

REPORT TO: PLANNING AND TRANSPORTATION - 20 JUNE 2005

REPORT ON: ROAD MAINTENANCE AND MINOR WORKS PARTNERSHIP AGREEMENT

REPORT BY: DIRECTOR OF PLANNING AND TRANSPORTATION

REPORT NO: 369-2005

1 PURPOSE OF REPORT

- 1.1 This report reviews the current arrangements for delivering the road maintenance and minor road works service and makes recommendations on the development of a Partnership Agreement with Tayside Contracts for the future delivery of this service.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee:
- a Note the content of this report;
 - b Agree to the development of a Partnering Agreement between Dundee City Council and Tayside Contracts for the future provision of this service. This agreement will be on an initial trial basis until March 2007; and
 - c Note the intention to establish a series of KPI's which will monitor the financial performance of this Partnership. The KPI's will be benchmarked against competitive rates both internally and with other authorities.

3 FINANCIAL IMPLICATION

- 3.1 There are no direct financial implications arising from this report although it is anticipated that any efficiency gains realised would be reinvested in improving the maintenance of the road network.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 Theme - Resources are used efficiently and waste is minimised. Tayside Contracts are at the forefront of recycling aggregates and bituminous materials and optimum proportions of such materials are incorporated in mixes produced at their quarry. Reed bed treatment of gully waste minimises waste in an environmentally beneficial manner.

5 EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 Reduced lead-in times and efficient use of resources in implementing road maintenance works, especially on footways, particularly benefits pedestrians who are elderly or have visual or mobility impairments.

6 BACKGROUND

- 6.1 An overview of the current operating arrangements for road maintenance works between Dundee City Council and Tayside Contracts is given in Appendix A to this report. One of the critical aspects of the overall road maintenance service is the

provision of the Winter Maintenance function. In order for Tayside Contracts to be able to sufficiently resource the Winter Maintenance function, it is important that they maintain a sufficient turnover of other road construction related work throughout the remainder of the year.

- 6.2 The current annual revenue budget for road maintenance excluding winter maintenance is £1,735k, whilst the capital programme for the current financial year is £300k.
- 6.3 The current arrangements for the awarding of work and use of the annual unit rate contract leads to a significant amount of duplication and abortive work which could be eliminated through the adoption of a partnering based approach to the procurement of the road maintenance service. Dundee City Council staff incur abortive work in the preparation of annual schedules and contracts together with individual contracts for a series of small projects. In addition, the contractors involved in pricing these documents also incur a considerable amount of abortive costs.
- 6.4 It is worth noting that of the total revenue and capital budget for road maintenance of £2,095k last year, £1,682k or 80% of this work went to Tayside Contracts either on the basis of awarded works or through this being won in competition. Of the remaining sum, the majority is work of a specialist nature which is not undertaken by Tayside Contracts.
- 6.5 The current methods of awarding these works create difficulties for Tayside Contracts in the programming and smoothing of workflows. This impacts upon their ability to accurately forecast their future workloads and develop robust business planning. This uncertainty makes it more difficult for them to develop and invest in new construction techniques or practices and any consequent training of staff.
- 6.6 Reference is made to report 289-2005 to the Planning and Transportation Committee of 16 May 2005, when the outcome of a recent trial partnership for the Street Lighting Service was noted. This report highlighted a number of areas in which the adoption of a partnering approach has resulted in significant improvements in service delivery and a corresponding reduction in operating costs
- 6.7 It is concluded that by applying a similar approach to the road maintenance function, similar benefits could be realised. In the first instance, it would be proposed to establish a Partnering Agreement between Dundee City Council and Tayside Contracts. This agreement would clarify the following key issues:
- Partnership aims and objectives
 - Reporting and operational roles and responsibilities
 - Key performance indicators
 - Management and control procedures
- 6.8 Ensuring that the costs charged by Tayside Contracts remain competitive would be one of the key objectives of the Partnership. It is intended in the first instance to establish a number of cost KPI's covering various parts of the service. These will initially be derived from the current Unit Rate Tenders which were submitted on a competitive basis. In addition, it is intended to put out to tender all schemes over £100k and therefore competitive rates will be submitted on a regular basis from which the KPI's will be updated. In addition, benchmarking with other authorities in

the future as a further check on the competitiveness of the partnership will be undertaken.

- 6.9 It is envisaged that each of the partners would continue to operate from their respective operational bases although it is recognised that in time, there may be merit in integrating elements of the overall service.
- 6.10 In addition to the cyclic and structural maintenance works contained within the Planning and Transportation Department's revenue and capital budget, the road maintenance team are also responsible for delivering a number of other minor road and footpath improvement projects. These can be funded from other funding sources such as Quality of Life or from other client departments such as Housing or Leisure and Arts. It is proposed that these other minor improvement schemes would also be included within the partnering agreement for projects up to a value of £100,000.
- 6.11 It is understood that Dorset Council have recently adopted a similar approach to road maintenance to that adopted in Dundee for Street Lighting Maintenance. This involves the integrating of works between the client and contractor to avoid duplication and the use of electronic data capture equipment to record and share information. Further study of some of the pioneering work being undertaken in Dorset is planned to ensure that areas of good practice are built into the proposed partnership.
- 6.12 It is recognised that it is important for Dundee City Council to adopt more formalised and rigorous asset management systems in relation to maintaining the road asset. This is extremely difficult to achieve with the current resourcing and staffing levels. The adoption of a partnering based approach will free up senior staff within the road maintenance team to work on the development and implementation of strategic asset management plans and systems.
- 6.13 It is proposed to establish the partnership on a trial basis until March 2007 at which stage the trial would be evaluated and the results reported back to committee.

7 CONSULTATIONS

- 7.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Assistant Chief Executive (Community Planning) and Managing Director of Tayside Contracts have been consulted and are in agreement with the contents of this report.

8 BACKGROUND PAPERS

- 8.1 None.

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APPENDIX A

OVERVIEW OF CURRENT ARRANGEMENTS

Provision of Winter Maintenance Service

The provision of the present standard of winter maintenance throughout the city in snow conditions, including the need for increased rotas to comply with drivers' hours regulations, requires a minimum workforce of 110. Of this number, a total of 40 operatives are presently provided to Tayside Contracts by Dundee Contract Services (Land Services) and are principally involved in snow clearing of adopted footways and Housing footpaths using mini-tractors and barrow gritters respectively. Excluding supervisory staff this leaves Tayside Contracts requiring a minimum of 70 manual workers based in Dundee to ensure that the winter maintenance service can be provided.

To employ this size of workforce in Dundee, it is estimated that Tayside Contracts require a turnover on construction work of £6.1m. Structural and cyclic road maintenance for the Roads Authority has always been the core of Tayside Contracts construction work in all three constituent authorities. While some work from other parties can also be picked up this cannot be assured and is sporadic. It is also sometimes geographically remote thus cannot be sustained during the winter maintenance season. Changes in trunk road management and maintenance have also removed much of this supplementary work from direct labour organisations.

The 2005/06 road maintenance revenue budget, excluding elements undertaken by Dundee Contracts Services or specialist firms (urban verge maintenance, tree maintenance and walkway glass and door repairs), amounts to some £1.5m, a figure which has remained fairly static since 1996/97, but is thought to be falling in real terms due to the level of construction industry inflation. The capital budget for road reconstructions has been more variable in recent years and has just been reduced from £450k to £300k. A further £300k Quality of Life funding has been allocated to works on adopted footways, though this funding source is expected to have a limited life. The total road maintenance sum potentially available for core work to be undertaken by Tayside Contracts in the present financial year is therefore £2.1m.

Some minor works suited to Tayside Contracts' activities may also be provided by other Council Departments, BNSF etc but the total value of such works is unlikely to be very significant. Even with all of the above works going to Tayside Contracts, a likely shortfall of some £3.5m would still exist between the turnover required to provide the winter maintenance service, and Council generated expenditure, requiring sufficient external works to be secured to fill this gap. Due to the vagaries associated with the availability of such work it is considered vital that this shortfall is kept to a minimum. This can best be achieved by taking positive steps to maximise Tayside Contracts' share of third party expenditure while still monitoring best value criteria, thus contributing as much as possible to the continuance of an acceptable winter maintenance level of service.

Existing Procurement Methods - Unit Rate Contract

Generally structural road maintenance schemes (carriageway/footway reconstruction, resurfacing etc) valued above £25,000 are awarded using the annual Unit Rate Contract (URC) for Road Maintenance and Minor Works ie through a competitive process. This

document has evolved from a combination of the former Road Maintenance Annual Tenders and the Minor Works URC derived from the former Regional and District Councils respectively, which were utilised to ensure compliance with former Compulsory Competitive Tendering (CCT) legislation, while to an extent reducing the duration of the process associated with traditional scheme-specific tendering. Minimising delay is crucial when managing a works programme which is still substantial due to the extent of schemes funded from outwith the traditional maintenance budgets eg from BNSF and Quality of Life monies, while trying to ensure that most works are carried out in favourable weather conditions and at some locations within school holidays for traffic management reasons.

While Tayside Contracts have historically won a substantial proportion of road maintenance works priced by this method, a number of non-maintenance minor works schemes have also had to be awarded to external contractors. Thus no guarantee can be provided of a continuous flow of work to Tayside Contracts.

The combined URC now covers a wide range of activities, many being very seldom used, and requires considerable time and staff resources both to apply it for individual schemes and to annually review and re-issue it then collate prices and arrange for Committee approval.

Existing Procurement Methods - Directly Awarded Work

The Council's corporate best value submission to the then Scottish Office in 1998 included a threshold figure of £25,000 for directly awarding road maintenance work to Tayside Contracts and, where appropriate, Dundee Contract Services. This corresponded to the threshold applying within CCT regulations at that time, and was subject to prices being benchmarked with market rates to ensure best value was achieved.

This practice is followed for some lower value structural maintenance orders and for most cyclic maintenance activities, with comparisons being made with URC rates or breakdowns of schedules of rates being provided. However it is considered that inflation and the winter maintenance related need for a more dependable flow of work as described above, have resulted in a strong argument for a substantial rise in this threshold to be considered, were a competitive element to awarding works to be continued. Such an adjustment would also bring this figure more into line with practices in neighbouring and other authorities, where typical threshold figures are £100,000 or more.

Inflation and rising demands on cyclic elements of the road maintenance budget, such as increasing requirements for re-laying and replacing city centre slabs, has resulted in a very large proportion of structural maintenance carriageway schemes now relying on funding from the capital budget. When funded from capital, the awarding of these works, even when valued at below £25,000, requires an element of competitive tendering and reporting to Committee to ensure compliance with the Council's Standing Orders Scheme of Administration. This negates opportunities for early start dates and flexible programming as were previously allowed by awarding lower value revenue funded schemes directly to Tayside Contracts.

In 2004/05 the value of revenue maintenance work awarded to Tayside Contracts was £1.22m. Of this approximately half related to footway works and carriageway patching with the remaining half being expenditure on cyclic activities such as renewing road markings and clearing gullies.

Potential Efficiency Gains

At present the Department's Road Maintenance Team are predominantly occupied by operational activities and short-term requirements, including design and supervision of schemes; statutory inspection and initiating repairs; identifying and programming future works; monitoring expenditure; inputting to processing of insurance claims; investigating and dealing with enquiries and complaints from customers and Members; and a range of activities relating to winter maintenance.

Senior staff are spending a disproportionately high proportion of their time dealing in particular with enquiries, which has led to little progress being made on essential development of new systems and formal policy documents required to improve long-term efficiency of the service and comply with the 2001 Code of Practice for Maintenance Management and the recommendations in the recent Audit Scotland report "Maintaining Scotland's Roads". A crucial example here is in the field of asset management where it is expected that in the relatively near future Scottish Roads Authorities will be expected to produce and maintain Transport or Highways Asset Management Plans as is now mandatory in England for allocation of central funding. The Society of Chief Officers of Transportation in Scotland (SCOTS) is presently seeking Efficient Government Initiative funding to commission the preparation of a model for Scottish councils to develop according to local circumstances.

A substantial saving relative to the workload of technical staff would occur if there was no further need to go through procedures associated with the use and annual updating of the Unit Rate Contract. This would also benefit Tayside Contracts by improving programming of works and any associated temporary traffic orders to ensure a more even flow of work without delays arising from the need for Committee approvals for relatively minor works. Savings in this area could enable more staff to be involved in policy and strategic remits and client functions such as customer care and Member liaison.

It is also considered that partnership working with Tayside Contracts might free up some resources by eliminating areas of duplication such as supervision of works and possibly winter maintenance control, in a similar manner to one of the benefits being derived from the street lighting partnership. This would enable more direct control of operatives by area roads inspectors making for more efficient working on jobbing-type works e.g. pothole, minor drainage and slab repairs. However this situation would be complicated by other resource issues such as proposed revisions to inspection routes and associated frequencies, combined with proposed future inspection commitments relative to footpaths presently on the Housing account.

A more assured supply of work in activities other than bituminous surfacing, such as specialist sett repairs and footway re-slabbing, would encourage Tayside Contracts to increase training in these areas, thus improving quality and reliability and reducing unit costs.