



Report for:
ACTION

Item Number:
34

Contains Confidential or Exempt Information	NO
Title	Highways Service Improvement Plan 2010/11- 11/12
Responsible Officer(s)	Roger Jones, Director of Environment and Leisure
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Portfolio(s)	Transport & Environment - Cllr Bassam Mahfouz
For Consideration By	Cabinet
Date to be Considered	20 July 2010
Implementation Date if Not Called In	2nd August 2010
Affected Wards	"All"
Area Committees	N/A
Keywords/Index	Highways Service, Highways Service Review, Highways Service Improvement Programme, Business Case for the Improvement of the Highways Service, Value for Money, Quality, Performance management, Service Improvement, organisational review, reorganisation, efficiency savings, cost-effectiveness, consultation, service improvement

Purpose of Report:

To seek authority to in-source the highways services currently provided by Mouchel Ltd and to implement a restructure of the Council's Highways Service to reflect the insourcing in order to provide a modern, cost effective, customer responsive and fit-for-purpose Service.

1. Recommendations

It is recommended that Cabinet:

- 1.1 Note the initial draft proposals for the restructure of the Highways Service as detailed in this report and in **appendices 1 & 3**
- 1.2 Approve proposals to in-source the service when the Mouchel contract expires on 31st March 2011
- 1.3 Authorise the Director of Environment and Leisure to create and implement a new staffing structure for the Highways Service, including any necessary post deletions or creations, and including any amendments to the initial draft staffing structure and implementation programme arising from the consultation process.

- 1.4 Authorise the Director of Environment and Leisure, in consultation with the Director of Legal and Democratic Services, to :
- 1.4.1 Invite and evaluate tenders for a framework agreement of specialist advice and design capabilities for highway services (as detailed under section 2.6 of this report).
- 1.4.2 Enter into an agreement to access the framework agreement established by the Royal Borough of Kensington & Chelsea. (as detailed under section 2.7 of this report).

2. Background

2.1 Current Service Description

2.1.1 The highways network is the largest and most visible community asset for which the Council is responsible. In the main, the Highways Service discharges and performs statutory duties vested in the local authority; thus most of the core activities the service carries out are mandatory. However, in addition to undertaking these statutory duties, the Highways Service also enables the Council, in partnership with its contractors and consultants, to deliver a safe, well-maintained highways infrastructure which includes bridges, watercourses, street lighting and road drainage systems, making effective and efficient use of all available resources.

2.1.2 Key elements of the current Highways Service and core business activities include:-

- Highway Maintenance
- Delivery of capital projects
- Management of the Street Lighting PFI Contract
- Review of CPZs and Parking projects
- Management of structures and highway drainage schemes
- The management of road space.
- Delivery of the Council's Winter Maintenance Programme

2.1.3 In addition to the Highway Services in-house team of professional engineers and support staff, a number of Highway Service functions are also currently delivered on behalf of the Council under contract by an external professional services provider - Mouchel Ltd - as part of a consultancy services contract. The key areas of service deliver by Mouchel on the Council's behalf include:-

- Design and works supervision of traffic improvement schemes
- Reactive Maintenance work including works ordering and budgeting
- Design and Works Supervision of Planned Major Works
- Bridge Inspections and associated supervision of works
- Carrying out road network Safety Inspections
- Undertaking Annual Condition Surveys of highways and footpaths
- Management of the Council's Emergency Call-Out Service
- Back-office functions including Call Service, receiving and processing accident claims and applications for drop kerbs.

2.2 The case for Change

2.2.1 The need to make substantial improvements in the current level and quality of service and the drivers for change, (some of which are known to the Council), can be summarised as follows:-

- To demonstrate tangible improvements in the effective delivery of Highways operational processes, which will improve outcomes for residents and move to a one organisation 'complete' Highway Management Service.
- To ensure the quality and delivery of customer - facing services whilst maintaining value for money.
- To develop the most appropriate staffing structure for effective service delivery making the required efficiencies in the Highway Service establishment and associated costs.
- To review the current delivery contract arrangements in order to remove duplication and to provide efficiencies again in the Highway Service establishment and associated costs.

2.2.2 The summary of the proposals in both the review and this report have therefore been developed to create a more efficient and cost-effective Highways Service that not only meets statutory requirements but also better reflects the needs of residents and customers, contributes to the need for cost efficiencies and the Council's desire to provide high quality services in a period of fundamental change.

2.3 Review of the Service

2.3.1 As part of the 2009/10 business planning process, officers identified the need to undertake a comprehensive review of the Highways Service in order to identify the potential opportunities for efficiencies and cost savings within the service. The scope of the review focused on how improvements could be achieved in service quality, cost and customer satisfaction and on what opportunities existed for considering alternative service delivery models in the future. The review was particularly timely as the 4-year professional services contract with Mouchel is due to expire on 31st March 2011.

2.3.2 In August 2009 an external consultancy firm (Turner & Townsend) was commissioned to carry out a complete review into the efficiency and effectiveness of the Highways Service. The review focussed on options to restructure the service and how improvements to service quality, efficiency and increased customer satisfaction could be delivered. Elements of the Service examined were:-

- Contracting arrangements
- Staff structures
- Business performance
- Alternative service delivery models

2.3.3 Following the review, a number of recommendations were made that culminated in the development of a Highways Improvement Programme (HIP) that will be implemented over the course of the next two years subject to Cabinet approval of the recommendations contained in this report.

2.4 The Highways Improvement Programme (HIP)

The proposed HIP is comprised of 3 key 'work streams':-

2.4.1 Organisational Design - focusing on :-

- Developing new service & team structures
- Identifying detailed role profiles and person specifications and responsibilities
- Implementing staffing arrangements as part of the new structure
- Development of staff performance standards and measures.
- Review /implementation of additional accommodation requirements.

2.4.2 Framework Procurement - focusing on :-

- Management of the market-testing activities,
- Management of procurement processes
- Design and implementation of procurement frameworks.

2.4.3 Process Improvement - focusing on :-

- Reviewing effectiveness of existing processes
- Re-engineering/designing effective service processes,
- establishing relevant and effective measures of performance & KPI's
- developing effective IT solutions to support business efficiency.

2.5 Expected Benefits

2.5.1 The expected benefits for the Council arising from the implementation of the improvement programme are as follows:-

- Greater controls over the service delivery functions than at present
- Increased service delivery quality, customer satisfaction & service performance.
- Increased customer and resident satisfaction
- Reducing the annual operational costs of the Service.

2.5.2 A detailed schedule of benefits in terms of Cost/Quality/Customer satisfaction is shown in **Appendix 4**

2.6 Framework Agreement

2.6.1 A multi-supplier framework agreement can provide access to a number of consultants over various areas of work rather than being a contract for a single service with a sole provider. It sets up the terms and conditions that will apply to any specific contract called off the framework agreement but does not guarantee any appointed consultant any work. Contracting authorities setting up framework agreements can provide that other specified contracting authorities can also use the framework by entering into an access agreement.

2.6.2 This framework agreement will cover:-

- Specialist Bridge Services
- Specialist Transport & Project Design Services

2.6.3 When the need arises, work can be commissioned, through the framework following a mini-competition between all of the companies on the framework agreement that are capable of carrying out the work in question. The framework agreement itself will have to be procured through a competitive procedure compliant with the European public procurement rules, but mini-competitions are not subject to the same level of rules.

2.7 Kensington & Chelsea LBC - existing framework agreement

2.7.1 In the event that that it is not possible to implement the Council's proposed framework arrangements as outlined in para 2.6 above, the Council is able to commission and procure specialist design services, by entering into an access agreement to the Royal Borough of Kensington & Chelsea's current framework agreement.

2.7.2 This arrangement will provide some resilience and a fall back position for the Council in circumstances where it was not possible to implement its own framework agreement arrangements in time.

3. Links to Strategic Objectives

3.1 The aims and recommendations of the Highway Services Review and the outcomes sought from the implementation of the Improvement Plan are consistent with:-

- The Council's policy framework of continuing organisational improvement specifically in relation to its commitment to providing efficient and value for money services to borough residents.
- Supporting the Council's strategic objective for continuous organisational improvement, aimed at delivering a high performing organisation focussed on the needs of the local communities.
- Contributing to the Council's priority of delivering a balanced budget and the savings targets of the Council's medium term financial strategy.

4. Staff & workforce implications

4.1 The current Highway Service at end of April 2010 consists of 35 posts. 14 of these posts are occupied by permanent staff and 21 posts are covered by agency staff. (see structure chart shown in Appendix 1)

4.2 To achieve the expected benefits of implementing this improvement programme it is proposed to implement a new staff structure to include necessary roles and responsibilities from the Mouchel contract combined with the work Ealing currently undertake (the new structure will comprise 60 posts).

4.3 It is estimated that there are approximately 45 current Mouchel posts that will transfer. 5 of these are covered by agency staff and 5 posts are currently vacant. This means that up to 35 staff may transfer over to the Council. There will be further discussions with Mouchel and the employee representatives of the Mouchel staff to clarify which staff potentially have the right to transfer.

4.4 Staff employed by Mouchel who transfer to the Council if the service is brought in-house, have protected conditions of service in accordance with the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Any employee, who is sufficiently 'assigned' to the undertaking being transferred, will potentially have the right to transfer. This applies normally when a service is coming back in-house. There is a requirement for the old employer [transferor] to provide all relevant employee liability information to the new employer [transferee]. Information is currently being sought from Mouchel in regard to this.

4.5 Summary

Current Highways Structure	35 posts
Of which current Ealing permanent employees	14
Estimated current Mouchel permanent employees	35
Total combined Ealing/Mouchel permanent employees	49
Proposed New Highways Structure	60 posts

4.6 The Council's re-organisation process will be used to place the combined Ealing/Mouchel staff in the new structure. This may result in a small number of redundancies if there is a duplication of people for specific posts and there is no alternative role within the service or the Council or (in the case of those currently employed by Mouchel) within Mouchel.

4.7 The Director of Environment and Leisure will lead on consultation with staff, trade unions and HR throughout this project to ensure that all staff matters are dealt with effectively. The responsibility for consulting Mouchel staff lies primarily with Mouchel, but the Council is responsible for making sure that Mouchel have the requisite information, in good time, so that Mouchel can discharge that duty.

4.8 As part of the consultation process with trade unions and staff affected by the restructure proposals, comments will be welcomed and fully discussed. Contractual assimilation and redeployment processes will be applied to provide a fair and transparent means of moving staff to the new organisation, meeting contractual and legal requirements and providing for appeal processes. Revised role profiles will be written in consultation with staff, to form the basis for the job matching processes. To the extent that it is possible, the Council will attempt to have all this work carried out so that the new structure can be implemented immediately on 1 April 2011. However, that is subject to all the necessary consultation having been completed in time for that date to be achieved. There will therefore be contingency for the process to continue after 1 April, with a view to implementing the new structure as soon as possible.

5. Financials

5.1 The estimated cost of both the internal and external resources required for the project, plus the investment required to enable the benefit realisation of reducing the costs of running the highway service over a projected 5-Year period is highlighted below.

5 Year Projected Savings						
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
SET UP & DELIVERY COSTS	(215)	0	0	0	0	(215)
EST. COST SAVINGS	0	934	934	934	934	3736
CONTINGENCY FOR REDUNDANCY COST	0	(34)	(33)	(33)	0	(100)
REPAYMENT TO CHIEF EXEC PROJECT FUND	0	(85)	0	0	0	(85)
TOTAL CUMMULATIVE NET IMPACT	(215)	815	901	901	934	3336

5.2 A cost/benefit analysis indicates that the restructuring proposals as set out in this report will generate an overall gross saving to the Council of approx £900,000 per year from 2012 rising to £934K in 2014/15. The savings arise purely from being able to deliver the same or better level of service with less staff and not having to pay a profit mark up.

5.3 It should be noted that these are total cash savings relating to Highways budgets that currently sit in both revenue and capital. The impact of the HIP on the revenue and capital budgets is still being assessed.

5.4 The one-off project set-up and implementation costs in 2010/11 are £215,000, made up of internal officer capacity which equates to £130K and the £85,000 comes from the Chief Executive's Project Fund aimed at funding initiatives that deliver more cost-effective and customer-focused service delivery.

5.5 A contingency figure for redundancy costs has been included for reasons set out in para 4.6 above. It is proposed that the payments would be set off over a three-year period to optimise potential cost savings in the 2011/12 budget. The ongoing annual costs have been factored into the budget forecasts by the Directorate in relation to these.

5.6 Given the uncertainties of the availability of funding for future capital schemes, the Highways Improvement Programme will incorporate a degree of flexibility so that the Council does not over commit to employing permanent staff who may subsequently need to be released.

6. Legal implications

6.1 The Transfer of Undertakings (Protection of Employment) Regulations, 2006 (TUPE Regulations) must be considered in relation to the expiry of the Mouchel contract, and the Council's intention to carry out that work in-house in the future. The TUPE Regulations will show which Mouchel employees potentially have the right to transfer to the Council. Where an individual does have such a right of transfer, then they will automatically become employees of the Council on the transfer date unless:

- (a) an agreement has been reached between the Council, the individual and Mouchel to the effect that the individual will be transferred to other duties within Mouchel or

- (b) the employee objects to working for the Council, in which case the individual has the absolute right not to start work on the transfer date (but will no longer be employed by either the Council or Mouchel) or
 - (c) the employee has been dismissed for a fair reason, and following a fair procedure, for a reason which satisfies the ETO test laid out in the TUPE Regulations (namely that the dismissal must be for a reason that is an economic, technical or organisational reason entailing changes in the workforce).
- 6.2 The TUPE Regulations impose a duty on the Council to inform and consult its own staff (via the recognized trades unions) about this transfer. They also impose a duty on the Council to supply information to Mouchel so that Mouchel can inform and consult appropriate representatives of its staff. The TUPE Regulations, and the contract between Mouchel and the Council, impose certain obligations on Mouchel to supply information to the Council about its employees. The information from this process will help inform the Council's decision as to the appropriate staffing structure to implement from 1 April 2011.
- 6.3 In the event that any redundancies may be proposed as a result of this transfer, then there will be a separate, and additional, obligation to consult about that issue.
- 6.4 Any staff who have one year's service have the right not to be unfairly dismissed. Any staff who have two years' service may have the rights to redundancy payments if dismissed by reason of redundancy. Any dismissals must take account of the appropriate terms and conditions, including as to notice periods, in the relevant contract of employment.
- 6.5 In the event that any Mouchel staff are dismissed as a result of these proposals, it may be that they (or some of them) have the right to bring claims against the Council, whether for unfair dismissal or redundancy payment or otherwise. However, that potential right would depend fully on the circumstances of the individual case.
- 6.6 The procurement process to be followed for the proposed framework agreement must be compliant with the Council's own Contract Procedure Rules and EU Procurement Regulations.

7. Value For Money

The Improvement Plan will ensure the lowest achievable service delivery costs are realised whilst at the same time improving quality, performance and customer responsiveness of the Service.

8. Risk Management

A schedule of the key risks associated with the implementation plan and proposed actions to mitigate these risks has been prepared to ensure that there is a seamless transition, minimising the risk of any service delivery failures.

9. Sustainability Impact Appraisal

None

10. Community Safety

None

11. Equalities Impact

11.1 The matching of posts and the redeployment of staff will follow the Council's recruitment and monitoring policies to ensure a fair selection.

11.2 An outline Equality Impact Assessment (EIA) has been prepared that includes consideration of both employment and service implications of the reorganisation. A detailed EIA will be drafted and discussed with both staff affected and the trade unions.

12. Staff accommodation implications:

There are no foreseen additional accommodation requirements arising from the proposals.

13. Approach to project implementation

13.1 A dedicated project team made up of Ealing Council staff and external consulting staff will deliver the programme. The team members from the Council will be from Highway Services, Finance, HR, ICT and Legal Services, with service departments seconding staff onto the project at key points within the plan.

13.2 The external consulting resources from Turner & Townsend (who carried out the initial service review), will provide specialist change management input and fulfil the role of supporting and guiding the internal project team deliver its key objectives.

13.3 The approach throughout the in-sourcing project will be one of partnership working, and positive engagement with all stakeholders, to ensure that the necessary skills transfer takes place from the external consulting staff to the Council.

13.4 A project plan for the implementation is highlighted in **Appendix 2**.

14. Consultation

14.1 The Councils HR, Finance and Legal Services have all been consulted during the preparation, consultation and finalisation of this report. Corporate Board has also approved the in principal reorganisation proposals. Following Cabinet approval, further consultation will be carried out as required with :-

- Corporate Board
- Consultants and contractors as appropriate
- Trade Unions
- All affected LBE employees

15. Background Information

None

(i) Consultation

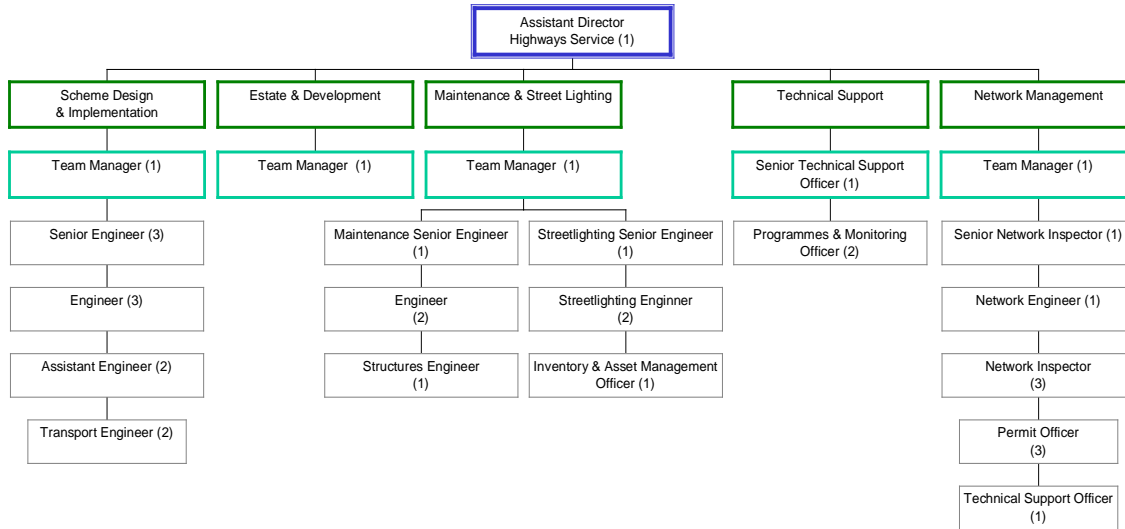
Name of consultee	Department	Date Sent to consultee	Response received	Comments in report para:
Internal:	Director of Environment and Leisure			
	Director of Legal Services			
	Director of Finance			
	Cabinet Member			
External:				

(ii) Report History

Decision type: EITHER: Key decision		Urgency item? No		
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:	
Report no.:		Report author and contact for queries:		

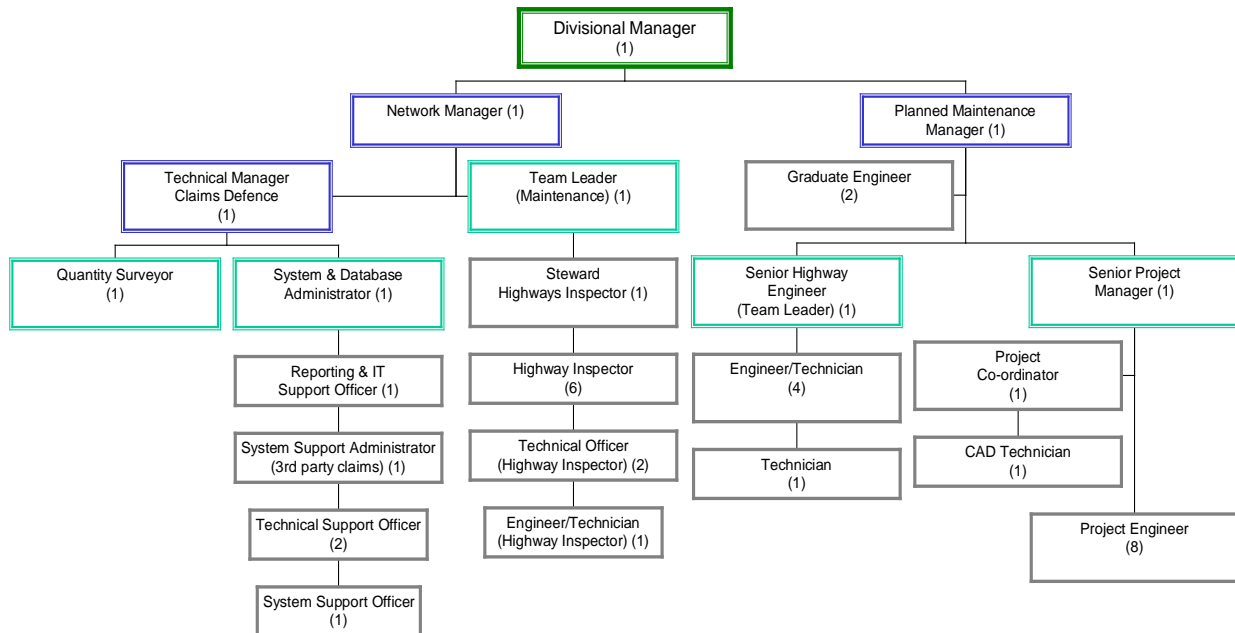
APPENDIX 1

HIGHWAYS SERVICE – CURRENT STAFF STRUCTURE



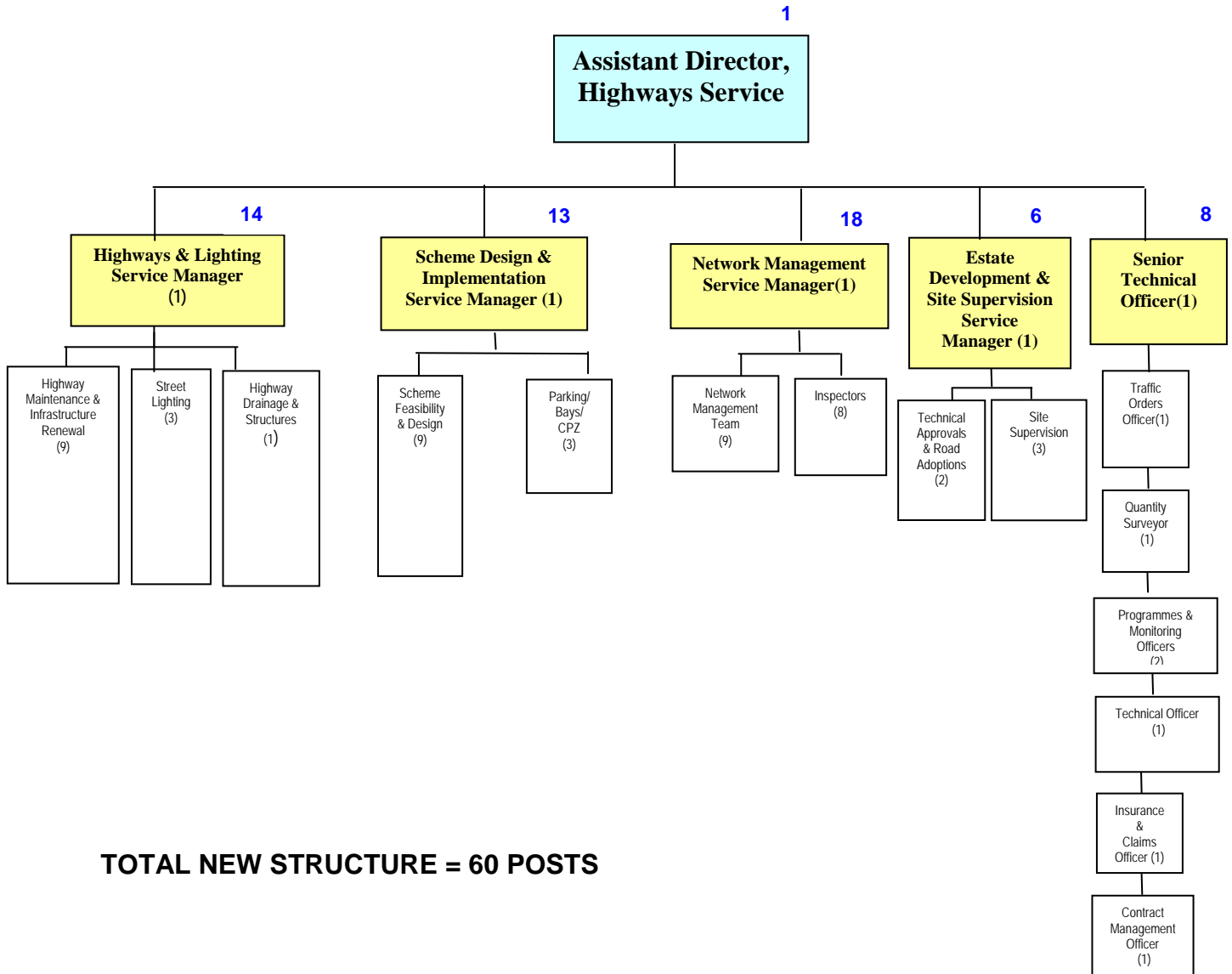
Of the 35 posts that exist within the current Highways structure 21 are currently filled with agency staff and 14 are permanent staff.

MOUCHEL – CURRENT STAFF STRUCTURE



Of 45 Post that exist within current Mouchel structure, 5 are currently occupied by agency staff & 5 are vacant

HIGHWAYS SERVICE – INITIAL DRAFT FOR NEW STAFF STRUCTURE FROM 1/4/2011



APPENDIX 2

OUTLINE IMPLEMENTATION PLAN

Action	Target Date
<ul style="list-style-type: none"> • Develop PID and detailed Project Plan • Identify project resources & Project Costs • Proposals approved by Org Improvement Board • Cabinet approve proposals & proposed service structures 	<p>Jan-Mar 2010 Feb-Mar 2010 10th March 2010 July 2010</p>
<ul style="list-style-type: none"> • Consultation with staff, trade unions and members • Regular communications sessions with all stakeholders • Regular meetings set up with Customer Services Ops 	<p>Jul-Sep 2010 On-going On-going</p>
<ul style="list-style-type: none"> • New team structures designed/developed • Staffing levels and org structure drafted • Staff transfer TUPE implications provisionally identified • Skills Gap Analysis & training needs analysis • Staff Training Programmes identified • Team structures, JDs and Person Specs prepared • Staff appraisal system developed and introduced • Recruit new posts within new structures • Introduce robust performance management system 	<p>Jun-Sep 2010 June 2010 May-June 2010 Sept 2010 Oct-Dec 2010 May-Sept 2010 April 2011 April-June 2011 April 10 – Mar 11</p>
<ul style="list-style-type: none"> • Map existing LBE & Mouchel work processes • Review & document current work methods & processes • Evaluate effectiveness & efficiency of existing processes • Design & document new whole service processes • Test & implement new service processes & procedures • Develop & implement CRM for seamless service delivery • Implement Star Chamber efficiency proposals • Design new service performance metrics and KPIs • Establish service IT user requirements • Design, procure, implement new IT solutions and interfaces • Transition period to new processes & procedures • Close down of existing Mouchel Contract • Review 1st quarter of new structure & processes 	<p>April-Sept 2010 Sept – Dec 10 Jan – March 11 Apr – June 11 June – Dec 11 June – Dec 10 April 2010 April – Sep 11 June – Sep 10 Sep 10 – Mar 11 Jan – Mar 2011 Jan - March 2011 July 2011</p>
<ul style="list-style-type: none"> • Prepare procurement documentation and processes – OJEU contract notice, PQQ, specifications, terms and conditions of contract, evaluation criteria and methodology, invitation to tender • Scope services within Highways to be soft market tested • Carry out softmarket-testing • Undertake procurement process • Cabinet decision to award places on the framework agreement 	<p>Aug – Oct 2010</p> <p>June – Sept 2010 June – Sept 2010 Oct 2010 – Jan 2011 Feb 11</p>

APPENDIX 3 - Key Summary of Turner & Townsend Consultants Recommendations

- 1 Create a new Highways Service Structure in order to deliver significant savings from a reduction in staffing levels from a current combined LBE and Mouchel of 82 to 60 providing the Council with a stretch savings target up to £934,000 per annum.
- 2 Continue investment in CRM technology to improve service integration, rate of communications and reactive efficiency.
- 3 Increase focus and improve protocols for notifying customers, stakeholders and partners when requested interventions are not to be carried out.
- 4 Increase learning and development opportunities for staff to promote multi-skilling and career progression along with succession planning.
- 5 Improve individual staff and service delivery based performance management processes in the department.

APPENDIX 4: EXPECTED BENEFITS

The following benefits will be enabled by the improvement plan:-

Quality Improvements

- Improvements in customer service, responsiveness & customer satisfaction levels
- More consistent delivery of services to agreed/published performance standards
- The streamlining key service and operational processes
- More consistent delivery of services to agreed/published performance standards
- A fit for purpose organisational performance that consistently delivers high quality, responsive services

Cost Savings / Efficiency Savings

- Staff costs savings and efficiency gains
- Removal of duplication between LBE staff and Mouchel consultants
- Merging of Highways functions and improved matching of resources to demand
- The streamlining key service and operational processes
- Reduction of FTE as a result of removing duplication of roles/work
- Reduction of FTE as a result of reviewing and streamlining key processes
- Reduction of FTE by implementing best practise management structures equating to the identified project savings of approx. £1m

Staff

- Better trained and developed staff to deliver improved service performance
- Improvements in the levels of staff satisfaction and performance

Customer

- Improvement in customer service, access & satisfaction with service quality.
- Consistent delivery of service to industry performance standards