

SURREY COUNTY COUNCIL

CABINET

DATE: 26 MARCH 2013



REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR TRANSPORT AND ENVIRONMENT

LEAD OFFICERS: TREVOR PUGH, DIRECTOR ENVIRONMENT AND INFRASTRUCTURE

SUBJECT: FROM REACTIVE TO PLANNED – A NEW APPROACH FOR HIGHWAY MAINTENANCE

BACKGROUND:

1. In early 2010 the Rethinking Surrey Highways programme was instigated (as part of the Council's PVR programme), with the aim of improving customer satisfaction and reducing operating costs by:
 - Designing and implementing new contractual arrangements to replace the previous SHiP contracts
 - Redesigning the structure of the organisation, to improve service delivery and reduce establishment costs
 - Improving collaborative working with other organisations, including Borough and District Councils and SE7 Councils
2. Given the scale of transformation, the programme was structured in two phases with the first phase being those changes necessary to implement the new contracts from April 2011. This first phase has been delivered successfully, with operating costs reduced by a minimum of £8m per annum through efficiencies from the new highway contracts of £7m pa, and a reduction of establishment costs in excess of £1m pa.
3. The capital savings have been reinvested in the highway service, enabling:
 - An increase in the number of major road schemes
 - An increased allocation of funding to Local Committees
 - An overall increase in net customer satisfaction
4. Further changes identified during the Rethinking Surrey Highways programme, and planned to be implemented as Phase 2, were deferred to enable the new contracts to be mobilised. These changes included:
 - The development of longer term Capital programmes
 - Improved coordination of works on the highway
 - A shift from a reactive to a planned approach for defect repair
5. At their meeting on 5th February 2013, Cabinet approved the introduction of two

initiatives that will deliver the first two improvements listed above:

- Increased funding for planned road maintenance to enable the adoption of Operation Horizon to deliver fixed five year major maintenance programme to Surrey's roads
 - The introduction of a Permit Scheme, which will introduce better control and coordination of all work on the highway
6. This paper sets out proposals to deliver the final improvement – the shift from a reactive to a planned approach for safety defect repair.

SUMMARY OF ISSUE:

7. Since the contract with May Gurney started in April 2011, a large proportion of safety defects have been repaired in 24 hours. This approach has been in accordance with our current policy and assisted in keeping the network safe following the high level of damage as a consequence of the bad winters of 2010 and 2011.
8. The short timescale for response means that there is no opportunity to properly plan repairs. This results in increased travelling times for the repair gangs and reduced productivity. It also results in temporary repairs more often than is desirable and limits the scope of repair to individual defects rather than being able to group them together as larger, more substantial repairs.
9. In addition, the classification of the Highway network has not been reviewed for a number of years and our inspection regime, assessment of risks and works prioritisation processes do not as accurately as they could reflect current traffic volumes.
10. Finally, the Localism agenda means there is now a greater desire for the local management of highway services, to enable local priorities to be addressed. A number of initiatives are in place to support this approach, and this paper deals with a specific request from Woking Borough Council.

RECOMMENDATIONS:

11. It is recommended that:
1. Cabinet approve the adoption of SPN (2013) as Surrey's road classification for maintenance and the delegation of authority to the Cabinet Member for Transport and Environment to approve future local adjustments to the SPN, as set out in Annex 1;
 2. Cabinet approve the revised Highway Safety Inspection Policy as set out in Annex 1, subject to the development of robust processes and systems to ensure that risks are assessed and delegate authority to agree those processes and systems to the Director of Environment and Infrastructure and the Director of Change and Efficiency in consultation with the Leader and Cabinet Member for Transport and Environment.
 3. Cabinet approve the Town Centre Management agreement with Woking Borough Council, and the delegation of authority to the Assistant Director Highways to finalise the agreement with Woking Borough Council
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according to the terms set out in Annex 1.

REASONS FOR RECOMMENDATIONS

12. These proposed changes will provide the following benefits:

- Increase the frequency of highway inspections, ensuring defects are identified sooner
- Improve the planning of defect repairs, leading to an improved standard of repair and less repeat visits
- Improve the overall condition of the network by carrying out larger scale repairs
- As a consequence, improve the management of risk across the highway network
- Enable Woking Borough Council to invest in their town centre by complementing County Council services and providing a higher level of service than the County Council would be able to provide

13. For further details on the recommendations please refer to Annex 1.

CONSULTATION:

14. Details of the proposals contained within have been positively discussed at the Environment and Transport Select Committee of 8 November 2012 and 7 February 2013 as set out in Annex 2.

RISK MANAGEMENT AND IMPLICATIONS

15. The implementation of the proposals for a new approach to highway maintenance will impact on the Council's statutory duties under the Highways Act. Insurance Services will be fully involved in the implementation of the proposals to ensure statutory compliance is maintained. In addition the Highway Service will work closely with the Insurance Team to monitor reports on the claims experience following implementation of the changes.

16. The County Council has the legal authority to discharge highway functions through District Councils if both parties are in agreement.

Financial and Value for Money Implications

17. Within the Medium Term Financial Plan annual savings of £500,000 have been identified against insurance claim payments by 2014/15. It is intended that implementation of recommendations one and two will achieve the saving as follows;

- Further transfer of insurance liability to the service provider - achievable by closer integrated working and in recognition of the proposed policy changes,

- Reducing the risk of insurance liability caused by failure of temporary repairs or defects being repaired out of policy timescales - achievable by improved scheduling processes,
- Reducing the risk of insurance liability caused by current inspection frequencies not being in accordance with the current Code of Practice Guidelines – achievable by introducing revised SPN policy and associated inspection frequencies.
- Reducing the risk of insurance liability by improving risk management procedures – achieved following implementation of revised defect review and prioritisation processes.
- Reducing the risk of insurance liability by carrying out larger repairs to defects and thereby minimising further failure on the network.
- Reduction in the value of claims costs following introduction of the Jackson reforms on insurance claim costs during 2013/14.

18. The financial management systems in place on the contract are not providing the level of financial control required. A project has been established to address these issues, and is making progress, however some areas of concern remain. The required remedial actions have been identified, and timescales for rectification have been agreed.
19. A key measure of the success and progress of improvements to the financial management systems will be the effectiveness of the management of the year end accounts. It is proposed that a full review be undertaken of the year end, and that if this reveals that the systems are still not considered fully effective, that this matter be escalated with May Gurney using the Contract mechanisms. Failure to comply with the agreed improvement plan can then result in the issuing of Contract Default Notices and ultimately termination of the contract.
20. The change from a 24 hour response to a 5 day response will result in improved resource utilisation and therefore reduced cost. It is proposed that these savings are reinvested in the highway network through an improved quality of repair, by:
- Where appropriate, undertaking larger areas of patching to repair several defects rather than repairing them separately
 - Including defects which do not yet meet the intervention criteria for safety defects in the area that is repaired to prevent safety defects from forming.
 - Significantly reducing the number of temporary repairs that are undertaken (currently where temporary repairs are undertaken these must be permanently repaired within 28 days)
21. As described these changes will also require May Gurney to undertake additional repairs through the safety defect lump sum. To deliver the revised inspection and defect repair service will result in an increase to the fixed price paid to May Gurney of £400,000 per annum, this is to pay for additional patching and surfacing gangs to enable improved scale of repair and additional staff to deliver claims management service.
22. The cost adjustment will be met through cashable efficiencies delivered through reduced highway energy costs (£300,000), achieved through better inventory management and £100,000 contribution from the Minor Planned Maintenance budget.

23. Surrey Highways will monitor the quality improvements delivered by these changes to ensure that the anticipated benefits are realised. If an improved quality of repair is not being delivered then the issue will be escalated using the Contractual procedures.

Section 151 Officer Commentary

24. Financial and value for money implications, including expected savings and additional costs, are set out in paragraphs 17 to 23. The Council's ability to reduce insurance costs will ultimately depend on a range of internal and external factors and at this stage cannot be guaranteed.

Legal Implications – Monitoring Officer

25. In addition to a general duty of care, Surrey County has a statutory duty to maintain the highway as contained in the Highways Act 1980, in particular:

- Section 41 – imposes a duty to maintain a highway which is maintainable at public expense.
- Section 58 – provides for a defence against action relating to alleged failure to maintain on grounds that the authority has taken such care as in all the circumstances was reasonably required to secure that the part of the highway in question was not dangerous for traffic.

26. The policy changes proposed in this report do not adversely affect the council's statutory position. However, legal precedent has confirmed that the management of highway maintenance, including the "establishment of regimes for inspection, setting standards for condition, determining priorities and programmes for effective asset management" should all be undertaken against a clear and comprehensive understanding and assessment of the risks and consequences involved.

27. It is therefore intended that a clear and comprehensive risk management process is adopted as part of the new Highway Safety Matrix, ensuring that defects with the highest risk to public safety continue to be repaired at the earliest opportunity.

Equalities and Diversity

28. Equality & Diversity Impact Assessments have been completed, and scrutinised by the Environment and Infrastructure E&D Group and are fully endorsed by the Highway Senior Management Team. A summary of the key outcomes are detailed as follows:

<p>Information and engagement underpinning equalities analysis</p>	<p>We are changing our classification of the network to reflect the current Code of Practice and the method by which we will deliver reactive maintenance.</p> <p>This will lead to changes in a number of maintenance activities to reflect the new network (inspections and safety defects, winter service, replacement of markings etc.) combined with a more coordinated approach to delivering repairs. Other anticipated benefits are; improved risk management and improved safety of the highway network.</p>
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Key impacts (positive and/or negative) on people with protected characteristics	<p>The SPN hierarchy is, as far as is reasonably practicable, to safeguard the movement and well-being of all Highway users, both the residents of Surrey and those passing through the County.</p> <p>Defects will remain on the network for longer periods of time. Road works whilst repairing defects are likely to cause temporary disruption to pedestrians and road users.</p>
Changes you have made to the proposal as a result of the EIA	<p>The EIA review has reaffirmed the approach within the body of the New Strategy for Highway Maintenance report in challenging the proposal. No changes are proposed.</p>
Key mitigating actions planned to address any outstanding negative impacts	<p>Careful planning and monitoring of reported safety defects, implementing corrective and preventative action swiftly where required to manage risk.</p>
Potential negative impacts that cannot be mitigated	<p>Changes to historical network sections that had originally been incorrectly assigned or not updated as the network evolved.</p> <p>Defects will remain on the network for longer periods of time.</p>

Climate change/carbon emissions implications

29. The report recommendations will provide a positive impact on the County Council's commitment to sustainability, as they will reduce the number of vehicle journeys undertaken to repair defects on the highway network.

WHAT HAPPENS NEXT:

30. If Cabinet approve these recommendations, then these changes will be phased in from April 2013 over a 12 month period.

31. The Assistant Director Highways will work with the Environment and Transport Select Committee to ensure the effective scrutiny of these recommendations.

Contact Officer:

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Consulted:

Environment and Transport Select Committee
Insurance Services Team
May Gurney
Woking Borough Council

Annexes:

Annex 1 Background to the Recommendations
Annex 2 Environment and Transport Select Committee Response to a New Strategy
for Highway Maintenance

Sources/background papers:

- None
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