

Argyll & Bute Council

Maintaining Scotland's Roads – Follow up work



Prepared for Argyll & Bute Council
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. This follow-up audit examines progress on implementing the recommendations contained in Maintaining Scotland's roads follow up report published by the Accounts Commission and the Auditor General for Scotland in February 2011. In particular, it examined changes in the condition of the road network since the original report was published; what is currently being spent on road maintenance; and how road maintenance is being managed. The severe winter weather of 2009/10 and 2010/11 had a severe impact on road surfaces and road budgets, and this report highlights the progress being achieved in delivering the required improvements in a difficult economic climate .
2. The Scottish Government's draft budget for 2011/12 indicates that Scotland's public sector will have £1.3 billion less to spend than in 2010/11. Scotland's revenue budget will be around £500 million lower and the capital budget £800 million lower. The proposed budget for trunk road maintenance will fall by 20 per cent, from £133 million to £107 million, and there will be a reduction of almost four per cent in funding for local government, from £12 billion to £11.55 billion. The Scottish Government and councils face difficult decisions in determining the relative prioritisation given to road maintenance compared to other services such as education or social care.
3. The provision of safe, well-maintained transport links has a key role to play in delivering the Scottish Government's purpose of 'creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'. Many businesses will only be attracted to Scotland if they know that the transport network, including roads, enables them to distribute goods and services quickly and economically.
4. There are a number of government agencies with responsibility for different aspects of the national road network. Trunk roads and motorways are the responsibility of Transport Scotland and are administered through a series of contractual arrangements with service providers for the maintenance of these roads. Councils are responsible for other road types within their geographical boundary.
5. The report made a number of recommendations including:
 - Councils should work together to consider all opportunities for achieving more with the resources currently available, by exploring new ways of working, such as service reconfiguration, pooling and flexible use of resources (including staff and machinery) and partnerships between councils and with the private sector.
 - Councils should ensure that information on maintenance backlog and road condition is reported regularly to elected members and the public.
 - Councils should ensure they can demonstrate that the best use is being made of resources currently available, through benchmarking and improved performance management and reporting.

- Councils should respond fully, as a matter of urgency, to the recommendations made in our 2004 report, and in particular ensure that:
 - all information is available to allow effective asset management to take place
 - a consistent way of costing total road maintenance backlog is used across all councils
 - they fully support SCOTS' road asset management project and have a road asset management plan in place no later than the end of 2011, with those councils that have still to develop adequate inventory and information systems doing so quickly in order to comply with this deadline
 - they adopt the suite of performance indicators being developed by SCOTS as an important first step in allowing the relative performance of councils' road maintenance activities to be measured consistently
 - they make greater efforts to benchmark road maintenance activities with other councils and the private sector in order to drive out cost inefficiencies.
- 6. Argyll and Bute Council's 2012-15 Assurance and Improvement Plan Update records one significant scrutiny risk with the Council's transport service and roads maintenance performance outcomes. The area has a high dependency on the road network and the council faces many challenges in maintaining its road network, including the dispersed geography and extremities of weather within the area.

Why should auditors follow up on the Maintaining Scotland's Roads Report?

- 7. Scotland's roads are important for economic prosperity and for the quality of life for its people. However, over the last 6-7 years, the condition of roads in Scotland has continued to deteriorate. Council's need to improve on the management of road maintenance.
- 8. Following up on the report issued in 2011 allows us to comment on the progress that has been made in achieving the objectives that have been set, and determine what further progress is required to meet the objectives of the Scottish Government.

Aim of follow up work

- 9. The aim of this follow-up work is to assess how well councils are doing to ensure that they can demonstrate a commitment to achieving the recommendations of the follow up report issued in February 2011.
- 10. Based on the follow-up report and guidance provided through the SCOTS road asset management project, there are four key questions to consider:
 - How did the council respond to Maintaining Scotland's Roads – a follow up report following publication?
 - Does the council have appropriate plans in place to drive road maintenance activities?
 - How does the council manage performance of its road maintenance activities?
 - What is the council doing to maximise value for money in its road maintenance service?

11. This report summarises the findings from our review. The areas for improvement outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.
12. Communication of issues arising from this audit does not absolve management from its responsibility to address the issues raised and maintain an adequate system of governance, internal control and performance management around procurement activities.
13. The factual content of this report and the management actions has been agreed with the appropriate officers. The cooperation and assistance afforded to audit staff during the review are gratefully acknowledged.

Findings

How did the council respond to Maintaining Scotland's Roads – a follow up report following publication?

14. All national reports published by Audit Scotland are presented to the council's Audit Committee. The committee consider findings from the reports and note any action required. Internal audit are required to prepare an action plan based on the recommendations arising from the reports, with any follow-up action monitored through the normal audit reporting process.
15. Following preparation of an action plan by internal audit in relation to the Maintaining Scotland's roads follow up report, responses to the agreed action plan were provided to the Audit Committee meeting of December 2011. Further reporting on progress in achieving the recommendations has not yet taken place, however we are satisfied that the Council has responded positively to this report and that there is member support for the implementation of actions proposed by the Roads Operations Service.

Does the council have appropriate plans in place to drive road maintenance activities?

16. Councils in Scotland have a duty of Best Value, and legislation requires them to have regard to guides or codes of practice which are generally accepted within Scotland as constituting proper arrangements for securing Best Value. The accepted code of practice for road maintenance is Well-maintained Highways: Code of Practice for Highway Management. It is endorsed by all the main UK public bodies involved in road maintenance including Transport Scotland, COSLA and SCOTS (Society Chief Officers Transportation Scotland) and provides best practice guidance on road maintenance.
17. The code sets out that the foundation of a longer-term road maintenance strategy or plan is having a detailed inventory of all components to be maintained, a defined hierarchy for all elements of the network and a robust framework of levels of service.
18. The RCI (Road Condition Index) value is used to provide an objective assessment of the condition of the road network carried out by a machine survey. The 2009/10 results of the survey show Argyll and Bute Council roads to have the highest percentage of roads in need of treatment across Scotland. The Argyll and Bute value was 55.3% which was well above the national average value of 36.0%. The SCOTS group have used the annual surveys of road condition to assess a maintenance backlog across Scotland and provide an assessment for each Council. The backlog figure for Argyll and Bute was calculated as £162.38 million in February 2011.
19. Also included in the SCOTS project is a calculation of the "standstill budget" ie the budget required to maintain the network at the existing condition standard. The Argyll and Bute

figure, calculated in 2010, indicated a standstill budget of £11.4 million per annum. In 2011/12, the combined capital and revenue budget for Roads Reconstruction and Maintenance was £12.5 million.

20. The council maintains an asset register, which details the road conditions in accordance with the requirements of the SCOTS road asset management project. All 'A' - class roads are subject to annual assessment, with 'B' - class roads being reviewed every three years, and 'C' - class roads assessed on a ten year cycle. This information is used to prepare the annual maintenance programme.
21. Argyll and Bute Council originally approved a Road Maintenance and Asset Management Plan for their road network in February 2004. Following the implementation of the council's modernisation programme in 2010, the completion of the Roads Operations Service Review, and a review of the deliverability of the Strategic Change Roads Design project, the council revised its asset management priorities to reflect an increased priority towards roads reconstruction. The completion of the Roads Asset Management & Maintenance Strategy provides the strategic direction upon which detailed plans are based to deliver the road maintenance service in accordance with corporate policy and accepted best practice. The Strategy was completed in draft in December 2011, with formal approval expected during 2012.
22. The main purpose of the Strategy is to ensure that the road network is sustainable and available for the safe and convenient movement of people and goods. The Strategy recommends that the council should spend less on reactive works and more on structural and planned maintenance. The Strategy also recommends that efforts should be made to prioritise routes contributing to economic growth and quality of life and that asset management prioritisation techniques should be utilised to maximise the impact of work programmes.
23. In 2010 the Council undertook a service review of its Roads Operations service and capital programme which has led to the development of 1, 3 and 10 year roads reconstruction programmes of work, with the 1 and 3 year programmes budget being largely programmes to recover from the effects of the winters of 2009/10 and 2010/11. The 10 year programme will be an improvement programme with the emphasis on upgrading the strategic network. Additional capital funding has been allocated by the Council to road maintenance to address this challenge with priority given to undertaking repairs to the Class A road network, of which 44.5% was assessed as in need of maintenance treatment. The Council's Roads Capital Reconstruction Programme for 2010/11 was completed by its in house team and through its partnership contract has upgraded 12% of the A Class road network.
24. The council have increased the roads capital maintenance budget for 2012/13 from an initial £5.0 million to £7.0 million. In addition, at the annual budget meeting in February 2012, the council increased the provision for roads reconstruction in the capital plan to £21m over 3 years. Whilst these are substantial sums, this does not address the backlog of maintenance work. A good road network is an essential factor in promoting economic regeneration, which is a priority community planning theme for the Council. It is clear that even with the current

level of investment and the use of revised asset management prioritisation techniques, a proportion of the road network in the council area will continue to deteriorate in future years.

Risk No 1

25. Recent winters brought severe weather conditions which had an impact on both the road condition and travel. Councils throughout Scotland were subject to severe criticism from both the public and media over their plans to react to the conditions. Following this criticism, Argyll and Bute Council updated and revised their Winter Service Policy, which detailed their approach to ensure it met its statutory obligation to take such steps as it considers reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads.

How does the council manage performance of its road maintenance activities?

26. Information on the council's plans to address the maintenance backlog and road condition should be made available regularly to elected members and the public. In conjunction with SCOTS, a number of core performance indicators were developed to allow comparison across all local authorities in their road maintenance functions. The Audit Scotland report indicated the vast majority of indicators used by councils relate to the promptness of response, for example the number of repairs completed within a specified timescale. Only seven councils reported using indicators relating to customer service, such as satisfaction levels or third party liability claims received.
27. Our review of information provided by the Council's Pyramid performance management system confirmed that currently only the core indicators are monitored (although officers have advised that a new suite of indicators has been developed though the Roads Operations Service Review). The core indicators are reported to the Councils' Transformation Board and as part of the Service Review process. In addition, Roads assets are included within the Council's annual corporate asset management plan report which details the performance of the Council's principal assets.
28. A useful means of determining performance is through benchmarking against other comparable authorities. There is some evidence from the Pyramid system of the use of benchmarking in reporting performance. The Roads Operations Service Review also notes that benchmarking against a similar 'family' of local authorities will be used in assessing performance and that comparisons will also be made against road management operations in the private sector to improve performance and introduce efficiencies. Steps should be taken to update the benchmarking information to allow current performance to be assessed against comparable authorities.

Risk No 2

What is the council doing to maximise value for money in its road maintenance service?

29. Members and officers are committed to maximising value for money in its road maintenance service. A recent seminar provided members with an opportunity to discuss and comment on the revised Roads Asset Management and Maintenance Strategy. It is intended that some of the initiatives discussed and feedback provided will be adopted in the final version of the Strategy. This will, in turn, assist the council in fulfilling its obligations to improve road maintenance.
30. A number of initiatives have also been introduced. These include:
 - Partnership working with local contractors.
 - A reconfiguration of the service and structure to improve workforce flexibility, with focus on performance management and productivity.
 - A revised approach to asset management techniques across the region.
 - Innovative surface and road treatment processes to prolong asset life.
 - Improved internal performance measures to maximise use of resources available.
 - Outsourcing of annual programme of surface dressing treatment.
 - The agreement of Timber Transport Haulage Routes with the Argyll Timber Transport Group.
31. A partnership agreement with Breedon Aggregates has resulted in significant savings of £90,000 being achieved across the Mull, Islay and Kintyre area. These savings have been made available to the roads maintenance department to provide additional improvements throughout the region. The partnership has created the opportunity to innovate through early contractor involvement, maximising the use of shared resources and technical expertise, and joint resolution of challenges. The project has potential for roll out across other areas within the council.
32. The success of this partnership arrangement has been recognised with the council winning the Scottish Government Opportunities award in the category of Best Customer Engagement of the year, and achieving Silver in the category of Better Outcomes for Communities in the 2012 CoSLA Excellence Awards. It is envisaged that this arrangement may be adopted by other councils to deliver savings and share good practice.
33. Restructuring of the roads operations following the service review has also delivered budget savings and greater flexibility of the workforce. Integration of Supervisor/Superintendents in the Roads and Streetscene areas means staff can now be moved between road maintenance, winter maintenance and road cleaning as demand requires. In addition, flexibility within the workforce ensures savings can be achieved through maximising the use of available resources. Monthly productivity reporting has also been introduced to ensure the service operates efficiently.
34. Roads maintenance funding has historically been divided across the 4 area committee boundaries on the basis of the capital expenditure formula agreed in December 2005. The

revised approach proposed in the Roads Asset Management and Maintenance Strategy seeks to maximise the impact of work programmes on the condition and value of the roads asset to allow better use of available resources. A significant benefit in adopting this approach is that it determines both short and long term work programmes and preserves the value and integrity of the asset over its lifetime.

35. Councils have been encouraged to work together with other public or private sector bodies to benefit from cost efficiencies and sharing good practice. The follow-up report recommended that councils seek to develop a costed model for shared services, which would allow them to benefit from the efficiencies and improvements in working practices this would generate. As a rural authority, Argyll and Bute Council recognise that there are limited opportunities to develop and share services with neighbouring authorities however the council have recognised that where benefits that can be delivered, they are more likely to arise through partnership working with private sector bodies. The arrangement with Breedon Aggregates referred to at paragraph 31 above has delivered significant savings in the Mull, Kintyre andIslay area and it is anticipated that the Council will benefit from similar arrangements across other council areas.
36. The Council have also introduced a process to outsource the annual programme of surface dressing treatment with an annual tendering process to ensure optimum value for money and risk transfer given the acute weather related risk associated with undertaking this programme.
37. The agreement of Timber Transport Haulage Routes with the Argyll Timber Transport Group ensures that damage to existing and upgraded roads will be minimised in the future, whilst targeted investments in road upgrade works on Mull will allow the extraction of over one million tonnes of timber over the next twenty years. These initiatives will also ensure that the economic benefits from having huge forest areas are not outweighed by the significant risks of damage to public roads.

Conclusion

38. The Council faces significant challenges in improving its road network. Despite public spending across Scotland rising by around 25 per cent since the initial report was published in 2004, the condition of Scotland's roads has worsened and only 63 per cent were reported as being in an acceptable condition in February 2011. Although road maintenance budgets are being increased over the next few years, this does not wholly address the backlog of maintenance work. It is clear that with the current level of investment and the use of revised asset management prioritisation techniques, a proportion of the road network in the council area will continue to deteriorate in future years.
39. The proper maintenance of Scotland's roads is vital for economic prosperity and for the quality of life of its people. We recognise the logistical challenges that the Council faces due to its rural location, with a lengthy road network of all classes of roads. There are other specific local circumstances such as the absence of any significant opportunities for shared service provision with other public sector partners. Limited local opportunities are available for engaging with private sector contractors, however, this will not absolve the Council of their requirements to explore other options in relation to shared services.
40. To demonstrate the Council is committed to delivering improvements to the road network, appropriate performance management measures must be introduced. The council have taken steps to report on the basic SCOTS performance measures, but limited progress has been made on reporting on the secondary and statistical measures recommended. Reported information must also be updated regularly to ensure interested parties receive information that is accurate and relevant to their requirements.
41. A useful measure of performance is benchmarking against other bodies. Whilst we recognise that making comparisons against other comparable local authorities in Scotland, there may be opportunities to compare against similar rural authorities in England and Wales. The council should explore means of using benchmarking as means of enhancing their current performance management arrangements.
42. Overall, we consider that the Council:
 - Has increased the roads maintenance and reconstruction budgets. However there is a risk that the budget will not be sufficient to meet maintenance requirements of the roads network.
 - Has determined its long term roads asset management strategy which will contribute to road network improvements over the coming years.
 - Ensures that actions to improve road maintenance are considered at the highest level within the council.
 - Should update the benchmarking information to allow current performance to be assessed against comparable authorities.

Identified risks and management action

No	Para No.	Issue/ Risk	Management Response	Target Date
Commitment to achieving improvements and future targets				
1	24	<p>The 2009/10 results of the Scottish Road Maintenance Condition Survey show Argyll and Bute Council roads to have the highest percentage of roads in need of treatment across Scotland. The Argyll and Bute value was 55.3% which was well above the national average value of 36.0%. The maintenance backlog figure for Argyll and Bute was calculated as £162.38 million in February 2011. The results of the survey also demonstrated that the council required to spend £11.4m (excluding inflation) annually to maintain the roads in a 'steady state'.</p> <p>Whilst the Council has increased the roads maintenance and reconstruction budgets, there is a risk that the budget will not be sufficient to meet maintenance requirements of the roads network.</p>	<p>The Council has developed the Roads Maintenance and Management Strategy (RM&MS) to ensure that the Council spends its limited funding wisely on roads upgrade and maintenance. The strategy takes cognisance of Audit Scotland 2004 report – maintaining Scotland's Roads and the 2011 Follow up report.</p> <p>The objective of the RM&MS is to provide a strategy on which detailed plans can be based to deliver the road maintenance service in accordance with Corporate Policy and National accepted best practice.</p> <p>The RM&MS was endorsed by the former Roads and Transport Working Group and will be considered by the Council in October in advance of the Budget Process for 2013/14.</p> <p>RM&MS to Council for approval</p> <p>Capital Investment Plan founded on the RM&MS to be presented for consideration</p>	<p>October 2012.</p> <p>During the Budget Process for 2013/14.</p>

No	Para No.	Issue/ Risk	Management Response	Target Date
2	28	<p>There is very limited reporting of benchmarking exercises for in-house services with other councils or providers to establish comparable performance for measuring efficiency of cost and working practices.</p> <p>There is a risk that the council may not be fully determining whether or not its services are providing value for money.</p>	<p>The Council has carried out benchmarking with Scottish and English Authorities as part of the Roads Operations Service Review in 2010.</p> <p>Benchmarking is carried out through APSE and SCOTS. Benchmarking through ASPE and SCOTS is on-going and will continue.</p> <p>The partnership contract with Breedon Aggregates provides benchmarking with the private sector in terms of unit cost of capital works. Further benchmarking of Unit Costs from the Breedon contract against A&B delivered works is on-going and will continue.</p> <p>Contact to be made with comparable Scottish, English and Welsh Authorities with a view to allow current performance to be assessed against comparable authorities and seeking their willingness to share information to benchmark against</p> <p>Overall report on results of benchmarking prepared at least annually with improvement opportunities being identified and included in service plans/service improvement plans.</p>	<p>15 November 2012</p> <p>31 March 2013</p>