

Notice of meeting of

Urgency Committee

To: Councillors Steve Galloway (Chair), Merrett, Potter, Reid and Waller

Date: Tuesday, 5 September 2006

Time: 4.15 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. **Minutes** (Pages 1 - 12)

To approve and sign the minutes of the meeting of the Urgency Committee held on 18 August 2006.

3. **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 Committee's remit can do so. The deadline for registering is Monday 4 September 2006, at 10.00 am.

Note: In respect of item 4 below, the decision to be taken is an Executive function. The Urgency Committee will therefore act in an advisory capacity to the Executive Leader, who is authorised to take the decision having regard to that advice.

4. Highway Services - PFI Option (Pages 13 - 26)

This report advises on progress with the preparation of a pathfinder of the highway maintenance Private Finance Initiative (PFI) Expression of Interest (EOI). It provides information on the key benefits and drawbacks associated with this project and recommends that subject to a manageable affordability gap being achieved, officers are delegated authority to submit the EOI to Department for Transport by 10 September 2006.

5. Any Other Matters which the Chair decides are urgent under the Local Government Act 1972.

Democracy Officer:

Name: Simon Copley

Contact details:

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- E-mail – simon.copley@york.gov.uk

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

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

Contact details are set out above.

City of York Council

Minutes

MEETING	URGENCY COMMITTEE
DATE	18 AUGUST 2006
PRESENT	COUNCILLORS STEVE GALLOWAY (CHAIR), MERRETT, POTTER, REID AND WALLER

5. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests which they might have in the business on the agenda.

Councillor Potter declared a personal non-prejudicial interest in agenda item 5 (City of York Council Organisational Review – Stage Two: Chief Executive’s Department) in relation to the discussion about redundancy and early retirement costs for schools being met from a corporate budget, as chair of a school governing body.

6. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of the following:

Annex 3 to Agenda Item 5 (City of York Council Organisational Review - Stage Two: Chief Executive's Department) (minute 9 refers) on the grounds that it contained information relating to individuals. This information was classed as exempt under paragraph 1 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

7. MINUTES

RESOLVED: That the minutes of the last meeting of the Urgency Committee, held on 17 July 2006, be approved and signed by the Chair as a correct record.

8. PUBLIC PARTICIPATION AND OTHER SPEAKERS

The Chair reported that there had been no registrations to speak at the meeting under the Council’s Public Participation Scheme.

The Chair agreed to hear representations from Ben Drake on behalf of Unison, regarding Agenda Item 5 (City of York Council Organisational Review – Stage Two: Chief Executive’s Department) (minute 9 refers). He highlighted that the report differed significantly from the proposals that were consulted on, particularly with regards to the overall chief officer

structure and in that it included an option for combining the Chief Executive's Department and Resources in a single directorate. He requested that the Committee defer consideration of the report to allow time for full consultation with Unison members and reported that initial discussions suggested that Unison members had some concerns about the proposals. He concluded by stating that if the proposals were approved by the Committee, then Unison would register a formal dispute with the Council.

9. CITY OF YORK COUNCIL ORGANISATIONAL REVIEW - STAGE TWO: CHIEF EXECUTIVE'S DEPARTMENT

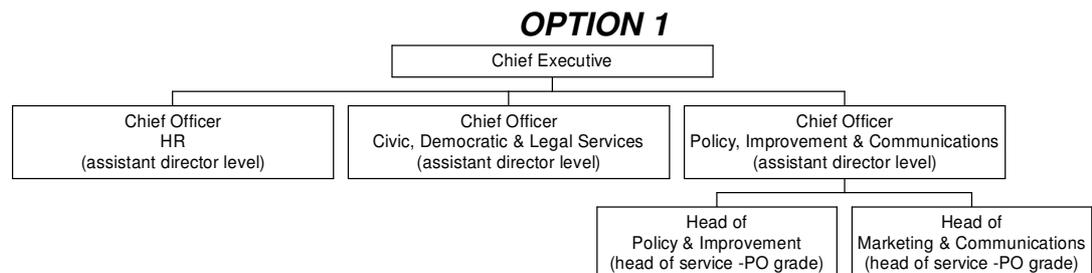
Members received a report which completed the organisational review of the Council, stage one of which was approved by the Executive in July 2005. It brought forward proposals for the restructuring of the Chief Executive's department and sought a decision on other matters left over from the 2005 review. It also made recommendations producing substantial savings, in excess of £200,000, in staff costs.

The report was being considered at an Urgency Committee because decisions on the restructuring of the Chief Executive's Department needed to be implemented without further delay, particularly given the imminent departure of two chief officers.

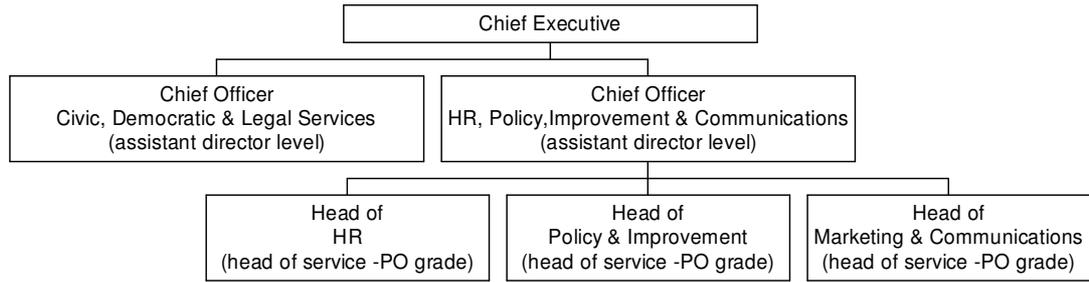
The information in the report was set out in the following nine sections:

- Section 1 – Background and introduction;
- Section 2 – Current structure and functions of the Chief Executive's Department;
- Section 3 – Combining the Chief Executive's Department and Resources;
- Section 4 – Proposals for overall chief officer structure;
- Section 5 – Transfer of functions and resources to other directorates;
- Section 6 – Portfolios and detailed staffing structure;
- Section 7 – Financial and other implications;
- Section 8 – Other issues left over from stage one of the Council organisational review;
- Section 9 – Summary of recommendations.

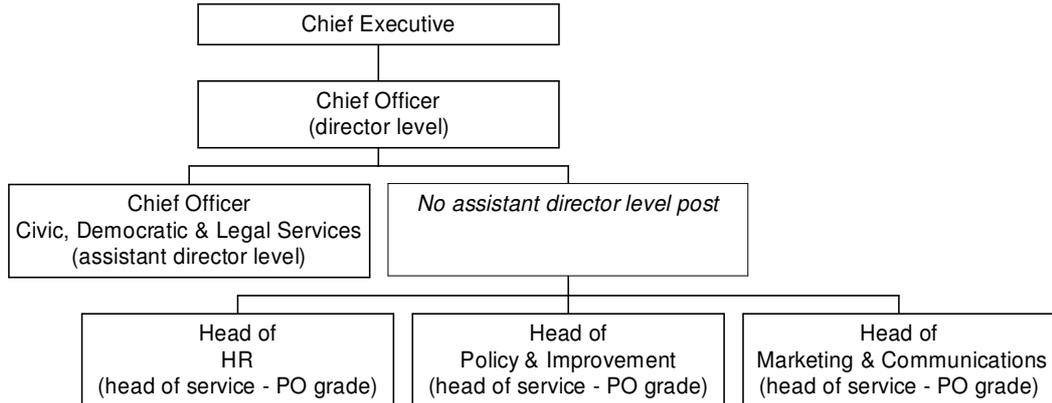
The report set out the following options for the overall chief structure:



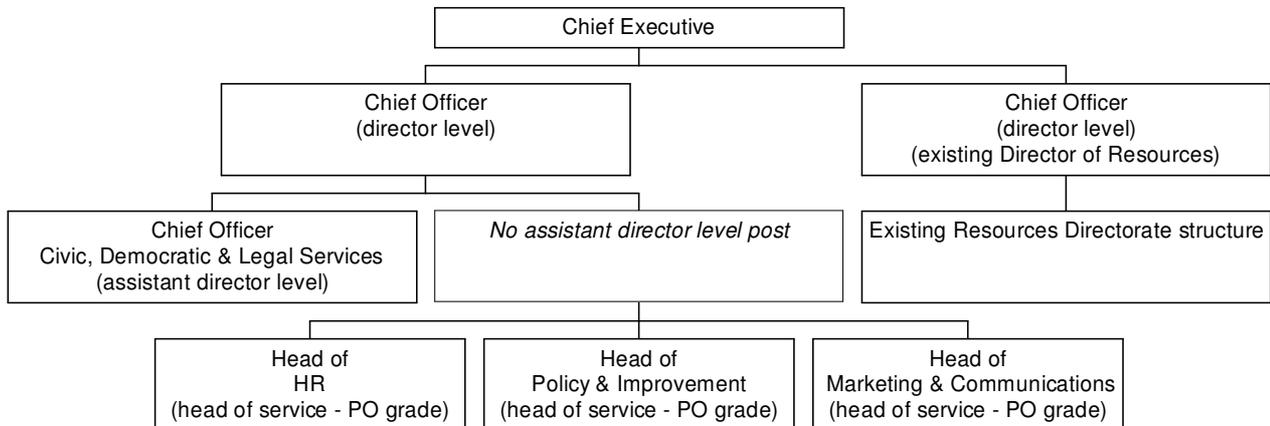
OPTION 2a



OPTION 2b



OPTION 2c



The structure set out in Option 2c was for a combined directorate comprising the Chief Executive’s Department and Resources. This was the option recommended in the report.

In response to the representations made on behalf of Unison (minute 8 refers), the Chief Executive explained that the proposals brought forward in the report were not considered to be so fundamentally different from the original proposals as to constitute a brand new set of proposals, requiring a brand new consultation exercise. Members confirmed that where in principle decisions were being taken, consultation could continue and the decision be brought back for review by the Chief Executive.

With regards to paragraph 7.5 of the report, Members noted that redundancy and early retirement costs for schools were met from a corporate budget and requested that the Director of Resources provide

them with a briefing note detailing the current situation and how this might change now that the Dedicated Schools Grant had been introduced.

It was proposed that the recommendations in the report be agreed, with amendments to recommendations 9.12, 9.17 and 9.26 to defer the appointments to the new posts of Partnership Officer, Safe City Co-ordinator and Scrutiny Officer pending further consideration of the Council's in-year financial position as part of the first financial monitor in September 2006.

Councillor Merrett outlined his concerns regarding the proposal to transfer responsibility for the Local Strategic Partnership and other partnership work to City Strategy as a key part of the Chief Executive's role was providing strategic direction for the Council and the transfer could create confusion amongst external partners as to where this responsibility lay. Councillor Galloway expressed the view that the transfer of responsibility would allow the Chief Executive greater opportunity to be involved with the overall strategic direction, whilst passing the detailed management to the Director of City Strategy, who could ensure consistency between the various plans and strategies the Council produced. Other concerns expressed by Councillor Merrett included the substantial nature of the cuts and their impact on senior management and other staffing resources, the transfer of the Customer function to Resources and the lack of available staff and funding to support it, and the proposals regarding management of the Scrutiny team, in terms of the potential to diminish the independence of the Scrutiny function and the removal of the dedicated Scrutiny Manager post.

Councillor Merrett moved and Councillor Potter seconded the following amendment:

- “1. To delete recommendation 9.1 in the report, relating to the creation of a new directorate combining the Chief Executive's Department and Resources, and to delete recommendation 9.2, in as much as it refers to the same issue;*
- 2. To amend recommendation 9.3 to approve the overall chief officer structure set out in Option 2b;*
- 3. To amend recommendations 9.10-9.15 to retain the Local Strategic Partnership and other partnership work in the Chief Executive's Department but accept the internal structural changes relating to the posts;*
- 4. To amend recommendation 9.16 to implement the recommended post of Safe City Co-ordinator;*
- 5. To delete recommendation 9.19, relating to the transfer from the Chief Executive's Department to Resources of the Customer function and lead responsibility for implementation of the Council's customer focus priority, and ask the Chief Executive to provide a further report back on the resourcing of this work;*
- 6. To amend recommendations 9.25 and 9.26 to retain the post of Scrutiny Manager;*
- 7. To amend recommendation 9.31 to defer the decision on the devolution of operational HR services until the review by the new chief officer responsible for HR has taken place and been reported back to Members.”*

On being put to the vote, this amendment was lost. Councillors Merrett and Potter requested that their votes in support of the amendment be recorded.

- RESOLVED:
- (i) a) That the creation of a new directorate combining the Chief Executive's Department and Resources be approved in principle, subject to the Chief Executive holding further consultation discussions with Unison [resolutions (i) b) and (ii) a) should be interpreted accordingly];
 - b) That the Chief Executive be authorised, in consultation with Leader, to establish the new directorate, taking account of the Committee's decisions on the restructuring of the Chief Executive's Department and in a way that permits an evolutionary approach to integration as opportunities present themselves;
 - (ii) a) That an overall chief officer structure for a combined Chief Executive's Department and Resources Directorate as set out in option 2c be approved;
 - b) That the existing posts of Deputy Chief Executive and part time Personal Assistant (and associated budgets), Head of Performance Improvement and Head of Human Resources be deleted;
 - c) That a new post be created at director level with overall responsibility for Civic, Democratic and Legal Services, Human Resources, Policy & Improvement and Marketing & Communications;
 - d) That the Chief Executive be authorised to proceed immediately with recruitment to the new director level post and, in consultation with the Appointments Committee, to engage the services of a recruitment consultant;
 - e) That the establishment of an Appointments Committee consisting of three members (two from the majority party and one from the main opposition party) be approved, and Councillors Steve Galloway and Reid be appointed as the Liberal Democrat Members and Councillor Merrett as the Labour Member (with Councillor Potter as substitute);
 - f) That expenditure of up to £20,000 on a recruitment consultant be approved, to be met from one off underspends on chief officer salaries in the Chief

Executive's Department or, to the extent that they are insufficient, from the Council's contingency;

- g) That the designation of the Director of Resources as Deputy Chief Executive, to assist the Chief Executive and act in his absence or unavailability, be approved;
- (iii) a) That the Executive's decision in July 2005 to transfer responsibility for the Local Strategic Partnership to City Strategy be confirmed;
- b) That the transfer to City Strategy of responsibility, currently within the remit of the Chief Executive's Department, for York's Local Area Agreement, corporate voluntary sector work and partnership development and oversight work, as described in section 5.2 of the report, be approved, subject to the Chief Executive being authorised to implement the transfer when City Strategy is best able to accommodate its new responsibilities;
- c) That the establishment of the following posts in City Strategy be approved in principle, subject to the approval of job descriptions and grades by the Director of City Strategy in consultation with the Leader, or by the Leader through the meeting of the Executive Members for City Strategy and Advisory Panel:
- A new post at PO17-20 to manage the Local Strategic Partnership and associated work set out in section 5.2 of the report and in paragraph 5.3.3;
 - A partnership officer post to carry out the partnership development and oversight work described in paragraph 5.2.2;
- d) That appointment to the post of partnership officer at PO1-4 be deferred pending further consideration of the Council's in-year financial position as part of the first financial monitor in September 2006;
- e) That the transfer from the Chief Executive's Department to City Strategy of funding for the posts mentioned above (of an amount sufficient to meet the cost of posts up to a grade of PO17-20 for the manager post and PO1-4 for the partnership post) be approved, subject to the creation of the posts and the appointment of post holders;
- f) That the transfer to City Strategy of two posts of Senior Partnership Support Officer (PO3-6) in the Chief Executive's Department with their post

holders and staffing budgets be approved, subject to the Chief Executive being authorised to implement the transfer when City Strategy is ready to accommodate the posts;

- g) That the deletion of the vacant post of Partnership & Improvement Officer (PO1-4) in the Chief Executive's Department be approved;
- h) That the transfer from the Chief Executive's Department to Neighbourhood Services of operational responsibility, and to City Strategy of strategic planning responsibility, for Safe City, as described in section 5.3 of the report, be approved;
- i) That the establishment of a new post of Safe City Co-ordinator at PO1-4 in Neighbourhood Services be approved in principle, subject to subsequent formal Member approval of the post's role, grade and location on consideration of a report to be brought forward by the Director of Neighbourhood Services on proposals for restructuring Neighbourhood Services;
- j) That appointment to the post of Safe City Co-ordinator be deferred pending further consideration of the Council's in-year financial position as part of the first financial monitor in September 2006;
- k) That the transfer from the Chief Executive's Department to Neighbourhood Services of funding for the Safe City Co-ordinator post (of an amount sufficient to meet the cost of a post up to a grade of PO1-4) be approved, subject to the creation of the post and the appointment of a post holder;
- l) That the transfer from the Chief Executive's Department to Resources of the Customer function currently vested in the Chief Executive's Department and lead responsibility for the implementation of the Council's customer focus priority be approved, subject to consideration by the relevant Executive Member and Advisory Panel of resources which could be made available for this work and the scope of the work which could be achieved within such resources;
- m) That the transfer from the Chief Executive's Department to Resources of the responsibility currently vested in the Chief Executive's Department for managing the Council's relationship with the Audit Commission on inspections and best value work be approved;

- n) That the transfer from the Chief Executive's Department to Resources of the posts of Web Manager and Web Assistant with their post holders and staff budgets be approved, subject to the Chief Executive being authorised to implement the transfer when the Director of Resources is ready to accommodate these posts and appropriate arrangements have been put in place to ensure accountability to the Head of Marketing & Communications for compliance with the Council's communications policy;
 - o) That the transfer from the Chief Executive's Department to City Strategy of responsibility for the Chief Executive's Department's business support functions, together with the existing post of Business and Performance Manager, its post holder and staff budget be approved, subject to the transfer not being implemented until City Strategy has created a structure for its business support functions (to include business support for Resources) which accommodates the transferred post;
- (iv)
- a) That the deletion of the vacant post of half time Administrative Assistant in Civic, Democratic & Legal Services be approved;
 - b) That a permanent reduction in a post of Democracy Officer from full time to 0.6 be approved, subject to the Democracy and Member Support Manager being authorised to implement this decision;
 - c) That the deletion of the post of Scrutiny Manager and absorption of its responsibilities within the post of Democracy and Member Support Manager be approved;
 - d) That the creation of a new post of Scrutiny Officer at SO1/2 be approved but appointment to it be deferred pending further consideration of the Council's in-year financial position as part of the first financial monitor in September 2006;
 - e) That the allocation of funding of £18,000 to the approved establishment post of Clerical Assistant in Electoral Services be approved;
 - f) That the deletion of the following posts in Performance Improvement be approved:
 - Service Improvement Manager (PO17-20);

- An unfunded and vacant manager post (PO17-20);
 - A vacant post of 0.5 fte Administrator (Scale 2);
 - A post of Service Improvement Officer (PO14-17);
 - Two vacant posts of Improvement Officers (PO6-9);
- g) That the permanent regrading of an Improvement Assistant (Scale 5) in the Equalities team to SO1 be approved;
- h) That the establishment of a combined Policy & Improvement team out of the current Policy Development and Performance Improvement teams be approved, consisting of:
- Two Service Improvement Officers (PO14-17);
 - Two Improvement Officers (PO12-15);
 - One Improvement Assistant (Scale 5);
 - One Local Public Services Agreement Support Officer (3 year fixed term post) (PO1-4);
 - The current Policy Development team;
 - The current Equalities team (as amended above);
- i) That the devolution of operational HR services be approved in principle, subject to review by the new chief officer responsible for HR and the approval of the Leader at a meeting of the Executive Members for City Strategy and Advisory Panel of clear proposals for the operation of a devolved service which safeguard compliance with the Council's HR policies and procedures;
- (v) a) That no further changes be approved to the organisational structure of the Council at this stage.

REASON:

- (i) To achieve efficiency savings over time and to make the best use of complementary functions;
- (ii) To create and recruit to a structure which combines the best mix of savings and management capacity most suited to lead a restructured Chief Executive's Department;
- (iii) The transfer of functions and resources are recommended to implement the decisions of the Executive at stage one of the Council organisational review, and to achieve consistency with current service arrangements;

- (iv) The recommendations seek to strike the best balance between the need to identify significant savings and the need to protect important work of the Council and direct resources to the Council's recently approved corporate priorities;
- (v) The Council's current service arrangements are broadly consistent with the principles of the organisational review and the risks of disruption caused by further significant change could outweigh the intended benefits.

[Note: Councillors Merrett and Potter requested that their votes against this motion be recorded.]

10. STATEMENT OF ACCOUNTS 2005/06

Members received a report which set out the changes that had been made to the Statement of Accounts approved at Council on 2 June 2006 and the reasons for these changes, and sought approval for the revised Statement of Accounts.

The report was being considered at an Urgency Committee because there was a statutory requirement for Members to approve the accounts prior to the District Auditor giving his opinion on them and there was not a Council meeting scheduled prior to the statutory deadline for the completion of this audit on 30 September 2006.

The report explained that in July 2005 the Office of the Deputy Prime Minister (ODPM) had issued a notification that the proportion of total value of the housing stock that must be included within fixed assets in the Accounts as the 'social housing' value should be reduced from 55% to 47% of the gross value, with effect from April 2005. Since the Accounts were approved it had been confirmed that this adjustment should have been made retrospectively to the full Housing Revenue Account (HRA) re-valuation exercise that had taken place between January and April 2005 using the then approved rate of 55%. The implications of making this adjustment were to reduce the value of the assets in the balance sheet by £61m, with consequential amendments to the Fixed Asset Restatement Account and the Capital Financing Account in the Total Equity on the Balance Sheet, as well as alterations to the Consolidated Revenue Account, the Housing Revenue Account, the Statement of Movement on Reserves and the Foreword. Paragraph 8 of the report detailed a failsafe procedure which had been put in place to prevent a repeat of this incident occurring.

Paragraphs 9-11 of the report outlined a number of other more minor changes to the Accounts and a full list of amendments was attached as Annex 1. Full copies of the draft revised Accounts had been circulated to Members.

RESOLVED: (i) That the amendments set out in Annex 1 of the report be agreed and the revised Statement of Accounts for the financial year 2005/06 be approved;

(ii) That the Chair of the Committee be authorised to sign and date page five of the Accounts as a formal record that Members have approved them.

REASON: (i) The revised Accounts have to be formally approved by members before the District Auditor can give his opinion on them;

(ii) The Accounts must be signed and dated at their formal approval by the Chair of the meeting.

11. APPOINTMENTS COMMITTEE FOR THE HEAD OF CORPORATE SERVICES

Members received a report which sought approval for the membership of an Appointments Committee for the post of Head of Corporate Services in the Directorate of Housing and Adult Social Services.

The report was being considered at an Urgency Committee because of the need to proceed with the appointment to enable the new directorate to operate effectively and to avoid any further delay by having to wait until October Council to get the Appointments Committee in place.

RESOLVED: That an Appointments Committee be created for the post of Head of Corporate Services in the Directorate of Housing and Adult Social Services, with the following membership:

Liberal Democrat – Councillor Steve Galloway
Councillor Sue Galloway

Substitute: Councillor Sunderland

Labour – Councillor Fraser

Substitute: Councillor Horton

REASON: To proceed with the appointment to enable the new directorate to operate effectively and to avoid any further delay by having to wait until October Council to get the Appointments Committee in place.

COUNCILLOR S F GALLOWAY

Chair

The meeting started at 12.15 pm and finished at 1.10 pm.

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Urgency Committee**5 September 2006****Report of the Director of City Strategy****Highway Services – PFI Option****Summary**

1. This report is an item for consideration by the Urgency Committee. The reason for bringing this report at this time is due to the limited timescales available for the investigation of a PFI option and the preparation of an expression of interest for submission to the DfT by 10 September 2006.
2. This report advises on progress with the preparation pathfinder of the highway maintenance private finance initiative (PFI) Expression of Interest (EOI). It provides information on the key benefits and drawbacks associated with this project and recommends that subject to a manageable affordability gap being achieved, officers are delegated authority to submit the EOI to DfT by 10 September 2006.

Background

3. The previous procurement process reached the stage of Members appointing a preferred provider. The procurement was delayed in February 2006 to enable other options to be considered.
4. City Strategy is investigating a number of strategic options for the delivery of highways services and also the delivery of projects identified in the Local Transport Plan and other construction related initiatives. The options provided for consideration by the Executive on 2 May 2006 were:
 - A: Complete the current procurement for both parts of the service.
 - B: Abandon the current procurement and submit an EOI to the Department for Transport (DfT) for pathfinder status in Highways Management PFI.
 - C: Abandon the current procurement and retender an extended scoped package.
 - D: Abandon the current procurement and retender on the basis of a package of services under a term contract with an in-house client in the event that options B and C are unsuccessful.

Members agreed that the options B and C could be considered in the first instance to determine their suitability as an alternative to the previous procurement.

5. At the meeting of the Executive on 11 July 2006 it was agreed that a management and reporting structure should be put together including a Project Board and Member Steering Group to manage the procurement process. It also made provision for a report to be brought to this committee immediately prior to submitting PFI Expression of Interest so that Members could be advised of the progress in developing the project and seek their approval for submission.
6. The highway maintenance PFI project being offered by DfT has a total of £600 million in PFI credits and they are seeking schemes that provide “path finder” status. Our investigation has revealed that 10 to 12 authorities may be interested in the submission of an EOI. However our advisers think that a submission by the Council will have a better than average expectation of success and this is potentially excellent opportunity to achieve a level of investment that will make a significant improvement on the standard of the highway infrastructure.
7. By mid June financial and technical advisers had been procured and appointed, Deloitte and Halcrow respectively. Both of these organisations have considerable experience with PFI schemes and one of the few organisations that also have experience with the very limited amount of work already done with highway maintenance PFI projects.
8. Between the appointment of our advisers and the present time the following has been achieved, even though the timescales have been limited.
 - Discussions with 4P's (an advisory body to local government) have taken place to seek their advice on the approach to the project.
 - Discussions with DfT about content and format of the project and the EOI.
 - Soft market testing with 3 potential contractors/providers so that they assess the level of interest in a project and take their comments into account when developing the EOI.
 - Workshops with staff and advisers to determine.
 - Scope and content of the bid
 - Options and qualitative analysis
 - Explored the project and compare objections
 - Consider the financial implications of the project
 - Advised staff of progress through briefing notes and team briefs.

- Preliminary meetings with unions to advise on progress and seek their initial comments.
- Formatting and analysis a considerable amount of information in relation to the size and condition of the asset, to enable preparation of the cost elements of the financial model.
- Analysis of the highway maintenance backlog in a fundamentally different way based on a whole life approach as opposed to a budget led approach.
- The preparation of a draft EOI.

Expression of Interest

9. The draft EOI is in the final stages of preparation and will be available to send to DfT if a decision is made to submit. The content of the EOI is extensive, even though it is only a 10-page document, with supporting information allowed. The main content of the EOI is described in the following paragraphs.
10. The EOI sets the context of highway maintenance and traffic management assets in a regional and local significance. The importance of having well maintained assets that support social, environmental and economic factors is vital. Clearly the assets are part of and underpin the public transport systems of the City that provide accessibility for business, residents and visitors who use them. The EOI draws together the connections between the standard of the asset and the support which they give.
11. A description of the project is provided demonstrating how it flows from the overall objectives of the Council and how the project's design and implementation will deliver the benefits necessary to contribute towards achievement of these objectives. The description of the project will provide information about the scope of the services and the options considered.
12. The EOI will show how an options appraisal, in both qualitative and quantitative terms, allowed the preferred option to be identified. The way in which this preferred option fulfils the needs of the project will be clearly identified as well as being able to demonstrate value for money in accordance with Treasury Guidance.
13. A section in the EOI will give an early indication of the major risks that might affect the proposals and any mitigating actions or contingency to reduce these risks. The strategy for consulting stakeholders, including employees and trade unions, will be provided, including actions taken so far. Political and financial commitment to the project will be clearly demonstrated.

14. Project management capabilities and PFI experience within the Council will be demonstrated through the successful 'Schools PFI' and the work carried out to date on the waste management PFI project. The commitment to provide adequate procurement funds to enable the project management team to obtain all the external professional assistance necessary will also be highlighted.
15. Due to the whole life costing approach, R & R schemes, for example, carried out under the PFI project would be designed to ensure maximum life expectancy, so that little or no further work is needed over the life of the PFI. The same approach would apply to structures and streetlights and this is significantly different to the current budget led approach.

Scope of the Project

16. There are six options being considered for the expression of interest. These are:-
 - Option 1 – Do minimum
 - Option 2 – Highway Maintenance, Management and Works
 - Option 3 – Highway Maintenance, Management and Works and Traffic Management Infrastructure Works.
 - Option 4 – Highway Maintenance, Management and Works and Street Cleansing Operations.
 - Option 5 – Highway Maintenance, Management and Works and Traffic Management Infrastructure Works and Street Cleansing Operations.
 - Option 6 – Highway Maintenance, Management and Works with limited life cycle works.

Following the qualitative evaluation of these six options, 2, 3 and 5 were selected as the ones for financial assessment and of those option 5 was selected as the preferred option.

- 17 In addition this option provides the best solution in terms of addressing the key objectives regionally, locally and for public transport. It also meets the specific objectives in relation to highway maintenance and to traffic management. The fit with street cleansing operations is problematic in so far as to extract it from the "street scene" services would leave it vulnerable to economics of scale. The budgets for highway maintenance and traffic management for 2006/07 are made up as follows:

CYC revenue	£5366k
CYC capital	£2325k
LTP capital	£1386k
Total	£9077k

This option gives the best value for money solution based upon the qualitative and quantitative scoring.

Quantitative and Qualitative Scoring

18. The proposed preferred option includes all those areas of service included in Annex 1. The table below contains a comparison between the extent of the service provided at present against those services anticipated under the PFI arrangement.

	Typical annual existing R&R treatment lengths (2006/07)	Typical annual PFI treatment lengths during the core investment period to rehabilitate the network.
A class carriageways	2.3 km	8.0 km
B + C class carriageways	1.7 km	10.2 km
Unclassified carriageways	3.9 km	21.2 km
Footway	13.6 km	40.0 km

In terms of street lighting, the annual programme allows 80 streetlights to be replaced. Under the PFI proposal, 90% of streetlights would be replaced over the life of the PFI at an average of 600 per year, but with the majority of this being in the core investment period.

19. In terms of financial investment the PFI arrangement is projected to deliver: -

	£ million
• Investment, mainly in surfaces, structures and streetlights over the 5 year CIP	121
• Life cycle costs in years 6 to 25	174
• Operation and maintenance costs in years 1 to 25	116
• Service and management costs in years 1 to 25	108
Total	519

20. Any future PFI arrangement will be with a specialist contractor/provider who will enter into a long term contract of 25 years. In the first 5 years there will be a significantly large investment into the asset and then a further 20 years in which the asset will be maintained to an agreed standard for handover back to the Council at the end of the period.
21. The contract will be a negotiated arrangement based upon the Council's requirements, objectives and output based specification. The quality of the work will be agreed with the contractor before the contract

is signed as well as the method of payment. Contracts and payment methods are being standardised by the DfT, however this is a pathfinder project and they will be seeking innovative approach to the way that the contract is prepared.

22. A key theme for the Council's requirements is that sustainability should impact on all areas of the service and bidders for the contract will be required to demonstrate how they intend to achieve this. In particular there will be a requirement for a sustainable approach both to the provision of energy and the equipment used in street lighting.
23. Quality and management of the service during the contract period will be monitored by a client side which will act in partnership with the provider. However the client size will be sufficient to ensure that standards are being achieved and quality maintained.
24. No other form of funding, other than PFI, can deliver this level of investment and improvement in the condition of the highway network. In the absence of a PFI scheme, there will be a gradual deterioration in the condition of the infrastructure until some other form of capital investment is obtained. The submission of an EOI is a unique opportunity for the City's benefit from a major capital investment which will maintain the highway to a much higher standard than could be achieved by any other means.

Key Financial Information

25. We are advised that the cost of procurement could be as high as £2.5 million over a 3½ year procurement period. This cost can be incorporated into the scheme but there is the risk if the PFI scheme does not reach financial closure then the Council will have to fund this cost. The £2.5m would be in a payment to the Council on contract signature.
26. There is a limited number of PFI credits available and a high level of competition from other local authorities is expected. The advice we are receiving is that the bid needs to be as financially attractive as possible. The two main ways of achieving this are through an additional financial commitment by the Council, over an above existing budgets, and by attempting to keep the PFI credit requirement below the £300 million level if possible.
27. A number of iterations of the financial model have already taken place to refine it, both in terms of cost input and affordability modelling. Further work is ongoing but our advisers believe that the criteria set out for making the bid attractive to DfT can be met. The up to date position on this will be provided at the meeting.
28. A simplified way of understanding how the Annual unitary charge is met is shown in the table below. The Annual Unitary charge is the

payment made to the contractor/provider each year by monthly instalments.

Annual Unitary Charge = Correct budgets of £9.077m
+ The revenue value of the PFI credits
+ Any affordability Gap which may develop

29. The current budgets for highway maintenance are under pressure and these are expected to reduce by say £1.5 million prior to the start of the PFI project in April 2010. This is due to a downturn in the availability of CYC capital (£1 million) and the termination of Prudential borrowing (£0.5 million). This anticipated reduction in the current budget would have to be found by other means to provide budgets at 2006/07 levels from April 2010, as well as any requirement to fund an affordability gap.

Risks

30. The key risks have been identified as follows:-

Financial

- funding any affordability gap which may develop as the project progresses.
- maintaining current budgets at 2006/07 levels (plus inflation)
- the assumptions used in the model may change in relation to the cost of finance or the net present value
- the cost of procurement may change as the project develops.
- the potential cost associated with changes over the life of the contract that may be due to changes in inflation or employers requirements.

Reputational

- DfT require extensive commitment to a scheme if an EOI is submitted.
- Trade unions – meetings have been held with unions at which they have expressed considerable concern and opposition to this PFI proposal.
- Staff would be subject to change and possible transfer to the new provider resulting in poor staff morale.
- Media may have concerns about the PFI arrangements and the implications.

Time

- If the EOI is not successful then 4 months will have elapsed between September 2006 and January 2007, when the decision is published, resulting in delays to any alternative procurement option.

Proposal

31. The investigation of the PFI alternative for procurement of highway maintenance has been carried out within very short timescales. Progress has been good and an EOI can be submitted by 10 September 2006 if Members agree to do so. The submission would not necessarily commit the Council to proceeding to the next stage if circumstances changed and the project became unviable.

Corporate Objectives

- 32 The highway service procurement will be a key delivery agent for many of the corporate aims over a 25 year period. The EOI document emphasises the links between this PFI project and the Council's corporate objectives.

Corporate Aim 1: (Environment) Take Pride in the City, by improving quality and sustainability, creating a clean and safe environment.

Specific Objectives:

- 1.1 Increase resident satisfaction and pride with their local neighbourhoods.
- 1.2 Protect and enhance the built and green environment that makes York unique.
- 1.3 Make getting around York easier, more reliable and less damaging to the environment.

Corporate Aim 3: (Economy) Strengthen and diversify York's economy and improve employment opportunities for residents.

Not directly relevant to any of the specific objectives, but good quality highway infrastructure is vital to the local economy.

Corporate Aim 4: (Safer City) Create a safe City through transparent partnership working with other agencies and the local community.

Specific objective:

- 4.7 Make York's roads safer for all types of user.

Corporate Aim 8: (Corporate Health) Transform City of York Council into an excellent customer-focused "can-do" authority.

Specific Objective:

- 8.9 Manage the Council's property, IT and other assets on behalf of York residents.

Human Resources (HR) Implications

- 33 The communication strategy, agreed by the Project Board, is being implemented with staff and unions being informed about the scale of this PFI project and its potential implications. The next milestone in this process is the submission, or otherwise, of the EOI and this will be communicated as soon as possible, in a coordinated manner to all staff potentially affected.
- 34 At a meeting with union representatives, where the possibility of a PFI project was raised, there was opposition to the principle of PFI and it is anticipated that this level of concern from unions and staff will be an ongoing issue. The numbers of staff potentially transferred by this proposal are about 60 and include external staff from Amey (Street Lighting). All those staff would be protected under the TUPE regulations.

Equalities Implications

35. There are no equalities implications.

Legal Implications

- 36 There are no direct legal implications arising from this report. Legal advisers will be required if the PFI procurement route is pursued and this is also the case, but to a lesser extent, if an alternative procurement route is chosen.

Crime and Disorder Implications

- 37 There are no crime and disorder implications.

Information Technology (IT) Implications

- 38 There are no information technology implications.

Property

- 39 There are no property implications.

Other

- 40 There are no other implications.

Risk Management

- 41 The agreement by Members to the setting up of reporting procedures to enable the procurement of a complex and inter-related grouping of services to go ahead in a structured manner will provide considerable assistance in managing risk.

- 42 In compliance with the Councils risk management strategy the main risks that have been identified in this report are those which could lead to the inability to meet business objectives (Strategic) and to deliver services (operational), leading to financial loss (Financial), non-compliance with legislation (Legal and Regulatory), damage to the Council's image and reputation and failure to meet stakeholders expectations (Governance).
- 43 Measured in terms of impact and likelihood, the risk score for all risks has been assessed at less than 16. This means that at this point the risks need only to be monitored.

Recommendations

- 44 Members note that the outcome of the extensive investigation into a PFI option to provide highway maintenance services in the future.
- Reason: To comply with the approval given in the Executive Report of the 2 May 2006.
- 45 To approve the submission of a PFI Expression of Interest for Pathfinder Project the DfT for highway maintenance management and works with Traffic Management Infrastructure works subject to acceptable financial proposals being provided at the meeting.
- Reason: To take advantage of the opportunity to obtain additional funding and a service provider for highway maintenance and traffic management service.

Background Papers

Highway Services – report to the Executive on 2 May 2006
Highway Services – report to the Executive on 11 July 2006.

Contact Details

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Chief Officer Responsible for the report:
Bill Woolley
Director of City Strategy

Report Approved **Date** 1 September 2006

Damon Copperthwaite
Acting Assistant Director City Strategy

Report Approved **Date** 1 September 2006

Specialist Implications Officer(s) List information for all

Implication - Financial
Name: Simon Wiles
Title: Director of Resources
Tel No. 01904 551100

Wards Affected: No wards specifically affected

All

For further information please contact the author of the report

Background Papers:

Highway Services – report to the Executive on 2 May 2006
Highway Services – report to the Executive on 11 July 2006

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CITY OF YORK COUNCIL HIGHWAYS MANAGEMENT PFI

Proposed Scope of Preferred Option (Package 1 + 2)

PACKAGE 1:

Highway Maintenance Works (including car parks) as follows: -

Carriageway Maintenance:

- Surface Dressing
- Heavy Duty Slurry Sealing
- Thin Macadam Road Resurfacing
- Asphalt Repairs
- Concrete Road Repairs
- Maintenance of Back Lanes
- Highway Minor Repairs – Planned & Reactive

Footway Maintenance:

- Footway Slurry Sealing
- Central Area Works
- Footway Contingencies
- Footway Minor Repairs – Planned & Reactive

Safety and Enforcement:

- Cycle Margins
- Anti-Skid Repairs
- Cushion Repairs
- Safety Fences
- Traffic Signs and Traffic Signals – including City Centre Tourist Signs
- Illuminated Signs & Bollards
- Road Markings and Studs
- Bridges (routine maintenance)
- Millennium Bridge

Amenity Maintenance:

- Verges
- Rural grass cutting & ragwort removal
- Weed control
- Gully Cleaning – routine and reactive

Winter Maintenance:

Winter Maintenance including forecasting

Street Lighting:

- Street Lighting – Works
- Street Lighting – Energy usage

General Maintenance:

- Prelims
- Emergencies
- Warping
- Drainage
- Bollards
- Cycle Paths

Street Maintenance:

- Street Furniture – including City Centre
- Street Nameplates
- Bus Shelters
- Clocks
- Fountains – Exhibition Square & Parliament Street

Highways Asset Management

- Highways Mgt System
- Condition Testing

Carriageway R&R

- Carriageway R&R
- Footway R&R
- Special Bridge Maintenance

Highway Maintenance – LTP:

- Carriageway R&R
- Street Lighting replacements
- Bridges – Structural Maintenance

Design Services

Management Services: (excluding statutory and strategic functions)

Integrated Transport projects:

Construction on a schedule of rates basis as and when required

Ward Committee Projects:

Construction on a schedule of rates basis as and when required

PACKAGE 2:

Traffic Management works as follows:

- Telematics Maintenance Contract
- UTC – maintenance of systems hardware
- TCMS – maintenance of systems hardware
- CCTV – maintenance of systems hardware
- BLISS – maintenance of systems hardware
- Traffic Signals – maintenance of systems hardware
- Pocket Map
- Pedestrian Crossings
- New road markings