

# HELG Case Study

## The Portsmouth PPP – A Strategic Approach to Highway Asset Management

**Participants :** Portsmouth City Council and Colas Ltd

### Executive summary

In just over 4 years the condition of Portsmouth's road network assets has been remarkably transformed by a pioneering new strategic approach which considered roads in an area network as an entity and as "Highway Assets".

A 25 year innovative performance related contract stimulated fresh thinking and new ways of integrated working. Effectively, a long term Highway Asset Management Plan was produced and finance was derived from an additional annual government grant (£121m of PFI credits). This also services an injection of private capital investment to address the maintenance backlog. The long term partnership is developing tangible and intangible benefits, not just for the City Council and Colas Ltd but for stakeholders such as Community Groups.

### Background

**Unitary Council:** In 1997, on returning to unitary status, Portsmouth City Council (PCC) regained its responsibility for 455Km of roads after a break of 23 years. It was abundantly clear that like many authorities it was presiding over a highway system whose condition was seriously in decline due to lack of investment. However, in lieu of additional staff resources, the very limited additional unitary resources that were available were invested in developing a state of the art integrated suite of Highway Management IT Systems (with Exor) and this proved to be a critical step in taking the service forward.

**Best Value Pilot Bid Success:** The Council compiled a Best Value Pilot bid to find new ways for maintaining operational assets and highways. It was one of 37 out of 150 bids approved by the Minister of Local Government. It was vital to quickly get a strategic handle on the value of the transferred asset, establish the priorities and address the question: "Is the Community paying too much for highway maintenance?"

In 1998 a short study by Mott MacDonald revealed that almost half of the city's principal road network was in a failed or critical condition. It confirmed that there was a significant maintenance backlog and a number of roads would need to be reconstructed due to the previous lack of funding and timely preventative maintenance. The crucial linkage of road condition with the city's economic and social well being was recognised, probably for the first time. This established that it was necessary to secure additional investment to arrest the decline and restore the condition of the highway assets to an optimised, steady state and sustainable level as soon as possible. The under funding challenge had to be met.

The City Council searched for alternative funding solutions. PFI was the option chosen. The Business Case was rigorously assessed by the DfT's predecessor, the DETR, and the PFI option promised to achieve savings over the whole life of the contract, linking capital investments to planned maintenance and economies of scale. A highly incentivised 25year "performance related" contract was awarded to Colas Ltd in 2004 to upgrade highway assets to a defined level, based on a number of Network Condition Indices (again developed by Mott MacDonald for the project). These have proved to be another vital management tool for a Strategic Approach to Highway Maintenance.

### Particular issues addressed

- (1) **Lack of Funding:** Secured, ring-fenced, long term funding has meant it has been possible to develop an effective investment/highway assets renewal plan.
- (2) **Uncertainty regarding Planning of Maintenance Schemes:** Early identification of future maintenance projects exploits the significant potential synergy savings of integration with capital (both public and private) schemes and road safety schemes – significantly enhancing the quality of schemes and reducing costs.
- (3) **Short Term Mentality:** A client culture has been developed by the Service Provider. The nature and structure of a long term contract requires empathy and understanding of the client's needs and adoption of shared values with the Council.
  - Whole Life Costing and getting the job "done right first time"
  - A better understanding and closer alignment to the Council's corporate objectives supporting economic,

social and environmental challenges and developing a long term association with local businesses, communities and other groups including, for example schools and the University of Portsmouth .

- (4) **Lack of investment in skills and training throughout the Supply Chain:** The long term nature of the contract provides stability and enables continuity of employment and the opportunity to develop skills at all levels. This also applies to the supply chain and encourages joint working and other partnerships resulting in improved quality of services and lower costs.
- (5) **The delivery of an intensive works programme** in a densely populated island city which posed many traffic management challenges.
- (6) **The development of new techniques** for the Measurement of the Condition of Composite Flexible / Rigid Road Pavements.

## Measured Improvements and Efficiencies

(1) **Improvement in User Satisfaction with Highway Maintenance:** In the first year of the new contract improved satisfaction with highway maintenance in the city was attributed to driving the overall improvement in Portsmouth City Council satisfaction ratings. The MORI 2005 Residents Survey reported an immediate 22% increase in satisfaction with Highway Maintenance and a 19% increase in satisfaction with Street Cleaning within the first year of the contract. The long term partnership is developing many other tangible and intangible benefits, not just for the City Council and Colas but for stakeholders such as Community Groups.

(2) **The National Highways and Transportation Survey 2008:** bench-marked “Public Satisfaction with Condition of Highways” with a number of comparable Local Highway Authorities. Portsmouth was deemed to be the *best performing* in the Unitary and Metropolitan Council Category (*Surveyor magazine 15 January 2009* ). The survey has demonstrated the continuing success of the project in raising Highway User Satisfaction . Portsmouth achieved the top placing out of all the participating Local Highway Authorities in both Highway Maintenance and Condition of Highways . Injury accident claims have also significantly reduced from a level in excess of 200 pa prior to the new service to 40 in 2007/8: a reduction of 80%, and a huge saving in human costs.

(3) **Efficiency Savings:** The final business case for an additional investment via the PFI option (which involves risk being placed with the party best placed to manage it ) indicated a 19% benefit over traditional procurement, which equated to a benefit of £890,000 pa in 2004/5 (and thereafter for 25 years) of Efficiency Savings.

(5) **The Institution of Highways and Transportation’s 2008 Award for “Effective Partnerships”** was won by PCC/ Colas.

## Contacts for further information

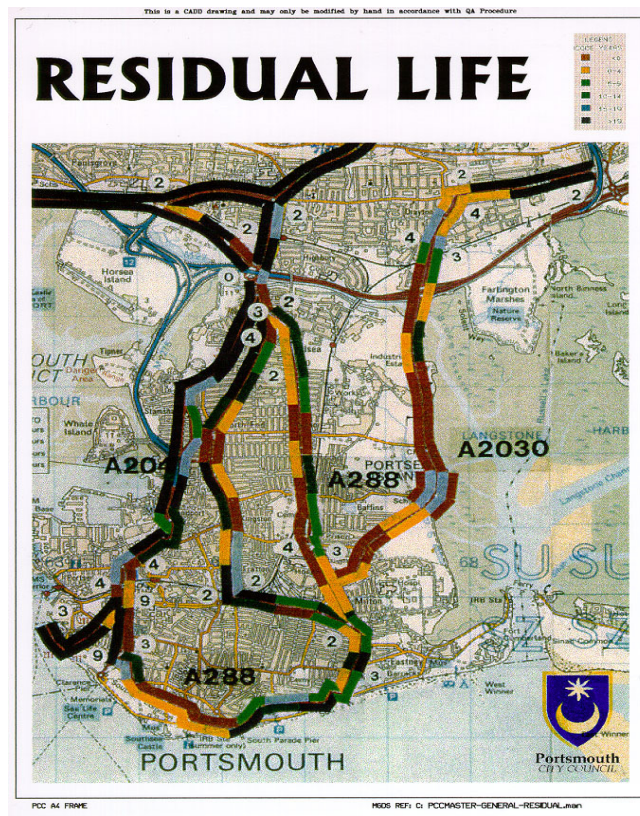
Ray Privett,  
PFI Contract Manager,  
Portsmouth City Council  
Highways and Coastal Services,  
Transport and Street Management,  
Civic Offices,  
Guildhall Square,  
Portsmouth. PO1 2NE.

Brian Hicks  
Managing Director,  
Ensign Highways Ltd  
Walton Road  
Farlington  
Portsmouth PO6 1TA

Tel No. 023 9283 4667 Fax No. 023 9283 4866  
Email [ray.privett@portsmouthcc.gov.uk](mailto:ray.privett@portsmouthcc.gov.uk)

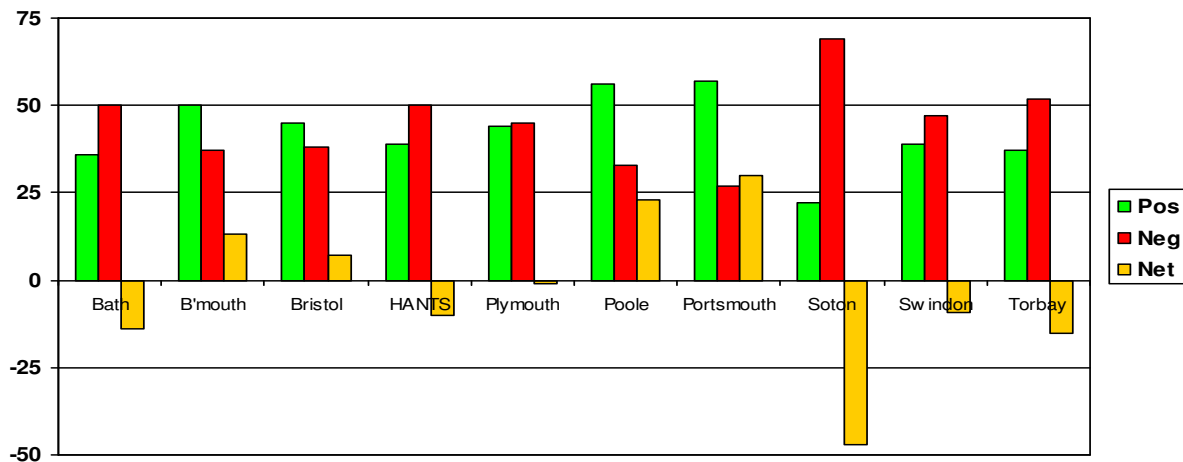
Tel No 023 9231 0961  
Email [brian.hicks@colas.co.uk](mailto:brian.hicks@colas.co.uk)

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## 1998 - Condition of Principal Road Network

*Over 40% of the main roads needed urgent major maintenance*  
 ( red indicates reconstruction required , yellow indicates 5 years life remaining )



## 2008 - Public Satisfaction with Condition of Highways

(note : high net satisfaction in Portsmouth and compare with neighbouring Southampton which has traditional funding methods )

Ref : *National Highways and Transport Satisfaction Survey 2008* - by MORI

