

AGENDA ITEM: 15

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Meeting	Cabinet Resources Committee
Date	10 November 2005
Subject	Highways Works Procurement Strategy
Report of	Cabinet Member for Environment & Transport and Cabinet Member for Resources
Summary	This report outlines a strategy for procuring highways related work, a procurement programme for Planned Maintenance contracts, reduction in the size of the Highways Maintenance Direct Service Organisation (DSO) and the transfer of the Sign Shop Direct Labour Organisation (DLO).

Officer Contributors	Mike Freestone – Head of Highways and Design Ian Counce – Chief Highways Officer
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

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1. RECOMMENDATIONS

- 1.1 That the Highways Works Procurement Strategy as detailed within this report be approved.**
- 1.2 That the Head of Highways and Design be instructed to take the necessary action to achieve this outcome as identified within the Highways Works Procurement Strategy including the reduction in the size of the Highways Maintenance DSO.**
- 1.3 That the Head of Highways and Design test the market by entering into negotiations for the transfer of the sign-making activity from the in-house service as identified within this report, on the most favourable terms to the Council, and take action in consultation with the Cabinet Member for the Environment and Transport to achieve this outcome.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Barnet's Community Plan 2003/6 identifies the need to offer first class services to all our residents. This report seeks to develop the organisation that provides value for money services, is fit for purpose and slim enough to be cost efficient, ensuring we are a good Council with which to do business.
- 3.2 The Council's Corporate Plan 2005/6 – 2008/9 confirms the Council's commitment to repairing roads and pavements. The efficiencies resulting from this report will enhance the overall investment directed at the continuing improvements to the condition of the borough's roads and pavements.
- 3.3 The Corporate Plan's sixth priority is to be a better Council for a better Barnet with the aim to be an excellent organisation. In order to achieve this objective the Council needs to continuously improve how it works and the infrastructure it works with to deliver its priorities.
- 3.4 The Traffic Management Act 2004 requires Local Traffic Authorities to effectively manage their road network by maintaining or improving the movement of traffic, preventing or reducing congestion and avoiding danger to persons or other traffic and should not delay in taking such actions to fulfil these responsibilities. The Highways Works Procurement Strategy will incorporate this requirement within the agreed rates and working practices.

4. RISK MANAGEMENT ISSUES

- 4.1 The envisaged cost and quality benefits that would result from the resulting improved procurement and project delivery practices may not be realised without a change in the current practice.

- 4.2 There is a high likelihood that the current in-house activity will continue to operate at a net cost to the Council unless action is taken. Failure to act would mean that budgets for other emergency and reactive works would have to be reduced.
- 4.3 There is a risk that the personnel involved would not wish to work for another employer. Action resulting from this report seeks to transfer their working conditions and maintain the current employment location. The risk is currently assessed as medium.
- 4.4 There is a lower risk of redundancies than normally expected as a result of the envisaged down-sizing as there is private sector interest in sign manufacture as the Council has been approached on this matter independently but delay could risk a loss of interest.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 Delivering better contracts and supply chain agreements should result in overall financial savings and better product quality to the Council.
- 5.2 The sign making activity currently operates at an effective annual activity loss and, without any intervention, this would need to be met within existing budgets to the detriment of other necessary maintenance activity.
- 5.3 There would be a potential saving of £150,000, which would be reprogrammed to support priority carriageway and footway works, if the sign-making activity was externalised.

6. LEGAL ISSUES

- 6.1 None.

7. CONSTITUTIONAL POWERS

- 7.1 Part 3, paragraph 3.3 of the Council's constitution states that Cabinet Members powers include the power to discharge the executive functions that fall within their portfolio, whether or not they are also delegated to officers, except for matters specifically reserved to Council, Cabinet or Cabinet Committees.

8. BACKGROUND INFORMATION

- 8.1 A comprehensive review took place this summer on the future procurement and service options for the Council's highways maintenance needs. This examined the current highways services procurement situation and carried out a business review of the DSO. The business objectives and overall strategy were defined and compared against other local authority practice (and has since been market tested with contractors). A series of

options were appraised and an action plan identified. The broad conclusions were:

- i. to outline procurement programme for Planned and Reactive Highways Works in order for new contracts to be let in April 2007
- ii. direct non-urgent work to Planned Maintenance contractors
- iii. downsize the Highways Maintenance DSO

The above actions are in line with the document's strategy for all our highway related work to deliver efficiency benefits. This involves improving the quality and cost of service provision across the whole road network for the benefit of all users of the public highway in Barnet.

- 8.2 The service options discussed in the report have been evaluated in both procurement and delivery terms. Efficiency through innovative procurement is a theme common to the 2004 Gershon Review, the 2005 Code of Practice for Highways Maintenance, the recent Highways Agency's Highways Industry Strategy on collaborative roads procurement and the new CPA Framework.
- 8.3 The procurement programme would run throughout 2006 and include decisions on contract format, document preparation, tenderer selection and tender bid evaluation. Additionally, to add value to the process, an open day for potential contractors and a challenge event with other authorities is being arranged and the outcome will be reported verbally to the meeting. New contracts would commence from April 2007.
- 8.4 The Highways Maintenance DSO's role in Rapid Response has been evaluated and since April 2005, the type and nature of the work currently being undertaken in-house has been assessed. The majority of it is non urgent and can be better carried out at a lower cost by the Council's term planned maintenance contractors. Therefore their schedule of rates are being renegotiated to better accommodate the smaller, lower value works and these rates will apply until the existing contracts end in March 2007.
- 8.5 The Highways Maintenance DSO will need to downsize to react to emergency and urgent works only. The DSO employs 30 personnel and the target is to reduce to 12 by the end of this financial year with more work being carried out by our term contractors on a 'value for money' basis. The reduction in staff will be achieved through a mixture of:-
 - 8.5.1 redeployment (including an 'invest to save' initiative relating to additional inspection posts within the Highways Group i.e. faster fault detection reduces the overall repair required and costs, although there will be a medium term investment in inspection to be made),
 - 8.5.2 transfer (helped by the general London-wide shortfall in construction-related resources, especially in advance of the 2012 Olympics)
 - 8.5.3 and redundancy / early retirement.
- 8.6 One of the objectives identified within the Highways Maintenance DSO review is to cease the Sign Shop operation. This is outlined in more detail in Appendix B to this report. Normal transfer arrangements for the Sign Shop activity have the potential to be expensive and although we have some sign work that we can offer interested third parties, this would not be more than

circa £100,000 per annum and cannot be guaranteed. Transfer of Undertakings - Protection of Employment (TUPE) would come into play with some staff and we could be looking at redundancy payments with others.

- 8.7 However, the Council has been approached independently and unsolicited by two of our current highways maintenance term contractors interested in taking over the sign making activity. They have wider trading opportunities than the Council and they have identified a range of potential clients and future income streams. The characteristics of our in-house sign making activity are that the Sign Shop employs up to seven people, it uses various items of sign making equipment, has value in materials held and occupies depot area at Mill Hill.
- 8.8 Authority is sought for the Head of Highways and Design to openly approach interested highways maintenance contractors and negotiate, independently or as a package, on the following aspects:
- Employment of preferably all or most of the Sign Shop workforce
 - Purchase of sign making equipment & materials
 - Short term rental of depot space
 - Agreement of competitive rates for sign manufacture up to 31 March 2007 or until such time as new tenders for this work have been let.
- 8.9 There is the potential, therefore, to reduce the cost on the Council resulting from current trading operation, avert possible future direct employment costs, receive external income through short term depot occupancy and achieve savings in the foreseeable future on sign works. The Council did not inspire nor encourage the approaches made by the external contractors. In addition, no approach has been made to the other five companies that hold term highways contracts. However, there is obviously commercial interest in this manufacturing activity and it is therefore considered urgent that the Council seize the opportunity presented.
- 8.10 Strategic Procurement and Human Resources colleagues are working with the Highways & Design service to select and take forward the most advantageous and appropriate process(es).
- 8.11 Union representatives from the GMB and Unison have been consulted on the proposals detailed in this report.

9. LIST OF BACKGROUND PAPERS

- 9.1 Procurement and Service Options for Highways Maintenance – August 2005
- 9.2 Sign Shop Trading Evaluation – October 2005
- 9.3 Anyone wishing to inspect the background papers should telephone 020 8359 7018.

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