

## **Outcome of Highway Maintenance Best Value Review**

The Highway Maintenance Best Value Review of 2001 had 11 Improvement Objectives and 7 Proposals for consideration. The agreed recommendations were that Proposals 2 & 5 were accepted, namely a twin track approach to set up a Highway Improvements Team and to investigate the most effective way to procure the services.

These recommendations were followed with the setting up of the Highways Improvement Team between DEDS and CSO and with the examination of alternative procurement options, the decision to pursue an outcome based partnership approach and the procurement exercise, followed by the PFI Expression of Interest. Neither of the recommendations carried with it a definitive target to reduce costs and/or increase efficiencies but this was at the heart of both recommendations. The absence of firm financial targets makes it difficult to make comparisons with what has happened from 2003 but clearly there was a desire to meet the Council's 5 year target of 20% savings, equivalent to an annual cost saving of £220k.

### **Service Procurement from 2003**

As Members will know the partnership procurement exercise did not result in the award of a contract in March 2006, due to risks being assessed as unacceptable. In the absence of a partnership contract, which would have encompassed a number of existing smaller contracts, these smaller contracts have been retendered. This is the case with Resurfacing and Reconstruction (R&R) works and the Street Lighting Service, retendered in 2006 and 2007 respectively. The third main element of the overall service provision is the arrangement with Neighborhood Services (NS) for the supply of routine Highway Maintenance Services, incorporating small R&R works. It is not a legal requirement to tender this work and arrangements have been made to continue the supply of these services from NS, subject to a forthcoming report to Members to demonstrate the effectiveness of these arrangements in line with the procurement strategy adopted by the Council.

It is possible that all the arrangements currently in place could continue to 2010/11 where they can then be aligned to fit in with whatever new form of procurement is decided upon. An option for the future is Highway Maintenance PFI, subject to DfT approval of the Expression of Interest, a decision to accept this PFI scheme by the Council and successful completion of the lengthy and very complex PFI process.

### **Demonstration of Efficiencies from 2003**

Gershon efficiencies can be cashable and non-cashable. A recently produced Local Highway Efficiency Toolkit, to demonstrate how savings should be calculated, is available on the following website [www.rcoe.gov.uk/rce/aio/31679](http://www.rcoe.gov.uk/rce/aio/31679)

This can be used to examine efficiencies over any period of time and staff are currently doing this for the period 2003 to 2007. The toolkit allows us to calculate efficiencies in terms of cashable and non-cashable savings. It provides quite simple Quality Cross Checks to ensure that we only use efficiencies that result in the same, or increased, levels of service. It is, however, a time consuming process and with the limited staff resources available it is not expected that the outcome of this exercise will be available for the meeting on 20 June 2007.

However to give Members an indication of the types of efficiencies improvements that have been obtained since 2003, by a variety of means, the following may be helpful. It is a non-exhaustive list a cashable efficiency improvements that have been introduced since 2003. The exact amounts are often difficult to determine, other than in approximate terms, and this approach has been used.

### Efficiency Improvement Table

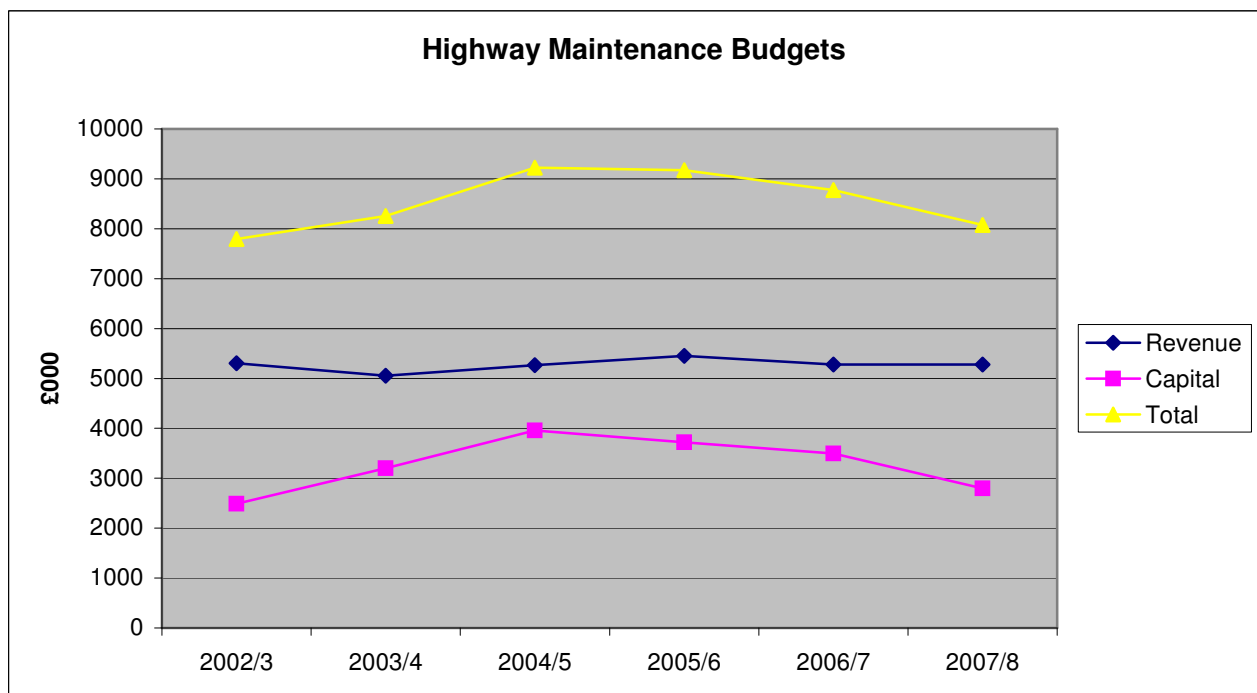
Examples of Cashable Efficiency - through improvement in cost	Estimated Cashable Efficiency (£k) in 2007	Comment
Design, manage and build approach to small R&R schemes (NS)	55 recurring	Total package of works provided by NS. Schemes design on a 'fit for purpose' basis
Savings on public liability claims through improved safety inspections and robust defense (HI & NS)	150 recurring	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 (HI)	255 recurring to end of present contract	A revised procurement of 'green' energy produced savings on the budgets through to Oct 2008
Works programme efficiencies	75	Dependent on savings made possible through provision of a <u>full</u> works programme enabling efficient employment of staff and resources in NS
Possible savings on inflation if the Roadcon indices used in the 'Efficiency Toolkit' is higher than that actually used on the term maintenance contract (HI & NS)	??	(details being obtained)
Recovery of maintenance costs from third parties (HI)	20 recurring	Staff have developed improved systems and are being more successful in the recovery of money
CVI and DVI inspections carried out in-house (HI)	10 recurring	Staff have been trained to do this work and outcomes are consistent. Experience of outsourcing the work is that quality is poor or variable.
Area working (NS)	200 recurring non-cashable saving providing increased efficiency	By marking up work that is likely to breach intervention levels within 6 months and working on an area by area basis we have been able to carry out 30% more work for the same money
Savings on the use of Safecoat (HI)	50 recurring	This material has saved money and is less harmful to the environment
R&R scheme savings from	350 in 2007 but	The latest contract with Tarmac has

2006 procurement [net savings taking into account increases on SD and SS schemes] (HI & EC)	this depends on the size of the budget and the mixture of the works	produced typical savings of 29% on R&R schemes but an increase in costs on surface dressing and slurry seal works
Saving from 2007 procurement for street lighting (HI)	70 recurring to the end of the contract	The recent procurement has produced savings and has introduced efficiencies through improved routine maintenance
Gully cleaning efficiency due to 'Thursday' cleans (HI & NS)	10 recurring	Rather than have a reactive gully cleaning service that is inefficient, reactive cleans are now programmed for Thursdays each week (this excludes emergencies).
<b>Total of estimated cashable efficiency improvements listed above</b>	<b>1,245</b>	BVR sought savings of £1,100K in first 5 years (2006/7) . There are expected to be other savings and efficiencies, mainly the non-cashable sort, that may be identified in the work being done on the Local Highway Efficiency Toolkit exercise.

There was a requirement for the highway maintenance budgets to repay to the venture fund the sum of £377k to cover the costs of setting up the Street Environment Service and servicing the loan, which was taken out of the highway maintenance base budget.

## Highway Maintenance Budgets

The graph below shows the budgets for the revenue and capital elements of highway maintenance over the period 2002/03 to 2006/07.



## Notes

1. The revenue budget is the net figure covering a combination of service costs, recharges, income, staff and support service costs.
2. The revenue budget is under considerable pressure, it is not keeping pace with inflation or with the ever increasing size of the highway asset, for example if inflation is assumed to be 2.5% per year from 2002/03, the budget in 2007/08 should be approximately £5900k rather than £5276k.
3. Capital funding is subject to variation due to the effects of Prudential borrowing since 2003/04, the amount of structural maintenance funding in the LTP and the varying level capital receipts available to the Council.
4. The cost of the procurement exercise, that took place in 2004/05 and 2005/06, was £160k. This covers the cost of dedicated staff and advisers as well as other miscellaneous costs associated with the procurement. It is not included in the revenue budgets in the graph.
5. Customer satisfaction and highway surface conditions have generally improved over the period, as measured by the various PIs.

## Comparison of CYC staff numbers delivering the highway maintenance service 2003 to 2007

The staffing, associated with the provision of the highway maintenance service within the various teams in the Highway Infrastructure Section, are shown in the table below:

Post/Team	2003 staff numbers	2007 staff numbers
Section Head	1	1
Maintenance Manager	1	1
Post/Team	2003 staff numbers	2007 staff numbers
Maintenance Team	9	7 + 1 Driver -2 Eng Tech - 1 Tech Clerk
NRSWA Team	4	4
Street Lighting Team	2	2
Support Team	5	3.5 -1 PO, - 0.5 T.Clerk
Asset Manager	1	1
Asset Management Team	3	2.5 -1 Eng Tech + 0.5 Exor Dev Officer
Total	26	22

The change in staff over the period is due to the efficiency effects of restructures, budget savings and growth. It represents a reduction of 15.4%. The main staff changes over the 4 year period are:

Increases in staff numbers	Decreases in staff numbers
1 no. Safety Inspection Driver	1.5 no. Technical Clerks
1no.Exor Development Officer (50% of time spent on highway maintenance)	3 no. Engineering Technicians (Inspectors) 1 no. Principal Officer (Support Team)

In addition to the above a Procurement Manager was employed on a temporary contract basis for 2.5 years (July 2004 to February 2007) to assist mainly with the partnership procurement exercise and the PFI Expression of Interest.

The Exor Development Officer post is part of the Asset Management Team but this post supports the use of Exor across a range of Teams within various Directorates and is not totally involved in the highway maintenance service. Only 50% of this post has therefore been included in the figures above.