



**OFFICER REPORT TO LOCAL COMMITTEE
(RUNNYMEDE)**

REPORT ON THE SURREY HIGHWAYS PARTNERSHIP

FEBRUARY 13th 2009

KEY ISSUE

To inform the Committee of changes being made to the Surrey Highways Partnership.

SUMMARY

The Surrey Highways Partnership (SHiP) has been extended for a further two years to April 2011.

This report sets out the reasons for granting this extension, and details the changes that are being made to the contract.

OFFICER RECOMMENDATIONS

This report is for information only.

1 INTRODUCTION AND BACKGROUND

- 1.1 The Surrey Highways Partnership started in April 2003, with an initial contract period of 4 years, and with extensions available for up to a further 6 years. The Partnership involves two contracts, one with Ringway in the West of the County and one with Carillion in the East of the County.
- 1.2 The contracts fully embrace the principles of partnering, and it was hoped that this approach would lead to improvements in service delivery whilst at the same time reducing costs. Unfortunately these hoped-for improvements have not been fully realised, and there is a general perception that the Partnership has not been performing as well as was expected.
- 1.3 In 2008 Surrey County Council decided to extend the contracts to April 2011. This decision was taken because:
- Both Ringway and Carillion had improved their performance against the key performance indicators and were not reaching the target levels;
 - It is in the interest of Surrey County Council, Ringway and Carillion to rectify the problems within the existing partnership before the contract finishes;
 - Ringway and Carillion have agreed to commit to an improvement plan for the contract, the SHiP Transformation Project.

2 ANALYSIS

2.1 The SHiP Transformation Project is changing the way the contract manages four critical areas, as detailed below.

2.2 Risk Management

2.2.1 Under the current arrangements, virtually all risks are Surrey's risks, so if anything goes wrong Surrey must pay for it. Whilst this could in theory lead to lower costs for Surrey if all the partners work together to manage risk more effectively, any savings would only benefit Surrey and there is therefore very little incentive for the Constructors.

2.2.2 A key principle of the SHiP Transformation Project is that risks should be owned by the party best able to manage them, and by applying this principle a number of risks will transfer to the constructors. This transfer of risk will provide incentives to the Constructors to deliver the service effectively.

2.3 Payment

2.3.1 The price framework in the contract sets out how works and services are paid for. The current price framework is based largely on a 'cost plus' approach whereby Surrey pay all the costs incurred by the Constructors. This is felt to be a significant failing in the current arrangement, and wasn't intended when the contract was created.

2.3.2 A new price framework has been developed which will replace 'cost plus' with a more conventional lump sum approach. This will retain the transparency we currently have about the build up of costs, but will transfer risks to the constructors to help drive efficiencies and will simplify, and speed up, the ordering and payment of work.

2.4 Performance Management

2.4.1 New key performance indicators (KPI's) have been developed, which better reflect the aims and objectives of Surrey Highways. Changes are being made to the way the partnership manages performance, with an emphasis on the early identification of problems and improved management processes for dealing with low performance.

2.5 The Partnering Relationship

2.5.1 The relationship between the partners hasn't developed as was intended. And this is partly due to a failure to follow contractual processes, and a failure to clearly define the roles of each organisation. This has helped to create a culture where the Partners do not work together constructively to manage risks, solve problems and continuously improve, but instead have a tendency to blame and to protect their own position.

2.5.2 Developing strong contractual processes and clarifying the roles of each organisation, including the supply chain, is essential if we are to improve the relationship between the Partners.

2.5.3 New processes have been developed to guide staff through the contractual procedures they have to follow to deliver works and services. We have also developed checklists, guidance notes, templates and standard forms that will make their work easier.

2.5.4 New control measures are being introduced, such as gateways that can only be passed if the correct procedures have been followed, to ensure compliance with the new processes.

3 OPTIONS

- 3.1 In October 2009 Surrey County Council will make a decision on a further extension to the contracts.
- 3.2 Previously this decision would have been based solely on the performance measured against KPI's, however this time the decision will be taken based on how successful the changes to the contracts have been, and whether Surrey County Council believes it is getting value for money.
- 3.3 In October Surrey will have two choices: -
- Extend both contracts to April 2013, or
 - Give no further extension, and start procuring a new contract to start in April 2011.

4 CONSULTATIONS

- 4.1 Staff from all three organisations have been involved in developing the changes to the contract. Additionally, Transportation Select Committee has set up a Task Group, which is overseeing the improvement plan and reviewing the success of it.

5 FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 5.1 It is hoped that the improvement plan will lead to improved value for money, through better service delivery and reduced costs.

6 EQUALITIES AND DIVERSITY IMPLICATIONS

- 6.1 None

7 CRIME AND DISORDER IMPLICATIONS

7.1 None

8 WHAT HAPPENS NEXT

8.1 The changes outlined in this report will be in place for the start of the 09/10 financial year. The success of the changes will be reviewed and a decision taken on a further extension by the Executive in October 2009.

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