



Notice of meeting of

Highways PFI Ad Hoc Scrutiny Committee

To: Councillors Moore (Chair), D'Agorne, Hall, Livesley,
Merrett, Simpson-Laing and Vassie

Date: Wednesday, 3 January 2007

Time: 4.30 pm

Venue: The Guildhall

AGENDA

1. Declarations of Interest

At this point Members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Panel's remit can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is Tuesday 2nd January 2007 at 10:00am

3. Scoping Report: Highways Private Finance (Pages 1 - 10) Initiative (PFI)

To consider the background and scoping of the Ad-Hoc Scrutiny Committees topic on the Highways Private Finance Initiative.

4. Any other Business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Tracy Wallis

Contact details:

- Telephone – (01904) 551027
- E-mail – tracy.wallis@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting Tracy Wallis

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports



Highways PFI Ad-Hoc Scrutiny Committee3rd January 2007**Scoping Report: Highways Private Finance Initiative****Purpose of Report**

1. This report is written to brief Members of the Highway's PFI Ad-Hoc Scrutiny Committee regarding the background and scope of the topic. Members are requested to;
 - a. Consider and note the content of the report,
 - b. Determine whether they require any further information in respect of part A of the topic (as outlined below) prior to reporting back their findings and recommendations to 2006 Scrutiny Management Committee (SMC).

Background

2. On 25th September 2006 SMC, recommended progression of registered Scrutiny Topic 135 'Highways Maintenance Procurement Process' with the stipulations that;
 - a. The topic registration form be amended to incorporate Member concerns regarding the Private Finance Initiative (PFI) bidding process and the objective aims and risks for of the bid for the corporate body and service area.
 - b. The proposed remit be refreshed accordingly and drafted to ensure a tight turn-around of the topic to coincide with the PFI bidding process.
 - c. The Remit of the topic pay due consideration of the resource implications – officer time and financial of progressing.
3. Further information regarding the history of Highways procurement at the City of York Council was also submitted at the September meeting by the Head of Highway's Infrastructure, this has been incorporate into the information provided below.
4. On 20th November 2006 SMC considered a further report ¹ incorporating a revised registration form referencing the PFI bidding process. Prior to this meeting the Chair and Vice Chair of SMC consulted the Head of Highway's Infrastructure regarding the core issues for the scrutiny review in light of the time scale – January 07 - for submitting and receiving a response upon a CYC PFI 'expression of interest' for a Pathfinder

¹ entitled 'Draft Remit for Highways Maintenance Procurement Review'

Project to the DfT for highway maintenance management and works, with traffic management infrastructure works.

5. As a result of these discussions it was decided at the 20th November 2006 SMC that the remit for topic 135 on Highways Maintenance be dealt with in two parts in order to address the urgency of the PFI issue. A draft remit was proposed, amended and agreed at this meeting regarding part A of the topic and this report has been structured to;
 - a. Reflect the remit for Part A only as agreed at the November SMC
 - b. Provide Members of the Sub-Committee with information in line with the objectives of the part A remit
 - c. Support Members of the Sub-Committee to feedback their analysis and recommendations on Part A of the topic to SMC with a deadline of late January/early February 2007.

6. The agreed aims of Part A, which Members may wish to bear in mind when reading this report, are;
 - a. To contribute to the development and establishment of a strategic and effective highways maintenance procurement strategy in York
 - b. To understand the cost implications associated with the PFI bid and its outcome if successful.

7. In order to achieve these aims the following objectives were agreed;
 - i. Examine the potential efficiencies from a PFI arrangement.
 - ii. Make recommendations with regard to available alternative options in the event that a PFI outcome is unsuccessful.
 - iii. Looking at the cost effectiveness of those options, including improved ways of working.
 - iv. profiling expenditure over the lifespan of the PFI and any associated secondary costs.
 - v. understand the cost implications associated with the PFI bid and its outcome if successful.
 - a) If enough monies could be borrowed, it would offer a total solution to the repairs and maintenance backlog (i.e. capital investment);
 - b) It is an effective way of raising finance with the Council being able to borrow at more favourable rates;
 - c) It allows for the flexibility of appointing a separate maintenance contractor;
 - d) The Council would retain ownership of the Highways Maintenance service being provided and as such will have the ability to respond to change as and when appropriate (not constrained by a long term contract);

Consultation

8. At their November meeting SMC agreed that the sub-committee should be given time to consult with officers and any other relevant parties as necessary or appropriate to gain the most current information.
9. Due to the limitations in respect of time – see timetable for review below – it is proposed that Members of the sub-committee work within small agreed groups or as individuals to gather any further information outstanding in respect of completing part A of the review within the next week.

Timetable For Review

10. A PFI bid has already been submitted to Dti and the outcome is awaited in January 2007. The decision to make a bid cannot therefore be influenced. At their November meeting SMC agreed that Part A of the review be completed by end of January 2007 to enable the findings and subsequent recommendations to assist the procurement of highways maintenance to 2010, when the outcome of the PFI bid (currently with Dti) is known.
11. The table below details a timeframe of actions / breakdown of the work to be covered within the period allowed.

Date	Activity	Responsibility
Past	Background evidence gathering	Chair supported by Scrutiny Officer
3 rd Jan 07	First meeting of the Sub-Committee. <ul style="list-style-type: none"> • Discuss review remit and scope and evidence available in respect of objectives to date • Consider and list further enquiries necessary in order to complete Part A against the objectives agreed by SMC and who will achieve these by the 9th January 	All
10 th , 11 th , 12 th Jan 07	Arrange an informal meeting with agreed membership in order to feedback on this and draft a report to the Sub-Committee/SMC	All/Scrutiny Officer
Week 22 nd -26 th Jan	Set a date for the Sub-Committee's final report meeting	All/Scrutiny Officer/Democracy Officer
29 th Jan	Report to SMC	

Options

12. Members should note that this section would ordinarily set out options available to Members other than agreeing the above timetable. However, in respect of the tightly framed remit for Part A of this review as agreed by SMC and the timing of feedback on the PFI expression of interest alternative options no alternative options are available.

Implications

13. There are no Financial, Human Resources, Equalities, Legal, Crime and Disorder, Information Technology or Property implications associated with this report.

Risk Management

- 14 There are no risks associated with this report as it is for information to a new sub-committee.

Recommendations

15. Members of the Highways PFI Ad-Hoc Scrutiny Committee are recommended to agree the timetable proposed for the review and actions therein.
- 16 Reason: To ensure compliance with scrutiny procedures, protocols and workplans.

Contact Details

Author:
Ruth Sherratt
Scrutiny Officer
Scrutiny Services
Tel No.552066

Chief Officer Responsible for the report:
Dawn Steel
Democratic Services Manager

Scoping Report
Approved

Date 22/12/06

Specialist Implications Officer(s) <i>List information for all</i>	<i>Implication ie Financial</i>	<i>Implication ie Legal</i>
<i>Name</i>	<i>Name</i>	<i>Name</i>
<i>Title</i>	<i>Title</i>	<i>Title</i>
<i>Tel No.</i>	<i>Tel No.</i>	<i>Tel No.</i>

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Topic Registration Form No. 135
Draft Remit for Highways Maintenance Procurement Review SMC Nov 2006

Annexes

Annex A - History Of Highways Maintenance Procurement In Brief
Annex B - Procurement Options & Programme

Annex A

HISTORY of HIGHWAYS MAINTENANCE PROCUREMENT in BRIEF

The procurement of highway maintenance has been a subject included on the agendas of numerous Executive meetings in recent years. The main reason for reviewing the procurement arrangements came from the Best Value review in 2001. This review identified the benefits of developing a highway improvement plan as well as researching the market to improve understanding of various approaches to procurement based upon output based contracts and partnership working.

A brief history of the procurement of highway maintenance, in so far as it has been reported to Members at strategic points in the process, is as follows:

- June 2001 report to the Executive - Best Value Review
- March 2003 to the Executive - A Strategy for Assessing Service Procurement
- July 2003 report to the Executive - Procurement of Services via a “Thin Client”
- March 2004 report to the Executive - Procurement of Highway Maintenance Services.
Outcome:
 - Approval of temporary extension of contract arrangements for the supply of highway maintenance services
 - Approval that the procurement of highway maintenance services should proceed on the basis of a single tender but in two parts.
- November 2004 report to the Executive - Procurement of Highways Maintenance Services.
Outcome:
 - If Commercial Services are assessed and accepted as the best value organization to carry out the work then business model 1 will be implemented.
 - If Commercial Services are not assessed and accepted as the best value organization to carry out work then business model 2 is the preferred option for further consideration, notwithstanding the merits of other options being explored with the preferred contractor, for further reporting to the Executive
- November 2004 report to the Executive - Procurement of Highway Maintenance Services.
Outcome:
 - The Executive endorsed the report and the progress made to date as the way in which it wishes to proceed with the Procurement of Highway Maintenance Service.
- March 2005 report to the Executive - Tendering strategy
Outcome:
 - Approval was given to the procurement of various traffic management maintenance contracts for CCTV, traffic signals, VMS signs etc on a separate basis.
- July 2005 report to the Executive - Procurement of Highways Maintenance Services - Evaluation Strategy.

Outcome:

- The selection of the preferred contractor based on the “most economically advantageous tender” (MEAT) proposal for the City of York Council, on a 60% quality, cultural criteria / 40% price and technical capability basis was approved.
- The use of the ‘restricted’ tender procedure in selecting the preferred contractor was noted.

- October 2005 report to the Executive - Procurement of Highway Maintenance Services – Post Evaluation Clarification.

Outcome:

- The Executive approved delegation of authority to hold post-evaluation clarification discussions.

- November 2005 report to the Executive - Procurement of Highways Maintenance Services – Preferred and Reserve Bidder

Outcome:

- Subject to the outcome of the market testing exercise on Commercial Services, the Executive agreed to nominate Alfred McAlpine Government Services as preferred bidder for Part A + B and Part A, with Amey Infrastructure Services as reserve bidder for Part A + B and Part A.

- May 2006 report to the Executive - Joint Report of the Director on City Strategy and the Director of Resources: Highway Services Contract Report

Outcome:

- Approval to the short term arrangements to extend contracts. Approval to the maintenance of the current arrangements with Commercial Services (reactive and routine maintenance including small footway improvement schemes) for 12 months to maintain safety on the highway network.
- Approval to the medium term arrangements to tender the carriageway and large footway schemes, integrated transport schemes and ward committee schemes for a period of 18 months starting from September 2006 extendable annually. The design and management function to remain in-house.
- The decision made by the corporate management team to suspend the current procurement process was approved, to allow investigation of the new emerging options to address the backlog of highway maintenance.
- The in-house procurement team will investigate long term options of a PFI contract and, an extended scope contract, and report back to Members with the outcome.
- The proposed management arrangements of a Project Board and a Steering Group were agreed.
- The pursuit of a further option, to develop existing arrangements, would go ahead in the event that the other two options are unsuccessful.

- July 2006 report to the Executive - Highways Services.

Outcome:

- The details for the reporting and management structures were approved.
- The appointments to the Steering Group were approved.
- Delegated authority was given to the Project Board and the Steering Group to submit an EOI, should this be considered appropriate, as there is insufficient time to bring a report to the Executive.

- September 2006 report to the Urgency Committee - Highways Services – PFI Option.

Outcome:

- Members noted that the outcome of the extensive investigation into a PFI option to provide highway maintenance services in the future.
- Approval was given to the submission of a PFI Expression of Interest for a Pathfinder Project to the DfT for highway maintenance management and works, with traffic management Infrastructure works.

Specific Issues in the Scrutiny Topic Registration Form

Regarding the specific issues raised in the Scrutiny Topic Registration Form the following comments may assist Members.

Potential savings were initially assessed, prior to any tender process, as being in the 5% to 10% region, depending on the type of contract. It is not possible to say if the previous procurement exercise would have delivered that level of saving, as it was not completed. One of the reasons for not completing the exercise was the attractiveness of the Pathfinder PFI contracts for highway maintenance, that came along in February 2006. If the Council is successful then the financial benefits will outweigh anything possible through other means as this is the only way of removing the backlog of works..

If the PFI opportunity is not successful then work currently being carried out will be reported to Members to enable a decision to be made about the most effective strategy for completing the procurement.

Members have already received a considerable number of detailed reports and have had the opportunity to examine these and to ask questions of relevant Chief Officers.

The District Auditor has been briefed on the procurement process earlier this year and is being kept informed.

Best practice has been and continues to be investigated. There is no established procurement package that works well in all cases but advice has been obtained, in 2006 for example, from the following:

- 4ps – advisors to DfT and Local Authorities on PFI and partnership projects.
- Deloitte – financial advisors to 4ps and Government, experienced in Lighting PFI projects and recently Highways Management projects at Portsmouth and Birmingham.
- Halcrow – technical advisor to DfT with hands on experience at Portsmouth and Birmingham.
- Portsmouth – learning from others seminars and discussions.
- Birmingham – learning from others seminars and discussions.
- Service providers – via a soft market testing exercise.
- Yorkshire and the Humber Regional Highway Procurement Collaboration Forum.

Prior to the previous procurement the local authorities across the country that were involved in similar procurements were contacted and in some cases visited to learn from their experience.

This page is intentionally left blank

Annex B

PROCUREMENT OPTIONS & PROGRAMME

CONTRACTS	YEAR							
	Oct'06	Jan'07	Apr'07	Apr'08	Apr'09	Apr'10	Sep'10	Sep'13
PFI								
Street Lighting AMEY IS	Extension approved		Street Lighting TMC to 2010 + Ext				PFI or New TMC	
Neighbourhood Services Highway Maintenance	Extension approved		Further extension or		Highway maintenance TMC to 2010		PFI or New TMC	
R&R Programme (Tarmac)								
	New contract from Oct 2006 for up to 48 months (including extensions)						PFI or New TMC	
City Strategy Client Management								
	Consultancy / Design (12)							

This page is intentionally left blank