

## Notice of Meeting

# Environment & Transport Select Committee



**Date & time**  
**Thursday, 7**  
**February 2013**  
**at 10.00 am**

**Place**  
Ashcombe Suite,  
County Hall, Kingston  
upon Thames, Surrey  
KT1 2DN

**Contact**  
Tom Pooley or Andrew  
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Room 122, County Hall  
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**Chief Executive**  
David McNulty

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If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9068, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email [thomas.pooley@surreycc.gov.uk](mailto:thomas.pooley@surreycc.gov.uk) or [andrew.spragg@surreycc.gov.uk](mailto:andrew.spragg@surreycc.gov.uk).

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Tom Pooley or Andrew Spragg on 020 8541 9122 or 020 8213 2673.

### Members

Mr Steve Renshaw (Chairman), Mr Mark Brett-Warburton (Vice-Chairman), Mr Victor Agarwal, Mr Mike Bennison, Mr Stephen Cooksey, Will Forster, Mr Chris Frost, Mrs Pat Frost, Simon Gimson, Mr David Goodwin, Mr Geoff Marlow, Mr Chris Norman, Mr Tom Phelps-Penry, Mr Michael Sydney and Mr Alan Young

### Ex Officio Members:

Mrs Lavinia Sealy (Chairman of the County Council) and Mr David Munro (Vice Chairman of the County Council)

## TERMS OF REFERENCE

The Select Committee is responsible for the following areas:

### Environment

- Strategic Planning
- Countryside
- Waste
- Economic Development & the Rural Economy
- Housing
- Minerals
- Flood Prevention

### Transport

- Transport Service Infrastructure
- Aviation
- Highway Maintenance
- Community Transport
- Local Transport Plan
- Road Safety
- Concessionary Travel

## PART 1 IN PUBLIC

### 1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

### 2 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

**Notes:**

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

### 3 QUESTIONS AND PETITIONS

To receive any questions or petitions.

**Notes:**

1. The deadline for Member's questions is 12.00pm four working days before the meeting (1 February 2013).
2. The deadline for public questions is seven days before the meeting (31 January 2013).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### 4 SURREY HIGHWAYS - MAY GURNEY MID YEAR REPORT

(Pages 1  
- 18)

**Purpose of report:** Scrutiny of Services and Budgets

To provide the Committee with an update of performance to date regarding the May Gurney contract.

### 5 DATE OF NEXT MEETING

The next meeting of the Committee will be held at 10am on 6 March 2013.

**David McNulty**  
**Chief Executive**

Published: Wednesday, 30 January 2013

## MOBILE TECHNOLOGY – ACCEPTABLE USE

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Environment & Transport Select Committee  
7<sup>th</sup> Feb 2013

**Surrey Highways – May Gurney Mid Year Report**

**Purpose of the report:** Scrutiny of Services

This annual report provides a performance overview of Surrey Highways' main contractor May Gurney's delivery against contract targets and expectations between April to December 2012.

**Introduction**

1. The Core Maintenance Contract delivers six key contract activities, which are managed through the effective deployment of the contract governance and control mechanisms.
2. Performance statuses against each of the six key activities are detailed below, with a performance summary of each activity provided within the main body of the report. A status report is also provided on the contract governance and control mechanisms.

Ref	Activity	Description	Status
<b>Contract Delivery</b>			
1.	Emergency Repair	Respond and make safe emergency repairs (as defined by SCC matrix) to carriageway within <b>2 hours</b> of notification. Permanently repair defect with <b>28 days</b> .	Green 
2.	Safety Repairs	Respond and make safe safety repairs (as defined by SCC matrix) within <b>24 hours</b> of notification. Permanently repair defect with <b>28 days</b>	Green 

3.	Minor Works Programme	Undertake minor repairs to bollards, signs, kerbs and carriageway patching	Amber 
4.	Planned Maintenance Repair*	Undertake planned repair to network as determined by annual maintenance programme, e.g. carriageway resurfacing.	Green 
5.	Deliver Integrated Transport Schemes (ITS)*	Deliver transport and safety schemes to improve highway safety and reduce congestion*	Green 
6.	Winter Service*	Ensure defined routes are pre-treated prior to severe weather conditions and respond to road clearance during severe weather event.*	Green 
<b>Contract Governance</b>			
1	Contract Leadership & Management	Develop partnership culture and relationship that supports Surrey Highways to deliver their long term vision	Green 
2	Business Processes & IT Systems	Deliver end to end processes which are lean, automated and provide accurate management information	Amber 
3	Programme Co-ordination & Advance Works Notification	Deliver highway works which are co-ordinated with utilities and partner's works programmes, and ensure that residents are fully notified of works in their area	Amber 

\* Delivery of Planned Maintenance, Integrated Transport Schemes and Winter Service are being reviewed separately, and progress report on performance will be submitted for scrutiny to Environment & Transport Select Committee in July 2013 as part of the Annual Review.

### **Section 1: Emergency Repairs**

3. Responding to emergency defects on the highway network has continued to be one of May Gurney's strengths.
4. Between April and December 2012, May Gurney responded to 4547 emergency calls. The service is delivered under a fixed price, meaning regardless of volume and amount of materials used, SCC will not pay any costs over pre-agreed contract price. Emergency Response will only be carried out if the defect poses significant safety risk to the public or in creating a public hazard.

## Make Safe Following Incident

5. On average in the first year May Gurney made safe **98%** of all emergency defects within 2 hours. This is a 3% increase on year one, with May Gurney now achieving their performance target. It is also noted that the number of emergency call outs has increased, primarily due to the severe flooding events in June and October 2012.
6. The table below confirms performance by area, with particular success in Woking where 100% of emergency calls were responded to within 2 hours:

Dec-March	Nbr of Reported Defects	% Made Safe in 2 hours
Elmbridge	397	97%
Epsom & Ewell	222	99%
Guildford	720	98%
Mole Valley	471	98%
R&B	596	98%
Runnymede	306	98%
Spelthorne	317	98%
Surrey Heath	267	98%
Tandridge	475	99%
Waverley	539	99%
Woking	237	100%

7. This success has been delivered via May Gurney implementing several critical improvements:
  - **Dedicated Emergency Crews** – updated training was provided to the 3 dedicated emergency crews who are now tasked with responding to emergencies,
  - **Improved equipment** – Emergency crews now retain tree cutting and additional equipment. Fallen trees represent over 60% of call outs and thus access to chain-saws enable quick response
  - **Control Hub** – a new process was implemented to ensure Accident & Emergency calls are recorded and managed

## Permanent Repair

8. One of the weaknesses identified in the first year of operation, was follow up repairs to emergency call outs. Under contract May Gurney are required to permanently repair within 28 days. In the first year 2012/13 May Gurney achieved a 70% success rate, however, this has significantly improved, and from April to December 2012 May Gurney achieved 98% success rate.
9. The performance improvement is primarily down to improved processes which highlight to May Gurney operatives how long a repair has been outstanding and increased focus from senior management team.

## Severe Weather

10. One issue which has increased in severity in 2012 is the increasing frequency of severe weather creating flooding and hazards to the network.
11. Flooding events, where rivers exceed safety levels or excess surface water creates hazards, have tested May Gurney's resource management. A recent contract review has identified a number of required improvements in the overall service delivery, both from a Surrey Highways and May Gurney perspective. Four key weaknesses identified include:
  - Out of business hours, there is no single senior May Gurney contact point for SCC Emergency Planning & Emergency Service
  - Delays in May Gurney mobilising large numbers of crews outside of office hours – 3 crews remain on permanent standby. However, in periods of severe weather this can increase to 6 to 8 gangs which require quick mobilisation
  - Communication – in periods of severe weather the Control Hub does not have capacity to answer all phone calls within required timescale, leading to caller frustration and increased call diversions to the SCC Contact Centre;
  - Lack of clarity between roles and responsibilities between SCC and May Gurney staff
12. The review highlighted that no member of the public was placed at risk during recent flooding events, and all emergencies were managed within timescale. However, the issues did create unnecessary confusion and frustration, which need to be addressed.
13. An action plan has therefore been agreed and is summarised below:
  - **Severe Weather Plan** – a review is being undertaken to update the Severe Weather Plan and ensure it is fit for purpose, previously it focused primarily in responding to a snow event, and will now be expanded to incorporate flooding events
  - **New Manager**– a new dedicated manager will be appointed to specifically deliver the Emergency Service
  - **Business Continuity Plan** – joint review of SCC Business Continuity Plan with Emergency Planning
  - **Review Contact Centre Arrangements**– currently out of hours contact centre is managed from remote call centre, May Gurney are exploring benefits of implementing on-site 24 hour response centre

14. In conclusion May Gurney continue to deliver an excellent emergency response service and protecting the public within the 2 hour timescale, while the actions taken since April 2012 have had the desired impact on permanent repairs. However, issues have been identified in the contractor's response to severe flooding (outside business as usual) and this is currently being addressed.

<b>Section 3: Safety Repairs</b>
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15. Under the contract May Gurney agreed a fixed price to repair all Safety Defects. Safety Defects are defined as defects on the carriageway or footway which could **directly** cause physical harm to a vehicle or user. A Highway Safety defines specific categories of activity.
16. The contract stipulates that May Gurney must make safe high risk defects within 24 hrs (i.e. temporary repair) and permanently repair all defects (either high or low risk) with 28 days. All Safety Defects are repaired under fixed price and must comply with the Highway Safety Matrix. For example, this includes any pothole in the carriageway with over 40mm depth.
17. As part of the contract negotiations May Gurney assumed they would repair 30,000 defects per annum with the majority relating to potholes. Any defects above the 30,000 would be at May Gurney's expense. The fixed price also incentivises May Gurney to permanently repair defects on the 1<sup>st</sup> visit, as SCC only pays for one visit per defect, thus every repeat visit is at May Gurney's expense.

## PERFORMANCE RESULTS (APR – DEC 2012)

### High Risk Defects (24 Hr)

18. The annual report to Environment & Transport Select Committee in July 2012 confirmed that after a difficult start to the contract, achieving only an 85% success rate, by the end of the first year performance had significantly increased to reach the required 98%.
19. This high performance has continued, and the table below details April to December performance:

	<b>Nbr of Reported Defects</b>	<b>% temporary repaired with 24 hours</b>
<b>Elmbridge</b>	3402	<b>97%</b>
<b>Epsom &amp; Ewell</b>	1210	<b>96%</b>
<b>Guildford</b>	2083	<b>97%</b>
<b>Mole Valley</b>	1857	<b>97%</b>
<b>Reigate &amp; Banstead</b>	3092	<b>97%</b>
<b>Runnymede</b>	653	<b>95%</b>
<b>Spelthorne</b>	2360	<b>95%</b>

<b>Surrey Heath</b>	787	<b>98%</b>
<b>Tandridge</b>	2245	<b>98%</b>
<b>Waverley</b>	2653	<b>97%</b>
<b>Woking</b>	828	<b>96%</b>
<b>Total</b>	<b>21,170</b>	97%

\*lower result due to high number of severe weather events.

20. May Gurney have therefore repaired 20,460 defects within 24 hours and on average since April 2012 achieved a 97% success rate, with two key incidents reducing their overall average performance:
  - **October Flooding** – severe weather and flooding placed unusually high pressure on overall May Gurney resources, with an extra 300 calls reported in a 24 hour period. This was the only month where May Gurney failed to achieve the required 98%, instead achieving 85%,
  - **Runnymede** – in the Runnymede area in August May Gurney repaired within 24 hrs 42 defects out of a target of 50, resulting in a low performance rate of 84%. The reduction was due to a specific gang operative and remedial action was taken.
21. When the two incidents are removed from the average, (with the exception of October) May Gurney achieved 98% though out the review period.
22. Each month quality audits are undertaken on a random basis by SCC Engineers to assess the quality of repairs. To date the audits have not found any material issues in workmanship or material quality
23. However, areas of concern have been identified with:
  - Increasing number of temporary repairs which are then repaired at a later date
  - Potholes repaired on roads, where, due to overall road condition, a more effective solution would have been to undertake larger scale re-surface
  - Lack of effective scheduling creating unnecessary cost and frustration
24. Following review one of the key decisions driving the above behaviour is the need to repair defects within 24 hours. Tight timescales are driving the wrong behaviours with a focus on achieving KPI targets and repairing defects as quickly as possible, rather than a more considered and engineering approach to decide the best type of repair for the road.
25. Following review, officers are therefore recommending a revision to the repair timetable and this proposal will be submitted as part of Phase 2 Transformation Programme to Cabinet in February 2013.

## Low Risk Defects (28 day)

26. The pattern for 28 day repair reflects the performance detailed above for 24 hours, with the contract achieving expected quality standards and repair timescales. See the table below:

	<b>Nbr of Reported Defects</b>	<b>% repaired with 28 days</b>
<b>Elmbridge</b>	4855	99%
<b>Epsom &amp; Ewell</b>	2001	99%
<b>Guildford</b>	4210	97%
<b>Mole Valley</b>	4784	99%
<b>Reigate &amp; Banstead</b>	5431	99%
<b>Runnymede</b>	1286	97%
<b>Spelthorne</b>	3143	98%
<b>Surrey Heath</b>	2210	97%
<b>Tandridge</b>	3913	99%
<b>Waverley</b>	5278	98%
<b>Woking</b>	1083	98%
<b>Total</b>	<b>38,194</b>	<b>98%</b>

27. The performance output therefore continues to meet expectations with 37,500 defects repaired within 28 days.
28. However, the defects volume remains an ongoing concern, with May Gurney continuing to make a financial loss on the delivery of service, with 8 additional gangs employed at May Gurney expense to meet KPIs. Although the loss is not preventing existing contract improvements, they will affect long term health the of partnership if not addressed.
29. The volume level is also a concern from a highway management perspective, as repairing this level of defects is not the effective solution for the asset. However, before any action can be taken both parties need to fully understand the root cause of defect volume.
30. This analysis will be undertaken in 2013 and will help direct future policy and strategy.

## Online Reporting Tool

31. The Online Reporting Tool was launched in 2010 to enable residents to report potholes, and its success is represented in the level of defects now reported.
32. In the last six months the website has been successfully upgraded so that residents can now automatically report all Highway Defects including:

- Footway issues
  - Drainage Issues
  - Kerbs
  - Damage to Grit Bins
  - Problem with trees and vegetation
33. The increased number of options has enhanced the web reporting tool and it continues to deliver a vital service.
34. However, issues remain in how repaired defects are communicated to residents. Independent audits confirm that defects are responded to and repaired in the correct timescale, however, the automated response to residents (which should be generated following repair of defect) is not always issued at the correct time.
35. This error is being reviewed and a resolution is expected shortly.

#### **Section 4: Minor Works Programme:**

36. The Minor Works programme improves the overall appearance and user experience of the highway network, delivering a range of functions including:
- Carriageway patch repairs
  - Footway repairs
  - Sign maintenance & replacement
  - Bollard / fence maintenance & replacement
37. It is not responsible for vegetation works or tree maintenance and this is therefore excluded from this performance review.
38. Following the first year of operation, the delivery of Minor Works was identified as one of the key areas of improvement. The performance review in 2011/12 identified a number of issues both in May Gurney and internal to Surrey Highways.
39. A Performance Action Plan was therefore implemented and the activities to date are detailed below:

<b>Performance Issue</b>	<b>Required Actions</b>	<b>Action To Date</b>
<p><b>Funding Ambiguity</b> – the funding for Minor Works is separated between Local Area Committees (managed on their behalf by Area Managers) &amp; the Surrey Highways Operations Team. This has led to confusion over where to allocate funding, leading to delays over order approval.</p>	<p><b>New Funding Matrix</b> – a new funding matrix will be implemented to clarify what the different funding streams can support.</p>	<p>Due to the mix of activities between Local Highways and Operations a Funding Matrix was not found to be practical. However, a Principals Statement has been agreed which confirms the focus of each budget area. This has helped both departments target their funding and refused ambiguity.</p> <p><b>Status: Green</b></p>
<p><b>Order Process</b> – there is currently a one size fits all process for schemes regardless of scale. Thus schemes of smaller value are treated to same lengthy risk assessment and process as large maintenance schemes</p>	<p><b>New 5 Day Order Process</b> – May Gurney and SCC have agreed a new SLA &amp; works process that will ensure all works under £10,000 are ordered and a construction date confirmed within 5 days of SCC placing order.</p>	<p>A number of workshops have been held to agree new draft process, with new process expected to be delivered from May 2013</p> <p><b>Status: Amber</b></p>
<p><b>May Gurney Resources</b> – At contract award funding for Minor Works was not anticipated to be high. Yet following award the Council Leader announced increase in funding to local committees and contract savings enabled additional Surrey Highways minor works budget. However, as consequence of initial assumption May Gurney were not resourced to deliver a large minor works programme leading to overall delays</p>	<p><b>MG Increase Resources</b> – Under agreed re-structure MG will appoint 3 additional resources specifically for minor works including dedicated works supervisor and cost estimator.</p>	<p>All additional resources have been appointed</p> <p><b>Status: Closed</b></p>
<p><b>Member Communication</b> – members placed orders with local teams however, there was no effective method to confirm status of orders or expected delivery dates, leading to confusion and frustration.</p>	<p><b>New Members Portal &amp; Gateway Process</b> – From 1<sup>st</sup> September all orders will have a clear Gateway Status. This will confirm if order is waiting for budget approval (Gateway 1); final design (Gateway 2); MG construction date (Gateway 3); or has been completed (Gateway 4).</p> <p>A new online Members Portal will also be launched which will</p>	<p>Officers are working with Democratic Services to develop application as part of new Members Mobile Solution. However, activity is behind schedule due to need for IT team to focus on resolving SAP issues. Project is therefore six months behind schedule.</p> <p><b>Status: Amber</b></p>

	allow members to self service orders, viewing order gateway status in real time.	
<b>Order Accountability –</b> There was a lack of accountability for orders between officers and suppliers. Leading to inertia and actions not been addressed. Issues were also identified in lack of understanding of process and systems	<b>Training Programme –</b> A revised training programme will be launched to all relevant staff in the summer providing training on process and roles/responsibilities.	A full training programme was provided between November and December.  <b>Status: Green</b>
<b>Reporting –</b> there was no efficient reporting structure for Minor Work, consequently management were not aware of works delays until after receipt of complaints	<b>New Business Reports –</b> a new monthly financial and programme report will be produced to monitor spend activity per committee and to ensure works meet SLA requirements	New Report has been launched allowing managers to view status of any works order. Next Stage is enhance report to allow it to automatically escalate orders not completed within agreed SLA  <b>Status: Green</b>

40. The Performance Action Plan has therefore improved the Minor Works process, however, there is further work required to fully achieve objectives.
41. Both SCC & May Gurney are committed to implementing the changes and tangible improvements should be visible from June 2013, however, the project is overall behind schedule due to the need to focus on IT and Process Improvement Resource on delivering Project Fix It detailed in Section 7.

#### **Section 6: Contract Leadership & Management:**

42. The leadership from the May Gurney contract continues to meet expectations, with leadership enabling not only delivery of contract KPI's but also a significant strategic change programme, referred to as Phase Two of the Surrey Highways Transformation Programme.
43. The outcomes of the Change Programme will be submitted to Cabinet on 26<sup>th</sup> February 2013.
44. The Surrey Highways senior team is now focused on working with the May Gurney leadership team to refresh and improve the middle management structure. This includes strengthening middle manager roles and re-defining the role of the May Gurney "Supervisor". This is to improve responsiveness to junior staff, and accountability (at all levels) to financial processes.

## Section 7: Business Processes & IT Systems:

45. The new contract represented a completely different way of working for all SCC and May Gurney staff, with new IT systems and processes. A significant period of embedding and process review was therefore always anticipated.
46. However, implementing the new processes and IT systems was identified as one of the critical issues in the first year of the contract. The primary concern related to delivering a fully transparent financial process (identified as a weakness by external audit report) and reviewing the hand held devices.
47. A full time project was therefore instigated, referred to as Project Fix It, composed of full time dedicated SCC and May Gurney staff.
48. The project plan for Project Fix It, was divided into three key stages
  - **Level One:** Improve Financial Accountability and Document Control
  - **Level Two** – Review and embed new financial processes
  - **Level Three** – implement improved IT systems and automated financial reports

The outcome of each stage, and activities still outstanding are detailed below:

### **LEVEL ONE: FINANCE ACCOUNTABILITY & DOCUMENT CONTROL**

49. Level One was primarily to resolve the concerns with the overall end to end financial process, from work order to payment, and delivering the required improvements identified by the external audit report.
50. The Audit Report was submitted to Environment & Transport Select Committee in July 2012. However, in summary although the audit found no evidence of any abuse of financial regulations, they did advise improving controls to reduce the risk of any potential future concerns. See finance control concerns and actions delivered below:

Finance Control Concern	Project Fix It Action:
<b>1: Completion Certificates</b>	
<p>All schemes over £10,000 require an approved Completion Certificate to enable full payment release</p> <p>However, there was no formal record of Completion Certificates that audit could independently assess, while there was concern that completion certificates were</p>	<p>A new electronic Completion Certificate went live on 1<sup>st</sup> January 2013. This provides a permanent record of all schemes, with SCC engineers receiving an automated email when May Gurney raise a new Completion Certificate. This can only be approved by the engineer who commissioned scheme.</p>

	<p>being lost and/or duplicated.</p> <p>There was also no way of ensuring that the correct engineer (with level of authority) had approved Completion Certificate.</p>	<p>The electronic Completion Certificate is thus a permanent record for future audits and has fully addressed audit concerns.</p> <p>To provide additional confidence a full manual audit was also undertaken of paper Completion Certificates completed April to December 2012 to ensure full compliance.</p> <p><b>Status: Closed</b></p>
<b>2: Variation Control</b>		
	<p>SCC Engineers are required to approve all scheme variations before implementation. Two concerns were identified:</p> <p><i>a. Variation Form:</i> concern was identified that variation form was missing key information to enable effective audit of decisions, e.g final price was kept on separate form</p> <p><i>b. Full Scheme Costs</i>– cost variations are raised as separate work orders, thus engineers have to separately manually calculate total price of scheme by combining separate work orders</p> <p><i>c. Variation Payment</i> - Maximo cannot automatically change original SAP order, thus engineers have to create separate invoice to pay variation, even if it is only £5 difference creating unnecessary work</p>	<p><i>a.</i> New Variation Form was implemented in October 2012 and meets all audit requirements.</p> <p><i>b.</i> Maximo has been upgraded to now automatically amend original scheme price each time variation is approved.</p> <p><i>c.</i> Upgrade planned for June 2013 to enable Maximo to automatically update original SAP order.</p> <p><b>Status: Green</b></p>
<b>3: Roles &amp; Responsibilities</b>		
	<p>There was no defined role within the contract regarding who was the “owner” of financial process and thus ultimately accountable for ensuring financial processes were adhered to.</p>	<p>New Commercial Managers have been appointed in both SCC and May Gurney. In addition SCC has also appointed additional “Cost Analyst” to enable increased random auditing of process</p> <p><b>Status: Closed</b></p>

<b>4. Clear Audit Process</b>	
There was no system in place for Surrey Highways to audit its own financial processes and ensure that both May Gurney and SCC staff were complying	New Business Management Quality Process approved with clear defined audit timetable for all parts of financial process <b>Status: Closed</b>

## **LEVEL TWO: REVIEW & EMBED NEW PROCESSES**

51. Level Two primarily focused on the end process, to improve controls and reduce risk, and raise overall awareness.

<b>Finance Control Concern</b>	<b>Project Fix It Action:</b>
<b>1: Invoice Payment Process</b>	
Maximo & SAP were not integrated. Thus an invoice was raised in Maximo and then manually transmitted to SAP. This not only created significant level of unnecessary manual effort but also increased risk that May Gurney could increase invoice value after Surrey Highways had approved payment on Maximo.	SAP/Maximo Integration went live on 1 <sup>st</sup> January. Payments are now raised directly from Maximo to SAP with no manual intervention in SAP, i.e. Maximo automatically “goods receipts” after SCC Engineer approves order on Maximo. This has reduced payment process by five days and removed 8 people from the resource. In addition there is no opportunity for MG to amend invoice after SCC approval.  <b>Status Closed</b>
<b>2. Financial Process</b>	
There was no consistent understanding of end to end financial process	Process full now mapped and further training sessions being arranged for May.  <b>Status: Green</b>
<b>3: Gateway Process</b>	
May Gurney IT Team had ability to approve orders on behalf of SCC, and SCC Engineers had option to delegate gateway approval to non budget holders	Gateway security controls enhanced with only SCC Budget Holders able to amend Gateway 3.  <b>Status Closed</b>

<b>4. Financial Delegation</b>	
<p>SCC Financial Rules require a Level 4 Manager to approve all work orders. However, volume of highways orders make this impractical as would require Group Manager to approve all orders.</p>	<p>Business Case submitted to central finance to review Financial Standing Orders and to allow responsibility for work orders to be delegated to Level 5 manager</p> <p><b>Status Green</b></p>

### **LEVEL THREE: IMPLEMENT NEW IT SYSTEMS & REPORTS**

52. Level Three primarily focused on developing automated reports for managers to action and implement new IT systems to improve overall delivery.

<b>Finance/ Highways Control Concern</b>	<b>Project Fix It Action:</b>
<b>1: Handheld Mobile Devices</b>	
<p>PDA's were not operating effectively for SCC Inspectors and May Gurney Operatives, with significant business inefficiencies and staff frustration.</p>	<p>Mobile Devices have been upgraded and are now delivering process, however, overall process is still not optimised.</p> <p>Business decision taken to bring forward planned refresh of mobile devices, originally planned for 2014.</p> <p>A new device will thus be implemented in July 2013 for both inspectors and gangs. The new mobile devices will also deliver new optimised process for safety defects to improve productivity.</p> <p>New devices are currently in testing and are on schedule for deployment.</p> <p><b>Status Amber</b></p>
<b>2. Data Fields</b>	
<p>Engineers were not completing all required fields on Work Order Form. This was delaying order and creating additional manual work</p> <p>There was large amount of data errors from mobilisation which was corrupting reports.</p>	<p>Data Fields now shown as mandatory and additional training provided to staff.</p> <p>Full data cleanse of Maximo is currently in progress to remove all previous inaccurate data.</p> <p><b>Status Green.</b></p>

<b>3. New Automated Reports – Defects &amp; KPIS</b>		
	All business reports were created manually leading to increased effort and opportunity for data error.	New Report Suite has been launched and is currently in testing and will be deployed in March 2013.  <b>Status Amber</b>
<b>4. New Automated Reports – Defects &amp; KPIS</b>		
	There are no clear reports for financial forecast and budget management.	Surrey Highways are working with corporate finance team to deliver new SAP Dashboard planned for next financial year.  <b>Status Amber</b>
<b>5. New Programme Management Tool</b>		
	Programme tool not in place to fully control programme and communicate dates to stakeholders	Project Server now deployed and being piloted by Members and officers ready for implementation in April 2013.  <b>Status: Green</b>

53. As stated in a previous report, Internal Audit concluded that was no evidence of any financial irregularities and that the contract was delivering a generally good performance, however, the steps taking above has ensured contract is now delivering a robust transparent financial process.
54. The key activity is now to deliver Level 3 business report enhancements and implement updated mobile devices.
55. However overall, Project Fix It has delivered its key objectives and process and systems have been significantly improved, with final enhancements on plan for delivery in May 2013.
56. To provide additional confidence an increased manual audit process has also been implemented to ensure all orders and payments are fully controlled and this has identified no irregularity.

<b>Section 8: Programme Co-ordination &amp; Advance Notification:</b>
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57. Programme co-ordination was viewed as a key weakness in the previous contract and improvement in co-ordination was thus a key strategic objective of the Core Maintenance Contract.
58. In the first year, the new contract has, via the new dedicated Control Hub, significantly improved works co-ordination for Surrey Highway reactive and planned schemes.

59. Given the size and scale of highway works, it is accepted that work co-ordination in the highways live environment is always a complex area, with over 6000 schemes delivered per year. Consequently there have been some isolated schemes where co-ordination could have been improved; however, overall the programme has been demonstrated to be controlled and co-ordinated. With several key examples of best practice:

- Works on A31 Hogs Back carriageway are co-ordinated using six separate contractors, enabling minimal disruption to road users
- Lining programme has been aligned to ensure all works are not delivered prior to major maintenance scheme
- Traffic management in Spelthorne is now co-ordinated with the district and borough works programme

60. However, there is still further work required to ensure the Control Hub is fully meeting Surrey Highways expectations and consequently a Performance Improvement Plan has been implemented:

Performance Issue	Required Actions
<b>Change Control</b> –consequence of changing scheme date is not considered for whole programme and instead is narrowly focused on only scheme impact.	<b>Change Control process</b> in Control Hub to be reviewed and improved
<b>Programme Communication</b> – programme is not effectively communicated to Members and residents leading to frustration and confusion	<b>Implement Members Portal</b> – new online portal will enable members to access programme in real time for their ward, and confirm all activity planned for next 12 months  Upgrade website to improve communication of programme to residents
<b>Advance Resident Notification</b> – signage and letters are not always aligned to programme changes, resulting in letters, in some cases, stating wrong start dates etc	<b>Integrate Change Control Process for notifications</b> – implement new process and report, that proactively identifies notifications with incorrect information and take corrective action on wrongly issued letters
<b>Advance Business Notification</b> – currently businesses receive standard letter advising of works, however, identified that letters can be lost or not reaching correct manager within business, leading to loss of vital information	<b>Amend Customer Engagement Plan</b> – amend policy to ensure that all businesses with more than 50 staff receive an individual site visit, and ensure letters are effectively issued to all business of under 50 employees.
<b>Co-ordination with 3<sup>rd</sup> parties</b> e.g. utilities or districts councils – works are not integrated with partners programmes leading to potential on-site clashes and programme changes	<b>New monthly co-ordination meeting</b> – instigate new monthly meeting to review programme with street works and districts/borough.

61. Progress on the above has been delayed due to the design and resource planning in planning for Project Horizon. Subject to Cabinet approval of Project Horizon the above actions will be captured as part of the Project Horizon Mobilisation Plan.

## Conclusion:

62. The Core Maintenance Contract was impacted in the first year of operation by higher than anticipated backlog of highway defects from the previous contractors and lack of effective deployment of IT systems. This prevented full benefits being realised.
63. However, in the first 6 months of Year Two performance has continued to improve delivering overall improvement in quality of service for reactive and planned highway maintenance.
64. The quality of work has directly improved through May Gurney's commitment to right first time and pride in workmanship, creating a new culture of ownership within May Gurney crews.
65. The new contracts has delivered reduced costs and achieved £7.3m per annum saving in works delivery. This saving has been re-invested in the Surrey Highways minor works programme and has resulted in an improved level of service to Surrey residents.
66. The commercial model has operated as anticipated, with risk transfer warranting that May Gurney absorb cost overruns and manage risk in delivering emergency and safety repairs. SCC has been protected through a fixed price, while, profit reductions as a result of performance failures have maintained May Gurney's focus and aligned work to SCC priorities.
67. The effective deployment of the contract has enabled officers to deliver increased focus to long term planning and explore solutions that will increase the scale of the planned maintenance programme to tackle the 10% of highway network identified as below expected standard.
68. The key performance improvement of the last six months has been in process and systems, with Project Fix It delivering its core objectives, and a robust financial process is now in place.
69. In Year 3, outside of the Phase Two Change Programme (detailed in separate Cabinet Report), the key performance activities will relate to:
  - *Minor Works Programme* – ensuring low value orders are delivered and communicated in effective manner
  - *Programme Co-ordination & Advance Notification* – ensuring that works are fully co-ordinated and communicated to stakeholders
70. An Improvement Plan has been agreed for each area detailed above, and target milestones agreed.
71. The second year of the Core Maintenance Contract therefore continues to delivery overall success and tangible increase in quality of material, productivity and workmanship.

### **Financial and value for money implications**

72. The Core Maintenance Contract continues to deliver value for money, and has delivered the anticipated savings as originally forecast.

### **Equalities Implications**

73. There are no impacts on equality and diversity.

### **Risk Management Implications**

74. The Contract risk register continues to be updated and issues identified within the report are reflected on the register.

### **Implications for the Council's Priorities or Community Strategy**

75. Improved delivery of highway maintenance will support the County Council's commitment to responding to resident's priorities and concerns.

### **Recommendations:**

The Environment & Transport Select Committee recommends that:

- i. Committee Members note report findings and provide additional commentary and actions as required.

### **Next steps:**

Formal report to be submitted to Cabinet in February 2013 recommending the implementation of Phase Two Roadmap to managing highway asset over next five years.

Progress against Performance Improvement Plans reported in annual Contract Review to be submitted in July 2013 to Environment & Transport Select Committee

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