

**Manchester City Council
Report for Information**

Report To: Audit Committee - 27 June 2017

Subject: Highways Improvement – Update Report

Report of: Strategic Director, Highways, Transport and Engineering

Summary

This report provides details of areas for improvement identified in an Internal Audit Follow-Up Report in respect of highways maintenance and repairs; and the actions being taken by management to address these.

Recommendations

Members are requested to note the report.

Wards Affected:

None

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Background documents (available for public inspection):

- Highways Improvement Reports to Audit Committee in October 2016 and to Neighborhoods and Environment Scrutiny Committee in November 2016.

1 Introduction

- 1.1 In 2016, Internal Audit delivered an independent assurance opinion over the work of Manchester Contracts and Highways Inspectors to support management in an assessment of the effectiveness of the service being delivered and future delivery options.
- 1.2 A final audit report was issued in August 2016 which provided a no assurance opinion. In summary, findings included the following:
- A lack of an established and clear process for delivery of reactive maintenance work.
 - A limited level of management oversight and a lack of scrutiny and challenge over contractor performance.
 - Insufficient accountability for controlling costs charged, with evidence of overcharging by the subcontractor and maximising opportunities to claim enhanced rates and additions.
 - Widespread growth being added to work orders and no formal change control processes for approving changes, which allows retrospectively, reasons for growth to be determined.
 - Poorly described orders and lack of understanding over charging schedules.
 - Substantial weaknesses in the performance measurement, and quality assurance monitoring of subcontracted work.
- 1.2.1 A number of immediate recommended actions were provided by audit and a Management Action Plan produced. The, then Interim, Director for Highways presented a report to Audit Committee in October 2016 and to Neighbourhoods and Environment Scrutiny Committee in November 2016 which set out the improvement programme for the service.
- 1.2.2 Internal Audit agreed to conduct a follow up review to evaluate progress made against the Management Action Plan and this report highlights the outcome of that work.

2 Findings

- 2.1 Overall, Internal Audit provided moderate assurance over the implementation of the Management Action Plan. The report acknowledged that processes had been implemented for subcontracted work to help ensure that costs are controlled and the quality of work delivered is reviewed and challenged.
- 2.2 Internal Audit challenged a number of the actions that the service had indicated were complete. In the view of Internal Audit these were partly complete and this independent challenge has been useful in providing focused areas for further improvement action. The report also highlighted significant backlogs on processing and completion of orders that needed to be addressed.
- 2.3 In summary, Internal Audit noted that there is more work to do, including

starting to look at the quality and performance of the in-house team, but the direction of travel is positive and some of the completed actions had already lead to significant improvements in the service.

2.4 Of particular note in terms of improvement have been:

- Improved control of costs and quality assurance monitoring of work;
- Unauthorised growth on subcontractor orders eliminated;
- Development of an emergent change control process;
- Better identification of the location of defects; and
- Use of photographs by the subcontractor to evidence the quality of work completed.

2.5 The key areas where Internal Audit recommended further work or attention were as follows

- Missed SLAs – It is essential that SLA's start to be met, as failure to meet an SLA target is not only a failure to meet required standard, but adversely effects the Council's legal defence of claims for personal injuries and damage to vehicles.
- Returned incomplete orders – Orders that the subcontractor has not been able to complete should be resolved and tracked to ensure these are dealt with appropriately.
- Open orders – Improvements are needed in the accuracy of management information in respect of open orders for work not yet complete.
- Control and management of the work completed by the in-house team – Insufficient information is being produced to enable effective performance management of the in-house team and comparison of productivity with subcontractor.
- Highways Inspectors – Further potential improvements to be made in ensuring consistent and quality orders from the Highways Inspectors.
- Traffic management and restricted working – Improving arrangements to confirm the scale and approval process for both.
- Enablers – Internal Audit noted that to address the issues noted in the report and the wider improvement programme for Highways, that understanding of capacity / resourcing and the use of technology were key areas for further focus.

3 Response to Audit Follow Up Report

3.1 In response to the findings of the Internal Audit follow up report, a management plan of key actions was agreed and the pertinent points are summarised below:

Audit Concern	Management Approach
Missed SLA's	<p>Two processes are relevant and work is ongoing in respect of missed SLA's:</p> <ol style="list-style-type: none"><li data-bbox="472 387 1394 862">1. The first relates to an enhanced workflow allocation and performance management system that has now been embedded to help clear the existing backlog of works orders, focusing on those outside of SLA. The operational management team have over recent weeks procured additional repair resource (including conventional repairs and high productivity jet patching) – they are now operating with circa 20 repair teams and this is likely to increase further to reduce the backlog. Management are also undertaking daily tracking of productivity to assist with effective workflow coordination and allocation. These items of good practice will also be incorporated within the successor to the TC036 Minor Works contract.<li data-bbox="472 884 1394 1135">2. The second process relates to an ongoing GM-wide review of future SLA targets following the updated 2016 national Code of Practice for 'Well-Maintained Highway Infrastructure'. The City Council's Highways and Legal teams are engaged and proactively supporting this work and it is likely that we will move to a more risk-based approach in advance of the October 2018 national deadline.

Audit Concern	Management Approach
Returned Incomplete Orders	<p>Reasons for the subcontractors returning works orders are multiple and include the need for additional traffic management and prevention of access due to such things as parked cars. A sample review undertaken earlier this year identified that circa 10 percent of subcontractor orders were being legitimately returned and this has been a key focus of the management team who have made significant interim steps over recent months to improve such things as the Highways Inspectors providing clearer early definition of traffic management requirements and more robustly identifying and measuring work ordered.</p> <p>Longer-term, enhanced rules and more clearly defined responsibilities around undertaking highways inspections, together with an improved works ordering system configuration and direct recording on-site will greatly assist in reducing aborted works and returned orders. This process will also incorporate more joined-up working between Highways Inspectors and Operational Supervisors and also with respective Neighbourhood teams.</p>
Open Orders	<p>The management team track daily and meet twice weekly to review performance including such things as detail of open orders; productivity; workflow allocation; and delivery around the current backlog of work.</p> <p>The commercial team have a robust mechanism in-place to validate all incoming applications for payment and this is informed by photographic review of all repairs undertaken with follow-up site checks by a Clerk of Works across a sample of items before final payment is approved. Any items where quality is identified as sub-standard and/or where remediation remains necessary are returned to the sub-contractor without payment until evidence is provided of satisfactory completion.</p>
In-House Team	<p>In-house delivery is currently undertaken by 5-7 no. gangs typically focussed on high priority works which tend to be concentrated in or around the City Centre.</p> <p>Included within the weekly performance tracking is monitoring and management of in-house workflow, quality, productivity / performance between and relative to subcontractors.</p> <p>Some early work has been undertaken by the Manchester Contracts management team around the establishment of a set of appropriate Standard Minute Values (SMV's, employed by other local authorities elsewhere) to benchmark and provide an effective productivity and performance management tool for team outputs – to be monitored daily, reviewed weekly and acted upon monthly. A sample of typical outputs has been measured recently and the next stage will require senior management to engage further with Union</p>

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	<p>representatives over the principles, justification and benefits for employing an SMV system.</p> <p>Management are also currently reviewing and enhancing policies and procedures around Health & Safety; training and development; plant / vehicle hire and booking; and overtime arrangements for the in-house team.</p>
Highways Inspectors	<p>Inspection processes have evolved since August 2016 and continue to do so. Management and checking systems have significantly improved and there is now widespread marking-out and early specification of traffic management requirements; a generally improved emphasis on quantity measurement and level of detail included with works orders; and this is continuing to be validated through regular independent review as part of the overall site quality checking process that has since been embedded.</p> <p>It is acknowledged however that further work is required to refine and standardise processes and to enhance the quality and consistency of inspections. This will receive even greater focus over the coming months to fully align inspections with a re-configured Symology system; the roll-out of new hand-held devices that will be required to be used live in the field (with all inspectors taking photographs); and a replacement to the current TC036 framework contract that will include much greater emphasis, clarity and control around works specification, ordering and monitoring.</p>
Traffic Management	<p>As part of the refined inspection processes ongoing and noted above, the inspectors were designated greater responsibility in Autumn 2016 for providing an interim early judgement call by logging potential traffic management requirements (classified currently as either 'none', 'basic' or 'enhanced') against each works order.</p> <p>Future operational arrangements and defined responsibilities for such things as the identification of traffic management requirements and restricted working arrangements are still being considered and developed under the Pothole & Drainage Improvement Programme – particularly the Symology and TC036 Renewal Project Workstreams ongoing.</p>
Capacity of Individuals	<p>Early discussions and work has taken place around an appropriate organisational restructure and this has included the proposed designation of additional layers of management and more area-based supervision with the clear intention of more formally</p>

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	<p>identifying and embedding responsibility and accountability to the appropriate individuals and at the right level.</p> <p>Management acknowledges also the need for supplementary resource in specific areas including workflow planning and supervision; quality and financial checking / validation of works; Health & Safety compliance; and learning and development. This recognises and will seek to overcome issues around an over-reliance on certain individuals and also the need to embed appropriate succession planning moving forward.</p> <p>Further discussion is planned with Unions and HROD over the coming months to help re-define, formalise and embed this proposed future structure.</p>

4 Recommendation

- 4.1 Audit Committee are asked to note the update report.