

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE – 21 FEBRUARY 2002**

#### **BEST VALUE SERVICE REVIEW – ROADS WORKS PROGRAMME PROCUREMENT**

##### **Report by the Director of Development Services**

### **1. PURPOSE OF REPORT**

- 1.1** The purpose of this report is to inform Elected Members of outcomes of a review of the roads works programme procurement arrangements and to submit an Action Plan which will improve the level of service to customers.

### **2. BACKGROUND**

- 2.1** As part of the Council's commitment to Best Value, the arrangements for procurement of the Roads Works Programme were subjected to a Best Value Service Review during 2001, the final document being produced in July. This exercise was undertaken using methodology grounded in the Performance Management and Planning (PMP) self assessment framework and best practice guidance produced by the Scottish Executive's Best Value Task Force.
- 2.2** In accordance with the Council's Best Value Strategy, a Scrutiny and Best Value Group was established to consider the outcome of the Procurement Service Review and any proposed actions to improve the service, prior to these being submitted to the Policy & Resources Committee and thereafter to the Development Services Committee for approval.
- 2.3** The Member Group (consisting of 9 Elected Members) met on 10 January 2002. Elected Members considered the Service Review submission and the attached Action Plan prepared by the Director of Development Services and agreed to recommend the adoption of the Action Plan to the Policy and Resources Committee as a basis for service improvement.

### **3. ROADS WORKS PROGRAMME PROCUREMENT SERVICE 2000/01**

- 3.1** The Best Value Service Review focused on the arrangements for procurement of the programme of engineering works. These arrangements are underpinned by a Best Value strategy based on the following principles:
- a commitment to a "mixed economy" procurement arrangement – all work processed externally will be procured through competitive tender
  - application of a schedule of rates derived from an analysis of externally contracted work to set prices for contracts allocated to the Roads Contracts Unit

- competitive tendering of 20% of programmed maintenance work, to provide a basis for analysis of external prices
- benchmarking of rates for dayworks and cyclic maintenance against industry standards
- operation of the Roads Contracts Unit at the scale required to provide a winter maintenance service, while providing productive work for the workforce throughout the year
- a target surplus of around £30,000 after meeting statutory requirements for return on capital

**3.2** The review assessed whether this strategy provides Best Value to the Council, reviewed opportunities for continuous improvement and assessed whether alternative procurement arrangements would achieve better value for the Council.

**3.3** The first stage of the review was an analysis of the procurement programme by function, and the business performance of the Roads Contracts Unit as the in-house contractor for the roads works programme. The works programme was broken down into 8 components based on the characteristics of the work procured and payment arrangements:

- Routine and responsive maintenance
- Programmed maintenance of carriageways and footways
- Emergencies
- Cyclic maintenance (verge cutting, gully cleaning, weedkilling and offlet maintenance)
- Streetlighting
- Traffic lights
- Structural maintenance and capital projects
- Winter maintenance

**3.4** The features of each sub-programme area were evaluated against a set of “Best Value Criteria”:

- is work carried out cost effectively?
- is work carried out promptly and to quality specification?
- do arrangements meet Best Value principles for financial performance accountability?
- do the arrangements allow for flexibility in meeting client requirements?
- do the arrangements secure continuous improvement?
- do the arrangements enable the Council to promote its wider corporate objectives in a strategic framework?
- do the arrangements provide a platform for sound planning?
- is there effective consumer focus in the arrangements?
- do the arrangements make best use of the Council’s assets?
- do the arrangements offer conditions of service which compare with industry standards?

**3.5** The analysis of each function included a review of the split between in-house and external contracting, benchmark comparisons for all work internally contracted, a review of possible alternative contracting arrangements, a review of significant future changes which might affect the conclusions of the Review, and actions for improvement in procurement arrangements (see Annex 1).

**3.6** The second stage was to compare the current arrangements (including the specific actions for improvement noted) with alternative arrangements:

- a comprehensive term contract covering a balanced group of services (possibly extended to include street lighting)
- external market testing of a limited term contract, a broadly based term contract, or a restricted area contract
- enhanced and more formalised partnership arrangements with the in-house contractor
- partnerships with engagement of external contractors
- a joint venture company

**3.7** It was concluded that:

- current arrangements are underpinned by a robust strategy resulting in overall Best Value
- term contract embracing all functions, internally or externally contracted, would not provide better value
- a joint venture company should be rejected because it would require a term contract, and would not bring any advantages which could not be achieved through a private sector partnership (except the possibility of an initial capital receipt of unpredictable value)
- the current partnership should be formalised (with action to improve current arrangements) and detailed considerations should be given to introducing a private sector partner at a level of involvement to be determined

#### **4. ASSESSMENT BY MEMBER GROUP**

**4.1** The Scrutiny and Best Value Group considered that the review was carried out in a robust and methodical manner, in accordance with Best Value practice, and accepted the conclusions set out in para 3.7 above together with the Improvement Actions set out in Annex 1.

#### **5. MONITORING AND REPORTING**

**5.1** The progress against tasks contained within the attached Action Plan (Annex 1) will be monitored on an ongoing basis with progress reports and a year end statement being reported to the Development Services Committee in the context of an annual report on the procurement of the works programme linked to the Business Plan for the Roads Contracts Unit.

## **6. POLICY IMPLICATIONS**

- 6.1** The Service Review was conducted in terms of the Council's Best Value Implementation Plan which recognises fundamental service reviews as a key feature of the Council's approach to securing continuous improvement in service delivery.

## **7. RECOMMENDATIONS**

- 7.1** It is recommended that Committee:
- (i) notes the conclusion of the Roads Works Programme Procurement Review and recommendations of the Scrutiny and Best Value Group as set out in this report and attached Action Plan;
  - (ii) endorses the proposed actions as a basis for Roads Works Programme Procurement to advance in delivering improvements in the delivery of the unit's services;
  - (iii) agrees that the Director of Development Services continues to monitor the implementation of these actions and present a progress report to the Development Services Committee on an annual basis; and
  - (iv) otherwise to note the contents of this report.

**Stephen Chorley**  
**Director of Development Services**

**SC/KM**  
**4/2/02**

### **LIST OF BACKGROUND PAPERS**

- 1. Roads Works Programme Procurement Best Value Service Review – July 2001.**

Any person wishing to inspect the background papers relative to this report should contact Kate Moir, Admin Officer, on telephone number (01563) 576012. Any person wishing further information on this report should contact Alastair Wyper, Chief Engineer (Operations). Telephone (01563) 576310.

**Implementation Officer: Alastair Wyper**

## IMPROVEMENT ACTIONS FROM ANALYSIS OF CURRENT ARRANGEMENTS

FUNCTION	IMPROVEMENT ACTION
Routine and Responsive Maintenance	<ul style="list-style-type: none"> <li>• Replacement costing system, providing improved job cost information and more flexible programme reporting and introduction of computerised Roads Maintenance Management System.</li> <li>• Improved commitment control over potholing.</li> <li>• Benchmark measures for overall programme costs and productivity.</li> <li>• Improved quality control systems.</li> </ul>
Programmed Maintenance	<ul style="list-style-type: none"> <li>• Action programme for quality improvements</li> <li>• Improved financial reporting linked to a new computerised costing system</li> </ul>
Emergencies	<ul style="list-style-type: none"> <li>• Better reporting of emergency events and costs.</li> <li>• Introduction of key indicator to measure response time.</li> </ul>
Cyclic Maintenance	<ul style="list-style-type: none"> <li>• Benchmark gully cleaning operations.</li> <li>• Contractor/client performance information reports to be designed, to include better and more frequent recording of site activities.</li> <li>• Identify problem locations for possible increased frequency of attention.</li> </ul>
Street Lighting	<ul style="list-style-type: none"> <li>• Review current contractual framework.</li> </ul>
Traffic Lights	<ul style="list-style-type: none"> <li>• Failsafe systems are required to identify IT failures.</li> <li>• Review contractual arrangements to be reviewed in order that continuous improvement issues can be addressed.</li> </ul>
Structures and Capital	<ul style="list-style-type: none"> <li>• No specific actions relating to procurement.</li> </ul>
Winter Maintenance	<ul style="list-style-type: none"> <li>• Review deployment of all plant and equipment.</li> <li>• Introduce improvement measures in the context of a more fully articulated Service Level Agreement</li> <li>• Consider case for a reserve fund arrangement</li> </ul>
Roads Contracts	<ul style="list-style-type: none"> <li>· Improved management information</li> <li>· Internal development of the business unit through consolidation;</li> <li>· External development of the unit through business growth.</li> </ul>

## AGENDA