



# **SURREY HIGHWAYS PARTNERSHIP CONTRACT UPDATE**

## **LOCAL COMMITTEE FOR WOKING 26 APRIL 2004**

### **KEY ISSUE:**

To update Members on the latest position with the Surrey Highways Partnership (SHP) Contract relating to Surrey.

### **SUMMARY:**

The report identifies some of the successes of the new contract as well as those where further work is required to improve service delivery.

### **OFFICER RECOMMENDATIONS:**

The Committee is asked to note the contents of this report.

## INTRODUCTION AND BACKGROUND

1. The Mammoth (Management And Maintenance Of The Highway) contract, now SHP, commenced on 28 April 2003 and embraced all of the requirements of the Members' Best Value Review task group and Best Practice in Industry, as recommended by Sir John Egan and Sir Michael Latham's reports.
2. The SHP is very innovative and is receiving much interest from other authorities that are also seeking to improve their traditional contracting methods. However, such change requires a significant cultural shift for both client (SCC Transportation Service) and contractor (Ringway Highway Services) organisations and this has inevitably extended the bedding-in period associated with such large contracts/undertakings.

## ANALYSIS AND COMMENTARY

### Staff and Roles

3. Whilst, for most staff, it was anticipated that their roles and responsibilities would either not change significantly or would be clearly defined, this has not occurred. For many staff their job has changed to a greater or lesser extent. There are some roles which have, to some extent, needed to evolve as we develop operational processes in the light of experience. In particular, the Local Transportation Directors (LTD's) representative's role is a new concept, which has needed clarification. However, we now have some examples of good practice to promote as role models. Changes in working procedures have resulted in a high demand on staff time to progress matters.
4. In order to clarify and define roles, a guide has been produced to the contract processes. This is a live document and will be updated to reflect any changes made as a result of ongoing improvements. The County Council has run workshops for the 11 local offices during January and early February.
5. Clearly, the introduction of the contract embraces a significant cultural shift in the way we work, placing us as exemplars of best practice nationwide. All parties are working hard at achieving this cultural change and although progress has been achieved in many areas, much remains to be done.

### Budgets

6. The revenue budget finances the vast majority of general road maintenance whilst capital funds are used for Major Maintenance schemes such as the complete resurfacing of a road and Integrated Transport Schemes (LTP) such as new pelican crossings.
7. The 2003/04 Annual Highway Maintenance plan for the Local Transportation service for Woking was agreed by the Local Committee on 19 March 2003. The allocations for functional headings in the 2003/04 highway maintenance revenue budget were distributed on the basis of needs patterns based on previous years.

### Reporting of defects etc

8. The County Council has improved the ease with which the public can report highway defects through the County Contact Centre and Transportation website, which together with the constructors' inspection regime, has seen a significant increase in the identification of minor maintenance defects such as potholes. In fact Countywide, over 6000 reports were dealt with between May and October this year compared to 2500 in the same period last year.
9. Effort has concentrated on these reactive repair works and, as a result, the majority of schemes have had to be deferred or programmed for the future. However, the following statistics may be of interest.
  - i) On day 1, 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 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 completed where it is not affected by other works (Monument Road and A320 Guildford Road). The works were both started and finished on time and the overall quality, compared to previous years, has improved.
11. However, the Integrated Transport Schemes (Local Transport Plan Capital) and Local Allocation Schemes have not gone so well. Unfortunately, the transfer of detailed design from the Local Office to the Constructor has seen delays occurring due to poor communication, lack of project management, delayed ordering, all of which have now been addressed and the 2004/05 programme has already been commenced. This has led to a slippage in the programme, which is reported under item 8 on this agenda.
12. Key Performance Indicators (KPI's) will be applied from the end of Year 1. It was always recognised that there is a huge cultural and physical upheaval when contracts of this size change and this needs a period of bedding down before the benefits of the change start to accrue. In the meantime, some shadow KPI monitoring is in place.

### CONSULTATION

13. The 11 Local Transportation Services, have been involved in workshops during January and early February, investigating the successes of the SHP as well as where work is still required on improving internal procedures. As well as this, the 11 Local Committee Chairman together with LTD's, LD's and the Constructor have gone through workshops on the 12 January (West Contract) and 16 January (East Contract) relating to the same themes.
14. A full 12 month review of the contract is being undertaken by small audit teams working on both contracts. The findings will be reported to the Transport Select Committee and to Local Committees.

**FINANCE**

15. The SHP contract is more expensive than the previous contract and this was anticipated because

- a) the previous contract rates were extremely low and unsustainable
- b) price fluctuation clauses have meant our previous contract would have increased this year. Some authorities are experiencing rises of 10% to 25% over last year's rates.
- c) higher quality works were anticipated and are being achieved
- d) an improved and increased standard of Health & Safety is being applied.
- e) the new Contract contains some management activities, which were not required by, or priced in the overheads of the previous Contract.

16. The contract was awarded on the basis of 50% quality and 50% price. At the time of tender, the prices submitted by the winning contractors were extremely competitive nationally. Furthermore, we have access to the constructors' books and can check the constructors' actual costs.

So, there are good reasons why this is correct and the prices the County Council will pay are both sustainable and very competitive with industry norms nationally.

17. Unfortunately there has been some difficulty experienced with the software which links the County Council computerised ordering system with the constructors' works management and costing systems. This meant that we were unable to allocate costs automatically against the wide range of County Council codes necessary for financial reporting. Manual handling of the data and the re-allocation of miscoding on orders or timesheets significantly delayed accurate financial reports. Financial data is becoming available increasingly quickly. In the East Contract, financial information is now available 3-4 weeks after month end (and transferred to the County Council's systems a week later), which is similar to traditional civil engineering contracts but, by the end of January in the east of the County, indicative figures were available during the month, with consolidated figures available three weeks after month end. In the west of the County which covers Woking, they are running approximately 4 weeks behind, but the same timing as the east should be achieved by the end of the financial year.

18. When achieved, it will be a significant improvement on historical traditional contracts. The added on cost percentage figure is applied to the constructors' 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 and do not include all the aspects covered by the SHP. In SHP the overheads are specifically identified separately to provide transparency.

## THE WAY FORWARD

19. Woking LTS is working to maximise local service delivery with the Constructor in 2004-05 and this will be achieved through the following:

- use of a Community gang working locally under the direction of Highway Stewards;
- a Constructor directed gang to undertake 28 day repairs;
- use of a road marking gang 1 week per month every month to carry out scheduled work;
- programme to clean all highway gullies for a second year;
- weed control programme;
- regular auditing of each programme/area of operation by LTS, CPT and Constructor;
- LTS contract liaison engineer to oversee programme of works and ensure outputs on site;
- LTS project engineers to liaise closely with Constructor and ensure delivery on the ground of project;
- Constructor to develop “hot costing” system that provides fortnightly management data to LTS;
- regular liaison meetings to continue between staff in LTS, CPT and Constructor;
- programme to clean highway ditches;
- regular presence of gang in Town Centre plus repair of Imprint surfacing and guardrails.

## CONCLUSION AND REASONS FOR RECOMMENDATIONS

20. Woking LTS is working much closer with the Constructor to deliver high quality service in the year ahead. Inspectors are working with Highway Stewards and, together with Project Engineers from both companies, are seeking to deliver the right solutions in a cost effective manner.

21. Expenditure monitoring is now improving since the start of the Partnership and the Ringway Highway Services defect identification processes are also

developing. Specific financial performance data has been reviewed in other reports to Local Committee on this agenda.

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**BACKGROUND PAPERS: Transportation Select Committee  
discussion paper 13 Nov 2003.  
Mammoth update for members December  
2003.**

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