

**Item 26**

**SURREY HIGHWAYS PARTNERSHIP (MAMOTH CONTRACT)  
PROGRESS REPORT**

**SURREY COUNTY COUNCIL'S  
LOCAL COMMITTEE IN SURREY HEATH.**

18<sup>th</sup> MARCH 2004

**KEY ISSUE:**

To update the Local Committee on the latest position with the Surrey Highways Partnership (SHP) Contract relating to Surrey generally, and particularly in relation to the Surrey Heath Borough.

**SUMMARY:**

The report identifies areas of success in the new contract, as well as those requiring further efforts to improve service delivery.

**OFFICER RECOMMENDATIONS:**

That the Local Committee in Surrey Heath notes the report.

**INTRODUCTION and BACKGROUND**

1. The Highways Services and Works Partnering Contracts (known as the Mamoth contracts) commenced on 28 April 2003, and embraced all of the requirements of the Members' Best Value Review Task Group and Best Practice in industry. These requirements were based on the recommendations set out in Sir John Egan and Michael Latham's reports.
2. The Mamoth contracts are very innovative, and are receiving much interest from other authorities who are seeking to improve their traditional contracting methods. However, such change requires a significant cultural shift of both the client (in this case Surrey County Council Transportation Service) and contractor organisations, which has inevitably extended the bedding-in period associated with such large undertakings due to this new contractual approach.

3. Two constructors were appointed to take this innovative way forward. Carillion Highway Maintenance Ltd were the successful bidder for the east of the County (Elmbridge, Epsom & Ewell, Mole Valley, Reigate & Banstead, and Tandridge), and **Ringway Highway Services Ltd** for the **west** of the County (Guildford, Runnymede, Spelthorne, Surrey Heath, Waverley and Woking).

## **ANALYSIS AND COMMENTARY**

### **Staff and roles**

4. For most staff, their roles and responsibilities have changed to only a limited degree, with generally clearly defined roles. There are however some roles which have had to evolve as operational processes have developed in the light of experience. Not least of which is that of the Local Transportation Director, but also the Programme Liaison Engineer, and the Highway Stewards. However, the changes in working procedures have resulted in a high demand on staff time, much of which has been unproductive, particularly in LTP and other capital works progression. As the contract continues, this burden is expected to diminish.
5. In order to clarify and define roles more specifically, a guide to the new contract processes is being produced. This will be a “live” document subject to updating as required to reflect ongoing improvements. Local workshops have been undertaken with each of the 11 local offices, to help establish clearer appreciation by all staff of the changing roles of the client and constructors` staff, and to better appreciate the way the new contract impacts on accountabilities and responsibilities.
6. Clearly the introduction of the contract embraces a significant cultural shift in the way we work, placing us as exemplars of best practice nation wide. We are working hard at achieving this cultural change, and there is good reason to be pleased with the good progress made in many areas. However, there is still much to do, and these outstanding matters are being investigated and pursued by all associated with the contract partnership.

### **Reporting of defects etc**

7. The County Council has improved the ease with which the public can report highway defects through the Transportation website, and offers further reporting opportunity beyond the local office via the County Contact Centre. Together with the constructors inspection regime, this situation has seen a significant increase in the identification of minor maintenance defects County wide. Over 6000 reports were dealt with between May and October last year compared to the previous year`s level of contact in the same period of 2500. The backlog of defects in the Surrey Heath district was a carry over from the previous contract, and was targeted by the constructor over the early months of the contract.
8. Because a great deal of effort has had to be concentrated on the reactive repair works, some minor schemes have had to be deferred. This

however, has not affected the capital programme, but reflects the altered situation where the constructor together with the County Council, has taken joint responsibility of the highway network in terms of third party claims.

9. The following statistics may be of interest.
- i) on day 1 of the contract, over 80 emergencies were dealt with, within 2 hours.
  - ii) 98/99% of emergencies are dealt with within 2 hours.
  - iii) Compared to previous years, 20 additional works gangs were operating on make-safe repairs during the first 5 months (49% increase)

### **Scheme programme**

10. Implementation of this year`s Capital funded Major Maintenance programme has been substantially complete. Oddments are still outstanding and are being progressed. The scheme itself was late in starting and required substantial contract management by the LTS. This and other schemes have paved the way for the constructor to re-assess the contract management and co-ordination of future schemes. The quality of the works does however appear to be much improved, compared to previous years
11. The Integrated Transport Schemes (Local Transport Plan Capital) and Local Allocation spend have not progressed as programmed. Much of this slippage is as the result of the detailed design function being transferred from the LTS to the constructor, and initially poor contract management by RHS, due mainly to staff shortages (as a result of the generally difficult employment market in the south east). These delays have been mainly in the ordering of signal equipment and of signs and roadmarkings.
12. During the first year of the contract, some shadow Key Performance Indicators (KPI) monitoring have been in place. It was always recognised that there would be a huge cultural and physical upheaval when contracts of this size change, and there needs to be a period of bedding down before the full benefits of the changes and the long term commitment of the contract (potentially 10 years) start to accrue. KPIs will be applied fully from the beginning of the second year of the contract, and as such will form part of the overall monitoring required to ensure that value for money, quality and meeting the programme is achieved.

### **CONSULTATION**

13. The 11 LTSs have been involved in workshops during January and February this year, investigating the successes of the SHP as well as where work is still required on improving procedures. Understanding of roles was also an essential part of these workshops.
14. The 11 Local Committee Chairmen together with LTDs, LDs, and representatives from the constructors have gone through workshops on 12

January (west contract) and 16 January (east contract) relating to the same themes. One of the outputs was to set up regular meetings between the Chairmen, LTDs and the constructor's representatives. The first of these meetings is scheduled for April.

15. A full 12 month review of the contract will be undertaken, and the findings will be reported to the Transport Select Committee and to Local Committees. Preparations have already begun for this with small audit teams working on both contracts, and the information obtained from the workshops will also be fed into the report.

### **FINANCIAL IMPLICATIONS**

16. The revenue budget finances the vast majority of general highway maintenance, whilst capital funds are used for major maintenance and integrated transport schemes. The two budget commitments were approved by the Local Committee on 11 March 2003 for the current financial year.
17. The Mammoth contract is more expensive than the previous term tender contract, and this was anticipated because:
- a) the previous contract rates were extremely low and unsustainable
  - b) price fluctuation clauses meant that the previous contract rates would have increased this year, probably between 10 and 25% over last years rates
  - c) higher quality works were anticipated and are being achieved
  - d) an improved and much increased standard of Health & Safety has had to be applied, and new management activities required which were not required or priced for in the previous contract.
18. However, the contracts were awarded on the basis of 50% quality and 50% price. It is well to bear in mind that at the time of tender, the prices submitted by the winning contractors were extremely competitive nationally. Furthermore, we have access to the constructor's books, and are able to check the actual costs.
- 19. So, there are good reasons why this is correct and the prices the County Council are paying are both sustainable and very competitive with industry norms nationally.**
20. When the contract commenced at the end of April 2003, following a very short mobilisation period, it was found that the software which links the County Council computerised ordering system with the constructor's works management and costing system, was not totally compatible. This meant that we were unable to allocate costs automatically against the wide range of County Council item codes necessary for financial reporting and monitoring. Manual handling of the data and the re-allocation of miscoding on Orders or timesheets significantly delayed accurate financial reports. Financial data is now becoming available increasingly quickly, and by the end of the financial year, indicative figures should be available during the

month following the reporting month, followed by consolidated figures available three weeks after the month end. This is extremely important, and will bring great benefits in financial management, by more closely involving the LTS office for checking purposes, and is a significant improvement on traditional contracts.

21. The added on cost percentage figure is applied to the constructor's base actual costs and covers a range of agreed overheads submitted with the tender. Profit is a very small element of this figure. These overheads are present in all civil engineering projects, but are usually hidden in the schedule of rates. In SHP, the overheads are specifically identified separately to provide transparency.

### **CONCLUSION**

22. Expenditure monitoring has improved since the start of the partnership, and the RHS defect identification processes are also developing. As a result, the allocations within the highway maintenance revenue budget prepared at the beginning of the financial year, have had to be revised to reflect the need for increased patching repairs rather than be used for small maintenance schemes. The capital programme remains unaffected.

23. Levels of need and allocations of budget are being closely monitored by the LTD, and the overall budget is currently projected to be on target for the year end.

### **CRIME & DISORDER IMPLICATIONS**

24. There are no crime and disorder implications.

### **EQUALITIES IMPLICATIONS**

25. There are no equalities implications.

---

<b>LEAD/CONTACT OFFICER:</b>	<b>Graham Hodgson, Local Transportation Director, Surrey Heath District</b>
<b>TELEPHONE NUMBER:</b>	<b>01276 453564</b>
<b>ANNEXES:</b>	<b>NONE</b>
<b>BACKGROUND PAPERS:</b>	<b>Transportation Select Committee discussion paper 13 Nov 2003. Highway Services and Works Partnering Contracts (Mammoth) briefing report to the Local C'tee on 11 March 2003, Item 26.</b>