

# REVIEW OF STANDARDS TO REDUCE COSTS SPENDING REVIEW 2010

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# Presentation

1. Spending Review 2010
2. PAC 2010
3. Approach to change
4. Asset Support Contracts (ASC)
5. Maintenance expenditure
6. Implementing savings



# Highways Agency Vision



## **Aim:**

Safe roads, reliable journeys,  
informed travellers

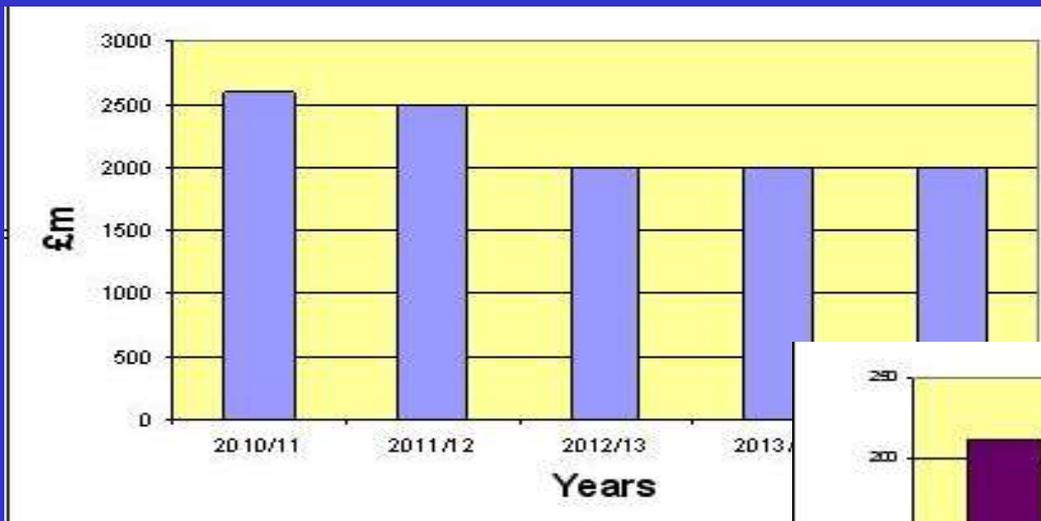
## **Asset Management Vision:**

To be a leading network  
operator by taking a long term  
strategic approach to the  
management and monitoring  
of its asset performance.

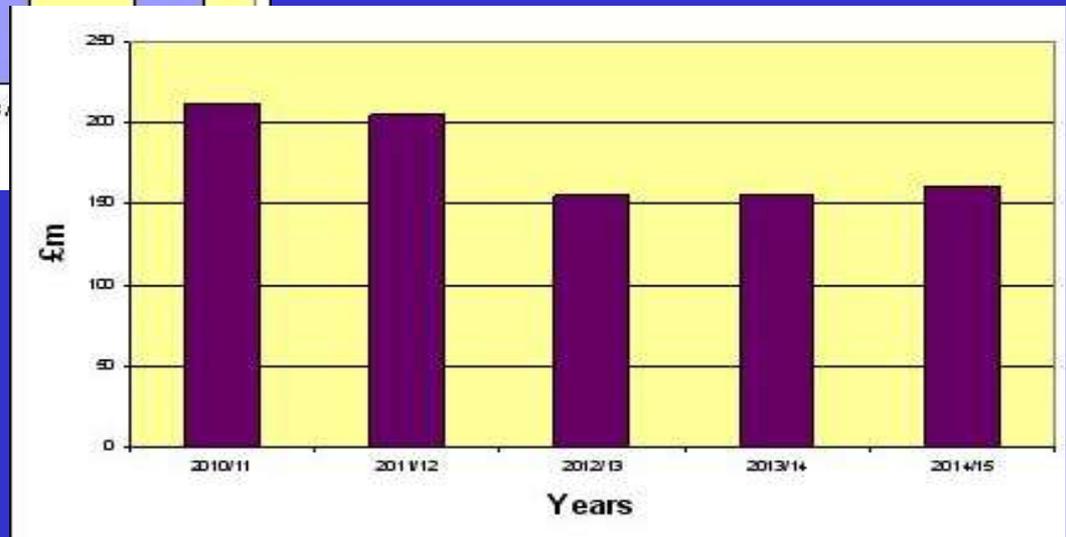
**BUT this is all driven by affordability**

# Spending Review 2010 - Outcome

## Total allocation



## Operational allocation



# Initiatives

- Commercial and asset management
- New maintenance contracts
- Review of technical standards
- Assessing where and when we do work
- Review of night-time and weekend working



# Integrated Asset Management

## All major asset types:

- Technology
- Pavement
- Drainage
- Structures
- Earthworks
- Environment
- Lighting



# Maintenance Contract

- HA Focus – safety, reliability & information
- Drivers of change:
  - PAC Review
  - Spend Review 2010
- Focus now on **best service at lowest cost**



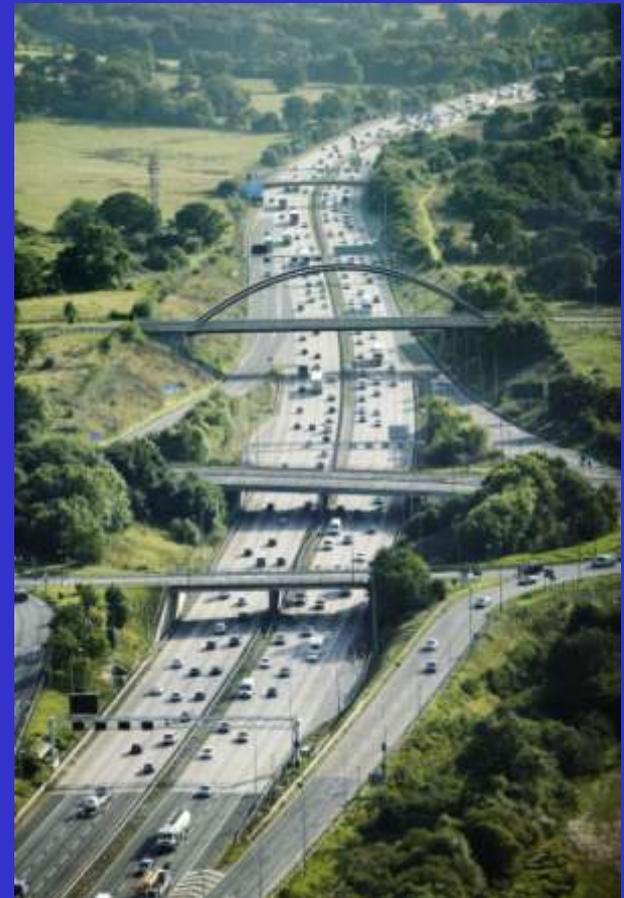
# Public Accounts Committee 2010

## Conclusion

- MACs largely follows best practice but action needed to get best value

## Recommendation

- Review the standards documents underpinning MAC contracts to ensure they are outcome based as far as possible



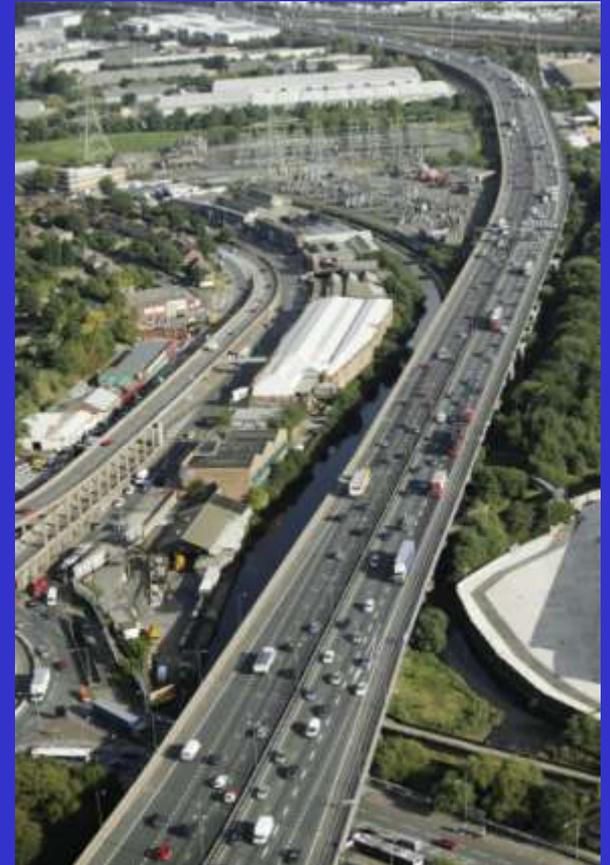
# What does this Mean?

- Sweating the asset - more
- Moving to a more 'affordable level of service' - best value not premium
- Leaving cosmetic and minor defects until more cost effective
- Limited local improvements.
- **BUT NOT** short termism



# Strategy for Change

- Salami slicing not an option
- Review of MAC contract & standards
  - BUT manage asset value
- New outcome based requirements
  - Asset Maintenance Operational Requirements (AMOR)
- Address financial & performance challenge –  
Asset Support Contract (ASC)



# Supply Chain Liaison

- Maintenance community liaison to share views on improvements
- Two key questions posed:
  - What contract will deliver well maintained network at minimum cost?
  - How can we align HA objectives with contract incentives for supply chain?
- Explored opportunities to move to outcome based requirements



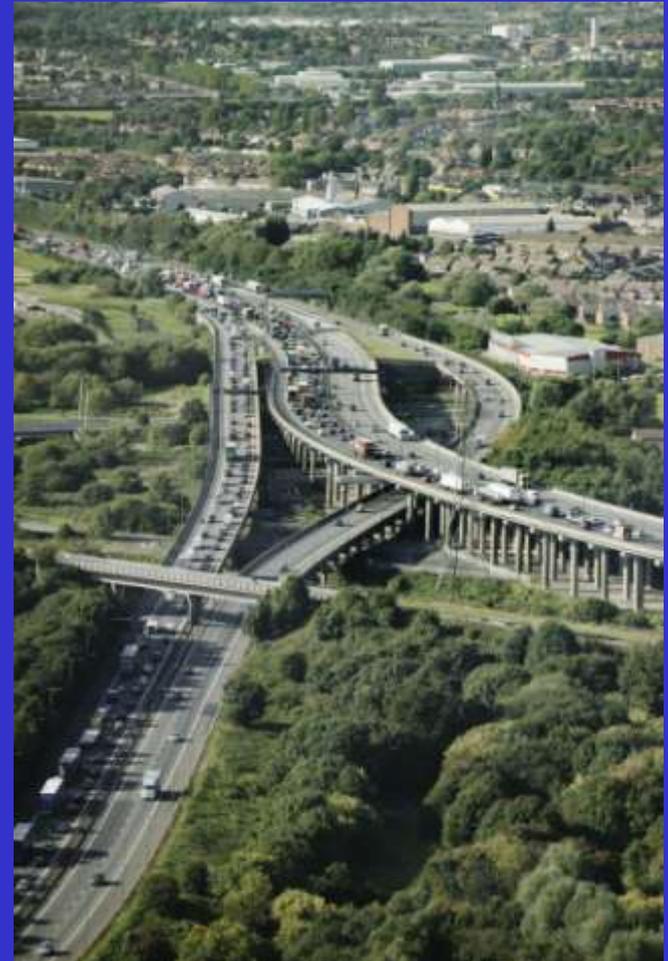
# Key Features of ASC (1)

- Routine Maintenance outcome based:
  - Less prescriptive
  - “Affordable level of service”
- Higher threshold for scheme delivery (£5m)
- Higher threshold for network damage recovery (£10k)
- Includes technology improvements plus management of Routine Maintenance contract.



# Key Features of ASC (2)

- Scheme target costs
  - Schedule of rates replaces Sample schemes
  - Less 'non-standard' items
- Year on year reduction in rates
  - Lump sum & schedule of rates
- Design and supervision
  - Percentage based on scheme type and value not cost reimbursable



# Key Features of ASC (3)

- Savings by innovation, efficiencies and continuous improvement
  - New clauses to simplify application & payment
  - Incentivise use
- Introduces Category Management
  - Procurement of high volume / value items at best cost.
  - Align with government policy on procurement.



# Key Features of ASC (4)

- Risk Management - aiming to put risk with those best placed to manage it
- Lump sum retained for routine work
- Incentives for accuracy between target cost and actuals
- Opportunity for extension where performance merits
- Asset management - effective systems essential for SR10 challenges



# ASC Key Messages

## New contract, but...

- Preserves current best practice while addressing the concerns of PAC
- Responds to maintenance community input
- Makes use of procurement and contracting framework to secure best value for the tax payer
- Provides basis for a healthy, sustainable and competitive supply chain



# ASC Implementation

- ASC roll out will not deliver savings quickly enough
- Area 2 starts July 2012



**Negotiate changes of existing MAC contracts**

# Grasping the Opportunity

- Emphasis on asset repair, life extension and renewal at lowest initial cost
- BUT safety, service to users & asset management still key
- HA has listened & willing to be different
- Incentives for supplier performance
- Change for HA staff and suppliers
- Scope for wider co-operation



# Standards Review Methodology

Map standards against  
technical areas and  
procurement

Understand Agency spend

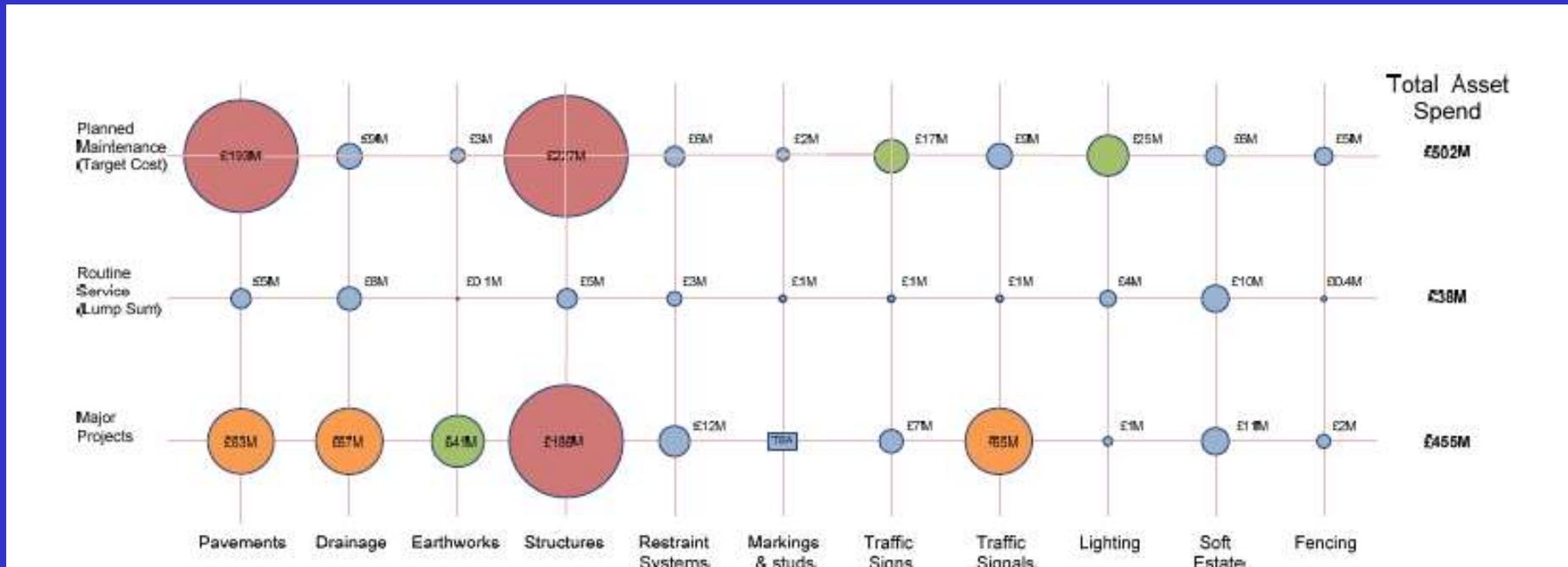
Identify Opportunities

Evaluate Opportunities

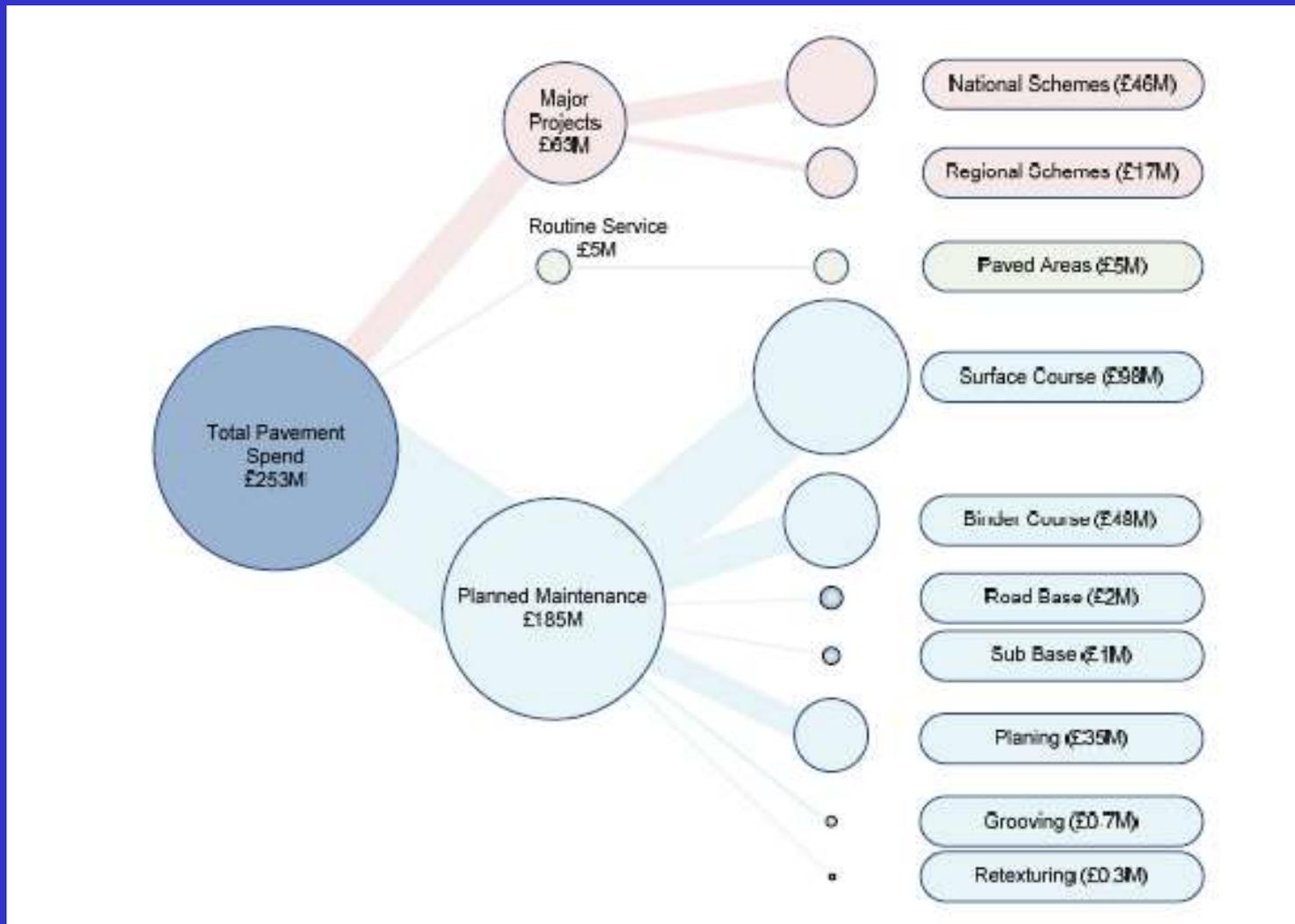
Develop Opportunities



# Spends and Opportunities

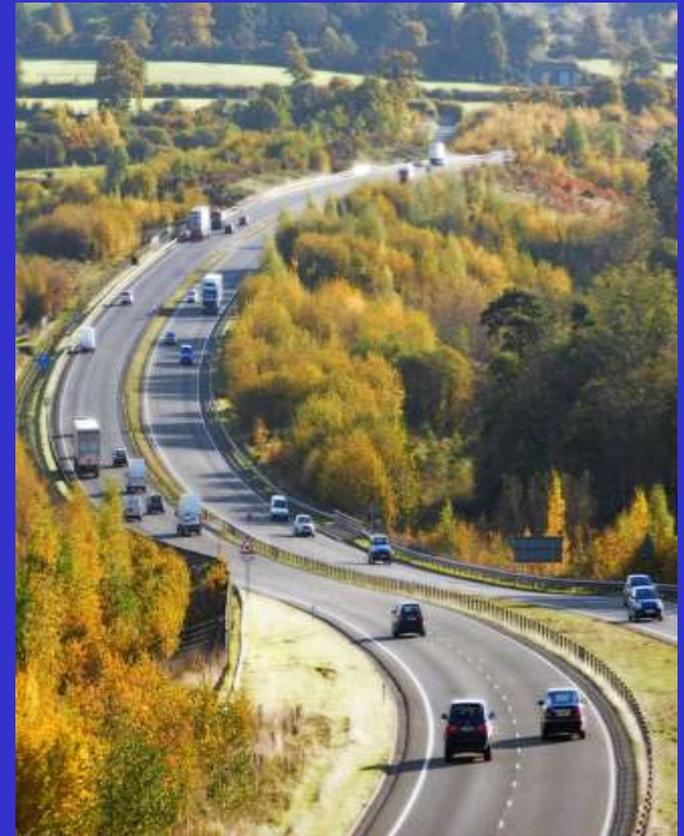


# Pavements Spend



# Meeting Quality – How?

- Design Manual for Roads and Bridges (DMRB)
- Specification for Highway Works (SHW)
- Standards
  - BS / CEN
- Effective use of raw materials (e.g. aggregates)
- Day / night working



**“Never mind the width, feel the quality”**

# Flexibility and Innovation

## Changes to Standards

- Design
- Materials
- Maintenance practice

## Implementation of revised Standards

- Quick wins
- Longer term



# Scale of Reductions

## From £180m/year pavements maintenance

- Save £40m/year on proposed schemes
- Auditing
- Money available for further pavements works (i.e. more work from available budget – more for less)



# Quick Wins

- Better targeted maintenance
- Reduced design lives (staged construction)
- Reduction of some intervention thresholds
- Enhanced value management (stricter control)
- Use of lower cost materials



# Quick Wins draft IANs:

- Amendments to HD30  
(promoting the use of simple maintenance techniques banding / sealing / patching)
- PSV changes  
(relaxations to certain aggregate PSV requirements where safe)
- Enabling use of Cold Ultra-Thin Applied Surfacing  
(where noise requirements / traffic permit)
- European approval required...



# Longer Term

- Further reduction in intervention thresholds
- Strengthening analysis capabilities
- Improvements to workmanship (LEAN practices)
- Introduction and further enforcement of warranties
- People and cultural shift
- Improved maintenance contracts
- Benchmarking organisations



# Next challenge - Exploiting the Opportunity Offered

## Thank You

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