



## Notice of meeting of

### Highways PFI Ad Hoc Scrutiny Committee

**To:** Councillors Merrett, Moore, Simpson-Laing, Cregan,  
Healey, Hogg and R Watson

**Date:** Wednesday, 20 June 2007

**Time:** 5.00 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 - 28)

To approve and sign the minutes of the meeting held on 26 February 2007.

**3. Public Participation**

At this point in the meeting members of the public who have registered their wish to speak can do so. To register to speak contact the Democracy Officer responsible for this meeting – details below. The deadline for registering is 5pm on Friday 15 June 2007.

**4. Scoping Report for Part B of the Review** (Pages 29 - 98)

This report introduces Members to Part B of the review of Highways maintenance procurement and the Private Finance Initiative (PFI) bid.

**5. Any other business which the Chair considers urgent under the Local Government Act 1972**

## **Democracy Officer Details**

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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

City of York Council

Committee Minutes

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MEETING	HIGHWAYS PFI AD HOC SCRUTINY COMMITTEE
DATE	26 FEBRUARY 2007
PRESENT	COUNCILLORS D'AGORNE, HALL, LIVESLEY, MERRETT, MOORE (CHAIR), SIMPSON-LAING AND VASSIE

#### **4. DECLARATIONS OF INTEREST**

Members were invited to declare any personal or prejudicial interests which they might have in any of the business on the agenda. No interests were declared.

#### **5. MINUTES**

RESOLVED: That the minutes of the meeting held on 3 January 2007 be approved and signed as a correct record.

#### **6. PUBLIC PARTICIPATION**

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

#### **7. HIGHWAYS MAINTENANCE PROCUREMENT PROCESS & PFI – FINAL DRAFT REPORT**

Members considered the final draft report for the Highways Maintenance Procurement Process and PFI scrutiny review which detailed the agreed remit.

As part of the remit the following key objectives had been identified:

- a. examining the potential efficiencies from a PFI arrangement
- b. making recommendations with regard to available alternative options in the event that a PFI outcome is unsuccessful
- c. looking at the cost effectiveness of those options, including improved ways of working
- d. profiling expenditure over the lifespan of the PFI and any associated secondary costs
- e. to understand the cost implications associated with the PFI bid and its outcome if successful [this was amended to read 'to understand the cost implications associated with the PFI bid and its outcome']

The report detailed the findings in relation to each of those objectives and Members discussed each in turn. Various amendments and additions were made to the report and the final version, including the resolutions and reasons as shown in the minute annex attached.

Cllr. R. Moore , Chair

[The meeting started at 6.35 pm and finished at 9.00 pm].



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## Highways PFI Ad-Hoc Scrutiny Committee

26 February 2007

### Highways Maintenance Procurement Process & PFI– Final Draft Report

#### Background

1. In September 2006, Scrutiny Management Committee (SMC) agreed to proceed with a review of topic No.135, into Highways Maintenance Procurement and the Private Finance Initiative (PFI)<sup>1</sup> bid. SMC were informed that the Expression of Interest (EoI) associated with the PFI bid had already been submitted to the Department of Transport (DfT). They therefore requested that the original topic registration registered in April 2006 by Cllr Tracey Simpson-Laing, be revised to take this development into account.
2. In November 2006 SMC considered the revised registration together with a draft remit which proposed the issues raised be dealt with in two parts. SMC agreed that part A of the review should centre entirely on how scrutiny could help prepare for the procurement of highways maintenance when the outcome of the PFI is known and consequently, how it could contribute to maximizing the Council's efficiencies and improving its procedures. It was felt that this would contribute proactively to the ongoing development work in anticipation of the outcome of the PFI bid in January 2007.

#### Corporate Priorities

3. 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.

#### Options

4. Members can support all, some or none of the recommendations proposed as a result of this review, for submission to Scrutiny Management Committee and then to Executive.

#### Remit

5. In coming to a decision to review this topic, the Scrutiny Management Team recognised certain key objectives and the following remit was agreed:

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<sup>1</sup> A PFI is a scheme where the Government contracts a private company to carry out an agreed programme of works involving a public service over a fixed term.

## **Aims**

To contribute to the development and establishment of a strategic and effective highways maintenance procurement strategy in York

To understand the cost implications associated with the PFI bid and its outcome if successful.

## **Objectives**

- examining the potential efficiencies from a PFI arrangement;
- making recommendations with regard to available alternative options in the event that a PFI outcome is unsuccessful;
- looking at the cost effectiveness of those options, including improved ways of working;
- profiling expenditure over the lifespan of the PFI and any associated secondary costs.
- To understand the cost implications associated with the PFI bid and its outcome.

## **Examining the potential efficiencies from a PFI arrangement**

### **Consultation**

6. Prior to the commencement of this scrutiny review, the Council had already submitted an Expression of Interest in relation to the Highways PFI. As part of that process officers had fully examined the potential efficiencies which could be gained from a PFI arrangement.

### **Information Gathered**

7. The identified efficiencies and other potential benefits to be gained from a PFI arrangement include:
  - Clearing the backlog of repairs
  - Improving maintenance services to allow the right maintenance at the right time
  - Lower future maintenance requirements
  - Effective and efficient network management resulting in improved traffic flows, accessibility and reliability
  - Improvements in congestion, air quality and ecological footprint<sup>2</sup>
  - A safer and secure environment
  - The provision of sufficient investment to contribute to the development of broader Council objectives

### **Issues**

8. Members of the Committee studied the EoI previously submitted. This highlighted the problem facing City of York Council as it identified a substantial

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<sup>2</sup> York is the only city in the country with an Eco Footprint model and a target of 70% reduction on carbon emissions over the next 50 years.

backlog of maintenance works on the highway network valued at an estimated £127.5m. It recognised the council's inability to fund whole life cycle asset management principles through intervention maintenance, resulting in an accelerated decline in asset value and network conditions. To be able to rehabilitate the asset and meet the central Government target of eliminating highways backlog by 2014/15, it is estimated that an additional £155m of capital life cycle replacement would be required to maintain the rehabilitated asset over the next 20 year period.

9. Members considered the options available to the Council listed in the EoI and were confident that consideration had been given to the possible efficiencies to be gained from a PFI arrangement, and that no further work was necessary in relation to this objective.
10. It was recognised that in order to decide whether to proceed to the next stage of the PFI process, the Council would need to weigh up the recognised efficiencies against the annual commitment in terms of budget which would be required over the 25-year term of the PFI<sup>3</sup>.
11. Members acknowledged that PFI has the greatest potential to deliver an holistic approach across the entire unitary authority area, compared to other schemes, because of the generous PFI credit arrangement.

### **Recommendation**

12. That the efficiencies and other benefits gained through the PFI approach, as highlighted within the EoI be weighed against any budgetary inflexibility in future years, when deciding whether or not to proceed with the PFI process.

Reason: To ensure the most effective and financially viable outcome for highway repairs and maintenance, within the overall City of York Council budget is achieved.

### **Implications**

13. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

### **Available alternative options in the event that a PFI outcome is unsuccessful**

#### **Consultation**

14. The Assistant Director of City Development & Transport provided the Committee with information on two simplistic alternative options to PFI – see Annex A.

#### **Information Gathered**

15. In considering these two alternatives, it was recognised that:

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<sup>3</sup> The Council would be committed to the PFI irrespective of any future budget constraints

- a. both had merits and drawbacks
- b. between these two different approaches there were potentially many possibilities for combining elements of each.
- c. many Local Authorities have been operating a hybrid approach which incorporates aspects of each of the two alternatives outline in Annex A.
- d. careful consideration would need to be given to achieve the optimum solution for each particular aspect of work to be undertaken

### Issues

16. The Committee were drawn towards the partnership approach but recognised the complexity of calculating the optimum solution for procuring service delivery. The Committee agreed that, given the timescale, it would be better to look at the key principles which should be taken into account at the time of selecting an alternative approach, rather than attempting to determine which approach should be used. It also recognised that the work undertaken to produce the EoI would assist any other work required if the PFI outcome was unsuccessful. Members identified the following key principles which they felt would need to be considered when deciding how to proceed:

- (a) Affordability

The level of funding available will influence which work method is adopted. Any work programme should be accurately costed as far as possible at the outset to avoid any overspends.

- (b) Value for Money

Historically, some local authorities engaged in partnerships for efficiency savings which did not ultimately materialise. Some in-house arrangements in the past were not always efficient which led to ? and current evolution. Any contract should ensure that perceived efficiencies are realistic and are delivered.

- (c) Sustainability

The Transport Asset Management Plan (TAMP) should be reviewed on a regular basis to ensure that the most sustainable working practices and materials are used.

- (d) Risk Management

Members were particularly concerned regarding this issue. It was acknowledged that the balance and transfer of risk is central to any procurement consideration. If a partnership route is adopted, it should be ensured that the appropriate level of risk is borne by each party.

- (e) Degree of Control

Regardless of the approach undertaken, the Council should ensure that control of any project is suitable to the selected approach. Where work is held in house, it was acknowledged that there were might be less flexibility in how work was carried out. It was also noted that Members control would have to be exercised differently and probably at a more strategic level. These would not be applicable in a partnership approach.



(f) Innovation

Any contractor should embrace new innovative approaches in working practices, machinery and materials to ensure that any construction is undertaken to the optimum benefit of the Council, contractor and residents and this needs to be contractually encouraged.

(g) Residents Priorities

Priorities of residents should be considered in any undertaking and in the planning and construction of any development. Issues raised should be catered for as much as possible bearing in the mind contractual restraints and provided neither the quality nor the efficiency of work are detrimentally affected.

(h) Long Term Consequences

Members recognised these would exist in any partnership approach and would not necessarily be apparent at the outset of any contractual arrangement. They appreciated, however, that selecting the 'right' partner in any contractual arrangement could help minimise adverse consequences.

**Recommendation**

17. That in the event that the PFI outcome is unsuccessful, the key issues identified should be taken into consideration when deciding upon an alternative approach.

Reason: To ensure the best alternative option for procuring service delivery.

**Implications**

18. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

**The cost effectiveness of alternative options to PFI, including improved ways of working**

**Consultation**

19. Officers from the Council's Resources Directorate provided information on various sources of alternative funding. It was recognised that some of the different sources would only be applicable to certain approaches. Some were unlikely to fund maintenance works and others would not provide funding on the large scale required.

**Information Gathered**

20. The alternative sources of funding identified were:

- (a) Venture Capital<sup>4</sup>  
This would only be available for partnership working if a case could be made for this.
- (b) Venture Fund  
It was understood that funds could be drawn down from the Fund (part of the Council's Reserves) with the Fund expecting return of profit. However, it was acknowledged that the Venture Fund was inadequate for the programme under scrutiny.
- (c) Prudential Borrowing<sup>5</sup>  
This would provide funds with which to undertake a works programme, but this would not have the advantage of PFI credits and it would be necessary to identify where savings could be made in future years to repay the loan.
- (d) Yorkshire Forward<sup>6</sup>  
It was considered that there would need to be an identifiable improvement to the economic wellbeing of the city over and above the Council's normal maintenance programme, in order to access funding from this source. It was also considered that there would probably have to be a benefit to the region.
- (e) National Lottery  
It was considered that the amounts of funding would be relatively small and that it would be a support but not a major source. Funding from the Lottery would be for very specific purposes, e.g. heritage, arts, sports, Conservation Areas etc, and would not be available for maintenance programmes.
- (e) European funding sources  
It was considered that any EU funding would need to be linked with partnership working between countries. Access to funding from this source was likely to be tied to specific projects, separate from normal maintenance and would not necessarily depend solely upon the scheme but also how it would be implemented and what new innovation was involved.

### Issues

21. The Committee acknowledged that on the basis of the information received, 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. This in turn would result in it's further decline.

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<sup>4</sup> Venture capital (VC) is funding invested, or available for investment, in an enterprise that offers the probability of profit along with the possibility of loss.

<sup>5</sup> Prudential Borrowing allows local authorities to raise finance for capital expenditure – without Government support - where they can service the debt without extra Government support.

<sup>6</sup> Yorkshire Forward is the Regional Development Agency charged with improving the Yorkshire and Humber economy

22. In order to complete all of the remedial works required and sustain a full maintenance programme, the Council would have to make a much larger annual commitment in terms of budget than that which would be required over the 25-year term of the PFI. This again would have far reaching financial implications.

### **Recommendation**

23. That in the event that the Council's EoI is successful, the decision to proceed to the next stage of the PFI process, i.e. submitting an Outline Business Case<sup>7</sup> (OBC), be weighed against the resulting greater annual budget commitment required from the Council if the highways repair and maintenance works are to be carried out.

Reason: To ensure the most cost effective method for funding the required works.

### **Implications**

24. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

### **Profile of expenditure over the lifespan of the PFI and any associated secondary costs**

#### **Consultation**

25. The Assistant Director (City Development & Transport) provided information on some of the factors which will affect the overall cost of a PFI arrangement to the Council. One of the main factors would be managing the risks involved. As part of the process of drawing up a PFI contract between a potential partner and the Council, an appropriate level of risk should be considered and agreed by each party.
26. Contract costs would be influenced by the level and amount of risk accepted by the partner. Therefore, the Council will need to take account of this within the negotiations.

#### **Information Gathered**

27. Two main risks were identified as follows :

(a) Project Risk

i) Not achieving a signed contract at the end of the PFI bidding process. This is a pathfinder project i.e. the Department of Transport (DfT) want to identify a best practice approach for future use. As a result, it is recognised that the whole process could take longer to complete which would result in higher costs than the £2.5m previously identified. It is

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<sup>7</sup> The term "outline" refers to the fact that in the initial stages of a project, a business case can only be drawn up in outline form. The intention is, that as the project progresses it will become a "living document" and be subject to further iterations and refining of the content.

expected that the DfT will provide advice, resources and possibly financial support to assist the process.

The investigative works are likely to have significant cost which would be beneficial for a PFI contract though, if unsuccessful, the benefits from the information gained would not necessarily outweigh the costs incurred. The survey may also highlight unforeseen problems generating additional work and costs.

(b) Contract Risk

There are several areas within the contract where the amount of risk to be transferred would need to be carefully considered:

i) Latent Defects<sup>8</sup>

The cost of latent defect risk will be priced by the Service Provider (SP) dependant on the level of transfer the Council attempt to pass down in the PFI contract. In general the market is willing to accept uncapped liability for Carriageways and Footways on the basis that the highway network is mature and works associated with their rehabilitation and on-going maintenance will not involve major excavation below the existing construction layers. There are two areas which cause concern to the market:

- Drainage - Structural failure on the Council network e.g. collapsed gully connections in the carriageway which did not occur through improper maintenance by the SP. The position the SP adopts in respect to the Council drainage is largely dependant on the availability and size of asset data, existing maintenance regime, and records of past works undertaken resulting from latent defect failure. Should the negotiation of the contract result in risk being taken by the Council, the assessment of the engineering scenarios and relative costs suggest this exposure will be low risk low cost.
- Structures - an inherent fault resulting in major structural failure of a bridge which did not occur as a result of inadequate maintenance by the SP. The contract will contain a liability cap on the SP to cover latent defects in structures which can be limited to the Council's key structures, i.e. those structures of high capital replacement value in light of major catastrophic failure. The caps are operated on an individual and aggregate basis. The adequacy of the cap and exposure to risk will be informed by the technical review of the data room information and priced accordingly. Ultimately, the value of caps will be set to represent a commercially affordable solution and demonstrate sufficient risk transfer to offer value for money.

ii) Legislation

No contractor would accept risk related to changes in legislation. This is a non-transferable risk and the effects are unforeseeable.

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<sup>8</sup> A latent defect is a hidden or dormant fault/defect that could not be discovered by observation or by a reasonable thorough inspection.

### iii) Inflation

Any contract will allow for a certain level of inflation but over such a long term project it is impossible to completely cater for extreme variances. Any contract will be vulnerable to higher inflation in the early years.

### iv) Vandalism

It is impossible to foresee what effect this may have on any contract and any partner would be reluctant to accept this risk without some form of indemnity from Council.

### v) Breach of Contract

A breach could stem from a deterioration of service over a period of time. This could have a significant impact on the level of management and maintenance. Although there is recourse through contractual and financial arrangements, there would be a level of disruption while a satisfactory solution was achieved.

In the unlikely circumstances of a company liquidation the Council will have the additional protection of the bank's involvement, including early warning, which is more secure than the current private arrangements.

### vi) Affordability

The long term nature of this type of contract raises questions regarding the level of funding which the Council could and would commit with the internal and external funding pressures and legal constraints it faces.

### vii) Insurance

The risk would be where the contractor would accept the risk, to a certain limit, after which point the Council would be expected to bear the balance, though there could be a cost-sharing basis to a certain level.

### viii) Climate Change

Over such a long-term project the impact of climate change cannot be quantified. The potential for global political, financial and environmental changes may have far-reaching and unforeseen consequence which may impact on the contract. This would not be a risk that the partner would accept.

## Issues

28. It is clear that it is impossible to identify all possible risks involved with such a long term contract but failure to maintain and repair the highways infrastructure carries its own risks. For example, the Council presently self insures against claims, and has an extremely successful repudiation rate, but it is considered that the number of claims would be likely to increase as the infrastructure continued to deteriorate. Also, as central Government has set a target of eliminating highways backlog by 2014/15, the Council may incur costs if this work is not completed on time.

### **Recommendation**

29. That it be noted that the total expenditure over the lifespan of the PFI cannot be properly identified.

Reason: There are too many unknown quantities at this stage in the process.

### **Implications**

30. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

### **The cost implications associated with the PFI bid and its outcome**

#### **Consultation**

31. The Assistant Director (City Development & Transport) presented information on the timetable for the remaining stages of the PFI process – see Annex B. This included information on each stage and the points at which a decision would need to be taken on whether or not to proceed.

32. Information was also presented on a number of procurement risks which could impact on the PFI scheme:

- Time – the longer the negotiations are, the more expensive the cost.
- Cost
- Change of Rules
- Attractiveness of Contract –the contract must be attractive to bidders otherwise the scheme will be a waste
- Challenge and Withdrawal – a bidder could challenge the procurement process and withdraw from the negotiations

#### **Information Gathered**

33. The Director of Resources presented a summary of the budget for 2007/08 which highlighted expected pressures – see Annex C. It was recognised that a decision to proceed with the next stage of the PFI bid, i.e. submitting an OBC would have an effect on the 2007/08 budget. The summary also recognised that the largest proportion of cost would be likely to be incurred in 2010/11, as the majority of cost occurs in the last few months.

#### **Issues**

34. Although there are recognised cost implications associated with a PFI bid, costs would be reimbursed when the PFI scheme commenced. It is clear that the overall cost to the Council of the PFI approach would be less than completing the same amount of work of the same quality and standard via alternative methods. The Council could only finance the same amount of remedial and maintenance works as done through a successful PFI, by putting severe constraints on other budget commitments over the 25-year period.

35. The drawback of the PFI route would be that the Council cannot predict what else may occur during the next 25 years that may result in further budget pressures and once a PFI contract is signed, the Council could not reduce its financial commitment to the repairs and maintenance works to allow the budget to be reassigned. The Council would have little room to manoeuvre with regard to its financial commitments.
36. The current variance is £0.5m - £1.0m, though until detailed calculations have been undertaken, to assess the affordability of the scheme, the actual variance will not be known. It was also acknowledged that the difference between the current allocated budget and the notional budget assumed in the EoI was in the region of £1.25m, and members were concerned that the OBC should identify a means of addressing the shortfall.
37. Members also acknowledged that other unquantified known short to medium term budget pressures (e.g. Waste PFI) exist, and recommended that an holistic view of the financial constraints of the Council will have to be taken.

### **Recommendation**

38. That in the event that the EoI is successful, careful consideration should be given when deciding whether to proceed to each of the following stages of the process.

Reason: To ensure a full understanding of the cost implications.

### **Implications**

39. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

### **Acknowledgements**

The Committee would like to record its thanks to the various officers who have supported its work. The assistance and advice received has been appreciated, and without this support it is unlikely that the scrutiny could have been completed in the timescale. In particular thanks go to:

Damon Copperthwaite, Assistant Director (City Development & Transport)

Paul Thackray, Head of Highway Infrastructure, City Strategy

Simon Wiles, Director of Resources

Patrick Looker, Resource & Business Manager, City Strategy

Simon Town, Grants & Partnership Accountant

David Walker, Risk & Insurance Manager

Brian Gray, Legal Services

Richard White, Assistant Director, Commercial Services

Melanie Carr, Scrutiny Officer

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Tracy Wallis, Democracy Officer

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**Final Report Approved**



**Date** 22 February 2007

Councillor Richard Moore  
Chair  
Highways Maintenance Scrutiny Ad-Hoc Sub-Committee

**Wards Affected:**

**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 – Alternative Procurement Options for 2010
- Annex B - Timetable of remaining stages of PFI process
- Annex C – Presentation on budget Pressures



## Basic Service Delivery &amp; Procurement Options for 2010

Approach	Traditional	Partnership
Scope	Broken into components i.e. Surfaces Street Lighting Routine / Reactive Technical i.e. traffic signals, CCTV	All inclusive with one partner
Client	Large	Small

**Contract Arrangements**

Specification	Input - where an exact job specification is agreed with the contractor prior to work commencing.	Output - Having agreed the outcome, the partner decides how to achieve this and then carries out the work. For this to be successful the partnership would need to be based on trust, openness and honesty. To achieve this level of compatibility, the two partners have to be confident that they both have the same work ethos and standards, therefore much time will be spent at the contract stage to ensure both parties fully understand the requirements of the other. They are equal partners and must both deliver on their side of the bargain
Risk to Council	Retained - risk remains with CYC	Transferred - a majority of the risk is transferred to the partner. The partner will not accept unknown risk i.e. inflation, insurance, changes to legislation.
Cost	Medium, there could be some increase due to variations	High - Initial high cost because partner takes on majority of risk including the biggest risk of all - construction risk. Partner has limited ability to come back for extra money
Term	Medium (5-7 yrs)	Long (7-10yrs) - Partner covers his costs over a longer term.
Incentive	No - The contractor has agreed a price before the work commences therefore they is no incentive to be more efficient	Yes -With a longer term there is more incentive/benefits to be more efficient

**Procurement Arrangements**

Evaluation	80% price / 20% "quality" - Tenders received are considered mainly on the cost as the specification set by CYC would have been written in terms of the required levels of quality	40% price / 60% "quality" - As the partner will be wholly responsible for the standard of work carried out it is important to consider the "quality" of the partner (e.g. whether the work ethos is compatible) when agreeing a contract. This becomes a much more important factor and outweighs the issue of cost.
Method	EU restricted standard tender	EU restricted or competitive dialogue (if the rules for competitive dialogue are met)

Cost	Medium - specifications are drawn up for each aspect of work	High - More time and resources are spent at the procurement stage to ensure the partnership is solid and will achieve the required outcomes.
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**City of York Council**

Private Finance Initiative : Highway Maintenance Pathfinder Project

Draft Timetable and Decision Making Points

Expression of Interest : Annex 10

<u>Activity</u>	<u>Timescales</u>	<u>Decision</u>	<u>Time</u>
<u>Preliminary Phase</u>			
Development of Eol	June 06 – Sept 06		
		Urgency Committee: To approve submission of Eol	5 Sept 06
Submission of Eol to DfT	10 Sept 06		
		Approval of Eol by DfT Project Review Group	April 07
		Executive Report: Implications of the project including risk, submission of OBC, funding of the project	July 07
Appointment of a project team	June 07		
Preparation of Outline Business Case	June 07 – April 08		
		Executive Report: To approve submission of OBC and agreement to procurement process	April 08
Submission of OBC to DfT	April 08		

Approval of OBC  
by DfT Project  
Review Group Aug  
08

Procurement

Advisors Develop advisor contracts April 08  
Issue OJEU Notice May 08  
Issue PQQ June 08  
Appoint short list, seek proposals July 08  
Advisor interviews Aug 08

Executive Report: Aug 08  
To approve  
appointment of  
advisors

Appointment of advisors Sept 08

Service Providers Development of Contract Details June 07 – May 09

Issue OJEU Notice Oct 08

Issue PQQ and seek Expressions of Interest Nov 08

PQQ Evaluation and Short Listing Dec 08

Executive Report: Jan 09  
To approve stage  
1 short list of  
service providers

Invite Submission of Outline Solutions Jan 09

Submission of Outline Solutions Mar 09

Evaluation and April 09

dialogue of Outline  
Solutions

Executive Report: May 09  
To approve Stage  
2 short list of  
service providers

Invite Submission of Detailed Solutions May 09

Submission of Detailed Solutions June 09

Evaluation and dialogue of Detailed Solutions June 09 – Jan 10

Close dialogue Feb 10

Invite Final Tenders Feb 10

Evaluation of Final Tenders May 10

Clarification of Final Tenders May 10 – Aug 10

Executive Report: Sept 10  
To approve  
selection of  
preferred Service  
Provider

Final clarification, due diligence. Sept 10 – Nov 10

Preparation of Final Business case to DfT Sept 10 – Nov 10

Executive Report: Dec 10  
To approve the  
Final Business  
Case for  
submission to DfT

Submit FBC to DfT PRG Dec 10

Approval of FBC  
by DfT Project  
Review Group Feb 11

Financial Close and  
Award of contract Feb 11

Mobilisation and  
start of Contract Feb 11 – July 11

Damon Copperthwaite  
19 February 2007

# Budget Summary 07/08

	£'m
Unavoidable Growth	7.98
Reprioritisation of resources	5.93
<b>Total Growth Requirement</b>	<b>13.91</b>
FUNDED BY	
Savings	5.05
Council Tax	4.18
Changes in Funding	2.04
Pressures offset by Contingency	1.50
Use of Reserves	1.14
<b>Total Funding</b>	<b>13.91</b>

# Key 2007/08 Budget Pressures

- Pay and Prices £4.269m
- Job Evaluation £1.250m
- Supporting People £0.897m
- Waste Management £0.822m
- Social Care Cost Pressures £0.785m





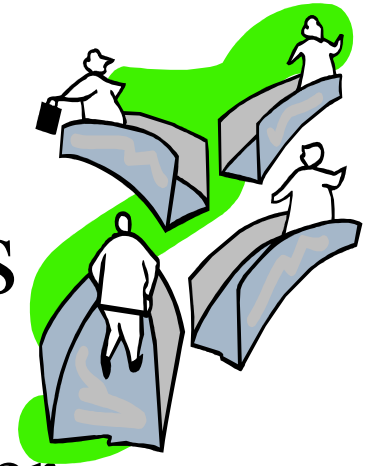
# Current and Future Pressures

<b>Area</b>	<b>2007/08</b>	<b>Onwards</b>
Pay and Prices	Yes	Yes
Job Evaluation	Yes	Decreasing
Supporting People	Yes	Yes
Waste Management Strategy	Yes	Increasing
Social Care	Yes	Yes
Highways PFI	No	2010/11
The White Paper & Lyons	No	Yes
Comprehensive Spending Review	No	Yes
Admin Accom	No	Long term saving

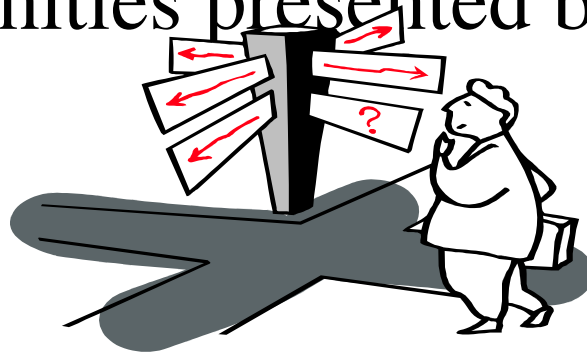
# PROJECTIONS

- 08/09 Growth Pressures £11.1m
- 08/09 Net Pressure after grants and C Tax rises £5.8m
- 09/10 Growth Pressures £11.7m
- 09/10 Net Pressure after grants and C Tax rises £5.9m

# Key Future Uncertainties



- What the White Paper, Lyons and other reviews will really mean?
- Comprehensive Spending Review 2007 (July! Sept???)
- Meeting waste targets.
- Remodelling services to meet the opportunities presented by Easy and Admin Accom.



# CSR 2007



- When will it be?
- 2% for pay?
- Deduction for Efficiency target / 3% cash???
- Confusion over population figures and other data
- 3year fixed grant (with adjustments) + set 3 year Council Tax???
- Lobbying on area cost adjustment, visitor numbers.
- Unwinding of damping extra £870k - when?

# Longer Term Savings

- Efficiency Programme
  - Council wide/big issues
  - Departmental
- Strategic Procurement Programme
- Approach to efficiency/efficiency culture
- Awareness raising
- Contribution of Total Systems and IT
- Benchmarking Services to Identify and Challenge ‘High Cost’



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## Highways PFI Ad-Hoc Scrutiny Committee

20 June 2007

### Scoring Report for Highways Maintenance Procurement & PFI Review – Part B

#### Purpose of Report

1. This report introduces Members to Part B of the review of Highways maintenance procurement and the Private Finance Initiative (PFI)<sup>1</sup> bid.

#### Background

2. At its meeting in September 2006, Scrutiny Management Committee agreed to proceed with a review of topic No.135 into Highways Maintenance Procurement and the PFI bid. The issues raised within the registered topic were split into two parts. Part A of the review has been completed and at a meeting of SMC on 26 March 2007 a remit for part B was agreed – see Annex A.

#### Consultation

4. In order to fully investigate the issues raised within the remit for Part B it will be necessary to consult with officers from City Strategy. Officers will be in attendance at this meeting and will provide the following information:
  - Clarification on the outcome of the Best Value Review
  - Documentation to quantify the budget for highway maintenance from the time of the review to date
  - An indication of the main savings achieved in the period 2003/4 to 2006/7

#### Timetable For Review

5. A timeframe of three months has been set for carrying out Part B of this review and in order to facilitate a prompt start the documentation referred to in the remit is attached as follows:
  - Financial information previously provided to Urgency Committee in September 2006 (Annex B)
  - Best Value Review of 2001 (Annex C)

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<sup>1</sup> A PFI is a scheme where the Government contracts a private company to carry out an agreed programme of works involving a public service over a fixed term.

## Options

6. Having regard to the agreed timeframe and the aims and objectives of the remit for Part B of the review, Members may decide a series of meeting dates and agree a programme for looking at the outstanding issues.

## Implications

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

## Corporate Priorities

8. 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.

## Risk Management

9. In compliance with the Councils risk management strategy, there is a risk associated with not keeping to the agreed timetable as this would affect the focus of the review and the progress of the Scrutiny Workplan.

## Recommendations

10. Having considered the information provided within the report and by officers at the meeting, Members are asked to agree a series of meeting dates and a schedule of work for Part B of this review.

Reason: In order to progress existing agreed scrutiny reviews within procedural and constitutional requirements.

### Contact Details

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**Chief Officer Responsible for the report:**

Dawn Steel  
Democratic Services Manager

**Interim Report Approved**



**Date** 7 June 2007

**Wards Affected:**

**All**

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

**Background Papers** - None

### Annexes

**Annex A** – Part B Remit

**Annex B** - Financial information from Urgency Committee in September 2006

**Annex C** – Best Value Review of 2001



**Remit (Part B) for Scrutiny topic no 135 – Highways Maintenance Procurement**

**Aims**

To examine how the Council can fund the PFI and gain an understanding of the alleged financial loss to the council caused by delays in the procurement process since 2003.

**Objectives**

The above aims to be achieved through the following objectives:

- To examine the financial information that was provided to Urgency Committee in September 2006 including the key financial risks highlighted within the report
- To investigate the figures included in the report which advised Members to go ahead with the PFI approach to Highways Maintenance Procurement
- To compare the actual cost to the Council since 2003 in respect of Highways procurement to the costs originally included in the Best Value Review of 2001 and examine the managerial processes put in place to implement the savings and agreed actions

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**CITY OF YORK COUNCIL**

**BEST VALUE REVIEW**

**OF**

**HIGHWAY MAINTENANCE**



**1 August 2001**

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## Section One – Background and Aim of the Review

1. The highways maintenance service exists to meet the Council's statutory duty (under the Highways Act 1980 and the New Roads and Street Works Act 1991) to maintain the public highway in its area, and regulate works carried out on them. This in turn:
  - Facilitates movement of people and goods
  - Adds to the social well being of the City
  - Contributes to the economic development of the City

The service also provides a safe environment for users of the public highway and undertakes to maintain the asset to the highest possible standard within the budget.

2. The Council's BVPP for 2001/2002 in relation to Transport and Highways notes that:

'The management of traffic in an historic City is an important task both for the convenience and protection of residents and because a clean and traffic free City attracts tourism and new businesses. The Council contributes to the free movement of people and goods in several ways: we keep roads and pavements free from litter, we deal with road repairs, we make strong efforts to improve road safety, and we try to improve the state of footpaths in the rural areas around the City.'

- The Best Value Review is one of the first year reviews (2000-01). The aim of the review was identified in a report to management team on 21 June 2000. The aim as set out is to produce a number of options reflecting best service practice and consideration of how any cost savings might be achieved. The report also identified a number of key deliverables arising from the review and continuous service improvement plan:
    - Tangible improvements in residents' views of our service
    - Create a programme of sustained long term road and footpath maintenance, reflecting residents views at a cost competitive rate
    - Efficiency savings
    - Ensure the Council can consider alternate means of service delivery
3. In order to meet the aim of the review and facilitate achievement of the deliverables a series of fundamental questions were identified by Management Team on which needed to be answered during the course of the review:
    - Why do we deliver this service ?
    - Do we get best practice and best price from current arrangements ?
    - What alternative means should we consider ?
    - What do other local authorities do, in respect of Highway Maintenance?
    - Do current service arrangements fit Council priorities ?
    - How can the service be improved continuously?
    - What views do partners stakeholders and residents have of the service?

4. The process of considering and addressing these questions has helped to identify the way in which the service can continuously improve and identify a number of potential options for developing and delivering the service in the future. The review has considered:
  - The purpose of the service
  - How well the service compares to other service providers
  - How well current practice and management arrangements are working
  - How changes in the industry and market place could affect the service
  - The role of the service in the context of corporate strategy
  - Whether current objectives and strategies for the service remain relevant
  - The views of stakeholders
  - Overall management arrangements for delivering the service
  
5. To date Management Team/Members have received the following reports in respect of this review:
  - Background to Review and Scope (21 June 2000)
  - Challenge, Compare, Consult Report (6 October 2000)
  - Progress Report (8 November 2000)
  - Interim Options Report (31 January 2001)
  
6. A Member Monitoring Group of cross party members was established to support the review process. The Group has indicated that they are broadly comfortable with the development of the review and the three broad options identified in the Interim Options Report, namely:
  - Competitive Tender of DEDES management service and CSO operational service
  - Public/Private Partnerships (ie utilising the experience and expertise of the private sector)
  - Restructure/Reposition the service (ie altering the current arrangements for delivering the service without the use of competitive tender or public/private partnerships)
  
7. The group particularly favoured the option to restructure/reposition the current in house providers but with plans to improve the service and take a more progressive approach to Highways Maintenance.
  
8. This report summarises the work of the Review, identifies a number of key improvements and considers possible options for delivering the service in the future.



## Section Two - Scope of Review

1. Highway maintenance covers a vast range of functions and for York, being a Unitary Authority, this term encompasses the following:-
  - repair and maintenance of all highway surfaces
  - presalting and snow clearance of highway routes in winter
  - repair and maintenance of street lighting, illuminated bollards and lit signs
  - repair and maintenance of Public Rights of Way
  - maintenance of signs, carriageway markings, posts and street name plates
  - repair and maintenance of Traffic Signals, Pedestrian/Cycle Crossings, Pelicans, Closed Circuit Television Systems, Variable Message Signs, Automatic Number Plate recognition systems and automatic bollards
  - repair and maintenance of bridges and highway structures
  - grass cutting
  - maintenance of trees within the highway
  - weed clearance of highway surfaces
2. In broad terms the maintenance functions divide into three categories:-
  - Elements related to keeping the highway available for use
  - Elements related to allowing the highway to be used
  - Elements relating to the appearance of the highway
3. Early in the review it was identified that the latter work had been effectively 'sub contracted' to the Leisure Services Department (now subsumed within the Education Department) and were, to all intent and purposes, part of the general Grounds Maintenance function of that Department. Only the setting of budgets and strategic objectives were retained within DEDES. It was thus felt appropriate to allow this entire grounds maintenance function to go forward as a single entity through its own Best Value Review rather than to separately deal with the specific highway aspects.
4. Within the area of work related to allowing the highway to be used, the street lighting, illuminated bollards and lit signs service had been the subject of a very extensive, in depth Best Value Review as part of the governments' Best Value Pilot project. It was thus not felt to be appropriate to repeat this work, particularly as it had been able to explore the service in particularly great detail a matter of months previously.
5. As a consequence of the adoption by the Authority of a unique Traffic Congestion Management System, the volume of Traffic Signals, Pelicans, Closed Circuit Television Systems, Variable Message Signs, Automatic Number Plate recognition systems and automatic bollards were established as about to significantly increase. Discussions with the service provider recognised that this major increase in numbers had already been identified as being incapable of being maintained using currently available arrangements and that exploratory

discussions were underway with major companies within the private sector. The object of these discussions was to determine if private sector expertise could relieve the authority of the necessity of directly maintaining these items itself. The review thus concluded that it was inappropriate to seek to duplicate these explorations thought the Best Value process for highway maintenance.

6. In the final category it was established that a major review had been taken within the past 4 years into the winter maintenance service. This had been a fundamental root and branch review following the creation of the new Authority and its experience of operating inherited systems during its first winter of existence. This review had fully involved all sectors of the community through direct and indirect consultation with the public, business and representative organisations to establish the level of service required. It had explored a number of service delivery options and methods of approach to delivery resulting in a totally new set of maintenance routes, new approaches to snow clearance and to footway maintenance. These revised arrangements had been well publicised and a programme of continuous review established. It was identified that this process had been operating successfully and that many efficiency changes to the original arrangements had been introduced as a result of continued public and organisational dialogue.
7. Immediately prior to the commencement of the review Bridges as a separate entity had just completed a programme bringing all structures up to the required 40 ton vehicle loading capacity. The issues surrounding the maintenance of these structures was thus not relevant to the review other than in the maintenance of the surfaces that they carry
8. Finally it was recognised that the specialist area of Public Rights of Way maintenance had little in common with 'mainstream' highway maintenance. It was also noted that the maintenance aspect of the service as a whole was a small part of the work of the Public Rights of Way service and thus to review this small part in isolation was not appropriate.
9. The overall scope of the review was agreed and accepted at the Executive on 22 September 2000 as :-

The day to day repair and programmes for maintenance improvements of all roads and footways, to include - the highway surfaces of roads, footways and verges which are used by pedestrians, cyclists and traffic and associated features of the highway such as signs and lines.

10. Responsibility for the management and delivery of the highways maintenance service (as defined by the scope of the best value review) and the associated budgets is all within the Development and Transport Group under the Assistant Director (Development and Transport). Within this single group there are three sections which have complementary responsibility for elements of Highway Maintenance:

- Highways Infrastructure, Development and Transport, DEDS
  - Highways Regulation, Development and Transport, DEDS
  - Engineering Consultancy, Development and Transport, DEDS
- The Civil Engineering Department of CSO also has an involvement but as a competitively appointed contractor delivering work to a value of up to £50,000.
11. The purpose and responsibility of these departments is set out in the next section of this report. Although Highway Infrastructure is exclusively devoted to the provision of the Highways Maintenance service each of the other departments have duties and responsibilities in addition to Highways Maintenance. The extent of the service and an indication of which parts of it are within the scope of this Best Value Review are set out at Appendix A.
12. The scope of the review is therefore about highway maintenance as carried out by the highway infrastructure team with parts of highway regulation and engineering consultancy. It is not directly concerned with those services provided by other teams outside of Development and Transport group of DEDS who may have some linked maintenance work.
13. The review thus covers the following service areas:
- Highways Customer Help line
  - Reactive, safety and planned maintenance for:
    - surfaces
    - street furniture
    - signs
    - road markings
    - gully cleaning
    - drainage
  - Emergencies
  - Highway surveys
  - Insurance claims
  - Streetworks Co-ordination
  - Planned programmes
  - Highway Management System
14. In financial terms the review covers the following budget areas:
- Highway Surfaces Patching
  - Highways Surfaces Resurfacing and Reconstruction
  - Highways Surfaces Surface Dressing
  - Highways Surfaces Other General Maintenance
  - Street Maintenance
  - Administration and Management costs in respect of the above service budgets
  - Engineering costs associated with the design and delivery of the above service budgets

15. The review did not have sufficient time to examine each of these service areas in detail and the majority of the review has therefore concentrated on issues surrounding the largest budget spending area, namely reactive, safety and planned maintenance of roads and footpaths and the overall management arrangements for delivering this service. It is, however, believed that many of the issues identified in respect of management arrangements (e.g. approach to procurement, co-ordination of the service, optimisation of resources) and which are suggested as areas for improvement may also be applied to the areas of the service not reviewed in detail.
16. There are a number of limiting factors surrounding this BVR. As the outcomes of the review may be conditional upon the extent to which solutions can be simply applied to one service or should be expanded to incorporate other facets of the service covered by separate BVRs. BVRs which are dealing with similar services (and the remainder of services covered by the three DEEDS departments involved in this review) include: Environmental Street Scene (2001-2002) and Regulatory Services and Integrated Transport (2002-2003).

### **Section Three - Profile of Current Service**

1. Highways are one of the few council services which are used in some shape or form by every resident, business and visitor of York. As a result there are a wide range of stakeholders ( e.g residents, local business, elected members, Highways Agency, Staff and Management, Contractors/Partners, Utility Companies, Developers).

### **Condition of the Nations Asset**

2. In 1997 the House of Commons Transport Select Committee on maintenance recognised that
  - the nations highway infrastructure was deteriorating
  - funding was insufficient to arrest the decline
  - the DoT should take account of the study which had been carried out by the County Surveyors Society
3. The County Surveyors Society study had shown:
  - 7% reduction in revenue funding despite increasing traffic and road lengths
  - major concern about the condition of the infrastructure
4. In addition the National Road Maintenance Condition Survey (this is a national survey to collect information on visual and structural surveys completed) of 1999 noted the following:
  - Visual Condition Survey: the worst condition on record;rural classified roads showed slight improvement; local roads the worst on record
  - Structural Condition Survey: slight improvement on principal roads
  - Footways: further deterioration in 1999
  - Maintenance Expenditure: local authority roads and bridges fell by 3%
  - Overall Trends: Road Condition has fallen by 14% in the last 10 years; Footway Condition has fallen by 8% in the last 10 years; Expenditure has fallen by 38 % in the last 8 years

### **History of the Current Service**

5. Prior to 1996 and LGR, York City Council were highway agents for North Yorkshire County Council in most of the main urban area the best being directly managed by North Yorkshire County Council. However since 1996 City of York Council has been the highway authority and directly responsible for highway maintenance.
6. There was an internal restructuring of the management of the service in 1999 which improved clarity of roles and increased management capacity within the service.
7. The operational side of the service is delivered through a number of term contracts with several contractors. The main contract is with CSO and was let in April 1998 for 3 years which is extendable to 5 years ie

31 March, 2003. There are other contracts are for a range of specialist work each with different time scales.

**The Highway Asset**

8. Highway Network - Key Statistics

Footways	1150 km
Carriageways	722 km
Verges	1,410,000 sq.m
Street lighting	17,000
Signals and Signs	6,600
Drainage	35,000 gullies
Bridges	73

- 9. Of the total 722km of carriageway and 1150km of footway there are 60km and 50km respectively on principal roads.
- 10 In addition to the above, there is a further 55km of trunk road within the City of York area which is the responsibility of the Highways Agency ( this is currently maintained by Halcrow as their agents). It is proposed that in April 2003, 33km of this network will be de-trunked and the responsibility for maintenance will be transferred to the City of York Council.
- 11 The Trunk Roads and Primary Routes in York perform multi-functional roles. They act as links between urban centres in the region and also as district distributors. These functions are most easily demonstrated by the A1237 Outer Ring Road. The A1237 acts as a district distributor with communities, major business and retail sites located next to it and also as a means of commuting between local areas. However, this could be applied to all the trunk roads in the area apart from the A64 which still maintains its predominantly inter regional role. In comparison the Principal Roads in urban York act as both district and local distributors and, in the case of those in the City Centre, as access roads. The relationships between each of these categories of road is inter-changeable and no clearly defined role exists.
- 12 All the principal roads are bituminous in construction with most having an asphalt wearing course with footways in the urban areas and verges in the rural. There has been little new construction of principal roads in York in the last 30 years apart from the A1237 Outer Ring Road built in the mid 1980's. Most roads have been constructed as successive layers have been added to them with very little consideration for design. Pavement coring of the network has shown a great deal of overall variability between adjacent sections and little consistency of materials. Ground conditions beneath our roads are predominantly a grey/brown clay arising from river alluvium giving reasonable ground bearing values.

13 The Council has a variety of bridges, ranging from large mass structures constructed in the Victorian era of stone, cast iron and steel, to modern bridges of reinforced concrete. York has five significant bridges spanning the River Ouse which are vital links in the transport infrastructure and carry significant traffic.

### Condition of York's Highway Asset

14 There is a gradual decline in the condition of York's highway infrastructure as shown by the surveys carried out over the past 2 years. The results of our most recent full visual condition survey of road and footway surfaces for the entire network are shown in the table below.

#### Results of the June 2000 Visual Inspection Survey

	Grade 1 (good)		Grade 2 (average)		Grade 3 (poor)	
	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>
Principal Roads	21%	35%	59%	42%	19%	23%
Non Principal Roads	33%	24%	48%	56%	19%	19%
Urban Roads	36%	34%	47%	52%	17%	14%
Rural Roads	21%	29%	57%	45%	22%	26%
All Roads	31%	33%	49%	50%	19%	17%
All Footways	32%	31%	54%	56%	13%	14%
All Back Lanes	-	22%	-	56%	-	22%
All Community Footpaths	-	51%	-	42%	-	8%

15 The results of the first two years of the survey of the condition of the highway surfaces in York are:

- Principal Roads are deteriorating at a rate of 4% / annum compared with non principal roads which are showing only a marginal deterioration, the gap is therefore widening between the two;
- Urban roads are showing a 3% improvement with rural roads deteriorating by 4%. Once again this shows a widening of the gap between them; and
- There is only a marginal change in the overall condition of both roads and footways and it is not possible to identify a trend.

16 This year the survey included back lanes and community footpaths, the results of which confirmed officers opinion that back lanes are in poor condition and the footpaths are generally good. It is intended to continue the survey next year which will provide a better indication of the trends in improvement and deterioration.

17 Using the results of the survey the estimated level of maintenance backlog for York's highway infrastructure is:

Highway surfaces	£16,806,000
Bridges	£1,700,000
Street Lighting	£706,000
Drainage	£1,142,000
Signs	£151,000
Signals	£50,000
Trees	£300,000
Lines, fences, furniture	£40,000
TOTAL	£20,895,000

### **Strategic Fit, Service Objectives, Policy and Strategy**

18 The principal links between the highway maintenance service and corporate objectives are in respect of:

- Providing a safer city for the residents and visitors to York to travel in
- Protecting the environment
- Maintaining the Highway so that goods and people can travel around the city without hindrance and so promote the local economy

19 The Highways Maintenance Service fits into the departmental objectives which are set out in the Local Transport Plan for 2001/02 to 2005/06

20 In order to Plan and manage the Highway Network the LTP identifies the following key objectives in connection with this review:

- The Council will provide a safe environment for all users of the highway network. We will also provide the highest affordable quality of facilities and maintenance levels in an effective and efficient manner that represents good value for money.
- The Council will inspect and assess our stock of bridges and undertake routine and essential bridge repairs and strengthening as determined on a priority basis. Where structures are identified as inadequate to carry normal and proposed traffic loads, weight restrictions or other temporary measures will be applied to retard deterioration and protect the travelling public.

21 These in turn are translated into a series of specific objectives for the principal road networks as follows:

- An overall improvement in the condition of the principal road network when balanced against the rate of deterioration;
- A high level of user satisfaction measured by the annual Residents Opinion Survey and the people's panel
- A principal road network with all sections having:



- above the investigatory level for skidding resistance, measured as an annual percentage
- 5 years residual life, measured as an annual percentage
- carriageway structural index below 70, measured as an annual percentage
- when carrying out structural improvements to achieve at least 20 years residual life
- all dangerous defects on the highway surfaces repaired within target timescales, measured as an annual percentage
  
- a safe, well maintained infrastructure which is fit for purpose measured as:
  - the number of third party accident claims settled each year as a result of defective roads and footways; and
  - the number of road traffic accidents each year occurring as a result of defective roads or footways defect
  - all bridges on the highway network capable of carrying 40 tonne loading or protected by physical measures or weight restrictions

22 The Highways Maintenance Service seeks to work to the standards set out in 'The Highway Maintenance Code of Good Practice' by the Local Authority Associations (1989) - which is due to be updated in the near future. The Code of Good Practice relates to all services which are traditionally covered under Highways Maintenance (some of which are outside the scope of this Review):

- Highways Maintenance
- Structural Maintenance (surface dressing, resurfacing, patching, reconstruction, drainage, footpaths, patching, reconstruction, drainage, footpaths, fencing and bridges)
- Winter Maintenance
- Routine Maintenance
- Cyclic Maintenance (street sweeping, grass cutting, hedges and trees, gully emptying, ditches etc)
- Aids to movement (traffic signals, signs and road markings)
- Street Lighting

23 It is currently proposed that once the Code of Good Practice has been updated a comprehensive Highways Maintenance Plan and Asset Management Plan will be produced. This plan will replace or incorporate the current policies which exist within the Council in respect of Highways Maintenance i.e. :

- Winter Maintenance (October 1997)
- Damaged Grass Verge Policy (December 2000)
- Paving Policy (January 1995)
- Street Lighting Policy (September 1997)
- Bridge Maintenance Policy (November 1998)

## **The Maintenance Policy for York Roads**

24 Based on the LTP objectives the objective in respect of Highways Maintenance is to deliver an effective and efficient service, providing a highway infrastructure that is available at all times, and minimises delay and inconvenience for all users. This is achieved through the adoption of quality specifications and methods in construction, reducing waste and improvement of efficiency in a sustainable manner. Wherever possible an innovative approach to finding the right solutions is adopted.

25 The Strategy to achieve this objective is as follows:

- recognising the difference between maintenance activities for different sections of the network;
- optimising the benefits of the available funding;
- assessing and monitoring the impact of any standards or practices;
- assessing maintenance needs and allocating funds appropriately;
- reviewing the condition of the network regularly and recording it;
- maintaining an inventory and road network hierarchy;
- setting standards and practices for each part of the network;
- prioritising work using objective standards including fulfilling statutory duties, sustainability, economic development, safety, meeting the needs of those with mobility problems and taking customer consultation into account; and
- entering into partnerships with customers, business community, suppliers, contractors and other highway users.

26 The following are key features of the road strategy:

- implementation of the highway management system.;
- annual condition surveys;
- planned and safety inspections;
- regular comparisons with other providers of a highway maintenance service;
- conduct a sustainability assessment for highway maintenance; and
- seek opportunities for innovation.

### **Management Arrangements**

27 The service objectives identified earlier are delivered by the Assistant Director (Development and Transport) through three discrete sections within DEDES, Highway Infrastructure, Highway Regulation and Engineering Consultancy whose full remit and function are described in Annex C.

28 The service of Highways Maintenance tends to be automatically associated with the tangible built assets and schemes such as road surfaces and pavements. Although this is where the majority of the expenditure for the service goes there are also facets of the service which play an important role in the Highways Maintenance service but are not necessarily directly connected to built schemes. These parts of the service include functions such as: insurance claims, customer call centre, co-ordination of streetworks, servicing members/committees.

- 29 The service/departments are currently experiencing staff recruitment and retention problems which it is believed to be due to the current high demand for qualified engineers in the market place. There is a concern that this shortage is threatening to jeopardise delivery of the LTP. This issue is currently the subject of a separate review project being carried out for DEDS by ODU.

### **Procurement Arrangements and Contractors**

- 30 Basic Maintenance, carriageway resurfacing and surface dressing is currently procured using separate maintenance term contracts. Service delivery involves a mixed range of providers including the Council's Commercial Services department for basic maintenance on the highway and external private sector companies for surface dressing and slurry sealing. Contractors therefore play a key role in the successful delivery of this service.
- 31 The relationships with all the term contractors are good - particularly with CSO which is to the benefit of the service. Understandably there are from time to time contentious issues to be resolved but on the whole these are resolved amicably. The benefits of a term contract with CSO is that the Council does not receive time consuming claims for contractual issues, they have a knowledge and experience of working in York, any surplus developed by CSO stays within the Council. Because of the good relations they are also responsive to ad hoc requests, they understand the need to serve customers and York Council approach and systems.
- 32 The Engineering Consultancy has arrangements with external consultancies in both roads and bridges to assist in providing the service as commitments or programmes dictate.
- 33 The table at Annex D shows the term contracts which have been awarded for the delivery of the operational side of the service. These contracts are let under differing terms and although each of the contracts are specific to highway maintenance they are for different periods and are not to a standard specification or are specifically linked one to another.
- 34 A select list is used for schemes outside the current term contracts in terms of value and content. The select lists are maintained by the financial resources team with advice from Highway Infrastructure, Engineering Consultancy and Highway Regulation. A thorough review of this system is currently being undertaken.

### **Performance Management**

- 35 The performance of the Highways Maintenance Service is managed in a variety of ways:

- Monthly monitoring against a range of Performance Indicators including Audit Commission and local KPIs
- Monitoring of contractors performance
- Monitoring of time records
- Staff appraisals
- Financial performance against budgets and/or trading accounts
- Progress monitoring by monthly meetings with contractor and consultants

### **Customer Focus**

36 In delivering the highways maintenance service to the public, officers are keen to emphasise the importance of the 'York Way' in their approach. This places great emphasis on public consultation and notification of highways maintenance schemes and delivery to clear targets. Officers believe this to be a unique and important feature of the service they provide which sets York apart from other local authorities. (e.g. The Council's commitment to Customer Contracts).

### **Financing**

37 Details of budgets are shown at Annex E. The service has increased its spending, particularly on footways, each successive year since 1996. This demonstrates a commitment to improving the condition of roads and footways in response to the requests made to the Council by its Residents.

38 Similarly there is an upward trend in the level of Government funding in the last 5 years, reflecting the growing concern about the condition of the principal road network. Annex E details the recent Local Transport Plan settlement for the next 5 years.

39 It is estimated that an annual increase in revenue base budget for routine maintenance required typically each year to standstill is:

increase in length due to adoption	£31,000
increase due to improvements (for example anti-skid surfacing, coloured surfacing to cycle lanes)	£50,000
increase in energy costs of street lights	£28,000
inflation	£112,000
Total	£221,000

There also needs to be greater co-ordination between capital projects and the resulting revenue costs in respect of highways maintenance. In other words capital improvements will have an ongoing maintenance liability which is not always recognised and a suitable revenue budget allowance made.

### **Highways Maintenance Budgets**

40 The total costs of the part of the Development and Transport Group with responsibility for Highways Maintenance and indicative costs per FTE are detailed at Appendix E. The budget details have been used to calculate an indicative cost per FTE. These indicative costs have been used to estimate the costs of the FTEs which are used to provide the parts of the Highways Maintenance Service which is under review. The budgeted costs within DEDS are approximately £1.158 million and incorporates the work of approximately 32 of the 75 FTEs employed by all three sections (as shown in the table below)

	<b>Highway Infrastructure</b>	<b>Highway Regulation</b>	<b>Engineering Consultancy</b>
Indicative cost per FTE £K	37.5	32.5	35.7
FTEs providing Highways Maintenance	16	4	12
2000/2001 Budgeted Highways Maintenance Costs	600	130	430

41 The remaining FTEs within Engineering Consultancy and Highways Regulation not included in the delivery of the Highways Maintenance Service have responsibility for a range of services in connection with: improving the highway, maintaining structures (e.g. the City Walls ), land drainage and regulatory services associated with the highway (e.g. impact of new developments on the public highway).

42 In order to try and gain a more accurate assessment of the costs involved in the delivery of the Highways Maintenance Service an analysis of time sheets has been carried out for 1999/2000 and 2000/2001. This was carried out to try and achieve a more accurate understanding of the costs of the service within DEDS and begin the process of comparing York's costs with other providers. This analysis does however need to be treated with caution because:

- The time records used for 2000/2001 were not fully complete;
- The use of external agents to undertake design work will not show on time sheets
- The accuracy of the hourly rates has not been reviewed since early 1999
- Hourly rates are not calculated for Highways Regulation
- Two separate time recording systems are used within DEDS
- It has been necessary to make a series of judgements and assumptions about where staff time has been spent.

43 The analysis of time records indicated costs of £863,202 for 1999/2000 and £1,040,480 for 2000/2001. This indicates an average cost of approximately £950,000. A consideration of these costs is presented later in the report when they are compared to other service providers.

44 In order for the staff within DEDs to deliver the highways maintenance service there are a number of separate works budgets for the different elements of the service. These include various contracts which are delivered by a range of private contractors and in-house by the Civil Engineering Section of CSO as shown at Annex D.

45 The total costs for delivering the Highways Maintenance Service (as defined by the scope of the Best Value Review) in 2000/2001 can therefore be estimated as:

Costs of managing and delivering service (ie costs of DEDS)-	£ 950k
Cost of works	<u>£4,630 k</u>
Total	<u>£ 5,580k</u>

## Section Four How good is this service ?

1. A consideration of the evidence available from the review produces an overall impression of a service that is performing reasonably well and made efforts in recent years to raise its standards. But the key managers involved in the delivery of the service also acknowledge that there are aspects of the service which can be improved further and there is a need to demonstrate that it is at least as good as the alternatives available in the market place.

### Current service performance – Performance Indicators

2. The BVPP for 2001/02 provides the following assessment of the Council's performance in respect of Highways and, where available, details of comparative performance. The comparative performance indicates which quartile the Council appears in where Q1 represents the lowest performance, Q2 & Q3 represents average performance and Q4 the highest performance.

Performance Indicator Description	City of York Council Performance				Comparative Performance 2000/2001 (where available).
	2000/2001		2001/2002		
	Achieved	Target	Estimated	Target	
Cost of Highways Maintenance per 100km travelled by a vehicle on principal roads	£.58	£.23		£.25	(Q2)
Percentage of principal roads with a negative residual value	.14 %	Monitoring		.14 %	(Q4)
Number of days of temporary traffic controls or road closure on traffic sensitive roads caused by local authority roads works per km of traffic sensitive road	8.4	6.55	0	7	(Q1)
Percentage of damage to roads and pavements made safe within 24 hours	99%	99%		99%	(Q3)
Satisfaction with the condition of roads and pavements	41 %	Maintain Standard		41 %	N/a

3. In addition to the BVPP PIs there are a number of other indicators used by the service to measure performance.
4. DEDS have local Performance indicators in respect of the Percentage Length of Grade 3 (poor) carriageway and footway.
5. There are also performance measures in respect of Customer Contracts. The performance during 2000/01 was as follows:

PI	Target 2000/2001	Achieved 2000/2001
1 weeks pre works information letter to customers	94 %	81 %
Highways inspections within 4 working days of reporting	99 %	94 %
Highways Urgent Repairs within 1 working day of reporting	95 %	91 %
Highways Serious Repairs within 3 working days	86 %	86 %
Highways General Repairs within 20 working days	92 %	70 %

6. CSO use monthly indicators to manage their performance. These are a relatively new innovation following a detailed self assessment of the whole of Commercial Services using the EFQM quality management model. The performance indicators are based upon:
- the number of inspections of work carried out
  - the extent to which they comply with operational and quality checks(target 95 %)
  - the extent to which work complies with the specification (target 95 %)
  - the extent of client satisfaction with the work target (target 95 %)
  - the extent to which inspections are clear of snags (target 95 %)
7. In recent preliminary monitoring, the indications are, that CSO were exceeding all of their performance targets however full year monitoring has yet to be completed.

### **Current service performance – Contractors Performance**

8. The three key contractors in respect of roads and footpaths are:
- Tarmac (for surfacing work)
  - Colas (for surface dressing work)
  - Commercial Services (for Highways Projects, Basic Maintenance of the highway, emergencies, gully cleaning, winter maintenance and general work)
9. The most recent evaluation of contractors performance was carried out during the period August 2000 to February 2001 which assessed contractors performance against time, quality, value for money and health and safety. The results of the assessment is available in detail including the scoring mechanisms used. An overview of the outcome of the review is detailed below:
10. TARMAC (November 2000) – ‘In the first year of this contract a considerable volume of work has been completed which without this contract would not have been possible to deliver. Tarmac’s approach and



support to this contract has been excellent and good working relationships have been developed with their staff. Some projects have achieved a perfect score which reflects admirably on Tarmac's approach to the Contract. The standards achieved to date have been excellent and we hope that Tarmac can continue this way'.

11. COLAS (February 2001) – 'The review has identified that the Contractor made an impressive start in the first year but that standard was not maintained in the second year. In particular key customer care issues were neglected and not observed. The one area that needs improvements is in the pre-patching works. A few other areas of concern need to be jointly addressed.'
12. CSO (August 2000)– 'This review has identified areas of weakness mainly in consistency of quality of work. These are considered to be the consequence of insufficient attention to supervision by both parties to the contract. There is still concern about contract administration and the timescales involved. Subsequent to the review steps are being taken to address these weaknesses and significant improvements have already been made.'
13. Since last summer CSO have sought to improve their performance throughout the Directorate by assessing themselves using the European Foundation Quality Management Excellence Model and introducing a quality management approach. This initiative is part of the Council's overall move towards a performance management culture. The self assessment process in respect of Civil Engineering within CSO has resulted in a number of improvement initiatives to increase the quality of their work :
  - additional supervisor
  - introduced a quality finish bonus
  - introduced a right first time initiative
  - holding regular quality meetings
  - set up regular working group on specification and quality with DEDS

#### **Evidence of commitment to continuous service improvement**

14. There have been a number of improvements made to the service most notably:
  - Development of the Highway Condition database which has been compiled as a result of the annual highways service that is now in its third year
  - The recent appointment of four additional highways inspectors to undertake assessments of the condition of the highway on a 'rolling basis' and provide a more proactive fault finding service
  - Initiatives undertaken within CSO to improve the quality of built works and reduce defects (e.g. quality bonuses now paid to labourers)
  - A tracking system for the Highways Hotline Telephone system which allows the progress of a residents query/complaint to be monitored
  - Appointments System for reactive work

- A Utilities Charter
- Proposals to improve co-ordination and management of schemes on the client side
- Operating a rolling eighteen month capital programme with earlier member approval

15. Other key changes made recently are detailed below.

16. Officers have been looking at the management and operation of the service which resulted in a number of reports being presented to Members last year relating to:

- Statutory Undertakers
- Condition of Highway Surfaces
- Inspection and Safety Maintenance
- Annual Review of highway maintenance
- Damaged verge policy
- Advanced programmes

17. Many new practices have been introduced:

- publicity leaflets covering the different maintenance programmes
- annual survey of the whole network
- monitoring of the network condition
- monthly monitoring and reporting of budget spend
- monthly monitoring and reporting of work programmes
- development of an office manual
- introduction of machine testing on principal roads
- introduction of project management systems and methods
- developing customer care initiatives including appointment system and pre-printed cards

18. Improving income by pursuing damage claims against third parties.

19. Carrying out specific customer research in the last three years to identify residents opinions and expectations of the service.

20. Involved with a number of other councils to establish good practices and methods over the last two years.

21. Work with utilities to promote better working arrangements and in particular better co-ordination of works throughout the highway network.

22. The following new initiatives are underway or taking place.

- recycling - we recently trialled a technique for insitu recycling of rural road haunching with the addition of cement, we have carried out trials of insitu road surfacing with bitumen replacement to improve the quality of reinstatements
- thin overlays - we have introduced thin overlays as a cost effective alternative to surface dressing in urban areas.
- slurry sealing - we have introduced the use of slurry sealing and micro asphalts to footway improvement programmes

- paving trials - we have carried out trials in the City Centre to review materials, specifications and workmanship to overcome the problems of damage which often results in trip hazards like rocking flags.
- speed cushion trials - we recently tested new materials to overcome the problem of premature speed cushion failure.

23. Development and introduction of a Safety Inspection regime linked to risk management.

24. Staff training:

- attendance at all national conferences on highway maintenance
- attendance at specialist paving and surfacing conferences
- support for staff to obtain professional qualification

25. Programme management and monitoring

- support to other groups
- technical backup
- promoting more flexibility and responsiveness

#### **How well does this service compare to others ?**

26. A review of Cipfa Statistics has been carried out to identify York's position in comparison with all other unitary authorities and the Councils Audit Commission Family Group. Cipfa statistics for comparative purposes are available for Total Expenditure and the following categories of expenditure:

- Bridges and other structures – structural maintenance
- Local Authority Roads – structural maintenance
- Carriages and Footways – routine maintenance
- Street Lighting
- Winter Maintenance

27. A review of the comparative statistics for the service finds that York is generally) at the average or below average expenditure for Highways Maintenance (with the exception of Local Authority roads).

28. Total expenditure within York, at £6,657 per kilometre, is below average in comparison to Unitary and Metropolitan councils with a similar size road network. The average spend across the comparator group was in the region of £7,500 per km road network.

29. Specific areas on principal roads in which spend within York was particularly low were:

- Bridges and other structures (£49k compared to an average of £215k)
- Carriageways and Footways (£255k compared to ave. of £1,300k)

30. York were one of the highest spending authorities, with regard to Local Authority roads, when comparison is made to local authorities with a similar size road network as York. Expenditure was £4,216 per kilometre, when average expenditure for this group was just over £3,000 per kilometre.

31. Winter Maintenance expenditure within York when assessed against comparator authorities of a similar size was found to be above the average of £292k at £395 k.
32. A comparison of the Council's approach to managing the highways (via a benchmark club established by the Head of Highways Infrastructure in Summer 2000) indicates that York meets 13 out of 18 selected good practice standards – these are detailed at Annex F. Of the five standards not achieved (Asset Management Plan, Partnering Arrangements, Highway Inspection Manual, ISO 9000 and IIP) benchmark partners generally had also not achieved these either with the exception of Partnering Arrangements where 4 out of 6 benchmark partners had Partnering Arrangements in place.
33. A separate review of other local authorities arrangements for delivering Highways Maintenance finds York is amongst best in class for its approach to surveying the condition of its highways and setting maintenance programmes and use of consultation techniques. Areas where it could improve the performance of the service further are in respect of adopting a quality management system and taking a partnership approach to procurement.
34. The review has not identified any other authorities with local KPIs for the service or evidence that other authorities use many KPIs other than those set by the Audit Commission.
35. The review of other local authorities have found a variety of approaches to providing a Highways Maintenance service. It has not always been possible to share costs details as many regard this as confidential information (especially in respect of percentage fee rates charged by Design Services). In general the 'establishment costs' of approximately £950,000 identified above do not appear to be out of line with others. However, a more detailed cost comparison and benchmarking exercise is needed to prove this beyond reasonable doubt. This more detailed work is included in the CSIP.
36. Discussions with the local Highways Agency (Area 18) to consider alternative approaches to managing the service has found that they have a different approach to Highways Maintenance. The approach taken has the Highways Agency acting as a 'Client', a competitively selected Engineering Consultant (Halcrow) acting as the 'Clients Agent' who is responsible for managing all aspects of maintaining the trunkroad network within Area 18 as well as a competitively selected 'Contractor' (Amey). The basis of tender specification and award of contracts is weighted in favour of delivering quality and uses price as a secondary factor.

**Section Five - What competition and what options exist for delivery of this service ?**

1. The Council's Procurement Policy in respect of Best Value states that: 'the choice between an internal and external provider of a service is a fundamental one. The presumption is that all council services must be periodically exposed to genuine competition unless there are compelling reasons to recommend a different course. This is a requirement of the best value regime as set out in DETR circular 10/99.'
2. The Council does use competitive tender for delivery of maintenance services on to the highway and has exposed the in-house DLO to competition twice. The aspects of the service which are on the client side such as the Inspection service (within Highways Infrastructure) and design service (Engineering Consultancy) have not been competitively tested. They do however use outside consultants either for specialist work (e.g. Bridges) or on an ad-hoc basis to absorb peaks in work (e.g. use of Mouchel and WS Atkins on the design side to help delivery of the LTP). All contracts are currently awarded on a CCT basis (i.e. lowest cost).
3. As part of the review some preliminary research has taken place to consider the ways in which other local authorities have engaged with the private sector and the services which private sector contractors offer in respect of Highways Maintenance. The findings of this preliminary research indicate that there is a strong and active market for the provision of Highways Maintenance Services and that the private sector can be utilised in many ways and under a variety of contractual arrangements.
4. It has been found that:
  - Many Local Authorities have arrangements for the private sector to provide all or part of their Highways Maintenance service in respect of both the design work and contractor work
  - Some Local Authorities have exclusively outsourced their entire Highways Maintenance Service leaving only a small residual client base to manage and monitor the contract. Others use a larger client base and retain key duties such as surveying the highway and operating customer call centres.
  - The contractual terms used by local authorities vary considerably between the traditional schedule of rates to a more progressive approach using output based specifications
5. Some authorities use an arrangement of Maintaining Agent and Term Maintenance Contractor. Under this arrangement a Consultant is appointed to manage the Council's Highway Maintenance function and a Term Contractor appointed to carry out the works (i.e. those services

currently provided under contract by CSO and a range of private sector contractors).

6. The Consultant would normally prepare a Term Maintenance Contract and then administrate that Contract on behalf of the client. Such an arrangement gives the Council only a minimal enabling role in the provision of the service as the Maintaining Agent would carry out the management of the Highway Maintenance function including the management of the Term Maintenance Contractor who would carry out the maintenance works. Many aspects of the service would be provided on a lump sum basis to provide the Council certainty of expenditure in specific areas (management of winter maintenance, management of emergencies and incidents, gully emptying, emergency response).
7. Some authorities use a Managing Agent Contractor (MAC) whereby the Client would appoint one organisation to carry out both the management and the works of the Highways Maintenance function. The MAC is usually an amalgamation of a Consultant and Contractor. The contract arrangements are similar to the Maintaining Agent/Term Maintenance Contractor but there is more scope to transfer risk to the MAC organisation.
8. The contractual arrangements between local authorities and private sector providers are increasingly placing as much emphasis on quality as price. They also include monitoring of contractor performance on indicators designed to secure continuous service improvement such as:
  - Improvements in cost efficiency
  - time to answer correspondence,
  - expenditure against profiled budget,
  - response time to incidents,
  - delivery of schemes against programme,
  - number of complaints,
  - number of accidents,
  - timely clearance of traffic management,
  - inspections completed on time etc.
9. The various means and methods of engaging the private sector in the provision of highways maintenance services are often termed 'Partnering Arrangements'. However the term partnering is as much a description of a way of working as it is about who is in the partnership arrangement.
10. The importance of Partnerships in the Construction industry has come to prominence in recent years with the publication of the Egan report. 'Rethinking Construction'. This is concerned with ensuring that the approach to construction projects changes to: become more customer focused; have a respect for people working within the construction industry; reduce the culture of contractual adversity that can exist between clients and contractors; allow more risk sharing between

parties; be as concerned with quality as price; and foster more open styles of collaborative working. This whole approach has come to be known as 'Partnership Working'.

11. The Egan report identified that a changed approach to procurement within the construction industry that sought to develop 'Partnership Working' would result in: better value for money; better design; reduced defects; fewer contractual disputes; increased client and community satisfaction; better whole life value.
12. Local Authorities who have adopted the principles of Partnership working in respect of their Highways Maintenance Function report that they have benefited from: financial savings, service improvement, improved trust between client and contractor, additional commitment to quality from contractors, reductions in the amount of contract supervision required, improvements of quality of staff in terms of expertise and experience, developing long term relationships with contractors, improved team working between client and contractor, increase ownership of the service by staff, reduced professional dogmatism. More evidence of these suggested improvements is however deemed necessary and this evidence gathering forms part of the CSIP.
13. Although many local authorities now use a 'Partnering Approach' in respect of a variety of construction projects including Highways Maintenance at present the City of York Council has very few partnership contracts in place and is relatively inexperienced in this form of procurement. There is therefore a need to improve the Council's understanding of 'partnering', research further what benefits have been achieved from using the approach, how contractual terms and relationships are managed under partnership arrangements (e.g. open book accounting, price: quality mix used in specifying and awarding contracts, use of KPIs and quality audit techniques).
14. Clearly there is a strong and active private sector market for the provision of highways maintenance services. However, what also emerges from the preliminary research of the market place and other authorities approaches to managing and/or procuring their Highways Maintenance Function is that there is not one predominant model of service delivery in terms of structure or use of in-house or private sector service providers. Any consideration of how York's approach to managing it's Highway Maintenance Service could be improved requires further understanding of the various contractual arrangements and service delivery models available and how the principles of 'Partnership Working' can be applied.
15. As identified above at least 50 % of the Council's Highway Maintenance works contracts in 2000/2001 were with private contractors. In considering how competitive the in-house services are a direct comparison with the private sector is currently difficult to make

This is because:

- The market is constantly changing and evolving (particularly with the growth of partnership arrangements and the advent of Best Value)
  - The costs levied by the private sector will vary depending on the type of service required by York and the contractual terms we wish to use
  - The in house services on the client side do not operate rigorous trading accounts capable of ready comparison with private sector rates (eg hourly rates of staff have not been reviewed recently, the information to calculate the percentage on-cost of schemes is not particularly transparent or readily available).
16. However comparisons with external consultants and contractors show that:
- The design services hourly rates are competitive
  - When exposed to competition the service is cost competitive (i.e CCT of Civil Engineering within CSO)
  - The service provided by the Civil Engineering department of CSO continues to report an on target surplus of 6.4 %
  - The percentage fee charged by external engineering consultants can be comparable with York's rate of 15 % but are often considerably higher (this has been supported by reference to the charges made by Mouchel and WS Atkins who are currently undertaking sub-contractor design work – though this work is not in respect to Highways Maintenance).
17. As part of the review a number of firms were invited to provide indicative quotes of how much they would charge for providing a highways maintenance service to City of York Council, and indicate the type of service they would provide for the fee. At present three firms have responded (Halcrow , Babbie and Colas) who estimate that they would charge between 9 % and 14 % of works costs for managing a Highways Maintenance Service covering: Highways Resurfacing and Reconstruction, Patching and Surface Dressing; General Maintenance; Winter Maintenance; Street Maintenance; Street Lighting; and Traffic Signals. For this level of fee the firms would offer between 10 to 20 Full Time Equivalent Staff (F.T.E.) depending upon the firm and the contractual arrangements entered into.
18. Although both firms have a commitment to and experience of public sector work it is not possible to tell from these preliminary costings the extent to which the costs will include the extensive public consultation and servicing of members which takes place at York. Furthermore compared to the in-house service they are unlikely to offer the same breadth and depth of local knowledge, commitment to the City of York Council, contacts with local suppliers and utilities etc, accessibility by customers and members, knowledge of the 'York Way'.
19. In comparison with the firms quotations the York fee (based on the time sheet exercise identified at ? above ) shows an estimated fee rate of 21 %. However when the time charged to activity not directly associated with provision of schemes and services upon the highway is removed,



to try and establish a more comparable rate, the fee rate reduces to approximately 11 %.

20. An alternative comparison is to consider the multiplier rate. This is the industry standard practice approach to costing time to recover staff costs and overheads and make a contribution to profits. It is calculated as a percentage of staff costs which are then used to levy fee rates. The review has identified that currently market rates are set using a multiplier between 1.8 to 2.1 of staff costs. The multiplier used by City of York Council is currently in the region of 2.4. The reasons for this high multiplier rate need further investigation but are likely to include the high overheads which inevitably arise from a large public organisation (e.g. cost of democracy) as well as the commitment to customer consultation which is a hallmark of the Council's approach.
21. When submitting indicative quotes two of the firms indicated that they would anticipate operating either maintaining agent/term maintenance contractor or MAC arrangements and would want to combine all services under one contract. Both firms claimed that they would expect to make savings of up to 20% by using these arrangements.
22. The consideration of the competitiveness of the Council's arrangements indicates that there is a need to develop the robustness of our costing data to ensure we are cost effective, further develop our knowledge of the market place and other authorities arrangements to consider how the Council's current procurement arrangements could be developed, fully research the benefits of adopting a partnering approach in contractual relationships. These action points are identified in the Continuous Service Improvement Plan.
23. In the interim period the current relationship between the DEDS and CSO could be used to pilot partnering arrangements, develop both parties understanding of how the arrangements work (the changes required and benefits which can be achieved) and increase the Councils overall knowledge of this emerging innovative approach to procurement of services.
24. If a pilot partnership was undertaken there would be a need to introduce rigorous quality standards and quality audit systems and an explicit set of objectives which could be used as a basis to objectively evaluate whether the pilot had been successful.

## Section Six - Consultation

1. The views of users of the service have been identified via the annual talkabout survey and by use of questionnaire to local businesses using the Chamber of Commerce. Both of these surveys have focused on the core items of the review namely the conditions of roads and pavements.
2. York's Tenth Annual Talkabout Survey of October 2000 (which achieved a response rate of 52 % ie 645 returns from 1229 distributed ) found that:
  - Respondents were fairly negative towards the condition of both roads and pavements in York as a whole with just over half expressing dissatisfaction (52% for roads and 53% for pavements).
  - Respondents radically misjudge the Council's performance in several key areas related to the maintenance and repair of roads and footpaths. In reality most of the Council's standards of service exceed the standard of service considered ideal by respondents. For example respondents overall believed that inspection of a problem reported by a resident generally takes 8.7 days whereas the standard set and achieved by the council is to inspect within four days. Similarly, the majority of emergency repairs take place within 24 hours rather than the 7.9 days indicated by respondents.
  - A similar picture emerges in respect of residents receiving notice of work being carried out to replace a road or footpath. Respondents indicated that they would prefer to receive less notice of planned works rather than more and believed they received 2.7 months notice. The standard the Council works to is to give one months notice yet slightly more than half of respondents (56 %) believe that the Council should give less notice.
  - It appears that a major problem is a lack of communication on the part of the Council about what it actually does. Panel members have low expectations about the Council's standards of service, whereas in reality the Council's performance generally exceeds their perception of an ideal standard of service. These low expectations of the Council's performance are almost certain to have an impact on overall satisfaction levels and impressions of roads and pavements. In the long term, more effective communication should have a positive effect on overall attitudes towards the condition and maintenance of roads and pavements.
3. A separate more proactive approach to consultation has been undertaken via Focus Group research of Roads and Pavements Maintenance in November 1999. The Focus Group work was undertaken to gain a better understanding of the dissatisfaction with roads and pavements which had been reported via the annual Talkabout surveys. The work was undertaken by independent consultants (Pickersgill Consultancy and Planning Ltd.).

4. Four groups of different age bands were used (two from inner York and two from outer York). This found a range of different key findings between the groups but broad agreement that the priorities of Highways Maintenance should be safety first (e.g. fixing dangerous flag on a pavement), followed by fixing potholes then 'less important' issues such as rubbish removal or fixing damaged grass verges.
5. There was more evidence of a lack of awareness of the services provided by the Council or the standards that services work to. Focus Group members were generally unaware of the 'Customer Contract for Road and Footpath Maintenance' or the Hotline Telephone number for reporting faults upon the Highway.
  - A survey of local businesses via the Chamber of Commerce (which achieved a response rate of 24 % i.e 90 returned from 370 distributed) found :
    - An overall majority (52 %) either fairly or very dissatisfied with roads in York and a bigger majority (70 %) believing the condition of the roads is staying the same or getting a little worse. Similar views are held about the condition of the pavements in York.
    - That as with resident's opinions there are some misperceptions about the levels of service which are currently provided. For example routine inspections of shopping areas in the City Centre take place more frequently than businesses realise (monthly rather than every three months). Furthermore the current level of monthly inspections is at a level which business's regard as being ideal but do not believe is being achieved.
6. As noted above these consultations have mainly focused on the conditions of roads and pavements and perceptions of the service received. This exercise has proven useful in identifying the need to raise awareness of the service provided by the Council and the views of customers. There is clearly a need to improve understanding and awareness of the service provided and consult on a wider and more structured basis.

## Section Seven - Challenge

1. A fundamental review of the service, what it does and why it does it has taken place in a number of different ways. There is also evidence of the service responding to challenge:
  - A Challenge panel was established in July 2000 consisting of the Council's Chief Executive and 5 independent officers who questioned the reasons for the service, and raised issues surrounding the Council's role and responsibility in respect of Highway maintenance.
  - Staff Focus groups have 'challenged' current service structures and service objectives.
  - The views of customers identified via the Focus Groups and Residents Opinion Survey has challenged the service to reconsider its approach and seek to improve the way it is perceived by customers.
  - A Challenge meeting with the managers of Highway Infrastructure, Highway Regulation and Engineering Consultancy within DEEDS to explore 'How' and 'Why' they currently provide the service.
  - The current operation of Client Trading accounts has been challenged to try and increase their usefulness and impact on business practice (e.g. ensure correct trade-off between cost and quality is achieved). This would also ensure accurate management information is presented so good comparisons and informed decisions can be made.
  - The programme of Annual Condition Surveys carried out by Highways Infrastructure (which are used to improve the Councils knowledge and understanding of it's asset and prioritise budgets) has been developed in direct response to a challenge from Members to develop a more transparent and rational basis to planned maintenance work.
  
2. The challenge process has help identify that at present a number of policies do exist for individual aspects of the service ( identified above) but there are policy gaps and there does not appear to be one overall strategy/policy. There is a need to fill this gap by reviewing what the key objectives and outcomes of the service are and addressing fundamental questions such as:
  - 'Is all the adopted highway network necessary?'
  - Does it all have to be maintained to current service standards?
  - Are some standards too low?
  - 'Are our current contractual terms and procurement arrangements the most effective ?'

## Section Eight - Current Service Issues

1. The Best Value Review process and discussions with managers and staff within the Council (via focus groups and discussion meetings) who currently deliver the service have identified a range of strengths and weaknesses of the current service and a clear and strong commitment to it. Yet there is also frustration with the way that the service is currently perceived and delivered.
2. As part of the review process the three section managers within DEDs have submitted a detailed Management Review Paper setting out their views of the service its current weaknesses and proposals for CSI. This paper has proved invaluable to the review process and much of the work is included within this report and the draft CSI plan.
3. The managers diagnosis of the current issues within the service has been combined with other evidence from the review, comments from focus groups and discussions to provide the following analysis of the service:
  - Split service function
  - Poor opinion of service
  - Poor condition of the Asset
  - Poor Management
  - Poor operations/delivery
  - Insufficient investment in the asset

### Split Service Functions (Managers Comments)

- Areas - the maintenance of the asset is split between a number of management heads with a consequent loss of efficiency, effectiveness, and likely to be uneconomic. Highway Infrastructure, Highway Regulation, Engineering Consultancy, Leisure Services, Environmental Regulation, City Centre Management, Transport Planning Unit, Planning and Design
- Approach - different management heads have different standards of service
- Co-ordination - lack of efficient action on the highway
- Communication - long and slow, not considered to be important by heads
- Priority - because the service is split then highway maintenance has to compete under different management heads for priority. Maintenance is usually seen as a low priority and as a result suffers and is often left until the last.
- Management systems - there is no common approach to the management of the service, performance monitoring, financial, work programming

### Split Service Function (Focus and Discussion Groups)

- A sense from client staff and CSO that the approach to delivering schemes on the highway is un co-ordinated

- Managers from DEDS recognising that their ability to improve the service delivery is hampered in part by not all aspects of the service being in their control (e.g. grass verges) or limited by other highway activities (e.g. street sweeping)
- Poor inter-team working (e.g. no joint team briefings) and no collective responsibility for service provided or consistency in service approach (e.g. Engineering Consultancy have a procedures manual but Highways Infrastructure and Highways Regulation do not)
- Variable quality in the standards of brief received and issued by Engineering Consultancy
- Disagreement about whether the current structure on the client side is appropriate

Poor opinion of the service  
(Managers Comments)

- Residents' Opinion Survey - the levels of satisfaction have been consistently low and although trends have been improving in recent years, last year there was a significant downturn.
- Perceptions - this is subjective but from comments made at last years customer research we are not as poor as the Res Op would suggest or as Members think. However we do need to raise the profile in a positive way and educate about what we do.
- Projected negativity to service - much of the service feels threatened by the perceived criticism it receive from Members and customers and its inability to respond. This inability is usually as a result of lack of finance.

Poor opinion of the service  
(Focus and Discussion Groups)

- A view that we sometimes produce too high a quality engineering solution in terms of engineering design
- Staff and Management recognise the need to demonstrate they provide a good value service at a competitive rate
- The professional judgement of engineers is often compromised by political and financial considerations (e.g. perception that maintenance of footpaths is put before long term quality of roads)
- There is not currently a 'champion' of in-house services who can 'push through' service improvement and , if necessary, lead an in-house bid.

Poor Condition of the Asset  
(Managers Comments)

- Current Standard – the current view is that the minimum standard should be one where the asset is not deteriorating and preferably one which is improving.
- Backlog of maintenance - the estimate of the current backlog of maintenance is £21m.
- Problem areas - city centre paving, rural roads, footways in residential areas, classified roads
- Utilities - major influence on condition, 7500 openings each year, poor reinstatement, material, level, time opening is in place.

- Accidents - injury to persons and property, 200 / annum at a cost of £300,000, well above average
- Repairs – the delivery is not of a high enough standard, wrong materials, not meeting spec, no contractor control, no monitoring of performance, too much repeat work
- Damage - the amount of vehicle over run is high in the City Centre, developer damage to adjacent highway, Skips and scaffold
- Development – Historically, extensive development off unsuitable roads and footways.
- Rural Roads - wider vehicles using unsuitable roads and there is therefore a need to consider restricting their use
- Traffic Accidents - damage to the asset which is not recovered
- Trees - un maintained trees both on and off the highway which cause damage

Poor Management  
(Managers comments)

- Investment – this is insufficient in people and facilities leading to high turnover of staff, lack of initiative, lack of ownership, reluctance to change, failing systems.
- Change - this is slow due to the confining aspects of the authority, professional dogma, staff reluctance
- Not innovative - traditional approach to the issues and professional dogma
- Intellectual Thinking - the service is too concerned with day to day delivery and insufficient time is given service development.
- Service Objectives - these are not clearly defined are not considered important and are not adopted by the management.
- Systems - there is some evidence of improvement but they are complex, time consuming and mostly there to service out of the service requirements

Poor Management  
(Focus and Discussion Groups)

- There is insufficient time devoted to long term service and financial planning
- The current business/service planning approach does not feel relevant to the delivery of the service
- Insufficient time is available to manage the service, too much time 'doing'
- Many staff reported feeling unmotivated and undervalued
- Management has concerns that the quality of some staff is low but feel powerless to influence this
- Forward planning could be improved (e.g. by separating reactive work from proactive work)

Poor operations/delivery  
(Managers comments)

- Slow - there is criticism that faults are not picked up early enough and not repaired quickly. Performance targets exist for customer contract. How do we compare with others.
- Costly - Member criticism is that we spend large amounts on the asset and do not see any improvement.
- Poor quality - when repairs are carried out they are of substandard quality or fail repeatedly. They are not carried out with the customer in mind, they are done to satisfy themselves. Issues of safety often arise through poor working methods.
- Not progressive - traditional approach which is confrontational, based on traditional contracts which do not serve customers
- Reluctance to change - there is little evidence that contractors want to change their approach.
- Customer Focus - there is scope to improve the customer focus of the service.

Poor operations/delivery  
(Focus and Discussion Groups)

- A great deal of time is invested in inspecting schemes which could be reduced by closer working relationships between client and contractor, more trust and a redesign of the supply chain (particularly for reactive work )
- Too much time is invested in managing contracts and contractor payments rather than the service
- The clear tensions which currently exist between the client(s) based in DEDS and in-house contractor (Civils in CSO)
- The budget setting process appears to cause peaks and troughs in work and force a 'year end rush'

Insufficient investment in the asset.  
(Managers comments)

- Current standard- the asset is currently deteriorating at the rate of 4%/annum
  - Improvement - to clear the backlog will require £21m i.e. to raise the standard and clear all the grade 3 condition roads and footways, say £2.5m/year over 10 years.
4. The next section of this report considers how these issues could be addressed and resolved as part of the process of continuous service improvement



**Section Nine - In what ways could the service improve further ?**

1. The process of reviewing the service has found many strong features but also identified many concerns/frustrations with the current service. An approach to achieving continuous service improvement is detailed below . The issue of how to action and implement the CSIP is then addressed at the section Suggested Way Forward.
2. It should be noted that although the review has not completely covered all aspects of the Highways Maintenance Service in detail many of the areas for improvement identified are generalised. This is because the improvement activities have the potential to cover all aspects of the service (not just road and footway surfaces which have been the main aspects of the service reviewed). It is quite possible that as the improvement activities identified are carried out further evidence of good/poor performance emerges which can be acted upon to improve the service further. Such an approach is completely consistent with a Continuous Service Improvement approach.
3. Based on the findings of the review a number of service improvements can be identified which have been set out below as a series of improvement objectives/themes . A more detailed draft Continuous Service Plan is enclosed at Annex A. The improvement themes/objectives which have been identified are presented within this section. The following table summarises the improvement themes/objectives, why they have been identified and the benefits which they will help to deliver. Further detail of each improvement is presented after the table and specific detail is presented at Appendix B.

<b>Identified Improvement</b>	<b>Reason for Improvement</b>	<b>Anticipated benefit from improvement</b>
The need for a costed five year Highways Maintenance Management Plan taking sustainability issues into account.	There is not currently a complete Highways Maintenance Management Plan and the industry Code of Practice is due for renewal.	Identify funding requirements over the medium term, improve understanding of: the service; how it supports the objectives of the Council; and its impact on other service areas development of local performance indicators.
A need to review current approach to managing and planning the service.	Concerns identified by managers, staff and contractor that there is potential to improve the communication and co-ordination between all teams involved in the provision of the service.	Improved planning, ownership and understanding of the service. Reduce the peaks and troughs in workflow between client and contractor.
Develop an operating culture of 'right first time'.	Concerns over the quality of the physical schemes delivered on the ground.	Improved quality, reduction in wasteful rectification work, improved customer satisfaction, improved contractual relationships.
Increase the customer orientation of the service.	The consultation carried out indicates poor customer understanding of the service.	Improve customer understanding of service provided.
Improve the quality of financial information.	The need for robust comparisons to be made to help facilitate benchmarking. The development of trading accounts on a full cost basis (including overheads) to improve comparisons with private sector, unambiguously demonstrate the added value of the service provided (e.g. cost of 'York Way') and improve business practice.	Able to actively benchmark with and learn from other organisations. Improved Performance Management culture (e.g. use of monthly trading accounts).
Further improve the efficiency and effectiveness of staff who deliver the service.	Current recruitment/retention problem within the service. Issues emerging from staff focus groups re understanding their role, improved inter-team working and communication and identified by HOS in respect of investing in staff training (e.g. technical training, management training, developing skills and competencies, customer relations)	Greater ownership of service, improved quality of service, reduced staff turnover.
Improved procurement practices	Changes in the market place and approaches to contracting (e.g. output based specifications). Need for client : contractor relations to improve and adopt the new culture of Partnership working.	Potential to improve the approach to planning and delivery of the service (e.g. reduced management and administration, improved quality of finished product, decreased costs).
Review the remit of Highways Maintenance service	Heads of Service and Focus Groups have identified that not all areas that impact on the Highway are under the control of Highways Infrastructure or DECS (e.g. grass verges). The outcomes of the Environmental	Potential for better overall co-ordination of all services that affect the customers experience (and views) of the using the Highway.

	Street Scene review could directly impact on the way the Highways Maintenance Service is managed and delivered (e.g. Street Cleansing).	
Raise the profile and understanding of the service.	The consultation carried out indicates poor customer understanding of the service. The service does not have a particularly good reputation despite many examples of best practice (e.g. Annual Condition Survey) and evidence of innovative approaches (e.g. Customer Focus Groups).	Better customer relations and stakeholder understanding.
Increase the quality of the finished product.	Some concerns over CSO performance (although this has improved). The need to review procurement arrangements and place more emphasis on quality. Consideration of the supply chain, levels of inspection and supervision.	Increased customer satisfaction, improved contractual relationships and performance (e.g. decrease completion time between reporting, inspection and completion of repair; improve quality and consistency of briefs passed to Engineering Consultancy and/or Contractor).
Further increase and improve knowledge of the highway asset.	The Annual Condition Survey has enabled improved understanding and management of the asset (e.g. improved programme of planned work). This needs to be sustained and expanded upon to inform the Highways Management Maintenance Plan and continue to manage and improve the asset.	Greater control and planning in managing the Council's investment can be applied to other areas of the service (e.g. inventory of signs and lines). Improved knowledge to inform planning and management of the service.

### Continuous Service Improvement

4. The key to a successful CSI Plan will be the improved satisfaction of key stakeholders with the service received and provided (i.e. Residents, Business, Members, Managers of the Service, Staff and Contractors). The Improvements identified in the table above are set out below as a series of improvement objectives with a consideration of what is entailed to achieve them. Further detail of the issues is set out in the attached document.

### **IMPROVEMENT OBJECTIVE 1 - Produce a Highways Maintenance Management Plan.**

5. This will addresses fundamental questions such as: the adoption and devesting of highways, sets specific measurable objectives and performance indicator targets, makes explicit priorities between allocation of capital investment in highways and revenue support, sets out a five year financial and asset management plan. It will address issues such as:

- Service objectives
- Environmental, Social and Economic Impact of service

- Environmental awareness/Sustainability
- Asset Management Plan
- Devesting and Adoption of Highways
- Environmental Social and Economic Impact assessment.
- Carry out a sustainability assessment for the service
- Review intervention levels and techniques (using a whole life costing basis).

**IMPROVEMENT OBJECTIVE 2 – Review the current approach to managing and planning the service**

6. Improved management arrangements to achieve closer working between teams, Better Forward Planning of Service Delivery , more integrated capital and revenue financial plans covering a rolling time period more proactive planning between sections of DEDs and contractors to provide a more consistent level of work to contractors. This work will need to cover:

- Communication
- Improve Advance Design/Forward planning
- A Review of Performance Management Systems
- Carry out management review of the highway management system with a view of introducing new technology to reduce administrative burden
- Insurance Progress
- Private Streetworks initiative
- Drainage Records
- A consideration of if there is any need or evidence to suggest that current structures should be reviewed
- Review management/staffing resources, training and recruitment

**IMPROVEMENT OBJECTIVE 3 - Develop an operating culture of ‘Right First Time’**

7. This would need to be throughout the service (including contractors) by the introduction of a comprehensive quality assurance system.

**IMPROVEMENT OBJECTIVE 4 Increase the customer orientation of the service**

8. This will need to consider issues such as:

- Shortening the supply chain, reduction in the levels of inspection currently involved in basic reactive highways maintenance etc
- Response times – to shorten the time between the identification of a fault and a repair
- Customer Focus – Cultural change
- Highway Inspection and Repair Regime
- Review of Customer Contracts
- Appointment Service – pilot scheme
- City Centre Team-Trials
- Review the customer contracts against the revised objectives for the service (i.e. developed from Highway Maintenance Management Plan)

**IMPROVEMENT OBJECTIVE 5 - Improved quality of financial information**

9. -Develop the use of Income and Expenditure Accounts and/or Trading Accounts on the Client side to improve the transparency of financial information, promote business culture, facilitate more effective comparison with the private sector and enable DEDS to defend the validity of its services more robustly. There should also be a consideration of:
- Opportunities for Income and Recharging-review fees for external services
  - Tendering of professional services
  - Trading Account-introduce for the whole of Highways Maintenance

**IMPROVEMENT OBJECTIVE 6 - Further improve the efficiency and effectiveness of staff who deliver the service.**

10. This is a crucial yet wide area which needs to include issues of training (technical and managerial) and motivation as well as pay and reward e.g.:
- Investment in Management Resource
  - Introduce supervision training
  - 'Grow your own' staffing and training policy

**IMPROVEMENT OBJECTIVE 7 - Develop procurement practices and partnership working**

11. As well as seeking to improve the traditional client: contractor relationships which currently exist this also covers other partners with an interest in the highway. There also needs to be a consideration of the new procurement practices emerging in the industry such as Partnership working. Key areas are likely to be:
- review of approved/select list
  - Improved Partnership working with current contractors
  - Developing procurement skills (with innovation, training and research)
  - Utilities/Streetworks Charter
  - Regularising Sustrans (maintenance liabilities)
  - Output based contracts
  - Supervision-review arrangements

**IMPROVEMENT OBJECTIVE 8 – Review the remit of the Highways Maintenance Service**

12. This is to ensure all services relevant to the highway are connected and managed in a co-ordinated fashion (e.g. grass verges, street cleaning).

**IMPROVEMENT OBJECTIVE 9 - Raise the profile and understanding of the service and develop understanding of customer needs**

13. It is crucial that the profile of this service is raised with Members and the Public and work is undertaken to more fully understand their needs. e.g.:

- follow up contacts with local business from survey
- undertake detailed customer research involving all aspects of the HM service
- Customer research with Members and City business
- Damage Campaign-via advertising/media

**IMPROVEMENT OBJECTIVE 10– Increase the quality of finished product delivered**

14. This will address improvements in craftsmanship of work physically delivered on the highway whether it be spot patching, rectifying loose flags or complete R&R programmes. This could include:

- 'Mark Today Repair Tomorrow'
- 'Rocker' repairs

**IMPROVEMENT OBJECTIVE 11– Further increase and improve knowledge of the highway asset.**

15. Continue to invest in the condition survey and extend its scope – i. e maintain knowledge of asset and increase it for other aspects of highways maintenance (e.g. signs and lines)

## Section Ten - Option Appraisal

1. There are numerous options which the Best Value Legislation requires an authority to consider (eg outsourcing, hosting, withdrawal from the service) however the review has identified three broad preferred options which need to be developed further , namely:

Presented to BVSG 31/01	Agreed to be developed at BVSG 31/01 ?	Final Options identified for further consideration and development
Status Quo	NO	
<b>Competitive tender of DEEDS/CSO</b>	<b>YES</b>	<b>Tendering of Council Services (both DEEDS and Commercial Services)</b>
Externalisation	NO	
<b>Public/Private Partnerships</b>	<b>YES</b>	<b>Private Sector Partnership (External)</b>
<b>Restructure/Reposition</b>	<b>YES</b>	<b>Internal Partnership</b>

2. The options identified are consistent with the Council's Purchasing Policy and Code of Practice that requires BVRs to consider as a minimum the following:
- In house provision of the service (covered by internal partnership)
  - Competitive Tender (covered)
  - Mixed Economy (this is already much of this within the service but private sector partnering and/or competitive tender could extend it further)
  - Joint Venture/Partnering (covered in part by Partnership proposals)
  - Withdraw from service (not feasible due to statutory requirements)
3. Regardless of which option, or combination of options, is finally chosen it is essential that specific service objectives, performance measures and accountabilities are established as part of a CSI plan that is robust and owned by all key stakeholders.
4. Consideration of the options also needs to take into account the risks and rewards that each offer including the advantages and disadvantages of providing an in-house service or using the market place. For example:
- Will the inevitable disruption caused by market testing reduce our ability to provide a service and deliver the LTP ?
  - Will the costs of competition justify the benefits ?
  - If we wish to buy services using a partnership approach rather than take a traditional CCT approach is there currently sufficient expertise and knowledge within the Council to use this approach successfully ?
  - How much direct control do Members wish to have over this service ?
  - What sort of client should the authority retain in terms of size, and function ?

- How can we ensure that service providers understand and deliver to the standards of customer care that the Council expects ?
5. The 3 main options agreed at January's BVSG have been developed into seven options which are outlined below . It is recognised that each of the potential options identified requires further development. This development will take place as the CSIP is implemented which will provide an opportunity to test and evaluate each option further.
  6. The implementation of the CSIP (e.g. develop understanding of Partnership working) will inform the development of these options and may offer more. At the same time the results of other BVR's (e.g. Property and Asset Management ,Environmental Street Scene) may present other alternatives which could influence the development of the following options in respect of the Highways Maintenance Service. Therefore the following should be regarded as an initial option appraisal.

**Option 1 – To improve the efficiency of the current system.**

7. This option would require little change to the current approach to service delivery that produces a good Highways Maintenance service. It would however be required to address the more obvious concerns with the service which the review has identified and which are addressed in the CSIP (e.g. The need for a five year Highways Maintenance Management Plan, improved quality of workmanship, improved understanding of the developing market of output based contracts using Partnership working, improved communication both within DECS and between client and contractor).
8. The advantage of this option is that change could begin with immediate effect (many improvement activities are already taking place or are planned).
9. The disadvantages are that this approach is at best incremental and tries to build in solutions to current arrangements without seeking new and innovative approaches to service delivery. It also seems unlikely that there is sufficient management capacity to deliver the level of service improvement proposed in the CSIP.
10. This Option would probably not require any additional recurrent cost but would need some 'pump priming' by way of more non-productive time in developing a Highways Maintenance Management Plan, time to research the market and sharpen up procurement practices, time to identify and deliver any efficiency gains which may be available).

**Option 2 - Form a Highways Maintenance Improvement Team.**

11. Under this option a Highways Maintenance Improvement Team would be formed and charged with producing and delivering plans to improve the service and re-engineer the current system based on the principles of partnership working. This is a more proactive, formal and structured



version of Option 1. It would require a formal project team to be formed composed of key stakeholders (i.e. DEEDS, CSO and ad hoc support from services such as ODU, Finance and HR) and charged with implementing service improvements.

12. It is suggested that the improvement team would require a project leader to oversee the development and implementation of improvements. Stakeholders on the project team would be expected to work in partnership which would include issues such as: open book accounting; agreement on payment terms; agreement on quality indicators; agreement on cost savings to be achieved.
13. The advantages of this option are that it could be implemented relatively quickly once the Highways Maintenance Management Team was formed and would not cause major disruption to the service but simply build upon it's current strengths.
14. The disadvantages of this option is that there will inevitably be a learning curve as new ways of working are developed and tested. As a result there may be a time delay before changes in the quality of the service are delivered.
15. This option will require an increase in non-productive time in a similar way identified at Option 1 above but will also need the appointment of a project manager to lead the work of the Highways Management Improvement Team (estimated cost of £30,000 per annum). In order to achieve the Council's 5 year target of 20% savings it is necessary to achieve annual cost savings of £220,000 per annum. This could be achieved by: improved flow of work between client and contractor, reductions in use of sub-contractors, reductions in overtime, streamlining of systems to reduce the amount of supervision costs, an approach of 'Right First Time' which improves quality and reduces the need for rectification work.
16. As identified above one of the first tasks of the Highways Maintenance Improvement Team would be to establish robust performance targets (including financial savings) as set out in the CSIP.

**Option 3 - Extend the scope of the mixed economy of service provision that currently exists.**

17. This option continues to use the market testing approach that is currently in place (i.e. a CCT basis of selecting contractors which is cost driven) but extends the scope of this further to expose other parts of the Highways Maintenance Service to competition (e.g. Engineering Consultancy , the surveying function, the highway inspectors).
18. This has the advantage of ensuring the Council receives a demonstrably cost effective service and uses the market place to ensure we are receiving the best value for money in terms of unit costs charged and overall contract price.

19. The disadvantages of this option are that market testing will inevitably cause disruption to the service provided as time is diverted into the process of preparing and letting the tenders, developing contracts, receiving bids , consulting with staff etc. It will also not take the opportunity to investigate the new ways of procuring services such as output based contracts and partnership working which are emerging in the market place.
20. The principal cost of this option would be the 'cost of competition' which has been estimated at £180,000. This cost include the opportunity cost (estimated at £170,000) of staff/management time being utilised in preparation for competition rather than on-going delivery of the service. The service cost is difficult to estimate but is likely to include deterioration in the service as staff morale is affected, some staff may choose to leave and management resource is diverted.
21. The savings available from this Option would only be known once bids had been received.

**Option 4 - Continue with the current mixed economy but change the basis of contractual agreements**

22. This option would consider the new procurement arrangements which are in the market place and how the Council can utilise them to change and improve our current approach to procurement. It would require market research to understand how to utilise the benefits which appear to be available to us from contractual arrangements which take an approach based on quality standards, output based specifications and partnership working.
23. The advantages of this option are that it adopts an approach which is far more appropriate to the way the construction market is developing than option 3 above. It would provide assurance that the council is achieving the level of cost and quality it desires from its contractors and the best available in the market place. It has potentially lower costs of competition as it would probably use the negotiated procedures approach (which selects Partners in advance of competition rather than seeking bids from any party in the market place).
24. The disadvantages of this option are that certain aspects of the service currently provided would not be exposed to competition. (e.g. Engineering Consultancy) It would also be impractical (and probably uneconomic) to separate out isolated parts of the current service identified as being involved in Highways Maintenance and expose these to competition while leaving 'non-highways maintenance' parts of the service unaffected. This option also has the drawback that knowledge of new ways of procuring and providing services such as 'Partnering' are relatively new to York and our inexperience could put us at a disadvantage in negotiation with potential partners.

25. The costs of this option are broadly similar to option 3 above but would probably require longer as there would need to be time to develop our understanding of the market place.
26. As in option 3 above the potential savings from this option would not be fully known until the market has been researched thoroughly and detailed bids received. The estimates received from possible contenders indicate they believe they could deliver cost savings and quality improvements but much greater understanding is required of how this would be achieved and whether the level of service they would provide would meet the Councils requirements. There is a particular concern if the high level of service provided to Members and customers could be afforded within these revised arrangements.

**Option 5 – Change the basis of contractual arrangements and extend the scope of the mixed economy of service provision that currently exists.**

27. The option basically combines the features of options 3 and 4 above. This will ensure that the Council makes maximum use of the market place and the latest developments in procurement practice to ensure it is achieving value for money in terms of cost and quality.
28. However in addition to the risk identified above of having little experience in the market place there would be an additional risk of ‘losing’ more parts of the Councils services to private sector providers than have previously been experienced. This could have the potential to diminish the level of control the Council has over it’s services depending on the size and type of client that it requires and without good understanding of how a ‘Client’ operates in a Partnership contract.
29. Service Managers have identified that at present many staff are inexperienced at supervising contractors and there is a need to establish more trust with contractors. This suggests there is likely to be even less experience of managing firms operating on a more progressive basis such as partnership working.

**Option 6 - Refocus client arrangements within DECS**

30. This option would address some of the issues identified during the review such as the need for improved communication and forward planning but without making major change on the client side. It would however seek to clarify roles and client side arrangements (e.g similar model to the Highways Agency adapted for CYC).
31. This has the advantage of addressing some of the problems identified on the client side (e.g. improve co-ordination, create unambiguous client :contractor splits) but avoids the cost and disruption of a major restructure.
32. The disadvantage is that it simply concentrates on the quick win improvements identified and would not necessarily address the wider

and more fundamental development opportunities such as development of a Highway Maintenance Management Plan.

### **Option 7 – Deliver a 20 % cost saving**

33. This option seeks to address the Councils expectation that all Best Value Reviews should identify how a 20% saving might be achieved. It has been recognised that such a saving could take different forms e.g.:
  - A one-off saving of 20 % within one year
  - Cumulative savings of 20 % over the period of the Continuous Service Improvement Plan
  - Efficiency gains of 20 % (i.e. the overall cost of the service does not change but a greater level of service is provided for the same cost)
34. Based on the estimated per annum cost of the service of £5,580 k this would require the service to be running at a cost of at least £4,465 k by the end of the Continuous Service Improvement Plan. Alternatively it could be running at a higher cost than £4,465 k but delivering a greater level of service (i.e. achieved efficiency gains).
35. The Best Value Review has identified some possible ways to make savings but each of these requires additional work to verify how robust they are. The possibilities are:
  - To use the approach of a Highways Improvement Team outlined at Option 2 above to deliver savings targets
  - To investigate whether the savings which are claimed to be realisable by combining contracts and adopting a service delivery model of Maintaining Agent/Term Maintenance Contractor or Maintaining Agent Contractor are appropriate to York and achievable. (i.e. use of options 4 or 5 above).
36. The Heads of Service within DECS have recognised that the service will need to make savings of at least 2.5 % per annum and have suggested that this needs to be done in a sustainable way.(e.g. £125,000/annum, £100,000 works, £25,000 staff or cumulatively £500,000 over five years). Clearly this approach would need to be combined with efficiency savings.
37. The calculation of costs on which these saving options are based include the full costs of the service including departmental, directorate and corporate overheads. Therefore any savings targets sets will need to be on a full cost basis with the potential to be applied to both the direct service costs and on-costs. Knowledge of full service costs will become more readily available once the Continuous Service Improvement objective of improving the quality of financial information is achieved.
38. As explained above each of the seven options identified will require further development and refinement as the Continuous Service Improvement Plan is implemented. However in order to deliver the CSIP some certainty is required in terms of understanding the direction in which service delivery is expected to develop. Therefore a suggested Way Forward is set out in the following section which offers a route towards achieving Best Value for the Highways Maintenance Service.

## Section Eleven - Suggested Way Forward

1. The Way Forward suggested is a 'twin track approach' designed to bring about as much service improvement as possible with minimal cost and disruption in the quickest possible time. However the approach will also allow the Council the possibility of using the market place and adopting more progressive innovative approaches within the next two years should it so choose. This could be achieved by pursuing both options 2 and 5 simultaneously.
2. A Highways Improvement Team (i.e. option 2) is formed with immediate effect. The Team will need to be run as a formal project designed to pilot partnership working between DEDES and CSO and achieve immediate improvements. The Team will need to be resourced (i.e. a project manager) and required to produce a clear scope, project timetable, milestones and performance targets. An important target is to achieve the required annual cost saving of at least £220,000 a year by improved efficiency as set out in Section Ten.
3. At the same time work should commence on researching the market place to improve the Councils understanding of the new approaches to procurement that are emerging (e.g. Output based contracts, Managing Agent Contractor arrangements, Partnership working) – i.e. option 5. This research will include consideration of how the new procurement arrangements could be applied at York (e.g. consideration of type and size of client function, changes required to introduce changes in procurement arrangements).
4. These two options have the potential to complement each other. The practical experience of piloting a partnering approach between DEDES/CSO can be informed by the results of market research. But the pilot arrangements will also raise issues which may be resolved by reference to our developing market knowledge (e.g. based on the experience of other local authorities who have adopted Partnering agreements).
5. As the pilot partnership arrangements progress between DEDES/CSO if they prove successful (based on the targets set at the start of the project) then the possibilities of developing the pilot can be considered (e.g. incorporating other contractors into the partnership pilot). However if it fails to deliver improvements and results then alternatives will still be available in the market place to pursue. Knowledge of these alternatives will have been developed and be more readily available as research to support Option 5 will have taken place.
6. The Suggested Way Forward provides an opportunity for the Council to receive immediate service gains and cost savings by pursuing a partnership approach with DEDES/CSO that will also increase staff and managements knowledge of new ways of working. However by also considering the implications of changing the basis of contractual arrangements and extending the amount of service which might be

exposed to competition then all options remain open should the partnership pilot not deliver results.

### **Acknowledgement**

The Best Value Review has only been possible due to the efforts of many people involved in the delivery of the service. The efforts and support provided by management and staff have proved invaluable in carrying out and completing the review and their efforts and support are acknowledged. Of particular importance were the efforts of Damon Copperthwaite, Head of Highways Infrastructure, Ray Chaplin Head of Engineering Consultancy, Peter Evely Head of Highways Regulation, Bill Woolley Assistant Director, DEDES, Richard White Assistant Director, CSO and the members of the Staff Focus Groups.

**ANNEX A – Team Service Areas and Links**

**Highway Infrastructure Team**

<i>Scope of the Review</i>		<b><u>Direct Links (high main budget)</u></b>	<b><u>Indirect Links (non high main budget)</u></b>
Policy and Strategy			
Highways Customer Helpline			
Reactive and Safety Inspection and Repair	<ul style="list-style-type: none"> <li>• footways</li> <li>• carriageways</li> <li>• cycleways</li> <li>• verges</li> <li>• street furniture</li> <li>• gully cleaning</li> <li>• drainage</li> <li>• car parks</li> </ul>		
Planned Maintenance	<ul style="list-style-type: none"> <li>• gully cleaning</li> <li>• drainage</li> <li>• HRA patching</li> <li>• car parks</li> </ul>	Leisure Services <ul style="list-style-type: none"> <li>• Grass Cutting</li> <li>• Verge Maintenance</li> <li>• Trees</li> </ul>	Environmental Regulation <ul style="list-style-type: none"> <li>• Street Cleaning</li> <li>• Weedkilling</li> <li>• City Centre Maintenance</li> </ul>
Emergencies			
Highway Condition Surveys	<ul style="list-style-type: none"> <li>• Deflectograph</li> <li>• Scrim</li> <li>• Ukpms</li> <li>• EVA</li> </ul>		
Programme Development	<ul style="list-style-type: none"> <li>• LTP Structural Maintenance</li> <li>• CYC Maintenance programmes</li> </ul>		

Winter Maintenance			
LTP Preparation			
Third Party Insurance Claims	<ul style="list-style-type: none"> <li>• Inspections</li> <li>• Reporting</li> <li>• Liaison with Insurance company</li> </ul>		
Streetworks	<ul style="list-style-type: none"> <li>• Co-ordination</li> <li>• Inspection</li> <li>• Liaison with Utilities</li> <li>• Administration</li> <li>• Regulation</li> </ul>		
Programming and Financial Management			
Vehicle Crossings	<ul style="list-style-type: none"> <li>• Approvals</li> <li>• Inspection</li> </ul>		
Performance Indicators	<ul style="list-style-type: none"> <li>• Estimates</li> <li>• Targets</li> <li>• Monitoring</li> </ul>		
Highway Management System	<ul style="list-style-type: none"> <li>• Development</li> <li>• Maintenance</li> </ul>		

### **Engineering Consultancy**

Bridges	<ul style="list-style-type: none"> <li>• Reactive inspection and repair</li> <li>• Planned inspection and repair</li> <li>• Annual Inspection</li> </ul>		
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	<ul style="list-style-type: none"> <li>• LTP programmes</li> <li>• CYC programmes</li> </ul>		
Project Implementation	<ul style="list-style-type: none"> <li>• LTP Structural Maintenance</li> <li>• CYC maintenance programmes</li> <li>• Warping</li> </ul>		<ul style="list-style-type: none"> <li>• Ward Committees</li> <li>• Parish Councils</li> <li>• LTP Integrated Transport</li> </ul>
Highway Drainage			
Fountains			

### Highway Regulation Team

Reactive Inspection and Repair	<ul style="list-style-type: none"> <li>• Signs</li> <li>• Road Markings</li> <li>• Signals</li> </ul>		
Planned Inspection and Repair	<ul style="list-style-type: none"> <li>• Signs</li> <li>• Road Markings</li> <li>• Signals</li> </ul>		
UTC maintenance			
		Street Lighting <ul style="list-style-type: none"> <li>• Planned maintenance</li> <li>• Reactive maintenance</li> <li>• Projects</li> </ul>	Public Rights of Way
			Highway Records
			Licences
			Traffic Orders
			Development

## **ANNEX B – HIGHWAY MAINTENANCE IMPROVEMENT CHANGES**

Need to make service improvements.

- Service Objectives - ownership and responsibility for promoting and delivery, challenging approach
- Communication - between different areas of service and other associated groups
- Response times - to shorten the time between the identification of a fault and a repair.
- Quality of Repair - finished product should be right first time
- Cost - to ensure we are using most effective materials, specifications
- Management - forward planning, innovation, monitoring, communication
- Investment in Management resources - quality staff, equipment, time
- Investment in the asset - how to get more VFM, increase income
- Performance management systems - financial, workload
- Customer focus - cultural change
- Environmental awareness - sustainability
- Social awareness - social inclusion
- Innovation-training and research

Highway Management System

- Essential element of new service
- This is close to being fully operational on inspection and repair
- Needs intensive management input to become operational
- Is the key to minimising timespans/records
- Work load management tool to replace CMS
- Real time inspection and ordering
- Customer Feedback
- Appointment Service
- It needs significant dedicated staff resources to make this work and continue to develop. Currently there is no staff resource to do this.

Asset Management Plan

- Essential element of new service
- Framework is prepared
- Most detail collected
- Management input necessary to complete
- Gives framework for the service
- Dynamic document
- This must be linked to the new national Code of Practice for Highway Maintenance which is currently being prepared.

### Highway Inspection and Repair Regime

- Essential element of the new service
- Sets the standards for inspection
- Sets the standards for repair
- Sets the schedules for inspection
- Necessary for insurance cover
- Consistent approach

### Customer Contract Review

- Need to look at this in relation to customer research
- What standards do others provide
- What are we achieving at present
- More publicity about what we do and the standards we achieve

### “Right First Time”

- Contractor quality bonus/incentive scheme
- Contractor improved monitoring and supervision
- Training scheme for operatives
- Better specification on materials and extent
- More accurate ordering
- Responds to customer expectations
- Greater ownership/consistency

### “Mark Today Repair Tomorrow” - safety repair

- Real time ordering
- Responding to customer expectation
- Minimise administration through IT
- Shorten timescales
- Eliminates long time priorities
- Fixed price working
- Area based teams of Inspectors/Supervisor/Team
- Improved monitoring
- Regular liaison of team
- Dedicated contractor teams
- Inspection and repair working at same pace
- 5 day working

### Appointment Service - reactive repair

- Customer friendly
- More responsive
- Increased customer confidence
- Increased accountability
- Reduces time between inspection and repair

- Dedicated contractor teams
- Real time appointments for inspection and repair
- Standard customer post cards
- Specialist vehicles
- Inspector and team training in customer approach
- Simplified payment
- 5 day working

#### City Centre Team – reactive repair

- Combined team with City Centre Manager
- Dedicated team of inspector and gang
- More accountable
- More responsive
- Greater ownership
- High levels of damage
- Sweeping a major problem for paving
- Limitations on times of working
- Introduction of additional bollards
- Use of rapid hardening mortars
- Use of 100mm blocks on sand cement bed

#### Damage Campaign

- Constant drain on resources
- Minimise the amount of work have to do in repair
- Need to address issue of new development damage
- Need to look at skips, scaffold licences
- Will require a publicity campaign
- Will need additional resources to monitor and serve notice
- Need to contact business community
- Issue if delivery in City Centre
- Use of more bollards, issues for the blind

#### “Rocker” Repairs

- Constant problem particularly in the City Centre
- Customer concern issue
- Individual flags repair needs investigation
- Understand the problem
- Research is required to find a solution
- Need to look at materials, workmanship, specification

#### Utilities Charter

- Customer concern about Utilities activity on the highway
- The use of Code of Practice does not achieve expectations of customers
- Voluntary code/charter for all contractors working on the highway

- Based upon considerate contractor charter
- League tables, name and shame arrangement
- Will improve time taken, safety of the operation, standard of the reinstatement, consequential damage

### Advanced Design / Forward Planning

- Need to extend the time available for implementation
- Avoid end of year rush
- Provide more consistent level of work to contractors
- Based on condition survey
- Improve cost of works
- Improve quality of work
- Improve time taken through planning

### Insurance Progress

- High levels of insurance costs
- Traditional way used at present
- Investigate alternative options for dealing with claims
- Improve management information
- Seek opportunities to reduce cost and improve performance

### Devesting and Adoption of Highways

- Is all the adopted highway network necessary
- Review all roads to see which could be removed from maintenance liability
- Review criteria under which new roads are adopted i.e. industrial
- Greater collaboration required between HI and HR on construction standards and quality of construction
- Greater responsibility by developers for their work on the highway
- Review staff supervision arrangements

### Private Streetworks Initiative

- There are ? private streets in York which cause problems with customers/residents
- Need list of all streets and maintenance liability
- Need policy for dealing with private streets

### Drainage Records

- Incomplete record of highway drainage system
- Liability needs to be identified
- Maintenance regime to be prepared
- Regular grip cutting in rural areas
- Regular ditch clearance
- Will need additional budget say £50,000

### Bridges

- Refine current arrangement for inspections
- Place inspections history on HMS
- Digitise bridge records/drawings
- Parapet improvement programme £30,000/year
- Safety barrier review and installation £20,000/year
- Retaining wall survey and record digitised

### HRA Patching

- A rolling list of roads which need to be surveyed each year needs to be prepared
- More funding is needed, say £50,000
- Budget required for major patching of urban roads, say £100,000

### Regularising Sustrans

- Confused liability with Sustrans
- We seem to pick up their liability/reponsibility for maintenance
- Review position and come to agreement with Sustrans about their liability/responsibility
- Agree a maintenance arrangement with them, maybe that they commission us on a retainer

### Restructure

- Split functions on maintenance
- More consistent approach required
- Better use of resources/priorities
- Need to be aware of possible Street Environment Service
- No need to restructure present arrangement of HI,HR and EC, any benefits would be lost by new differences.

### Opportunities for Income and Recharging

- Need to look at what other authorities are charging for licences etc.
- Are the current fees high enough/ will the market bear some more
- Are there other opportunities for charging

### Output Based Contracts

- Linked to “Rethinking Construction”
- A better balance of risk between employer and contractor
- Requires a trust with contractor
- Contract to include philosophy of council, long contract with 12 month reviews, monitoring arrangements

- Incentive required for contractor
- Agreed performance at negotiation stage, quality/ cost,/time
- Incentive and penalty scheme linked to performance
- Must be simple to operate
- Remote IT management Information systems
- Contractor direct access for customers
- Lump sum payment
- Negotiated method statement
- Could include design and management service

### Tendering of Professional Services

- Benchmarking of professional services may be insufficient to convince that in house is competitive on quality, cost, time
- Options are, limit to engineering consultancy at present, all areas within highway maintenance
- Operate a client/ consultancy split based on output spec

### Supervision

- Must improve standard and quantity of supervision
- More time is needed on site
- More rigorous material testing and approval
- Greater training required for staff
- Consider the use of dedicated site staff
- Better liaison with contractors
- More contractor responsibility for quality of work
- Need to develop more confidence and experience of dealing with contractors

### Management Resources

- There is a clear need to increase the management resources in highway maintenance
- We are currently below the level pre 1996
- New initiative, improved management information and monitoring systems will only happen with greater time allowed
- Staff management suffers from lack of time, senior managers are doing rather than managing
- Two additional managers are needed to develop and manage information systems and to manage maintenance programmes

“Grow your own”

- There is no development staff direct from school or college
- Staff are appointed on the basis of either Btec, HNC or Degree and are expected to have the necessary knowledge and attitude to fit straight into work with minimal training
- Commitment from staff who travel to get to work can be a problem and are usually short term i.e. 2 years
- We have a duty to develop and train staff as a major employer in the City
- Should have a resourced training programme of say 6 technicians and 3 engineers.

Trading Account

- We do not operate a real trading account
- It is difficult to introduce unless everyone in the Council does
- There should be a trading account which operates for highway maintenance rather than three separate accounts for each of the service heads

Sustainability

- We need to carry out a sustainability assessment
- Waste – can we reduce this, costs are rising for landfill tax, energy costs
- Pollution – are we using environmentally acceptable materials
- Recycling – could more be done to recycle waste materials, could they be used for other purposes

Environmental, Social and Economic

- We need to carry out an impact assessment for the service
- How does the service fit in the City
- What contribution can it make
- How does it impact on the residents and visitors in the City
- What part does it play in peoples businesses and life style.



**Annex C – Areas of Responsibility**

Department	Highways Infrastructure	Highways Regulation	Engineering Consultancy
Purpose of the Department	Meet CYC statutory requirement to maintain the highway and provide a safe environment for users of the public highway and maintain the asset to the highest possible standard within the budget	Enforce and uphold all legal requirements in respect of 'conduct on the highways' i.e. the regulation of activities that affect the movement of people and vehicles.	To deliver an efficient and effective customer responsive service in respect of: <ul style="list-style-type: none"> <li>• Roads</li> <li>• Structures and Drainage</li> <li>• Highway Safety</li> </ul>
Key areas of responsibility	<ul style="list-style-type: none"> <li>• Footway, road and verge surfaces</li> <li>• Bridges, structures, fences and guard files</li> <li>• Drainage</li> <li>• Street lighting and illuminated bollards</li> <li>• Winter maintenance and emergencies</li> <li>• To provide a customer focused, responsive service which informs and consults whenever possible and provides genuine choices where they exist</li> </ul>	<p>A vast range of activities including traffic management, the impact of developments upon the highway and road safety.</p> <p>The key areas in respect of highways maintenance are the maintenance and improvement of measures to assist the movement of road/footway users which includes such areas as:</p> <ul style="list-style-type: none"> <li>• street lighting</li> <li>• illuminated signs and bollards</li> <li>• CCTV</li> <li>• street nameplates</li> <li>• general and tourist signs</li> <li>• carriageway markings</li> </ul>	<ul style="list-style-type: none"> <li>• highway planning and design</li> <li>• structural engineering</li> <li>• land drainage</li> <li>• maintenance of engineering infrastructure</li> </ul>
Clients Responsible to	General Public, CYC Members, Other Council Departments (e.g. TPU)	General Public, CYC Members, Other Council Departments (e.g. TPU)	General Public, Highways Infrastructure, Highways Regulation, TPU Other Council Departments
Contractors Responsible for	CSO, Tarmac, Colas, Engineering Consultancy	Peek, CSO	CSO, Tarmac, Colas, External and/or specialist consultant engineers

**ANNEX D – Value of Term Contracts 2000/2001**

Budget Holder	Budget Head	CSO	Tarmac	Colas	Amey	Peek	BL	Fees	LTP	Other	Total
Head of Engineering Consultancy	Highways Surfaces & Bridges	1,041	598	334				187	712	616	3488
Head of Highway Infrastructure	General Maintenance	204								12	216
Head of Highway Infrastructure	Winter Maintenance	246								25	271
Head of Highway Regulation	Illuminated Signs				45						45
Head of Highway Infrastructure	Street Furniture	8								2	10
Head of Highway Infrastructure	Street Maintenance	148								5	153
Head of Highway Infrastructure	Street Cleansing	104									104
Head of Highway Regulation	Traffic Signals & Management	100				66	22			155	343
<b>TOTAL</b>		<b>1851</b>	<b>598</b>	<b>334</b>	<b>45</b>	<b>66</b>	<b>22</b>	<b>187</b>	<b>712</b>	<b>815</b>	<b>4630</b>

**ANNEX E - Budgets and Funding Sources 1996/97 to 2001/02**

	96/97 £000's	97/98 £000's	98/99 £000's	99/00 £000's	00/01 £000's	01/02 £000's
CYC Revenue	3,440	3,582	3,677	3,665	3,748	3,760
CYC Capital	597	523	756	751	751	890
TSG/SCA Structural	100	126	78	480	524	1044
TSG/SCA Bridges	206	309	300	420	188	51
<b>Total</b>	<b>4,343</b>	<b>4,540</b>	<b>4,811</b>	<b>5,316</b>	<b>5,211</b>	<b>5,745</b>

**LTP Settlement 2001/02 to 2002/03**

	2001/2 £000's	2001/2 £000's	2002/3 £000's	2003/4 £000's	2004/5 £000's
Bid	1,459	1,436	1,506	1,381	1,446
Principal Roads	384	444	155	155	155
Local Roads	660	660	660	660	660
Bridges	51	51	51	51	51
<b>Total</b>	<b>1,095</b>	<b>1,155</b>	<b>866</b>	<b>866</b>	<b>866</b>

**Budget details for DEDES departments (2000/2001 budgets):**

<b>Budget (#'000)</b>	<b>Highway Infrastructure</b>	<b>Highway Regulation</b>	<b>Engineering Consultancy</b>
Direct Costs	393	682	724
Indirect Costs	30	34	38
Income	(600)	(338)	(982)
Net Costs	(177)	378	(220)
Departmental Overheads	93	158	112
Central Overheads	84	142	108
Total Overheads	177	300	220
<b>Net Service Costs</b>	<b>0</b>	<b>678</b>	<b>0</b>
Cost of service before income	600	1016	982
Budgeted FTEs	16	31.3	27.5
Indicative cost per FTE	37.5	32.5	35.7

**Annex F-Comparison of York with Benchmark partners against good practice standards**

	<b>Council P</b>	<b>Council L</b>	<b>Council Wr</b>	<b>Council Wa</b>	<b>Council M</b>	<b>Council York</b>
<b>Customer Research</b>	Y	Y	Y	N	Y	Y
<b>Customer Consultation</b>	Y	Y	Y	N	Some	Y
<b>Customer Contract</b>	N	N	N	N	N	Y
<b>Customer Care Initiatives</b>	Y	Y	Y	Y	N	Y
<b>Highways Helpline</b>	N	N	N	Y	Y	Y
<b>Asset Management Plan</b>	N	N	N	N	N	N
<b>Regular Condition Inspections</b>	Y	Y	Y	Y	Y	Y
<b>Safety Inspections</b>	Y	Y	Y	Y	Y	Y
<b>Highway Management System</b>	Y	Y	Y	N	Y	Y
<b>Ukpms</b>	N	Y	N	N	Y	Y
<b>Condition Information</b>	Y	Y	Y	Part	Some	Y
<b>Staff Development</b>	Y	Y	Y	Y	Y	Y
<b>Winter Maintenance Manual</b>	N	Y	Y	N	Y	Y
<b>Regular Performance Monitoring</b>	N	Y	Y	N	Y	Y
<b>Partnering Arrangement</b>	Y	Y	Y	Y	N	N
<b>Highway Inspection Manual</b>	N	N	Y	N	N	N
<b>ISO 9000</b>	N	N	N	N	N	N
<b>Investors in People</b>	N	N	N	N	N	N