

Notice of Meeting

Highways and Growth Select Committee



SURREY

Date & time

Thursday, 6
December 2018 at
10.00 am

Place

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

Contact

Richard Plummer
Room 122, County Hall
Tel 020 8213 2782

richard.plummer@surreycc.gov.uk

Chief Executive

Joanna Killian



We're on Twitter:
[@SCCdemocracy](https://twitter.com/SCCdemocracy)

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Richard Plummer on 020 8213 2782.

Elected Members

Mr Stephen Cooksey, Mr Paul Deach, Mr Matt Furniss, Mr Bob Gardner (Chairman), Mr Andy MacLeod, Mrs Tina Mountain, Mr John O'Reilly (Vice-Chairman), Dr Peter Szanto, Ms Barbara Thomson and Mr Richard Walsh

TERMS OF REFERENCE

The Committee is responsible for the following areas:

- Highways
- Major infrastructure
- Investment/Commercial
- Strategy (including
- Assets)
- Economic Growth
- Housing
- Local Enterprise Partnerships

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To report any apologies for absence and substitutions

2 MINUTES OF THE PREVIOUS MEETING: 18 OCTOBER 2018

(Pages 5
- 32)

To agree the minutes of the previous meeting as a true and accurate record of proceedings.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

- i. any disclosable pecuniary interests and / or;
- ii. other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest;
- as well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner); and
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

4 QUESTIONS & PETITIONS

To receive any questions or petitions

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*29 November 2018*).
2. The deadline for public questions is seven days before the meeting (*28 November 2018*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RESPONSE FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE

(Pages
33 - 34)

There have been two responses from the Cabinet Member to issues referred by the Select Committee. These are attached as Annex A.

6 AFFORDABLE HOUSING - SURREY COUNTY COUNCIL ASSET AND PLACE STRATEGY

(Pages
35 - 76)

Purpose of the Report: To respond to the Select Committee's request to

consider the issues concerning affordable housing in Surrey and to introduce the concept of the Asset and Place Strategy through which the County Council intends to develop this

7 OVERVIEW OF THE HIGHWAYS' CORE MAINTENANCE CONTRACT (Pages 77 - 102)

Purpose of the Report: To provide Members with an overview of the performance of the current Core Maintenance contract with Kier Highways, Value for Money assessments of the arrangements and inform the Terms of Reference for a new Task and Finish group that will support and scrutinise the service as it develops a new contract model and specification for 2021 onwards.

8 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME (Pages 103 - 110)

The Select Committee is asked to review and approve the Forward Work Programme and Recommendations Tracker and provide comment as required.

9 DATE OF THE NEXT MEETING

The next meeting of the Select Committee will be held 28 February 2019 in the Ashcombe Suite at County Hall.

**Joanna Killian
Chief Executive**

Published: Wednesday, 28 November 2018

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MINUTES of the meeting of the **HIGHWAYS AND GROWTH SELECT COMMITTEE** held at 10.00 am on 18 October 2018 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Thursday, 6 December 2018.

Elected Members:

- * Mr Stephen Cooksey
- * Mr Paul Deach
- * Mr Matt Furniss
- * Mr Bob Gardner (Chairman)
- * Mr Andy MacLeod
- Mrs Tina Mountain
- * Mr John O'Reilly (Vice-Chairman)
- * Dr Peter Szanto
- * Ms Barbara Thomson
- * Mr Richard Walsh

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were no apologies for absence received.

2 MINUTES OF THE PREVIOUS MEETING: 10 MAY 2018 [Item 2]

The minutes of the previous meeting were agreed as a true and accurate record of proceedings.

3 DECLARATIONS OF INTEREST [Item 3]

There were none.

4 QUESTIONS & PETITIONS [Item 4]

There were none.

5 RESPONSE FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

There were none.

6 SURREY EMPLOYMENT AND SKILLS [Item 6]

Witnesses:

Paula Neal, Relationship Manager Skills for Business
Bob Pickles, Chairman of the Employment and Skills Board, Head of Corporate & Government Affairs Canon UK & Ireland
Tracie Evans, Executive Director of Economy, Growth and Commercial

Key points raised in the discussion:

1. Officers provided context to the formation of the Employment and Skills Board (ESB) in 2013, noting that it was aimed to encourage

economic growth in partnership with the local authority, employers, higher education authorities and other key stakeholders. It was stressed that this was a volunteer, employer led body. It was noted, however, that the ESB had received dedicated officer support from Surrey County Council as of early 2018.

2. The Chairman of the Employment and Skills Board highlighted that one of the key assets of the ESB was its capability to create a network of employers, local authorities, higher education authorities, and others which would work to identify skills gaps and provide a collective voice to suggest resolutions to these skills gaps.
3. Members questioned whether there was a significant gap between public and private sector ways of working. The Chairman of the Employment and Skills Board noted that there was a difference in working cultures, but that the public sector had been changing to more match private sector ways of working, which ensured that this issue was not acute. It was noted, however, that there was still a cultural difference in the way that schools work, but that the ESB had worked to outreach to schools to bridge the gap.
4. Members questioned how the ESB could outreach more to businesses and to improve its visibility. The Chairman of the Employment and Skills Board noted that it had been working with the Relationship Manager, Skills for Business to further develop the digital reach of the ESB, and that more work needed to be done to improve upon this.
5. Members questioned whether disability groups were represented sufficiently on the ESB and whether there was any opportunity to outreach to these groups to potentially engage with a project to improve disabled employability. The Chairman of the Employment and Skills Board stressed that all representatives of the ESB dealt with issues relating to disability on a regular basis, but that there was no specific representative. The Chairman of the ESB did note that he would like to see improved engagement with disability groups, and welcomed input from the Committee as to how to potentially engage better with these groups. Members offered to provide suggestions to the Chairman of the ESB after the meeting.
6. Members questioned gaps in membership and outreach, asking whether there was scope to include NHS and school organisations more. The Chairman of the ESB explained that it was working to regain school representation on the Board; it was noted that it had been the case historically that there was a representative of schools on the Board, which the Board was hoping to rectify. It was also stressed that the Board was currently seeking a representative from the NHS. The Chairman of the ESB asked the Committee whether it could provide information or contacts for NHS organisations to help with outreach.

7. The Chairman of the Employment and Skills Board explained that a key work stream of the ESB through 2018 had been work undertaken on the “debug” of the apprenticeship levy from a business perspective.
8. Members noted that the take-up of apprenticeships had dropped in the county from implementation of the apprenticeship levy and questioned why this was the case and if there was any reputation work for apprenticeships that the ESB could engage with. Officers noted that the Board was working to understand the inhibitions towards utilisation of the apprenticeship levy by businesses.
9. Officers explained that there was work underway in businesses to design apprenticeship standards to clarify what is required from an apprenticeship and increase take-up. It was stressed by the Chairman of the Employment and Skills Board that the Relationship Manager, Skills for Business had undertaken work to organise an event to analyse more thoroughly reasons for lower uptake.
10. Officers explained that the Deputy Leader had implemented an Apprenticeship Task Force to analyse issues preventing the Local Authority from maximising the use of apprenticeships.
11. Officers noted that improved links with schools, Higher Education authorities and the Local Enterprise Partnerships (LEPs) was important in enhancing the reputation of apprenticeships. It was noted that secondary schools were becoming more active, and were required to appoint a dedicated career leader, as part of the Gatsby benchmarks, in September 2018. It was also noted that the ESB supported the work of the LEPs on a work stream to recruit volunteer business leaders to work strategically with school leadership teams to improve career advice, which was aimed to improve links between businesses and schools and close skills gaps.
12. Members questioned whether there was more scope to further outreach to Small and Medium Enterprises (SMEs). The Chairman of the Employment and Skills Board noted that the Board included the Federation of Small Businesses, and others, and that it did work to network with small businesses as much as possible to gain their views. It was noted that the ESB would welcome further views on how to outreach to SMEs better in future and encouraged Members to outreach to SMEs on behalf of the Board to improve outreach and visibility.
13. Members questioned the return of investment of the ESB and what the overall costs and outcomes for the Board are. The Chairman of the Employment and Skills Board offered to provide this information to the Board at a later date.
14. Members asked whether there was any scope for the ESB to work to encourage development of skills for older workers. The Chairman of the Employment and Skills Board noted that there was no longer a cap

on age for apprenticeships, which would serve to encourage development at all ages. It was also noted that work to improve the reputation of apprenticeships would also aid with the resolution of this issue.

15. Members questioned the work undertaken by the ESB in the apprenticeship debug, and whether suggestions made would be utilised. Officers noted that the suggestions that they had made were well received by the Local Government Association (LGA) and that suggestions were in line with what the LGA were hoping to achieve.
16. Members questioned the funding for the ESB and asked whether the funding for the work of the ESB was secure. It was noted that, beyond volunteer time, the funding resource was supplied by Surrey County Council. Officers noted that the ESB would be looking to see whether there were additional funding opportunities that the Board could engage with from the LEPs to help improve their project work and impact. It was noted that officers were looking at alternative sources of funding for projects, as well as utilising partner organisations resources in order to undertake these projects.
17. Officers outlined the projects planned for the ESB over the next year, noting that there was planned work with East Surrey College regarding the implementation of T-Levels, as well as other projects. Members questioned the implementation of T-Levels and whether these will work to alleviate the skills gaps from the perspective of businesses. Officers suggested that T Levels may work to alleviate the gender gap in Science, Technology, Engineering and Maths (STEM) subjects better than the current system.
18. Officers offered to share the forward plan of the Board for the next year with the aim of reporting on progress of these activities in the next year.
19. Officers explained that the Board had good relations with the LEPs and that they were active in seeking support from the Board on developing their Strategic Economic Plans. It was also noted that the LEPs wanted to develop their own Skills Boards in a similar model to the Surrey one. The Chairman of the ESB had concerns regarding duplication, but saw opportunities for linkage with the LEPs.
20. Members questioned whether there were links with schemes for training and development of skills in Boroughs and Districts, noting that some areas had schemes that were underway that the ESB could link into. Officers noted that there was evidence of good programmes and that the ESB was linked in with them, but that there was significant work to do to encourage similar programmes across Surrey.

RECOMMENDATIONS:

1. That the Deputy Leader includes a work stream in the Apprenticeship task force that looks at the challenges presented in the apprenticeship levy from a business perspective, and on findings relating to issues preventing the Local Authority from maximising the use of apprenticeships and that this is reported to the Committee upon its conclusion.
2. That the Deputy Leader ensures that sufficient resource is allocated to the Employment and Skills Board to guarantee that it can effectively outreach to businesses and partners and that it can successfully undertake the work in its forward programme.
3. That officers provide information on the return of investment from Surrey County Council for the ESB.
4. That the ESB shares its forward plan of work with the Committee and that progress on this is reviewed by the Committee in September 2019.

7 OVERVIEW OF HIGHWAYS CONTRACTS [Item 7]

Witnesses:

Paul Wheadon, Business Improvement & Consultancy Team Manager
Lucy Monie, Head of Highways and Transport
Bernard Hodgkinson, General Manager, Kier

Colin Kemp, Lead Cabinet Member for Place

Key points raised in the discussion:

1. The Lead Cabinet Member for Place explained that the aim of the session was to consider the complexities of the Highways contracts to understand the development of the current contract structure, with the aim of informing future understanding of the development of the future Highways contracts upon re procurement in 2021.
2. The Lead Member and Officers provided an overview of the current contract, highlighting the background of the contract, value, scope, functions, high level performance information and improvements to the contract. The representative from Kier explained that Kier had secured an extension to the contract in 2016 with some changes to how the contract was delivered, which had provided some cost savings. It was also explained how the service operated and the hubs that the service utilised to effectively maintain the network.
3. On behalf of the Committee, the Chairman voiced disappointment that this was the first time the Select Committee members had the opportunity of seeing the presentation slides. It was stressed that, for the Committee is to perform its scrutiny role effectively, it was essential that all notes and presentation material be made available to

the Committee in advance for members to have adequate time to prepare questions and comment in an informed manner.

4. The representative from Kier and the Lead Member noted that the service was undergoing a “managed deterioration” of the network based on current funding levels. It was stressed that this was not an acute problem at present and that the road network quality of Surrey compared favourably to other authorities. Members asked Keir and the Lead Member to provide a comparison of Surrey road quality compared to other authorities to help design how the contract will be designed in future, as well as understand the value for money of the contract and whether there is good return on investment in light of the managed deterioration of the asset.
5. The representative from Kier noted that the current model was a transparent and open model which allowed for good partnership work. The Officers agreed to supply the key indicators.
6. Officers highlighted the performance measures and the Key Performance Indicators (KPIs) for the contractor. It was noted that the contractor did measure its own performance, but that Surrey County Council officers audited and monitored the accuracy of these measures. It was noted that, generally, the contractor had performed well against these KPIs. Members did note that there was a low measure of resident satisfaction, which could be improved with better communication with residents regarding disruptions. The Lead Member noted that he had undertaken a significant amount of work on this, but that there was more that could be done to improve resident’s perception. It was also suggested that how the service works to communicate better as part of the new contract needed to be examined and improved for future use in future.
7. It was explained that there was an increased pressure on performance during the winter months, and that this was taken into account in performance measurements. Members commented that they had no evidence of this and wanted to have a visibility of KPI’s
8. Officers stressed that performance measures were designed to be open and honest about the performance of the service. The red rated performance measures were discussed and officers noted that this was a snapshot of a specific period, which were in flux.
9. Officers noted that the service held officer led panels, chaired by Surrey County Council Managers, which were utilised to measure the performance of the contractor which fed into the KPI dashboard. It was noted that Surrey County Council officers and Kier managers were both involved in these panels. It was also stressed that these panels looked at the KPIs labelled red and questioned the reasons for performance figures, which has led to continuous improvement of

performance by the contractor.

10. Members questioned whether it was possible to compare the performance figures that were highlighted with other comparable local authorities, and whether the performance of the Surrey system compared favourably with other authorities. Officers and the Lead Member suggested that they could provide some examples of this information to the Committee as part of its update in December.
11. Members questioned whether there were any penalties for poor performance or overrun of the permit scheme. It was noted that penalties for poor performance and overrunning works are applied to utility companies as the legislation allows.
12. Officers noted that the Safety Defect service was mostly reactive in its response, rather than preventative. It was explained that this was a requirement to ensure that the road was safe for users. It was also stressed that not all road defects could be resolved, but that the service had to effectively manage risk against cost. It was highlighted that there were dedicated teams that undertook this work.
13. The representative from Kier highlighted that some innovative preventative solutions were used which worked to deal with defects on local roads. It was stressed that this work was impactful as it had a positive effect for residents and also prolonged the life of the road asset.
14. Members questioned the life and quality of repairs to the network. Officers stressed that there was an expectancy that repairs would last for two years and that there was monitoring in place to ensure that these were logged and monitored for quality.
15. Members questioned the changes in value of the contract, from £10-15 million, to approximately £40 million, and asked for a factor analysis which led to these increases, and whether this was considered good value for money. Officers noted that activities had changed which modified the scope, noting that work, such as Project Horizon, had involved significant amounts of additional resource.
16. Members noted that some minor repairs seemed to be costed highly, through use of fixed rates or day rates, and questioned whether this could be reviewed in any future contract. The Lead Member and officers noted that the cost arrangements and value for money of the safety defect service, had been reviewed and that they were of benefit and a good way of managing risk, but that the service will look at these arrangements for the future contract based on best value.
17. Members were informed that information regarding the key weaknesses and strengths of the contract in its current format were being analysed, including value for money, and that a follow up on this could be brought to the committee at its meeting in December 2018.

The Lead Member noted that he felt that resident's perception of performance was an area of key concern.

RECOMMENDATIONS:

1. That the Head of Highways conducts a benchmarking exercise with other comparable local authorities, detailing the state of Surrey Highways in comparison with other local authorities, and provide this as an update in December 2018.
2. That the Head of Highways provides a monetary comparison of the contract with other comparable LAs to ensure SCC is obtaining Value for Money out of spend.
3. That the Head of Highways provides a clear visibility of KPI at the December meeting of the current contract Verses the new proposed contract and a bench mark of one or two similar LA to establish value for money for the Surrey Public Purse.
4. That the Committee establish a Task and Finish Group with the aim of aiding in development of the Highways Contract to be developed for 2021 and that this be included as part of the Highways improvement contract in December 2018.

8 FORWARD WORK PROGRAMME [Item 8]

Members approved the forward work programme of the Committee.

Members questioned whether it was possible to involve Borough and District authorities in the discussion regarding affordable housing.

The Lead Cabinet for Place noted that there was work that could be considered in future regarding lane rental.

The Chairman noted that there was future work reagrding the Surrey Investment Strategy and how the service will manage this in future.

9 DATE OF THE NEXT MEETING [Item 9]

It was noted that the date of the next meeting would be 6 December 2018 at County Hall.

Meeting ended at: 12.35 pm

Chairman

Highways Core Maintenance Contract

Lucy Monie – Head of Highways and Transport

Paul Wheadon – Business Improvement and Consultancy Manager

Bernard Hodgkinson – General Manager (Kier Highways Ltd)

Contract Overview

Contract Length

- Commenced in April 2011 for maximum of 10 years
- 1 year extension (until April 18) agreed in 2015 aligned to development of longer term extension plan
- Final 3 year extension (up to April 2021) agreed in 2016

Contract Value

- Initially estimated to be £10-15 million per annum
- Following increased budgets, including Project Horizon, currently £35-40 million per annum



Contract Scope

- One of a number of contracts let to start in 2011. It covers multiple services including:

Immediate &
Emergency
Response

Safety Defects

Minor Planned
Maintenance

Winter
Maintenance

Structures
Inspections and
Maintenance

Carriageway Resurfacing
(including Local Structural
Repair)

Micro
Surfacing

Footway
Surfacing

Civil Engineering/
Improvement Schemes (ITS,
STP, Major Schemes)

Structures Repairs/
Construction

Capital

Revenue



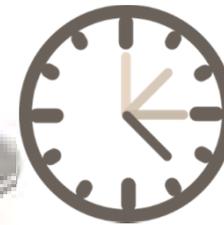
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Contract Scope

Performance for the last year (October 2017 – September 2018):



**99.7% of works
working with a valid
permit**



**99% of customer
enquiries
responded to on
time**

**93% of Immediate &
Emergency Response
events responded to
within 2 hours**



**8.2 miles of Major
Maintenance
resurfacing**

**82,792 Safety
Defects repaired on
time**



**97.5% of works
completed within
timescales**

Safety Defect Service

Reactive Repairs to keep the network safe

Managing risk and liability

Compliance to policy is important

- Not every defect can be repaired
- Lots of monitoring

Identified by inspections and public reported defects

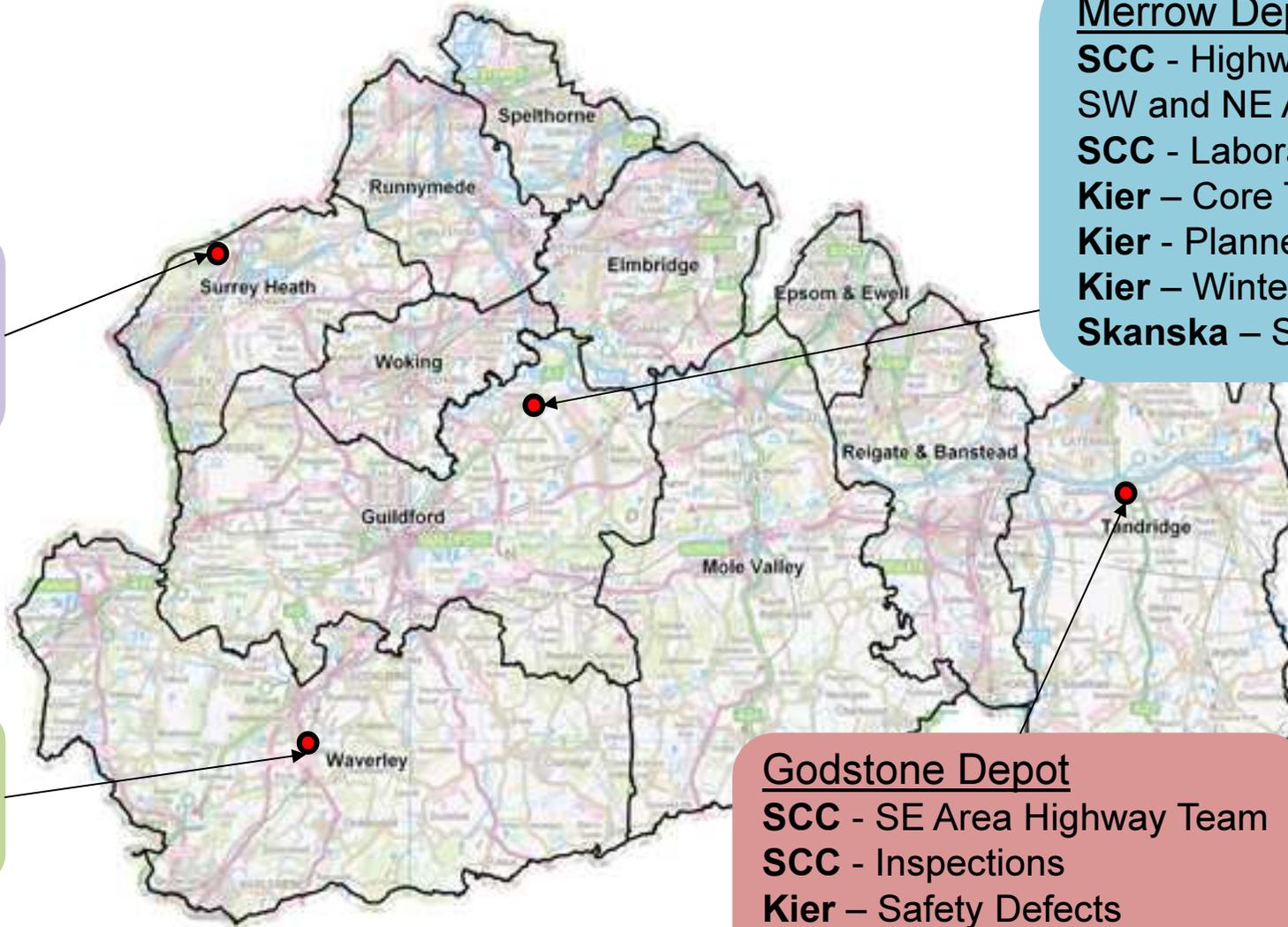
Right first time approach

- Preventative Programme
- Treats larger areas of road to deal with defects and prevent others forming
- Targeted on local roads
- Identified from inspections and Local Highway Officers
- Range of treatments, mostly patching

Depot/Office Locations

Shot Depot
- NW Area
- Highway Team
- Winter Gritting

Witley Depot
Kier – Winter
Gritting



Merrow Depot
SCC - Highways Headquarters including
SW and NE Area Highway Teams
SCC - Laboratory
Kier – Core Team
Kier - Planned Work
Kier – Winter Gritting
Skanska – Street Lighting

Godstone Depot
SCC - SE Area Highway Team
SCC - Inspections
Kier – Safety Defects
Kier – Winter Gritting



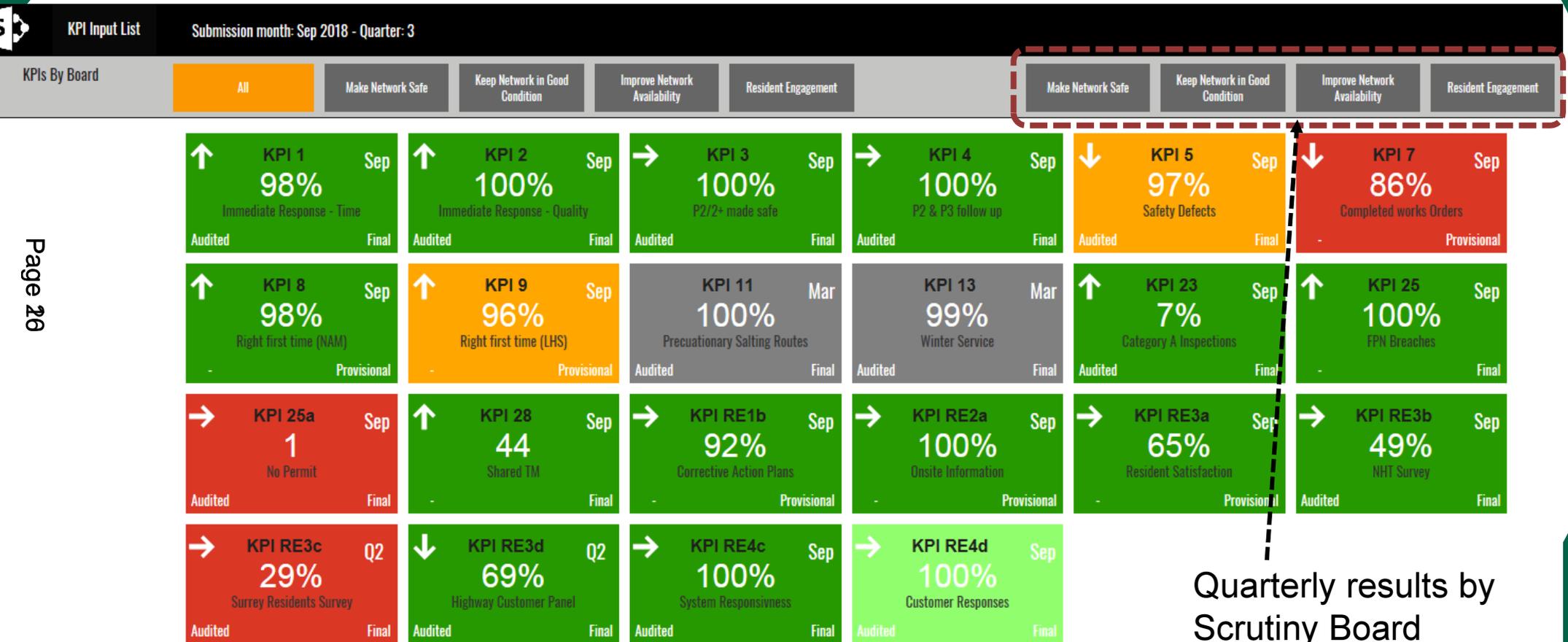
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CONTRACTOR PERFORMANCE



Contractor Performance

KPI Dashboard



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Dashboard is a live view – each measure confirms Provisional/Final results and whether they have been audited by SCC Officers

Contractor Performance

- The 4 scrutiny boards cover the following aspects:
 - Make the Network Safe
 - Keep the Network in Good Condition
 - Improve Network Availability
 - Resident Engagement
 - Winter Service (held from Oct to April during active season)
- Performance is reported by Kier and then checked by SCC to validate the results and where appropriate challenge them.
- Performance outcomes are directly linked to the level of profit paid – higher overall performance, higher profit (capped at 4%) or lower performance, lower profit

Contractor Performance

Make the Network Safe

KPIs focussed on proportion of immediate response events and safety defects attended to within agreed timescales and; quality of repairs carried out

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May to August	Immediate Response (time)	Immediate Response (quality*)	Safety Defects (time)	Safety Defects (quality*)
Defects/Incidents Repaired	1061	155	19,110	534
Number completed correctly/on time	1018	149	18,623	525
% completed correctly/on time	96%	96%	97%	98%

* Quality of repairs is carried out by means of a 5% sample each month



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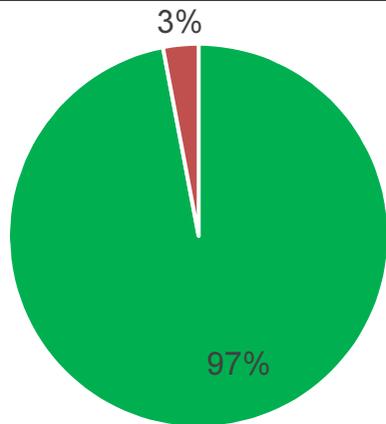
Contractor Performance

Keep the Network in Good Condition

KPIs focussed on planned work being completed to programme * and; ensuring work is completed right first time

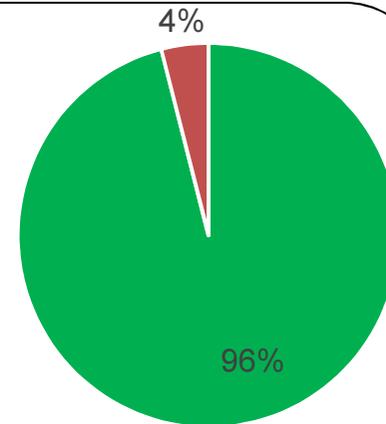
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KPI 7 – delivered to Programme (June to August)



■ Pass ■ Fail

KPI 8&9 – work completed right first time (June to August)



■ Pass ■ Fail

Programme dates are set once the design solution is confirmed. The measures allow for reasonable extensions of time where events such as poor weather or changes in requirement once started are beyond the contractor's control



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Contractor Performance

Improve Network Availability

KPIs focussed on elements that help to reduce traffic disruption during SCC's work

These include

- Direct measures of Kier's performance such as compliance with the Permit Scheme and any conditions specified for each job
- Actions Kier take to share lane and road closures with other contractors

* Quality of repairs is carried out by means of a 5% sample each month



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Contractor Performance

Resident Engagement

KPIs focussed on a number of measures to determine resident satisfaction and gain feedback to help inform improvements

Measures include:

- Results in the National Highways and Transport Network (NHT) Annual Survey
- Quality and Timeliness of any Customer response and effective implementation of any Corrective Action Plans
- Provision of agreed customer information ahead of work programmes including advance warning signs, letter drops and where required, attendance at public events

* Quality of repairs is carried out by means of a 5% sample each month



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CONTRACT IMPROVEMENTS



Contract Improvements

Supply Chain/Subcontractors

- As part of the extension it was agreed to re-procure the supply chain aimed at reducing costs by 5%
- A new Alliance contract form was introduced to increase collaboration between SCC, Kier as the Principal Contractor and subcontractors where they deliver work
- SCC now pay the actual price provided by each individual subcontractor rather than an average rate to Kier
- New performance structures jointly managed by SCC and Kier have been introduced for the supply chain

Contract Improvements

Principal Contractor Costs

- At the outset of the contract with an estimated annual spend of £10-15 million, the Council agreed a % uplift to all work to cover cost of delivering the contract such as Supervisors, design, cost and financial management and depots
- As the annual spend increased, those costs in reality to Kier increased at a much lower proportion
- Since April 2016, the Council has paid Kier actual costs for staff and depot overheads to provide a reduced cost and increased transparency

Contract Improvements

Longer Term Maintenance Programmes

- Longer term maintenance programmes e.g. Horizon
 - Annual programme determined and joint solutions identified
- Certainty of work enables greater collaboration with contractors
- Leads to price reduction via volume discount and programming efficiencies

Next steps

- Work commencing on what the future contract arrangements might look like
- Need to ensure any future model is;
 - fit for purpose
 - addresses the needs and objectives of the council and residents
 - allows sufficient flexibility for future changes in budget, scope of services and council priorities
- Request to establish a Member Task Group
 - Commence December
 - Test and scrutinise emerging proposals
- Need to determine what is required for the next Select Committee – currently planned for December if still required



QUESTIONS?



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HIGHWAYS AND GROWTH SELECT COMMITTEE

6 December 2018



Cabinet Responses to Issues Referred To By the Select Committee

Meeting of 18 October, Employment and Skills Board Recommendations to Cabinet:

1. **That the Deputy Leader includes a work stream in the Apprenticeship task force that looks at the challenges presented in the apprenticeship levy from a business perspective, and on findings relating to issues preventing the Local Authority from maximising the use of apprenticeships and that this is reported to the Committee upon its conclusion.**

RESPONSE: The Apprenticeship Task Force is focused on Surrey County Council only and not private sector levy payers. Paula Neal, Skills for Business Relationship Manager, is part of the internal Task Force team and will be applying the recommendations from the study of Surrey levy payers (see Solutions to Debug the Apprenticeship Levy report), to develop an Action Plan for Surrey County Council Apprenticeships. This work will be presented to the Adult and Lifelong Learning Select Committee in early 2019 and will be shared with members of the Highways and Growth Select Committee.

2. **That the Deputy Leader ensures that sufficient resource is allocated to the Employment and Skills Board to guarantee that it can effectively outreach to businesses and partners and that it can successfully undertake the work in its forward programme.**

RESPONSE: The Deputy Leader has allocated £60k per year for 2018/19 and 2019/20 for use for a dedicated employee to support the Employment and Skills Board (Paula Neal), and for the support of key initiatives identified by the ESB, such as supporting the Apprenticeship Graduation Ceremony, an annual celebration of over 100 apprentices from local employers. In addition, the ESB will source funding opportunities, where appropriate, to facilitate the forward programme.

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Highways and Growth Select Committee

6 December 2016



Affordable Housing – Surrey County Council Asset and Place Strategy

Purpose of report: To respond to the Select Committee’s request to consider the issues concerning affordable housing in Surrey and to introduce the concept of the Asset and Place Strategy through which the County Council intends to develop this

1. Introduction:

- 1.1 The Highways and Growth Select Committee wishes to understand the context of affordable housing in Surrey for residents, employees of Surrey County Council and retirees, and assess potential alternative options for provision.
- 1.2 The County Council is currently aiming to address this issue and intends to use its assets in partnership with District and Borough Councils to help tackle the problem
- 1.3 The Cabinet at its meeting on 30th October 2018 agreed to develop the Asset and Place Strategy to identify how its assets can contribute to making a better Surrey. A key outcome of this is to provide: “truly affordable housing including keyworker and extra care homes.”

2. Content of the report

- 2.1 Attached as **Annex A** is a set of slides that will be presented to the Select Committee for consideration, comment and discussion. These contain:
 - an overview of the developing Asset and Place Strategy
 - description of types of housing including market and affordable products
 - Illustration of the affordability issues in Surrey
 - Overview of how housing can be provided
- 2.2 Attached as **Annex B** is the Cabinet report establishing the development of the Asset and Place Strategy which again can be considered for discussion.

3. Outcome from the report

- 3.1 The aim of this report is to respond to the Select Committee's request for information on the issues relating to affordable housing in Surrey and offer a deeper understanding of the challenges and issues involved.
- 3.2 It is intended that members have the background to the Asset and Place Strategy and understand the relationship between the Council's assets and the provision of affordable housing
- 3.3 Members advice and recommendations on the issues are sought to feed into the developing strategy and into the Council's consideration of how best to provide truly affordable housing.
- 3.4 This will include how to approach matters in partnership with District and Borough Councils to ensure effective collaboration and better place making in Surrey.

4. Recommendations:

4.1 Members are requested to:

- i. Receive the presentation and report.
- ii. Make comments as appropriate
- iii. Receive a further report on the developing strategy in spring 2019

Report contact: Julian Wain, Programme Director

Contact details: julian.wain@surreycc.gov.uk

Report Contents:

Annex A: Presentation on Affordable Housing

Annex B: Asset and Place Strategy Report to Cabinet

Affordable Housing Highways and Growth Select Committee

December 6th 2018

The need for the Asset and Place Strategy (see Appendix 2)

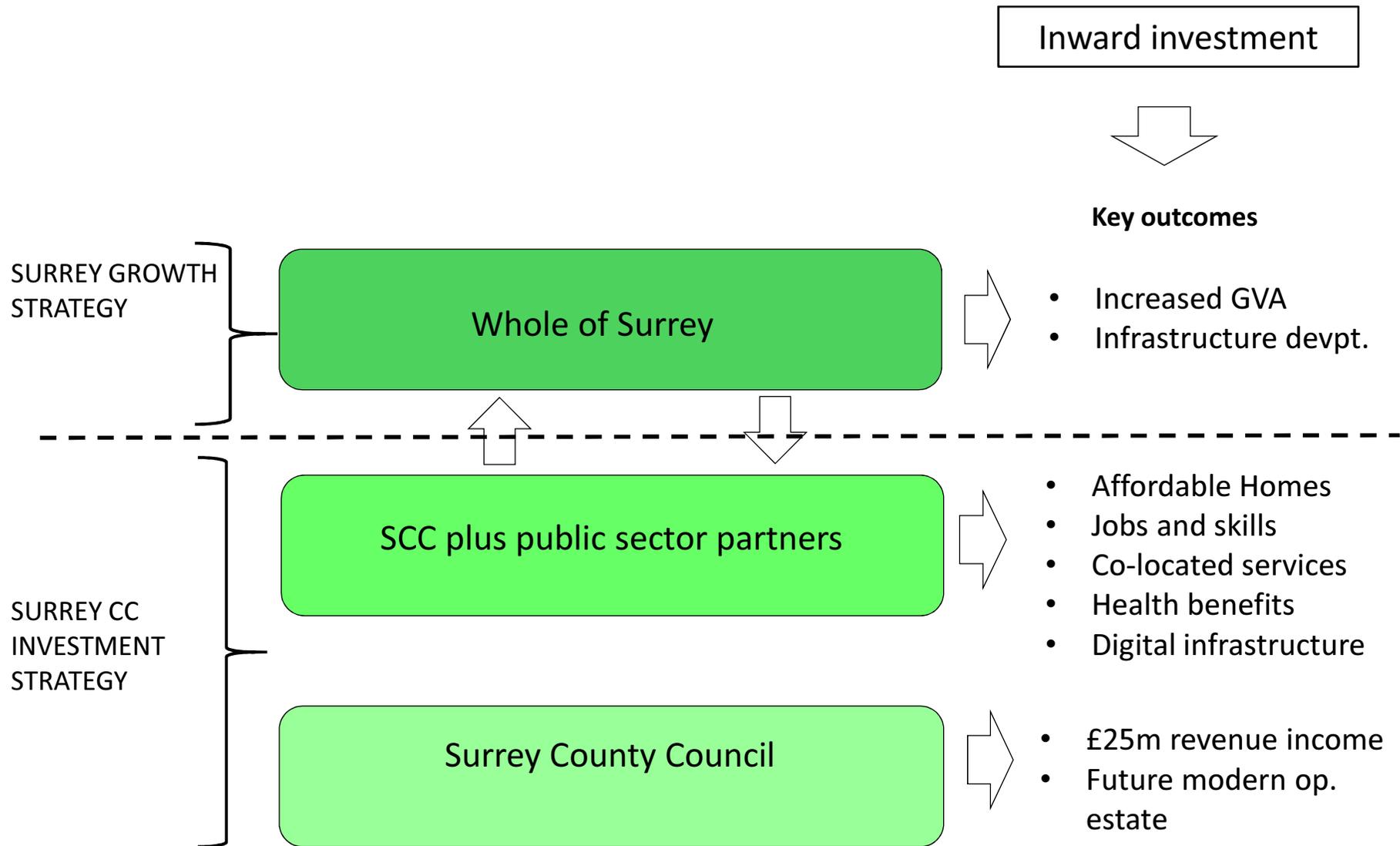
- Still prosperous County but growth flat lining or reducing
- Residents say truly affordable housing is important for young people and for key workers
- Housing for elderly - Extracare
- Traffic congestion
- Digital infrastructure
- Modern office estate
- Budget gap

Asset and Place Strategy Outcomes (see Appendix 2)

The Place Strategy will set out a proposal for County Council investment using its own asset base as leverage to obtain:

- £25 million additional net revenue income stream by 2030.
- **Truly affordable housing including keyworker and extra -care homes**
- Modern digitally enabled business space
- Digital infrastructure
- Jobs and skills
- Modern Council operational estate

The Asset and Place Strategy overview



The County's £1.5 billion Estate – what is in it?

Operational Portfolio

c300 properties and 410 schools

Annual running costs (excl schools) £17million

Backlog maintenance £38m

Non-Operational Portfolio

c1200 assets

Running cost £2.5 million

Income £2.1 million

Net £-£0.4 million

Investment Portfolio

28 property locations

Value £355 million

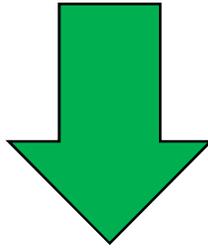
Income £10 million (2019-2020)

What is the process?

- Review of all the Council's assets for optimum use
- Operational estate in right place based on resident and service need
- Surplus land and buildings appraised for use as housing or employment

Key Outcome

Truly affordable housing including keyworker and extra -care homes



What does this mean?

What are the challenges?

How can it be delivered?



SUR

Surrey Housing Requirements

- Overall need for housing: 4,357 dwellings per year to 2031
- Current delivery: 2,486 from 2011-2016
- Generally local plan policy suggests 30-40% affordability
- District/ Borough Strategic Housing Market Assessments suggest all could be affordable!

Barriers to delivery

- Land values
- Viability
- Building costs
- Labour supply
- Infrastructure
- Land supply
- Planning constraints
- Green belt
- Local opposition

Housing definitions: Market housing

- Private housing for sale where the price is determined by the open market
- Private housing for rent where the price is determined by the open market
 - Variants – e.g. Build to rent private housing can be let at sub market rents

Housing definitions: Social Housing

- Let on a secure basis largely to those most in need
- Provided by Councils or housing associations
- Rents based on formula: size, local earnings and property values subject to a cap
- Flexibility to exceed by 5% based on local circumstances
- -1% rent reduction since 2016
- Annual uplift CPI plus 1% annually from 2020
- Now back in policy priorities



The two new developments that we have building on behalf of Tandridge District Council are now complete; they are the first new Council homes for 25 years.

The Oakshaw development comprises four two bedroom homes and two three bedroom homes. In the other development we have built a pair of three bedroom semi detached homes on the Eldon Road, development

SOURCE: [William Lacey Group](#)

Housing definitions: Affordable rented housing

- Typically higher than social rents – up to 80% of market rent
- Increase by CPI plus 1% annually from 2020
- Have regard to the local market context, property size and service provided
- Cannot be lower than the formula rent



Brookwood Farm was the development of 12 eco-friendly family homes in Knaphill, Woking comprising of 10 semi-detached houses and 2 detached houses – 25% of which were available for affordable rents.



Intermediate housing (between social and market)

- Shared ownership
 - Purchases share of property
 - Pays rent on rest
 - Option to increase share (staircase)
- Key worker
 - sub market housing for sale or rent reserved for employees
- Intermediate rents



Share Price £117,250 (from 35% Min.)

Full Value £335,000 | £5,863 Min. Deposit

Scheme: Shared Ownership Resales

✔ Available now

3 bedroom house in Broadbridge Heath - West Sussex

📍 1 Harris Way, RH12 3GT

Fabulous 3 bedroom house in popular development



Extra Care

- Self – contained, own front door
- High level of care to suit needs
- Social and leisure activities
- Private, housing association and local authority provision
- Demand outstripping supply in Surrey
- Projections for 600 further apartments by 2025

Retirement Villages

- E.g. McCarthy and Stone, Extra Care Charitable Trust
- Apartments – Rent or Sale
- Social/ Leisure/ Commercial Facilities

Extracare Housing Trust – Bournville, Birmingham



McCarthy and Stone - Guildford



Page 50



ughenden Gardens Village, Hughenden Boulevard, High Wycombe, HP13 5GA

In the beautiful Hughenden Valley, the Village can provide you with a fulfilling lifestyle as an active member of a vibrant local community, where you can pick up old hobbies and discover new ones. Meet fresh challenges and relish new achievements.

At Care, our philosophy is that later life is a time for doing more rather than less. A time for staying independent, doing some of the things that you've always wanted to do but never got around to or found

Affordability – House price

- Surrey - Average house price – £453,000 – highest in country
- 14 times average salary (£40,000)
- West Sussex – £329,000
- Bedfordshire – £289,000
- Hertfordshire - £402,000

Affordability – Market Rent

- Typical Surrey Market rent
 - £1,129 (2 bed)
 - £855 (1 bed)
- West Sussex
 - £765 (2 bed)
 - £1,009 (1 bed)
- Bedfordshire
 - £645 (2 bed)
 - £828 (1 bed)
- Hertfordshire
 - £1,171 (2 bed)
 - £883 (1 bed)

District and Borough Affordability challenges – Example A

- 81% can't afford to buy
- 57% can't afford private rent a three bedroom property
 - Weekly Av rent £340 LHA £250
- 39% can't afford to privately rent a 2 bed property
 - Weekly Av rent £251 LHA £206

District and Borough Affordability challenges - Example A

- 80% of market rent affordable rented requires income of £30,400 pa
 - Only 6% of households on register can afford this
- 60% of market rent affordable rented requires income of £28,000pa
 - Only 19% can afford this
- Assessed need - 456 homes per annum for 5 years and 284 until 2033
- This is more than the local plan target
- Delivery 111 in 2017/2018

District and Borough Affordable Housing Challenges – Example B

- Average price of homes - £678,000
- Private sector rents
 - 1 bed £860pcm
 - 2 bed £1164pcm requires income of £57,915
 - 3 bed £1500pcm
- Social Rent
 - 1 bed £426
 - 2 bed £503
 - 3 bed £589

District And Borough Challenges – Example C

- Average House Price
- Private sector rents
 - 1 bed £775pcm
 - 2 bed £995 pcm
 - 3 bed £1,200 pcm
- Social rents
 - 1 bed £399pcm
 - 2 bed £433 pcm
 - 3bed £480 pcm

Delivering Affordable Housing

- Housing Associations (PRPs)
- Local Authorities
- Local housing companies
- Joint ventures e.g Place for People/ Surrey County Council
- Developers – s106, Development Brief

Which route do you choose?

- Priority
- Strategy
- Ownership
- Numbers
- Resources
- Capacity
- Funding

South Ridge LLP – Surrey CC/ Places for People

- Joint Venture Limited Liability Partnership
- Build housing and mixed use on Council sites
- Working capital from PfP
- Joint funding decisions
- Specify outcomes
- Financial returns
- Private sector skills and expertise
- Long term vehicle to deliver at scale and pace

SURREY COUNTY COUNCIL

CABINET

DATE: 30 OCTOBER 2018

REPORT OF: MR COLIN KEMP, CABINET MEMBER FOR HIGHWAYS

LEAD OFFICER: TRACIE EVANS – EXECUTIVE DIRECTOR ECONOMY, GROWTH AND COMMERCIAL

SUBJECT: SURREY ASSET AND PLACE STRATEGY



SUMMARY OF ISSUE:

Despite the financial challenges that we face, the County Council and its Districts and Boroughs are uniquely placed to use its significant resources and assets to influence growth in Surrey making it an even better place than it is already.

This report seeks approval to develop a Surrey Asset and Place Strategy with a delivery plan to 2030 which will be developed in line with District and Borough Local Plans, LEP Plans and Health Plans. The Strategy report will be presented to Cabinet in April 2019 and will outline the delivery plan which will be subject to significant scheme design and financial modelling:

For the Council:

- A re-modelled operational estate that will see **four or five larger town hubs and circa 20 smaller satellite hubs** with at least one satellite hub in each of the Districts and Boroughs **by 2025**.
- The Council already has an investment portfolio that is on course to deliver a target of £10m income by 2020. We believe that schemes can deliver an additional **£25m per year net income by 2030**.

For Surrey to be aligned to Borough and District Local Plans and LEP plans:

- **200 additional business spaces** in bespoke buildings. That is 50 units every 3 years to 2030.
- **4,000 units of housing**, especially truly affordable housing including keyworker and extra care homes by 2030.
- **400 new jobs** especially making full use of Apprenticeship Levies and supporting businesses to grow by 2030.
- **A Digital Skills Academy** in partnership with a Surrey University with a specific aim to reach young people who have difficulty in school settings by 2022.

Engagement and transparency throughout the development of the strategy is important. In order to provide technical challenge and insight, we are proposing that an Advisory Panel be set up to support and advise Cabinet on the direction of the strategy and the development of schemes. It is proposed that the Councils Asset Strategy Board which is chaired by the Leader, acts as the steering group for this work.

The work to develop a delivery plan by April 2019 is highly complex and needs significant technical design and appraisal on each scheme to develop a financial and delivery model. The report seeks approval for a budget to ensure this technical work is adequately funded.

We are expecting to be highly ambitious in delivering this strategy, however it is important to note that we will not delay the delivery of schemes whilst developing the strategy. This includes the work being done by SHAPE Board and Surrey Futures. In fact, this work is likely to identify future work streams for these groups. Where appropriate and where there is an obvious benefit, we will continue to deliver schemes whilst the strategy is being developed.

This report is brought alongside the report on this agenda proposing the Council's Organisation Strategy, Preliminary Financial Strategy, People Strategy and Transformation Programme (i.e. the council's new integrated strategic and financial framework). The development of the Asset and Place Strategy forms part of the Council's Transformation agenda, to deliver the new Community Vision for Surrey in 2030.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Agree to the development of a long term Asset and Place Strategy and Delivery Plan to 2030, in line with District and Borough Local Plans, which will deliver a re-modelled operational estate and long term income for the Council and to use released assets to support growth in Surrey.
2. Agree that this work is led by the Council's Asset Strategy Board.
3. Agree the appointment of an Advisory Panel to support the Asset Strategy Board in its work composed of two Councillors and up to three outside advisers including the Chairman.
4. Authorise the Executive Director of Economy, Growth and Commercial (in consultation with the Leader) to appoint up to two further external advisers, and to agree the Advisory Panel's terms of reference and work programme.
5. Agree to provide support to the Programme which consists of:
 - a programme team to co-ordinate the strategy and delivery plan work and organise space planning workshops with partners.
 - high level design and feasibility studies for each scheme (at least 20)
 - social-economic-techno analysis (in support of the work already completed by Surrey Futures).
 - commercial financial modelling expertise to develop funding strategies for each scheme and validate future income streams.
 - legal support to advise on delivery models.
6. Approve a programme budget of up to £500,000 to enable the development of the strategy and the financial validation noting that this will be approved by full Council as transformation expenditure to be funded from capital receipts flexibility. This figure includes a previous decision by Council to allocate £275k.

REASON FOR RECOMMENDATIONS:

This hugely ambitious plan for change needs extensive technical support and engagement with partners to develop a strategy and plan that is deliverable and has the support of partners. The technical work needs to be completed before we are able to have confidence that the outcomes in the strategy are deliverable.

This report seeks to secure an approval from Cabinet to draw down resources to help deliver complex technical modelling, feasibility and design studies, legal and programme support.

DETAILS:

Surrey – the economic case

1. Surrey is a fantastic place to live and work. It is one of the most vibrant counties, with the highest number of large businesses and with residents that earn the highest average income per person in the country. At just over £40 billion, Surrey's economy is the largest in the South East. However, the rate of growth is slowing and businesses and residents have identified a number of challenges to supporting the economy. Surrey has some of the busiest roads in the UK. These are the transport arteries for significant amounts of goods travelling through the South, either to the ports on the south coast or to Gatwick and Heathrow airports which flank either end of the County. There is a need for more housing, both market and affordable, and there are particular challenges in providing for the increasingly numbers of elderly, with a need for extra care type accommodation. Surrey authorities currently project a need for 3,137 homes per year but at present anticipate delivering only 50% to 70% of that number.
2. House prices in the county are the highest in the country and there is not enough truly affordable housing available for key workers and young people. This means that organisations find it hard to attract staff across the full range of salaries and skills. Our businesses and residents need access to high end digital infrastructure to encourage new, high tech skills and business start-ups. This will also help to keep cars off the road as people use trustworthy digital conferencing facilities rather than travelling to meetings. The economic growth of Surrey, which contributes the highest amount to UK PLC than anywhere else is slowing and, in order to keep our place as the highest contributor to the UK economy, it is vital that we use our influence and resources to give our local economy a boost.
3. Additionally, the financial challenges for all local authorities over the last ten years have been well rehearsed. Surrey County Council is no different and even though it has made significant progress over the years in balancing the books, more still needs to be done to close the funding gap. Like many other councils across the country, Surrey County Council is transforming the way that it delivers its services. This is partly to meet the funding gap that faces all local government authorities and partly because there are different and new ways to meet the needs of our residents using the latest the latest methodologies and technology.
4. In spite of these difficult financial challenges, the County Council is ambitious about making Surrey even better.

The County Council's assets

5. The Council owns approximately 5, 818 registered assets both inside and outside Surrey. These cover a wide range of property types from farms and country parks through to the operational buildings such as schools, offices and fire stations.
6. The assets fall into three categories:
 - Operational assets
 - Non- operational assets
 - Investment assets
7. In total, the value of these in the Council's accounts amounts to c.£1.5 billion and given the Council's ambitions and the financial challenges it faces, it is timely to review the contribution that these assets can make both to the transformation of Surrey County Council services and to the development of Surrey's wider economy. This will build on the Council's existing Investment Strategy and provide a wider approach to the development and utilisation of the Council's assets, enabling the development of housing and employment space and a contribution to the wider Surrey economy.

Transformation and re-modelling the Council's buildings

8. The County Council is undergoing major transformation of the way it works and the way in which it delivers services to residents. Future services will be more about supporting people to make changes in their lives that will make them happier and healthier in their homes and communities and less about the buildings our staff are in. These programmes of service change are wide ranging and can be seen in more detail in the Organisation Strategy, Preliminary Financial Strategy, People Strategy and Transformation Programme.
9. It is clear that from the service perspective, the buildings we operate from are not modern and do not reflect the way in which the design of future services will develop. It is our intention that the Asset and Place Strategy proposed in this report will align all asset requirements to the new service models outlined in the transformation business cases. The Council has ambitious plans to re-model the buildings it uses so that they better support modern ways of working and are more accessible to residents. By doing so in collaboration with Districts, Boroughs, Health and other partners, we will be able to ensure that if residents do need to come to see us, they do not need to see us in a number of separate places. Our ambitions are to have smaller buildings nearer to the areas where our residents live. This re-modelling work will in effect reduce the number of buildings we use releasing land and buildings that can be re-used to build out much needed affordable housing and start up business units.
10. This report seeks approval to develop a Surrey County Council Asset and Place Strategy over the next six months which look to design a modern operational estate for use by services and, using the land released from this re-modelling work, we will seek to develop schemes that support the Surrey growth ambitions. The Strategy will look to deliver its whole plan by 2030 but will seek annual targets based on likely scheme delivery.

11. The development of the strategy is complicated and includes significant scheme design and financial appraisals in order to be specific about what is affordable and deliverable however our high level ambitions for the Asset and Place Strategy are:-

For the Council

- To re-model the Councils operational estate into around **four or five larger town hubs and circa 20 smaller satellite hubs** with at least one satellite hub in each of the Districts and Boroughs **by 2025**.
- The Council already has an investment portfolio that is on course to deliver a target of £10m income by 2020. We believe, subject to financial modelling over the next six months, that schemes can deliver an additional **£25m per year net income by 2030**.

For Surrey and in line with Borough and District Local Plans and LEP plans

- **200 additional business spaces** in bespoke buildings. That's 50 units every 3 years to 2030.
- **4,000 units of housing**, especially truly affordable housing including keyworker and extra care homes by 2030.
- **400 new jobs** especially making full use of Apprenticeship Levies and supporting businesses to grow by 2030.
- **A Digital Skills Academy** in partnership with Surrey University with a specific aim to reach young people who have difficulty in school settings by 2022.

The development of the strategy

12. It is vitally important that the development of the strategy is evidence based and that we engage our partners and residents in developing these plans in an open and collaborative way.

Governance

13. We are proposing that the Council's Asset Strategy Board, chaired by the Leader of the Council, will act as the body of members and officers who will be responsible for the direction of the strategy and agreeing the scheme proposals. We are also proposing to set up an Advisory Panel which will act as expert advisors to the Asset Strategy Board. This panel will be chaired by Robert Napier who has been the County's High Sherriff and Chair of the Homes and Communities Agency, as it then was, and has enormous experience and expertise in this area, and will have as members of the panel two councillors and up to two external experts. The Asset Strategy Board and the Advisory Panel will be supported by a Programme Team led by the Executive Director of Economy, Growth and Commercial along with financial modelling and property experts.

Evidence gathering

14. An early indicative draft of the key elements of the proposed Asset and Place Strategy is attached as Appendix 1.

15. It is important to note that the strategy must contribute to and be aligned with the emerging 'new Community Vision for Surrey in 2030', while also taking into account the Local Plans and ambitions of the Districts and Boroughs and other bodies such as the LEPs and Health STPs.

16. The Advisory Panel will:

- Understand policy and priority context
- Identify opportunities for scheme development
- Establish the future property requirements in particular examining the future of County Hall and other service locations.
- Identify and examine opportunities for housing and employment and consider an approach to developing associated infrastructure.
- Set out how this should be delivered in terms of delivery vehicles, resources and governance.
- Create a practical and effective delivery plan that can be swiftly implemented.

17. Existing projects and key developments will not be stalled during this process. Indeed, part of the benefits of this approach is to link existing tactical projects to the strategic context. This includes the work of SHAPE and Surrey Futures which this work is intended to complement not replace.

Timeline

Date	Tasks
October 2018	Baseline Data review Current opportunities Understand Partner Objectives
November 2018	Partner workshops to establish priorities Socio economic impact assessment and evidence base
December 2018	Emerging target operating model and service delivery consideration Modern Council estate options including County Hall Initial option appraisal analysis and financial outputs
January 2018	Early draft strategy for sharing with stakeholders Delivery mechanisms review
February 2019	Stakeholder feedback Strategy draft and options analysis in detail High level delivery plan
March 2019	Consider updated draft strategy and detailed delivery plan
April 2019	Cabinet decision at April meeting

Funding

18. In recognition of the size and complexity of this enormous programme which is likely to deliver at least twenty large and different schemes across the whole of Surrey, this paper asks Cabinet to approve and recommend to Council that capital receipts flexibility is used to fund transformation expenditure of £500k,

This funding is required in order to provide programme support, high level design and feasibility studies for each scheme, socio-techno analysis, financial modelling and legal support. This work will lead to a delivery plan showing which sites will be delivered, when they will be delivered and the outcomes in terms of housing, employment space, regeneration and social benefits and income. This figure includes the interim programme resources of £275k previously agreed by Council.

CONSULTATION:

19. Early discussions have taken place with District and Borough Councils and other partners and they have given indications of support for this approach. This is important as successful delivery can only be achieved by policy alignment with them, and by working together in partnership to deliver all of our ambitions.
20. During October, November and early December 2018 a series of workshops will be held with partners to understand partner priorities and to find ways of achieving mutual benefit. The outcomes of these workshops will be fed into the strategy and delivery plan, with further feedback from partners on the draft strategy. Some of the scheme design work on some of the buildings has been completed as part of previous pieces of work by the Surrey authorities and it is our intention to bring everything together in one strategy. There will need to be a number of different delivery mechanisms to ensure that the scale of the plans are implemented at pace.
21. As the process develops, further consultation requirements for partners and residents will no doubt be identified and these will be programmed and put in hand as appropriate, either during the development of the strategy or as part of the proposed delivery plan.
22. Other partners will also be consulted including the Local Enterprise Partners and Health Colleagues, and we will use current mechanisms such as SHAPE and Surrey Futures for the purpose of developing ideas and formulating project delivery.
23. As part of the Transformation Programme and the response to budgetary pressures services are already following statutory consultation processes where required as part of changes to services. Legal advice will be sought to establish the Council's overall consultation requirements as a result of major changes that may be proposed to the Council's estate.
24. Depending on the options available, statutory housing consultations may be necessary in partnership with District and Borough Councils.

RISK MANAGEMENT AND IMPLICATIONS:

25. Risk issues for consideration arising from this report are as follows:
 - The timescales for development of this strategy are short in order to take advantage of potential opportunities at the earliest time. Delay to the development of the strategy or to decision making will hinder this and delay delivery of outcomes including establishing an income stream.

- Consideration of alternatives suggests that this approach or a variant of it is a critical component of the transformation strategy. Failure to establish a clear and measurable strategy will lead to an ad hoc approach to the use of the Council's assets and a resulting failure to achieve the preferred outcomes.
- Members will have the benefit of objective advice in formulating the policy and approach both from the Advisory Panel and from retained property advisers.

Financial and Value for Money Implications

26. The provision of temporary interim programme resources to do the necessary work to establish this strategy has already been approved by Council, and this is estimated at a maximum cost of £275,000.
27. In addition, there is a need for commercial financial modelling, scheme design and options appraisal for the Council's property portfolio as a whole and for specific sites and opportunities. This will include development appraisals together with analysis of the most financially beneficial options for delivering the Council's objectives. There will be a specific need to model the options for the relocation of County Hall and the emerging service delivery hubs, and value sites available as a result. This work will be completed by April 2019, and will specifically contribute to the delivery of the targeted £25 million income to be derived from this strategy. The work is estimated to cost £125,000.
28. At the same time, it is important that the economic aspects and the social benefits of this programme of work are clearly understood, particularly with regard to the possible relocation of County Hall and assessing the benefits of possible new locations. This work will appraise the benefits of this strategy to our residents and how significantly it can contribute to meeting the Council's objectives. It is estimated to cost £85,000 and will also be completed by April 2019.
29. These advisers will be procured following the Council's procurement rules and standing orders.
30. As detailed elsewhere in this report the Council is appointing an Advisory Panel to assist with the development of this strategy providing challenge and high quality insight. Expenses and modest payment for time spent on the project will be required for the members of this Panel, and this is estimated to cost a maximum of £15,000.
31. The expenditure detailed above will help unlock both the savings expected from an improved operational estate, and the income from potential developments involving housing or economic uses of the Councils land. The benefits from this may well begin to accrue from 2020/2021.

Section 151 Officer Commentary

32. The Section 151 Officer notes that the expenditure proposed is to be funded by making use of capital receipts flexibility and as such, will require the approval of Council at its meeting in November alongside other transformation business cases.
33. Proposals identified and developed by the Asset Strategy Board will require approval by Cabinet on the basis of a robust business case and any borrowing

required would need to be made in accordance with the conditions of the Prudential code, which includes the Council approving any changes required to the prudential indicators. The Code required borrowing to be affordable, sustainable and provide value for money. The return or savings delivered by capital investment would therefore need to be in excess of the capital financing costs of the borrowing.

Legal Implications – Monitoring Officer

34. The report sets out how the Council intends to develop a long term strategy for the Council’s land and buildings that will support its transformation programme. Appropriate governance arrangements will be put in place to oversee the work and report back to Cabinet in April 2019. Consultation with residents and stakeholders will be undertaken where required, together with equality impact assessments, so that members can take the responses and feedback from these exercise into account in their decision making.

Equalities and Diversity

35. The Strategy and the process for its development will reflect the Council’s Community Vision for Surrey to ensure everyone has the same opportunities including access to services.
36. Equalities issues, particularly in relation to any disabilities, will be given consideration in all relevant aspects of the strategy and its’ proposed delivery plan.
37. Equalities Impact Assessments will be carried out wherever necessary and the report to Cabinet in April 2019 will have such an assessment attached.
38. Statutory consultations are due to commence in a number of areas such as libraries, SEND, Children and Families, and Community Recycling Centres. The outcome of these will have equalities implications and will affect the consultation requirements for operational buildings and schemes.
39. There are no further impacts arising from this report at this stage, but this will be subject to ongoing monitoring and review.

Other Implications:

40. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report. However if the future strategy involves relocation of services then normal consultation will apply.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report. However if the future strategy involves relocation of services then normal consultation will apply.
Environmental sustainability	It is intended that the strategy recommendations will take into account

	environment and sustainability and aim to provide environmental benefits.e.g. improved air quality
Public Health	It is intended that the Strategy recommendations will take into account the Sustainable Transformation Partnerships and other health organisations already operating in Surrey.

WHAT HAPPENS NEXT:

41. Subject to Cabinet approval the process of developing the Place Strategy will commence under the guidance of the Asset Strategy Board.
42. The Advisory Panel will be appointed and will commence work.
43. Partner workshops will commence to understand partner priorities and areas of mutual benefit
44. A final report to Cabinet setting out the draft strategy will be brought to the April 2019 Cabinet meeting.

Contact Officer: Julian Wain, Programme Director

Highways and Growth Select Committee

6 December 2018



Overview of the Highways' Core Maintenance Contract

Purpose of report:

To provide Members with an overview of the performance of the current Core Maintenance contract with Kier Highways, Value for Money assessments of the arrangements and inform the Terms of Reference for a new Task and Finish group that will support and scrutinise the service as it develops a new contract model and specification for 2021 onwards.

Introduction:

- 1) As discussed at the October Highways and Growth Select Committee (HGSC), Surrey County Council's Highway Service has several existing contracts to deliver maintenance and investment activities. Most of these contracts come to an end in 2021 and on this basis, we are now considering future contract arrangements.
- 2) Although there is a multiple supplier arrangement in place, the majority of activities are currently undertaken by Kier and an overview of this contract was provided in October.
- 3) This report aims to provide additional information to HGSC specifically around performance and value for money assessment of the contract arrangements delivered by Kier.

Background

- 4) The current contract arrangements are reflective of the Council's position in 2011 in which it was considered appropriate to move away from a single supplier that delivered everything. This was primarily due to concern over achieving value for money for those activities which required specialists as these were attracting significant mark up and overhead payments.
- 5) Given the number of statutory Highway services being delivered there was also a need to ensure provision of a resilient service that could manage delivery risks, such as large peaks and troughs in demand. This consideration in conjunction with achieving greater value for money led to the current contract arrangements.
- 6) The current contract has undergone a number of improvements since it commenced and continues to align operational delivery and

improvement opportunities with the Council vision. Some examples of this have been included as Annex D.

Contract Structure

- 7) The various service areas are set up in different ways to maximise the effectiveness and efficiency to deliver the best outcomes.
- 8) For example, the surfacing element is arranged around an agreed Schedule of Rates which have been competitively tendered. Each scheme is unique and this allows engineers to build up a bespoke cost based on the needs of the location. This also allows engineers the flexibility to amend the requirements in order to get the best outcome and most efficient price – often known as Value Engineering – and may include combining other planned works to reduce costs on traffic management and limit disruption on the network.
- 9) A number of areas such as safety defects and winter gritting can be reasonably well forecast but are also subject to the weather conditions. The Council could agree a competitive price for each repair or gritting run carried out, only paying for what is completed however, the Council can then be at risk of increased costs due to worse weather conditions or higher volumes of defects.
- 10) To mitigate this, the contract includes carrying out some activities under a fixed price “lump sum”. This arrangement has several benefits including the transfer, from SCC to the contractor, of risks around increasing volume and subsequent cost, and also helps to drive productivity and provide a more seamless service to the public. Completed repairs have a 2 year warranty period and therefore should a repair fail within that time, the cost of carrying out the additional repair is borne by the contractor not the Council.
- 11) Given the high-volume nature of some highway activities lump sum arrangements are common place across the industry. Regular reviews are undertaken of these services to ensure the costs and delivery are reflective of the conditions and previous experience in Surrey.

Contractor Performance

- 12) An outline of the performance management arrangements was provided at the HGSC in October. The full list of the 21 Key Performance Indicators (KPIs) with target levels and supporting descriptions is provided in Annex A. The targets are designed to be challenging and include both for very specific activities, such as response times to defects, and more general performance measures relating to the whole of the Highways & Transport Service, such as the customer satisfaction scores. Whilst there is an obvious link between customer satisfaction and the performance of the contract it is important to note that this is a service wide indicator and the level of influence the contract can have on the result is not easily defined.
- 13) Performance is reviewed monthly and improvement plans implemented where appropriate, usually where there is an ongoing

pattern of red results. Award of contract profit to Kier is also linked to the KPI results, providing an incentive to ensure performance remains at a good or acceptable level.

- 14) KPI scores for 2018/19 quarter two (July to September) are provided in Annex B. As shown in the annex there is some fluctuation across the months with 2 red and 3 amber results remaining at the end of the quarter.
- 15) Amber and red results should not in themselves be a cause for immediate alarm. It should be noted that the Council has set high expectations for the performance levels – what is considered green – and is amongst the highest when compared to other Local Authorities. There can be any number of reasons why performance has fallen below the target levels and the regular reporting and review of the KPIs allows changes to be highlighted and action plans produced to make improvements. As examples:
 - a) KPI25a records the number of jobs which do not have a permit. The Council has set a very high tolerance of zero jobs without a permit to qualify for “green” performance and whilst a single job will therefore trigger a red result, there are several thousand jobs completed each month meaning that single failure represents just 0.02% failure rate.
 - b) KPI3c records the outputs of the wider Council Resident’s survey which is carried out each quarter and covers their perception of the entirety of Highways’ activities. The results will therefore be static for each month in a quarter and Kier as the Contractor have little if any direct influence on the performance result.
- 16) Included in the contract is a mechanism which links the profit paid to the contractor (up to a maximum of 4% of turnover) with the performance “on the ground”. At the outset of the contract there were specific financial adjustments measured against individual KPIs however analysis showed that this could result in people focussing on individual performance failures to avoid a deduction rather than looking at trends and so on to lead to long-lasting improvements.
- 17) As part of the contract extension in 2016, changes were made to how the profit was awarded in relation to performance although performance is still measured against individual KPIs each month. Profit is calculated on a quarterly basis by first aggregating the performance for each KPI across the quarter and then by aggregating the performance across all KPIs for the quarter. This “quarterly aggregated performance” score is then correlated against a schedule to determine the level of profit to be paid for that period
- 18) Recent benchmarking has been carried out on SCC’s contract performance measures compared to other authorities and a summary provided in Annex C. As highlighted in the annex there are challenges in comparing like for like performance measures as each authority has differing contract arrangements. It is difficult to conclude best in practice from this initial work however it does demonstrate that the Kier contract does have a wide range of performance measures compared to some other authorities.
- 19) In terms of where the performance for Surrey ranks compared to other authorities, of the ones you could loosely compare:

1. Responding to emergency defects – performance is lower than some
 2. Completing defect repairs in time – performance is the highest listed
 3. Responding to customer enquiries – performance is the highest listed
 4. Customer satisfaction – is not really comparable as measures are too different
 5. Winter salting routes completed – performance is joint highest listed
- Please note that some data refers to different time periods which may provide a less than perfect comparison to the most recent performance presented by Surrey County Council.

20) It should be noted that in the broadest of terms, levels of customer satisfaction will largely be driven by the amount of money spent on highway maintenance and if expectations are high (e.g. few if any potholes and roads re-surfaced on regular basis) satisfaction will likely be low if the Council is not investing anything close to the amounts that would be required to achieve this standard consistently across the council's roads, footways and structures etc.

Value for Money Assessments

- 21) With any long term arrangement for delivering services, it is important to carry out periodic assessments to ensure that what was agreed at the outset remains fit for purpose and when benchmarked against the wider market place still offers value for money.
- 22) As part of the review of the Kier contract leading to the award of the extension period, the Council's procurement team carried out a value for money assessment. This was scrutinised by a Member Reference Group and subsequently presented to the Economic Prosperity, Environment and Highways Select Committee in Dec 2015 ("Best Value and Market Assessment" reviewed in paragraphs 15 and 16).
- 23) The Select Committee's report on the proposed extension award was presented to Cabinet in its February 2016 meeting. Paragraphs 16-22 cover the "Financial Implications and Value for Money".
- 24) The key finding of this assessment was that the rates of inflation applied into the contract rates was lower than the prevailing rate of inflation across the review period and significantly lower than market prices if it had been retendered due to higher than inflationary increases across the sector.
- 25) The Council has more recently commenced a Value for Money (VfM) Assessment on the Highways Contracts, facilitated by Proving Services. The VfM assessment covers a wide range of areas including how the contract is structured, its appetite for risk and how services are being delivered. The results can then be used as a baseline to determine areas of focus to improve value for money and later to measure success following any changes made.
- 26) As the VfM assessment has been completed for a number of Highway authorities, the scores can also be used to gauge our position against others and identify areas of success within those

authorities to try and replicate. Initial results demonstrate that SCC performs well compared to other authorities in terms of this contract.

- 27) Work is currently ongoing to review the outputs of the assessment along with next steps and can be shared with the Task and Finish Group.

Value for money benchmarking

- 28) Similar to performance benchmarking there are challenges in comparing costs for delivery of services across authorities due to differing contract arrangements and the commercial sensitivity around sharing contractors' costs.

- 29) At a budget level an approximate comparison can be made of some activities across authorities as the following table indicates;

	Surrey CC	Hampshire CC	Hertfordshire CC
Road length	3,300 miles	5,400 miles	3,100 miles
Winter Maintenance budget	£2.4 million	£6.1 million	£3.5 million
Ave £ per Mile	£727	£1130	£1129

- 30) As part of the development of the future contract model, the Council will conduct further benchmarking and analysis to better understand the commonalties and differences in scope for each Local Authority. This will help inform meaningful comparisons leading to effective choices for the way services are structured and delivered.

Conclusion

- 31) The Council set out to address a number of historic issues with its' current contract strategy and recent performance and value for money reviews are positive and encouraging. Both aspects will be explored in more detail with the Task Group and help to inform the future contract strategy.

Recommendations:

- 32) Note the contents of the report
- 33) Form a Task and Finish group
- a) To understand the original Highways Maintenance Contract, changes to it, and reasoning behind why these changes were made, to provide an understanding of the context and potentially inform how the service could design the future contract.
 - b) To provide input on the contract model to be used.
- 34) To provide input on the Key Performance Indicators (KPIs) of the Contract, and how they will be measured and utilised to ensure good performance and value for money.

35) Develop close working relationships with peer Authorities to maximise the outputs of the contract review

Next steps:

Work with the Task and Finish Group to develop HGSC recommendations for the future contract strategy.

Report contact: Lucy Monie – Head of Highways and Transport – 0208 541 9896

Contact details: Paul Wheadon – Business Improvement and Consultancy Manager – 07875 650975

Sources/background papers:

Annex A – KPI Descriptions

Annex B – KPI Results

Annex C – Benchmarking Results

Annex D – Overview of Highways Contract with Kier Highway Services

Annex E – Proposed Highways and Growth Select Committee Task and Finish Group Highways Maintenance Contract

Dec 2015 Select Committee Report:

<https://mycouncil.surreycc.gov.uk/documents/s26559/Highways%20Transport%20Member%20Reference%20Group%20Final%20Report%20on%20Kier%20Contract%20Extension.pdf>

Dec 2015 Select Committee Report Appendices:

<https://mycouncil.surreycc.gov.uk/documents/s26560/Highways%20Transport%20Member%20Reference%20Group%20Report%20Appendices.pdf>

Feb 2016 Cabinet Report:

<https://mycouncil.surreycc.gov.uk/documents/s27332/item%2010%20-%20Kier%20contract%20extension%20and%20variation.pdf>

Glossary of acronyms:

SHiP – Surrey Highways in Partnership

LSR – Local Structural Repair

ITS – Integrated Transport Scheme

PFI – Private Finance Initiative

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Corporate Goal	Strategic Outcome / Service Performance Board	Operational KPI's	Operational KPI's	Green Level	Amber Level	Red Level
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Supporting notes

	Make the network safe for all users	1	Time	% of Immediate Response events attended to and the site made safe within two hours to prevent interaction with highway users.	98.00%	Less than Green but greater than Red	95.00%
		2	Quality	% of Immediate Response events where the hazard is made safe in accordance with the Term Brief.	98.00%		90.00%
		3	Time	% of P2 and P2+ Safety Defects responded to and made safe within 5 working days.	98.00%		95.00%
				% of P3 and P2 (follow up) safety defects permanently repaired within 20 working days	98.00%		93.00%
		4	Quality	% Safety Defects permanently repaired as per the Order, in accordance with the Term Brief.	98.00%		90.00%

Immediate response events - P1 defects requiring attendance and make safe within 2 hours.
Random sample selected and audited by Network Safety Compliance Team
P2 defects require attendance within 5 working days P2+ defects require attendance within 5 days but have potential to worsen and become P1 so are normally prioritised
P3 require attendance and permanent repair within 20 working days
Random sample selected and audited by Network Safety Compliance Team

	Keep the network in good condition	7	Time	% of Works Orders completed as per agreed estimated completion dates	98.00%	Less than Green but greater than Red	93.00%
		8	Quality	% Works Orders (NAM) undertaken as per the Project Task Order, in accordance with the Term Brief and considered as right first time on completion	98.00%		95.00%
		9		% Works Order (LHS) undertaken as per the Project Task Order, in accordance with the Term Brief, and considered right first time on completion	98.00%		90.00%
	Improve Resident Engagement	RE1b	Culture & behaviours	Corrective action plans from complaints completed on time and to agreed standard	90.00%	Less than Green but greater than Red	79.00%
		RE2	Information & engagement	On site information - % of signs & letters produced, erected and delivered as instructed	86.00%		35.00%

Measured by downloading report which compares estimated dates for works and actual date for the works

KPI specifically relates to quality of works and not timeliness
 NAM - Network and Asset Management Group
 LHS - Local Highways Service

Right first time criteria defined as:
 Site fit for purpose
 Site safe to be opened to the public
 Works completed as per the design
 Works complete to the correct specification
 Works completed as per instructions or appropriate variation order
 Minor snagging required

Anything outside of this is considered to be a right first time failure

		RE3a	Customer satisfaction	Customer Survey - % of customers satisfied with planned works (monthly collection by card)	50%		39%
		RE3b		Customer Survey - % of customers satisfied in NHT survey (produced annually)	49.00%		46.00%
		RE3c		Customer Survey - % of customers satisfied with Highways in Surrey Resident Survey (produced quarterly)	40.00%		34.00%
		RE3d		Customer Survey - % of customers satisfied in Customer Panel survey (produced quarterly)	60.00%		54.00%
		RE4c	Customer experience	System responsiveness - time taken for customer online reports (failed) to be put on WMS	1 day	3 days	
		RE4d		Customer Responses - % of customer responses provided within time and to the required quality standard (audit sample)	65.00%	49.00%	

Monthly score will be based on the worst score, e.g. in a month there are 3 failures, 2 are input within 1 day and 1 is input after 3 days the monthly score would be Red

Audit sample of responses sent reviewed by council's Customer Service team. Quality criteria includes process compliance and customer friendliness. Response must satisfy all criteria to count as a pass.

	Improve Network Availability	23	Disruption	% failure of Category A inspections	10.00%	Less than Green but greater than Red	15.00%	
		25		% FPN's of total planned works permits received with NRWSA Offences and breaches of permit conditions	2.50%		5.00%	
		25a		Number of instances of working without a permit	0		N/A	1
		28		Number of events with shared Traffic Management and dual occupancy of network.	9		Less than Green but greater than Red	0
	Winter Scrutiny Board	11	Time	% of precautionary salting routes treated before the forecasted time for ice formation.	98.00%	Less than Green but greater than Red	95.00%	
		13	Quality	Quality of precautionary salting: % of prescribed routes treated in accordance with the Decision Notice , as per the Service Specification.	98.00%		93.00%	

Category A Inspections review site safety measures i.e. is site safely set up and are operatives working to correct safety standards.
FPN - Fixed Penalty Notice
Performance target is 0 as any instance of working without a permit is not acceptable
Target of 9 is over a quarter and is monitored via collaboration marked on permits

	KPI No	Kier KPI	Target	July	August	September
Safety	1	% of Immediate Responses made safe in 2 hours	98%	95.02%	96.99%	98.08%
	2	% of Immediate Responses made safe to expected quality	98%	96.67%	92.30%	100%
	3	% of P2 & P2+ defects made safe in 5 working days	98%	100%	100%	100%
	4	% of P3 and P2 (follow up) safety defects permanently repaired within 20 working days	98%	99.94%	100%	100%
	5	% of P2, P2+ & P3 safety defects repaired to expected quality	98%	98.08%	99.15%	97.27%
Condition	7	% of work orders completed as per agreed estimate completion date	98%	100%	95.04%	97.26%
	8	% of work orders completed right first time - Network & Asset Management	98%	98.78%	97.10%	96.30%
	9	% of work orders completed right first time - Local Highways	98%	91.89%	91.67%	100%
Winter	11	% of precautionary salting routes treated before the forecast time for ice information	98%	N/A	N/A	N/A
	13	% of routes treated to expected quality standard	98%	N/A	N/A	N/A
Availability	23	% failure of Category A inspections	10%	22.50%	3%	7%
	25	% of permits without breaches of permit conditions	97.50%	90.06%	88%	100%
	25a	Number of instances working without a permit	0	1	1	1
	28	Number of events with shared traffic management and dual occupancy of the network	9	10	2	44
Resident Engagement	RE1b	% of corrective action plans completed on time (92% when 0 CAPs recorded)	90%	92%	92%	92%
	RE2a	% of on site information; signs & letters produced, erected and delivered as instructed	86%	100%	100%	100%
	RE3a	% of customers satisfied with planned works	50%	53.70%	65%	65%
	RE3b	% of customers satisfied in NHT survey	49%	48.50%	49%	49%
	RE3c	% of customers satisfied with highways in Surrey Resident Survey	40%	29%		

	RE3d	% of customers satisfied in Customer Panel survey	60%	70%	70%	69%
	RE4d	% of customer enquiries responded to on time, to the expected quality, compliant with the process & answering the enquiry	90%	98%	100%	100%

Early benchmarking results: based on contract KPI measures.

Safety measures:

Surrey includes 5 KPI measures on the Kier contract for Safety, measuring both the response time and quality of repairs to defects on an intervention level category basis. The only comparable data available from the authorities checked is response times, quality measures were not included in most of the reports found (see note below for Buckinghamshire exception).

Surrey KPI1 –Response to emergency defects within 2 hrs –target level 98%

	Surrey results Q2 July-Sept 2018/19	Hertfordshire (report from Q4 2017/18)	Kent (report results up to May 18)	Buckinghamshire (report from July 18)	Wiltshire (year-end report for 2017-18)	Shropshire (no report found)	West Sussex (no report found)
Measure: % of Immediate responses made safe in 2 hours		As Surrey	As Surrey	As Surrey	Reducing the number of P1 potholes	As Surrey but response time not specified	As Surrey
Target:	98%	100%	98%	93-98%	Year on reduction	95%	98%
Performance:	96.07%	99%	100%	95.4%	Red – increased from 16/17	Not published	Not published

Surrey KPI3 and KPI4 – Response to defects that meet intervention criteria – target level 98%

	Surrey results Q2 July – Sept 2018/19	Hertfordshire (report from Q4 2017/18)	Kent (report results up to May 18)	Buckinghamshire (report from July 18)	Wiltshire (year-end report for 2017-18)	Shropshire (no report found)	West Sussex (no report found)
Measure: % of defects repaired within time (P2 & P2+ 5 working days, P3 20 working days)		As Surrey but response times differ	As Surrey but response times differ	As Surrey but response times differ	Reducing the number of potholes	% of highway repairs completed in specified response time	As Surrey but response times differ
Target:	98%	98%	90%	93-98% Cat 1	Year on reduction	95%	98%
Performance:	99.97%	99%	94%	40.9% Cat 1 71.3% all other	Red – increased from 16/17	Not published	Not published

Buckinghamshire have a contract KPI for % of defect repairs compliant with agreed quality with a target of 90-95%. In the July report they had achieved 91%. In Surrey the target for safety defects repaired to the expected quality is 98%. In Q2 98.09% was achieved.

Network Condition Measures:

Surrey has 3 KPIs on the Kier contract measuring that work orders are completed within the agreed dates and to the right quality (Right First Time measure). The target set for all 3 KPIs is 98%. In Q2 97.17% of work orders were completed as per the agreed estimate completion date. 97.43% of work orders for Network & Asset Management were completed right first time and 94.66% of work orders for Local Highways. In the reports available there were no directly comparable measures. The closest measures came from Shropshire and West Sussex however there were no performance results published in those reports.

Hertfordshire include a measure for ‘percentage of schemes delivered against the Integrated Works Programme’. The measure relates specifically to their Cabinet List, comprising of 1,221 schemes for 2017/18. Their performance was reported as 102% meaning delivery was ahead of target.

Buckinghamshire have a number of annual measures for delivery of scheme programmes (capital, footway, capital carriageway) all with a target of 90-95%. The results provided are reported as 100% suggesting it is a result for the previous year.

Wiltshire have a metric measuring the proportion of spend across ‘reactive’ and ‘planned’ work with a target of less than 15% of budget spent on reactive works. The report also includes a measure for forward visibility of the surfacing programme, measuring how far in advance work is planned for. There were no measures for the timeliness and quality of scheme delivery.

Shropshire have 2 programme measures for programmed works, one percentage of works commenced by the start date in the task order and one percentage of works completed on or before the assigned task completion date. The target for both is 95%.

West Sussex have a KPI that measures the percentage of task orders where a defect certificate has been issued. The target is 2% or less.

There were no relatable KPIs in the Kent report.

Resident Experience Measures:

Surrey has 8 KPIs in the Kier contract that measure the customer experience. They include how Kier respond to Corrective Action Plans following complaints, how well informed residents are in relation to planned works through letter drops and signs, 4 customer satisfaction measures and how well Kier respond to customer enquiries.

All of the authorities have customer experience related measures based on satisfaction or response times to queries.

Authority	Customer response measure	Target	Performance
Surrey	% of customer enquiries responded to on time, to the expected quality, compliant with	90%	99.3%

	the process & answering the enquiry		
Hertfordshire	Response to public correspondence within 10 days	87.5%	81%
Kent	Not in report		
Buckinghamshire	Enquiries responded to within 20 working days	90-95%	94.1%
Wiltshire	Not in report		
Shropshire	Not in report		
West Sussex	Number of complaints and response times	Improvement from benchmark	Not published

Authority	Customer Satisfaction measure	Target	Performance
Surrey	% satisfied with planned works	50%	61.3%
	% satisfied in NHT survey	49%	49%
	% satisfied with Highways in Surrey Resident Survey	40%	29%
	% satisfied in Customer Panel Survey	60%	69.6%
Hertfordshire	Not in report		
Kent	Satisfaction with service delivery (100 call back)	75%	76%
Buckinghamshire	% of formal complaints upheld	53-48%	61.9%
Wiltshire	6 NHT satisfaction measures taken from NHT annual survey	Compared to national average	Mostly within 3%
Shropshire	Satisfaction with highway maintenance – NHT survey	Not published	Not published
West Sussex	Annual customer satisfaction survey conducted by contractor	Not published	Not published

Improve Network Availability measures:

Surrey has 4 KPIs in the Kier contract aimed at managing the flow of traffic on the network. 3 of the KPIs relate to the permitting process ensuring Kier have everything in place when working on our network. The forth KPI promotes joint working to limit the disruption of road works.

Network availability measures in Surrey	Target	Q2 Performance
% failure of category A inspections	Less than 10%	10.49%
% of permits without breaches of permit conditions	97.5%	92.66%
Number of instances working without a permit	0	3
Number of instances of shared traffic management and dual occupancy of the network	9 each quarter	56

The only authority with any comparable metrics is **West Sussex** who measure whether jobs overrun their Streetworks permit, avoidance of FPNs (Fixed Penalty Notices) and the number of cancelled Streetworks notice. The target for all these measures is 98% compliance but the report doesn't contain the performance results.

Winter Maintenance measures:

Surrey has 2 KPIs in the Kier contract that measure the performance during winter which refer to the percentage and quality of precautionary salting routes treated. The target for both is set at 98%. 4 of the 6 authorities also had delivery of precautionary salting routes as a measure but none included a quality measure.

Authority	Winter maintenance measure	Target	Performance
Surrey	% of precautionary salting routes treated before the forecast time for ice formation	98%	N/A for Q2 100% from Q4 17/18
Surrey	% of routes treated to expected quality standard	98%	N/A for Q2 99.02% from Q4 17/18
Hertfordshire	Not in report		
Kent	Not in report		
Buckinghamshire	% of primary winter salting routes within required time	95-99%	100%
Wiltshire	% of winter service treatment carried out within prescribed timescales	96-100% is good	Listed as good
Shropshire	% of routes commenced within instructed response time	95%	Not published
	% of routes completed within treatment times	95%	Not published
West Sussex	Getting round the gritting routes in the time specified	98%	Not published

Highways and Growth Select Committee – Annex

Overview of Highways Contract with Kier Highway Services

In 2011, SCC entered into a contract with May Gurney Limited to provide a number of services under the Core Maintenance Contract – these included reactive elements such as Immediate Response, Safety Defect Repairs and winter gritting. The suite of services also includes a number of work streams covering planned work including carriageway and footway surfacing, delivery of improvement schemes (ITS, sustainable transport and LEP funded).

May Gurney were later acquired by Kier Highway Services and continue to deliver the services.

The contract was let for an initial 6 year period with the option to extend by up to 4 years. In 2016, following a period of review and a number of proposed changes and improvements the Council extended the contract for the full 4 years to April 2021.

The structure of this arrangement means that the Council still own and develop the various policies and programmes necessary to manage the County's Highway and associated assets and Kier are engaged to deliver the work to defined standards. There is a contractual requirement for the contractor to carry out and evidence quality assurance programmes to demonstrate positive outcomes in the work being delivered. The council then carries out spot checks and audits to assure the validity of the information provided is accurate.

Key Features

1. Several of the primary functions of the contract such as the Safety Defect Service (e.g. pothole response) and Winter Service are delivered via a lump sum arrangement. This means that the Council pay a fixed amount to Kier to deliver a specified service which includes some risk transfer on volume and claims liability, thereby giving the Council greater certainty on expenditure for the highway safety related activities. For example, a follow up visit to permanently repair a temporarily fixed pothole does not become a further charge to the Council. Similarly, Kier are required to carry out as many gritting runs as required over the winter period without extra charge to the Council when we are experiencing prolonged cold weather.
2. Some of the operational challenges in terms of delivering work on the highway relate to the overall programming of resources, health and safety regulation and road space availability. Surrey's network is heavily used by traffic and work has to be coordinated around other works, including utilities, which means scheme delivery can be difficult to pinpoint in terms of dates and subject to some change. Several programmes of work also have seasonal limitations whilst others need to go through decision making processes that often create peaks in workload at the end of the financial year.
3. Whilst Kier deliver some of the services through their directly employed workforce, they also engage a suite a subcontractors to ensure appropriately skilled resource carries out the work and that there is sufficient capacity to any increase or decrease demand from the Council

Highways and Growth Select Committee – Annex

due to changes in budgets or priorities. Kier bear the responsibility for managing this supply chain to ensure high levels of performance are achieved across all areas without having to take on, or transfer to the Council, the cost of maintaining a workforce during periods of low demand.

4. The benefits of longer term agreed investment programmes have also been realised as part of the Kier contract. The introduction of the Horizon maintenance programme enabled collaboration with a number of suppliers, with the certainty of work across several years creating opportunities for programming efficiencies and volume discount. This led to the achievement of significant savings for the Council in the form of being able to deliver a £120m programme of work for a £100m investment.

Contract Improvements

There have been a number of improvements made over the past 7 years. Some of these have been smaller interventions such as strengthening the working relationships between teams to simplify the processes and others have been more substantial. As part of the contract extension agreement several changes were made to the financial model as demonstrated by the following two examples:

1. Until 2015/16 the Council paid Kier a percentage based upon turnover of all work delivered to cover the non-work costs associated with delivering the Council's highway works programmes. These costs included the operation and maintenance of the depots as well staff for managing and administering the contract (supervising work on site, progressing road space applications, cost management of the supply chain etc). As the annual contract spend substantially increased through additional investment such as Horizon it was recognised that the overall percentage payment approach may not offer the best value to the Council.

In April 2016, the Council implemented a new arrangement in which we now only pay for the non-works costs incurred by Kier. This provides greater clarity in expenditure and improved value for the Council, for example if a Kier employee is on holiday, sick or attending a training course we are not charged for their time.

2. At the outset of the contract, the Council agreed a set of prices for the various delivery elements built into a "schedule of rates". This is a common contractual approach and enables the Council to work to a single price for each item however the Contractor may pay slightly different rates to each of its subcontractors getting the benefit or disadvantage of the variations. Whilst some cost certainty is acknowledged by this approach, in order to improve cost transparency and maximise opportunities of closer relationships with the wider supply chain, such as those experienced during Horizon delivery this approach was reconsidered. Subsequently in 2017, a joint re-procurement exercise was carried out

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which enabled a 5% reduction in prices, further collaboration with the supply chain and a switch to the Council now paying the actual rates agreed with each subcontractor.

Summary

A partnering contract approach and continuous performance monitoring has enabled the Kier contract to undergo a number of changes responding to pressures and improving value for money and service delivery. There are many successes and lessons to learn from this contract which will assist in determining the most appropriate approach and operating structure for the next contract.

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TASK AND FINISH GROUP SCOPING DOCUMENT

The process for establishing a task and finish group is:

1. The Select Committee identifies a potential topic for a task and finish group
2. The Select Committee Chairman and the Democratic Services Officer complete the scoping template.
3. The Corporate Overview Scrutiny Committee reviews the scoping document
4. The Select Committee agrees membership of the group.

Review Topic: Highways Maintenance Contract

Select Committee(s)
Highways and Growth Select Committee

Relevant background

Surrey Highways' reactive, routine and planned road maintenance is currently delivered by Kier Highways Ltd in a competitive contract put out to procurement by Surrey County Council in 2010. The contract started in April 2011 and has since been modified, with a one year extension being agreed in 2015 and the final extension and modification being agreed in 2016, which included some changes to how the contract was delivered. This modification also increased the annual contract value from an initial cost of £10 – 15 million to approximately £35-40 million, which included costs to delivering large infrastructure projects such as Project Horizon.

The current contract arrangements are reflective of the Council's position in 2011 in which it was considered appropriate at that time to move away from a single supplier that delivered everything. This was primarily due to concern over achieving value for money for those activities which required specialists as these were attracting significant mark up and overhead payments.

It will come to its conclusion in 2021 and there is a requirement to re-procure this contract, as there is no option for further extension. This will include undertaking work to understand the successes and failures of the previous iteration of the contract, what new ways of working could be implemented, and then use this information to redesign the contract to go out to tender.

Why this is a scrutiny item

Surrey County Council's Highway Service currently has several existing contracts to deliver maintenance and investment activities. Most of these come to an end in 2021. Therefore, the authority must look to re-procure this service before the contract end. This provides the authority a good opportunity to review how it has procured this contract, how successful the contract has been, how it measures success, and to use the lessons learnt from all of these points to redesign the contract to be best value for money.

What questions are the group aiming to answer?

1. What design model for the contract does the service intend to utilise? There are a range of options available which include:
 - a. Retain the current arrangement of a multiple supplier arrangement in place, the majority of activities are currently undertaken by a single provider;
 - b. Consolidate the contract to be entirely provided by a single provider;
 - c. Further break up the contract to be delivered by multiple providers; or
 - d. Another option determined by officers or the task and finish group
2. What will the performance indicators be, and how will they be utilised for the new contract, taking into consideration the current contract specifications, performance of the current contractor and the effectiveness of the current performance indicators?
3. How will the new contract aim to effectively manage risks to the service?
4. How will the contract seek to effectively deliver in light of reducing budget and continue being value for money?

Aim

To scrutinise, challenge and validate officers' recommendations as to what the optimal model and performance measurements for the future Highways Core Maintenance Contract will be upon re-procurement in 2021, taking into consideration quality of delivery and value for money.

Objectives

- To understand the original Highways Maintenance Contract, changes to it, and reasoning behind why these changes were made, to provide an understanding of the context and potentially inform how the service could design the future contract.
- To provide input on the contract model to be used based on research and evidence and understand the potential options for the delivery of highway maintenance.
- To provide input on the Key Performance Indicators (KPIs) of the Contract, and how they will be measured and utilised to ensure good performance and value for money.

Scope (within / out of)**In scope:**

- Current Highways contract model
- Performance of current Contract
- Resident feedback directly linked to current contract performance and communication with residents.

Out of scope:

- Local Committee highways issues
- Specific area quality issues
- Resident perception of Highways Authority in general

Outcomes for Surrey / Benefits

The design work for the contract will have implications on the maintenance of the road network of Surrey. Designing a contract which delivers the best value for money will have significant benefits to Surrey.

Proposed work plan

Timescale	Task	Responsible
January 2019	Review contract performance including benchmarking against other similar Highway Authorities and review value for money assessments and benchmarking outputs	Democratic Services Officer, Head of Highways
March 2019	Review available contract model options, SCC Officer's assessments (including supplier engagement outputs) and recommended route to market	Democratic Services Officer, Head of Highways
May 2019	Final Report to Select Committee	Democratic Services Officer

Potential Witnesses

Lucy Monie, Head of Highways
 Paul Wheadon, Business Improvement & Consultancy Team Manager
 Lead Cabinet Member for Place
 Other Highways Officers as required
 Kier Highways Ltd representatives

<p>Useful Documents</p> <p>Term Maintenance Contract</p> <p>Performance structure including KPIs, performance results and profit model</p>
<p>Potential barriers to success (Risks / Dependencies)</p> <p>Member & Officer availability Contract information availability</p>
<p>Equalities implications</p> <p>None</p>

Task Group Members	John O'Reilly, TBD
Co-opted Members	None
Spokesman for the Group	John O'Reilly
Democratic Services Officer/s	Richard Plummer

Highways and Growth Select Committee



6 December 2018

Forward Work Programme

1. The Forward Work Plan is attached for the Committee's reference.
2. The Recommendations Tracker is attached for the Committee's Reference

Report contact:

Richard Plummer, Democratic Services Officer

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Annexes

- Annex A – Forward Work Programme
- Annex B – Recommendations Tracker
- Annex C – Responses to Issues Referred To By the Select Committee

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Highways and Growth Select Committee Forward Work Programme 2018/2019

Highways and Growth Select Committee (Chairman: Bob Gardner, Vice-Chairman: John O'Reilly)

Date of Meeting	Scrutiny Topic	Description	Outcome	Method	Officer
December 2018	Highways Improvement Contract Review	To review the current measurements of performance of the Surrey Highways Improvement contract and determine success against performance criteria and customer satisfaction rates.	To provide the Committee of current performance and success of the Highways Improvement Contract with the aim of aiding the development of the new Highways Improvement Contract in 2021.	Formal report	Head of Highways & Transport
December 2018	Affordable Housing	To review current provisions for encouraging affordable housing in Surrey for residents and employees of Surrey County Council and ascertain current levels of affordable housing for residents and retirees in the County.	To understand the context of affordable housing in Surrey for residents, employees of Surrey County Council and retirees, and assess potential alternative options for provision.	Formal report	
Early/Mid 2019	Local Enterprise Partnerships (LEPs)	To undertake scrutiny of the output and impact of the two	To understand the work underpinning investment in	Stakeholder Engagement with LEPs /Formal report	Head of Economic Growth

		LEPs that cover Surrey and identify any gaps in provision and better ways of working.	Surrey's economy and investigate the impact of LEP spending in the county.		
Early/Mid 2019	Transport for the South East (TfSE) Strategy	To review the Strategy for TfSE and ascertain the effects that this will have upon Surrey's infrastructure.	To understand the impact that the TfSE Strategy will have upon current infrastructure, determine the impact will for Surrey and make suggestions as to how the strategy can further benefit partners upon the start of its full operation in 2019.	Stakeholder Engagement with TfSE/ Formal Report	Head of Economic Growth
Mid 2019	Place and partnerships	The Council has entered into numerous partnerships across its many functions. The Committee will review the approach taken and impact of these partnerships.	Review the Council's partnerships with other organisations, how they are developed and what they deliver for residents.	Formal report	Head of Economic Growth
Future items in Development					
Early/Mid 2019	Surrey Asset and Place Strategy	The Council is developing an Asset and Place Strategy to fundamentally change how it plans to deliver returns on its investment portfolio. The Committee will review the strategy and ensure that it will successfully deliver on the proposed future vision.	To understand the vision and reasoning behind it for the Asset and Place Strategy, to have monitored how this plan will attempt to deal with identified challenges and assured itself that it can sufficiently overcome challenges to future investment.	Formal Report	Director of Economy, Growth and Commercial

**HIGHWAYS AND GROWTH SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER – UPDATED DECEMBER 2018**

The recommendations tracker allows Board Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Board. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

KEY			
	No Progress Reported	Action In Progress	Action Completed

Date of meeting	Item	Recommendations/ Actions	To	Response	Progress Check On
18 October	Employment and Skills Board	That the Deputy Leader includes a work stream in the Apprenticeship task force that looks at the challenges presented in the apprenticeship levy from a business perspective, and on findings relating to issues preventing the Local Authority from maximising the use of apprenticeships and that this is reported to the Committee upon its conclusion.	Deputy Leader	A response is attached to this agenda in item 5	December 2018
18 October	Employment and Skills Board	That the Deputy Leader ensures that sufficient resource is allocated to the Employment and Skills Board to guarantee that it can effectively outreach to businesses and partners and that it can successfully undertake the work in its forward programme.	Deputy Leader	A response is attached to this agenda in item 5	December 2018
18 October	Employment and Skills Board	That officers provide information on the return of investment from Surrey County Council for the ESB	Skills for Business Relationship Manager/Chairman of the ESB	A response is attached as Annex C	December 2018

18 October	Employment and Skills Board	That the ESB shares its forward plan of work with the Committee and that progress on this is reviewed by the Committee in September 2019.	Skills for Business Relationship Manager/Chairman of the ESB	The Employment and Skills Board is meeting on the 12 December 2018 where it will be prioritising work for next year. Following this, a forward plan will be formulated and circulated to the H&GSC for information.	September 2019
18 October	Overview Of Highways Contracts	That the Head of Highways conducts a benchmarking exercise with other comparable local authorities, detailing the state of Surrey Highways in comparison with other local authorities, and provide this as an update in December 2018.	Skills for Business Relationship Manager/Chairman of the ESB	This is included in the report in this agenda in item 7	December 2018
18 October	Overview Of Highways Contracts	That the Head of Highways provides a monetary comparison of the contract with other comparable LAs to ensure SCC is obtaining Value for Money out of spend.	Head of Highways	This is included in the report in this agenda in item 7	December 2018
18 October	Overview Of Highways Contracts	That the Head of Highways provides a clear visibility of KPI at the December meeting of the current contract Verses the new proposed contract and a bench mark of one or two similar LA to establish value for money for the Surrey Public Purse.	Head of Highways	This is included in the report in this agenda in item 7	December 2018
18 October	Overview Of Highways Contracts	That the Committee establish a Task and Finish Group with the aim of aiding in development of the Highways Contract to be developed for 2021 and that this be included as part of the Highways improvement contract in December 2018.	Democratic Services Officer	The establishment of this group is included within this agenda in item 7	December 2018

HIGHWAYS AND GROWTH SELECT COMMITTEE

6 December 2018



Responses to Issues Referred To By the Select Committee

Meeting of 18 October, Employment and Skills Board Recommendations to officers:

1. **That officers provide information on the return of investment from Surrey County Council for the Employment and Skill Board (ESB).**

RESPONSE:

The ESB aims to bring together expertise, knowledge and experience in Surrey to influence the skills agenda within a landscape that is rapidly changing and challenging for employees, such as the Apprenticeship Levy, T-Levels, LEP skills strategies, etc.

The ESB currently has 18 external Board members, with representation, at a senior level, from the Surrey business community, Local Enterprise Partnerships (LEPs), Surrey County Council, Districts and Boroughs, Higher and Further Education, Surrey Head teachers. All board members volunteer their time to participate in ESB activities, including attending quarterly meetings. The collective expertise, knowledge and contacts makes the ESB an extremely valuable asset to help promote best practice, focus on challenging skills issues and influence the Government on skills initiatives for the benefit of Surrey employers, educators, residents and workforce. The Deputy Leader has allocated £60k per year for 2018-19 and 2019-20 for use by the Employment and Skills Board to cover the costs of:

- a dedicated employee to support the ESB (Paula Neal);
- and the support of key initiatives identified by the ESB, such as supporting the annual Apprenticeship Graduation Ceremony, etc.

In addition, the 'in-kind' voluntary contributions by Board Members equates to an estimated 600 – 700 hours (minimum per year). In the past year, the ESB has:

- Responded to Government consultations providing a collective view on skills and employment issues for Surrey on T-levels and schools careers advice and guidance.
- Worked with the Local Enterprise Partnerships to articulate Surrey skill priorities and helped steer the development of the Strategic Economic Plan (SEP) for both LEPs.
- Explored funding opportunities to support future skills initiatives (and currently in discussion with the Higher Educational Outreach Network).
- Conducted primary research with Surrey Levy payers and delivered business-led intelligence and solutions on the apprenticeship reform with the aim to influence Government.
- Developed connections with Surrey's skills ecosystem and built relationships with significant Surrey employers which has raised the profile of both the ESB and SCC role in supporting skills development in Surrey.

- Built links with public sector organisations such as the LGA, DIT and Surrey Districts and Boroughs establishing our expertise in the skills agenda and for inward investment.
- Re-designed and launched the ESB website, hosted by Surrey County Council.