

Report to	Cabinet
Date	5 July 2010
Report By	Director of Transport and Environment
Title of Report	The future of the Highway Management Agreements
Purpose of Report	To advise Cabinet of the implications of rescinding the existing Highway Management Agreements with Eastbourne and Hastings Borough Councils and to seek support for the approach outlined in the report.

RECOMMENDATION:

The Cabinet is recommended to:

- 1. agree to negotiate with Eastbourne Borough Council to return all highways functions to the County Council;**
- 2. agree to negotiate with Hastings Borough Council to return all highways functions to the County Council with the exception of traffic and development control; and**
- 3. to delegate to the Director of Transport and Environment the authority to rescind the Highways Management Agreements and agree the notice period.**

1. Financial Appraisal

1.1 The current Highway Management Agreement (HMA) with Hastings Borough Council (HBC) and Eastbourne Borough Council (EBC) cost the County Council approximately £890,000 per annum. Following a recent review of these services, it is estimated that the cost of providing a comparable in-house service, excluding the traffic and development control functions in Hastings, would be approximately £551,000 per annum. These figures are set out in Appendices 1 and 2 respectively and demonstrate an overall annual saving of £339,000. The costs of in-house provision assume a 50% on-cost for staff overheads which will be refined if the overall approach is supported.

1.2 EBC currently employs 11.5 FTE and HBC employs 10 FTE under their respective Agreements. In rescinding these Agreements all highways staff from the two boroughs (excluding those retained for traffic and development control in HBC) could potentially be subject to TUPE transfer to the County Council (ESCC). A total of 13.5 FTE would need to be retained by ESCC within the existing Highways Operations Teams to carry out the highway functions within the boroughs resulting in eight potential redundancies (after exploring re-deployment opportunities in line with our HR policies) at an estimated cost of £140,000. The final number will be refined as actual employment decisions are made and it assumes staff return transferred pension entitlements.

2. Background Information

2.1 Highway maintenance is currently carried out by EBC and HBC within their respective boroughs on behalf of the County Council under separate Management Agreements. These Agreements have been in place since 1994 and provide for the Borough Councils to undertake the majority of highway functions on behalf of the County Council.

2.2 ESCC is the last remaining Local Authority in the South East to retain management agreements. Dorset County Council, the only other Local Authority with comparable agreements (with Weymouth and Christchurch), terminated these on 31 March 2010.

3. Review of Highways Management Agreements

3.1 A comprehensive review of the HMAs was carried out in 2007 concluding that the Borough Councils generally provide good service in most areas although there were a number of

inconsistencies in the application of County Council Highway Policies. An action plan was put in place and a number of amendments to the HMAs were recommended.

3.2 In addition the Borough Councils produced a breakdown of their costs which demonstrated that they were financially subsidising the arrangements; but the extent of the subsidy varied significantly depending on the level of developer contributions, supervision fees, and the mechanism for calculating support service costs.

3.3 A further review of the HMAs was carried out by the Head of Highway Operations in September 2009 concluding that the cost of providing these services could be significantly reduced if the HMAs were rescinded and the functions provided in-house as a county-wide function.

3.4 The principle drivers for this review were two-fold: to deliver efficiency savings; and to ensure a consistent approach to highway maintenance, asset management, contract management and customer service across the whole county.

3.5 Several meetings have been held with Borough Council officers to discuss the future of the HMAs with differing responses. Separate but parallel discussions have also been held with HBC about the future of the Parking Agreement. The position of both EBC and HBC is a desire to retain the Agreements and therefore a formal 12 month notice period would need to be served to rescind the Agreements.

3.6 Informally, HBC might be receptive to amending the HMA to retain only the traffic and development control functions, but retaining the Parking Agreement for on-street parking. On this basis it may be possible to agree a reduced notice period, but this is subject to further discussion.

4. The Future of East Sussex County Council Highways Function

4.1 The Cabinet will be aware from earlier papers of the opportunity in 2012 to renew or extend the existing Highways Contract. Work has now started following the appointment of the Operations Business Improvement Manager to map out the future of the Highways Service and to commence the Highways Contract re-procurement project.

4.2 The future of the Highways Service will hinge on an asset management approach to highway maintenance and key to this is a consistent approach to maintenance across the County. A consistent approach across the County will also be a key consideration is the development of shared services with neighbouring authorities.

5. Conclusion and Reason for Recommendation

5.1 There is sound financial basis for terminating/amending the HMAs with the Borough Councils. There are significant benefits to be gained from a consistent approach to Highways maintenance across the County based on a modern asset management approach leading to greater longer term efficiencies.

5.2 The Cabinet is asked to support the approach outlined in this report seeking formal agreement to negotiate with the two Boroughs and delegating authority to the Director of Transport and Environment to serve 12 months notice to both HBC and EBC of the County Council's intention to terminate the HMAs, although allowing HBC to retain the traffic and development control function. There is a separate report on this agenda seeking authority to negotiate with HBC about the existing Parking Agreement and submit a further report back to Cabinet once the business case for a change has been explored.

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Local Members: Councillors Belsey, Birch, Daniel, Elkin, Fawthrop, Harris, Heaps, Healy, Lock, Pragnell, Rodohan, Scott, Taylor, Thompson, Tutt, Waite and Webb

BACKGROUND DOCUMENTS: None.

APPENDIX ONE – FINANCIAL

Existing arrangements

ESCC Budgets for 2009-2010

Eastbourne:	Management fee		£415,575
	<i>Maintenance</i>	£334,128	
	<i>Traffic</i>	£65,560	
	<i>DC</i>	£15,886	
	Supervision (capital)		£41,000
	Enforcement post		£25,000
	Total		£481,575
Hastings:	Management fee		£327,095
	<i>Maintenance</i>	£267,860	
	<i>Traffic</i>	£47,691	
	<i>DC</i>	£11,544	
	Supervision (capital)		£56,000
	Enforcement post		£25,000
	Total		£408,095
	Overall Total		£889,670

Proposed arrangements

Based on full rescindment of all highway functions in Eastbourne, and partial rescindment in Hastings with retention of traffic and DC functions. Costs based on 2009-2010 figures for direct comparison with existing arrangements.

Eastbourne:	ESCC staff costs		£281,211
Hastings:	ESCC staff costs		£210,507
	Management fee		£59,235
	<i>Traffic</i>	£47,691	
	<i>DC</i>	£11,544	
	Overall total		£550,953
	Overall savings		£338,717

Note: The cost savings are based on the staff (plus on-cost) requirements to provide an equivalent level of service as that enjoyed by county residents outside of the Boroughs (see Appendix 2 for detailed breakdown of staffing requirements). These costs could be significantly reduced as service provision is aligned particularly with respect to areas such as claims, customer service, traffic matters, TRO's, Network Co-ordination, local land searches, and development control.

Additional savings

The savings will be increased through the following actual and potential income streams:

1. DC supervision income (Eastbourne only) - £30,000 average per annum
2. Local land charge searches and Private searches - £75,000 per annum
3. Assessment of planning applications (Eastbourne only) – TBC
4. Miscellaneous - sponsored roundabouts, filming, events
5. NRSWA income for sample inspection charges + Section 74 fines

Due to the 12 month notice period (unless mutually agreed), savings would not be fully realised until 2012-2013 but would be an element of savings in 2011-2012.

TUPE could potentially apply to all current Borough staff working predominantly on highways. However, not all staff would be required and there would be associated redundancy costs. Based on salary and redundancy figures submitted by the Boroughs, the total maximum potential one-off redundancy costs are £142,000.

APPENDIX TWO – DETAILED BREAKDOWN OF STAFF REQUIREMENTS

The following posts are considered the minimum requirement in order to perform the statutory highway functions within each Borough. The salaries are the maximum for the post and based on 2009/2010 rates.

Eastbourne

<u>Post</u>	<u>ESCC Grade</u>	<u>Salary (max.)</u>	<u>EBC salary</u>
Highway Inspector	S/S 7/8	£22,643	
NRSWA Inspector *	S/S 7/8	£22,643	
Senior Technician (Reactive)	S/S 9/10	£28,400	
Senior Technician (Construction)	S/S 9/10	£28,400	
Traffic Assistant	S/S 5/6	£18,736	
Senior Transport DC Officer	S/S 9/10	£28,400	
Local Land Search officer	Sc 2-4	£19,126	
Customer care Assistant	Sc 2-4	£19,126	
		_____	_____
	Total	£187,474	£181,790

* *No existing postholder*

** *Italics denotes no existing comparable EBC post, assume EBC salary = ESCC salary*

Allow 50% for overheads on ESCC salary levels (NI, pension, IT, accommodation, HR, management)

Assumed Overhead	£93,737
Total Cost	£281,211

Notes:

1. The line management of the above identified resources would be provided from existing ESCC highways staff.
2. Assumes grass cutting and trees budget remains with EBC, therefore no TUPE considerations for EBC staff managing these functions.
3. Redundancy costs £82,000 based on EBC provided figures for redundancy package.

Hastings

<u>Post</u>	<u>ESCC Grade</u>	<u>Salary (max.)</u>	<u>HBC salary</u>
Highway Inspector	S/S 7/8	£22,643	
NRSWA Inspector	S/S 7/8	£22,643	
Senior Technician (Reactive)	S/S 9/10	£28,400	
Senior Technician (Construction)	S/S 9/10	£28,400	
Local Land Search officer	Sc 2-4	£19,126	
Customer care Assistant	Sc 2-4	£19,126	
		_____	_____
	Total	£140,338	£131,416

** *Italics denotes no existing comparable HBC post, assume HBC salary = ESCC salary*

Allow 50% for overheads on ESCC salary levels (NI, pension, IT, accommodation, HR, management)

Assumed Overhead	£70,169
Total Cost	£210,507

Notes:

1. The line management of the above identified resources would be provided from existing ESCC highways staff.
2. Assumes traffic, Development Control, grass cutting and trees budget remains with HBC, therefore no TUPE considerations for HBC staff managing these functions.
3. Redundancy costs £60,000 based on HBC provided figures for redundancy package.