



REGENERATION, CULTURE & ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

13 JANUARY 2022

HIGHWAY INFRASTRUCTURE CONTRACT – ANNUAL REVIEW

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Summary

This report is the second annual review to be reported to Overview and Scrutiny of the Highway Infrastructure Contract between Medway Council and VolkerHighways. This report and the supporting appendix provide an annual review for Year 4 of the Contract Term, covering the period 1 August 2020 to 31 July 2021.

1. Background

- 1.1 As the Highway Authority, Medway Council has a legal duty to maintain the Highway in a condition fit for purpose and this is principally set out in Section 41 of the Highways Act (1980). In addition to the legal obligations under the Highways Act (1980) Highways is very much a business-critical service for the Council, the quality of which has a direct impact on both residents and all road users within Medway. It connects residential dwellings with businesses and places of interest for visitors which all form a vital contribution towards the social, environmental, and economic well-being of Medway. The Highway Network through infrastructure planning and investment also plays a key role in supporting the Council's Regeneration Programmes and wider corporate goals and visions.
- 1.2 The HIC was procured via a Restricted Official Journal of the European Union (OJEU) process. This involved a Stage 2 process, encompassing a Pre-Qualification stage, followed by a Tender stage, which comprised of pre-selected contractors from the Pre-Qualification Stage. The contract was awarded to VolkerHighways. The scope of the HIC covers all Highway functions including the provision for Highway Construction Projects and Professional Services.

1.3 The Highway Infrastructure Contract (HIC) commenced on 1 August 2017 and is a 5-year contract with the option of annual extensions (from Year 3 of the Contract) for a further five years to 31 July 2027 subject to contract performance. This report is for year 4 of the contract which granted a further annual extension, to year 7 of the contract, which now runs to 31 July 2024.

1.4 Appendix 1 provides a breakdown of Contract Performance for Year 4 of the HIC covering the period 1 August 2020 to 31 July 2021.

2. Governance & Performance Management

2.1 Governance of the HIC is delivered by the Highways Team, who form part of the Front-Line Services Division within the Regeneration, Culture & Environment directorate. The principal governance lead for the HIC is the Head of Highways who is supported by 4 Principal Engineers leading highway service functions that cover Network Management & Street Lighting, Asset Management, Capital Projects and Highway Operations.

2.2 The HIC functions as a partnership model between Medway Council and VolkerHighways and performance is principally measured through 30 Key Performance Indicators (KPI's) centred around 6 key themes:

- Operation of the Contractor's Quality Management System
- Adherence to Programme
- Financial
- Service Provision
- Customer Care
- Added Value.

2.3 The 30 KPI's are split between 17 Business Performance Indicators and 13 Service Performance Indicators; the Service Performance Indicators are those whose scores determine any contract extension or loss.

2.4 The 13 Service Performance Indicators allow for a maximum monthly score of 65 points. This means the maximum points that can be scored, over a contract year, is 780 and VolkerHighways must score at least 764 points in a year, to be awarded a contract extension. A score of 740 points or below, in any year, would result in the loss of a contract year.

2.5 At the end of Year 4 of the HIC, VolkerHighways scored 770 points securing an annual contract extension award moving the current contract duration to an end date of 31 July 2024.

2.6 VolkerHighways and Medway Council Highways achieved ISO44001 accreditation, the nationally recognised standard for collaborative working relationships.

3. Contract Outputs

3.1 An overview of the key contract outputs, delivered by VolkerHighways during Year 4 are detailed below:

Minor Works

- Received 3,037 minor works orders from our Inspectorate for highway repairs to maintain safety and discharge our duty under the Highways Act.
- Completed 7,500 structural tests on our street lighting columns.
- Maintained over 99% of lights in illumination at any one time all year.

Cyclic Works

- Cleansed 12,841 gullies
- Completed 4 planned closures and associated maintenance of the Medway Tunnel.
- Completed the renewal of cross passage doors within the Medway Tunnel as part of the closures.
- Undertook 136 General Inspections and 23 Principal Inspections on our structures.
- Refreshed all highway road markings in 4 Wards; Chatham Central, River, Rochester East and Walderslade.

Resurfacing Schemes

- Completed 34 carriageway resurfacing schemes, equating to 9,254 linear meters or a total of 61,647 square meters of upgraded network.
- Completed 9 footway resurfacing or patching schemes, equating to 4,007 linear meters or a total of 7,595 square meters of upgraded network.

Major Projects

- Replacement of the footbridge at Green Street, Gillingham. These works involved removing and replacing a life expired pedestrian footbridge over the London Victoria to Ramsgate railway cutting at Gillingham, which forms a key route through Balmoral Gardens for visitors to the High Street. Working alongside our term contractor VolkerHighways, VolkerFitzpatrick and additional bridge specialists, the work involved the planning, design, and fabrication of the bridge as well as surveys, bridge inspections and the installation of electrical feeder pillars and duct work. The old bridge was lifted out and a new one, constructed off site, lifted in.
- LED Street Lighting Replacement Scheme. Following installation of all the CMS base stations in January 2021, February 2021 saw the first lanterns being replaced enabling us to test new technology which enables us to monitor faults and energy consumption. The CMS system gives us the flexibility to adapt lighting regimes for each individual unit.
- Trialled a new warm mix asphalt at Snodhurst Avenue, Chatham and Commissioners Road, Strood. The trial proved successful and of the 765

tonnes of asphalt used on these two sites, we made a CO2e saving of 3,744kg CO2e.

4. Social Value Performance

4.1 Social Value Performance for the HIC is measured across 3 key themes of Workplace, Community and Environment using the Social Value Taskforce Framework with key performance in Year 4 being:

Workplace

- 92% of the workforce employed are local.
- 2 Apprentices on the contract fulltime.
- 17 weeks of meaningful work placements
- £62,619 spent on training opportunities, including apprenticeships.

Community

- Continuing the partnership with the KM Charity Team as a key sponsor for the “Walk to School” initiative.
- Worked with Education to create and improve access for a physically disabled pupil at St James Church of England School, Isle of Grain at no cost.
- Donated a £200 Cycle Voucher as part of a competition to promote Clean Air Day.
- Removed steps and constructed a equality compliant ramp to facilitate an improved access for an elderly resident, which has contributed to him being able to continue to live independently in his own home.

Environment

- 95% of waste recycling achieved
- The three fully electric vans that replaced the diesel vans in Year 3 have serviced the contract in Year 4, equating to 10% of the total Medway Fleet. Carbon savings of approximately 190,000kg of CO2e were achieved over the last year.
- Engaged with Tarmac to create a carbon calculator for all asphalt materials used within Medway. Tarmac selected Medway as their first trial site. With a full set of data for 2020 we will compare this against materials used in 2021 to track carbon reductions through informed material selection.

5 COVID-19

5.1 In response to the Coronavirus pandemic, the direction and guiding principles of Medway Highway Services, including both Medway Staff and VolkerHighways, did not change. Our focus was ensuring the safety of the network and maintaining our critical services whilst minimising the impact on network users.

- 5.2 A business as usual approach was adopted to maintain a continuous supply of work, not just to VolkerHighways, but to all tiers of the supply chain, with the aim that the service would emerge from COVID-19 with a supply chain that had been supported and was fit for purpose.
- 5.3 During periods of lockdown, weekly meetings took place between Medway Highways Team and VolkerHighways to manage the impact of the pandemic, in its initial stages and whilst there were some minor delays in the service provision agreed, by the start of Year 4 the HIC was operating as normal and has continued to do so to date.
- 5.4 Press releases were agreed and used by both parties, to positively promote the importance of work being undertaken on the network, ensuring the key message regarding maintaining and a safe and accessible network was delivered.
- 5.5 VolkerHighways took additional measures to allay concerns from the public including:
- Issuing Key Worker vests to their operatives and Medway’s Highway Inspectors and displaying magnetic signage on their vehicles explaining how they were working on essential services.
 - Issuing hand sanitizer and masks to all their operatives.
 - Using additional barriers to provide social distancing measures, whilst working on site.

6 Risk Management

- 6.1 Strategic & Operational Risks are reviewed on a 6 Monthly cycle to ensure appropriate levels of Governance Controls around Risk in relation to delivery of the HIC.
- 6.2 The key risks to be reported to Regeneration, Culture & Environment are shown in the table below:

Risk	Description	Action to avoid or mitigate risk	Risk rating
Contract Performance Shortfalls	Lack of appropriate governance controls present Council and stakeholder risk on contract performance	<ul style="list-style-type: none"> • Monthly monitoring of Contractor Performance • Governance cycles adopted to ensure contract accountability and 	C2

Risk	Description	Action to avoid or mitigate risk	Risk rating
		opportunities for escalation to Senior Management.	
Inadequate Financial Controls	Costs incurred above base budget allocation.	<ul style="list-style-type: none"> Contract outputs aligned to annual budget setting process. Programmed approached to financial control and contract valuations for payment. 	C2

7 Climate Change Implications

- 7.1 VolkerHighways leased three fully electric vans to replace the previously diesel fuelled ones, equating to 10% of the total Medway Fleet. Carbon savings of approximately 190,000kg of CO₂e were achieved over the last year. Further fleet conversion options will be investigated, during Year 5 of the contract.
- 7.2 VolkerHighways secured following a competitive tender (not direct award through the HIC), the Council's Light Emitting Diode (LED) Programme for Street Lighting on the Highway Network. On completion the LED Programme is forecast to produce savings of approximately £20m in energy cost avoidance and over 26,000 tonnes savings in carbon over the next 20 years.
- 7.3 Warm mix asphalt trials proved successful and of the 765 tonnes of asphalt used on these two sites, a CO₂ saving of 3,744kg CO₂e was made. The trial will continue into the next year where additional CO₂ savings will be made.
- 7.4 Highways and VolkerHighways presented an option to Transformation Board to take the opportunity of fleet lease renewals, due in Year 5 of the contract, to move to using pre-wetted salt for winter maintenance. Pre-wetted salt is more effective in preventing snow and ice accumulations and due to this less salt is required, which in turn means less salt deliveries will be required. Transformation Board agreed and in year 5, fleet will be renewed to use pre-wetted salt and forecast to save approximately 12,250kg of CO₂ each year thereafter.

8 Financial implications

- 8.1 Highway Network Investment delivered through the HIC is secured through four main funding streams:

Council Funding

Council revenue and capital funding through budget setting that is agreed annually at Full Council based on budget proposals developed by Cabinet underpinned by the Medium-Term Financial Strategy

Department of Transport Grant

Department of Transport (DfT) Capital Funding through the Highways Maintenance Block (HMB), Pothole Action Fund, and Incentive Fund. The HMB Block is set on a five-year cycle with the current cycle commencing in 2015-16. The level of HMB funding awarded is based on a need base and the Pothole Action Fund and Incentive Funding are annual allocations from the DfT with the Incentive Fund award value being subject to evidence tests through a self-assessment (banding levels) on the adoption of Highway Asset Management Principles. The 2020/21 allocations for Medway equated to £4.4 million. In addition, Highways through a competitive bidding process secured DfT Challenge 2B funding of £4.9 Million for Medway Tunnel and Road Infrastructure Works.

External Funding

The main external funding stream secured by Medway Council that contributes to Highway Network Investment is the Local Growth Fund (LGF) Programme that is delivering significant capital investment (£28.6 million) through 5 main projects for Chatham Town Centre, Strood Town Centre, Medway City Estate, the Cycling Action Plan and the A289 Four Elms Hill Roundabout to Medway Tunnel.

Highway Adoptions

Through the Highway Adoption process for new roads built by Developers, commuted sums are secured for Highway Assets that are considered to be over and above the standard road design which Medway Council would normally adopt and principally relate to Highways Structures, Drainage and Landscaping.

9 Legal implications

- 9.1 There are no direct legal implications arising from this report. Levels of Highway Investment need to take account of obligations under the Highways Act, principally Section 41.

10 Recommendations

- 10.1 The Committee is asked to note the contents of this report and the Annual Review for Year 4 of the HIC as set out in Appendix 1.

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Appendices

Appendix 1 HIC Annual Review Report – Year 4 (August 2020 - July 2021)

Background Papers

None