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## Executive

10 April 2007

### Final Report for Part A of the Remit for the 'Highways PFI Ad-hoc Scrutiny Sub Committee'

#### Highways Maintenance Procurement Process & PFI

##### Summary

1. The purpose of this report is to present to the Executive the final report for part A of the remit of the Highways PFI Ad-hoc Scrutiny Sub Committee in regard to Highways Maintenance & the recent Private Finance Initiative (PFI) bid. At its meeting on 26 March 2007, Scrutiny Management Committee endorsed this report for referral to the Executive.
2. The main findings arising from the work carried out by the Scrutiny Sub Committee are as follows:
  - The identified efficiencies and other potential benefits to be gained from a PFI arrangement include:
    - i. Clearing the backlog of repairs
    - ii. Improving maintenance services to allow the right maintenance at the right time
    - iii. Lower future maintenance requirements
    - iv. Effective and efficient network management resulting in improved traffic flows, accessibility and reliability
    - v. Improvements in congestion, air quality and ecological footprint
    - vi. A safer and secure environment
    - vii. The provision of sufficient investment to contribute to the development of broader Council objectives
  - There are two alternative options to PFI i.e. the traditional approach or working in partnership with a contractor. Both have merits and drawbacks and there are potentially many possibilities for combining elements of each. Many local Authorities have been operating a hybrid approach incorporating aspects of each of the two alternatives. Careful consideration would need to be given to achieve the optimum solution for each particular aspect of work to be undertaken.
  - the Council could not expect to receive sufficient alternative funding on the scale of PFI to finance all of the identified remedial works required to the highways infrastructure.
  - It is impossible to identify all possible risks involved with such a long-term PFI contract but the two main risks identified are project risk and contract

risk. Alternatively, there are risks associated with failing to maintain and repair the highways infrastructure e.g. an increase in the number of insurance claims made against the Council.

- A decision to proceed with the next stage of the PFI bid, i.e. submitting an Outline Business Case will have an effect on the 2007/08 budget but the largest proportion of cost is likely to be incurred in 2010/11.

## **Background**

3. The background to this scrutiny review is presented in the final report at Annex A.

## **Consultation**

4. Relevant officers from City Strategy, in particular those responsible for the preparation of the Expression of Interest previously submitted in relation to the PFI, have been heavily involved throughout the review process. Recognition of those consulted has been made at the end of the final report – see Annex A.

## **Options**

5. The options available to the Executive are:
  - i. to approve the recommendations arising from the scrutiny review in full or part, or;
  - ii. reject the proposed recommendations and outline alternative proposals, where applicable

## **Analysis**

6. All analysis is presented in the body of the final report.

## **Corporate Priorities**

7. It was recognised that this review could contribute to improving 'the actual and perceived condition and appearance of the city's streets and open spaces' by helping to improve the Council's procurement arrangements for highways maintenance. In rationalising our procurement arrangements, it could also help to improve our organisational effectiveness.

## **Implications**

8. At this stage of the PFI process it is not possible to quantify the Financial, HR, Equalities, Legal or other implications which may be incurred should the Council's PFI bid prove successful, or if an alternative approach is adopted. As the recommendations made within the final report only seek to ensure full consideration is given to each stage of the process there are no associated implications with the recommendations made in Annex A.

## **Risk Management**

11. There are no risks associated with the recommendations contained within the final report but the report acknowledges the significant risks associated with PFT or its alternative, as summarised in paragraph 2 above.

## Recommendations

12. Members of the Executive are requested to endorse the recommendations and agree that they be used to inform any future decisions taken in relation to the ongoing PFI bidding process.

## Contact Details

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**Report Approved**



**Date** 26.10.06

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

**All**



**For further information please contact the author of the report**

## Background Papers

Local Government Private Finance Initiative (PFI): CYC Expression of Interest

### Annexes

- Annex A: Final Report on Highways Maintenance & PFI – Part A  
Annex B: Service Delivery Options  
Annex C: Timetable for remaining stages of PFI process  
Annex D: Budget Pressures