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## Chief Executive's Office

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Date: 25 May 2005

**Chorley**  
Borough Council

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PR7 1DP

**Chief Executive:**  
Jeffrey W Davies MA LLM

Dear Councillor

### **EXECUTIVE CABINET - THURSDAY, 8TH SEPTEMBER, 2005**

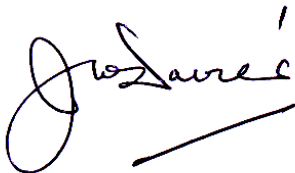
I am now able to enclose, for consideration at the above meeting of the Executive Cabinet, the following reports that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
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13.	<b><u>Lancashire Highways Partnership</u> (Pages 151 - 166)</b>
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Report of Head of Public Space Services (enclosed)

Yours sincerely



Chief Executive

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### **Distribution**

1. Agenda and reports to all Members of the Executive Cabinet and Chief Officers for attendance
2. Agenda and reports to Councillor Walker for attendance.
3. Agenda and reports to all remaining Councillors for information.

This information can be made available to you in larger print or on audio tape, or translated into your own language. Please telephone 01257 515118 to access this service.

આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون

01257 515823

کیجئے:

Report of	Meeting	Date
Head of Public Space Services (Introduced by the Executive Member for Traffic and Transportation)	Executive Cabinet	08/09/05

## LANCASHIRE HIGHWAYS PARTNERSHIP

### PURPOSE OF REPORT

- The report brings to the attention of members the decision by the County Council Cabinet to carry out consultation on the termination of the Lancashire Highways Partnership.

### CORPORATE PRIORITIES

- The services provided through the Partnership have a direct bearing on the Council's corporate objective in respect of providing a cleaner, greener, safer Chorley.

### RISK ISSUES

- The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	√	Information	
Reputation	√	Regulatory/Legal	
Financial	√	Operational	√
People	√	Other	

### BACKGROUND

- At the reorganisation of local government in 1974 highway authority powers were vested in the Metropolitan and Shire County Councils. A large proportion of County Councils took advantage of statutory provision to allow District Councils to carry out certain of their statutory highways functions within all or the core areas of their respective boroughs. These "agency" arrangements continued until relatively recently and, in Lancashire, were replaced by the Lancashire Highways Partnership.
- The Lancashire Highways Partnership was established through an agreement between the districts involved and the County Council, effectively as a more modern agency arrangement. The agreement makes provision for district councils to withdraw during the period of the partnership and, although there is no specific means by which the County Council may terminate the partnership, it is clear from the agreement that the Partnership has an end date of 30 June 2006.
- The County Council's Executive Cabinet considered a report on 1 September 2005 which set out options for the future of the Partnership. A copy of the report is attached as Appendix A.

7. The report identified two options:
  1. Extend the Lancashire Highways Partnership with a modified partnership agreement, including changes in the financial arrangement for fees.
  2. The County Council become responsible for the delivery of the County Council's client highway functions directly.
8. The report also dealt with contractor issues and these would be dealt with on a similar basis.
9. The County Council's Cabinet resolved to consult district councils on Option 2 above but not on Option 1. Given that the Partnership has a built in end date of 30 June 2006 it would, of course, have been necessary to use Option 1 in order to extend beyond the built-in end date.
10. The County Council Cabinet proposes to consider the results of consultations with District Councils at its next meeting on 6 October 2005.
11. District Councils were made aware of the intention to take a report to the County Council's Cabinet within a very few days of the report becoming available. Subsequently the District Council was formally advised by letter of the County Council Cabinet's decision.
12. This report sets out the issues which have been identified in respect of the termination of the Partnership with a view to a further report being brought to Executive Cabinet on 29 September 2005 for the formal approval of a response to the County Council.

#### **ARRANGEMENTS FOR TERMINATION**

13. We have not, at present, been advised of any specific arrangements for termination of the Partnership and, at present, it is assumed that the County Council would wish to pursue termination on 30 June 2006.
14. There have been 2 cases in recent years where District Councils have sought to terminate arrangements with the County Council. These have been at West Lancs District Council and Rossendale. The County Council has put in place, for each of these terminations, transfer arrangements for staff and continuing arrangements to deal with difficulties in service delivery that would arise from the removal of the partnership or agency powers.
15. With regard to staffing, the County Council arranged for the transfer under the TUPE regulations of all staff at those 2 District Councils whose time was committed to the partnership for more than 50% of the working week. Those staff who were transferred did so taking with them their, then, existing contractual terms and conditions. There does not appear, since then, to have been any move on the part of the County Council to make any alterations to these terms and conditions.
16. Continuing agreements have been put in place, at these two Districts, in order to facilitate certain Borough Council functions and County Council functions. As members will appreciate certain issues including, for example, the licensing of special events would lead to permissions being sought from authorities at both the County level and the District Council level.
17. Officers are seeking to clarify with the County Council the intentions of the County Council for staff transfers and for ongoing arrangements subsequent to the termination of the Partnership if it takes place.
18. Over the next few days there is a series of meetings that had already been arranged including a meeting of District Engineers and a meeting of Chief Executives. It is

anticipated that some further information will be obtained from the County Council at these meetings and that it will be possible to further evaluate the County Council's proposal subsequent to this.

## ISSUES

19. Regardless of how the situation has arisen there are a number of important issues to address. These are listed briefly below and officers will advise members further at the meeting:
- The possibility of contesting the County Council decision.
  - The unacceptability of the period of consultation.
  - The unacceptability of the assumed timetable for termination.
  - Staff transfer arrangements.
  - Continuing agreement arrangements.
  - Financial implications.
20. Clearly, it will also be necessary to give careful consideration to the effect on a number of Chorley Borough Council services subsequent to any termination of the agreement. It will also be necessary to deal with the financial implications.

## COMMENTS OF THE HEAD OF HUMAN RESOURCES

21. The Human Resources implications are being evaluated but further information is required from the County Council.

## COMMENTS OF THE DIRECTOR OF FINANCE

22. The financial implications are being considered and will be addressed verbally at the meeting.

## RECOMMENDATION(S)

23. Executive Cabinet are asked to:
- (a) Note the report.
  - (b) Advise officers of the Cabinet's initial response to the County Council.
  - (c) Authorise officers to enter into discussions with County Council officers on the County Council's proposal.
  - (d) Request a further report to the Executive Cabinet meeting on 29 September 2005 for consideration of a formal response to the County Council.

KEITH ALLEN  
HEAD OF PUBLIC SPACE SERVICES

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Keith Allen	5250	7 September 2005	PSSREP/90251LM

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**Cabinet – 1 September 2005**

**Report of the Executive Director of Environment**

**Part I - Item No. 5 (a)**

Electoral Divisions affected:  
All

**Consideration of the Extension of the Lancashire Highways Partnership Agreement**

(Appendix 'A' refers)

Contact for further information:

Graham Harding, 01772 34450, Environment Directorate

**Executive Summary**

Consideration of the options for the future of the Lancashire Highways Partnership (LHP) Agreement with District Councils.

**Recommendation**

That,

- i. the Cabinet identifies its preferred option for the future of the Lancashire Highways Partnership, and
- ii. the Executive Director of Environment be requested to initiate formal consultations with District Councils, with the intention of bringing a further report to Cabinet on 6 October 2005 for a final decision.

**Background**

The Best Value Review of "The Maintenance of Highways, Street Lighting, Bridges, Structures and Reservoirs" examined existing delivery of these services and recommended improvements. The main thrust identified the lack of consistent standards and lack of financial control across the County.

Prior to the Best Value Review, a joint County/District group of officers had already looked at the need for a more co-ordinated street scene approach. It identified problems with skill shortages and the need to pool resources, staff, training and recruitment to ensure continued service provision.

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### Strengths and weaknesses of arrangements prior to Lancashire Highways Partnership

#### Strengths:

- Tried and tested systems
- Staff understand the system
- Substantial District support for highway and transport functions

#### Weaknesses:

- Public confusion of two-tier system/core areas not understood. Need to get away from the "not our responsibility ring "X"".
- Differing standards in both Client services and works delivery.
- Lack of financial control and ability to monitor by the County Council. Each District paid their own Direct Service Organisation (DSO) and their contractors and reclaimed the money from the County Council; this was wasteful of finance and other administration staff.
- Administrative deficits carried by Districts as a result of the fee structure not being changed for some time.
- No economies of scale, works were carried out by many organisations and contractors.

### Aims and Objectives of the Lancashire Highways Partnership

A co-ordinated approach to street scene issues and to reflect the public perception that "The Council" fulfils that function, irrespective of the number of Local Authorities whose functions are being carried out.

The basis of the Partnership is a legal Agreement for the delivery of the County Council's highway client functions using Districts within defined areas. There is a full Agreement with 8 Districts, which covers the full highway client functions and a minimal level agreement with the other 4. The full highway client functions are basically those of managing the network, the responsibility for issuing instructions to contractors and for monitoring the carrying out of the works.

Democratic input is currently via the three Area Boards – North which covers the Districts of Lancaster, Wyre and Fylde, - South which covers the Districts of Preston, South Ribble, Chorley and West Lancashire – East which covers the Districts of Burnley, Pendle, Rossendale, Ribble Valley and Hyndburn. The Area Boards consist of 1 Councillor from each of the District Councils covered by the Board, plus an equivalent number of County Councillors from the same areas. They meet 3 times a year and every October the Boards meet collectively together with the Cabinet Member for Sustainable Development.

The legal Partnership Agreement for the provision of client functions finishes on 30 June 2006 and a decision on an extension or other arrangements needs to be made soon in order to ensure continuity of service beyond June 2006. The considerations should include the Member arrangements as well as value for money. The development of Lancashire Locals offers the opportunity to strengthen democratic engagement in highways issues.



**Issues for Consideration:**Democratic Engagement

- The Lancashire Locals, which are being rolled out across the County, are intended to empower locally elected councillors to shape, influence and take decisions about local government services in their area. These joint County and District Member meetings offer a broad based forum for discussion and decision-making across a range of functions. In comparison, the Partnership Area Members' Boards have a more restricted membership and are basically charged with monitoring the Partnership and contributing to policy development, with some limited decision-making.
- As part of the review of the overall Partnership arrangements, it is suggested that consideration should be given as to whether the Lancashire Locals offer a better vehicle for carrying out these functions.

Client Issues

- The Partnership Agreement was meant to eventually cover the full "streetscene" i.e. including District functions which affect the highway, to date no District has asked for any of their functions to be included in the Partnership, which currently, as it has from the start, only delivers the County Council's highway functions.
- It has been suggested by some Districts that the County Council could devolve its highway functions to Districts, (who it is considered do not in general have the resources or the necessary experience to take over all this work, without a major transfer of County Council staff to them). This suggestion has been put forward as a solution to the problem for the public in knowing who does the work and to abolish the "core" and "non-core" areas. It would mean that the County Council would remain liable for the strategic policies and for the management and monitoring of the works, but have no direct involvement with delivery. This would involve Districts giving instructions directly to the contractor Lancashire County Engineering Services (LCES) in 11 Districts and to Cumbrian Industrials in the Fylde. An alternative to this suggestion is that any confusion over core and non-core areas would be avoided if the County Council took over direct provision of the service. In these circumstances any option to transfer County Council functions and County Council staff to Districts would only be a retrograde step.
- The requirements of the new Traffic Management Act involve much more planning of works; continuing the current arrangements under the Partnership Agreement would involve time-consuming discussion and coordination with Districts. Direct provision by County Council officers would simplify these requirements. A key part of the Traffic Management Act requires the County Council to regulate its own highway works, along with those of the Utilities, to achieve a reduction in congestion by minimising the occupation of the carriageway. The implications of the County Council not regulating their own

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occupation of the carriageway could result in the Government deciding to put this function with an Independent Traffic Regulator, in which circumstances there would be a detrimental effect on the County Council, as well as questioning the competence of the Authority.

- The County Councils' Audit function is concerned about those Districts where the engineering function of client and contractor is under the same person within the District. This is an issue which exists with 2 of the 8 full partners and is an indication of the District's limited scope of technical staff and resources. Any trend of change will inevitably be further in the same direction. Audit has recommended that County Council staff should monitor the instructions to these District's DSO, to ensure that there is no conflict of interest, any such monitoring would require additional County Council staff.
- Districts, some of whom have difficulties in recruiting adequately trained staff to deliver all the Client functions, have not in general been able to get together to help each other. Direct provision of the client service by the County Council based on 3 Area offices would help solve this problem. By putting together scarce staff resources (including District staff transferred) working from Area offices, there would be benefits of the economies of scale and the ability to work across all of the relevant Area, rather than just within a District, to deliver the service.
- The total number of client staff needed to carry out the management of the client highway functions, would be reduced if the County Council carried them out directly, because of the economies of scale, the reduction in meetings, discussions etc and the more flexible arrangements resulting from the setting up of 3 new Area Managers offices. Overall management time in delivering the highway functions would also be reduced if County Council staff carried out all the Client functions.
- There are difficulties in obtaining information from Districts, particularly financial. This makes it difficult to manage the budgets, which was intended to be one of the strengths of forming a Partnership, to overcome a weakness identified in the Best Value Review. This has meant that there needs to be constant dialogue with Districts to ask for this and other information and to obtain it to suit the County Council's timescales.
- Under the Partnership Agreement, the County Council guaranteed a minimum level of fee for the 3 years of the Agreement, based on the anticipated workload at the start. Major reductions in capital budgets over recent years would mean that the level of fees which the County Council would pay to the Districts under an extension on the same terms, would have to be reduced by approximately £150,000 per year. This may present some further difficulties for Districts regarding financial liability for them.
- The current Partnership arrangements mean that there is a lot of direct involvement with the public filtered through Districts in the first instance, which has the advantage of reducing the number of enquiries directly to the County Council. The introduction of the Highways Partnership Contact Centre and the

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provision of the new County Council Customer Service Centre at the Hub would enable the County Council to handle many more of these enquiries. There has been no direct evidence of problems on this issue in Rossendale or West Lancashire, since these Districts decided to give up their full Partnership Agreement.

- Most County Councils have done away with full Agency Agreements similar to the Partnership, however a very small number retain 1 or 2 key Districts as Agents. Since the end of the former Agency arrangements, 2 of the Districts have given up their roles as full Partners.
- If the Partnership is not extended, Districts would be able to transfer client staff under the Transfer of Undertakings Protection of Employment Regulations 1981 (TUPE), to the County Council. Whilst the numbers involved are approximately 100 FTE, experience elsewhere indicates that the numbers put forward for transfer could be more (Any person with more than 51% time on the Partnership could, depending on the particular circumstances, be eligible to seek transfer under the TUPE Regulations).
- Whatever is decided, there is merit in continuing to ask (and reimburse) District Councils to carry out, for example, the highways grass cutting regime in urban areas and to undertake the removal of wet leaves on the highway. They are able to do these activities economically because they are integrated into their normal "street scene" activities, which are the responsibility of District Councils. In the event of the County Council deciding to carry out the highways client service directly, there would be merit in a minimal type of agreement with Districts to cover a number of issues, including reimbursing the Districts for their help in resolving complaints and enquiries and for providing information. It could also allow Districts to access that part of the County Council's highways computer systems needed to keep them informed about what is happening on the highway network. This would fit well with the potential development of a "one stop shop" approach.
- If the Partnership is not extended, the transfer of District staff would involve the need for additional office accommodation, which could be purchased, or possibly leased/rented from District Councils.

#### Highway Works Issues

The highway works are carried out by LCES, who have formed a Contractor Partnership with 7 District DSOs, who undertake works mainly in the urban areas. In the remainder of the County (except Fylde), LCES carry out the work directly or using private contractors. The works in Fylde are currently carried out by a private contractor under a separate contract, which is used as a benchmark with the LCES contract.

The implications of a decision between the 2 alternative options below, on the position of the Contractors' Partnership between LCES and 7 District Councils' DSOs are covered at Appendix 'A'.

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**Consultations**

N/A.

**Advice**

An early decision is requested to ensure continuity of service beyond 30 June 2006.

**Alternative options to be considered**

Two alternative options should be considered as follows:

1. Extend the Lancashire Highways Partnership with a modified Partnership Agreement, including changes in the financial arrangements for fees.
2. The County Council become responsible for the delivery of the County Council's client highway functions directly.

Under either option it is suggested that future democratic engagement on highways issues should be via the Lancashire Locals.

**Implications:**

This item has the following implications, as indicated:

Option 1: There would be changes in the financial arrangements, (currently not quantified), in the event of any changes in the fees to be paid to District Councils, following detailed negotiations.

Option 2: In the case of this option, whilst it has not yet been possible to quantify the financial implications, it is recognised that in the short term there would be potential additional transitional costs arising from the employment of additional staff transferred under TUPE and additional costs of offices, depots etc. These additional costs would be offset by the reduction in the payment of fees to Districts under the present Agreement and from a reduction in the number of County Council staff currently involved directly in the management and monitoring of the Partnership. Efficiency savings as outlined above and earlier in the report would be available under this option to mitigate the potential additional costs.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Directorate/Ext
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Nil.

**REPORT TO CABINET ON THE FUTURE OF THE LANCASHIRE HIGHWAYS PARTNERSHIP (LHP) – CONTRACTOR ISSUES****1. Item for Consideration**

Observations from Lancashire County Engineering Services (LCES) Managing Director on the possible impact of changes to the Client partnership working arrangements on the LHP Contractor partnership with District Highway DSO's led by LCES.

**2. Background to LHP Contractor Position and Current Working Arrangements**

- LCES is the County Council's Principal Contractor for undertaking works associated with the Lancashire Highways Partnership across all Lancashire District areas and trunk roads etc (excluding the Fylde area – in which there is a private contractor operating as a benchmark to LCES). The value of the works undertaken by LCES are in excess of £35 million per year with individual schemes over £100,000 being the subject to open tender. LCES undertake these contract works using its own workforce and by employing and managing a range of carefully selected private contractors who carry out around £6m of works and 7 District Council DSO's who collectively undertake works to the value of £7m/year mainly in the 'inner core' areas.
- The District DSO's in the Contractor Partnership are – Lancaster\*, Wyre, Preston, South Ribble\*, Chorley, Hyndburn\* and Pendle. (\* These Districts undertake Street Lighting as well as highway works).
- All works in Ribble Valley, West Lancs, Rossendale and Burnley are undertaken directly by LCES.
- The current LHP Works Contract with LCES started on 1 July 2003 and includes provision for it to be extended when Phase I of the contract expires on 30 June 2006. A decision on this extension will be required as quickly as possible following the County Council's decision on the future of the LHP Client arrangements.
- All LHP works (excluding the Fylde area\*) are ordered by appropriate District and County Council Clients via LCES as principal contractor in keeping with the LHP contract conditions and schedule of rates. (\*LCES operates the winter maintenance service across the whole county including the Fylde area).
- The current arrangements have led to close daily working relationships between some of the 7 District DSO's and their Client Officers. In several cases this involves the lead Client Officer being 'twin hatted' i.e. overseeing both Client and DSO activities with an informal sharing of technical, managerial and administrative support – in some cases joint IT/computing costing systems exist.

Appendix A

- In several Districts some LHP related work is undertaken by the Districts Cleansing or Parks DSO teams and not the Highways DSO, e.g. gully emptying, verge maintenance, gritting and some emergency works. Equally, some of these functions are ordered or overseen by non-highway Clients and this makes the LHP contract relationship and accountability complex for these services.
- The 7 District DSO's who work for LCES are all formally aware that they need to secure ISO: 9001 (Quality Assurance), OHSAS: 18000 (QA for health and safety standards) and CSCS employee competence cards etc by the start of any contract extension date (nominally between 1 July and 31 August) if they are to be allowed to continue in to the next phase of sub-contracting on the LHP works contract with LCES. This is to ensure that they are working to the same standards as those currently in operation by LCES. Despite ongoing assistance from LCES it is likely that some District DSO's will not achieve these rigorous requirements and as a result they will need to transfer their work/staff to LCES.
- In the current LHP 'operating environment' the above Client and Contractor arrangements are generally working well with LCES (as principal contractor) co-ordinating DSO/Contractor standards, training, safety audits and some procurement. However, changes to the Client working arrangements would have a MAJOR impact on the current contractor relationship.

### 3. Impact of any Changes to Client arrangements on the Contractor Partnership

#### 3.1 *LCES Managing Directors Overall Opinion*

If in the future the County Council were to directly operate the Highways CLIENT service in ANY or ALL District Council areas this would seriously change the current 'operating environment' and contract relationships for both Client and Contractor.

In such circumstances the most cost effective and efficient manner for LCES to deliver its LHP works contract responsibilities would be via LCES directly and NOT by using the District DSO as a sub-contractor for some of the 'inner core' works in such areas.

This approach would require the works currently sub-contracted to District DSO's and the associated District DSO employees to be directly managed by LCES – leading to staff transfers to LCES (via TUPE) and for equitable agreements to be reached in respect of the transfer value of appropriate materials, equipment and vehicles – i.e. similar to the successful arrangements which applied in the previous transfers of the Burnley, West Lancs and Rossendale Highway DSO's to LCES.

Appendix A

3.2 **Justification for LCES Direct Service Provision** (if a District(s) Client staff transferred to the County Council). The key issues which support the opinion set out in 3.1 above are: -

- a) Many District DSO's would have insufficient technical, managerial and administration resources etc to successfully operate the works sub-contract with LCES – especially those which are 'twin hatted';
- b) Works ordering, planning, safety assessment and invoicing tasks would become excessively complex or require additional administration arrangements/costs especially with the new Network Management Legislation from 2006;
- c) LCES could develop a 'one team' approach in that area (or countywide) because it would not need to operate with the current restrictions to its efficiency, i.e. those associated with inner and outer core responsibilities and district boundary demarcations;
- d) LCES could, **after the two years** of managing and absorbing the cost of the transferred liabilities/investment needs, **provide efficiency savings in that District(s) in keeping with the Lancashire Efficiency Initiative/Gershon targets** as a result of a "one team customer focused approach" leading to: -
  - 'Economies of scale' in procurement, overheads, management and administration costs etc;
  - Improved vehicle/plant/stock utilisation;
  - Fewer operational depots and associated costs;
  - Simplified and more responsive emergency cover provision;
  - More efficient work planning and routing for gully emptying, winter maintenance etc;
  - Use of common standards, materials and methodology;
  - Adoption of single management and ICT systems for financial, HR, quality, safety and performance measurement/management;
  - Progressive use of mobile electronic data capture devices/systems linked to a common Client/DSO ICT network, e.g. for street lighting faults.
- e) Strengthened and simplified Client and Contractor partnerships, accountability and communications could be progressively developed for the benefit of the highway service and to assist in the delivery of the new Network Management congestion minimisation responsibilities of the County Council;
- f) Invoicing and budget management processes could be enhanced leading to the more efficient direction of resources and works programming especially in the second part of the financial year;

Appendix A

3.3 **Issues for Consideration** if a District or District DSO(s) were to transfer to LCES (following a Client staff transfer – or if it failed to meet the published criteria for quality, safety staff competence etc): -

- a) A District(s) may suffer a reduction in overhead income/contribution to its DSO or corporate services or property accounts. This may put the future of other District DSO services or other District "Central" jobs at risk if appropriate action is not taken by the District Council;
- b) The transferred cost of District DSO labour to LCES could be at least 10% higher than LCES's current labour costs (due to current District DSO pay conditions) and these conditions would need to be protected under TUPE pending resolution – possibly via the Job Evaluation processes etc;
- c) Some District Highways DSO personnel undertake other (non-LHP) district functions including emergency rota work, coastal defences and non-highway civils work etc. Equally, some district Refuse and Parks staff are currently employed, often out of hours, on LHP contract gritting, emergency rota cover and other works. The staff transfers may therefore generate short term service delivery and staffing/HR problems for all parties;
- d) The transfer of salt storage and gritter parking arrangements in some, but not all districts, may cause some additional transition costs and temporary relocation problems;
- e) The closure of Client and DSO accounts on say 30 June 2006 would require continuing joint co-operation after the transfer to ensure such matters were correctly accounted and finalised;
- f) A minimum 'lead in' period of six months and full joint District/LCES co-operation would be required prior to any DSO transfer date to ensure that full consultation, negotiation and agreement could be reached on issues such as employee TUPE transfers and depot/stock/vehicle selection, valuation and legal transfer.

3.4 **IMPORTANT NOTE**

The above statement and justification for the transfer of a District DSO to LCES (in the event of the District Client function transferring to the County Council) does not necessarily imply that the current LCES/District DSO arrangements are unsatisfactory – although some DSO's are more efficient than others. The statement and justification are based on the Managing Director's experience of other Highway DSO transfers and the anticipated impact on the change to the 'operating environment' of the Lancashire Highways Partnership if a District Client service were to transfer to the County Council and on the duty to seek Best Value for the delivery of highway services.



#### 4. **Summary**

- 4.1 In the event that a District (or Districts) Highways Client function and staff transferred to the County Council, LCES consider that the most cost effective and efficient way of providing its LHP works contract responsibilities in that District(s) would be for LCES to directly manage all the LHP Highway Works. This approach would require the transfer of appropriate employees (via TUPE) and the valuation and legal transfer agreements for related transferring materials, equipment and vehicles to LCES. **A minimum 'lead in' period to any transfer would be 6 months** in order for TUPE and resource transfer negotiations to be professionally concluded.
- 4.2 After the first two years following transfer (during which transferred liabilities and investments would need to be met from the LCES accounts) the above approach would enable LCES to offer the County Council efficiency savings and service enhancement. These could be achieved via a new or modified contract and the associated revised price schedule in line with the Lancashire Efficiency Initiative (Gershon) target levels for cashable and non-cashable savings/benefits.

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