

Environment, Development and Transport Committee

Report title:	Review of Norwich Highways Agency Agreement
Date of meeting:	18 January 2019
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services
Strategic impact Norfolk County Council (NCC) and Norwich City Council have arrangements in place for the discharge of various highway and traffic functions by the City Council on behalf of the County Council. These arrangements are covered by the Highways Agency Agreement. This report outlines a review of the performance of the Highways Agency Agreement and details how this should evolve in future.	

Executive summary

There are two major elements to the delivery of highways related activities in the City - the Highways Agency Agreement and the delivery of the Transport for Norwich (TfN) programme of transport schemes. The Agency Agreement covers the day-to-day delivery of highway functions and services, whereas the TfN programme is the wider delivery of strategic transport schemes outlined in the NATS Implementation Plan (now called TfN), which was adopted by the County Council in April 2010.

The current Highways Agency Agreement is dated 19 September 2014, and was due to expire on 31 March 2019. This time last year, the agreement was extended by twelve months, to enable a more detailed review to be undertaken, along with the identification of financial savings going forward. Therefore, the current agreement is due to expire on 31 March 2020.

The agreement states that either party must give 12 months notice to terminate the Agreement, and if by 1 April 2019 neither party has given notice, the Agreement will automatically be renewed for a period of 5 years from 1 April 2020.

Any decision to terminate the Highways Agency Agreement would need to consider the necessary transfer of staff from the City to the County Council under the TUPE arrangements that are set out in the Agreement.

Recommendations:

Members are recommended to:

- 1. Discuss the details of this review of the Norwich Highways Agency Agreement;**
- 2. Decide whether the County Council wishes to enter into another Agency Agreement period, and if so, the duration of that agreement. The alternative would be for the County Council to deliver all functions covered by the existing agreement.**

1. Proposal

- 1.1. Norfolk County Council (NCC) and Norwich City Council have arrangements in place for the discharge of various highway and traffic functions by the City Council on behalf of the County Council. These arrangements are covered by the Highways Agency Agreement.
- 1.2. The decision on whether to carry on with the Highways Agency Agreement between the County Council and City Council is a finely balanced decision. There are advantages and disadvantages for both options considered in this report, as detailed below. All options considered achieve revenue budget savings, although the timing on the delivery of these and the risks associated with them vary.
- 1.3. Officers have considered the following options:
 - **Option A:** Give 12 months' notice to terminate the existing agreement so that the County Council delivers all the remaining highway and traffic functions that are currently delegated to the City Council. This would be effective from 1 April 2020.
 - **Option B:** Renew the Agency Agreement for five years, based on the current agreement but reviewed in line with current best practice from across the industry. This agreement would run from 1 April 2020 to 31 March 2025.

2. Evidence

- 2.1. The Highways Agency Agreement was subjected to reviews in 2010, 2013 and 2017. The overall conclusions in 2010 and 2013 was that the arrangement should continue but with regular reviews and improvements as appropriate. In 2017, it was concluded that the agreement should be extended by twelve months to allow a more detailed review to be completed and to identify possible enhancements and efficiencies which could result in a revenue saving to NCC.
- 2.2. Staff from both the County and City Councils, who work day-to-day on the delivery of the Highways Agency Agreement, have worked closely together over the past year to review the current arrangements and identify where potential savings could be realised. Particular emphasis has been placed on:
 - how effective the working arrangements are between both Councils in terms of delivering the outcomes to residents and stakeholders;
 - the costs of managing and delivering the Agreement.
- 2.3. It is worth highlighting that at the current time, not all highways functions are delivered by the City Council. There are some areas where due to the required specialisms, it is not cost effective for the City Council to delivery these functions. Over time, a number of services have been transferred back to be delivered by County Officers. The latest such event was the transfer of Highway Design staff in summer 2018, as it was not cost effective for the City Council to both recruit, train and retain a specialist Highway Design team. The table below highlights the current split within Highways services.

Work type	Who delivers?
Bridges	County
Traffic signals	County
Potholes	City using County Roadworkers /

	Tarmac
Streetlights	Both – separate assets owned by both City and County
Highway Maintenance – capital, including surface dressing and resurfacing schemes	Both
Highway Maintenance - routine	City using County Roadworkers / Tarmac
Highway Improvements - policy / strategy	City, but both for TfN schemes etc
Highway Improvements & Maintenance – design	County (recently transferred from City)
Streetworks / Permitting	City
Winter - Client side	Both
Winter – Delivery	County
Trees on Highway	City
Highways customer queries	City
Highways Member queries	Both
Highways MP queries	Both
Civil Parking Enforcement	City
Development Control	City

As can be seen from the table above, there are a number of interdependencies between City and County teams. The existing arrangements work well as the teams work very closely together, however, it can also be seen that for customers and staff outside of Highways, it can be confusing to know which organisation to speak to about which particular issue.

2.4. In summer 2018, Grant Thornton undertook a detailed audit on whether the existing City Agency agreement provided value for money. The main findings of this audit were:

- Areas of strength around the Agreement include the strong working relationship which has been built between the two authorities, and the benefits that this has brought both in terms of the Agreement and other related linkages including external funding success.
- The Norwich Joint Highways Agency Committee (NJHAC), which oversees the running of the Agreement, provides a clear decision-making process for decisions made in the area. This helps provide an audit trail should any of these decisions be challenged.
- The Annual Report on the delivery of the Agreement, provided to NHJAC, ensures that all of the relevant stakeholders are clear on the output of the Agreement over the course of a year.
- Areas where, in any future agreement, further clarity and precision would help strengthen the Governance and Value for Money arrangements around the Agreement, include:

i). The Agreement itself is largely unchanged from the initial Agreement that was issued back in the 1970's following the re-organisation of Local Government functions. Given the time which has passed since then it would be beneficial for both parties to review and update the Agreement so it remains fit-for-purpose for the 21st Century.

ii). The Agency Fee element of the Agreement has continued to increase over the past four years despite changes in the services covered by it, which should also be reviewed as part of the review of the Agreement.

iii). Since the early months of the current Agreement, there has been very little formal performance monitoring being undertaken by either side of the Agreement. This area should be developed to give both organisations a clear understanding of the Value for Money of the Agreement.

- 2.5. As explained in Section 1, two main options have been considered. These are explained in detail below.
- 2.6. **Option A** is to terminate the Agency Agreement and bring all functions back in house. This would bring clarity as all the functions outlined in the table in 2.3 would be delivered by County Council teams. It would increase resilience and also foster greater consistency between the existing functions delivered by the County Council Highways teams, including the Area Offices and other client teams. There is also the potential to remove some areas of duplication such as the double handing of some customer queries, HR, Finance etc. Although it is expected that there will be cost savings once the transfer is complete, there will also be set up costs and risks. The cost savings are based on replicating the existing West Area Highways team model for delivery. Set up costs and risks include staff TUPE, office accommodation (ideally the staff would be split between County Hall and the Ketteringham Highways depot) and a significant risk around trees. The City have a far higher number of Highway Trees than the County, the maintenance of which is currently part-subsidised by City Council funds.
- 2.7. To clarify, **Option A** would give 12 months' notice to terminate the existing agreement, so that the County Council would deliver all the remaining highway and traffic functions that are currently delegated to the City Council. Subject to all HR, legal and financial issues being resolved, this would be effective from 1 April 2020.
- 2.8. **Option B** is to renew the Agency Agreement for five years, based on the current agreement but reviewed in line with current best practice from within the industry. This agreement would run from 1 April 2020 to 31 March 2025. This is the continuity option which continues with the close working relationship between City Council and County Council officers with delivery of the City Agency function the same as it is today, but with a greater focus on delivering revenue savings, as detailed in section 3 below. The split of functions would be the same as in Table 2.3.
- 2.9. As a result of the Grant Thornton audit and in line with the joint City / Council Officers review, proposals have been identified to reduce the costs of the current Agency Agreement arrangements outlined in **Option B**. These are dependent on external funding bids being successful, including the Housing Infrastructure Fund (HIF) and Transforming Cities bids. More detail of the financial implications of this proposal is detailed in Section 3 of this report.

3. Financial Implications

Current arrangements

- 3.1. The current Highways Agency Agreement consists of payments made to the City Council for works and functions delivered, as well as income generated by these activities. Any surplus income over and above that required to deliver works is payable to the County Council. This is then used to support the delivery of highways activities in the Norwich area.
- 3.2. Payments made to the City Council are summarised in the table below.

Payment in 2018/19	Amount
Annual City Agency Fee	£615,433
City Streetworks Permit Scheme	£52,852
City Structural Maintenance Fee (revenue)	£108,000
Winter Maintenance	tbc – being managed on staff recharge basis in 2018/19
TOTAL	£776,285

- 3.3. Payments are subject to annual index linking as calculated by the Executive Director of Finance and Commercial Services at the County Council.
- 3.4. The Annual City Agency Fee makes up the largest element of cost required to deliver the Highways Agency Agreement and covers a wide range of activities, ranging from highway inspections to network management and handling requests from the public for new highway schemes. To deliver this element of the Agreement, the City Council allocates the equivalent of **14.7** Full Time Equivalent (FTE) staff members. The allocation of this is outlined in the table below.

Role	FTE
Highway enquiries and inspections	5.7
Streetworks / network management	4.9
Traffic advice, enquiries and request for service	4.1
TOTAL	14.7

- 3.5. Staff at the County Council work closely with the City Council on many of the activities outlined above but not to the extent that there is duplication of service delivery. The City Council performs the lead or first contact role in these activities.
- 3.6. Income received from the City Council can be broken down into the following categories:
- Permits from items in the highways (such as scaffolding and skips). This is in the region of £10,000 net income per annum. This has been retained by the City Council in previous years.
 - Any surplus generated from delivering Civil Parking Enforcement (CPE) activities and the enforcement of bus lanes. Income varies year on year, depending on the level of infringements, new-hardware requirements etc.

The surplus is then transferred to the County Council for spending on highways and transport measures within the Norwich area.

- Advertising income from roundabout sponsorship etc. This has been retained by the City Council in previous years.

3.7. It should be highlighted that the figures quoted in 3.2 already reflect a £48,000 in year saving due to the removal of the winter maintenance allocation and a small reduction in the annual fee. This will be reduced by the actual staff recharge relating to winter at the end of the season, but demonstrates the ongoing partnership work between City and County Officers with regards to positively responding to the financial challenges.

3.8. **Proposed Options**

The two suggested options for the future of the City Agency Agreement are:

- **Option A:** Give 12 months' notice to terminate the existing agreement and from 1 April 2020 all remaining highway and traffic functions are delivered by the County Council;
- **Option B:** renew the Agency Agreement for a further five years, based on the current agreement but reviewed in line with current best practice from within the industry. This agreement would run from 1 April 2020 to 31 March 2025.

3.9. **Option A** would bring clarity to all functions as the County Council would be responsible for all areas of highway and transportation in Norwich. This option would provide improved resilience and improve consistency between City and County areas. It should be highlighted that, in line with other District and Borough Councils in Norfolk, the City Council would still be responsible for all matters related to off street car parking. The arrangements for on street parking enforcement would need to be reviewed with the countywide parking review work currently being developed.

3.10. With **Option A**, it is anticipated that there will be cost savings of between £50,000 to £75,000 per year. This is based on the current West Area Highways team model being replicated. There will also be set up costs and risks. These include staff TUPE arrangements, finding office accommodation and a significant risk around trees. The City have a high number of trees on Highway land, the maintenance of which is currently subsidised by City Council funds. The previous Highway licence status of these trees would need to be researched further.

3.11. **Option B** continues the status quo and renew the Agency Agreement for five years, based on the current agreement but updated to reflect current best practice from within the industry. This agreement would run from 1 April 2020 to 31 March 2025. This is the continuity option which continues with the close working relationship between City Council and County Council officers with delivery of the City Agency function the same as it is today, but with a greater focus on delivering revenue savings.

3.12. Officers have identified that revenue savings of £110,000 can be achieved from the current annual agency fee through part capitalisation. This will come predominantly from the transport planning element as a result of the changes in working practices around the development of highway improvement programmes. In recent years, with the reduction in the LTP improvements budget, the scope for the City Council identifying and administering their own

transport improvement programme using LTP investment has declined and the City Council now works very closely with the Transport for Norwich team to secure investment from outside sources. The City Council have been awarded over £13m of cycle ambition funding in the last 5 years from the Department for Transport, which alongside the £11.175m funding from the LEP has driven the Transport for Norwich programme. Looking forward to the next 4-5 years, the exciting opportunity afforded by these successful bids to get the Greater Norwich area awarded Transforming Cities status means that majority of work that was previously undertaken through the agency transport planning fee can be capitalised to the Transforming Cities fund.

- 3.13. In addition, there are savings which can be made to the highways element of the lump sum fee by ensuring that fees are capitalised wherever possible; this is particularly relevant to staff in the Streetworks team who will be helping with the development and co-ordination of Transforming Cities schemes. Therefore, overall **Option B** would result in the annual Agency Fee reducing down from its current total level of £776,285 to around £660,000.
- 3.14. It should also be noted that some of the proposed savings under Option B would also be possible under Option A. However, as these costs are currently managed by the City Council, the exact amount is not currently known.

4. Issues, risks and innovation

- 4.1. When making any decision related to the future of the Highways Agency Agreement, it is important to note that this Agreement and the delivery of the Transport for Norwich (TfN) programme of transport schemes are separate entities. The Highways Agency Agreement is focused around the day-to-day delivery of highway functions, whereas the TfN programme is the delivery of strategic transport schemes outlined. For example, removal of through traffic from St Stephens Street in Norwich is linked to delivery of the TfN Implementation Plan and is not as a result of having a Highways Agency Agreement in place.
- 4.2. Risks have been highlighted within the two options contained within this report. Given the significant change, Option A represents the highest risk option which will require careful management. Option B represents a lower risk option as it is a continuation of the status quo (although resilience is an area of risk).
- 4.3. In light of the above information, the decision on whether to carry on with the Highways Agency Agreement between the County Council and City Council is a finely balanced decision. There are advantages and disadvantages for the options considered in this report. All options considered achieve revenue budget savings, although the timing on the delivery of these and the risks associated them vary.

5. Background

- 5.1. The following papers provide background to the Norwich City Agency:

[1 March 2010 Cabinet – paper on Norwich City Highways Agency Review](#)

[19 Jan 2018 EDT committee – Review of the Norwich Highways Agency Agreement](#)

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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