

Manchester City Council Report for Resolution

Report To: Resources and Governance Overview and Scrutiny Committee –
18 November 2010

Subject: 2010/11 Highway Services Budget Breakdown and Overview

Report of: Head of Highway Services, Pele Bhamber

Summary

This report aims to provide RAGOS with a clear breakdown on the 2010/11 Highways budgets, including:

- List of available funding sources making up capital and revenue budgets;
- For each budget heading, information on what it is used for and constraints on spending;
- For both revenue and capital budgets, provision of staff costs;
- Information on contracts in place delivering the highways services.

Recommendations

To note the information given regarding this year's Highways Services budget breakdown and overview.

Wards Affected: All

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Background documents (available for public inspection):

The Local Transport Plan 2 (LTP2) and the South East Manchester Multi Modal Study (SEMMMS) which set out the strategic objectives for the capital programme and are available for information.

Background document 1. 2010/11 Highway services capital budget with information on what it is used for / constraints and contractors used.

Background document 2. 2010/11 Highway services revenue budget with information on what it is used for /constraints and contractors used.

2010/11 capital and revenue programmes with information on individual projects.

Highway Services staffing structures are also available for information.

1.0 Introduction

1.1 At the RAGOS committee on the 16th September 2010, a report was submitted for the following purposes:

- To report on the improvements to communications with elected members on the Neighbourhood Funding Strategy, with particular reference to Highway Services, and
- to update the Committee on the status of the current year's NFS proposals.

As a result, the chair of the Scrutiny Committee requested that a further report be submitted to inform on the whole of Highway Services budgets. This is to include information on funding sources, what the funds are used for, constraints on spend for each budget heading, staff costs and contractors responsible for the delivery of the programme.

2.0 Background

The Highway Services budgets are split into capital and revenue.

The Capital budget is mainly made up of Local Transport Plan and SEMMMS allocations as well as City Capital funds.

The Local Transport Plan and SEMMMS settlements are announced on a yearly basis, usually around December, and are determined at AGMA level.

The prioritisation of schemes delivered by the LTP budgets is driven by the Local Transport Plan 2 objectives, which are summarised below:

- **Congestion Reduction**
- **Accessibility**
- **Road Safety**
- **Air Quality & Environment**
- **Maintenance**

The prioritisation of schemes delivered by the SEMMMS budgets is driven by the SEMMMS core objectives, which can be summarised as follows:

- **Improve public transport**
- **Improve the use of road space**

- **Encourage modal shift**
- **Encourage urban regeneration**
- **Improve highways**

In addition to these capital budgets, a number of other funding sources are available namely through planning Section 106 and Section 278 agreements/conditions and bids granted by the Department for Transport, such as the Congestion Reduction Funds and Road Safety for Older People programme.

3.0 Highway Services staffing structure

The Highway Services is organised in 4 main groups:

- **Client Services Team**
- **Network Management**
- **Maintenance and Improvement**
- **Major Projects**

The City Council has entered into a Consultancy Framework procured in partnership with Stockport, Bolton and Trafford MDC, which comes to an end in 2012. The framework covers Traffic and Transportation Services, Highways and Highways Structures, Construction Design Management (CDM), Landscape and Urban Design. The Consultants involved in each of these areas are as follows:

| | |
|---------------------------------|--|
| Traffic and Transportation | AECOM Ltd, Atkins Ltd, Scott Wilson Ltd, Wilde Consultants Ltd |
| Highways and Highway Structures | AECOM Ltd, Atkins Ltd, Scott Wilson Ltd, Wilde Consultants Ltd |
| CDM | AECOM Ltd, Atkins Ltd, Watts Ltd |
| Landscape Design | Capita Symonds, Gillespsies Ltd, Scott Wilson Ltd |

This arrangement has been extremely useful in filling gaps in expertise within the in-house team and helping managing peaks in workload.

4.0 Highway Services Capital Budgets for 10/11

4.1 Budgets and Funding Sources

A comprehensive list of all capital budgets in the current year programme with respective funding sources is available as Background document 1. It also includes a description of what the budgets are used for and constraints on spending.

In total, the whole of the Highway Services 2010/11 programme is £22.4m.

4.2 Staff Costs

The delivery of the capital programme is the responsibility of the Maintenance and Improvement group as well as the Major Projects group.

In total these two groups have 61 in-house posts, of which 12 are vacancies. In addition, there are 7 framework consultants and one agency staff working 2 days a week.

This pool of staff charges their time to capital projects. The forecast staffing costs charged to capital in 10/11 is £2.34m (this figure does not include overheads such as training, equipment, IT, accommodation, etc).

The Framework Consultancy fees are estimated at £408k for 10/11 (15% of total staffing costs, 2% of the whole capital allocation).

The overall staffing costs, excluding overheads, are £2.75m (12% of the whole capital allocation. When the overheads are included the total staffing costs rises to £5.07m (23% of the whole capital allocation).

5.0 Highway Services Revenue Budgets – Financial year 2010/11

5.1 Budgets and Funding Sources

The revenue budget is primarily aimed at fulfilling statutory duty functions that are the responsibility of Manchester City Council as the Local Highway Authority. The budget covers a wide range of highway functions, namely: Client Team, Network Management, Reactive Maintenance, Road Safety, School Crossing Patrols, Winter Maintenance, Traffic Signals and Street Lighting.

Background document 2 provides a comprehensive list of all revenue budgets in the current year programme with respective funding sources. It also includes a description of what the budgets are used for and constraints on spending.

In total, the whole of the Highway Services 2010/11 Revenue budget is £18M. In addition to this, Manchester receives a £2.9M grant from the Department for Communities and Local Government for the Street Lighting PFI and a £50k Specific Road Safety Grant from the DfT.

5.2 Staff Costs

The overseeing of these functions of the budget is primarily undertaken by the Client Services and Network Management Teams. These groups have 67 posts, of which there are 16 vacancies. In addition there are 6 framework consultants. The School Crossing Patrol service comprises of 4 supervisory staff and c.160 patrollers. There are also 24 staff in reactive maintenance and 4 vacancies, however these functions are delivered alongside the capital funded teams.

This pool of staff are funded from revenue budgets. The forecast staffing costs charged to revenue in 2010/11 is £4m. (This figure does not include overheads such as training, equipment, IT, accommodation, etc).

The Framework Consultancy fees are estimated at 335k for 2010/11 (8% of total staffing costs and 2% of the whole revenue budget).

The overall staffing costs, excluding overheads, are estimated at 22% of the revenue budget.

All staff costs charged to revenue budgets are included in Background document 2.

6.0 Contracts

6.1 Street Lighting PFI

Manchester City Council are in a 25 year PFI between the Council of The City of Manchester and Amey Highways Lighting (Manchester) Limited. The PFI Project Agreement is 'relating to the provision and maintenance of public street lighting and illuminated traffic signage pursuant to the Government's Private Finance Initiative'.

The Council is in contract with a Special Purpose Company called Amey Highways Lighting (Manchester) Limited who are referred to as the Service Provider. Amey Highways Lighting (Manchester) Limited is 50% owned by the Amey plc and 50% owned by John Laing Infrastructure. The Service Provider has subcontracted its construction and operational obligations to Amey Local Government Limited. Amey Local Government Limited is wholly owned by Amey plc. The Project Agreement relates to the provision and maintenance of public lighting in the City of Manchester from July 2004 to June 2029 – a 25 year PFI.

6.2 Manchester Contracts and supply chain

The vast majority of highway improvements and maintenance works are delivered by Manchester Contracts (MC), which is the in-house contracting service, part of Trading Services. Most works are delivered by Manchester Contracts staff. However, MC relies on its own supply chain of subcontractors that were procured through competitive tender. This arrangement builds flexibility in the management of work peaks ensuring the programme is fully delivered by the end of the financial year.

The nature of Highway Services works has a spend profile that remains quite even throughout the year, with an acute increasing on spend towards the final months of the financial year. The reason for this spending profile is that the most significant project costs are associated with construction works. This spend profile results in serious resource challenges for Manchester Contracts that are best tackled through the subcontracting arrangements.

Below is a list of the subcontractors employed by Manchester Contracts:

- **Kenny Bros (Civil Engineering) Ltd.** - patching/ pothole repairs
- **J Hopkins (Contractors) Ltd** - carriageway and footway resurfacing
- **A1 Drainmaster Ltd** - Highway drainage repairs
- **Stretford Industrial Services** - road markings
- **Amey** - street lighting and illuminated signs
- **Budgetgate** - carriageway saw cutting

6.3 Other contractors

Despite the fact that Manchester Contracts delivers the majority of highway services works, other contractors contribute to deliver the Highways significant and diverse programme.

The table below provides a list of other contractors who currently provide construction services that have been subject to competitive tender arrangements or framework arrangements.

| Contractor | Service Delivered | Revenue | Capital |
|--------------------------------------|---|----------------|----------------|
| Tarmac Ltd. | carriageway maintenance | | √ |
| Miles Macadam Ltd | carriageway maintenance | | √ |
| Aggregate Industries | carriageway maintenance | | √ |
| Colas Ltd. | Carriageway and footway microasphalt | | √ |
| Coldmac Ltd | Footway microasphalt | | √ |
| JPCS Ltd | Footway microasphalt | | √ |
| ATG | Maintenance of traffic signals and raising bollards | √ | |
| Salt Union | Salt provision for winter gritting | √ | |
| Carillion | Winter gritting | √ | |
| Yates | S278 Openshaw District Centre | | √ |
| City Centre Public Realm - Metrolink | Stagecoach/MPT (M-Pact Thales) | | √ |
| Peek Traffic Ltd | Urban Traffic Control (UTC) – installation and maintenance of traffic signals | | √ |
| Telent Ltd | UTC – installation of traffic signals | | √ |
| Siemens Plc | UTC – installation and maintenance of traffic signals | | √ |
| Technology Solutions | UTC - Maintenance of CCTV | | √ |
| | City centre variable message signs | | √ |
| Balfour Beatty Group Ltd | Bridges and structures projects | | √ |
| Barhale Construction Plc | Bridges and structures projects | | √ |
| Bethell Construction Ltd. | Bridges and structures projects | | √ |
| Boot Construction | Bridges and structures projects | | √ |

| Contractor | Service Delivered | Revenue | Capital |
|--|---------------------------------|----------------|----------------|
| (Uk) Ltd | | | |
| Brock Ltd Issue | Bridges and structures projects | | √ |
| Cheetham Hill Construction Ltd | Bridges and structures projects | | √ |
| D.C.T. Civil Engineering Ltd | Bridges and structures projects | | √ |
| Dew Construction Ltd | Bridges and structures projects | | √ |
| Fairclough (Construction) Ltd | Bridges and structures projects | | √ |
| Gleeson | Bridges and structures projects | | √ |
| Goodwin & Sons (Manchester) Ltd | Bridges and structures projects | | √ |
| Hovington Ltd | Bridges and structures projects | | √ |
| Interserve Project Services Ltd | Bridges and structures projects | | √ |
| J.N.Bentley Ltd | Bridges and structures projects | | √ |
| Kennedy | Bridges and structures projects | | √ |
| Makers Uk Limited | Bridges and structures projects | | √ |
| Manchester & Cheshire Construction Co. Ltd | Bridges and structures projects | | √ |
| McAlpine Construction Ltd | Bridges and structures projects | | √ |
| Mowlem & Company Plc | Bridges and structures projects | | √ |
| Murphy & Sons Ltd | Bridges and structures projects | | √ |
| North Midland Construction Plc | Bridges and structures projects | | √ |
| Nuttall Ltd | Bridges and structures projects | | √ |
| Spencer Ltd | Bridges and structures projects | | √ |
| Westshield Ltd | Bridges and structures projects | | √ |
| Wrenco (Contractors) Ltd | Bridges and structures projects | | √ |
| Wright Civil Engineering Ltd | Bridges and structures projects | | √ |

| Contractor | Service Delivered | Revenue | Capital |
|--|--|----------------|----------------|
| Shieldcoat Contracting Ltd | General maintenance of bridges and structures | √ | |
| Underground Surveys (UK) Ltd | General maintenance of bridges and structures | √ | |
| Manchester & Cheshire Construction Co. Ltd | General maintenance of bridges and structures | √ | |
| A & D Fabrications UK Ltd | General maintenance of bridges and structures | √ | |
| Roy Hankinson Limited | Metal work painting of bridges and structures | √ | |
| TI Protective Coatings | Metal work painting of bridges and structures | √ | |
| CLC Contractors Ltd | Metal work painting of bridges and structures | √ | |
| A W T Painters Ltd | Metal work painting of bridges and structures | √ | |
| Pyeroy Ltd. | Metal work painting of bridges and structures | √ | |
| KVR. Coatings | Metal work painting of bridges and structures | √ | |
| Capcis Ltd | Cathodic protection monitoring of bridges and structures | √ | |
| Bikeright | Cycle training | √ | |

7.0 Highway Services Programme for 11/12 and beyond

On the 20th of October the Comprehensive Spending Review announced reductions of 26% in Central Government funds for local authorities over the next four years. Nationally, Local Authority funding from CLG falls from £28.5bn in 2010/11 to £22.9bn in 2014/15. The fall in grant is more than 7% a year and significantly front loaded.

Although the highway settlements won't be known until December, the Joint Transport Team has indicated that the funding cuts will range between the following scenarios:

- The potential worst case scenario is no funding for LTP minor works.
- The potential best case scenario is a 50% reduction in budget as compared to this year.

With regards to maintenance there is a proposed cut of between 9.75-12% at the Greater Manchester level, including bridges.

The topslice for Metrolink/GMTF and other strategic schemes is currently a fixed value but is still subject to review.

In addition to the above cuts, two major funding streams will come to an end in March 2011: SEMMMS budget (£1.1m in 2010/11) and the Spend to Save (£2.5m in 2010/11).

The SEMMMS funds have been key in enhancing the highway network and public realm within the South Manchester Wards. The Spend to Save is targeted at footway reconstruction with a view to reduce the number and cost derived from trip claims. It also has a positive impact on reducing reactive maintenance works (revenue funded).

Also, the NFS funding stream won't be available in 2011/12 and all NFS requests submitted in 2010 may have to be funded through mainstream budgets within the next 3 years Highway Services Business Plan.

Taking all of the above into consideration the Highway Services budget could be subject to reductions, ranging from 50% to 70% cuts in comparison to the 2010/11 budget. Until the budget settlement is received on 2nd December, the real implications for the Highways budget are however still subject to conjecture.

Glossary of terms and acronyms:

BSF – Building Schools for the Future

Capital – A budget intended for the replacement or improvement of existing assets or creation of new infrastructure.

DfT – Department for Transport

GMUTC – Greater Manchester Urban Traffic Control

GMTF – Greater Manchester Transport Fund

LTP – Local Transport Plan

MC – Manchester Contracts

Microasphalt – preventative footway treatment

NWDA – North West Development Agency

PFI – Private Finance Initiative

PRN – Principal Road Network

CLG - Department for Communities and Local Government

Revenue – A budget intended for day to day expenditure on sustaining assets.

Section 106 –The 1990 Town and Country Planning Act allows a local planning authority to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a Section 106 Agreement. These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms.

Section 278 – Under the 1980 Highways Act, where a development requires works to be carried out on the existing adopted highway, a Section 278 Agreement will need to be completed between the developer and the Council. Examples of such works could be the construction of new access/junction improvement of the highway/junctions, or safety related works such as traffic calming or improved facilities for pedestrians and cyclists. The Council may provide the works at the developer's expense, or may allow the developer to provide the works directly, subject to an approval and inspection process.

SEMMMS – South East Manchester Multimodal Study

StS – Spend to Save

WNF – Working Neighbourhood Funds