

ANGUS COUNCIL

INFRASTRUCTURE SERVICES COMMITTEE

3 MARCH 2009

CONSULTATION ON DRIVING IMPROVEMENTS FOR THE MANAGEMENT AND
MAINTENANCE OF THE SCOTTISH TRUNK ROAD NETWORK

REPORT BY THE DIRECTOR OF INFRASTRUCTURE SERVICES

ABSTRACT

This report advises the committee of a consultation which Transport Scotland has issued on the subject of proposed arrangements for the future management and maintenance of the trunk road network in Scotland and of the response which the Head of Roads has provided on behalf of the council by the due date of 23 February 2009.

1 RECOMMENDATION

- 1.1 It is recommended that the committee notes the issue by Transport Scotland of a consultation regarding the future management and maintenance of the trunk road network and the response which has been provided by the Head of Roads on behalf of the council.

2 BACKGROUND

- 2.1 The trunk road network in Scotland is managed by Transport Scotland on behalf of the Scottish Government. The operation and maintenance of the network is currently undertaken under contract, on a four geographical area basis in Scotland, for a finite term by private contractors. Angus lies within the north-east area where the operating company is BEAR Scotland who have the contract for a five year period commencing on 1 April 2007. The only trunk road within the Angus Council administrative area is the A90(T) between Dundee and the river North Esk.

3 DETAILS

- 3.1 In December 2008 Transport Scotland issued a consultation document to various organisations including the local roads authorities seeking their views on the future management and maintenance arrangements for the trunk road network to inform their consideration of the form of the next generation (4th generation) of operating contracts. Angus Council has received that consultation as local roads authority. The due date for the submission of responses was 23 February 2009.
- 3.2 The consultation is structured around three alternative strategies for the delivery of the operating contracts as set out below:

Strategy 1 – Developed Operating Company Contracts

This strategy would seek to continue with the principles employed for the third generation term contracts whilst taking into account the experience gained and also seeking to establish greater partnership working between the new Operating Companies and Local Roads Authorities.

Strategy 2 – Developed Operating Company Contracts (including Collaboration Framework Contracts)

This strategy would similarly to Strategy 1, seek to develop the Operating Company Contract but in addition it would also make upfront provision for participating Local Roads Authorities to procure services through it.

Strategy 3 – Maintain, Finance and Operate Contracts

Under this type of contract, the service provider would fully take over the management and maintenance of the trunk road network within a unit, maintain the network to a pre-determined standard and would return the network at the end of the contract in a pre-determined condition. The service provider would have real ownership of the network for the duration of the contract and might receive payments purely in terms of continuing availability and traffic use, and incur liabilities in relation to levels of service, road safety and quality of contract compliance.

- 3.3 The Head of Roads has considered the consultation in conjunction with appropriate colleagues and has provided a response on the prescribed questionnaire in the required timescale. This has been included in Appendix 1 to this report for the reference of the members.
- 3.4 Tayside Contracts have separately been consulted in regard to this topic and have provided their own separate response which has been provided on their behalf by their Managing Director. The Tayside Contracts response has been included as Appendix 2 to this report.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications to the Council arising from this report.

5 HUMAN RIGHTS IMPLICATIONS

- 5.1 There are no human rights implications arising from the proposals in this report.

6 EQUALITIES IMPLICATIONS

- 6.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

7 SINGLE OUTCOME AGREEMENT

- 7.1 The consultation has as potential contribution to the following local outcome contained within the Single Outcome Agreement for Angus.

15. Our public services are high quality, continually improving, efficient and responsive to local people's needs

- Population changes are identified and planned for.
- Resources are used effectively.
- Services are targeted at those in greatest need.
- There is greater community involvement in the planning and delivery of services.

8 CONSULTATION

- 8.1 The Chief Executive, Director of Corporate Services, Head of Finance, Head of Law and Administration, Managing Director of Tayside Contracts and the Chief Constable were consulted in the preparation of this report.

9 CONCLUSION

- 9.1 This report advises the committee of a recent consultation received from Transport Scotland and the response which has been provided by the Head of Roads by the due date of 23 February 2009.

ERIC S LOWSON
DIRECTOR OF INFRASTRUCTURE SERVICES

NOTE:

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

APPENDIX 1

**RESPONSE PROVIDED TO TRANSPORT SCOTLAND
BY THE HEAD OF ROADS**



DRIVING IMPROVEMENTS

LOCAL AUTHORITY QUESTIONNAIRE

Please provide your responses to the questions listed below in the appropriate boxes and submit your completed questionnaire electronically to:

drivingimprovements@transportscotland.gsi.gov.uk

Question 1	Do you consider the current arrangement of four geographical units appropriate or are there any changes you would propose that would deliver better value?
Response	<p>From our external view of the contracts, the size of the areas may be a factor in the limited number of the tender responses being received for the most recent contracts. There are some operational issues arising from the size of the areas as there is a loss of local knowledge. However we consider it is Transport Scotland's role to establish how to deliver better value.</p> <p>Do you consider there to be significant advantages from ensuring that an entire route should be made the responsibility of a single Operating Company rather than responsibility being shared by two or more Operating Companies? Please give reasons for your view.</p> <p>Given the single route (A90) through Angus, which has always fallen to one operator, we have no comment.</p>
Question 2	Do you consider the duration of each term contract appropriate or would you propose any alternative duration?
Response	There is a need for a lead in time and sufficient duration of the contract for operators to function efficiently. The 5 year contract period with the possibility of extension seems to achieve this satisfactorily, although period might be considered at the lower end of optimum.
Question 3	Should the upper limit for 'as of right' work be retained at £250,000? If not, what should it be changed to, and why?
Response	<p>Our Local Authority limits are substantially below trunk road levels at £150,000. Such a limit provides opportunities for local companies and council DLOs to compete for work, providing evidence of best value.</p> <p>The opportunity for SME construction companies to be involved at a level of £0.25m is more limited. Perhaps differing limits for differing work types would be worthy of consideration.</p>

Question 4	Do you foresee difficulties in implementing Strategy 1, and what would these be?
Response	<p>Strategy 1 continues with the separation of roads responsibilities, with Transport Scotland and their operator for trunk roads and local authorities for local roads. This misses the opportunity to consider holistically the road network in an area; the benefits of combined working such as winter maintenance; the benefits of joint purchasing; and continues to confuse the travelling public as to who is responsible for what section of the road network.</p> <p>We have experienced issues of lack of co-ordination of works and trunk roads works have had a detrimental effect on the local road network as a result. Continuing with Strategy 1 is unlikely to resolve such issues</p>
Question 5	If Strategy 1 is pursued, is your organisation likely to tender (either independently or as part of a public and/or private consortium) for one or more of the fourth generation term contracts, and can you explain the reasons and advantages of this approach?
Response	No - our staffing levels are now established to deal with the local road network and would not be able to take on the large trunk road contract. There may be opportunities to provide some engineering consultancy as in the past (i.e. Glamis/Kirriemuir junctions on the A90(T))
Question 6	Do you foresee advantages or disadvantages in implementing Strategy 2? Please explain what they would be and how any disadvantages might be mitigated?
Response	<p>Collaborative working already exists at local authority levels and could be expanded to include the trunk road operators/network.</p> <p>There are opportunities to undertake collaborative working at operational and tactical levels (see later) but strategic level collaborative would need to take into account such issues as TUPE if the proposed collaboration overlapped with the work currently provided through councils' DLOs.</p> <p>Operational collaboration, such as combined winter treatment routes, have the opportunity to substantially reduce costs and wasted mileage/time.</p> <p>Collaborative working in areas outside those dealt with by DLOs (in our case, Tayside Contracts) offer opportunities for reduced costs through larger purchasing power, i.e. in Angus grass cutting could be one area of combined working.</p> <p>Contract documents would need to adequately detail the requirements of the individual councils to ensure that best value was achieved through the contracts - as an example traffic management is significantly different on the A90 dual carriageway compared with that required for most local roads.</p> <p>There may be some advantage to receiving OC rates for local authority activities to benchmark for best value purposes and allow for additional resources to cover possible additional workload above that undertaken by the DLO. As an example, whilst the majority of the council's street lighting replacement works are undertaken by Tayside Contracts, we do tender some works which may benefit from the use of OC rates if these proved to be best value.</p>
Question 7	Do you foresee advantages or disadvantages in implementing Strategy 3 and what would they be?
Response	<p>Detailing of the standards expected and clear allocation of risk would have to be well defined.</p> <p>Strategy 3 would not be able to take advantage of the collaborative working and holistic approach suggested in the responses above.</p>
Question 8	How would you rank the three strategies?

	(1 = preferred and 3 = least preferred)		
	Strategy 1	Strategy 2	Strategy 3
Response	2	1	3
Question 9	Are there any other service delivery strategies that you believe should be considered, and what advantages would they offer?		
Response	Combining the management of the trunk road network with local road network at a local level to give democratic responsibility and a holistic approach to road network management in the area		
Question 10	Do you have any knowledge of existing benchmarking mechanisms which Transport Scotland should explore with other organisations? Please provide any relevant details.		
Response	There are a variety of benchmarking opportunities including APSE; Statutory Performance Indicators (which trunk roads operators currently do not need to publically report); various Local Authority groups; Highways Works Benchmarking Club.		
Question 11	Do you consider the existing liaison arrangements between organisations for co-ordination of operations to be working well, and why?		
Response	<p>Direct liaison with Transport Scotland over the last few years has been nominal.</p> <p>The trunk road network through Angus is limited to the A90. However there has been little liaison from the trunk road organisations with the council for coordination of roadworks. Significant works to the trunk road are not adequately communicated to ourselves and the local road network in specific locations has suffered localised serious deterioration as a result.</p> <p>Whilst we have contact details with our counterparts in the operating company, we have not had any liaison with Transport Scotland with the exception of road safety issues. Liaison with the operating company has included long outstanding discussions on trunk road boundaries and diversion routes which have taken considerable time and resources to resolve.</p> <p>Irrespective of which strategy is adopted liaison needs to be improved. It will be an essential factor in Strategy 2.</p>		
Question 12	Do you have any knowledge of existing collective purchasing mechanisms which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.		
Response	<p>Procurement Scotland; Scotland Excel; Tayside Procurement Consortium; Perth & Kinross/Angus/Dundee/Fife Weather Forecast group; SCOTS NE electricity consortium.</p> <p>In addition the council benefits from the central purchasing of commodities (i.e. salt, street lighting equipment, road stone etc) through Tayside Contracts who operate across the Angus, Perth & Kinross, Dundee and wider area.</p>		
Question 13	Do you have any knowledge of existing arrangements where services relevant to the management and maintenance of the road network are being delivered more cost effectively through economies of scale which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.		
Response	<p>There is little published information regarding the costs of the maintenance of the trunk road network for us to comment as to whether we have more cost effective arrangements.</p> <p>The council has in place various cost effective processes through economies of scale which includes the specific areas in Response 12 above. We would be happy to engage with Transport Scotland to explore whether such areas offer more cost effective services.</p> <p>Our comments in Response 6 are also areas which should be explored. There are potential</p>		

	savings from taking a holistic view of the road network.
Question 14	Are there any other existing collaborative / partnership arrangements you are aware of which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.
Response	See reponse 6, 12 and 13
Question 15	Are there any other possible future opportunities that Transport Scotland should explore (such as sharing of depots etc)? Please provide any relevant details.
Response	See reponse 6, 12 and 13
Question 16	Would your organisation be interested in participating in a face-to-face interview and/or workshop to supplement the outputs from this questionnaire? (YES / NO)
Response	Yes

Your Details

Name	Ian Cochrane
Organisation	Roads Division Angus Council
Address	County Buildings Market Street Forfar DD8 3WR

Thank you for participating in this consultation.

APPENDIX 2

**RESPONSE TO TRANSPORT SCOTLAND
BY TAYSIDE CONTRACTS**



DRIVING IMPROVEMENTS

LOCAL AUTHORITY QUESTIONNAIRE

Please provide your responses to the questions listed below in the appropriate boxes and submit your completed questionnaire electronically to:

drivingimprovements@transportscotland.gsi.gov.uk

Question 1	Do you consider the current arrangement of four geographical units appropriate or are there any changes you would propose that would deliver better value?
Response	Given the relatively poor number of bidders for the 3G contracts it may be worthwhile considering a larger number of smaller units in the hope that this would attract greater competition. The larger Units, whilst having a certain economy of scale, are expensive to bid for and carry a high degree of risk particularly for winter maintenance provision. Smaller Units based on Local Authority areas may well induce Authority's to bid for the Works again.
Question 2	Do you consider the duration of each term contract appropriate or would you propose any alternative duration?
Response	5 years is too short a period for such large contracts given the cost of bidding and the 'learning' period for new providers. Whilst the current arrangement offers a possible extension to 7 years this still brings uncertainty to a provider. It is suggested that a fixed 7 year term should be employed. This longer certain period should allow better recovery of investment particularly from plant resources.
Question 3	Should the upper limit for 'as of right' work be retained at £250,000? If not, what should it be changed to, and why?
Response	The issue is not necessarily the limit of awarded work but the overall value. The OC requires work to keep resources gainfully employed throughout the whole contract period and to do this there has to be some certainty of workload. It would be better to provide the OC with a guarantee of a minimum awarded work value for the year rather than a threshold value above which work is open tendered. However, if a threshold is to be set then £250k is considered to be too high as this constitutes significant schemes rather than routine maintenance works that keep the OC labour resources gainfully employed. A starting limit of £100k to £150K would seem more appropriate but this should be linked to an indice to take account of inflation. Works above the limit would be considered by most local contractors to be attractive work and would illicit competitive tenders.
Question 4	Do you foresee difficulties in implementing Strategy 1, and what would these be?

Response	From direct experience in working with OC's as a 'partner' difficulties are foreseen in that it has been very difficult in fostering a true partnering relationship as OC's do not appear to understand that partnering is about mutual benefit and not just benefit to themselves. Experience suggests that because the client is keen to see partnering arrangements in place the OC's play at partnering rather than adopting it as a preferred procurement process.		
Question 5	If Strategy 1 is pursued, is your organisation likely to tender (either independently or as part of a public and/or private consortium) for one or more of the fourth generation term contracts, and can you explain the reasons and advantages of this approach?		
Response	Having attempted over the life of the Trunk Road contracts either to bid as part of a Local Authority consortium or as a Public/Private consortium the likelihood is that this organisation would not play any part in the procurement process for the 4G contracts as we have in the past. Any involvement would be on commercial grounds and would mirror the approach taken by successive Trunk Road contract bidders who are looking for strictly subcontract arrangements and not true partners.		
Question 6	Do you foresee advantages or disadvantages in implementing Strategy 2? Please explain what they would be and how any disadvantages might be mitigated?		
Response	There would be major difficulties to overcome in implementing this strategy as it implies that work currently done by others for Local Authorities may now be done by the OC. If this were to be the case then there would be significant TUPE issues to address in the contract documents as well as the applicability of Trunk Road rates to the local roads. A very careful and comprehensive analysis of the make up of the proposed contract documents would have to take place in order to make this approach meaningful. Given the current complexity of TUPE issues when a new provider takes over from an unsuccessful OC will bidders want to take on the further complications of TUPE issues for a number of Local Authorities? There is a further disadvantage to this strategy in the sheer size of the bidding process as, presumably, each participating LA would have to have its own section of the BOQ with rates applicable to local roads. Would prospective bidders be willing to take this on? Would the tender period be long enough to accommodate this extra work?		
Question 7	Do you foresee advantages or disadvantages in implementing Strategy 3 and what would they be?		
Response	This strategy certainly has the advantage of passing all the risk to the OC but given that equitable contracts should try to ensure that risk is passed to the party best able to bear the risk it would seem to be an inequitable arrangement. The likelihood is that in order to bear the risk bidders would put prices up significantly. The contract would involve very complex and detailed drafting and monitoring and presumably, could only attract a small number of bidders capable of accepting these very large risks.		
Question 8	How would you rank the three strategies? (1 = preferred and 3 = least preferred)		
	Strategy 1	Strategy 2	Strategy 3
Response	1	2	3
Question 9	Are there any other service delivery strategies that you believe should be considered, and what advantages would they offer?		
Response	Restoring Agency arrangements with LA's could be considered as this would end duplication of resources and the uncertainty experienced by the road user as to who is responsible for the road network on a day to day basis. It might well restore local democracy and accountability to some trunk roads that are considered to be no more than local roads by most users.		
Question 10	Do you have any knowledge of existing benchmarking mechanisms which Transport Scotland should explore with other organisations? Please provide any relevant details.		

Response	APSE, Highway Works Benchmarking Club, Scottish Construction Centre.
Question 11	Do you consider the existing liaison arrangements between organisations for co-ordination of operations to be working well, and why?
Response	No comment
Question 12	Do you have any knowledge of existing collective purchasing mechanisms which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.
Response	Scotland Excel. Once the national procurement frameworks are in place, Transport Scotland may be able to take advantage of the considerable purchasing power of the LA's to procure materials and services.
Question 13	Do you have any knowledge of existing arrangements where services relevant to the management and maintenance of the road network are being delivered more cost effectively through economies of scale which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.
Response	No.
Question 14	Are there any other existing collaborative / partnership arrangements you are aware of which you consider Transport Scotland should explore with other organisations? Please provide any relevant details.
Response	No.
Question 15	Are there any other possible future opportunities that Transport Scotland should explore (such as sharing of depots etc)? Please provide any relevant details.
Response	There is no mutual benefit to this organisation in sharing its depots as it currently uses them as a bargaining tool with OC's in order to secure work.
Question 16	Would your organisation be interested in participating in a face-to-face interview and/or workshop to supplement the outputs from this questionnaire? (YES / NO)
Response	YES

Your Details

Name	Iain C Waddell, Managing Director
Organisation	Tayside Contracts
Address	Contracts House, 1 Soutar Street, Dundee DD3 8SS

Thank you for participating in this consultation.