

# FROM COMPLIANCE TO PERFORMANCE IN HIGHWAYS MAINTENANCE



*“In 2009 the National Audit Office (NAO) estimated a 70% increase in the cost of road resurfacing between 2003 and 2009. Achieving demonstrable value for money from maintenance contracts, whilst at the same time driving the supply chain towards improved performance, is likely to become even more challenging in the face of budget cuts and restrictions.”* Brian Fitzpatrick - Partner, Head of Highways

The tools should already exist for Highways Authorities to drive improvements but are they being used effectively?

Another recent NAO report ‘Commercial Skills for Complex Government Projects’ found there were commercial knowledge gaps on the client side which included:

- Effective contract management
- The commissioning and managing of advisors and getting best value from them including effective knowledge transfer
- Risk identification and management across a range of procurement models
- Good old fashioned business ‘nous’ - good management information and knowing what the supply chain wants from any transaction, and knowing what all parties will get from the deal.

Overall, commercial capacity in the public sector continues to be under strain.

## Poor application of contracts - changing the mindset

The poor application of cost reimbursable contracts is one reason why improved performance is not being achieved more widely. Many authorities administer these types of contracts with a compliance mindset rather than being performance focused. Contracts allow for target costs to be set, and for greater visibility of cost and risk allocation, however target costs are being set that are not sufficiently challenging. I have seen a lack of clarity around commercial responsibilities, with a view that open book arrangements require a minimum of challenge or that every cost application is correct, and the payment box just needs to be ticked.

It is how the contracts are used, and who they are used by, which is critical. But compliance with the form of contract is just one part of improving performance.

## Cost intelligence and commercial specialism

A better appreciation of the asset life cycle, and of cost at a benchmarked unit level, allowing more accurate analysis of interventions, is required. If you don’t understand the value of the asset how can you understand how much you should be paying someone to look after it? Collecting and using this asset and cost data is part of the development of cost intelligence, and more of a commercial specialism beyond the traditional role of the quantity surveyor.

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Cost intelligence involves collecting, normalising and establishing cost norms between parties. Once the norms are accepted and established between the client and the supply chain, they become the means by which a more considered dialogue around the cost, and value, of service delivery takes place. This allows the client to focus on true performance management rather than contract administration.

### Cost norms drive improved performance

Establishing Highways maintenance cost norms in the industry will be a challenge, but it has already been done in the Highways Agency. The Major Projects Directorate is using its validated cost model to allow target costs to be set for the Managed Motorways procurement.

Once cost norms are established in the sector, the true journey towards driving clearer commercial responsibilities and better performance from contracts, with all the efficiencies these can bring, will have begun.

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