



Future Delivery of Highways Services

Final Report

Place Scrutiny Committee

January 2015

INTRODUCTION

1. The Highway Term Maintenance Contract (TMC) is the largest single contract managed by Devon County Council, with an annual spend in recent years averaging £45m-£50m. The current Highway Term Maintenance Contract (TMC) with South West Highways Ltd is coming to an end, with new arrangements needing to be confirmed and fully mobilised by March 2017.
2. The re-commissioning of Devon's highway maintenance services is split into two stages. Firstly, the optimum delivery model for Devon County Council's highways works service will be determined and recommended to Cabinet in March 2015. Secondly, and following Cabinet's approval, all necessary procurement activity will be carried out.
3. On 15 December 2014, the Place Scrutiny Committee hosted a one-day spotlight review for all Members of the Council in order to inform the decision on the future delivery model for the highway maintenance service. This included options for different delivery models, based on a consideration and scoring of a range of factors like policy and strategy, asset and performance management and customer engagement. Those Members who were not able to attend were given the opportunity to review relevant information and fill in a scoring sheet. A scoring sheet (attached at Appendix I, including responses) was used on the day in order to gauge members' views on the degree to which the County Council should retain control or pass control to a third party provider. No additional representations were received from any Members. The Committee had previously received a presentation at a briefing session prior to their formal committee meeting on 19 November 2014 to which all Members of the Council were invited and where Members agreed to host this spotlight review.
4. The Head of Highways, Capital Development and Waste as well as the Highways Intelligence Group Manager, presented to members on 15 December 2014 and explained alternative service delivery options and the range of factors to be considered and the scoring process. Following a presentation, members were given the opportunity to score their priorities on the attached scoring sheet, before Members of the Place Scrutiny Committee deliberated and decided the Members' responses in the afternoon.
5. 16 Members in total attended the event: Frank Biederman, Peter Bowden*, Julian Brazil, Caroline Chugg, Chris Clarence*, Gaston Dezart, Paul Diviani, Olwen Foggin*, Roy Hill *, Gordon Hook*, Richard Hosking, Bernard Hughes*, Andrew Moulding*, Ray Radford*, Debo Sellis and Margaret Squires (*denotes Member of the Place Scrutiny Committee).

FINDINGS

6. Prior to the spotlight review on 15 December 2014, the highway maintenance service had already undergone a Procurement Category review in 2013, a Highways Maintenance Efficiency Programme (HMEP) Toolkit assessment, some value-for-money local authority benchmarking, supplier engagement as well as consultation with staff and other local authorities, including a peer review.

POSSIBLE DELIVERY MODELS

7. Several delivery models are being considered in view of the expiry of the current contract in March 2017, i.e.

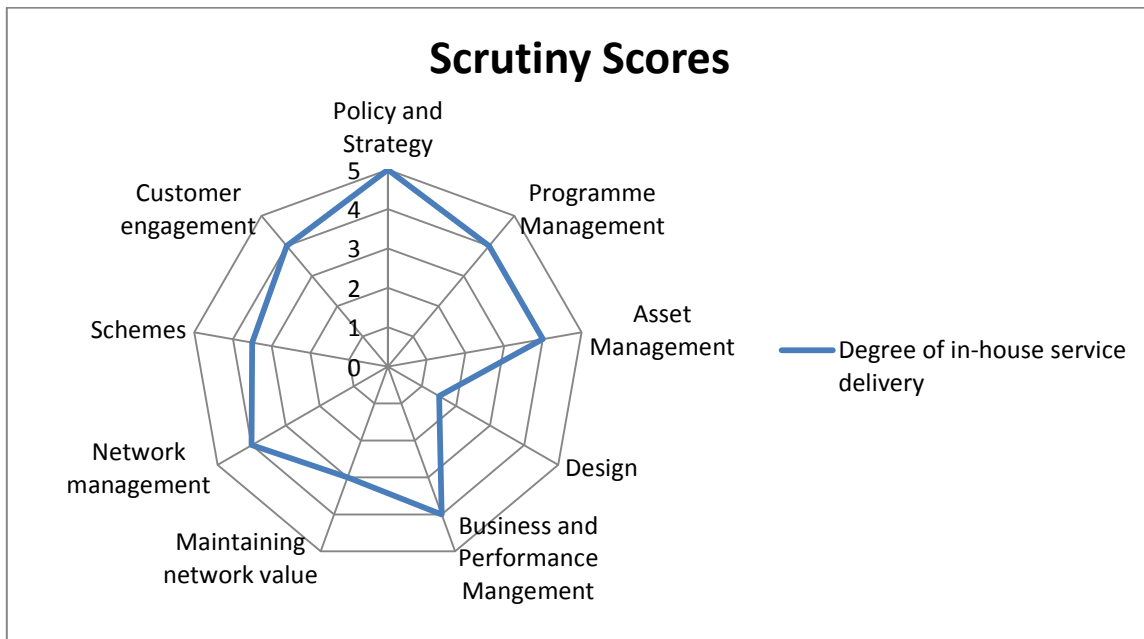
- a) Single provider model
- b) Delivery model with multiple providers
- c) Joint Venture
- d) In-house provision and external top up
- e) In-house provision
- f) Collaborative Teckal

8. Two model types – private funding and provision via a number of framework contracts – had been excluded from deliberations because the first requiring a long-term lock in to a contract which is less able to respond to changing financial circumstances and the latter because it is not considered to be a feasible model for delivering the complete range of highway services. Furthermore, the permitted contract period for frameworks is a maximum of four-years which is not long enough to develop the long-term working relationships which are critical to the effective delivery of the service.

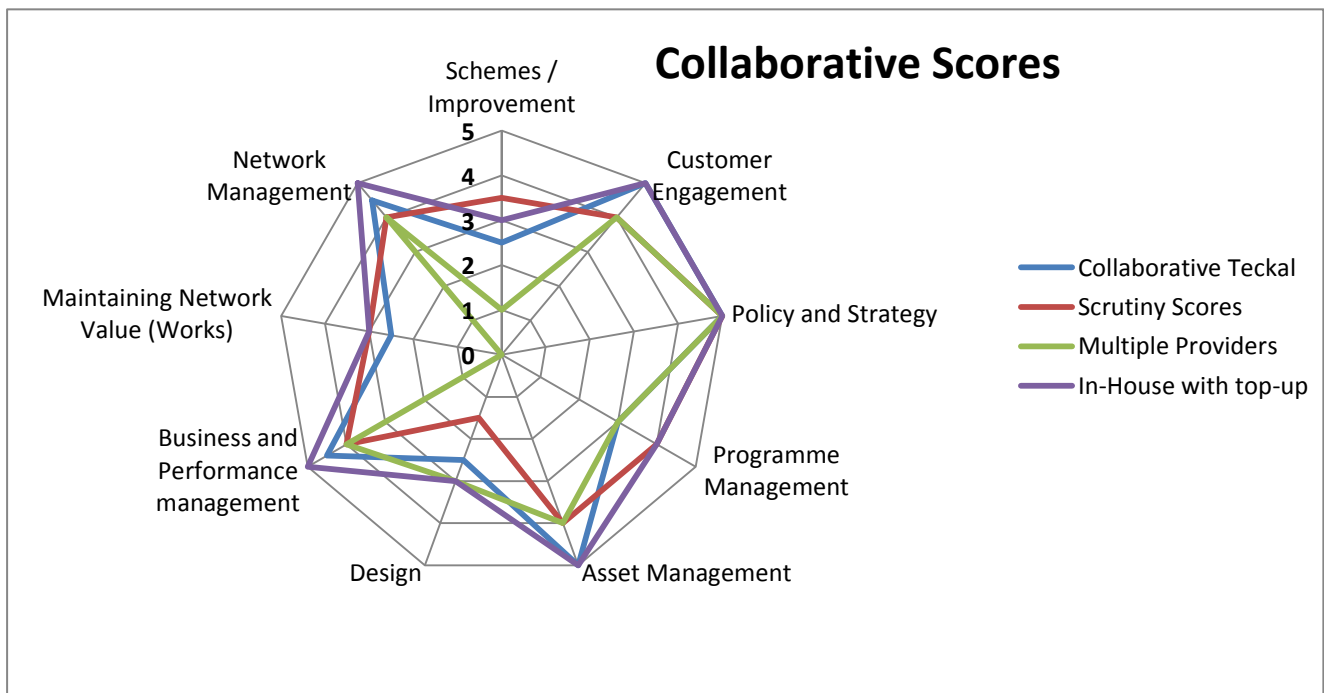
SCORING FOR DIFFERENT DELIVERY MODELS

9. Following a presentation and in-depth question and answer session, Members scored the criteria for any new delivery model according to what they felt were their priorities, a score of 0 denoting complete externalisation of the element in question and a score of 5 representing in-house provision. The detailed results are attached at Appendix I (question 1).

10. Members felt that Policy and Strategy has to remain in-house because the legal responsibility for the highway services remains with the highway authority, i.e. Devon County Council. Members felt that programme management, i.e. managing the programme of works to be carried out, should be provided predominantly in-house with some external input, similar for asset management, business and performance management, network management as well as customer engagement. Members also felt that design works could be largely externalised and that maintaining network value, i.e. delivering works on the ground, should be arranged as a mixture of in-house and external provision, similarly with schemes and improvement works.



11. The Members' rankings of the criteria for the new contract are similar to possible ratings for three provider models: a multiple providers model, in-house provision with external top up and the collaborative Teckal model. Attached at Appendix II are possible scores for different delivery options in separate diagrams and the diagram below illustrates how the scrutiny scores compare to the three possible provider models mentioned above:



12. Certain advantages and disadvantages are associated with all the delivery models. For example, in-house provision would require estimated initial setup costs in the region of £4.5m, requiring mainly revenue funding and on the basis that any plant would be leased and not purchased. Otherwise the setup costs would be significantly higher, in the region of £10m-15m. Members were advised that the Council had retained sufficient infrastructure for a possible future in-house delivery, e.g. a sufficient number of depots around the county.

13. During the discussions, Members stressed the importance of transparent operations, including the transparent prioritisation of works, as well as operating reliable communication channels which utilise intelligence gathered from local members. Members would welcome information on the programme of works to be undertaken, including timescales and locations. They also highlighted a perceived disconnect between policy and local issues which need resolving and cited examples from different locations around the county. This could inform the future review of the County Council's Asset Management Plan. Members also suggested formalising the requirement to routinely consult with local members regarding highway maintenance issues into the future delivery arrangements.

Recommendation 1: To further scope the three delivery models multiple providers, in-house provision and external top up and a collaborative Teckal as the preferred future contractual arrangements for Devon's future highway maintenance services.

IMPORTANCE OF CONTRACT CRITERIA

14. Members were also given the opportunity to weigh a number of criteria relating to highway service outcomes, according to their perceived importance (see question 2 at Appendix I). Providing value for money was by far the most heavily weighed criterion, achieving an average score of 35.7 out of 100 out of all Members' responses. Four criteria – contributing to the corporate Strategic Plan outcomes, resilience and the ability to react to uncertainties, supporting innovation and continuous improvement as well as effective identification and management of risk – scored in the region of 11 on average each. Members weighed the retention of intelligent client and probity at almost 10 and the contract's ability to manage reputational risk to Devon County Council at approximately 8. Intelligent client capabilities relate to the potential for development and providing a structured means of self-assessment, allowing the contract partner to reflect on their own capability and identify areas for improvement and the incorporation of good practice.

15. One Member offered the additional criterion of public understanding and support, highlighting that public satisfaction is an element which must be fully embraced in addition to maintaining the safety of the network.

Recommendation 2: To advise Cabinet of Members' rating of possible contract criteria in order to inform the future delivery model for highway maintenance services in Devon.

CONCLUSION

16. This spotlight review was aimed at all Members of Devon County Council in an attempt to involve them in the determination of the future highway maintenance service delivery model. The Members who participated recognised the importance of the subject because the Highway Term Maintenance Contract (TMC) is the largest single contract awarded and managed by the Council. The Members are confident that the views expressed in this document will help inform Cabinet determine the future contractual arrangements for highway maintenance services in Devon.

Andrew Moulding
Chairman, Place Scrutiny Committee

On behalf of the Members in attendance

Copies of this report may be obtained from the Democratic Services & Scrutiny Secretariat at County Hall, Room G31, Topsham Road, Exeter, Devon, EX2 4QD or by ringing 01392 384383. It will also be available on the County Council's website at:

www.devon.gov.uk/index/councildemocracy/decision_making/scrutiny/taskgroups.htm

If you have any questions or wish to talk to anyone about this report please contact Janine Gassmann, Scrutiny Officer, tel. 01392 384383 or email janine.gassmann@devon.gov.uk

SCORING SHEET RESULTS

1. Please rate the following criteria according to your preferred degree of in-house or external delivery

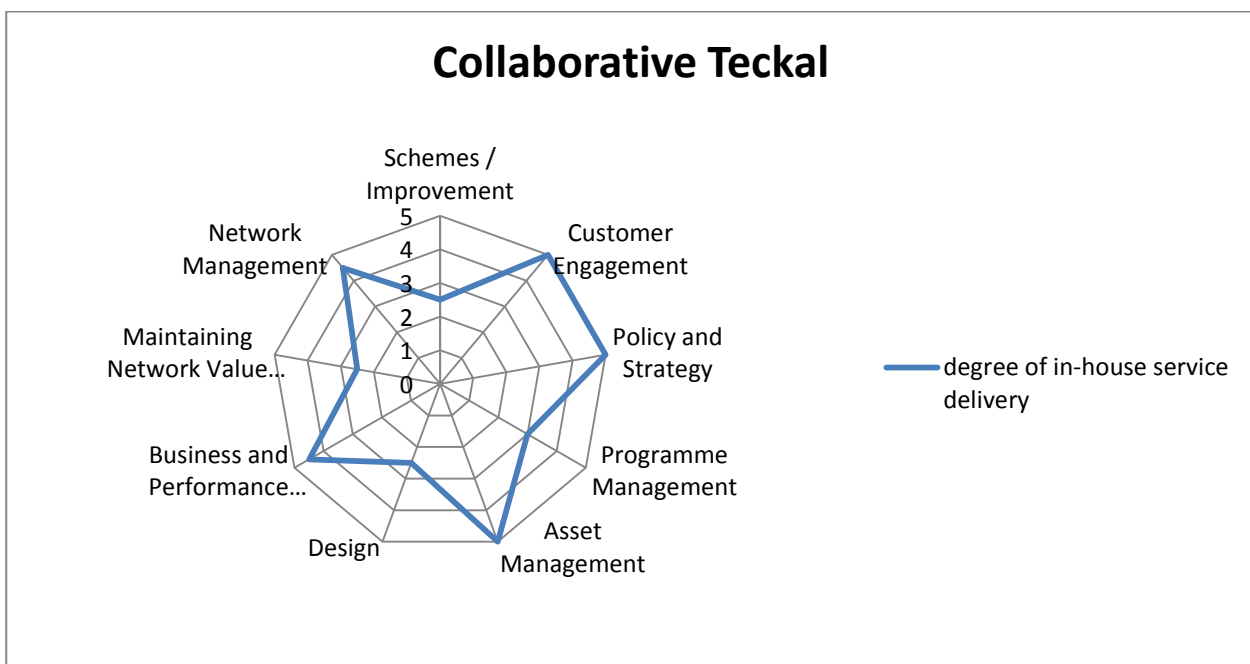
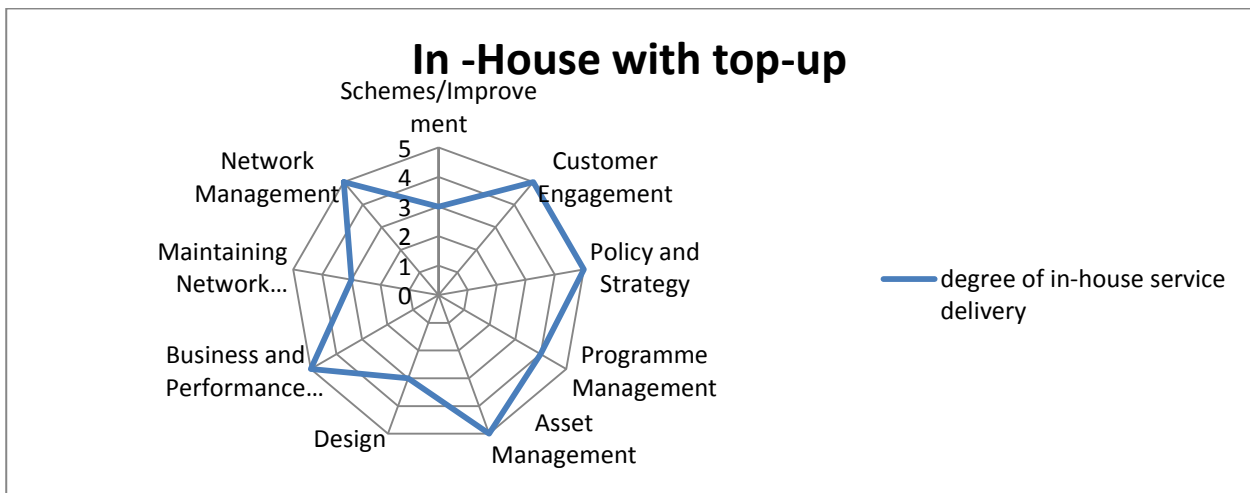
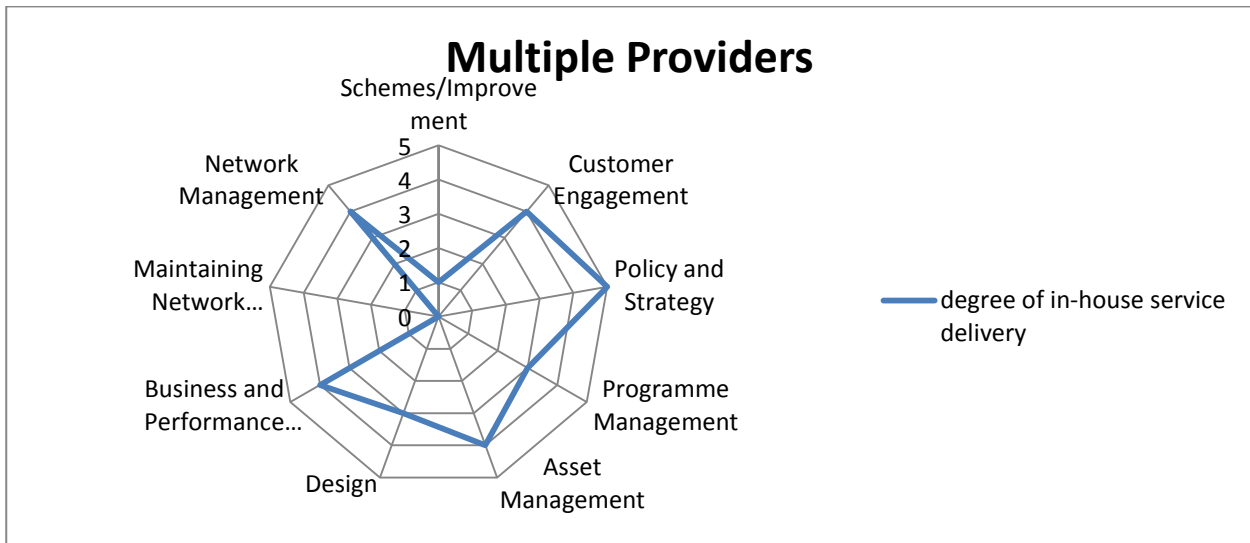
	0 External	1	2	3	4	5 In- House
Policy and strategy						14
Programme management		2	1	3	3	5
Asset management			3	3	3	5
Design	4	4	2	1	3	2
Business and performance management	2		1	3	3	4
Maintaining network value (works)	1	3	2	3	3	2
Network management	1	1	1	3	1	7
Schemes/improvement	1	3	2	4	4	2
Customer engagement	2		1	2	5	4

2. Please weigh the following contract criteria according to how important you feel they are. You have a total of 100 points to allocate:

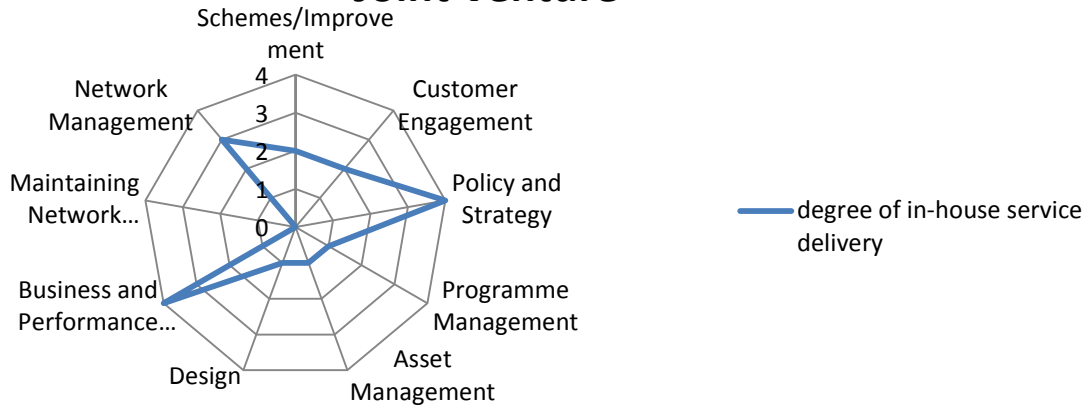
	Average Scores
Delivers good value for money	35.7
Contribution to the corporate Strategic Plan outcomes	11.1
Resilience (react to uncertainty)	11.4
Retention of intelligent client and probity	9.9
Supports innovation and continuous improvement	10.8
Effective identification and management of risk	11.5
Ability to manage reputational risk to DCC	8.1
Public support and understanding (Member suggestion on the day)	1.3

POSSIBLE SCORINGS FOR DIFFERENT DELIVERY MODELS

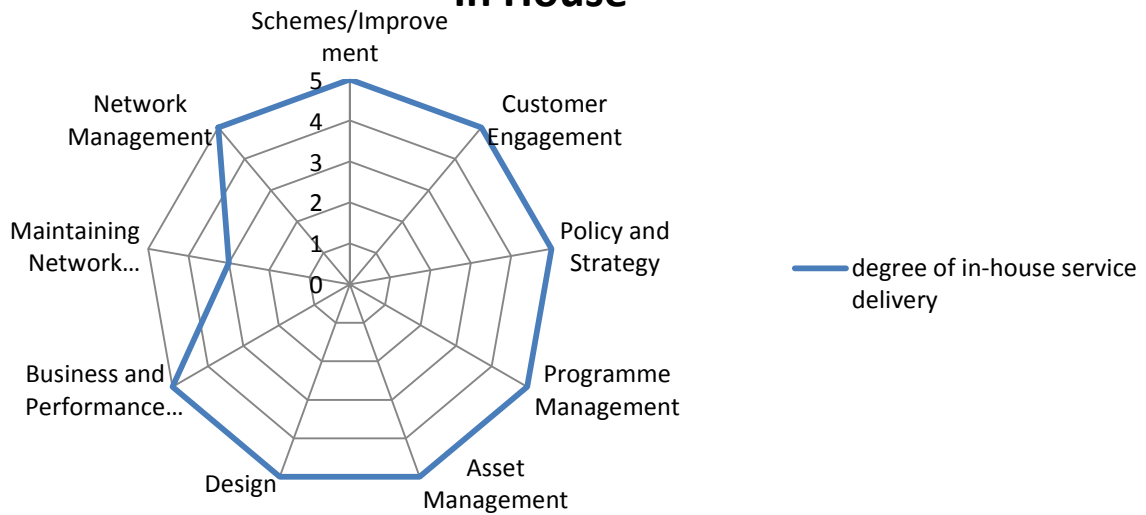
0 = complete externalisation; 5 = complete in-house provision



Joint Venture



In House



Single Provider

