



Environment & Transport Select Committee  
19<sup>th</sup> July 2012




**Surrey Highways – May Gurney Annual Report**







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

This annual report provides a performance overview of Surrey Highways main contractor May Gurney delivery against contract targets and expectations in the first year of operation.

**Introduction**

1. The Core Maintenance Contract delivers six key contract activities, which are managed through the effective deployment of the contract governance and controls 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<br> |
| 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<br> |
| 3.                       | Planned Maintenance Repair | Undertake planned repair to network as determined by annual maintenance programme, e.g. carriageway resurfacing.   | Green<br> |

|                            |  |   |  |
|----------------------------|--|---|--|
| 4.                         | Minor Works Programme                                | Undertake minor repairs to bollards, signs, kerbs and carriageway patching  | Amber<br> |
| 5.                         | Deliver Integrated Transport Schemes (ITS)*          | Deliver transport and safety schemes to improve highway safety and reduce congestion*   | Green<br> |
| 6.                         | Winter Service*                                      | Ensure defined routes are pre-treated prior to severe weather conditions and respond road clearance during severe weather event.*                               | Green<br> |
| <b>Contract Governance</b> |  |   |  |
| 1                          | Contract Leadership & Management                     | Develop partnership culture and relationship that supports Surrey Highways deliver long term vision   | Green<br> |
| 2                          | Business Processes & IT Systems                      | Deliver end to end processes which are lean, automated and provide accurate management information  | Amber<br> |
| 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<br> |

\* Delivery of Integrated Transport Schemes and Winter Service are being reviewed separately, and progress report on performance and action plan will be submitted for scrutiny to Transport Select Committee at a later date.

### Section 1: Cost Savings Delivery

3. The key driver for the early termination of the SHiP contract was a perceived lack of best value and exceptional costs for works.
4. Following a lengthy procurement exercise the Core Maintenance Contract was therefore awarded upon the basis that it delivered **£7.3m** per annum savings from April 2011.
5. As with any procurement exercise there is always a risk in savings delivery as a result of unexpected costs or assumptions.
6. However, following first year of operation the £7.3m savings have been fully realised with the following breakdown:
  - **£1.5m** saving contributed towards Environment & Infrastructure corporate savings targets and removed from Surrey Highways budget with no impact on service delivery

- **£1.5m** savings re-invested in Minor Planned Works held by Operations Team, enabling increased road patching programme
  - **£3.3m** saving re-invested in capital works, enabling Surrey Highways to construct almost double the amount of schemes delivered the previous year under SHiP contract
7. The new Core Maintenance Contract and associated awards to other contractors have therefore fully realised the anticipated cost savings and achieved all targets. A review of the quality of service is provided in sections 2-7 below.

## Section 2: Emergency Repairs

8. Responding to emergency defects on the highway network has been one of May Gurney's strengths in the first year of operation.
9. In the first year of operation May Gurney responded to 4237 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 public or creating public hazard.

### Make Safe Following Incident

10. On average in the first year May Gurney made safe **95%** of all emergency defects within 2 hours, however, the table below confirms the improved performance, by district/borough, since December, with the six month average reaching at 99%.

| Dec-March          | Nbr of Reported Defects | % Made Safe in 2 hours |
|--------------------|-------------------------|------------------------|
| Elmbridge          | 225                     | 99%                    |
| Epsom & Ewell      | 190                     | 99%                    |
| Guildford          | 221                     | 99%                    |
| Mole Valley        | 204                     | 99%                    |
| Reigate & Banstead | 206                     | 99%                    |
| Runnymede          | 185                     | 99%                    |
| Spelthorne         | 201                     | 99%                    |
| Surrey Heath       | 193                     | 99%                    |
| Tandridge          | 216                     | 99%                    |
| Waverley           | 204                     | 98%                    |
| Woking             | 185                     | 99%                    |

11. This success has been delivered via May Gurney implementing several critical improvements:

- **Dedicated Emergency Crews** – 3 dedicated emergency crews are now tasked with responding to emergencies, under previous contract service was delivered from a generic resource pool.
- **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, under SHiP contract, service was delivered via Carillion sub-contractors
- **New Control Hub** – previously emergency calls were handled by external call centre and passed to Ringway/Carillion depending upon area, who then allocated to gangs. The new Control Hub enables calls to be directly received by May Gurney and passed to emergency crews.

### Permanent Repair

12. In the first six months of operation issues were identified in delivering the follow up permanent repair within the stipulated 28 days. This resulted in May Gurney achieving on average 70% success rate and an overall loss in profit and negative impact on customer satisfaction.
13. However, as part of Performance Improvement Plan instigated in December, Surrey Highways and May Gurney have delivered three key improvements:
  - **3<sup>rd</sup> Party Damage** – agreeing solution where May Gurney automatically repair damage to council properties, reducing delays
  - **Stock Control** – improved stock control to reduce delays
  - **Reporting** – improved monitoring and control and Control Hub to highlight at an earlier point where defects have not been permanently repaired
14. The actions above have enabled May Gurney to ensure that since March 2012, every month 98% of all damage caused by traffic incidents has been permanent repaired within 28 days.
15. In conclusion May Gurney have significantly improved Surrey County Council's response to emergency calls and protecting the public within the 2 hours timescale, while the actions taken since December have had the desired impact on permanent repairs.

|                                    |
|------------------------------------|
| <h3>Section 3: Safety Repairs</h3> |
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16. 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 vehicle or user. A Highway Safety defines specific categories of activity.
17. The contract stipulates that May Gurney must make safe high risk defects within 24 hours (i.e. temporary repair) and permanently repair all defects (either high or low risk) with 28 days. All Safety Defects are repaired under a fixed price and must comply with Highway Safety

Matrix, for example, any pothole in the carriageway with over 40mm depth.

18. As part of the contract negotiations May Gurney assumed they would repair 30,000 defects per annum with majority relating to potholes, any defects above the 30,000 defects would be at May Gurney's expense. The fixed price also incentivises May Gurney to permanently repair defect on the 1<sup>st</sup> visit, as SCC only paid for one visit per defect, thus every repeat visit is at May Gurney's expense.
19. To ensure they could meet the challenging contract response times and quality standards, at contract commencement May Gurney invested in the following activities to drive productivity:
  - **Mobile Technology** – Highway Inspectors and May Gurney Crews were provided with new mobile devices to enable measurements and locations of defects to be transmitted in real time.
  - **New online reporting tool** – to enable public to report defects directly to May Gurney rather than delaying process by double handling via SCC
  - **Dedicated Crews** – MG provided 13 dedicated Safety Crews to repair potholes
  - **Dedicated Training** – all crews were put through intensive training course to ensure defects were repaired to contract quality standard
  - **New Mobile Hot Box** – MG trucks were provided with mobile hot boxes to keep materials warm, saving crews returning to depots to re-load material

### Performance Results (Apr – Mar)

20. The interim performance review to Transport Select Committee in December highlighted ongoing issues in the repair of safety defects, with May Gurney only making safe (i.e. temporary repairing within 24hrs) 85% of the 20,000 reported high risk defects, below the 98% contract standard.
21. The failure in performance standards was identified as a result of issues with mobile devices, a higher than anticipated backlog of defects from SHIP contract and issues with duplicated defects.
22. As a result of the under-performance officers advised in December that a specific Performance Improvement Plan had been instigated.
23. The delivery of the Performance Action Plan since December has had a tangible impact on performance, see table below:

|                 | <b>Nbr of Reported Defects</b> | <b>% temporary repaired with 24 hours</b> | <b>% Permanently Repaired within 28 Days</b> |
|-----------------|--------------------------------|---|--|
| <b>January</b>  | 3554                           | 74%                                       | 80%  |
| <b>February</b> | 6009                           | 64%*                                      | 76%  |
| <b>March</b>    | 6987                           | 83%                                       | 94%  |
| <b>April</b>    | 5807                           | 98%                                       | 96%  |
| <b>May</b>      | 8064                           | 98%                                       | 99%  |

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

24. 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.

### **Successes**

25. After a difficult start, in the first year of operation May Gurney have significantly improved the council's response to safety defects. The Safety Defects backlog has been removed, with **98%** of safety defects now permanently repaired within the 28 day period, with 100% of defects repaired within 40 days. The priority now is to ensure that May Gurney maintains the achieved performance level.
26. The revised contract specification has driven the expected improvement in quality. Quality audits and resident feedback confirms greatly improved satisfaction, with repairs now carried out to high standard and minimal material failure.
27. The new contract (following the initial 6 months embedding) is now more effectively supporting the defence of insurance claims, with defects being responded to in time; a dedicated insurance report generated specifically to provide legal team with facts to defend cases and the logging of before and after photographs to support this process even further.
28. May Gurney have also made good progress in right first time repairs, with over 50% of defects permanently repaired on the first visit, removing the need for any subsequent visits, reducing traffic disruption and improving public perception.
29. There is also an improved work ethic and processes within May Gurney road crews, impacting not only their job satisfaction but visible in their pride in work. In conjunction May Gurney has also been proactive in dismissing and removing under-performing staff, a continual criticism of Carillion and Ringway.

### **Improvement Areas**

30. The online web reporting tool is still not operating to the expected standard. It does allow residents to report Safety Defects, and May

Gurney to respond to reports, however, the following communication failures have been identified as the website does not:

- in a timely manner confirm to residents when defect has been repaired
  - provide effective communication for how the council will respond when a non safety defects is reported , for example, resident reports pothole which is not 40mm depth
  - allow residents to report different types of defects, e.g. drainage, footpath, trees etc
  - confirm if a defect has already been reported
31. An upgrade to the website is therefore currently being developed and is anticipated to be launched by 30<sup>th</sup> August 2012
32. General communication with members, residents and wider council officers has also been identified as an ongoing issue. A new Communication and Engagement plan will therefore be agreed and implemented with all stakeholders by 30<sup>th</sup> August 2012.
33. May Gurney are also only achieving desired the required performance levels through the provision of eight additional gangs paid for at their own expense. This is clearly an ongoing commercial concern for May Gurney management team and is a risk to the long term sustainability of partnership.
34. A joint project initiative has therefore been implemented to identify opportunities through joint efficiencies and changes to working practices that will enable May Gurney to remove the additional cost burden of extra gangs without any negative impact upon contract performance.

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| <p><b>Section 4: Planned Maintenance Repairs</b></p> |
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35. Planned Highway Maintenance Repair is segmented into four distinct areas and each will be reviewed in turn:
- Surface Protection – provides an additional layer to existing road surface to prevent water penetration (& hence pot holes) and increases road life. Two treatments are applied, *Surface Dressing* uses a layer of asphalt mixed with stones and is used for majority of road network; *micro-asphalt* is used for more specific types of carriageways. Due to the seasonal nature of the treatment type works can only be delivered April – October.
  - Surface Reconstruction – when a road reaches the end of its life, the road surface is replaced; activity can be delivered throughout the year and includes footway reconstruction.

- Local Structural Repair – removes “top layer” of existing road surface and replaces with new surface, removing historic defects and improving ride condition.
- Drainage Improvements – schemes to improve drainage infrastructure

### **Surface Protection**

36. Officers reported to Transport Select Committee that delivery of surface protection to road surfaces was a key areas of improvement for May Gurney in 2012/13.
37. An Improvement Plan was consequently delivered January – March to address issues identified in report.
38. As the season for 2012/13 runs from April – October it is premature at this stage to confirm to Committee if the implemented actions have resulted in a significantly improved service.
39. A full performance report on 2012/13 Surface Dressing programme will therefore be submitted at a future committee. However, initial evidence suggests that the service has improved from 2011/12 season with specific improvements on level of resource and replacement of lining after works completion.

### **Surface Reconstruction**

40. Surface Reconstruction is the most visible solution to improving the highway network. It specifically targets the worst condition roads and ensures roads are returned to their optimal condition. It is thus the key factor that residents identify as impacting their satisfaction with Surrey Highways.
41. Surrey Highways have identified that more than **10%** of its 3010 miles of highway network (300 miles) is in need of full reconstruction, i.e. below the expected road standard.
42. Unfortunately, surface reconstruction is also the most expensive part of the highway business, with an allocated budget of approximately £13m per annum. Using this budget in the previous SHIP contract Surrey Highways was only reconstructing **0.3%** of network, approximately **10 miles** of new road per year.
43. One of the key successes of the new contract is overall reduced contact costs have enabled Surrey Highways to increase the level of activity without a significant increase to budget. Consequently, in 2011/12, the amount of reconstruction work increased to **0.6%** of the network, replacing approximately **20 miles** and delivering an additional ten major road schemes.



44. It is however, recognised that although Surrey Highways have doubled the productivity to now replace nearly 20 miles of road, this is only having a marginal impact against the wider backdrop of 300 miles of road in need of maintenance intervention. The network is also not a static asset with further roads deteriorating each year.
45. Budget constraints is clearly a key factor, however, in era of austerity and funding restrictions, increasing overall budget to the necessary level to replace 10% of the network is not considered a realistic aspiration.
46. Officers have therefore created a new dedicated initiative called “Project Horizon” to explore with the market place how we can further increase productivity. The project will explore innovative materials, production methods and programme opportunities to reduce costs. This is targeted with reducing reconstruction costs by a further 15%, and thus conversely increasing amount of reconstruction activity to 1.0% of the network, i.e. 40-50 miles per year.
47. Project Horizon is also tasked with producing a fixed five year reconstruction programme. This will enable members and communities to fully appreciate which of the urgent roads in their ward areas (the 10% of network) will be replaced.
48. More significantly, it will also provide clarity on what roads are **not** planned to be addressed by the central highways budget. This will give members the opportunity to explore alternative funding solutions (e.g. local committee grants) to tackle these roads.
49. Project Horizon will submit business case and five year programme to Cabinet in November 2012. A full consultation exercise will commence from August to ensure Transport Select Committee and wider communities are fully engaged in the creation of the five year fixed programme.

### **Local Structural Repair**

50. One of the key contract aims was to improve delivery of Local Structural Repair (LSR). LSR focuses on maintaining roads where the condition is too extreme for simple defect repair but is not severe enough for full reconstruction.
51. In the previous contract, LSR was a relatively expensive solution and was not always targeted in the correct sites. In 2010/11 64 schemes were delivered across the county, providing improvement to approximately 10 miles of road.
52. The reduced costs in the Core Maintenance Contract have enabled Surrey Highways to deliver 125 schemes across 23 miles of road. The new contract has therefore enabled Surrey Highways to double its productivity with no impact on quality.

53. The method of identifying and prioritising LSR works was also amended as part of new contract to ensure that input from local highway teams and inspectors had far greater weight. This has ensured that LSR schemes are more closely aligned to resident concerns and needs of wider community.

### **Drainage schemes**

54. Prioritisation and delivery of Drainage schemes will be examined in more detail in a separate report.
55. However, in first year of operation no significant performance issues were identified with May Gurney, with key issues relating to the prioritisation process and limited budget allocated to this activity.

### **Quality of Work**

56. All (i.e. 100%) planned maintenance schemes are required to have a quality inspection by an SCC Engineer before release of any payment. Where quality tests are not satisfied then May Gurney are required to provide remedial works, at their costs, before payment is released. May Gurney also provide a two year warranty on all schemes.
57. In 2012/13 SCC identified 13 schemes out of 671 schemes (2% of total work) which failed the stipulated quality tests. All remedial works have now being carried out by the contractors at their full cost.
58. Quality failures are therefore within contract tolerances and meets expectations and industry standards.

### **Conclusion**

59. The delivery of Planned Major Repairs in the first year of the contract is viewed as a success. All schemes have been delivered on time, budget and quality expectations. In tandem reduced costs has enabled Surrey Highways to deliver increased works programme to meet resident expectation.
60. However, it is recognised that with 300 miles of the network in poor condition, the increase in programme is still not enough to satisfy resident expectations and have tangible impact on overall carriageway condition.
61. Project Horizon will therefore explore further opportunities to increase the size of the planned maintenance programme.

### **Section 5: Minor Works Programme:**

62. The Minor Works programme improve 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
63. It is not responsible for vegetation works or tree maintenance and is therefore excluded from this performance review.
64. Minor Works has been one of the key areas identified for improvement and has not met overall expectations in the first year of the contract. However, although the review identified a number of failures in May Gurney, a large majority of issues was also as a result of internal Surrey County Council failure. The key performance issues with corresponding Performance Improvement Plan are detailed below.

| Performance Issue   | Required Actions  | Milestone Delivery       |
|---|---|--------------------------|
| <b>Funding Ambiguity</b> – the funding for Minor Works is separated between Local Area Committees (managed on their behalf by Area Managers) & the Surrey Highways Operations Team. This has led to confusion over where to allocate funding, leading to delays over order approval.  | <b>New Funding Matrix</b> – a new funding matrix will be implemented to clarify what the different funding streams can support.   | 30 <sup>th</sup> August  |
| <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   | <b>New 5 Day Order Process</b> – May Gurney and SCC have agreed a new SLA & works process that will ensure all works under £10,000 are ordered and a construction date confirmed within 5 days of SCC placing order.              | 30 <sup>th</sup> July    |
| <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 | <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.   | 30 <sup>th</sup> July    |
| <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.   | <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 | 30 <sup>th</sup> October |

|   |   |                         |
|---|---|-------------------------|
|   | <p>construction date (Gateway 3); or has been completed (Gateway 4).</p> <p>A new online Members Portal will also be launched which will allow members to self service orders, viewing order gateway status in real time.</p> |                         |
| <p><b>Order Accountability –</b><br/>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</p> | <p><b>Training Programme –</b><br/>A revised training programme will be launched to all relevant staff in the summer providing training on process and roles/responsibilities.</p>  | 30 <sup>th</sup> August |
| <p><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</p>   | <p><b>New Business Reports –</b><br/>a new monthly financial and programme report will be produced to monitor spend activity per committee and to ensure works meet SLA requirements</p>                                      | 30 <sup>th</sup> July   |

65. The overall performance issues identified above (both internal and external) led to significant delays and frustration in the minor works programme, with orders taking unacceptable time to be resolved.
66. However, the Improvement Plan agreed above will make tangible improvements, with a target that by the end of October all minor works orders are efficient, transparent and meet stakeholder expectations.

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

67. One of the primary concerns with the previous SHiP Contract was the level of contract leadership and management. With the previous management team not displaying, in opinion of senior officers, the behaviours and skills required to lead a contract of this size and scope.
68. Transforming and re-invigorating the contract management team has therefore been one of the key drivers for the Surrey Highways Management Team, as without effective management, no contract can succeed.
69. The issue was however, complicated by four key considerations:
  - *TUPE Legislation* – UK law provides full entitled to ex contractor staff to transfer to new contract
  - *May Gurney Re-organisation* – MG instigated major corporate re-structure reducing four business units to two

- *Fair & Transparent process* – it was vital that all existing managers were able to demonstrate their ability in fair and transparent process
  - *Recruitment* – the highway industry is highly competitive and securing right quality of candidate is challenging
70. Following 12 months of joint working, the transformation of the May Gurney management team has been delivered. Overall the entire management team has been replaced with a new highly skilled team able to lead a contract of this size:
- **Strategic Manager** – Sarah Chapman, joined from May Gurney Environmental Services and provides key linkages between SCC and May Gurney Board
  - **General Manager** – Jim Harker, joined from Enterprise Plc after successfully managing Croydon’s highway contract and has overall accountability for delivering day-to-day contract
  - **Operations Manager** – Ian Elms joined after managing a range of civil engineering companies and is now in the process of appointing new middle managers to strengthen delivery of planned and reactive maintenance works
  - **Programme Manager** – Stefan Milek joined from East Sussex contract to co-ordinate overall works
  - **Commercial Manager** – Rachel Swannell joined from East Sussex to ensure best value and financial control is delivered throughout the contract
  - **Works Supervisors** – manage individual operative activity with majority transferred from Ringway and Carillion
71. However, both officers and May Gurney did not anticipate the time required in both recruiting and creating the new management team, with new team not fully in place until January 2012.
72. The delay in implementing new management structure did have a negative impact on the first six months of operation, both on operational delivery and embedding new processes/working practices.
73. However, with new management team in place, officers now have confidence that the MG management team can deliver the Improvement Plans identified within this report and lead contract to next stage.

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| <b>Section 7: Business Processes &amp; IT Systems:</b> |
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74. 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.
75. However, implementing the new processes and IT systems has been one of the biggest challenges of the new contract and is behind programme milestones. Consequently the area remains a key

performance concern as it continues to impact productivity and create frustration for both Surrey Highways and May Gurney staff.

- 76. The weakness in processes and systems were also highlighted by a contract audit completed by SCC Internal Audit who has made a number of recommendations to the Audit & Governance Committee.
- 77. Internal Audit did conclude that was no evidence of any financial irregularities and that contract was delivering a generally good performance, however, did not find the processes transparent or effectively monitored.
- 78. The weakness in processes and systems have been captured in Performance Improvement Plan and summary is detailed below:

| Performance Issue  | Required Actions  | Milestone Delivery            |
|--|---|-------------------------------|
| <b>May Gurney IT Department capability</b> – May Gurney did not effectively deploy all required IT products, this was a result of skills capability and resource within central IT department  | <b>IT Restructure</b> – In November 2011, MG replaced their Head of IT and restructured department to provide increased customer focus and capability. This has resulted in significant improvement in IT department performance  | Delivered                     |
| <b>IT Interfaces</b> – there has been a failure to effectively integrate SCC systems (e.g. SAP) and MG systems (e.g. Maximo) thus systems do not “talk” to each other, with the result that staff have to manually enter data creating double handling | <b>New Integration Team</b> – a dedicated system integration team will be formed composed of SAP and Maximo system experts to create effective software interface.  | 30 <sup>th</sup> October 2012 |
| <b>IT Software</b> – 3 software products have still to be effectively implemented  | May Gurney to implement all products by milestone target  | 30 <sup>th</sup> October 2012 |
| <b>Processes</b> – During mobilisation all process maps were created on assumption of an operating IT platform, however, failures in IT have meant “work around” processes have had to be implemented leading to increased confusion and delay         | <b>Process Review</b> – Full process review to be undertaken with gap analysis identifying reason for failure and agreeing corrective action  | 30 <sup>th</sup> August 2012  |
| <b>Non Compliance</b> – A number of MG and SCC staff continue to disregard agreed processes leading to frustration and delay in other impacted departments   | <b>Training &amp; Auditing Plan</b> – SCC/MG will appoint dedicated Business Trainer for 12 month period to ensure all staff has full understanding of processes.<br><br>Following delivery of training Performance Team will undertake internal and external audits to ensure compliance, where deliberate | 30 <sup>th</sup> October 2012 |

|   |  |                                |
|---|--|--------------------------------|
|   | non-compliance is identified performance management plans will be instigated.  |                                |
| <b>Financial Controls</b> – financial payment process is not fully compliant with financial regulations, for example, regulations state that Group Manager must approve all orders under £5000, yet this is not practical in a business unit as complex as Surrey Highways as would lead to over bureaucracy and increased works delays | <b>Regulations Review</b> – Surrey Highways to work with Finance and Audit to agree practical solution that ensures highways processes are compliant but also practical to highway environment | 30 <sup>th</sup> August 2012   |
| <b>Mobile Devices</b> – mobile devices are now fully implemented across all business areas, however, staff continue to report frustration in connectivity and user interface  | <b>Undertake Full Review &amp; training plan</b> – dedicated team to review mobile devices in “live environment” and determine system improvements and/or user errors                          | 30 <sup>th</sup> July 2012     |
| <b>Reporting Module</b> – business reports are currently manually produced and subject to data corruption   | <b>New Report System</b> – new reporting system to be implemented to automate reports and create Business Dashboard  | 30 <sup>th</sup> December 2012 |

79. The Audit & Governance Committee approved the action plan above, however, did raise concerns regarding the length of time to fully integrate the IT systems. Officers are therefore exploring if the software integration project can be accelerated, however, IT have highlighted that a reduced project plan may place unacceptable risk on project delivery.
80. To compensate and increase member confidence in the overall contract processes and systems, it is therefore recommended that the Environment & Transport Select Committee, appoint a dedicated sub-committee to scrutinise by 30<sup>th</sup> October delivery against the action plan above. The sub-committee will advise Select Committee if Officer progress is acceptable or requires further intervention.
81. The Improvement Plan will be delivered by dedicated initiative known as “Project Fix It”. The project will have members from both May Gurney and Surrey Highways, with Group Manager as sponsor. A Project Board has also been instigated with Assistant Director of Highways and Head of SCC ITT represented to ensure project meets agreed goals and milestones.

**Section 8: Programme Co-ordination & Advance Notification:**

82. 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.

83. 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.
84. 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 was 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
85. However, there is still further work required to ensure Control Hub is fully meeting Surrey Highways expectations and consequently a Performance Improvement Plan has being implemented:

| Performance Issue  | Required Actions   | Milestone Delivery             |
|--|--|--------------------------------|
| <b>Change Control</b> – consequence of changing scheme date is not considered for whole programme and instead is narrowly focussed on only scheme impact.                                | <b>Change Control process</b> in Control Hub to be reviewed and improved   | 30 <sup>th</sup> July 2012     |
| <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<br><br>Upgrade website to improve communication of programme to residents | 30 <sup>th</sup> November 2012 |
| <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                                | 30 <sup>th</sup> August 2012   |
| <b>Advance Business Notification</b> – currently business receive standard letter advising of works, however, identified that letters can be lost or not reaching correct manager within | <b>Amend Customer Engagement Plan</b> – amend policy to ensure that all businesses with more than 50 staff receive individual site visit, and ensure letters are effectively issued to all business under 50   | 30 <sup>th</sup> July 2012     |



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|--|---|----------------------------|
| business, leading to loss of vital information   | 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. | 30 <sup>th</sup> July 2012 |

86. Programme co-ordination has therefore demonstrated tangible improvements in the last 12 months; however, the agreed Improvement Action will enable the Control Hub to meet all contract aspirations.

### Conclusion:

87. The Core Maintenance Contract was impacted in the initial months 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 until December 2012.
88. However, despite initial problems, the new contract has delivered on the majority of its contract promises, and achieved an overall improvement in quality of service for reactive and planned highway maintenance.
89. 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.
90. The new contract's has delivered reduced costs and achieved £7.3m per annum saving in works delivery. This saving has been re-invested in Surrey Highway minor works programme and has resulted in an improved level of service to surrey residents.
91. 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, has maintained May Gurney's focus and aligned work to SCC priorities.
92. 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 planned maintenance programme to tackle the 10% of highway network identified as below expected standard.
93. Project Horizon has therefore being instigated to explore innovative materials, processes and resource to identify long term solution to increasing maintenance works within existing financial constraints. The output of the project will be reported to cabinet in December.

94. In relation to performance delivery, the reports identifies four specific areas in need of improvement:
- *Online Website Reporting tool* – to improve communications to residents regarding safety defects
  - *Minor Works Programme* – ensuring low value orders are delivered and communicated in effective manner
  - *Business Processes & IT Systems* – ensuring processes are lean and fit for purpose
  - *Programme Co-ordination & Advance Notification* – ensuring that works are fully co-ordinated and communicated to stakeholders
95. An Improvement Plan has been agreed for each area detailed above, and target milestones are provided within relevant section of the report.
96. A dedicated project team and project board has been allocated to each Improvement Plan, and tangible outcomes are expected before 30<sup>th</sup> July, with majority of Improvement Plans delivered by 30<sup>th</sup> December 2012.
97. The first year of the Core Maintenance Contract is therefore recognised as an overall success with staff effectively transitioned from the SHiP contract and a tangible increase in quality of material, productivity and workmanship.
98. The key focus in year two is to embed lean processes, improve communication and develop long term solution to improving the worst 10% of roads in the Surrey highway network.

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

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

### **Equalities Implications**

100. There are no impacts on equality and diversity.

### **Risk Management Implications**

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

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

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

**Recommendations:**

The Committee may wish to recommend that:

- I. The Chairman and Vice-chairman receive formal bi-monthly updates from Surrey Highways Group Manager on progress against Improvement Action Plans for Online Website; Minor Works Programme and improving Programme Co-ordination. Where improvements are not sufficiently demonstrated to Chairman, then he is authorised to issue formal letter on behalf of Committee to Director of Environment & Infrastructure and Cabinet Member advising concerns and proposed remedial action to deliver the specified Improvement Plans.
- II. Committee members note report findings and provide additional commentary

**Next steps:**

Progress against Performance Improvement Plans reported in October 2012 to Transport Select Committee

Formal report submitted to Cabinet in December recommending the outcome of Project Horizon and solution to managing highway asset over next five years.

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