



<u>Committee and Date</u>
<b>Place Overview Committee</b>
<b>28<sup>th</sup> April 2022</b>

<u>Item</u>
<b>8</b>
Public

## **KIER Performance Report**

**Responsible Officer** Professor Mark Barrow; Executive Director of Place  
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### **1. Summary**

- 1.1. On the 1<sup>st</sup> of April 2018, following a competitive tender process, Shropshire Council commenced a seven-year contract with Kier, following a competitive tender process.
- 1.2. There is an option to extend the contract by a further 3 years, in one year increments, at the councils discretion.
- 1.3. Over the last two years the council has worked closely with Kier to revive a failing service, both within Kier and the Council, and the result of this work is now beginning to pay significant dividends on the ability of the highways team to manage the highway network and enable Kier to deliver a much improved service on behalf of the council.
- 1.4. The purpose of this report is to provide information on the performance of Kier in the past year and outline some of the positive changes that have taken place to improve the contract to improve performance and value.
- 1.5. In 2021/22, the Council took a decision to invest further revenue and capital funding back into budgets to redress demand requirements. This will allow the council to further enhance the level of service the council provides to its customers.

### **2. Decisions**

**The Committee is asked to;**

- 2.1. Note the contents of this report;
- 2.2. Identify areas of concern on Kier performance for further review as part of the highways improvement programme over the coming year.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1. The highways service, as with most other local authorities, has seen several years of under investment into highway maintenance from central government which has seen funding for maintenance and staffing reduce significantly over the last decade. This has had a significant impact on the condition of the highway in Shropshire over that time with accelerating decline year on year.
- 3.2. The investment into the service this year and the work over the last couple of years to make delivery more efficient and effective will enable this deterioration to begin to be reversed. Furthermore, the confidence of sustained budget over the medium term allows both the Council and Kier to invest in staffing levels and plant to improve the way in which the council plans its activities and engages with stakeholders.
- 3.3. This improvement won't happen overnight however and it will take a few years for the full benefits of this investment to be realised.
- 3.4. It is important to also ensure that the council achieves good value from this investment and to this end the highways team have been working closely with Kier to reduce unit costs to ensure that the council maximises its return on investment.

### 4. Financial Implications

- 4.1. There are no financial implications as a result of this report.
- 4.2. Any financial implications arising from future improvements or investment plans will be submitted to appropriate decision-making boards with a business case for approval.
- 4.3. The confirmed additional funding will go some way to help stabilise the decline of the highway network, however the current hyper-inflation within the construction industry is a concern and will reduce the impact this additional funding will have. Further lobbying of the government to increase the available funding to Shropshire is however continuing.

### 5. Climate Change Appraisal

- 5.1. There are no climate change implications as a result of this report.
- 5.2. The service recognises the carbon impact its activities have and are actively working with supply chains in looking at ways to reduce the level of this impact over the short to medium term. Indeed, last year the council delivered the first

carbon neutral programme of highway maintenance in the country which was nationally recognised with an award.

## 6. Kier

### Background

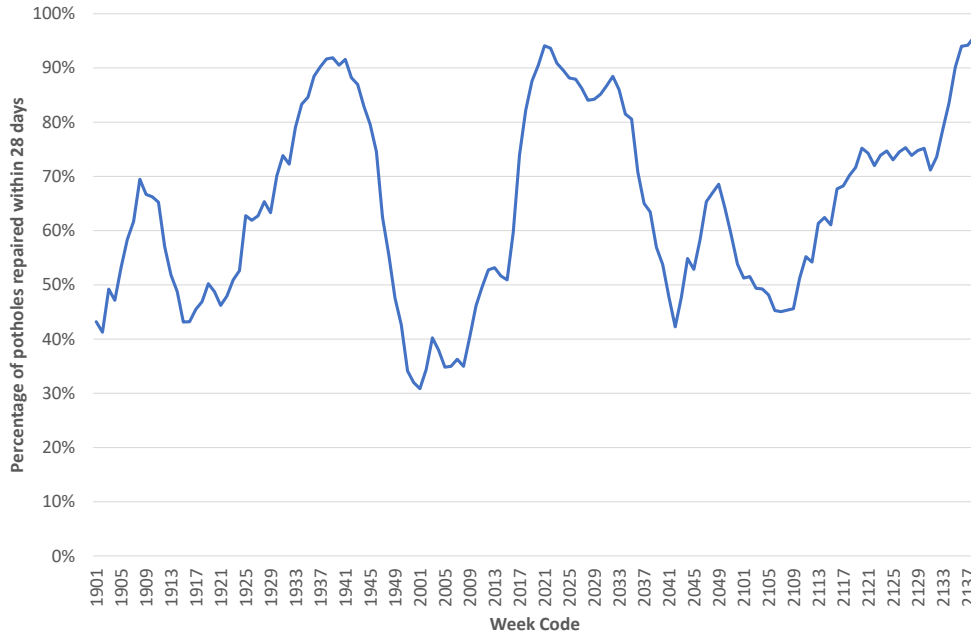
- 6.1. In April 2018, Kier started the contact delivering highways and street scene service in Shropshire. Kier has 99 directly employed members of staff, 61 of which are local highways operatives.
- 6.2. Kier has 42 council approved supply-chain partners who can support Kier in undertaking works on behalf of Shropshire Council. These range from large national organisations, such as Tarmac and Iveverde, to a wide range of smaller local contractors who are based in Shropshire.
- 6.3. Kier delivers a wide range of services to Shropshire Council, which include, but are not restricted to the following:
  - Highway maintenance
  - Street Lighting
  - Winter Maintenance
  - Street cleansing
  - Bridge maintenance
  - Ground's maintenance
  - Highway Capital projects
- 6.4. The contract turnover was advertised as approximately £21M per year, with a minimum value of £10M per year. However, the spend through the contract has been circa £30m per year. This increase in spend is predominantly due to the council's success in bidding for additional funds from government and the increase in developer funded schemes to mitigate the impact of housing growth across the county.
- 6.5. In the last financial year, Kier delivered against 7,436 individual task orders, across 12 different workstreams.
- 6.6. The highways service has recognised through feedback from our communities and stakeholders that some service expectations and outcomes are best met, managed and delivered locally and as a result created a small in house service provision that complements the arrangements with Kier and allows the council to react more agilely to some situations.
- 6.7. This has enabled the Kier contract and service approach to be focused on the areas where Kier are strong and offer the greatest value to the Council in terms of cost and performance. It is a little known fact that Kier can buy and lay road surfacing at less cost than the locally available cost of material alone.

## **New Operating Model**

- 6.8. The first two years of the contract with Kier proved difficult and it has been acknowledged that the contract has not lived up to stakeholders' expectations; or been viewed as successful in the eyes of the public. There were many reasons for this including significant cuts to budget and staffing in the first year which meant that both the highways service and Kier had to cut their cloth to reflect the revised budgets. This reduced the usual investment into mobilising a contract of this size. It also reduced the staffing capacity on both sides to both mobilise the contract and administer ongoing effective contract management. This was exacerbated by the fact that the county experienced one of the worst winters in living memory (the Beast from the East), in the initial weeks of the contract starting.
- 6.9. Over the last 18-months however, both the highways team and Kier have put significant work into streamlining activity and ensuring both better value for money and improved response times to issues and as a result have implemented a new operating model. This period has seen output and performance increase, with revenue cost savings of £1.5m in financial year 2021/22 compared to what the same works would have cost in the previous years in the contract and as such allowed the service to undertake more repairs than it otherwise would have been able to afford to do.
- 6.10. Reactive maintenance is the most visible area of the service and was central to the poor perception of the service.
- 6.11. In order to drive efficiency a new model for reactive maintenance needed to be created and a blend of interventions created to meet the needs of the asset. This mixed economy model, involving direct labour, Kier and supply chain partners now has a greater range and width and has delivered over 26,000 pothole repairs in 2021/22 financial year, which represents an 8% increase in output, compared to the previous financial year.
- 6.12. It must be highlighted that over 90% of these have been permanent, right first time repairs that meet the required industry standards. This represents a significant shift away from temporary repairs, which formerly made up approximately 80% of the repairs carried out on the network. These were a major factor in reputation damage and unnecessary cost due to repeat visits, which has now been addressed.

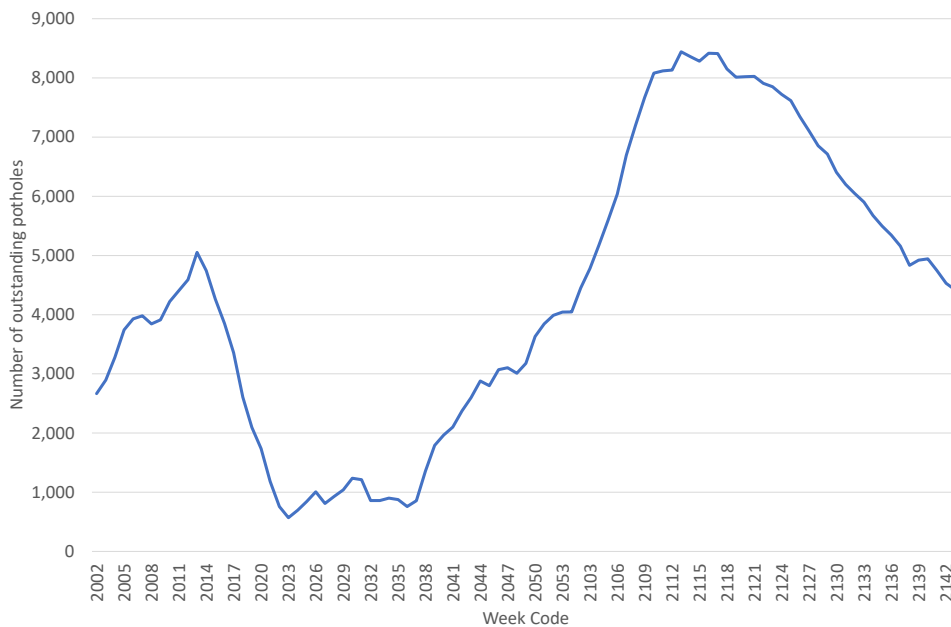
## **Speed of repair**

- 6.13. Figure 1 below shows the percentage of repairs completed within 28 days of being recorded. There has been a pattern of 'peaks and troughs' in recent years as the service struggled to cope with the impact of winter months and the rapid deterioration of the network which followed. However, changes to ways of working through 2021/22 has shown a sustained improvement in performance, during the last winter with recent performance at its highest level during the life of the contract.



**Figure 1. Percentage of repairs completed within 28 days of recording over the life of the contract**

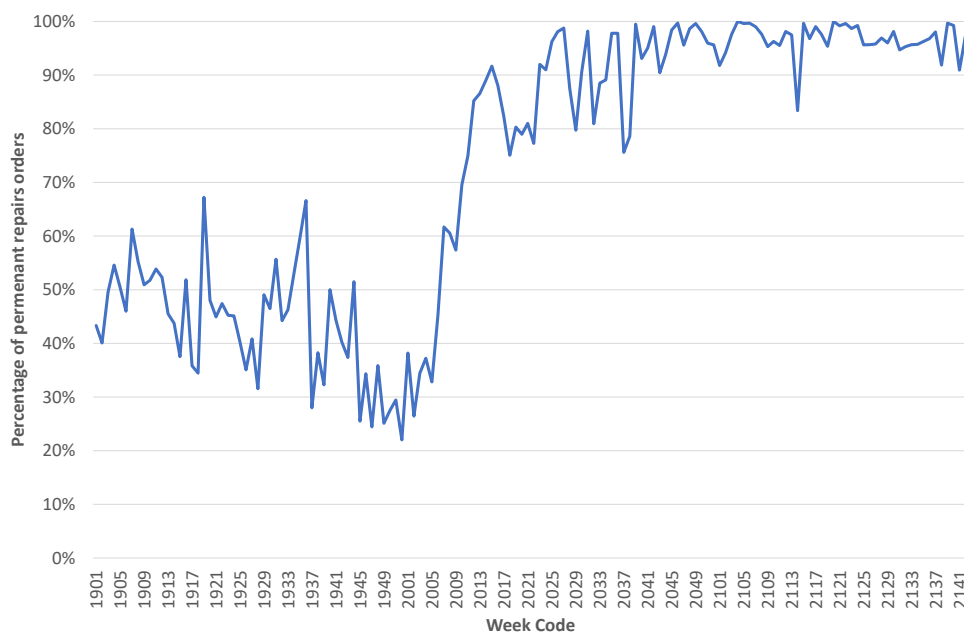
6.14. There does however remain a backlog of repairs from previous months/years as year on year demand has outstripped available resource, as shown in Figure 2. Throughout 2021, this backlog has been driven down significantly and has been reduced by nearly 50% from its peak early in 2021 and this trend is anticipated to continue with an aspiration to remove the whole of the backlog by the end of the year.



**Figure 2. Outstanding pothole repairs**

## Permanent Defect Repairs

6.15. The service is committed to right first-time approach and as a result permanent repairs are chosen wherever possible. Figure 3 gives the percentage of the permanent pothole repairs ordered. In 2018/19 less than half the pothole repairs were specified as permanent repairs. In 2020 and 2021 almost all of pothole repairs are now ordered as permanent repairs. This has been as a result of changing ways of working streamlining the process to ensure that works are ordered in a way that allow the contractor to best deliver a good service on behalf of the council and significantly reducing the cost of each defect repair which has enabled more pot holes to be repaired than ever before within the same budget. There are however some instances where a temporary repair remains the right intervention in certain circumstances.



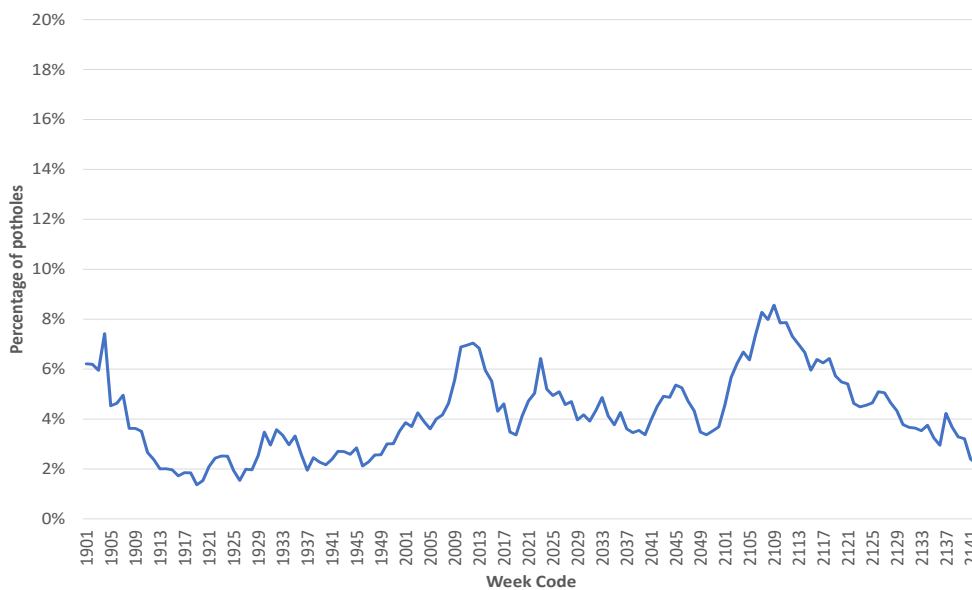
**Figure 3. Percentage of permanent pothole repairs ordered**

6.16. Temporary repair requests to make sites safe quickly, coupled with inconsistent workmanship has been a cause of repair failure and repeat return visits in the past. Ensuring that the council processes now enable the contractor to better plan activity means that we can now provide the best solution to stop further deterioration of the carriageway whilst also better reflecting customer expectations.

6.17. Figure 4 shows the percentage of pothole repairs completed for which a previous repair at the same location had been registered. Throughout 2021 there have been additional resources and the mixed economy model has seen permanent patching works to eradicate areas of weakness. The result of this investment is clearly seen with a sudden and sustained reduction in repeat pothole repairs. Currently levels are significantly lower than throughout 2020 and similar to the earlier stable behaviour of around 4% repeat repairs.

Work is on-going and we may see this trend continuing and repeat repairs reduce still further.

- 6.18. It should be noted that repeat repairs is not necessarily a sign of poor workmanship but also a result of a deteriorating carriageway that has insufficient structure to retain a repair. Through efficiency savings, cost reduction and additional investment, the highways teams are now often specifying larger patches that replaces areas of carriageway surrounding a pothole as well and not just the pothole itself as has been done in the past. This approach and the sustained investment over coming year should see this trend of improvement continue



**Figure 4. Percentage of repeat pothole repairs**

### Strategic Network Maintenance

- 6.19. A change in the approach to tackling defects on the A&B network has also been embraced which has seen a move away from small individual pothole repairs to larger more meaningful asset interventions, using the Multevo Multihog.
- 6.20. Data analysis showed that the majority of the cost associated with repairing potholes on the strategic network was ‘fixed’ in traffic management and labour costs. Therefore, undertaking small repairs represented very poor value for money, as the adjacent part of the carriageway was usually defective or approaching the end of its design life and therefore the next to fail. By undertaking a larger repair, this increased cost slightly but increased daily outputs from an average of 20m<sup>2</sup> per day, to over 100m<sup>2</sup> per day. This provided far greater ‘whole life cost’ and enabled the majority of the investment to be in the road, not the ancillary costs. It also brought the asset up to a standard that allowed the road to be included within the surface

dressing programme for the following year, helping to preserve the asset condition.

[Innovative Highways Alliance Brings Benefits to Roads and Residents - YouTube](#)

### **Planned Capital Delivery**

- 6.21. The reduced cost of reactive maintenance has enabled Shropshire Council to invest significantly greater levels of funding in areas where Kier are highly competitive, such as resurfacing and surface dressing. 80% of our capital budget is invested in these two activities, which also represent some of the lowest rates in the contract and the best value.
- 6.22. Client decision making has created an environment where this strategy can be executed successfully and in essence Shropshire Council has become a 'canny shopper' in the way it maximises value from the contract.

### **2022/23 Programme**

- 6.23. The cycle of 'in year' and significant fluctuations in funding from the Department of Transport placed huge pressures on the service often resulting in short turn-around times between identifying a scheme and construction, with delivery times often beholden to the availability windows in the supply chain which often came up with little notice and therefore impacted on the services ability to engage with stakeholders effectively.
- 6.24. Planned maintenance is usually undertaken on a two-year cycle of identify, survey, consult, design in year one and inform and build in year two. The re-introduction of a four-year funding settlement will enable the service to move back to a two-year design and build process cycle and will improve engagement during the planning of schemes and resultant road closures due to the ability to take a more planned approach.
- 6.25. Our scheme delivery is now back in profile for the first time in several years and will see the majority of our programme completed by the Autumn. Surfacing schemes require the road temperature to be above a certain level and for the surface to be reasonably dry, to ensure new material adheres successfully and therefore such schemes are typically carried out between the beginning of April and end of August each year when the road temperature is generally at the right levels (road temperature is typically more stable than air temperature) and rain less likely.
- 6.26. We recognise that communication around capital schemes has been an area of frustration and required improvement. Shropshire Council appointed an interim Capital Delivery Manager in July 2021 to lead and oversee programme delivery. We have also appointed an interim Reputation and Engagement Officer to support the communication process on capital delivery and the wider highway service to ensure that there is both greater visibility of what



works the council will undertake and when and also engagement to ensure that those works minimise the impact on surrounding communities.

- 6.27. Kier have also appointed a Communication Manager on the Shropshire Contract, who will work closely with our teams and lead on all communications linked to work Kier undertake on our behalf.
- 6.28. Kier have also appointed a new Contract Manager (Ian Mclellan) to replace Peter Woodhead who is retiring. Ian joins Kier from Ringway Jacobs and has been undertaking a very similar role in Cheshire East so brings with him a wealth of knowledge of managing a local authority contact. The appointment was made with full engagement with senior management in the council to ensure that the successful candidate met the needs of the contract more broadly rather than that of just Kier.

## Key Performance Indicators

- 6.29. A new suite of Key Performance Indicators has been implemented, reporting monthly. It has been in place since December 2020.
- 6.30. The list of KPI's and Kier's current performance (December) is shown below;

**Shropshire Highways - KPI Model Shropshire Council  
Score Card - December 2021**



		Target Performance Level	Final KPI Score
KPI 1a	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Reactive Highways Works	98.00%	78.0%
KPI 1b	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Street Lighting	98.00%	36.0%
KPI 1c	Reactive & Routine Highway and Environmental Maintenance tasks completed in time. Emergency Response	98.00%	100.0%
KPI 2	Reactive, Routine Highway and Environmental Maintenance tasks to required quality	98.00%	99.9%
KPI 3	Highway Project and scheme works completed on time and without defects	98.00%	38.0%
KPI 4	Up to date financial management information is provided on time and +/-10% of final cost	98.00%	100.0%
KPI 5	Provision of all forward works plans received on time and to correct quality	98.00%	100.0%
KPI 6	Monthly Performance Figures provided on time without errors	100.00%	0.0%
KPI 7	Applications for payment submitted on time correctly without errors. (5%)	95.00%	99.8%
KPI 8	Customers satisfied with the performance of Kier and its supply chain	80.00%	100.0%
KPI 9	Winter Maintenance - service completed on time	98.00%	100.0%

- 6.31. There are several KPI which fall well short of the performance target.
- 6.32. KPI 1a was set as a very stretching target, given where the performance was at the beginning of the year, to emphasise how important the council saw the need to make the network safe as soon as possible. Whilst Kier have fallen short on this, the current rate of 78% represents a significant improvement on previous years actual performance. It was identified that previous years reports on performance included a significant number of failures removed

from the assessment for performance figures where no formal contractual process to agree such discounting had been undertaken. This made performance seem exceptionally high but was not reflective of perceived performance. This has now been redressed and the current arrangements align far better with the user and technician experience.

- 6.33. The trends identified earlier in the report suggest that Kier are on track to significantly improve on this again in the coming year with performance in recent months almost meeting the target which is particularly significant given previous trends of poor performance over winter months.
- 6.34. KPI 1b is for street lighting and relates to response times on faults. This is low due to difficulty in accruing old stock of SOX's lanterns and other materials, due to these being phased out within the industry and also the impact that early covid lockdowns had on the manufacture of equipment by some of the smaller companies which saw a significant backlog of orders arise across the country. Also, some faults have also been identified in locations that form a part of the LED replacement programme which will be scheduled for replacement rather than repair as part of the programme.
- 6.35. The KPI 3 is for Capital schemes completed on time. This is linked to the reactive way that the work was ordered to meet funding requirements. These have been delivered late in the financial year but dates on the order were not amended on the councils ordering system to reflect the delivery timings actually agreed with Kier. This has been rectified and the outturn position likely to reflect a much healthier position.
- 6.36. KPI 6 is for the timely submission of performance (KPI) figures. The percentage figure will be either 0% or 100% as it is a pass or fail type KPI. In the report above Kier were implementing a staff restructure that meant the report went 2 months without being produced on time, Since the implementation of the restructure is complete it is anticipated the report will be issued on time every month going forward.

### **Contract Management Software System**

- 6.37. Kier have now fully migrated to the Councils "Confirm" software system. This was completed in April 2021 in line with the programme for migration away from their previous system. This is now providing far greater levels of transparency and synchronisation of management systems and provides an agreed single version of the truth to both Kier and the Council which has significantly reduced disputes between the two parties. Before and after photographs are visible on the council side and available for analysis. This has enabled greater ability to scrutinise completed work. Amongst the wider benefits, this will also assist the Council with managing insurance claims.

## Restructure and Redesign

- 6.38. Both Shropshire Council and Kier now have aligned management structures and area operating models, based on North, Central and South areas.
- 6.39. Kier has appointed Area Managers to lead their teams and working relationships are already established with the Shropshire Local Highways Managers in these areas.
- 6.40. Both Shropshire Council and Kier have progressed restructure proposals which continue to be refined as the service evolves.
- 6.41. The 16 zones identified within the three areas now have Technicians appointed and allocated to each zone. This will see technician numbers increase from the current 12 permanent staff members.
- 6.42. Both Shropshire Council and Kier have committed to a culture change programme which will cover all staff at all levels.
- 6.43. The highway team are continuing to review the requirement for depots and are monitoring the impact of Bridgnorth and Hodnet depots being closed due to safety requirements. Performance and activity is being monitored over peak periods (i.e. winter for highway/ winter maintenance and spring for green maintenance) to identify whether there is a business case to invest the significant cost of repairs required to bring them back up to operational standards or whether the current arrangements should be made permanent. A report will be brought back to Cabinet later this year setting out options for the future of those sites.

## 7. Additional Information

- 7.1. **Communication and Engagement** – the service needs to better communicate the highway activity it is undertaking to ensure that residents have visibility of these works and can actively engage with the highways service to mitigate any impact. The service also needs to be more open with the information available to members of the public with regards to the work it undertakes to ensure that it can be appropriately scrutinised and informed on the value for money that is provided.
- 7.2. **Engagement** – It is recognised that to better understand the needs of road users the council needs to engage more successfully with key stakeholders. Since, November, the council has embedded Fix My Street into its back office systems so that all reports on the council website are now processed through that software. The team have ironing out teething issues with a view to a more public launch of Fix My Street and its mobile phone app over the coming weeks. This should allow for greater visibility of what has been reported and improved feedback on when action is likely to be taken, albeit this will be an iterative improvement as the service and contractors continues to invest additional resources into staffing and works.

- 7.3. **Minor works** – a new process has been developed which has led to improvements. It is recognised that minor works (i.e. new signs, fencing repair etc.) can still take too long to complete so the new process will see that improve over the coming year. Part of the challenge has been availability of stock however, with the national availability of stock having become depleted due to covid mitigations.
- 7.4. **Traffic Schemes** – For several years the council has had a very limited budget for road safety, active travel, road improvement schemes with similar minimal resources to develop such activity. This nominal resource and inability to recharge to capital/third party budgets has also presented a challenge in moving developer funded schemes forward as well.
- 7.5. These budgets have increased in the last year however and are expected to increase still further as more government funding is released to support active travel further as well as part of the council investment being diverted to this activity. There will however, likely be a delay in improvements in this area due to the challenge in recruiting staff in a discipline which has seen a huge increase in demand for staff as the government have increased funding in active travel and the mitigation measures for widespread increases in developments across the country.
- 7.6. The service is therefore setting out its plans for future need as part of its Local Transport Plan 4 development and will enable stakeholders to influence proposals and inform future programmes of work. Workflow processes will be reviewed to ensure that the time scale between decisions and implementation can be reduced.
- 7.7. **Drainage** – the majority of the WSP and Kier service elements have now been insourced.
- 7.8. **Streetlighting** – the LED replacement programme has commenced which will see all 15,000 older style lanterns replaced with LED heads to significantly reduce energy costs and increase the longevity of service life. Many older columns will also be replaced as part of this programme of work to ensure that they remain safe. It is anticipated that this work will be substantially completed ahead of the winter 2023/4.
- 7.9. It should be noted that LED lanterns have also been installed as a part of routine maintenance.
- 7.10. **Inflationary Costs** – Highway inflation is increasing at a faster rate than the Retail Price Index as a result of the large quantities of oil, gas, diesel, steel, timber etc. used in the industry, all of which are seeing steep increases in costs across the world. Similarly, the industry is seeing an increase in wages as the recruitment of workforce becomes more competitive as a result of increased spending across the country and a reducing pool of qualified workforce.

## 8. Conclusions

- 8.1. The continuing deterioration of the road network and the resultant increased demand for requests for service continues to stretch existing resources but will hopefully begin to be redressed by the additional investment.
- 8.2. The intense period of change has seen the highways service deliver significant improvements across all areas and there is tangible evidence that there have been significant service delivery improvements over the last financial year 2021/22, these include:
- Responding to defects in a timely fashion has improved
  - The backlog of pothole repairs is reducing
  - The right-first time approach is being followed across the contract
  - The quality of repairs is improving as shown by the reduction in percentage of potholes which are considered as repeat.
  - Cost reduction, efficiency and data are driving the service.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

None

**Cabinet Member (Portfolio Holder) - Cllr Dean Carroll**

**Local Member - All**

**Appendices**