

CABINET

Highways Maintenance 29 May 2012

Report of Head of Environmental Services

PURPOSE OF REPORT					
To seek a decision on the future of the highways maintenance functions currently provided by the City Council on behalf of the County Council, for referral on to Council.					
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Officer	<input checked="" type="checkbox"/>
Date Included in Forward Plan	11th May 2012				
Project Appraisal Undertaken					
The main part of the report is public. However, Appendix A is exempt from publication by virtue of paragraph, 3, of Schedule 12a of the Local Government Act 1972					

RECOMMENDATIONS OF HEAD OF ENVIRONMENTAL SERVICES

- 1) That Cabinet agrees to the principle of the City Council continuing to deliver a highways maintenance service on behalf of the County Council, on the terms set out within the report.
- 2) That as the financial implications of delivering the service on the proposed terms fall outside of the existing budgetary framework, the final decision be referred to Council for approval at its meeting on 13 June 2012.
- 3) That subject to the recommendations above, the agreement of the detail of the terms of the highways maintenance service be delegated to the Head of Environmental Services.

1.0 Introduction

- 1.1 Lancashire County Council are the authority with responsibility for maintenance of the District's adopted roads and pavements.
- 1.2 In this District a number of the responsibilities that the County has in this regard are undertaken by the City Council on behalf of the County, through either joint service or contractual arrangements.
- 1.3 Working in this way meets the priorities in the City Council's Corporate Plan.

In particular the priorities of 'clean, green and safe places' and 'community leadership.'

- 1.4 One such responsibility delivered by the City Council on behalf of the County is in relation to some of the highways maintenance functions that are provided in the District.
- 1.5 Within this County Lancaster City Council is unique, as a District, in that it still directly delivers some highways maintenance functions. Besides meeting the priorities in the Corporate Plan continuing to provide these functions at a local level means that-
 - Local knowledge gained through years of operating in the District is retained.
 - The range of functions provided can in turn be used by other Council Services (eg grounds maintenance, council housing, property services).
 - The fixed costs associated with providing a full range of in-house direct services (eg waste collection, cleansing, grounds maintenance, repairs and maintenance, vehicle maintenance) are spread over a wider range of activities.
- 1.6 Besides the Highways Maintenance arrangement which is the subject of this report there is also a Public Realm agreement in place with County. As part of this agreement the County provides a budget to the City Council which contributes to mowing of verges, weed spraying, pavement gritting etc. This agreement commenced last year and has resulted in significant improvements to standards and consistency of maintenance across District.
- 1.7 Most importantly the arrangements for Highways Maintenance and the Public Realm benefit our residents and stakeholders as they provide for a much more joined up approach to the management and maintenance between the City, County and Parish Councils. This results in better customer service, improved efficiency, better planning and quicker response.
- 1.8 In common with the City Council and all public sectors bodies the County Council has been faced with making huge budgetary savings. This has led to them reviewing the way Highways Maintenance is delivered across the County.
- 1.9 The current arrangement with the County Council is based on a traditional schedule of rates.

2.0 Proposal Details

- 2.1 From this summer the County have proposed that if the City Council wants to continue providing a range of Highways Maintenance functions on behalf of the County Council then in outline the arrangement will be as follows (Note the Public Realm agreement referred to earlier is not affected by this)-
 - County will pay the District for all direct costs incurred in delivering the range of functions at the same rates as the County incurs. (As with previous arrangements there are no guarantees as to the volume of work that will be undertaken by the City Council).
 - County will pay the District an annual contribution to the overheads it incurs in delivering these functions.
 - County will continue to review whether gully emptying and winter maintenance, which are currently provided by the City Council to a defined area of the District are better provided wholly by the County in the future.
- 2.2 If the City Council do not want to agree to this then the County would take over responsibility for the provision of the functions currently delivered by the City Council. This would involve a formal transfer of staff.

2.3 From a purely financial perspective the 'least worst' option to the City Council by an estimated £18,200 per year is to transfer the service to County.

2.4 Whilst important, the financial perspective is not the only aspect of the overall business case. The following points also need to be considered-

- Working with the County Council in this way represents a much more efficient, effective and progressive way of delivering the service which in turn benefits our residents. In order to realise this though Members have to consider the issue of highways maintenance as one that cuts across the two tiers of local government. Under the proposed arrangement the negative impact financially is felt by the City Council rather than the County Council. Under the previous arrangement the surpluses that the City Council generated on an annual basis had a positive impact on the City Council but not so on the County Council.
- Environmental Services deliver a range of in-house frontline services. In many cases the management, administration and delivery of these services are integrated. Reducing or removing the capacity of a service then has a knock on impact across other services. As an example the fact that the City Council delivered a Highways Maintenance service makes it easier to deliver the Public Realm agreement which in turn contributes to improved consistency and standards within the District. By working in this way efficiencies have been consistently generated, which have translated into real savings for the City Council.
- Further scope for efficiencies has been identified which will not necessarily have a direct impact on the Highways Maintenance account but which will have a direct impact on the Council's budget. Reducing the scale of operations may reduce the opportunity to make these efficiencies, although it is also appreciated that reducing or removing a service can also in itself generate alternative options for making savings.
- Retaining capacity within the City Council benefits Elected Members and Residents. Pooling the knowledge and skills the City and County Council have means a far better service for our residents

3.0 Overall, there is a trade off to be considered from the tax payers' perspective – i.e. is avoiding £18K or so of extra costs (by the City Council not undertaking highways) more important than the operational benefits that may be delivered from joining up highways and other public realm services in the district, or is it less important?

4.0 Details of Consultation

4.1 Consultation with stakeholders and residents in developing the corporate plan identified that the model that is in place in the District whereby County / City share public realm services is one that is effective and increases overall ownership of the District by the different tiers of local government, thus resulting in increased satisfaction of local residents and stakeholders and more efficient use of resources.

5.0 Options and Options Analysis (including risk assessment)

	Option 1: Continue to provide Highways Maintenance Services on behalf of the County as per the offer outlined in the report	Option 2: Discontinue provision of Highways Maintenance Services on behalf of the County
Advantages	<ul style="list-style-type: none"> • Local knowledge gained 	<ul style="list-style-type: none"> • Removes any financial uncertainty of this service.

	<p>through years of operating in the District is retained.</p> <ul style="list-style-type: none"> • Services can be used by other Council Services (eg grounds maintenance, council housing, property services). This, in turn, helps improve efficiency and may reduce the net costs for the highways account. • The fixed costs associated with providing a full range of in-house direct services (eg waste collection, cleansing, grounds maintenance, repairs and maintenance, vehicle maintenance) are spread over a wider range of activities. • Consistent with aspects of the Council's corporate plan, other than reducing costs. • Complements other public realm services delivered by the City Council on behalf of the County Council (eg verge grass cutting, highway tree maintenance, weed spraying, pavement gritting) 	<ul style="list-style-type: none"> • In purely financial terms is the cheaper option.
Disadvantages	<ul style="list-style-type: none"> • Proposal put forward by County only provides a contribution to overheads incurred in delivering the service. • Officers will have to look at ways of reducing overall overheads of functional area, service and Council. (Which is work that is already underway in any case.) • The highways maintenance account is always subject to uncertainty. This will not improve the situation. • The proposal is outside of the Council's agreed 	<ul style="list-style-type: none"> • Capacity will need to be found from HR to deal with TUPE transfer. • Highways Maintenance capacity will be lost. This means that internal work that could offset the cost to the highways account can no longer be undertaken. • Reinforces split in functional responsibility between City / County which from a resident perspective is a negative. • Inconsistent with some aspects of the Corporate Plan (but consistent with reducing costs).

	budgetary framework (see financial implications below)	
Risks	<ul style="list-style-type: none"> County may in the future decide to operate in a different way and take back the work. Staff will be the subject of a TUPE transfer. Arrangements would need to be made with regard to vehicles / equipment which would no longer be required. As with previous arrangements there are no guarantees as to the volume of work that the City Council will be requested to undertake. 	<ul style="list-style-type: none"> Currently the highways maintenance function is also involved in supporting the delivery of some other public realm functions which are delivered through a separate arrangement with County. Ceasing to deliver highways maintenance would have a negative impact on this arrangement.

6.0 Officer Preferred Option (and comments)

6.1 The officer preferred option is option 1. That said, it is considered appropriate to seek a formal review clause in any agreement; a term of one year or so would seem reasonable. The agreement would also need to be flexible enough to deal with any other future fundamental changes in associated service delivery.

7.0 Conclusion

7.1 The report provides information on which to consider whether it is in the Council's best interests to continue to provide a highways maintenance function.

RELATIONSHIP TO POLICY FRAMEWORK

As outlined in the report

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

LEGAL IMPLICATIONS

Legal Services would be consulted on any proposed legal agreement prior to signing

FINANCIAL IMPLICATIONS

Should the Council wish to continue to deliver the Highways Maintenance function then the charging mechanism will fundamentally change. The County would meet all direct costs incurred in delivering the range of functions at the same rates as the County incurs. The County propose also to pay annual contribution towards the overheads incurred by the Council in delivering these functions.

A financial appraisal to continue and discontinue providing the service has been undertaken and included as Appendix A. It can be summarised as follows :-

	Continue 2012/13 Budget £	Discontinue 2012/13 Budget £
Job costs (recovered through charging)	593,500	0
Overheads	250,400	184,600
Savings outside highways accounts	0	(27,400)
Anticipated income from County Council	(668,500)	0
	175,400	157,200
Budgeted loss in 2012/13	(13,200)	(13,200)
ADDITIONAL COST TO COUNCIL	162,200	144,000

The above figures relate to a full year and although, if possible, a review clause would be sought in any agreement, it should be assumed that the additional costs would recur in future years, as adjusted for inflation. As set out in the report, opportunities to make savings would be pursued but there are no quantified proposals at this stage.

The highways function would still be able to provide a service to internal and external clients outside the LHP agreement. This may help to reduce the net costs of the highways account.

So basically, there are a number of uncertainties surrounding continuing and discontinuing the function. However, should all direct costs be met by County, then the additional cost of continuing to provide the service is estimated to be £18,200 over and above the £144,000 overheads that would remain with the Council in any event.

During the last budget exercise, with regard to Highways it was reported that should any surpluses arise on operations in the current year, then these may be put aside to help manage future years' uncertainties. As highlighted in PRT 4 of 2011/12, this year's surplus is estimated to be £49,000 and subject to the overall outturn for 2011/12, this may be available to help manage extra costs that will inevitably arise in the current year, whichever option Members decide on.

OTHER RESOURCE IMPLICATIONS

Human Resources:

If a decision was taken to no longer provide the service there would be significant HR implications as a transfer to existing City Council staff to the County would need to take place.

Information Services:

None

Property:

None

Open Spaces:

As outlined in the report

SECTION 151 OFFICER'S COMMENTS

Whichever option is chosen, it is clear that there will be significant extra pressure on the Council's budget from the current year onwards. Paragraph 3.0 of the report summarises the choices for Members. The s151 Officer would add only that if the more costly option be preferred, comparatively this would increase the need (by £18K or so) to make savings in other areas or increase council tax, based on current estimates. Whilst this figure may seem small, it would still have an impact.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Contact Officer: Mark Davies
Telephone: 01524 58
E-mail: mdavies@lancaster.gov.uk
Ref: