

Surrey County Council Highways and Transport



SURREY

Our Purpose and Goals

Wellbeing

Everyone in Surrey has a great start to life and can live and age well

Our network is relied on by thousands of people and businesses every day. Our service supports the people of Surrey by making streets safe and reliable, offering more travel choices, and providing residents with access to schools, health services and care. To achieve this means:

- Providing healthier, more sustainable travel options
- Making alternative travel easier to access and a real choice for residents
- Putting safety and needs of users first and designing highways services based on these needs
- Providing a more responsive highways and transport service, aligned with the priorities of local communities
- Growing and adapting our service to reflect the changing nature of business and make up of communities

Economic prosperity

Surrey's economy remains strong and sustainable

The highways and transport infrastructure we build and maintain provides the foundation of a strong economy in Surrey: it creates routes in to businesses, jobs for residents and access to homes and communities where people want to live. We deliver value today, while planning and investing for the future. To achieve this means:

- Investing in infrastructure to promote economic growth across Surrey
- Seeking funding and an innovative approach to support this
- Working with partners to support their efforts to promote economic growth
- Ensuring assets are maintained so they continue to contribute to and enable economic growth
- Supporting local businesses and employment in Surrey through our supply chain

Resident experience

Residents in Surrey experience public services that are easy to use, responsive and value for money

Residents are at the heart of how services are designed and delivered, with appropriate influence, control and choice on issues that are important to them. Our professional service provides high quality, innovative solutions that ensure Surrey residents get value from the network now and in the future. To achieve this means:

- Keeping residents informed through timely and helpful information
- Actively managing the condition of the network
- Minimising disruptions on the network
- Co-ordinating the response to incidents through effective planning and management
- Enabling residents to influence how services are designed, prioritised and delivered
- Empowering residents to deliver services themselves
- Maintaining the value of Surreys assets, delivering value for money and reducing waste
- Making transactional services digital, simpler, clearer and faster
- Engaging with residents on potential changes to our network

Our Purpose is to enable safe, reliable journeys and the growth of prosperous places, now and in the future.

Appendix 2 – Highways for the Future Member Reference Group Terms of Reference

Introduction

Surrey's highway service is going through an ongoing process of transformation to ensure that it can continue to maintain and improve the highway network, improve member, resident and business satisfaction, whilst facing ever decreasing funding. Key issues that need to be addressed include:

- Aligning the maintenance and improvement of the network. Recent changes to the Assistant Director roles in the Environment and Infrastructure Directorate will support this alignment.
- Developing clear performance criteria for the highway, including condition, safety, congestion, contribution to economic growth, which captures the plans and aspirations of all key stakeholders and is affordable, and determining when this will be achieved by.
- Developing a delivery strategy to achieve the performance criteria set out above. This will include reviewing current delivery strategies, such as Operation Horizon and safety defects management, to determine if they are suitable approaches to build on for the future.
- Determining a procurement strategy, including a decision on whether to extend the current Kier contract beyond 2017, developing a contract model for the contract that will replace the current ones, and considering opportunities for collaborative procurement.
- Determining an appropriate organisational structure, and the capability that will be required. This will start with changes to the E&I Directorate in the new year following the changes to the Assistant Director roles.

This programme of activities is called 'Highways for the Future'.

Role of Member Reference Group

Officers believe that a Member Reference Group would add value to this programme by:

- Providing a member perspective on future performance criteria, the levels of service and priorities.
- Providing a member perspective on the alignment between maintenance and improvement of the highway. I.e. bringing together activities currently separated into 'highways' and 'transport'.
- Providing insight and challenge to the reviews of the current delivery strategies, including Horizon, safety defects, asset management strategies etc. Also help consideration of member roles in future delivery strategies.
- Providing insight and challenge to current contract performance, and to consideration of the extension of the Kier contract.
- Providing insight and challenge to the development of future procurement strategies.
- Providing a member perspective on capability issues for the 'Client' organisation.

Key Milestones

The Following key milestones have been identified for this programme:

December 2013 - Cabinet decision on acceleration of a Horizon

January 2014 - Project plan developed for programme

April 2014 - further changes to structure following AD changes

May 2014 - Horizon review and lessons learned

October 2014 - initial set of performance criteria developed for 2015/16 budget setting

November 2014 - Safety defects review and lessons learned

December 2014 - initial recommendations on extension to Kier contract

Appendix 3 – Highways & Transport Member Reference Group Report on the Kier Contract

Environment & Transport Select Committee
15 December 2014

Highways & Transport Member Reference Group Report on the Kier Contract

Purpose of the report: Scrutiny of Services

In January 2015 the authority will have to make a decision on extending the highways maintenance term contract with Kier. The initial term of the contract finishes in April 2017 and Surrey have a choice of either not extending beyond that or extending by up to four years. The Member Reference Group (MRG) was asked to review the contract with Kier and provide Select Committee with their insights on that decision.

The MRG have undertaken an extensive review and are satisfied that Kier have the potential to be a successful delivery partner for Surrey. We propose that Kier be given the opportunity to work with Surrey to develop a 5 -year business plan covering the period 2016-21. In order to do this we recommend that Cabinet approve an initial extension to the contract of at least one year. This initial commitment from Surrey would allow Kier to invest in the development of a shared business plan to be completed by September 2015. The quality and outcomes of the business plan would inform the terms of the final contract extension decision in October 2015.

Introduction:

1. Surrey County Council's Highways and Transport service is going through a process of transformation to ensure that it can continue to maintain and improve the highway network, improve member, resident and business satisfaction, whilst facing ever decreasing funding and still meeting safety and statutory obligations. Their aim is to develop a 5-year business plan, which will provide greater definition about the works and services they will undertake over a 5 year period. This will enable them to provide greater clarity to customers about levels of service and secure best value from the supply chain. It is intended that their first Business Plan will be for the period from April 2016 to March 2021.
2. To produce their first business plan they have developed a Highways and Transport for the Future Programme and as part of that they will:
 - Determine long-term aspirations
 - Develop a 5 year asset management and transport strategy

- Develop a capital programme
- Determine levels of service for operational activities – safety defect management, grass cutting, gully emptying etc.
- Define customer service levels
- Develop a communications and engagement plan

They will also have annual implementation plans, to align with the Council's annual business planning processes.

3. A number of issues need addressing and, in June 2014, a Member Reference Group was convened to provide an elected member perspective and insight into current and future performance; levels of service; priorities; and delivery and procurement strategies. The terms of reference of this Reference Group are included as **Appendix 1**.
4. One of the Service's priority issues is a decision on whether to extend the current Kier contract for highway maintenance service beyond the first break point opportunity in 2017. It was agreed at the first meeting of the Reference Group on 6 June 2014 that this would be the primary focus of the Group in order to provide sufficient lead-in time to re-procure should it be necessary.
5. The Member Reference Group is chaired by Michael Bennison and has representation from across political parties. Members of the Group include Peter Hickman, Stephen Cooksey and Richard Wilson.
6. The Group has met with a range of employees from Kier, SCC Highways, Kier subcontractors and other contractors involved in highways, in order to get a broad view on the strengths and weaknesses of the contract with Kier and how this affects Surrey Highways service delivery. A representative from SCC Internal Audit was also involved. A list of witnesses is available as **Appendix 2**.
7. Most sessions consisted of a short presentation followed by questions and answers. The witnesses interviewed varied from senior managers to employees delivering services on site. In total seven sessions were held. These sessions, together with further information and documentation provided the evidence necessary to inform the Group's recommendation.
8. A site visit also provided the MRG with a good overview of what happens on the ground on a daily basis

Background to the Kier contract

Surrey Highways Service

9. Surrey Highways provides services that range from emergencies and defect repairs to planned road maintenance, street lighting, gully cleansing, road marking, resurfacing, and roadside tree maintenance.

10. These services are delivered through 14 contract lots. A list of the main service providers can be found in **Appendix 3**.
11. Kier provides the bulk of the highways maintenance services:
 - Reactive Services (Emergencies, Defect Repairs etc)
 - “Minor” Planned Maintenance
 - “Major” Planned Maintenance*
 - Structures
 - Drainage Repairs
 - Surface dressing
 - Gully cleansing (in collaboration with FM Conway)
12. The contract with Kier is SCC’s largest highways-related contract in relation to contract value.

History of SCC’s contract with Kier

13. From 2002 to 2010 Surrey had outsourced to two single suppliers, responsible for delivery of all activities, one in the east and the other in the west of the county. However, an internal review identified key weaknesses with this model and, in 2010, SCC re-tendered the highway Term Maintenance Contract. May Gurney were awarded the contract.
14. At that time Schedule of Rate items for planned maintenance were reintroduced to control costs. The new contract strategy also removed routine services from the main contract, removing the “middle man” and making Surrey Highways responsible for directly procuring routine contracts.
15. In July 2013 Kier acquired May Gurney with a view to providing one of the largest and most comprehensive services offerings in the UK. As a result SCC’s contract with May Gurney was transferred to Kier. Since then, Kier and Surrey Highways have been working together to address any legacy issues from the contract with May Gurney, especially around critical IT systems improvement and safety defects.

Opportunity for extension

16. A key decision for the authority over the next few months is the extension to the Kier contract. The initial term of the contract finishes in April 2017 and Surrey have a choice of either not extending beyond that or extending by up to four years.
17. The Service has agreed a contract improvement plan with Kier that will help inform their decision on extension. This requires Kier to demonstrate that; they are managing the new safety defect service effectively; their new IT systems are implemented on time and are effective; performance levels are as required. As part of the contract improvement plan Kier are also developing their vision for the future of the contract to demonstrate how they can add value to Surrey’s plans. For Kier to agree to an extension, Surrey also need to ensure that the contract is in a financially sustainable position.

18. If a decision is taken to extend the contract Surrey will then work with Kier to develop a business plan for the period from 2016 to 2021. This will include a facilitated review of their supply chain and overheads to ensure best value for Surrey. If they develop an offer for Surrey for the delivery of the business plan that demonstrates good value, then the Service will recommend that Kier are given a four year extension.

Findings

Set out below is a summary of the Group's key findings. A detailed list of the strengths, weaknesses, opportunities and threats identified from the evidence reviewed is in Appendix 4.

Delivery & Performance

19. Through Project Horizon Kier have demonstrated that they are able to successfully manage and deliver large capital road maintenance programmes to a high quality and standard. However not enough emphasis and importance is placed on how the contract delivers small, low value minor works which has the greatest impact on resident satisfaction. The behaviour and quality of work delivered by sub-contractors is variable and more effective management of sub-contractors by Kier is required. Although the Key Performance Indicators (KPIs) suggest Kier are performing well MRG feel that, based on resident feedback, this does not reflect the quality and management of minor works delivered on the ground. This includes the prompt clearance of road signs after works have taken place to ensure street scene standards are maintained.
20. The contract restricts the ability to commission local businesses to undertake small low value, but high visibility, works quickly and efficiently. Front line and lower level staff should have greater empowerment to make these decisions.
21. Kier have demonstrated their commitment and ability to improve the efficiency and effectiveness of service delivery. They have introduced a new "Damage to County Property" process which has significantly increased the number of successful claims. They have also worked with Highways to introduce a new safety defect process which operates on a 'milk round' basis, meaning defects are identified and repaired more quickly and efficiently through team integration. The MRG would like to see greater integration between officers from Kier and Surrey to improve other processes and realise greater efficiencies more widely. Reducing the number of steps and people in processes, especially for minor works, would increase resident and elected member satisfaction.
22. Kier have responded well to the extreme weather conditions and have worked positively with Surrey to implement the winter service plan to maximise efficiency and reduce costs. This has included improvements to the salting network, gritting technology and communications. The MRG are keen to ensure the lessons learned from dealing with the cold

weather over the last few years are applied to other extreme weather conditions including the recent flooding.

IT Systems

23. Kier inherited an under-performing IT system from May Gurney which was restricting performance management and efficient processes. They have worked with Surrey to introduce the new Works Manager System (WMS) which went live at the beginning of September 14. Benefits include back office, licensing and operational efficiencies; improved visibility and reporting; integrated mobile data to provide real time updates; improved repair quality through real-time visual audit tools; greater efficiency through scheduling and route optimisation tools.
24. Although the new system will improve the works ordering process the MRG remain concerned that many reported defects are lost in the system and residents are not always kept informed of progress. This creates public frustration and lack of confidence in the systems and processes. Online reporting system could also be further improved to make it easier for residents and members to report defects.
25. MRG recognise the potential of the new IT system to improve service delivery, but feel Surrey Highways must also focus on improving their internal capability and capacity to ensure seamless processes with no idle time or data lost on either side.

Communication

26. Communication is inconsistent and unclear. Surrey and Kier need to better manage customer expectations by having a clear and shared communications strategy, which is honest and transparent about levels of service. It needs to be proactive in keeping all stakeholders (including members) informed of decisions and changes to any planned programmes and the reasons why. Communicating clearly with our residents will increase their understanding of the Council's position and in time will reduce queries and complaints to the Council.
27. Communication with Local Committees could be improved, for instance by taking members through jobs completed and getting their feedback on local issues to assist with works prioritisation. Road shows in all the districts and boroughs may also be a good way of reinitiating communication with members of the public in local areas and hearing their feedback and concerns. The MRG also feel that if more money was devolved to the local committee better value could be achieved.

Contract Potential

28. Kier are a large company with a wide portfolio including property, waste, facilities management, waterways management and passenger services. They have the capacity and capability to bring greater expertise, knowledge and resources to Surrey to drive improvement, innovation and efficiency. However the MRG are concerned that there is the risk that Surrey is lost in Kier's wide client base and would like to

see them driving sector innovation more quickly to demonstrate their commitment to Surrey; for example in the development of more sustainable materials, including the recycling of waste materials such as tar.

29. Kier have demonstrated that they are committed to the future of the contract. Their vision includes the development of Surrey County Council as a key strategic client. This has the potential to bring wider opportunities and benefits to Surrey which includes local economic development, cost savings and revenue generation. Further opportunities may arise from non-highways work and /or other highways-related work in Districts and Boroughs
30. In order for the contract to be successful Surrey needs to ensure its organisation structure is set up to support a healthy client, supplier relationship. A critical element of this is ensuring staff have the skills to manage the contract more robustly.

Conclusions:

31. The MRG have undertaken an extensive review of the partnering contract and have identified a number of areas which need to be improved including; communications, IT systems, contract management, delivery and performance management. However the review has also identified many examples of good practice, which demonstrates the potential of the Kier contract. The MRG were impressed with the new integrated team, which has led to a more efficient defect management process. After many years of under investment in IT by May Gurney the WMS system recently introduced by Kier also promises to drive more efficient working practice.
32. Whilst the MRG have concerns about the importance of Surrey as a client to a large organisation like Kier, we recognise the potential benefits they could bring to Surrey more widely. We are pleased to note their desire to develop Surrey as a more strategic client.
33. In conclusion whilst we believe the contract has significant room for improvement we are satisfied that Kier have the potential to be a successful delivery partner for Surrey.
34. In coming to this conclusion we have taken into account that after several years of low investment in infrastructure, in the 2013 Spending Review the Government announced a £50bn spending plan for roads, between 2015 and 2021. The majority of this investment will be in the Strategic Road Network. It is estimated that the impact of this additional investment could be an increase in construction prices of as much as 6% in 2015. This is an important consideration for Surrey when determining whether to extend the Kier contract. A key factor that will determine the price that Surrey will pay for its highways service is how we are perceived as a client. Surrey has made good progress in recent years, however many Contractors still judge us by the previous SHiP contracts. It is therefore important to recognise the impact that early

termination of another contract would have on our reputation as a client organisation, and the likely impact this would have on prices if we were to go out to tender early. The MRG has considered this issue as part of its overall consideration on extension of the Kier contract.

Recommendations:

35. The MRG propose that Kier be given the opportunity to work with Surrey to develop a 5 -year business plan covering the period 2016-2021. In order to do this we recommend that Cabinet approve an initial extension to the contract of at least one year. This initial commitment from Surrey would allow Kier to invest in the development of a shared business plan to be completed by September 2015. The quality and outcomes of the business plan would inform the terms of the final contract extension decision in October 2015.
36. The MRG are keen to remain involved in the development of the business plan to ensure it delivers the improvements identified in this report. To that end we recommend that the MRG provide ongoing member insight and scrutiny and report back to Select Committee before October 2015.

Next steps:

37. Following consideration by the Select Committee, the Member Reference Group's report will be submitted to Cabinet on 3 February 2015.

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