



ROAD MAINTENANCE COUNCIL CONTRACT (RMCC)
PERFORMANCE GUIDELINES

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CONTENTS

- 1. DEFINITIONS.....4**
- 2. INTRODUCTION5**
- 3. MANAGEMENT OF PERFORMANCE6**
- 4. PERFORMANCE MONITORING AND IMPROVEMENT8**
- 5. PEER EXCHANGE GROUPS 10**
- 6. KEY PERFORMANCE MEASURES AND TARGETS, SUMMARY 12**
- 7. KEY PERFORMANCE MEASURES 15**
 - .1) ROUTINE SERVICES KEY PERFORMANCE MEASURES 15**
 - RA1 ROUTINE SERVICES EXPENDITURE 15
 - RA2 INDIRECT COSTS..... 16
 - RA3 MAXIMISING SUPPLEMENTARY ACTIVITIES 17
 - RA4 FINANCIAL CONTROL..... 18
 - RQ1 FORECASTING ACCURACY..... 19
 - RQ2 DEFECT MANAGEMENT..... 20
 - .2) ORDERED WORK KEY PERFORMANCE MEASURES 21**
 - OQ1 VALUE FOR MONEY 21
 - OQ2 PROJECT DELIVERY..... 23
 - OQ3 QUALITY OF WORK..... 24
 - .3) MANAGEMENT KEY PERFORMANCE MEASURES 25**
 - MQ1 INSPECTIONS..... 25
 - MQ2 REPORTING..... 26
 - MQ3 QUALITY SYSTEM..... 27
 - MQ4 CUSTOMER SERVICE..... 28
 - MQ5 NUMBER OF INSURANCE CLAIMS..... 29
 - MQ6 VALUE OF INSURANCE CLAIMS 30

I. DEFINITIONS

ITEM	MEANING
BENCHMARK PRICE	Means the price determined by RTA through fair comparison with other service providers. The Benchmark Price is used to assess performance against certain KPM's. The methodology for calculating a Benchmark Price is explained under the KPM.
FIXED UPPER LIMIT	Is the annual Routine Services budget.
INTERVENTION FREQUENCY	This is the cyclical period within which the identified Service must be undertaken.
INVENTORY SCOPE (ROADS)	Unless stated otherwise the inventory to be used in the calculation of each KPM includes roads as defined in RTA specification M2.
INVENTORY SCOPE (BRIDGES)	Unless stated otherwise the inventory to be used in the calculation of each KPM includes bridges as defined in RTA specification M2.
INDIRECT COSTS	Means those costs indirectly expended in performing the particular Services, such as site supervision, depot costs, management costs, insurance premiums (excluding premiums for contract works and public and products liability insurance).
KPM	Key Performance Measure.
MANDATORY ACTIVITIES	Are those activities that are listed as mandatory, under the contract.
ORDERED WORK	Are those works as set out in Annexure D in specification M2 as ordered in accordance with clause 7 of the General Conditions of contract.
PEG	Peer Exchange Group
PIP	Performance Improvement Plan
RMAP (ROAD MAINTENANCE ANNUAL PLAN)	RMAP means an annual maintenance works program setting out: .1 for Routine Services: accomplishments and estimated Actual Cost for Mandatory Activities and Supplementary Activities, and .2 for Ordered Works: indicative or actual funding allocations and accomplishments, as updated from time to time, in the format as set out in specification M2 "Annexures" as shown in sections G2 and G3.
RMCC	Road Maintenance Council Contract.
ROUTINE SERVICES	Those maintenance services which are generally of a minor or cyclical nature. A comprehensive list of maintenance activities is provided in Specification M2, Annexure D.1.

2. INTRODUCTION

(1) Purpose of the document

The purpose of the Guideline is to:

- (a) give a framework for the management of performance and continuous improvement under the RMCC contract.
- (b) provide an introduction to performance measurement using Key Performance Measures (KPM's).
- (c) give details of the Key Performance Measures used for performance measurement under RMCC.
- (d) explain the data requirements, the methodology used to calculate, and gives background to the use of KPM's.
- (e) identify the main components that affect KPM's and explains how the data can be reviewed and used to manage and improve performance.

(2) Background to RMCC Performance Measures and Principles

- (a) RTA has a key responsibility to ensure cost effective use of State funds in the maintenance of the State Road network.
- (b) The State Road network is a highly valued physical asset, both in financial and community terms. Effective stewardship and asset management is crucially important, both to users and the community. The core objective of the RMCC is to deliver a serviceable and sustainable State Road network allowing for the safe and convenient movement of people and goods at an acceptable cost.
- (c) The RMCC establishes a collaborative contractual relationship between RTA and Council, with both parties committed to shared values, trust and continuous improvement.
- (d) The concept of continuous improvement is central to the RMCC and councils are being invited to participate in a process which aims to lift the standard of road maintenance across the state. This will be done by fostering an exchange of ideas, work practices and planning methodologies, not only between councils and RTA but also between councils themselves.
- (e) By engaging in a programme of continuous improvement RTA is seeking for each Council to adopt best practice road maintenance, with the ultimate benefit of improved performance and increased value for money for the State of NSW.

(3) Scope of the Guideline

The document provides the information necessary and explains details for calculating the Key Performance Measures KPM's under the Road Maintenance Council Contracts (RMCC). It also provides a basis for the on-going development of performance management and continuous improvement under the contract.

(4) Outcomes

The expected outcome from this guide is that councils will be able to use the benchmark data and costs that are made available to better assist them to manage, review and analyse their own systems and KPM's.

This will apply to those Councils particularly if the data, pricing, rates and outcomes are above the benchmark figures for other Councils across the state and particularly those of similar size, climate and location. In this case it is expected that a review of the resources and methodologies used, and the compilation of the council's data and prices would be carried out in order to find improvements.

More background and details of the KPM's are given in *Sections 6 and 7*.

Use should also be made of the PEGS system that has been set up under the RMCC. It is intended that the PEGS will be a local and state resource of best practice that are available to be informally used in this process.

For example if Council costs are high the data from other equivalent councils could be used for comparison, and similar work practices and methodologies applied to the Council concerned. For more details on PEGS and the way they are intended to operate refer to *Section 5* of this guideline.

3. MANAGEMENT OF PERFORMANCE

(1) General

- (a) The management of performance is the primary responsibility of Council under the contract. RTA will be able to review this and also provide the necessary data and means for Council to carry out a program of continuous improvement. This will be a joint effort between both parties as it is RTA's intention to retain Council as the preferred provider of road maintenance services in its contract area.
- (b) The management of performance under the RMCC aims to:
 - (i) Use KPM,s and continuous improvement to remedy rather than penalise, sub-standard performance
 - (ii) provide Council with the management incentive and stewardship responsibility under the contract for the network within their area; and
 - (iii) acknowledge excellent management and performance results arising from this.
- (c) Council is required to have systems in place to measure and improve performance. Council will need to be able to identify its strengths and weaknesses, so that it can take steps to improve any areas that are under-performing. This is especially important given its vital role in delivering high quality, essential public services. It is fundamental to the RMCC framework that best value is secured through all continuous improvement processes.

(2) Value for money

A crucial management outcome of the RMCC is to deliver better value for money under the contract, and Council must consider how best to achieve this aim. This could mean being able to carry out more mandatory work, or more supplementary activities or ordered work within the funds available. Whether this is done through indirect competition, by improving in-house performance with the best known performance achieved elsewhere, or in other ways, RTA encourages Council to achieve equivalent levels of performance or better.

RTA will consider Council is providing value for money under the RMCC if it is:

- (i) discharging its stewardship role in a professional and systematic manner;
- (ii) delivering quality work within budget and on time;
- (iii) satisfying road user expectation and need;
- (iv) reducing the incidence of rework;
- (v) undertaking and completing forecast Supplementary Activities; and
- (vi) working within the Peer Exchange Group (**PEG**) and its own systems on a program of continuous improvement as applicable to its performance relative to the KPM's.

(3) Key Performance Measures (KPM's)

- (a) The KPMs are used as a measure of performance and provide several useful benefits, including:
 - (i) greater accountability to policy-makers, customers and other stakeholders;
 - (ii) improved communication of information about the Road Network to customers, political leaders, the public, and other stakeholders;
 - (iii) increased organisational efficiency in keeping staff focused on priorities and enabling managers to make decisions and adjustments in programs with greater confidence that their actions will have the desired effect;
 - (iv) greater effectiveness in achieving meaningful objectives that have been identified through long term planning and policy formulation;
 - (v) a better understanding of the impacts of alternative courses of action that performance measures can provide; and
 - (vi) ongoing improvement of business processes and associated information through feedback.
- (b) RTA will assess Council's delivery of the Services under the RMCC against a set of KPMs. The KPMs are set out in *Sections 6 and 7* and are grouped under the following headings:
 - (i) Routine Services KPMs;
 - (ii) Ordered Work KPMs; and
 - (iii) Management KPMs.

(4) Review of the KPMs

- (a) Following experience with the KPMs, it may become apparent that the KPMs and targets do not deliver an acceptable level of service to the community or are unrealistic or unachievable and consequently do not properly measure Council's performance under the RMCC. A Steering Committee will be formed to oversee the operation of RMCC and provide advice to RTA. The Steering Committee will review the KPMs and targets and make any necessary amendments as and when required. Full details of the committee are provided in the RMCC Guidelines.
- (b) Monitoring and review will be particularly crucial during the Transition Period.
- (c) In making changes or creating new KPMs the Steering Committee will consider the following criteria:
 - (i) clarity and simplicity;
 - (ii) capable of precise definition;
 - (iii) readily and easily measurable;
 - (iv) clearly indicative of good or bad performance; and
 - (v) relates to the RMCC outcomes (see RMCC Guidelines section 1.5).

(5) Limitations in comparing councils

- (a) Road and traffic characteristics vary widely across NSW, and there are other operational and practical reasons why it is difficult to benchmark service providers, such as:
 - (i) road hierarchy differences, where a risk based approach to maintenance requires different levels of service based on traffic volume;

- (ii) climate, which affects the extent of expenditure on weather sensitive road maintenance services;
 - (iii) materials availability;
 - (iv) topography and subgrade conditions that have implications for the rate of pavement deterioration; and
 - (v) pre-existing Asset condition, that particularly affects the amount of reactive maintenance required.
- (b) RTA embraces fair comparison and will take into consideration the wide range of potential variables when comparing performance.
- (c) Benchmarking is crucial in defending the RMCC and demonstrating value for money. It allows Council to check how well it is doing in comparison to its peers.

4. PERFORMANCE MONITORING AND IMPROVEMENT

(1) Monitoring and review of Council performance

- (a) RTA will monitor performance and if Council's performance against a KPM target is within the amber or red thresholds, RTA may:
- (i) investigate the reasons behind Council's level of performance;
 - (ii) make recommendations on process improvements; and/or
 - (iii) direct Council to implement a Performance Improvement Plan (PIP, see *Section 4.5*), if Council's performance is below that expected under the RMCC.
- (b) If Council's performance falls within the red threshold of the KPMs it is highly probable RTA will investigate Council's performance.
- (c) RTA recognises that under KPM RA2 and KPM RA3 there will always be councils in the amber and red thresholds. However, if those councils are successfully implementing PIP's or otherwise satisfactorily improving performance, RTA will not need to further investigate those councils' performance.

(2) Process improvement recommendations

- (a) RTA will make recommendations to Council on performance management initiatives. RTA will consider the following before making any recommendations:
- (i) previous action taken to improve performance;
 - (ii) recent performance as reported;
 - (iii) benchmarking that compares neighbouring councils (peer comparison) and provides a State-wide statistical analysis;
 - (iv) the level of Indirect Costs as a proportion of the overall cost of providing the Services; and
 - (v) an assessment of where Council enjoys a competitive advantage. Once RTA has determined which councils have competitive advantages, fully informed decisions can be made by both RTA and Council on the merits of Council continuing to provide a particular service.
- (b) RTA will provide feedback, make recommendations and seek agreement with Council on process changes.
- (c) RTA may also utilise the variation mechanism in the RMCC to effect process improvements.

(3) Use of subcontractors

- (a) Council must routinely pursue best value for money. Council must rigorously appraise various performance improvement options including the possibility of subcontracting elements of the work.
- (b) So that priority is given to cases offering substantial benefits, Council should consider subcontracting elements of the Services where the cost of the activity exceeds \$250,000 p.a. and where in-house cost levels are estimated as higher than 8-12% of viable, alternative service providers, based on the best available information.
- (c) The thresholds are not intended to restrict the use of minor contracts where the monetary value is well below \$250,000 p.a. It is appreciated that Council often engages contractors to perform tasks for reasons other than cost and this should be continued.

(4) Performance Improvement Plan (PIP)

- (a) RTA may determine that Council should prepare and implement a Performance Improvement Plan (PIP), either following investigation of performance as described previously or because Council is otherwise in default under the RMCC. In these circumstances, RTA will notify Council of:
 - (i) why it believes Council needs to implement a PIP;
 - (ii) those areas which Council should seek to improve and over what period; and
 - (iii) the date by which the PIP must be in place.
- (b) Council's PIP should record and program those remedial measures it intends to undertake (amending the RMAP if necessary).
- (c) The PIP provides an opportunity for Council to articulate its proposals for improvement, including how weaknesses will be addressed, opportunities exploited and better outcomes delivered. The PIP may contain interim targets to facilitate monitoring and tracking of the required performance improvement over time.
- (d) RTA will on receipt of the PIP meet with Council to review and make recommendations on Council's PIP.
- (e) RTA will agree with the PIP if it is satisfied that Council has properly addressed in its PIP a program for rectifying Council's poor performance.

(5) Monitoring and updating the PIP

- (a) Council must implement the PIP and monitor its performance against the PIP. If Council's performance is not improving, Council must explain why it is not achieving the desired improvement in performance.
- (b) Council will be in default under the RMCC if it:
 - (i) does not provide a PIP that satisfies RTA that it will address the poor performance; or
 - (ii) does not implement the agreed PIP in accordance with its terms; or
 - (iii) is not able to remedy its performance, despite following the PIP.

(6) Show Cause Notice

- (a) If Council is in default under the RMCC, RTA may issue Council with a notice asking Council to show cause why RTA should not:

- (i) notify Council that it is not required to perform Routine Services in the next Maintenance Period (in which case notice will be provided to Council by 31 December of the preceding Maintenance Period); and/or
 - (ii) notify Council that certain Ordered Works will not be offered to Council in future; or
 - (iii) terminate the RMCC due to Council's poor performance.
- (b) RTA will provide a copy of the Show Cause Notice to the Steering Committee and will keep the Steering Committee informed of its actions under the contract.
- (c) Council will be required to promptly provide a response to the Show Cause Notice (within the period notified).
- (d) If RTA is not satisfied with the response RTA may exercise the rights noted above under paragraph (a).

5. PEER EXCHANGE GROUPS

(1) General

- (a) One aim of the RMCC is State wide best practice in road maintenance services through a process of continuous improvement. However RTA acknowledges that a significant barrier to process improvement is a lack of information on the best and most appropriate maintenance work practices to adopt.
- (b) The pursuit of continuous improvement will only be effective in an organisation that is able to embrace change.
- (c) The RMCC establishes processes and mechanisms, such as the PEGs, for the collection of data and its dissemination to councils with geographic and economic similarities. Accordingly, RTA intends to (and encourages Council to); make appropriate use of this information to drive efficiency and effectiveness of the Services.

(2) Peer Exchange Groups

- (a) PEGs are informal forums in which councils can discuss the issues arising with respect to the RMCC and establish a common culture, values and methods of working.
- (b) RTA will establish a number of PEGs for each region. Each PEG will include representatives from RTA and each council in the PEG group. Council must participate in and provide information to the PEG when requested; and take into account recommendations made by the PEG if so directed by RTA.
- (c) PEGs will compare performance, works practices and methodologies. It is RTA's intent that the outcome of the PEGs will include innovation, resource sharing and process improvement. Items for consideration, discussion and dissemination in PEG meetings will include:
 - (i) generalised discussion about the Services and the RMCC relationship;
 - (ii) in depth analysis of various aspects of the Services;
 - (iii) encouraging commitment and excellence, and building pride in the delivery of the Services;
 - (iv) monitoring performance and costs against standards and targets;
 - (v) analysis of variances in charge out rates and Indirect Costs;
 - (vi) challenging how the Services are being provided;

- (vii) sharing experience from the use of subcontractors and sharing contract documentation;
 - (viii) identification and sharing of best practice and providing examples of good practice;
 - (ix) new and emerging developments in technology;
 - (x) identification of training needs;
 - (xi) inclusion of Council in any relevant RTA workshops or training sessions;
 - (xii) any relevant RTA circulars and technical directions;
 - (xiii) creation of a robust framework for local comparison and interpretation of benchmarking results;
 - (xiv) providing clear and topical information of interest to councils;
 - (xv) providing encouragement and support for the devolvement of certain decisions or aspects of service delivery;
 - (xvi) analysing trends in accidents, incidents, service requests and complaints, and consider possible changes to inspection regime, road categorisation and Maintenance Intervention and Investigatory Levels;
 - (xvii) potential for obtaining better value for money through collective purchasing;
 - (xviii) harnessing competitive forces, indirectly or directly, to achieve best value for money in the provision of the Services; and
 - (xix) results of post-completion reviews undertaken on a sample of programs or projects as a contribution to performance improvement.
- (d) RTA internal providers will not be involved in the PEG, unless invited by the PEG members.

6. KEY PERFORMANCE MEASURES and TARGETS, SUMMARY

KPM No.	KPM	Reporting frequency	Amber Threshold	Red Threshold	Possible continuous improvement actions	Notes
Routine Services KPMs						
RA1	Routine Services expenditure – Percentage actual Routine Services expenditure exceeds the benchmark price.	Annually	> 5%	> 15%	Council: Council should review work practices and implement efficiency improvements where necessary. RTA: As transparency in Council's pricing and accuracy of accomplishment reporting improves, RTA will be in a better position to assess the appropriateness of the Fixed Upper Limit and hence the expected level of Mandatory Activities. RTA may also need to increase periodic or rehabilitation work to improve overall road network condition.	
RA2	Indirect Costs – Indirect costs as a proportion of overall Routine Services	Annually	Ranked in bottom 25% of State	Ranked in bottom 10% of State	Council: Councils that spend more than their peers may wish to consider whether there is scope for efficiency savings. In most circumstances Council should aim to reduce their Indirect Costs.	
RA3	Maximising Supplementary Activities – Expenditure on the nominated Supplementary Activities (see Section 7.1) as a proportion of Routine Services Expenditure.	Annually	Ranked in bottom 25% of State	Ranked in bottom 10% of State	Council: Council should review work scheduling and work practices and implement improvements where necessary. RTA: Review appropriateness of Fixed Upper Limit.	
RA4	Financial control – Percentage or amount by which actual annual expenditure on Routine Services varies from the Fixed Upper Limit.	Annually	> ±2% or > ±\$20k	> ±5% or > ±\$50k	Council: Where relevant Council needs to notify RTA of potential over or under expenditure in a timely fashion. Council may need to improve work scheduling and financial management. RTA: May need to adjust Fixed Upper Limit.	See note 1 below
RQ1	Forecasting accuracy – Percentage or amount by which actual expenditure on Routine Services varies from agreed RMAP Plan for that quarter.	Quarterly	> ±10% or > ±\$40k	> ±20% or > ±\$80k	Council: As above.	See note 1 below
RQ2	Defect management – Percentage of segments that are non-compliant in regard to Mandatory Activities.	If previous result "Green": Annually If "Amber": 6 monthly If "Red": Quarterly	> 5% to 10%	> 10%	Council: High level of non-compliance may indicate need for refresher training for inspectors or need to improve defect tracking and scheduling processes. RTA: High level of non-compliance may indicate unrealistic intervention levels. May also indicate a need to increase the level of periodic or rehabilitation works.	See note 2 below
Ordered Work KPMs						
OQ1	Value for money – Percentage that payment for Ordered Works (value at more than \$100,000) exceeds summation of benchmark prices.	Quarterly	> 5% to 15%	> 15%	Council: Council should review work practices and implement efficiency improvements where necessary. Council should consider the need for process benchmarking and for active engagement with PEG.	See note 3 below

Performance Guidelines

KPM No.	KPM	Reporting frequency	Amber Threshold	Red Threshold	Possible continuous improvement actions	Notes
OO2	Project delivery – Percentage of projects that achieve completion date stated in the Work Order Terms.	Quarterly	< 85%	70% to < 85%	Council: Council needs to improve programming of works.	
OO3	Quality of work – Percentage of rework for spray sealing, asphalt resurfacing and pavement rebuilding.	Quarterly	> 2%	> 5%	Council: Council needs to review work practices, material quality and training.	
Management KPMs						
MQ1	Inspections - Percentage of scheduled inspections not completed in quarter.	Quarterly	> 5%	> 10%	Council: Network inspections are a crucial element of the RMCC and Council must ensure that they are carried out. Council should consider need for training or process improvements.	
MQ2	Reporting - Submission of complete and accurate quarterly progress report including the KPM report, Accomplishment Report and updated RMAP.	Quarterly	More than 2 weeks late	More than 1 month late	Council: Council should ensure adequate resources and effective systems are employed to ensure timely and accurate submission of reports.	See note 4 below
MQ3	Quality System – Number of CAR's, NCRs not closed out plus the number of NPSNs issued in the quarter.	Quarterly	> 2	> 5	Council: Council must ensure that their Quality System is functioning properly and is not reliant on RTA identification of issues.	See note 5 below.
MQ4	Customer service – Percentage of enquiries or complaints within quarter that are unresolved for more than 4 weeks.	Quarterly	>5% to 10%	>10%	Council: Council must ensure steps are taken to ensure that customers are advised of proposed action (if any) within 4 weeks.	See note 6 below.
MQ5	Number of insurance claims Number of claims made by Council for reimbursement of: (i) excess payable under the PAI scheme related to the Services; and (ii) third party claims related to the Services which would otherwise be covered by PAI, except the amount of the claim is less than the excess under PAI.	Quarterly	0 to 5	>5	Council: A high level of claims may indicate need to improve defect management and work scheduling processes. Council must ensure that their Quality System is functioning properly and that the activities of subcontractors are being adequately monitored.	
MQ6	Value of claims Value of claims made by Council for reimbursement of (i) excess payable under the PAI scheme related to the Services; and (ii) third party claims related to the Services which would otherwise be covered by PAI, except the amount of the claim is less than the excess under PAI.	Quarterly	0 to 5	> 5	Council: A high value of claims may indicate need to improve defect tracking and scheduling processes. Council must ensure that their Quality System is functioning properly and that the activities of subcontractors are being adequately monitored.	

Notes:

- I. RTA will not take into account, for the purposes of assessing performance against KPM RAI, any increase in the Fixed Upper Limit due to Council incurring an increase in Actual Cost due to Exceptional Circumstances.

2. The joint inspection will not be undertaken within a 3 week period following heavy or prolonged rain or other events that create widespread defects on the Road Network.
3. The principles and methodology for determining the benchmark price in the RMCC are included in these Guidelines. The benchmark price for works that are primarily carried out by subcontract will be the competitively tendered price.
4. Reports are required 10 business days after the last day of the quarter.
5. In assessing performance against KPM MQ3, RTA will take the following matters into account:
 - (a) RTA has provided nominal inspection frequencies in RTA M2. Council does not need to inspect the Road Network at a greater frequency than that specified, except where certain events are known to cause defects. If the defect is non-existent or not apparent at the earlier inspection but exceeds UDS at the following inspection, Council must raise an NCR, following which RTA will allow Council a longer period to dispose of the non-conformance than would be required under the Maintenance Intervention and Investigatory Levels.
 - (b) Where Exceptional Circumstances exist and a timely response to Hazards (or a response to Defects in accordance with Maintenance Intervention Requirements) may not be possible, RTA will allow Council a longer period to dispose of the non-conformance than would be required under the Maintenance Intervention and Investigatory Levels. Council is responsible for proposing a disposition that outlines reasonable measures and actions in order to protect persons and property, for acceptance by RTA.
6. Unresolved enquiries or complaints means that the customer has not been advised of the result of any investigation or informed of the proposed action.

7. KEY PERFORMANCE MEASURES

.1) ROUTINE SERVICES Key Performance Measures

RAI ROUTINE SERVICES EXPENDITURE

(1) Basic indicator

The percentage that the actual Routine Services Expenditure exceeds the Benchmark Price.

(2) Purpose

To identify by percentage the extent that a Councils expenditure for Routine Services may exceed the Benchmark price.

(3) Data requirements

Councils Routine Services Expenditure and the Benchmark price.

(4) Calculation methodology and reporting

Use the actual Routine Services Expenditure and compare with the Benchmark price. The Benchmark Price (\$/carriage way km) is based on the median of the Total Routine Maintenance Rate (\$/cw km) of similar providers.

Calculate the percentage that Councils expenditure exceeds this and compare with the Benchmark range below.

NOTE: The Benchmark Rate to be determined after receiving the State wide data at the end of financial year.

Band:	RED	AMBER	GREEN
Percentage above Benchmark:	> 15%	> 5%	

(5) Discussion and expectation

The indicator for Routine Services expenditure indicates the extent that Councils cost structure is above or below the Benchmark figure and is one of the key reporting measures.

It is one of the core measures in the contract and should be used by Councils to monitor the pricing and costs they are applying to the maintenance program. If this indicator is above the Benchmark figure, it is expected that Council will put a considerable effort into reviewing their costs to see where savings can be made.

Council should review the resources, methodologies, pricing, and cost structures they are using when carrying out these core activities in an effort to reduce their rates. The review should apply continuous improvement systems and methodologies so as to improve in the following year and the remaining period of the contract.

Even if a Council is close to or below the Benchmark figure a review should be carried out in an effort to obtain more improvement in the following year, even if just by a small margin. As Councils experience with the RMCC system improves it is expected that the accuracy in the delivery of resource management, pricing and costing will also improve.

During the early stages of the contract it may also require the RTA and Councils to review the Fixed Upper Limit of the program. If a review is done the distribution between the Mandatory, Supplementary and Ordered Work portions should also be carried out at the same time. This will ensure that there is an adequate balance between them, and that priority is being given to the essential activities under the RTA's strategic plan.

This process will more than likely occur in an on-going way as network issues, weather, traffic volumes, available funding and priorities change over time. This will in turn require work activities, quantities and some locations to also change.

Use should also be made of the Peer Exchange Groups (PEGS) in these situations to discuss individual Council figures or issues. Councils should use the PEGS as a basis of information and knowledge transfer across the State as a means of improving their methodologies, systems and costs.

RA2 INDIRECT COSTS

(1) Basic indicator

Indirect Costs as a proportion of total Routine Services Actual Costs.

(2) Purpose

Identify if a Councils Indirect Costs are above those of other Councils and particularly those with a similar size, structure, location or climatic type.

(3) Data requirements

Councils Indirect Costs.

Total Routine Service Actual Costs.

(4) Calculation methodology and reporting

Use the Indirect Cost and divide by total Routine Service Actual Cost, check the percentage and compare with the range shown below.

Band:	RED	AMBER	GREEN
Ranking within the State:	Ranked in bottom 10% of State	Ranked in bottom 25% of State	Ranked in top 75% of State

(5) Discussion and expectation

This measure is associated with the amount of resources and the organisational structures used by Council. The percentage is an indicator of the amount of overhead applied to the activities when compiling their pricing. If the amount of resources being used and pricing are well above those of other Councils, it is likely that the Indirect Cost amount and percentage would also be above them.

This should be used as a trigger to investigate the reasons why rates are high.

The expectation would be that an assessment and check should be carried out on the resources and structures being used to see if different and more efficient combinations could be applied to reduce overheads. This would involve checking the amount of labour, plant, materials, and miscellaneous items used in calculating the overhead rate.

Council should then review the percentage Overhead being used with an aim to reducing it.

Reference could also be made through the Peer Exchange Groups (PEGS) to check across the State for differing methodologies, combinations, or resources being used by other Councils for similar activities. If there are differences that can assist to reduce costs, Council should model their activities on the other systems.

RA3 MAXIMISING NOMINATED SUPPLEMENTARY ACTIVITIES

(1) Basic indicator

Expenditure on nominated Supplementary Activities (use Activity Groups 210, 220, 240, 320, 510, 520, 530 and 540) as a proportion of Routine Services expenditure

(2) Purpose

Used as a measure to assess the amount of nominated Supplementary Activities that a Council is able to carry out as part of the Routine Services component of the contract.

(3) Data requirements

Use the data from Activity Groups 210, 220, 240, 320, 510, 520, 530 and 540 only.

For Activity Groups 510 and 540 use expenditure data only where activities are for non-hazardous situations.

Use Routine Services expenditure.

(4) Calculation methodology and reporting

Add the expenditure data (over and above the planned expenditure) from the Activity Groups listed above, divide this by Routine Services planned expenditure and present the result as a percentage. Compare this with the ranking bands shown below.

Band:	RED	AMBER	GREEN
Ranking within the State:	Ranked in bottom 10% of State	Ranked in bottom 25% of State	Rank in top 75% of State

(5) Discussion and expectation

This measure can be used as indicator of the range and scale of activities that a Council is able to fund and carry out under the nominated Supplementary Activities component of the contract.

It is intended that the whole range of works listed under the Routine Mandatory and Supplementary activities are able to be carried out by a Council, to ensure satisfactory maintenance of the network. In this respect there should be a balance between the Mandatory and Supplementary items to ensure that all necessary maintenance activities are carried out in order to keep the road safe, trafficable, and structurally stable. All roads should be able to carry out their primary functions as transport corridors. However in order to do so it is crucial to ensure that the sub structure and structure of the pavement are properly drained and protected from the ingress of moisture by using as many of the key Supplementary activities as possible.

This means that any activity that reduces the amount of water entering or ponding on, or near the pavement and road shoulders should be carried out. This would include any of the important items such as patching, crack sealing, shoulder grading, cleaning drains and culverts and landscape maintenance.

Therefore it is expected that Councils will use all the necessary activities within the nominated Supplementary component of Routine Services in combination to protect the structure of the road asset to ensure it achieves its maximum life. Under the contract it is also anticipated that with a program of continuous improvement, some productivity gains would accrue over time that would allow an increasing amount of the nominated supplementary activities to be undertaken.

If the ranking is within or above the band range given as part of this item, RTA should also review Councils Fixed Upper Limit. A comparison can be made with other equivalent Councils, the needs of the road and the network strategy. The amount of work expected to be done should then be discussed with Council using this information to determine if any adjustments are required to the FUL limit.

RA4 FINANCIAL CONTROL

(1) Basic indicator

The percentage by which actual expenditure on Routine Services varies from the agreed Fixed Upper Limit.

(2) Purpose

This is a measure that will show how well Council is able to manage its program and cost of work done in comparison to the available funding under the agreed Fixed Upper Limit.

(3) Data requirements

Obtain the cost of Routine Services.

Check on the agreed Fixed Upper Limit.

(4) Calculation methodology and reporting

Compile Council's costs for Routine Services and compare with the Fixed Upper Limit. Then calculate the difference and obtain a percentage for comparison with the band ranges below.

Band:	RED	AMBER	GREEN
Financial Control:	>± 5% or >± \$50k	>± 2% or >± \$20k	<± 2% or <± \$20k

(5) Discussion and expectation

This is an indicator of how well Council is able to manage its maintenance operations to ensure that costs are kept within the agreed Fixed Upper Limit.

Routine Services are made up of Mandatory and Supplementary activities, and the program when approved has an agreed Fixed Upper Limit. The ability to keep within an approved limit is an indication of how well a Council is able to financially control its program while still carrying out its maintenance responsibilities.

The expectation is that this can also be used as a check on efficiency, as any savings achieved should be available to be applied to other activities. This would assist to extend the amount of work able to be done to make the network safer and enable it to achieve a longer life.

Where there is potential for over or under expenditure in the program, Council should review its works planning, program scheduling and also look at their financial management. This is particularly the case with over expenditure, where a full review of the program items applicable and the way they are being carried out should be done. If expenditure variations are likely Council should also notify and discuss these with RTA in a timely fashion in order that this does not become a continuing problem.

If Councils results are above the range given, the RTA may also have to review the Fixed Upper Limit when it is compared with other equivalent Councils to see if this requires some adjustment.

RQI FORECASTING ACCURACY

(1) Basic indicator

The Percentage by which actual expenditure on Routine Services varies from the agreed RMAP plan for that quarter.

(2) Purpose

This is a measure of how accurate Councils RMAP plan is compared to the actual cost of work carried out.

(3) Data requirements

Use the total plan figure given in the RMAP for the quarter.

Obtain the actual expenditure for the same time period.

(4) Calculation methodology and reporting

Divide the actual expenditure by the RMAP plan for the quarter and obtain the difference as a percentage to compare with the band range.

Band:	RED	AMBER	GREEN
Forecast Accuracy:	>± 20% or >± \$80k	>± 10% or >±\$40k	<± 10% or <± \$40k

(5) Discussion and expectation

This is a relatively simple process which will provide a figure that can be used in the compilation and review of the RMAP plan. The closer the calculated figure is to 100%, the more accurate the RMAP plan.

There may however be reasons why the figures do not align such as extensive wet weather, quantity changes, contractor variations, changes in price structures, incorrect work amounts or programming, latent conditions, etc.

It is expected that any discrepancy within or greater than the band range given above should be investigated by Council to determine the reasons. In order to correct this Council should investigate and improve its RMAP plan and programming, in relation to the amount of work planned to that actually carried out.

The scheduling of work should be more closely merged with the maintenance plan, the needs of the network, and the amount of funds available. Close attention should be paid to the important maintenance activities that are associated with retaining the condition of the network and safety of the travelling public.

Attention should also be given to Councils financial management processes to see if any changes are required in this area to improve the situation.

Reference is also made to the previous points under item RA4 Financial Control, and in specification M2 for more details.

RQ2 DEFECT MANAGEMENT

(1) Basic indicator

Percentage of segments that are non-compliant with regard to Mandatory Activities.

(2) Purpose

This is a core indicator as to how well Mandatory routine maintenance activities are being carried out across the network.

(3) Data requirements

Use the report of segments and length of the network with the defects beyond the UDS as in councils report. Obtain segments with defects beyond UDS in each quarter.

(4) Calculation methodology and reporting

Using the information provided by council add up the segment lengths and divide the total length of segments with defects by network length to find the percentage. Compare with the band range shown below

Band:	RED	AMBER	GREEN
Defect Management:	>10%	>5% to 10%	<5%

(5) Discussion and expectation

The Mandatory activities consist of those items that are associated with safety or provider commitment. These are core activities and are therefore a good indicator of whether a Council is fully carrying out its maintenance responsibilities. It also shows if the inspection process is reliable, and is tracking any defects that may occur on the network.

If the measure is above, is within, or close to the bands given, it should be investigated by Council to check on the efficiency of the defect tracking and inspection process. Any issues arising from this should be rectified, and arrangements made for extra inspector training to be done.

There should also be a check on the quality of work being carried out to ensure that it is being done in accordance with the appropriate specification. If there is faulty work or durability issues Council should investigate its work methodologies, and review its quality system and correct any that do not meet specification requirements.

Use could also be made of the PEGS system to check on work methodologies and obtain information from other providers that may give assistance to improve Councils systems.

.2) ORDERED WORK Key Performance Measures

QQI VALUE FOR MONEY

(1) Basic indicator

Percentage that payments for Ordered Work (>\$100,000) exceeds the summation of Benchmark Prices.

(2) Purpose

Used by Council to compare the cost of work and work practices with the Benchmark price.

(3) Data requirements

Use cost data from Council records.

The Benchmark price.

(4) Calculation methodology

Compile Councils payments for ordered work, compare with the Benchmark price, and calculate the percentage it is above or below the Benchmark.

NOTE: The Benchmark Price to be determined after receiving the State wide data at the end of financial year.

Calculation of the Benchmark Price will be in accordance with the following example:

Work Orders (value greater than \$100,000)	Activity Type	Actual Quantity (unit of measure)	Actual Rate \$ /uom (unit of measure)	Benchmarked Rate \$/uom (unit of measure)
1	251	A ₁	R ₁	BM ₂₅₁
2	258	A ₂	R ₂	BM ₂₅₈
3	261	A ₃	R ₃	BM ₂₆₁
4	265	A ₄	R ₄	BM ₂₆₅
5	284	A ₅	R ₅	BM ₂₈₄

Benchmark Rate of an ordered work activity is the **Median Rate** of an activity carried out by all the Providers.

$$\begin{aligned} \text{Actual Price} &= \sum (\text{Actual Rate} \times \text{Actual Quantity}) \\ &= \sum (R \times A) \end{aligned}$$

$$\begin{aligned} \text{Benchmarked Price} &= \sum (\text{Benchmarked Rate} \times \text{Actual Quantity}) \\ &= \sum (BM \times A) \end{aligned}$$

$$\begin{aligned} \text{KPM QQI} &= \frac{\sum \text{Actual Price} - \sum \text{Benchmarked Price}}{\sum \text{Benchmarked Price}} \times 100 \\ &= \frac{\sum (R \times A) - \sum (BM \times A)}{\sum (BM \times A)} \times 100 \end{aligned}$$

Performance Guidelines

Band:	RED	AMBER	GREEN
Ordered Work > Benchmark:	>15%	>5% to 15%	<5%

(5) Discussion and expectation

This uses the Benchmark price to measure Council's efficiency in delivering this component of the program in comparison to other Councils.

It is another of the key indicators within the Performance Guideline due to the high cost of this work, and its impact on the program and network. Costly activities such as heavy patching, bitumen resealing, shoulder re-sheeting, pavement re-building and corridor works are all important maintenance activities that assist to restore and extend the life of the asset.

They also have important road safety outcomes. Some of these include improving pavement surfaces, providing additional friction for tracking and braking vehicles, giving clearer driver sight lines, and improved occupant and driver ride comfort.

If costs under this part of the program are higher than the Benchmark price Council should review their work practices and cost structure to see if some efficiency improvements can be made. For example if the work practices and resources used are different from other Councils the resulting cost structure will more than likely be above the Benchmark price.

The expectation is that a full review of Councils cost structures and methodologies will be carried out in order to identify areas of possible savings. A reduction in cost structure could be done through changes in resources used, and by undertaking a detailed process benchmark review of their systems.

Further assistance on methodology changes or improvements should also be sought using the resources and knowledge of the Peer Exchange Group (PEG) system. Details from equivalent or better performing Councils should be available from across the state, and this information used to improve performance.

OQ2 PROJECT DELIVERY

(1) Basic indicator

Percentage of projects that achieve the completion date stated in the work order terms.

(2) Purpose

To identify the efficiency and timeliness with which projects are delivered in comparison to forecast

(3) Data requirements

Date of completion as submitted on the Work Order and the actual completion date.

Total number of projects and number of projects not completed in time.

(4) Calculation methodology

Divide the number of projects not completed on time, by the total number of projects then display the number as a percentage and compare with the band range.

Band:	RED	AMBER	GREEN
Project delivery:	<70%	70% to <85%	>85%

(5) Discussion and expectation

If there is a delay in completing a project and it occurs on a number of projects there will more than likely be a flow-on effect which may have major negative repercussions on the successful delivery of the whole program.

This is an undesirable situation and must be avoided wherever possible.

This indicator is a core measure as non-compliance in achieving project delivery time means there is a problem with the project planning, organisation, or delivery. If this is occurring and the percentage is in the band areas listed a review should take place to find the reasons, and remedial action taken as soon as possible to avoid in future.

To rectify, an analysis should be carried out on the projects concerned to find the problem. The data used to compile the project plan, resources and timeline would have to be reviewed and compared to the actual components and times achieved to assess where the major discrepancies occurred. From this knowledge adjustments should be made to future planning criteria, and this should be monitored to ensure adequacy of the solution.

If delays have been caused by seasonal weather events, consideration should be given to changing future programs to a time that is more suitable for the activity being carried out.

OQ3 QUALITY OF WORK

(1) Basic indicator

Percentage of rework for spray sealing, asphalt resurfacing and pavement rebuilding.

(2) Purpose

Identify if the work performed under these activities meets the quality criteria as set out in the specifications.

(3) Data requirements

The area of faulty pavement for each activity listed.

The total of the areas planned to be completed for each activity.

(4) Calculation methodology

Use the total area of faulty work divided by the total activity areas planned for completion. Convert to a percentage and compare with the band ranges listed.

Band:	RED	AMBER	GREEN
Quality of works:	>5%	>2% to 5%	<2%

(5) Discussion and expectation

The activities covered under this measure consist of many of the major high cost items listed under Ordered Work. These are important maintenance activities due to their effect on asset life and ability to extend the life of the asset, the relatively high cost of this work, and road safety outcomes.

Therefore to get full value for the investment an important goal for the RMCC is to obtain a reduction in the amount of rework being done. This is also an indication of improved quality when the percentage is reduced.

The amount of rework required can be put down to a number of factors. These may include not enough pre-investigation, design matters, incorrect work practices, quality of materials, geotechnical matters, prevailing weather conditions, and lack of knowledge and/or training.

The majority of factors relate to quality issues, therefore it is important that Councils quality systems, surveillance, materials, and treatment selection are suitable and controlled. The processes used should also be carried out properly, and be suited to the work proposed. Inattention to any of these factors could result in minor or major failures that will require the work to be redone.

This is a very important indicator and may also raise significant safety issues if the faulty work is located on or near the normal vehicle line of travel on the pavement. Rectification is also an issue as it involves additional disruption to the travelling public, adverse publicity, and means extra time and costs to the program. All of these matters reflect poorly on the Council organisation concerned and RTA.

This indicator should be used as a trigger for a comprehensive review to be carried out on Councils quality system and methodology, using as a guide the matters raised in this section. Any changes made should be monitored for effectiveness, and an active watch kept that ensures continuing compliance.

.3) MANAGEMENT Key Performance Measures

MQI INSPECTIONS

(1) Basic indicator

Percentage of scheduled inspections not completed.

(2) Purpose

Used as a measure of how regularly Council is carrying out this activity to ensure public safety and that the quality of work meets contract specifications.

(3) Data requirements

Use data from the number of inspections planned.

The number of inspections not completed.

(4) Calculation methodology

The number of inspections not completed divided by the number of inspections planned, with the result presented as a percentage. Compare with the band range given below.

Band:	RED	AMBER	GREEN
Inspections:	>10%	>5%	

(5) Discussion and expectation

The inspection of assets on a regular basis is a key function that must be carried out within a maintenance program. This is one of the more important onsite management functions under RMCC, and should be carried out regularly in accordance with the contract conditions. It reports on the network condition and quality of work done, and collects condition data for future use.

The information contained in the reports should be used to update records, and then be integrated with existing forward planning. This should ensure that under this process priority is given to safety issues and other matters that would adversely affect the life of the asset.

Input from the inspections is key data as it also forms a basis for the planning and preparation of subsequent RMAP's. These are important documents as most of the RMCC programming and works planning is managed and controlled using the RMAP process. Regular inspections allow this information to be readily available and used by Council when preparing and updating their latest version of the RMAP.

The inspection and surveillance component performs an essential function within the system by providing assurance that all onsite QA is being carried out. If this is not done properly or inspections are being missed under this measure, a review of Councils systems should be carried out.

To rectify this core activity high priority must be given to ensuring that staff are experienced and adequately trained to be able to identify and record any defects or problems. A proper follow up of training may be required, and sufficient resources are provided and available to meet the inspection frequency criteria.

MQ2 REPORTING

(1) Basic indicator

Submission of complete and accurate Progress Reports including the KPM Report, Accomplishment Report and RMAP.

(2) Purpose

Provision of timely and accurate reporting so that individual Councils and composite Regional and State progress reporting can be done, and to ensure data is available for benchmarking and continuous improvement.

(3) Data requirements

All the data required to prepare the Progress, KPM, Accomplishment Reports, and RMAP.

(4) Calculation methodology

Obtain the date the report is received, check against the date required, and then compare with the rankings below.

Band:	RED	AMBER	GREEN
Reporting:	More than 1 month late	More than 2 weeks late	Within 10 business days of last quarter

(5) Discussion and expectation

The submission of accurate reports by Council on time is necessary so that contract and designated RTA personnel have them for review and action. They are also required so that RTA Regional and State reporting can be completed on time and is not delayed.

The individual reports contain data that is important to composite RMCC reporting, and individual delays will have a cumulative delay on this and other reporting.

Delays in reporting give Council a trigger to review its system response times, determine the cause, and rectify it. Typical areas that should be looked at includes the way records are collected and held, and review the level of resources that are available to carry out this function. Once data is collected there must be effective systems in place to ensure that the information required can be provided on time.

MQ3 QUALITY SYSTEM

(1) Basic indicator

Number of CAR's, NCR's not closed out plus the number of NPSN's issued in a quarter.

(2) Purpose

This measure will provide an indicator of the number of non conformances or non conforming products and services that are occurring as a check on the provider's quality system.

(3) Data requirements

The number of CAR's, NCR's and NPSN's.

(4) Calculation methodology

Add the number of CAR's, NCR's and NPSN's and compare with the band range to determine compliance.

Band:	RED	AMBER	GREEN
Quality System:	>5	>2	0

(5) Discussion and expectation

This indicator is a measure of Councils compliance with the quality system.

If the total number of CAR's, NCR's and NPSN's are greater than the number listed in the table a review should be carried out to find the reasons. These could include staff being away, lack of staff training, new staff, not programming defects, not following up, or ignoring defect reports, etc.

The number of CAR's, NCR's and NPSN's are a key component of the quality system for the identification of work or processes not being carried out properly. For this part of the quality system to operate properly it is necessary for any non conformances to be followed up within the specified time. The faulty work or action should then be rectified to allow the CAR, NCR to be closed out.

Action should also be taken to remedy any system problems to ensure full compliance in the future.

MQ4 CUSTOMER SERVICE

(1) Basic indicator

Percentage of inquiries or complaints within a quarter that are unresolved for more than 4 weeks.

(2) Purpose

This is a measure of the responsiveness of Councils customer service system to deal with complaints received within a reasonable length of time.

(3) Data requirements

Number of complaints received and not dealt with within a month.

(4) Calculation methodology

Obtain the number of complaints, convert to a percentage and compare with the band range.

Band:	RED	AMBER	GREEN
Customer Service:	>10%	>5% to 10%	0 – 5%

(5) Discussion and expectation

If the percentage of complaints not dealt with satisfactorily is within or above the range given, a review of Councils complaints system and procedures should be carried to rectify the problem.

An important function of a service maintenance organisation is to complete the investigation of any complaints received, and report back to the customer as soon as practicable. From time to time there may be some reasons such as extensive adverse weather conditions causing delays in carrying out repairs, or say certain plant being broken down or not immediately available to respond. Other reasons could be delays in getting a response from another organisation, specialist staff not being available, delays in the mail system, etc.

However it would generally be expected that these reasons would only apply occasionally, and it is not acceptable for a system not to operate properly in the majority of occasions. Operational matters that can affect public safety should be prioritised and an immediate response provided that will make the situation safe. This could include carrying out necessary repairs, providing warning signage, providing a detour or even closing a road. Delays in a response that affects safety are considered serious, and are required to be investigated and solutions found. Any review carried out should identify where the delay is, what caused it, where the system is breaking down and not able to meet its response time, and provide practical remedial solutions.

MQ5 NUMBER OF INSURANCE CLAIMS

(1) Basic indicator

Number of claims made for reimbursement of:

- (i) excess payable under the PAI scheme related to the Services; and
- (ii) third party claims related to the Services which would otherwise be covered by PAI, except the amount of the claim is less than the excess under PAI.

(2) Purpose

A measure of the number of claims made against Council under the PAI scheme.

(3) Data requirements

Number of claims made for reimbursement of excess, and

Number of third party claims which would otherwise be covered, except amount of claim is less than excess.

(4) Calculation methodology

Obtain the number of claims and check the band range.

Band:	RED	AMBER	GREEN
Customer Service:	>5	0 - 5	0

(5) Discussion and expectation

The number of claims made against a Council in a given period can be taken as a measure of its quality, reporting and operating systems. It is a reflection on the effectiveness in recording defects or public complaints that may lead to a claim, and its ability in being able to rectify them within the prescribed time.

The process improvement and systems necessary to review this item include checking that inspections are carried out within the frequency planned, and any defects noted, then are recorded in priority for further action. Significant defects that may have an effect on safety and traffic under the quality system must be rectified within the intervention period, or before if they are such as to cause any danger. If required in the short term depending on the situation prior warning signs should be placed in accordance with proper traffic management principles if remedial action can not immediately be arranged.

Any rectification proposed should be adequate, and work scheduled and carried out within Councils program depending on priority and the intervention criteria. Other areas that could be applicable for checking would be the complaints system and quality of current work practices including those of any subcontractors.

MQ6 VALUE OF INSURANCE CLAIMS

(1) Basic indicator

Value of claims made for reimbursement of:

- (i) excess payable under the PAI scheme related to the Services, and
- (ii) third party claims related to the Services which would otherwise be covered by PAI, except the amount of the claim is less than the excess under PAI.

(2) Purpose

A measure of the value of claims made against Council under the PAI scheme.

(3) Data requirements

Value of claims made for reimbursement of excess, and

Value of third party claims which would otherwise be covered, except amount of claim is less than excess.

(4) Calculation methodology

Obtain the value of claims and check if they are above the value in the band range.

Band:	RED	AMBER	GREEN
Customer Service:	>\$10,000 in total	0 - \$10,000 in total	\$0 value

(5) Discussion and expectation

The value of claims made against a Council in a given period can be taken as a measure of its defect tracking, reporting, scheduling, quality, and operating systems. It is a reflection on the effectiveness of the safety and quality systems, the complaints that may lead to a claim, and then the ability in being able to rectify these within a given time.

It is expected that process improvement systems would be used to review this item and would include checking that safety, quality and all other inspections are carried out within the frequency planned, and any defects noted are properly recorded for action. Matters that can affect safety or defects that have an effect on traffic under the quality system must be rectified within the intervention period or earlier, especially if they are such as to cause a dangerous situation.

Alternatively in the short term depending on the severity of safety issues, adequate prior warning devices should be placed at applicable locations in accordance with accepted traffic management principles.

The rectification proposed should be adequate, then scheduled and carried out within Councils program depending on work priorities and intervention criteria. Other areas that could be applicable for checking would be the complaints system, operational activities and the quality of current work practices including those of any subcontractors.