

Cheltenham Borough Council

Cabinet - 25th January 2005

Review of the Council's Highway Agency Agreement with Gloucestershire County Council

Report of the Deputy (Environment and Democracy)

1. Summary and recommendation

- 1.1 During 2004 officers and members of Gloucestershire County Council, Cheltenham Borough Council and Gloucester City Council carried out a review of the existing highway agency agreements. In December 2004 the County Council's Cabinet considered a joint report prepared by all three authorities and agreed in principle to the continuation of the agency agreements in a modified form with effect from 1st April 2006.
- 1.2 This report sets out the main implications of a modified agency agreement for the Borough Council and the work required to translate these proposals into formal legal agreements.
- 1.4 More information regarding the modified agency agreement is contained within the report taken to the County Council, which is included in the appendices.
- 1.5 **I therefore recommend that the Cabinet:**
 - 1.5.1 **agrees in principle to the continuation of the highway agency agreement in a modified form as described in the appendices and notes the key implications;**
 - 1.5.2 **authorises the Group Director in consultation with the Deputy (Built Environment & Democracy) to work up detailed legal agreements to put in place the modified arrangements with effect from 1st April 2006;**
 - 1.5.3 **agrees the modified payment arrangements as set out in appendices;**
 - 1.5.4 **agrees to establish a concordat on the sharing of highways agency staff between Gloucestershire County Council, Cheltenham Borough Council and Gloucester City Council to minimise the short term impact of workload fluctuations on the authorities' fixed costs.**

2. Implications

- 2.1 Financial** The financial support provided by the council for the highways agency agreement is expected to reduce significantly as set out in the report. The revised payment mechanisms are also expected to reduce the council's exposure to financial risk. However payments to the County Council for highway searches are set to rise substantially, as set out in the report, and this will reduce the council's net income from Land Charges.
- 2.2 Legal** A new legal agreement will replace the existing agency agreement from 1st April 2006. Staff resources will be required from Legal Services in drawing up the agreement.
- 2.3 Personnel** Proposals to share staff between the three authorities will require a review of existing terms and conditions of employment together with staff and unions.
- 2.4 Equal opportunities, social justice and anti-poverty** No change expected.
- 2.5 Environmental** The agency agreement provides the council with opportunities to influence the maintenance, management and improvement of the local highway network, raising the quality of the local environment.
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3. Links to Business Plan and Corporate Objectives

- 3.1 The agency agreement provides a valuable opportunity for the council to achieve its business plan objectives; several of the corporate priorities are directly or indirectly supported by the local availability of highways and transportation skills and resources.

4. Statement on Risk

- 4.1 Fee income earned from delivery of highways agency services enables the Council to offset the costs of and providing enhanced levels of service. However in recent years it has become clear that the agency agreement is not sufficiently flexible to cover the council's additional costs of providing improved and new services which are needed to deliver the government's transport policies and to comply with new legislation. The modified agency agreement includes a larger lump sum payment to cover more of these fixed costs and reduce the council's financial exposure to declining budgets in future.

5. Background

- 5.1 Gloucester City and ourselves are the only two district councils in the country who, since local government reorganisation in 1974, have carried out the Highway Authority function on behalf of the County Council. This has enabled the council to provide high quality local highway services which meet local needs and respect Cheltenham's urban heritage.
- 5.2 In March 2004 the County Council announced a major review of its agency agreements with the two districts. The timetable for this would tie into a review of its term contracts for highways maintenance and design work, with Ringway and Halcrow respectively, so that new contracts could be tendered and take effect from 1st April 2006. Initial signs were that the agency agreements would be terminated, as has happened in several other counties, and that from April 2006 the Borough would no longer provide highway services in Cheltenham on the County's behalf.
- 5.3 Since March a joint officer working group supported by a member group from the County Council, Gloucester City Council and ourselves has met frequently and worked hard to challenge and explore the various options. Good progress was made and in late 2004 all three authorities agreed that highway services post April 2006 would be best provided through a modified Agency Agreement with the Borough still performing the majority of highway services on behalf of the County Council albeit on a modified basis. A report recommending this approach (Appendix A) was endorsed by the County Council's Cabinet in December 2004 (Appendix B).
- 5.4 In return for investment in improved performance management the Borough has been able to retain quality highway services with a local presence and receive a much fairer level of reimbursement from the County Council. The process of reviewing the agency agreement has also helped to strengthen officer and member working relationships between all three authorities in advance of the new arrangements. The modified Agreement will incorporate the outcome of District Audit's review of joint arrangements in 2003.

6. Financial Considerations

- 6.1 The Council's fixed costs of delivering agency services are significantly offset by fee income earned from the delivery of capital and revenue works funded by the County Council. In 2004/5 this income is expected to be around £464,000. In all 70 staff spend all or part of their time on work which, to some extent, supports the agency agreement.
- 6.2 However changes in national transport policy and the prioritisation of funds to other areas of the county could reduce funds available to spend in Cheltenham and reduce the council's income from fees. To limit the council's exposure to such changes, and in recognition of the substantial fixed costs of providing the agency, a revised payment mechanism has been agreed. This proposes an annual baseline payment of £140,000, index-linked, in addition to revisions to fees earned from works.
- 6.3 The establishment of a concordat for sharing staff between the three authorities will also provide opportunities for staff to earn fees on County projects outside the borough should spare capacity be available.
- 6.4 Against an assumed backdrop of declining budgets projections have been made of fee income earned by the council under the modified agency agreement. These indicate that fees earned by the Council in 2006/07 would be £509,000, or £109,000 (27%) more than that which would be generated under the current arrangements.

- 6.5 Whilst not directly related to the Agency Agreement the council also pays a fee to the County Council for responding to Local Land Charge searches. The charge per search will rise from £11 to £20 per search (index linked) in 2006/07, and in equal increments annually to the full charge of £25 by 2011/2012. Other Districts in Gloucestershire currently pay £25 per search.
- 6.6 Based upon 4000 searches per annum – however last year we processed some 4700 – it is estimated that this fee increase will result in a net reduction of £36000 in the council's land charge income in 2006/07, increasing to some £56,000 by 2011/12. This does not take into account the effect of an expected rise in personal searches which would reduce both the council's land charge income and the total charge payable to the County Council.

7. Next Steps

- 7.1 The modified agreement will require revisions to outdated operating procedures and the implementation of new performance management systems which will be key to the efficient operation of the agency. In particular the Council will be seeking to review arrangements for safety inspections of highways, tree maintenance and verge maintenance. Discussions to take these forward are about to commence with the County and City councils. These will include consideration of an interim payment mechanism to reflect planned improvements in service delivery by the Council during the transitional year of 2005/06.
- 7.2 Through regular briefings and consultation staff working on the highways agency will be encouraged to play an active role in reforming existing working methods and reporting mechanisms, supporting the implementation of new systems.
- 7.3 Where changes are being considered to staff job descriptions or terms and conditions, legal advice will be taken and the Council will seek to consult fully with staff and unions.
- 7.4 It is anticipated that further reports will be taken to Cabinet when details of legal and other issues have been agreed.

Background Papers	Environment Overview & Scrutiny Committee 12 th July 2004.
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Scrutiny Function	Environment