
Edinburgh, Lothians, Borders & Fife Roads Collaboration Programme (ELBF proposal) and SBC roads services

Report by Service Director Commercial Services

EXECUTIVE COMMITTEE

12 May 2015

1 PURPOSE AND SUMMARY

- 1.1 **The purpose of this report is to seek a decision to review the operating model of the Council's wider roads services to ensure that they are best placed to maximise services to the Borders, operate effectively in the external market place and in future be capable of interfacing if required with a proposed Edinburgh, Lothians, Borders & Fife Roads Collaboration Programme (ELBF proposal) facilitated by the Improvement Service.**
- 1.2 **The report goes on to recommend not joining the ELBF proposal in light of unproven and unquantified benefits but instead maintaining a watching brief to enable the Council to re-assess the proposal in the future.**
- 1.3 This report was considered by Administration Policy Working Group on the 21 April 2015 and the recommendations reflect their recommendations to the Executive Committee.
- 1.4 The background sets out the ELBF proposal in the context of the National Roads Maintenance Review. Behind both is a national agenda behind the sharing of roads services to reduce costs and improve efficiency. As part of this agenda the ELBF proposal seeks to set up governance arrangements to look at sharing roads services in the ELBF region. The proposal would involve the creation of a limited liability partnership jointly owned by the ELBF local authorities, the structure of which is outlined in Appendix 1.
- 1.5 Roads services under consideration for sharing would cover the following areas:-
1. Asset Management
 2. Joint procurement
 3. Flood Risk management
 4. New Roads & Streetworks Act (co-ordinating roads projects)
 5. Weather Forecasting
 6. Traffic Signal Maintenance
 7. Road Safety
 8. Structures (bridges etc)
 9. Street Lighting
 10. Training
 11. Packaging of Roads Maintenance Contracts

- 1.6 If it were to join the ELBF proposal the Council would need to retain its gritting and responsive repairs capacity within the Borders and make sure that generally, any service changes reduce costs and improve efficiency without adversely impacting upon service levels in the Borders.
- 1.7 The Council would also need to retain the right to decide the level to which it participates in any ELBF shared roads service arrangements and retain the right to decline to participate in arrangements that the Council regards as detrimental to roads services in the Borders.
- 1.8 In the meantime consideration needs to be given to the best operating model for SBC roads services to ensure that it can maximise its services to the Borders, operate effectively in the external market place and in future, if required, be capable of interfacing effectively with ELBF.
- 1.9 If the Council and other ELBF authorities do not constructively engage in the ELBF proposal (and other local authorities in similar initiatives across Scotland), it is likely that option D of Option 30 of the National Roads Maintenance Review would be pursued by the Scottish Government. This would involve a re-structuring of roads authorities across Scotland.

2 RECOMMENDATIONS

2.1 I recommend that the Executive Committee agrees that :-

- (a) The Council reviews the operating models of its wider roads services to ensure that they are best placed to maximise services to the Borders, operate effectively in the external market place and in future, if required, be capable of interfacing with the ELBF proposal. A recommendation for the most advantageous operating model for roads services to be reported back to the Executive Committee for approval.**
- (b) The Council should not join the ELBF proposal in light of unquantified and unproven benefits, but should maintain a watching brief to enable the Council to re-assess the proposal in the future.**

3 BACKGROUND

- 3.1 The Edinburgh, Lothians, Borders and Fife Councils (ELBF) have an informal roads collaboration network. Each council delivers the same roads services and officers meet from time to time to share information and experience. Out of this there is some joint working and joint procurement mainly for specialist services such as weather forecasting and roads surveying.
- 3.2 The services in common across the group include:-
1. Roads repairs
 2. Rock salt and gritting
 3. Surface treatments
 4. Traffic light maintenance
 5. Road safety audits
 6. Roads surveying
 7. Weather forecasting
 8. Clarence call centre (except SBC)
 9. Flood risk management
- 3.3 The total projected spends on roads services across ELBF (revenue and capital) is around £162M for 2015/16. Of this around £72M are capital works and a further £40M of revenue works is anticipated to be contracted out to either the private sector or in-house trading operations.
- 3.4 The Improvement Service is facilitating work to build on the informal ELBF collaboration network to create a formal collaborative arrangement that would reduce costs and drive through efficiencies for all participants. This flows from Scottish Government initiatives towards shared services generally and there is huge potential to be had through the sharing of roads services across Scotland.
- 3.5 In this context there is an ongoing National Roads Maintenance Review (the Review) being taken forward in phases. The Review is being led by a Task Group comprising a former chair of SCOTS (the Society of Chief Officers of Transportation in Scotland), the Improvement Service, Messrs Halcrow/CH2M Hill (engineers) and Mssrs Pricewaterhouse Coopers (accountants) in consultation with SCOTS, COSLA, SOLACE and Transport Scotland.

3.6 Phase 2 of the Review was published in 2011 which identified 30 separate options to be taken forward. Of these a key option was identified as Option 30 which was to undertake work to "Explore the optimum delivery of roads maintenance services". This work was completed in 2012 and the findings were:-

1. Current roads maintenance delivery services across Scotland's 32 local authorities are unlikely to be sustainable into the future.
2. Their needs to be standardised financial roads reporting across local authorities backed by more robust Key Performance Indicators and benchmarking.
3. A number of options for future roads services provision were considered and the leading option is Option C, which centres on shared services. If this transpires not to bring anticipated benefits, then Option D becomes the preferred option, which centres on a structural change of roads services across Scotland.
4. The standardisation of a variety of strategies could be developed pan Scotland in the short term and progressed as a pilot.

3.7 The initiative to formalise the ELBF roads collaboration network therefore follows on from Option C of Option 30 of Phase 2 of the Review.

4 ELBF ROADS COLLABORATION PROPOSAL (ELBF PROPOSAL)

4.1 The ELBF proposal has been developed in consultation with officers from the ELBF roads services and facilitated by the Improvement Service. The aim has been to establish a platform through which various roads services can be formally considered for sharing across the ELBF region. Areas under consideration for sharing include those listed in paragraph 4.5 below.

4.2 The approach adopted is "Governance First". This means that an ELBF governing body is formally established first and various services are then considered for sharing, including joint procurements.

4.3 A number of models for the governance body were considered including a Joint Committee, Joint Board, Company Limited by Guarantee, Company limited by Shares and Limited Liability Partnership (LLP). Of these the LLP was considered as offering the most benefit and most appropriate solution for needs for the ELBF authorities.

4.4 The proposed LLP would:-

1. Agree a common vision and strategic objectives.
2. Agree a strategy for taking forward collaborative projects.
3. Assess potential operating models for the shared delivery of various roads services identified as collaborative projects.
4. Agree on a collaborative project by collaborative project basis, as to what extent shared services are taken forward, ranging from limited to fully integrated shared services.

- 4.5 11 areas for new or increased collaboration have been identified for collaborative projects:-
1. Asset Management
 2. Joint procurement
 3. Flood Risk management
 4. New Roads & Streetworks Act (co-ordinating roads projects)
 5. Weather Forecasting
 6. Traffic Signal Maintenance
 7. Road Safety
 8. Structures (bridges etc)
 9. Street Lighting
 10. Training
 11. Packaging of Roads Maintenance Contracts
- 4.6 For each collaborative project it is envisaged that each party would be able to decide their degree of participation, with the return proportionate to their respective input. In other words it is anticipated that each participant can be selective about which services it chooses to share and to what extent.
- 4.7 A key advantage for an LLP arrangement is that the participants are able to award each other works without the need to go through lengthy and costly EU procurement procedures.
- 4.8 The proposed structure is set out in Appendix 1. LLP 1 would be the principle vehicle through which shared services would be delivered. Service Level Agreements would be put in place between LLP1 and the participating authorities receiving those services. LLP1 in turn would borrow, hire or take a transfer of resources from participating authorities to deliver those services.
- 4.9 Should LLP1 wish to deliver services to non-participating organisations (for example trunk roads contractors or Transport Scotland) then it would use the LLP2 vehicle (which would be a subsidiary of LLP1). LLP2 would hire resources as necessary from LLP1 to deliver the services and would be able to act competitively in the same way as a private contractor.

5 SCOTTISH BORDERS COUNCIL POSITION

- 5.1 For the Council the ELBF proposal offers the potential to:-
1. Review a wide range of roads services to ascertain whether shared services would be advantageous with a view to reducing costs and improving efficiency. In particular there could be benefits to the Council in the areas of Asset Management, Joint Procurement, Flood Risk Management, Weather Forecasting, Traffic Signal Maintenance and Training. This would potentially involve a number of Council services that undertake and interact with roads services.
 2. Enable SBC Contracts (the Council's roads maintenance and civil engineering works contracting arm) to participate in more roads maintenance contracts.

- 5.2 The Council however has been forward thinking through its close working relationship with trunk roads contractor AMEY with the Council being Amey's main sub-contractor for Transport Scotland's SE Scotland trunk roads maintenance contract. Sub-contract work includes winter maintenance and support to Amey's emergency response by Neighbourhood Operations and SBC Contracts undertakes surfacing works South of the Edinburgh bypass. This potentially aligns towards a re-structuring of roads services advocated in the National Roads Maintenance Review (see paragraph 3.6(3) – Option D). The benefits of this would have to be retained in any negotiations with ELBF.
- 5.3 Notwithstanding the positive aspects the Council would need to be careful how it engages with the ELBF proposal. In particular it would need to be aware that:-
1. The Council would need to ensure that it retains access to resources to deliver roads services to the Borders to at least the same standard as present. In particular it would need to ensure it retains the capability to maintain gritting levels and responsiveness to reactive maintenance such as pothole repairs.
 2. SBC Contracts is a major trading organisation and the budgeted £652K per annum surplus it generates is used to help fund other Council services. It also makes a significant contribution to Neighbourhood Services budgets. Whatever roads maintenance contracts arrangements are agreed within ELBF, care must be taken to ensure the Council's overall financial position is not compromised and that any trading operation continues to assist the Council in exercising its powers of well-being.
 3. The SBC Contracts position is recognised in the ELBF proposal though the details of any roads maintenance contractual arrangements have yet to be thought through, negotiated and agreed. Consideration therefore needs to be given to the best operating model for SBC Contracts in its potential interface with ELBF shared roads services.
 4. The Council would be a relatively junior partner in an ELBF arrangement and would need to take care to ensure that in any governance arrangement, it has the ability to opt out of any shared service arrangements that would be pre-judicial to it.
- 5.4 Strategically in light of the ongoing work from the National Roads Maintenance Review and the ELBF proposal which follows on the back of this, the Council would need to participate in these developments, whilst ensuring there is no loss of roads services to the Borders. However, before participating the Council would need to determine the best operating model for its wider roads services to enable it to maximise service provision in the Borders, operate in the external market place and if required into the future, interface with ELBF.

6 WAY FORWARD AND PROPOSAL

- 6.1 The above was considered by Administration Policy Working Group on 21st April 2015 and following their deliberations it is proposed that :-
1. The Council reviews the operating models of its wider roads services to ensure that they are best placed to maximise services to the Borders, operate effectively in the external market place and in future, if required, be capable of interfacing with the ELBF proposal. A recommendation for the most advantageous operating model for roads services would be reported back to the Executive Committee for approval.
 2. The Council should not join the ELBF proposal in light of unquantified and unproven benefits, but should maintain a watching brief to enable the Council to re-assess the proposal in the future.

7 IMPLICATIONS

7.1 Financial

- (a) There are no immediate financial implications arising from this report, though adopting the best operating model for its roads services and in particular SBC Contracts would improve the prospects of the latter being able to achieve its budgeted surplus. Currently SBC Contracts is budgeted to generate a surplus of around £652k per annum, which is used to help fund other Council services.
- (b) The ELBF proposal potentially offers the prospect of enabling SBC contracts to participate in more contracting opportunities provided the interface between SBC Contracts and ELBF is set up appropriately. To make a success of this SBC Contracts must be able to operate competitively in a very tough contracting market place.

7.2 Risks and Mitigations

If the Council and other ELBF authorities do not constructively engage in the ELBF proposal (and other local authorities in similar initiatives across Scotland), it is likely that option D of Option 30 of the National Roads Maintenance Review would be pursued by the Scottish Government. This would involve a re-structuring of roads authorities across Scotland possibly through combining Transport Scotland's trunk roads regions with local authorities. This risk is mitigated as much as reasonably possible by the Council engaging constructively with the ELBF proposal and joining should the right conditions prevail for the Council.

7.3 Equalities

An Equalities Impact Assessment has been carried out on this proposal and it is anticipated that there are no adverse equality implications.

7.4 Acting Sustainably

The sharing of roads services across the ELBF region offers the prospect of making better use of roads resources.

7.5 Carbon Management

There are unlikely to be material effects on carbon emissions as a result of the proposals in this report.

7.6 Rural Proofing

In negotiating to be part of the ELBF proposal care needs to be taken to ensure that the capacity of roads services in the Borders is maintained.

7.7 Changes to Scheme of Administration or Scheme of Delegation

No changes which are required to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals in this report.

8 CONSULTATION

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy & Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments incorporated in this report.

Approved by

Andrew Drummond-Hunt

Service Director Commercial Services Signature

Author(s)

Name	Designation and Contact Number
Andrew Drummond-Hunt	Service Director Commercial Services

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Contact us at Scottish Borders Council, Council Headquarters, Newton St Boswells, Melrose, Scottish Borders, TD6 0SA tel 01835 826672 fax 01835 793120 e-mail adrummond-hunt@scotborders.gov.uk