

ANGUS COUNCIL

ROADS COMMITTEE

9 MARCH 2000

SUSIEPHONE LIMITED

REPORT BY THE DIRECTOR OF ROADS

ABSTRACT

This report informs the Committee of the invitation to Angus Council to apply for membership of Susiephone Ltd and recommends that application be made.

1 RECOMMENDATIONS

It is recommend that the Committee agree:-

- 1) to note the arrangements which are in place for the Scottish Road Works Register;
- 2) that the Director of Roads in liaison with the Director of Law and Administration make application for the Council to become a member of Susiephone Limited.

2 INTRODUCTION

Section 112 of the New Roads and Street Works Act 1991 places a statutory duty on Councils in Scotland to keep a register of all roadworks and streetworks executed in each public road for which they are responsible. In practice this register, known as the Scottish Road Works Register (SRWR) is kept collectively by all the Scottish mainland councils using the "Susiephone" computer-based IT system which is owned by Susiephone Ltd.

Susiephone Ltd have recently decided to expand their membership to embrace the whole Scottish community of Roads Authorities and Statutory Undertakers (Gas, Water, Electricity and Telecommunications companies), and have issued an invitation to Angus Council, as one of these roads authorities, to join the company.

3 DETAILS

Susiephone (an acronym of Standard Utilities Service Information for Excavators phone line) originated as a dial-before-you-dig damage prevention system for excavators (Statutory Undertakers, Roads Authorities and Private Contractors) to allow information regarding the presence and location of underground plant to be obtained before roads were dug up with a consequent reduction in accidental damage to the apparatus coupled with a reduced risk of danger or injury to the man on the job.

In December 1994 a meeting of the Roads and Utilities Committee (Scotland) was convened by COSLA to decide upon the future arrangements for a Scottish Road Works Register, as required by the New Roads and Street Works Act 1991. The meeting represented the interests of all of the user community comprising the Scottish Authorities, the Statutory Undertakers and the Scottish Office. The meeting decided to adopt the Susiephone system as the basis for the development of a Register to transfer, record and manage information about road works and streetworks in a consistent manner throughout Scotland. The Register is a vital tool that enables Roads Authorities and Statutory Undertakers to manage streetworks activities in the best interests of the public, as both road users and consumers of utility services.

The Susiephone system was originally developed over a number of years prior to 1995 by a consortium of Lothian and Strathclyde Regional Councils together with the lowland Scottish Utilities and, this partnership was formalised by the establishment of Susiephone Ltd in 1995. The whole Scottish user community, however, funded the further development of the Susiephone System from 1995 with their client interests being represented by a Project Board working closely with the Company, which was responsible for the procurement and implementation of the project.

Currently the cost of developing, maintaining and operating the IT System (recently completely upgraded and expanded to include a National Street Gazetteer i.e. the "Susiephone 2000" System), the costs of maintaining and managing the Scottish Road Works Register and the National Street Gazetteer, the staffing and running costs of the SRWR Operations Centre, and the continuing provision of the one-call dial-before-you-dig service are recovered through contributions from the user community (roads authorities and statutory undertakers). Contributions are apportioned 30/70 between roads authorities and statutory undertakers and the roads authorities share of the cost is then further sub-divided in proportion to population within council areas (on the basis that the volume of streetworks and roadworks and therefore use of the system will be roughly proportional to population). Angus Council therefore currently contributes 2.21% of the overall annual cost of Susiephone amounting to a contribution of £2,524 in the current financial year.

Thus, although Susiephone Ltd is legally liable and theoretically responsible for the costs of running Susiephone, in practice these costs are met by the user community who are under a statutory obligation to provide themselves with such a system and who therefore have a vested interest in its continuation and financial viability.

When Susiephone Limited was incorporated it was done as expeditiously as possible in order to urgently proceed with the development of the system and so the company membership comprised only the seven original consortium members. The remaining user community as funding partners whilst accepting this position also strongly expressed a desire to see that membership of the Company was expanded to embrace the whole Scottish community of Roads Authorities and Utility Organisations. For its part the Company undertook to do this once it had completed delivery of the Scottish Road Works Register. This it has now done with the roll-out of the Susiephone 2000 system, the establishment of a Scottish Roadworks Operations Centre and the pending appointment by the Scottish Executive of Susiephone Ltd as the keeper of the Register

for Scotland. The Company is also the owner of the intellectual property rights to the system.

The achievements of Susiephone Ltd to date are remarkable and unique. Scotland has the only proven roadworks register system coupled with plant information exchange facilities in the whole of the UK, perhaps in the whole of Europe. However the Company did not make these achievements on its own they were made with the enormous efforts and commitment of the user community for whom Susiephone Limited were the enablers. The offer to join the company recognises this and the desire of both the user community and the Board of Directors to realise the ambition of expanded membership to formalise a collective ownership and management of the Register.

Having delivered its initial purpose, it is vital that the future of Susiephone Limited is now shaped by an expanded membership that fully reflects the user community across Scotland. The expanded Company must provide the drive and capabilities to meet the changing needs of the user community and to direct the management and development of the Register to both meet these needs and to take advantage of any commercial opportunities. Membership of Susiephone Limited is a unique opportunity to consolidate the roads authorities' commitment to date and to formalise the position of Angus Council as a stakeholder, able to more directly participate in shaping policy and achieving future needs.

It should be noted that the expansion of the company will proceed on the basis of those organisations registered by the closing date. Any subsequent applications to join will require to be determined by the new member community at a future date. The likely attitude of that member community is unknown and it should be noted that further expansion or, the holding open of the currently offered terms of entry, cannot therefore be assured.

Susiephone Ltd have issued a prospectus (a copy of which has been placed in the members lounge) and an invitation to all Scottish Councils (as Roads Authorities) and all Statutory Undertakers, who have contributed to the development of Susiephone 2000 and who are not already on the Board of Directors to become members of Susiephone Ltd. The closing date for applications is 17 March 2000.

In the opinion of the Director of Roads it would be in the Council's interest if Angus together with other Scottish Council's were to take up membership of Susiephone Ltd. With membership available at this stage only to the 30 Scottish Councils who are not already members (i.e. all except Glasgow City Council and Edinburgh Council) and 8 Statutory Undertakers (in addition to the 5 existing members), a good take up of membership by the Scottish Councils should help to ensure that the management and future development of Susiephone proceeds in accordance with the collective interests of the roads authorities.

4 **FINANCIAL IMPLICATIONS**

The currently proposed entrance fee, payable upon admission to the membership of Susiephone Ltd is £1,000. However, in terms of the Articles of Association, the

Board of the company has the authority, in the future, to increase the amount of an entrance fee for new members up to a maximum of £20,000.

The prospectus also states that there is no intention at present to seek an annual contribution however it does allow for the possibility that “each member may be required to pay the company an annual contribution in such amount not exceeding £10,000 as the Board may from time to time determine”. However, as detailed in Section 3 above, the full cost of providing and operating Susiephone is currently funded through an apportionment of costs, and contributions on this basis, from the user community (Angus Council’s share in 1999/2000 being £2,524 (2.21%)). These annual contributions are already allowed for in the Roads Revenue Budget, and as long as these arrangements remain in place the need for separate/additional annual contributions from the members of Susiephone Ltd would appear to be hypothetical.

For the time being therefore the only additional financial commitment arising from an application for membership would be a one-off payment of £1,000 and this can be contained within the Roads Revenue budget for 2000/2001.

An outline of the financial and legal implications of membership arising from the detailed information given in the prospectus is summarised in Appendix A.

5 CONSULTATION

The Chief Executive, the Director of Law and Administration and the Director of Finance have been consulted in the preparation of this Report.

6 CONCLUSION

An opportunity has arisen to allow Angus Council to become a member of Susiephone Ltd at minimal cost. Membership should help to ensure that the management and future development of the Susiephone System proceeds in accordance with the interests of Angus Council as Local Roads Authority.

Dr Bob McLellan
DIRECTOR OF ROADS

NOTE

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above Report (list papers concerned):-

Susiephone Limited – Prospectus (copy placed in members lounge for perusal).

SUSIEPHONE LIMITED

SUMMARY OF FINANCIAL AND LEGAL IMPLICATIONS OF MEMBERSHIP

(Full details of the Company, the Terms and Conditions of Offer of Membership, the Directors' Report, the Company Accounts and the Memorandum of Association of Susiephone Limited are contained in the Prospectus a copy of which as been placed in the members' lounge).

- a) The Board of Directors controls the running of the Company. It would be in the Roads Authorities' interests, therefore, to have a representative from this Council on the Board. It is stated in the prospectus that the Company intends to appoint directors to reflect the membership i.e. a fair spread from Councils and Statutory Undertakers.
- b) Once appointed, Directors serve until they are due to retire by rotation (details in the Articles at clauses 28-36). This is all very standard for Companies but does mean that, although this Council might get a place on the Board initially, this could be halted if Angus Council's nominated representative had to resign by rotation. However, the retiring director may be re-elected if his vacancy has not otherwise been filled.
- c) Members may only withdraw from membership of the company provided the withdrawal is approved by resolution of the Board. It is unclear what the position would be if a member wished to withdraw but the Board did not approve such a withdrawal, or as is allowed for in the prospectus, where conditions were attached to the approval, but to which the withdrawing member was unable to agree.
- d) The Company is limited by guarantee rather than having share capital. This is fairly standard for a Company set up where profits are not the main purpose. Obviously, then, if the Council ceased to be a member, there would be no shares to sell/transfer.
- e) There is an initial joining fee of £1,000 at present.
- f) Although it is not proposed presently to charge an annual contribution the Board has reserved the right to charge members an annual contribution of an amount up to £10,000 pa, at any time in the future.

By it becoming a member, the Council would be agreeing to this potential liability. Furthermore, it should be noted that a Company can alter the terms of its Articles of Association at any time, provided that this is agreed to by the members. Theoretically, therefore, the maximum figure of £10,000 could be increased. This is probably unlikely to be agreed to by all involved. However, the non-local authority members are likely to have far greater assets at their disposal should the need arise and they might, therefore, be agreeable to an increase while the local authority members would be less so. However given that to date all the company's costs have been met by the contributions from the user community the circumstances in which an additional

annual charge would have to be levied directly on the members of the Company are hypothetical.

g) The Council's liability is not to exceed £1. However should the Company be wound up while the Council is a member (or within one year of its ceasing to be a member), the Council, along with all other members, would be liable for the costs, charges and expenses of winding-up. It is not possible to estimate these costs but they would likely be a good deal more than £1. Again however given the current funding arrangements such costs should they ever arise would almost certainly be passed back to the user community under the established cost sharing arrangements.

h) Accounts:

Profit and Loss Account

- The Profit and Loss Account for the year to 31 March 1999 indicate a profit of £1,624 before tax (1998 loss of £65,181) but after accounting for taxation, a loss of £340 was sustained (1998 loss £56,018).
- Turnover has increased by £5,099 to £567,864.
- Cost of sales plus administrative expenses have decreased by £65,094 to £567,864.
- The main difference between the two years' results is in respect of cost of sales which in 1999 was £45,721 – 8% of turnover, whilst in 1998 it was £139,163 – 25% of turnover. The accounts do not disclose the reason for this disparity.

Balance Sheet

- A high level of debtors is indicated – 35% of annual income is receivable at the year end. Income is received quarterly in arrears, which obviously accounts for some 25% of the debtors, but the reason for the remaining 10% is not disclosed in the accounts although it may be due to tardy payments by contributing organisations (local authorities or utilities).
- The bank balance has reduced from £29,821 in 1998 to £3,496 in 1999.
- Although the total creditors figure has fallen in 1999 by £59,339 to £247,006, this still represents a large part of the annual expenditure – some 48% of annual expenditure (excluding depreciation charge) is due to be paid by the company at the year end. It is not clear from the accounts why such a high level of creditors is sustained. However it may be due to the exceptional arrangements in these two years for the contract with ICL for the software development required for the latest version of Susiephone.
- Notwithstanding the high level of debtors, the low bank balance and high level of creditors results in the company having negative working capital (-£44,236).

- After taking account of the value of the fixed assets, the net asset value of the company (which as the company is one limited by guarantee is equal to the accumulated balance on the Profit and Loss Account) is £9,601.

Summary

The balance of net assets in March 1999 is £9,601, which means that if the company makes losses in excess of this figure, it could not legally continue to trade. In the event of further losses accumulating to the extent of £9,601, it would appear that an annual contribution from members (referred to above) would be required. However, in practice this unlikely given the current arrangements for contributory funding by the Susiephone user community.

- i) Angus Council is at present contributing to the expenses of the company, without the opportunity to contribute to its management and control, which membership would facilitate. This benefit must however be weighed against the cost of the initial joining fee of £1,000. It should be noted however that a proportionate share of any increased expenditure of the company would in all probability be passed on to the Council in any case under the existing cost sharing arrangements.

RWM/PP
17 February 2000
REPORTS/susiephone ltd