



## Notice of meeting of

### Highways Maintenance Scrutiny Committee

**To:** Councillors Moore (Chair), Simpson-Laing, Cregan, Healey, Hogg, R Watson and Blanchard

**Date:** Wednesday, 7 November 2007

**Time:** 6.00 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 3 - 6)

To approve and sign the minutes of the meeting held on 28<sup>th</sup> August 2007.

**3. Public Participation**

At this point in the meeting members of the public who have registered their wish to speak can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is 5pm on Tuesday 6<sup>th</sup> November 2007.

**4. Interim Report for Highways Maintenance (Pages 7 - 34)  
Procurement & PFI Review (Part B)**

This report presents to Members a table of events in relation to Highways Maintenance Procurement and the PFI Process.

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

Democracy Officer:

Name: Tracy Wallis

Contact Details:

- Telephone – (01904) 552062
- E-mail – [tracy.wallis@york.gov.uk](mailto:tracy.wallis@york.gov.uk)

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

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

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The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

### **Scrutiny Committees**

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

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City of York Council

Committee Minutes

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MEETING	HIGHWAYS MAINTENANCE SCRUTINY COMMITTEE
DATE	28 AUGUST 2007
PRESENT	COUNCILLORS MOORE (CHAIR), SIMPSON-LAING (VICE-CHAIR), MERRETT, HEALEY, HOGG AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLORS CREGAN AND R WATSON

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## 5. DECLARATIONS OF INTEREST

Members were invited to declare, at this point in the meeting, any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

## 6. MINUTES

RESOLVED: That the minutes of the last meeting held on 20<sup>th</sup> June 2007 be approved and signed as a correct record.

## 7. PUBLIC PARTICIPATION

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

## 8. INTERIM REPORT FOR HIGHWAYS MAINTENANCE PROCUREMENT & PFI REVIEW (PART B)

Members considered the Interim report for Highways Maintenance Procurement and PFI Review.

The Assistant Director of City Development and Transport updated Members regarding the Expression of Interest (EOI) and Private Finance Initiative (PFI). He reported that £1.2 billion of PFI contract were on hold at the moment due to:

- A move into new international reporting standards
- The fact that Birmingham had asked for more credit and this was having an impact on the distribution of monies
- The comprehensive spending assessment was still not resolved.

He thought that December 2007 would be the earliest time that there would be any news on the EOI and stressed that the above information had been gathered from many sources and did not come direct from the Department for Transport (DFT).

Members considered the table of events shown at Annex A of the report and agreed that their fundamental concern was the time taken to realise

the savings identified as part of the Best Value Review. Members raised a number of questions about the delays and were informed that:

- On conclusion of the review there had been no available funding to appoint a Project Manager
- A continuous Service Improvement Plan (CSIP) was agreed and followed and progress had been routinely reported on up until September 2004.
- At the time of starting to implement the CSIP, a decision was made to commence setting up a thin client approach to procurement and that problems arising from this had resulted in delays in implementing the CSIP.
- Officers would have preferred a negotiated route for procuring thin client services but on the advice of Corporate Procurement had taken a restricted route.
- Having no Section Head in Highway Infrastructure had resulted in there being limited progress made between February 2002 and June 2003.
- As a small authority there was little flexibility to move resources around without causing knock on effects.
- In October – November 2002, Members agreed to finance a new Street Environment Service from the Venture Fund after Officers recommended that the money could be repaid from the savings made in Highways Maintenance as identified by the Best Value Review.
- The total savings made in Highways Maintenance were significantly higher than those identified by the Best Value Review, but it had taken longer to realise these savings than originally expected.
- As a result it had taken significantly longer to repay the monies taken from the Venture Fund to finance the Street Environment Service.
- Even though all their advice was followed, at the point when the contract was ready to be signed, Procurement recommended that work be put on hold due to the perceived level of risk associated with the contract.
- That issues around the lack of resources in Corporate Procurement had since been addressed.

It was recognised that in order to prevent similar problems and delays arising with any future major projects, there were a number of possible steps that could be taken:

- Resourcing of major projects be prioritised across the Authority within all relevant departments i.e. Legal, Resources and Property Services.
- A steering group be formed, made up of Members and key Officers from relevant departments.
- Finance be made available to appoint a Project Manager.

It was noted that all of these steps were allowed for within City of York Council's PFI bid, as this was the standard of working expected by Department of transport.

In an effort to conclude this review in line with the timeframe set by Scrutiny Management Committee, Members agreed the following future meeting dates:

- Formal meeting 24<sup>th</sup> October 2007.
- Informal meeting in early November 2007.
- Formal meeting in November to sign off the final draft report to go to the Scrutiny Management Committee on November 26<sup>th</sup> 2007.

Members wanted time to consider any further questions they wanted to raise and it was agreed that these would be forwarded to the Scrutiny Officer for circulation to ensure that Officers could respond at the next meeting on 24<sup>th</sup> October 2007.

RESOLVED: That having considered the information provided Members requested that:

1. The Director of City Strategy attend the next meeting on 24<sup>th</sup> October 2007
2. That the report on the Local Highway Efficiency Toolkit and Benchmarking be brought to the next meeting.
3. That the above report be made available to Members 10-14 days before the meeting so that they can familiarise themselves with the content.
4. Any questions arising from this meeting or the above report to be circulated to relevant Officers by the Scrutiny Officer before the meeting on 24<sup>th</sup> October 2007.

REASON: To clarify if there has been any financial loss to the Council caused by delays in the procurement process since 2003.

Councillor R Moore, Chair  
[The meeting started at 5.00 pm and finished at 6.20 pm].

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## Highways Maintenance Ad-Hoc Scrutiny Committee

7 November 2007

### Interim Report for Highways Maintenance Procurement & PFI Review (Part B)

#### Background

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

#### Aim

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 aim 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
2. At a meeting on 28 August 2007 the Assistant Director of City Development and Transport updated Members that the Council's Expression of Interest (EOI) and the Private Financial Initiative (PFI) contract were both on hold and that it was unlikely that there would be any news on the EOI before December 2007.

#### Consultation

3. Also at the meeting in August 2007, a table was provided detailing the timeline of events since the Best Value Review, which highlighted Members main concern about the length of time taken to realise the savings identified by the review.

4. The Assistant Director of City Development and Transport responded to questions raised and as a result Members recognised that in order to prevent similar problems and delays with any future projects there were a number of steps that could be taken:
  - Resourcing of major projects be prioritised across the Authority within all relevant departments i.e. Legal, Resources and Property Services.
  - A steering group be formed, made up of Members and key Officers from relevant departments.
  - Finance be made available to appoint a Project Manager.

### **Information Gathered**

5. A report on the Local Highway Efficiency Toolkit, and information on the Benchmarking of Highways Maintenance Services, has been circulated in advance of this meeting so that Members could familiarise themselves with the content - see Annexes A & B.
6. The Head of Highway Infrastructure has also provided an update outlining the outcomes for each of the improvements actions in the original Highway Maintenance BVR see Annex C.
7. Finally, at the request of Members, the Director City Strategy will be in attendance at this meeting to respond to a number of additional questions raised in relation to the perceived delays. These have been circulated to the Director in advance of this meeting and a list of these is shown at Annex D.

### **Options**

8. Having regard to the remit for Part B of this review and in order to conclude it within the agreed timeframe, Members may decide that:
  - i) further information is required or;
  - ii) all the information has now been made available from which to form and agree some recommendations

### **Implications**

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

### **Corporate Priorities**

10. It is 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

11. 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.

## Recommendation

12. Having considered the information provided by officers at the meeting and within the report and annexes, Members are asked to conclude:
- whether or not there have been unnecessary delays in implementing the actions agreed as part of the Best Value Review
  - If there have been unnecessary delays, whether this has resulted in a loss of the savings identified in the review.

Reason: To clarify if there has been any financial loss to the council caused by delays in the procurement process since 2003.

## Contact Details

### Author:

Melanie Carr  
Scrutiny Officer  
Scrutiny Services  
Tel No. 01904 552063

### Chief Officer Responsible for the report:

Colin Langley  
Acting Head of Civic, Democratic & Legal Services

**Interim Report Approved**  **Date** 12 October 2007

### Wards Affected:

All

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

## Background Papers

Scoping Report of 20 June 2007  
Interim Report of 28 August 2007

### Annexes:

Annex A - Information on the Local Highway Efficiency Toolkit,  
Annex B - Information on the Benchmarking of Highways Maintenance Services  
Annex C - Outcomes of Best Value Improvement Objectives and Actions  
Annex D - List of Additional Questions

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## **Toolkit For Local Transport Highways Efficiency**

The Toolkit was published by the Highways Efficiency Liaison Group (HELG), which includes representatives of government, local government and industry, in April 2007.

It defines cashable and non-cashable efficiency:

- Cashable efficiency - services provided to at least the same level of quality for reduced cost.
- Non-cashable efficiency - service quality improves for the same cost, or proportionally more service is delivered when costs increase. The toolkit provides a formula for calculating non-cashable efficiencies.

### **Cashable Efficiency Calculation**

Efficiencies are self-assessed by local authorities. Efficiencies must not compromise quality or reduce service. Cashable efficiencies require a quality cross check to demonstrate that service quality has not fallen.

This information was provided over a longer period, going back to 2001, to an earlier meeting. However, as this HELG toolkit has a recommended base year of 2004/05, the cashable efficiency calculations have been reviewed.

From the information in Annex 1 it can be shown that over the period 2004/5 to 2006/7 cashable efficiency savings of £1530k have been achieved.

### **Non-cashable efficiency calculation**

A formulaic approach over the whole highways service is used.

The toolkit recommends:

- using the ROADCON index published by the DTI to calculate inflation in highway maintenance costs
- taking 2004/5 as the base year
- using defined BVPIs to assess service levels

An outline of the calculations is shown in Annex 2. By using this methodology, as defined in the toolkit and applying it to CYC from 2004/05, it can be shown that:

- The rise in expenditure has been less than inflation, giving a saving of £2324.6k
- Performance has improved even though there has been a saving compared to inflation, giving a further efficiency saving of £464.7k

The above gives a total non-cashable efficiency saving of £2789k

**Drawbacks to this method of calculation for non-cashable efficiency savings**

The Road Construction Tender Price Index is based on priced rates contained in accepted tenders for Road Construction, Motorway Widening and Major Maintenance Schemes costing over £0.25m and obtained from the Highways Agency and Local Authorities in England, Scotland and Wales. The data collected allows the base index to be adjusted according to location, scheme type and contract value. However, rates obtained for individual major maintenance schemes are not directly comparable to costs of ongoing basic maintenance. The ratio of material costs to plant and labour costs will be different, and short term market variations will play a greater role. The index used for the current CYC Term Maintenance Contract shows lower inflation over this period.

The recommended basket of BVPIs contains several which have changed over this period, from the point of view of the way they are measured, so they cannot be used in the calculation.

Although BVPIs have continued to improve through a period of reduced expenditure, this can be attributed to the investment over previous years, and a reduction in carriageway condition can be expected in future years.

**Total cashable and non-cashable efficiency saving**

Using the HELG approach, the combination of the two types of savings gives a total cashable and non-cashable saving of £4319k.

## Annex 1

## Efficiency Improvement Table

Examples of Cashable Efficiency - through reduction in cost	Estimated Cashable Efficiency (£k) from 2004/5 to 2006/7	Comment
Design, manage and build approach to small R&R schemes (from 2005/6))	110 (55 annual)	Total package of works provided by NS. Schemes design on a 'fit for purpose' basis
Savings on public liability claims through improved safety inspections and robust defense	450 (150 annual )	Very high levels of repudiation due to systems in use – such as the efficiencies due to Driver + Inspector operation meaning that more is inspected.
Energy procurement savings from 2006 supply arrangement	255	A revised procurement of 'green' energy produced savings on the budgets through to Oct 2008
Works programme efficiencies (from 2004/5)	225 (75 annual)	Made possible through provision of a <u>full</u> works programme enabling efficient employment of staff and resources in NS
Recovery of maintenance costs from third parties (from 2005/6)	40 (20 annual)	Staff have developed improved systems and are being more successful in the recovery of money
Savings on the use of Safecoat in winter maintenance ( from 2005/6)	100 (50 annual)	This material has saved money and is less harmful to the environment
R&R scheme savings from 2006 procurement [net savings taking into account increases on SD and SS schemes] (from 2006/7)	350	The latest contract with Tarmac has produced typical savings of 29% on R&R schemes but an increase in costs on surface dressing and slurry seal works
<b>Total of estimated cashable efficiency improvements listed above</b>	<b>1,530</b>	

Using the relevant recommended BVPIs, plus survey results for carriageway surfacing, it can be demonstrated that CYC's performance in highway maintenance has not deteriorated over the period 2004/5 to 2006/7

<b>Crosschecks</b>	<b>2004/5 indicator</b>	<b>2006/7 indicator</b>	<b>Change</b>	<b>Comments</b>
<b>Approved quality crosschecks</b>				
Number killed or seriously injured road casualties BV99a	100	101	Stable	
Temporary traffic control BV100	0 days	0 days	Stable	
Condition of principal roads BV223*		7%		New indicator 2005/6 using SCANNER machine survey method
Rectification of street lighting faults BV215a		2.49		New indicator 2005/6
Condition of footways BV187*	15.81%	15.00%	Stable	
<b>Non approved indicators **</b>				
Condition of principal roads by CVI (BV96)*	7.80%	7.80%	Stable	Indicator changed to BV223 in 2005/6, using SCANNER survey method
Condition of non principal classified roads by CVI (BV97a)*	18.80%	14%	Improved	Indicator changed to BV224a in 2006/7, using SCANNER survey method
Condition of unclassified roads by CVI (BV97b and 224b)*	15.20%	12%	Improved	
% people satisfied with the condition of roads and pavements in York	51%	51%	Stable	Local indicator

\* % defective

\*\* CYC continued CVI surveys after introduction of SCANNER to obtain a consistent measure of condition marginal improvement and deterioration is designated 'stable'



## Annex 2

### Non-cashable efficiency saving

There are two parts to this calculation; 'withstanding inflation' and 'improving performance'.

#### Withstanding inflation

Expenditure over the period 2004/5 to 2006/7 has not increased with inflation, so because service levels do not indicate a decline over that period, as shown later in this annex, this gives an efficiency saving on revenue and capital of £2325k:

#### REVENUE SPEND

All £k

year	actual		2004/5 equivalent using Roadcon		difference
2004/5	5615				
2005/6	5833		6041.22		208.22
2006/7	5318		6674.33		1356.33

Total rev 1564.55

#### CAPITAL SPEND

All £k

year	actual		2004/5 equivalent using Roadcon		difference
2004/5	3693				
2005/6	3635		3973.33		338.33
2006/7	3968		4389.72		421.72

Total cap 760.05

Total non-cashable efficiency saving due to 'inflation' is £2324.6k

### Improving performance

Using the recommended BVPIs, plus survey results for carriageway surfacing, it can be demonstrated that CYC's overall performance in highway maintenance has improved over the period 2004/5 to 2006/7, increasing the efficiency saving

<b>Crosschecks</b>	<b>2004/5 indicator</b>	<b>2006/7 indicator</b>	<b>Comments</b>
<b>Approved quality crosschecks</b>			
Temporary traffic control BV100	0 days	0 days	
Condition of principal roads BV223*		7%	New indicator 2005/6 using SCANNER machine survey method
Rectification of street lighting faults BV215a		2.49	New indicator 2005/6
Pedestrian crossings with facilities for the disabled BV165	100%	67%	Change in national standard in 2006
Public rights of way that are easy to use BV178	61%	77.25%	
Condition of footways BV187*	15.81%	15.00%	
<b>Non approved indicators **</b>			
Condition of principal roads by CVI (BV96)*	7.80%	7.80%	Indicator changed to BV223 in 2005/6, using SCANNER survey method
Condition of non principal classified roads by CVI (BV97a)*	18.80%	14%	Indicator changed to BV224a in 2006/7, using SCANNER survey method
Condition of unclassified roads by CVI (BV97b and 224b)*	15.20%	12%	

\* % defective

\*\* CYC continued CVI surveys after introduction of SCANNER to obtain a consistent measure of condition

By following the process in the toolkit the average service level improvement is 4.2%.

When applied to the 2006/7 equivalent of the actual expenditure in 2004/5:

Spend	All £k		
2004/5	Revenue	5615	
	Capital	3693	
			total 9308
			inflated using Roadcon @ 18.87% = 11064

the calculation gives a further non-cashable efficiency saving due to performance of £464.7k

**TOTAL NON CASHABLE EFFICIENCY SAVING = £2324.6+464.7=£2789k**

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## **Overview of Approach to Benchmarking Costs**

### **Background**

Benchmarking of Neighbourhood Services (NS) costs is required to provide the Highways Maintenance Scrutiny Committee with information. It is also required to assist in examining the proposals to continue the further provision of these services via NS using a service level agreement (subject to a decision by Members).

Obtaining reliable cost comparisons is known to be difficult and this overview report demonstrates the lengths that officers have gone to, to try to obtain this information.

### **Comparison of costs using the 2005 procurement**

As part of the procurement approach, recommended by the Best Value Review, NS took part in an exercise to benchmark their costs in July 2005. The exercise produced indicative costs from 5 external short listed organisations, as well as NS. A total of 24 items were priced and the comparison shows that when all the relevant factors are taken into consideration, NS was competitive and there was no financial advantage in moving from NS to a different provider for these particular services. More information is provided at **(1)**.

### **Examination of performance indicators available from the National Highways Benchmarking Club (NHMBC)**

This benchmarking club has 38 members and includes local authorities as well as a range of contracting organisations working for local authorities. A wide range of performance indicator information exists but it is focussed on satisfaction with quality and predictability of price rather than on maintaining a database of typical costs for individual rates.

Discussions with the benchmarking club representatives took place to try to determine if their data could be used for our specific benchmarking purposes but with no success. Club members use the information to build up an ongoing profile of their performance against others in the club and as such it does help to indicate when performance against others is not positive. The club does not believe that costs can be reliably compared and therefore doesn't see the benefit of trying to do so when contract arrangements vary so much these days. Partnership contracts and open book accounting no longer result in priced bills of quantities to the same extent as in the past. There are also wide geographical variations as well as the uncertainties in the way overheads have been included etc.

Whilst membership of the NHMBC may be something to consider it will not result in direct cost comparisons and could not be used in this benchmarking exercise.

### **Benchmarking survey with a number of local authorities in the Yorkshire and the Humber region**

A list of 23 items for benchmarking was jointly agreed between City Strategy (CS) and NS and this was circulated to nine local authorities that we have regular contact with via highway asset management in the Yorkshire and Humber region.

Two authorities showed an interest in benchmarking with us but in the end, despite repeat requests for information, nothing was forthcoming. It was unfortunate that within a short space of time of sending out the request, the late June and early July flooding events affected many parts of the region and it is likely that staff had more important things to deal with than our request for information. Evidence from a similar exercise that NS attempted a little while ago, in a different subject area, resulted in a similar lack of response.

The end result is that despite attempts we were not able to benchmark locally using this approach.

### **Benchmarking using Accord**

Accord is a contracting organisation supplying a wide range of services to central and local government. Accord was approached, through contacts at the NHMBC, to carry out a simple low cost exercise to benchmark NS in terms of typical outputs that should be expected for each of the items of work.

These outputs produce unit rates and when these were compared against those in current use with NS, the comparison showed that the rates in use are lower than those derived from the output quantities in most cases. In other words NS rates appear to be competitive in terms of their efficiencies as a result of this benchmarking exercise.

Accord has also supplied some indicative unit costs for our assistance but did this as a separate exercise to the report they produced. Accord was keen to stress that these costs should be used carefully for comparison purposes, as they may not be representative of the situation in York. Further information on this benchmarking exercise is included in (2) but the exercise showed that the rates used by NS are close to those supplied, and generally are slightly less expensive; confirming the view from the 'output' comparison, that the NS rates are competitive.

### **Benchmarking with the two local authorities adjacent to City of York Council**

One of the variables that can affect benchmarking of costs is the peculiarities of any given locality. To try to overcome this factor a more personal approach was made to the two local authorities on our boundary, namely, North Yorkshire County Council (NYCC) and East Riding of Yorkshire Council (ERYC). Representatives from both authorities agreed to meet to discuss benchmarking. These meetings have taken place the discussions indicated that costs were similar, although differences in the item coverage for the rates being compared complicated matters. Both authorities agreed to carry out further benchmarking.

In the case of NYCC, the representative agreed to price up a footway resurfacing scheme to enable a sample of the small scale R&R programme to be

benchmarked for costs. In the case of ERYC the representative agreed to look further at benchmarking the routine maintenance rates. It is unlikely that the outcome of this further work will be available for the meeting but a verbal report will be provided. More information on the benchmarking with NYCC and ERYC is included in (3).

### **Outcome of the various benchmarking exercises**

Benchmarking is difficult to carry out but the work undertaken does demonstrate that costs charged by NS are competitive when compared to both external contracting organisations and other local authority in-house suppliers. There is also evidence that the efficiencies being achieved are competitive.

#### **(1) Comparison of rates supplied by Neighbourhood Services as part of the procurement exercise in 2005**

The procurement was split into two parts, with the works traditionally undertaken by Neighbourhood Services (NS) included in Part B of the contract. Part A included works not traditionally carried out by NS, mainly street lighting, carriageway R&R schemes, surface dressing, footway slurry sealing etc.

The costing exercise in the tender was essentially to obtain indicative costs, as the contract was intended to be outcome based, using open book accounting with a financial incentive system to share 'pain' and 'gain'.

There were five external organisations in this tender process and they were all interested in obtaining Part A and Part B works. The indicative costs were based on the fact they would be awarded work in one of the following ways:

- Part A only
- Part A + B

When the external organisations provided indicative costs for Part B it is certain that some of the overheads would already have been covered in Part A and this could therefore appear to make NS indicative costs look more expensive (as NS was providing costs as a means to benchmark its services but without the facility to offset some overheads into Part A works).

The results of this exercise are as follows:

Comparison of the rates submitted by NS, to those rates in use at the time in connection with the ongoing term maintenance contract, showed a very close similarity. As a result of this, the exercise produces an indication of the value for money of costs at that time when compared to the rates submitted by external organisations.

Costs were obtained for a sample of 24 well used items. This information allowed costs to be estimated for a significant proportion of the services in part B of the contract.

NS was positioned 4<sup>th</sup> out of 6 and their costs were the closest of any organisation to the average figure, even when the least and most expensive were removed from the exercise. NS was 4.0% more expensive than the average cost.

This showed that NS were in the same price range as a sample of 5 good quality external organisations and were in fact less expensive than 2 of them.

### **Other factors**

Had the exercise been taken further then it would have been necessary to introduce other factors into the financial assessment to obtain the greatest understanding of the implications of potential outsourcing of the civil engineering section of NS. This assessment would have considered loss of profit to the council, under recovery of central and departmental overheads, costs associated with TUPE and pensions as well as the impact on other services such as the vehicle fleet maintenance contract, Street Scene and Street Environment etc.

Whilst this exercise was never brought to a detailed conclusion, it was clear from the work undertaken that there was little to be gained, financially, from alterations to the present arrangements of the works in Part B of the contract. The main savings were in Part A and this was later confirmed again through the savings obtained in the following year (2006) with the R&R surfacing contract being awarded to Tarmac on a much improved financial basis from the Council's point of view.

## **(2) Benchmarking of Neighbourhood Services costs by Accord**

### **Background to Accord**

Accord provides an extensive range of highways and structures maintenance and improvement services, working for a number of local authorities, Transport for London and the Highways Agency.

Highways services represents a core area of business for Accord and it is one the top suppliers of term maintenance services to county councils and the Highways Agency. The Accord service offering has been developed with the aim of providing single-point responsibility for a wide range of activities.

### **Service offering includes:**

- Carriageway and footway surfacing and construction
- Network management
- 24 hour incident support
- Footway maintenance and construction
- Maintenance and construction of bridges and structures



- Surface dressing
- Road marking
- Safety fencing
- Traffic signs
- Drainage works
- Gully emptying
- Grass cutting
- Weed control
- Grounds maintenance
- Winter maintenance e.g. snow clearance and precautionary salting
- Fleet management and maintenance
- Co-ordinated passenger transportation
- Asset management

**Current clients include:**

- Anglesey County Council
- Caerphilly County Borough Council
- Cardiff Council
- Crawley Borough Council
- Highways Agency
- London Borough of Camden
- London Borough of Harrow
- London Borough of Hillingdon
- Newport City Council
- Oxfordshire County Council
- Shropshire County Council
- Southampton University
- Staffordshire County Council
- Telford & Wrekin Council
- Transport for London
- Torfaen County Borough Council
- Vale of Glamorgan Council
- Warrington Borough Council
- West Sussex County Council

**Benchmarking approach**

The Divisional Director involved with this project arranged for the Accord estimating department to produce the typical outputs they would expect a competitive organisation to deliver, in terms of the quantities of labour, items of plant and all the different materials, for each of the 23 items supplied to them. This information can then be used to input costs and determine whether or not the rates are in line with those currently being used, and by implication in line with the output productivity that should be expected from a competitive organisation.

The information obtained from this exercise showed that overall the existing NS costs are lower than those produced using the typical outputs, provided by Accord, for a competitive organisation. Using the 16 most comparable rates this indicates that NS average costs are 10.4% lower than those

calculated from the outputs. This should be taken as an indication that NS costs are competitive, rather than the extent to which they are competitive due to the assumptions in the calculations.

Accord was keen to point out that any approach to benchmarking costs needs to carry a significant warning that comparisons can be misleading. Contractors build up their costs in different ways, taking into consideration different levels of overhead provisions. Other factors play an important part such as the availability of skilled labour, the local cost of labour, plant and materials and the life of the project over which set-up costs can be spread.

With this in mind Accord did not feel it appropriate to provide typical costs for the 23 items in their report but they did agree to verbally provide this information, based on 'normal' overheads, providing the 'health warning' about cost variations was applied to it.

This showed that a small number of the rate comparisons were clearly not based on the same things and not comparable. An overall comparison of 20 costs indicates that NS existing costs are very similar to the typical costs provided by Accord being 4.7% less expensive. However, based on the basket of 16 rates that are suitable for comparison of Outputs, NS is 1.3% more expensive than Accord's typical costs.

### **(3) Benchmarking with the two local authorities adjacent to City of York Council**

Representatives from NYCC and ERYC agreed to meet with CYC officers to discuss benchmarking and their approach to service delivery.

#### **Comparison with NYCC**

NYCC outsourced its consultancy and its Direct Service Organisation some years ago and has term maintenance contract arrangements for these services. It needs to operate a relatively large client base, partly because of the contract arrangements in place and partly because of the geographical nature of North Yorkshire.

Comparison of basic maintenance costs proved to be difficult because of the way these were built up and the uncertainties that like-for-like comparisons were being made.

Bearing in mind that the Accord exercise had produced comparisons for a reasonable number of typical basic maintenance items, it was agreed that a more sensible approach to benchmarking would be to price up a small footway R&R scheme to see how costs compared on specific scheme. A scheme in this years programme has been sent for indicative pricing and the results are awaited. If an update is available it will be provided verbally at the meeting.

**Comparison with ERYC**

ERYC do not have a 'client', 'contractor' split and as a result officers adopt a 'twin-hatted' approach. They still have an in-house supply capability for routine highway maintenance but it is fairly limited and is enhanced as necessary from a framework contract for labour. ERYC favour the framework contract arrangement and also use it to obtain contractors for their R&R schemes.

Routine maintenance tends to be provided on a dayworks basis, as the works are small scale and usually undertaken in less than a two day period. The labour rate is a critical element in dayworks and a comparison of CYC and ERYC labour rates revealed that they were almost identical.

ERYC agreed to carry out some further works on benchmarking of routine maintenance items but the results are not expected prior to the meeting.

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## Outcomes of Best Value Improvement Objectives and Actions

Improvement Action	Improvement Outcome	Extent to which the Outcome was delivered
Develop a highways maintenance strategy	<p>Inspection &amp; Repair manual introduced in 2000 and subsequently revised with the new code of practice in 2005. Transport Asset Management Plan introduced in 2005.</p> <p>'June' surveys further developed year on year.</p> <p>PI targets set, but this presents difficulties when there are pressures on budgets and changes in the reporting of PIs.</p> <p>Sustainable street lighting strategy due to be introduced in October 2007.</p>	The strategic approach has been developed, as required, but has changed over the years to meet changing circumstances.
Set up Highway Maintenance Improvement Team (HMIT)	<p>Team set up and it initially established 'quick wins'.</p> <p>This Team evolved over time and with meetings of relevant staff now taking place on a monthly basis.</p> <p>The Team is supported with weekly meetings that concentrate on ensuring:</p> <ul style="list-style-type: none"> <li>• smooth flow of work</li> <li>• design, manage and build of small R&amp;R schemes (staff seconded from Engineering Consultancy)</li> <li>• area working</li> </ul> <p>Gully cleaning has improved with regular organised road closures incorporating other maintenance works. Recycling of aggregate has improved considerably.</p> <p>NS are Quality Assured (registration in 2005) plus Striving for Excellence 2005. Schemes are coordinated properly – recent examples being:</p> <ul style="list-style-type: none"> <li>• Strensall roundabout</li> <li>• Crockey Hill junction</li> </ul>	The Team was set up as required but has evolved over time.
Appoint Highway Maintenance	No funding was available when the growth bid was submitted. No appointment made.	This action point was not delivered

Improvement Team Project Manager		
Introduce quality assurance manager	<p>Quality Assurance Manager, for Highways and Street Operations, appointed in the DEDS reorganisation in 2003. The post holder had to concentrate initially on street scene issues, on refuse and cleansing. Subsequently, the post holder also had to be used to cover for the absence of the Highways and Street Operations back office support team leader. In 2005 the post transferred to NS with the transfer of client operations for street cleansing, refuse collection and public convenience provision. The post was then taken as a saving.</p> <p>Due to the pressures outlined with the role of the Quality Assurance Manager, it was never possible to develop the QA systems as originally intended.</p> <p>Work was carried out to process map activities, to improve QA with NS, to improve QA as part of service procurement and to assist in the 'easy' project.</p>	<p>Whilst a Quality Assurance Manager was introduced, as required, this happened late and as a result of an internal reorganisation. The QA Manager was only able to carry out some of the duties anticipated, due to other pressures and the post was deleted as a saving in 2005. The action was only delivered in part.</p>
Improve quality of the finished product	<p>Re Basic highway maintenance works with NS: A quality bonus scheme was introduced. Feedback cards, for customers, introduced. The works ordering system was reviewed and improved to create a smooth flow of work. Quality checks carried out. Inspections are accurately recorded. We have removed duplicate inspections and the system has been re-engineered to enable single self-monitoring.</p> <p>Re Street lighting contract with Amey: Works ordering has been improved. Quality is checked. weekly and monthly contract meetings improve quality.</p> <p>Re Surfacing contract with Tarmac:</p>	<p>The quality has improved as a result of a number of initiatives and the outcome has been delivered.</p>

	<p>Early Contractor involvement in each project achieves improved Method Statements and benefit is gained from practical ways of working.</p> <p>Joint meeting to agree defects correction this minimises staff costs and improves speed of any corrections</p> <p>:</p>	
Develop local KPIs and set targets	Local KPIs introduced, as set out in the City Strategy Performance Record	Completed
Undertake market research and analysis of new procurement arrangements	In 2003 considerable work was done with other Councils and with interested contractors to identify the various procurement arrangements that may have been appropriate for CYC	Action completed and outcome reported to the Executive
Review select list	All contractors must now be CHAS registered and on the Construction-line, Government backed select list. NS were reviewed and included on the select list	Action completed
Introduce Highway Management System	A comprehensive highway management system, Exor, has been introduced and is continually being enhanced.	Action completed
Review current contractual arrangements, review options available and plan introduction of new contractual arrangements	This was done from 2003 onwards re contract scope, type, term and the proposed introduction of new contractual arrangements.	Completed with a number of reports brought to the Executive for decision.
Introduce new contractual arrangements	The proposed contract was put out to tender May 2005. A preferred bidder was appointed and pre-contract discussions continued up the Spring of 2006	New contractual arrangements failed to be delivered, but the process was substantially completed.
Improve communication	<p>Re Basic Highway Maintenance works with NS: There are weekly and monthly inter-departmental meetings to monitor and improve service delivery.</p> <p>Re Street Lighting with Amey: There are weekly and monthly meetings to improve workflow and increase</p>	Action completed

	<p>efficiencies.</p> <p>Re Surfacing with Tarmac: There are meetings either weekly or every other week, depending on the volume of work being undertaken, to monitor work and agree accounts.</p>	
Undertake structured consultation and customer liaison	<p>Work done at different times to undertake consultation on specific issues, such as drainage.</p> <p>Satisfaction PIs have improved.</p> <p>Information taken to Members eg CSIP update with particular focus on customer satisfaction (September 2004).</p>	More could always have been done but the action has been substantially completed.
Introduce use of monthly trading accounts	<p>Trading accounts in place for NS and Engineering Consultancy.</p> <p>Monthly budget monitoring in CS.</p>	<p>Action completed.</p> <p>A trading account for the Highway Infrastructure Section is not appropriate as income generation forms only a small part of the work..</p>
Undertake benchmarking	<p>Some work was done initially at the time of the BVR.</p> <p>There is no meaningful information readily available as no two contracts are alike – information is also commercially sensitive.</p> <p>Bench marking of NS took place as part of the review of contractual arrangements in 2005.</p> <p>Further benchmarking has just been completed with a term maintenance contractor, Accord and is in progress with NYCC and ERYC.</p> <p>The operation of Highway Infrastructure and Engineering Consultancy was also reviewed, from 2003 onwards, as part of the proposed procurement of services.</p>	<p>Benchmarking has been undertaken on a number of occasions in different ways.</p> <p>It is not easy to obtain meaningful information but the action has been substantially completed.</p>
Review remit of highway maintenance service	<p>Reviewed regularly as a result of:</p> <ul style="list-style-type: none"> <li>▪ Re-scoping (involving setting up the Street Environment Service)</li> <li>▪ Restructuring (in 2003)</li> <li>▪ Proposals for procurement involving revised for service delivery</li> <li>▪ PFI</li> <li>▪ Scrutiny</li> </ul>	This has been the subject of various Executive reports and the action has been completed.



Review training and education needs	Retention package introduced. Appraisals/ PDRs in place. Training programmes: <ul style="list-style-type: none"> <li>▪ HNC/HND</li> <li>▪ IOSSH</li> <li>▪ CDM</li> <li>▪ First Aid</li> <li>▪ Technical conferences</li> <li>▪ Workforce training (tools)</li> <li>▪ etc</li> </ul>	A lot of training and education is carried out and the action has been completed.
Review success of HMIT and link outcomes with review of contractual arrangements	The HMIT was successful to start with but once the initial outcomes had been delivered it became less effective with limited outcomes. The HMIT led into the first procurement. The work of the HMIT is embodied in the efficiencies of the new contracts: <ul style="list-style-type: none"> <li>▪ Manage and build arrangements with NS</li> <li>▪ 'Early Contractor Involvement' in the surfacing contract with Tarmac</li> <li>▪ The partnership approach to the street lighting contract with Amey (Partnership Seminar planned for Nov. 07)</li> </ul>	The actions were completed. The HMIT had some initial success and this was developed further into the reviews of contract arrangements.
Sustain and expand condition survey	A number of condition surveys are regularly undertaken each year and the extent and condition of the various assets are recorded in Exor. Obtaining information is relatively expensive and is limited by the resources available. The TAMP has provided a valuable overview but needs to be developed further. A very accurate street lighting inventory has been produced leading to considerable savings on energy. More work is needed on bridges, lower category footways and drainage systems (particularly if the PFI option is to be progressed).	Considerable work has been done, and CYC was at the forefront in this field a few years ago. Unfortunately a lack of resources to sustain this position has meant that this is no longer the case.
Pre-Planning of next BVR	The approach to BV changed in the years following the highway maintenance BVR and the action is no longer required.	Not completed but only because this action is no longer required as initially envisaged.

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**Meeting of Highways Maintenance Ad-Hoc Scrutiny  
Committee – 7 November 2007**

Questions from Cllr Merrett

1. In terms of the internal management of the Highways Maintenance Procurement process, how was it managed (e.g. was there a designated lead officer, was there a continuously maintained and periodically updated programme for implementation, who monitored the outcomes, and how were the delays in implementation handled)?
2. We were advised that there was no permanent Head in Highways infrastructure from Feb 2002 to June 2003 and this led to a lot of delay. Were there not temporary cover or head arrangements, and what attempts were made to cover the CSIP/Procurement exercise during that period?
3. The June 2003 report was clearly a significant reappraisal of the project, and is stated to have been in line with the requirements of performance management. Progress had been made, yet it still took another 2 1/2 years to get to a then aborted tender, against what had originally been expected to be a 1 1/2 year for the whole process up to tender. The subsequent record given to us at our last meeting described decisions over who did what, and what was to be in the tender and what was not still being made as late as March 2005. On the surface this suggests a lack of clarity and strategic thinking up front. Was this the case, or were there other reasons for the post 2003 difficulties? How much were the acknowledged differences between the DEDES and commercial services department which have been mentioned a problem? What are your views now on how this type of cross departmental project should be handled, and what lessons and measures we could take to try and avoid such difficulties in future?

Questions from Cllr Healey

1. When funding of the dedicated Project Manager was declined in 2007/2008? How did the Officers/Executive still reasonably expect to realise the saving identified and subsequently used to pay for the setup of the Street Environment Service.
2. Please detail how long it has taken to repay the venture fund compared to original estimates?
3. Given the past, present and expected backlog of maintenance (Para 7.3 Highway Services Contract Report 2-May-06) was it prudent to use efficiencies in Highway Maintenance in another area instead of tackling the backlog.

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