourced which limits the activity able to be undertaken.

7.2. Legal and Governance

- 7.2.1. There are no legal implications arising from this report.

7.3. Relevant Policies and Plans

- 7.3.1. The requirements of service delivery by Kier are linked to the following policies and strategies of the council.
 - (a) [Highways Asset Management Policy and Strategy](#)
 - (b) [Network Management Plan](#)

7.4. Risk

- 7.4.1. There are no significant risks arising from this report.

7.5. Consultation

- 7.5.1. There are no requirements for consultation arising from this report.

7.6. Consideration by the Executive

- 7.6.1. There are no elements of the report requiring consideration of the Executive.

7.7. Equality Implications

- 7.7.1. The report does not propose any changes to service delivery and as such there are no equality implications arising from this report.

7.8. Climate Impact

7.8.1. As part of award of the contract Kier have provided a Climate Change and Environment Action Plan to support the Council in meeting its objectives in becoming carbon neutral by 2030.

7.9. **Community Impact**

7.9.1. There are no community impacts arising from this report.

7.10. **Crime and Disorder Impact**

7.10.1. There are no Crime and Disorder Impacts arising from this report.

8. Background Papers

None