

Agenda Item	4
Report No	RDB/2/21

Committee: Redesign Board

Date: 23 March 2021

Report Title: Review of Engineering Services

Report By: Executive Chief Officer Infrastructure and Environment

1 Purpose/Executive Summary

- 1.1 This is the Peer Review report on engineering services provided by the Highland Council. It recommends a series of measures to help to create a more dynamic, flexible and efficient workforce with leadership to ensure integration and coordination across relevant functions. The recommendations are aimed at consolidating organisational structures and simplifying and aligning workstreams while fulfilling wide-ranging responsibilities and statutory duties.
- 1.2 During the Review a restructure of the Council led to the formation of the Environment and Infrastructure Service, incorporating all engineering services, thereby usurping and advancing several the recommendations below relating to improving workstreams and relationships between teams and making better use of resources. Due to the complexity of the range of services covered by the teams that were potentially subject of this review this report has not delved into the detailed working arrangements or duties. Instead, the final recommendations are intended to help inform how best different areas and teams may operate and interact as part of the new service.
- 1.3 To help finalise the findings of the peer review an interim report was considered and noted by the Highland Council Redesign Board on 17 December 2019 and a final workshop with engineering staff which was held on 17 January 2020. This finalised report takes account of the feedback received at both the Redesign Board and workshop.

2 Recommendations

2.1 The Peer Review makes the following recommendations:

1. Create a consolidated structure for the delivery of engineering services within the Infrastructure and Environment Service which continues the focus on local service delivery, performance and value for money;
2. Encourage the adoption of a single service approach and a collective sense of ownership, supported by a clear vision and strategy developed in conjunction with staff. It is essential that the Service ensures there is greater transparency on the associated resource and funding requirements in delivering local and national outcomes
3. Create a co-ordinated and collaborative approach to the management of engineering staff, projects and assets recognising the close inter-relationship and need for integration across all parts of the new service and wider Council;
4. Review the measures for forecasting and allocating the resources required for the effective delivery of all engineering services, including recognition of the feedback on asset management functions and strategic transport planning;
5. Identify and explore opportunities to streamline process-based functions and associated administrative tasks in the new service structure, including, where appropriate, the undertaking of lean review(s) and electronic methods of workload management;
6. Review current overhead costs recovered under the cost multiplier to see if further efficiencies can be made;
7. Prioritise a comprehensive review of the current means of budgeting for the PDU including the surplus income requirement (budget pressure) and exploration of alternative charging models for the services supplied to in-house clients;
8. Explore longer term potential for supplying in-house design services to partners and private clients;
9. Create a service wide workforce plan which encourages agility, flexibility and diversification across all functional areas and aligns the training and development of staff through CPD and on the job training, coupled with a 'cradle to grave' approach to create a culture of knowledge sharing and nurturing staff development.
10. Develop and build on the existing relationships with external parties including Transport Scotland and Northern Roads Collaboration as well as Hitrans and family group of local authorities.

3. Implications

Resource

3.1 The report outlines a number of recommendations that relate to how engineering staff resources are structured, how services and functions are undertaken, and the options for such services to be managed financially. All resource implications will be considered within the service budget and the ongoing redesign exercise and will be reported to Members as part of that process.

Legal

3.2 The report itself has no direct implications but any implementation of the recommendations should be considered carefully.

3.3 **Community (Equality, Poverty and Rural)**

No direct implications for equality, poverty and rural issues.

3.4 **Climate Change / Carbon Clever**

All roads and transport activity has an important role to play in the achievement of the Council's climate change mitigation ambitions. The recommendations of this review will enable a more co-ordinated approach to doing this.

3.5 **Risk**

The contents of the report and its recommendations are relevant to a number of considerations in the Corporate Risk Register, namely those falling under the Workforce Planning category.

3.6 **Gaelic**

No direct implications for Gaelic.

4 **Background**

4.1 The Review Team comprised:

- Stewart Fraser, Head of Corporate Governance
- Scott Dalgarno, Development Plans Manager
- Emma Tayler, Assistant Ward Manager

There was also input from Fiona Emslie, Learning and Development Adviser, in the staff workshops held in the early and latter stages of the review. The review team has been enthusiastically supported by officers from all of the respective teams across Development and Infrastructure and Community Services, Officers embraced the opportunity to participate and were very keen to put forward their ideas. The recommendations directly reflect the feedback received from staff and this was noted at the follow-up workshop held in January 2020.

4.2 The purpose of this review was to explore the options for optimising how engineering services operate within the Council, including opportunities for making efficiencies in the provision of engineering services. At the point of commencement, engineering staff/teams were split across three Heads of Service and two Directorates - Development & Infrastructure and Community Services. Since then, a wider restructure of the Council has been confirmed that has brought the majority of engineering services along with the harbours function under a single Executive Chief Officer for Infrastructure and Environment. As a result, the recommendations in this report have been largely geared towards supporting the detailed configuration of the new service.

4.3 The composition and responsibilities of the three functional areas for engineering services under the previous Council structure are summarised below. The functional areas are ordered by the number of staff employed, largest first.

4.4 This review has not analysed the sufficiency of staff in each part of the services listed below but, in light of feedback about staff resourcing and other recommendations for the consolidation of services, recommendation 3 above

suggests further work to examine the number of staff required to deliver each aspect of engineering services under the new emerging structure and options for flexibility and diversification across functions and areas in the new service.

4.5 Roads & Transport Service

The Roads and Transport Service is by far the largest engineering service with a total of 287 staff led by Head of Roads and Transport. The Service covers a range of functions from Council Headquarters such as strategy through to offices, depots and workshops across Highland delivering operations, management and maintenance of roads and transport assets. Officers in this service typically act as the front line of service provision and the immediate point of contact for Members, communities and customers. The Service includes specialist teams for school, public and community transport, traffic management and parking, street lighting, road strategy and policy, road safety and Safer Routes to School. Four area-based Roads Operations Managers (ROMs) are each responsible for a team of engineering and operational staff who coordinate and undertake a range of maintenance works.

- 4.6 Roads and Transport comprises around 88 typically office-based staff providing a combination of design, engineering and wider professional functions and a further 199 operational staff across four geographical areas - Inverness; Caithness & Sutherland; Lochaber, Nairn, Badenoch & Strathspey; and Skye, Ross & Cromarty – as well as a lighting team.

Project Design Unit (PDU) - Development & Infrastructure Service

- 4.7 The Project Design Unit (PDU) lead on the feasibility, design and delivery of the Council's civil engineering projects including roads, bridges, marine works, flood alleviation schemes, landfill sites, safer routes to school, cycling and burial grounds. It also provides technical civil engineering advice and fulfils statutory duties for flood risk management and dedicated services such as quality assurance and materials testing. The PDU consists of 73 staff principally located in Alness and Golspie ranging from engineers through to technicians and administrative staff. A Head of Infrastructure acts as Head of Service, taking overall responsibility, with 7 Principal Engineers who lead the respective area and specialist teams.

Transport Planning - Development & Infrastructure Service

- 4.8 The Transport Planning Team provides transportation advice, planning consultation response and strategic development plans advice to the Council's statutory planning services and the Cairngorm National Park Authority on behalf of the Council as Roads Authority. The Team also issues approvals for the construction of new roads (Roads Construction Consents (RCC)). These roads are designed and built by

developers but, once completed, are normally adopted, with the Council taking over responsibility for their maintenance.

4.9 Working from HQ the team also lead on active travel opportunities (walking and cycling), apply for and manage Sustrans grants and work with consultants to deliver schemes on the ground. There are two officers that cover the active travel responsibilities of the team one of which is a two year seconded post from Hitrans. The team of 10 staff in total is managed by a Transport Planning Manager, with the Acting Head of Planning & Building Standards.

5 Methodology

5.1 A number of approaches have been taken to obtain, understand and evaluate the provision of engineering services including:

- Interviews and workshops with members of engineering teams;
- Meetings with active and potential in-house users of Council engineering services;
- Interviews with other local authorities and representatives of national groups such as Society of Chief Officers of Transportation in Scotland (SCOTS) and the Improvement Service;
- Considering and critically examining a number of projects;
- Benchmarking and examples of good practice across other local authorities; and
- The review team was also asked to consider the option of shared services between Councils as a possible opportunity.

5.2 A staff workshop held in the early stages of the review before the restructure of Council services had been finalised. This was well and enthusiastically attended by staff across all relevant teams and their feedback informed the framework for the review. Priorities can be summarised as follows:

1. Single service concept
2. Communication and integration
3. Coordination across engineering services and the wider organisation
4. Strengthen local responsibility and delivery
5. Reconsider current financial mechanisms, in particular the PDU's use of the multiplier.
6. Align with wider Council restructure

- 5.3 Prior to completion of the interim report a smaller workshop session was held with the Heads of Service with Member and Trade Union representatives invited to attend.
- 5.4 The more detailed findings which seek to address these priorities and which link to the recommendations above are set out in Section 6 below. This includes feedback and analysis of the Council's internal structure, funding and governance arrangements, collaboration and coordination across engineering disciplines, and operational issues and opportunities for the ongoing Council restructure. More detailed commentary and suggestions from staff about the service structure are also available for consideration but are not attached to this paper.

6 Key Findings

- 6.1 The key findings of the engineering review are set out below under the following themes:
- 6.2 Integration and Communication in a new Single Service;
 - 6.3 Improving How we Work with External Partners;
 - 6.4 Strategy, Governance and Project Management;
 - 6.5 Financial Resourcing;
 - 6.6 Staff Resources;
 - 6.7 Training and Development;
 - 6.8 Cost Multiplier.

Each of the recommendations outlined in paragraph 2.1 have been informed by the findings of one or more of these sections below.

6.2 Integration and Communication in a new Single Service

- 6.2.1 From the inception stage of the peer review and throughout, the Heads of Service and other engineering staff highlighted that the disaggregation of engineering teams had a fundamental and detrimental impact on integration across respective services. There was a view that this contributed to an 'artificial wall' developing between teams, resulting in less integration and engagement between different workstreams and a more insular approach to the discharge of responsibilities and workload management across relevant teams. It was also noted that there was a very different approach to staff development. A further knock-on effect, and area of opportunity, was the commissioning of physical works which it was felt could be better coordinated.
- 6.2.2 In light of this, all staff were also enthusiastic about the principle of better alignment and integration between engineering services, as shown in feedback gathered at the initial workshop in paragraph 5.2. This included the key principle of "allowing officers to cut across engineering disciplines, projects and areas wherever possible". This set the defining tone and framework for the remainder of the peer review and leads to the first fundamental recommendation listed above. An example provided by staff was

the relocation of staff from the Area Roads Teams to resource the Transport Planning responsibilities for planning applications and roads construction consent around 5 years ago. It was argued that this has had a detrimental impact on the connections between these staff/functions and this in turn may have created barriers and led to missed opportunities in securing mitigation measures for transport.

6.2.3 During the latter stages of the peer review the announcement of the new Council structure confirmed that the majority of relevant engineering teams would be brought under a single Executive Chief Officer. This development has the potential to address a number of the fundamental issues identified in the previous structure and should help to address concerns raised over the lack of integration between teams. It is recommended that the new arrangements and emerging structure should reflect a single service culture and encourage a sense of collective ownership and responsibility. Feedback from staff throughout the review has indicated strong support for working in a more holistic and integrated manner, and in the latter stages there was recognition of the need to broaden this positive outlook across all staff.

6.2.4 Building upon this, staff put forward some specific suggestions for the consolidation of engineering teams including:

- PDU and Roads and Transport Service staff merging into the same section/service with better integration and sharing of skills and expertise on the design, delivery and ongoing management and maintenance of engineering projects.
- Reducing the complex mix of teams typically involved in project management and delivery – with a more simple combination of a core team or teams providing the overarching framework for a network of area based teams and functions – which could include strengthening the model of Operational and Technical Teams in each geographical area.
- Integration of Traffic Signals and Street Lighting functions.
- Better consideration of the links between Transport Planning and the Area Roads Teams in the Development Management functions, with potential to integrate and co-locate where possible.
- Calls for the strategic transport planning element of Transport Planning to retain very close links, or even amalgamate with, land use planning staff to improve the Council's approach to transport strategy, future development plans and to create a strong framework for investment in transport infrastructure.
- A further suggestion closely related to the one above is the opportunity for the Public Transport and Road Safety Teams, together with the assets-based teams, to work more closely with Transport Planning and land use planning teams in creating a robust transport and land use planning strategy (also see Sections 6.5 and 6.6).
- Irrespective of the configuration of staff, the common theme was better integration between different functions.

6.2.5 Whilst no conclusions or recommendations are being made in this report about the exact configuration of teams in the new service, there are some clear inter-dependencies and relationships that should be explored and discussed further in making the transition to the new service arrangements. For example, there is a strong

link between the asset management functions carried out by the Area Roads Teams and the design and construction of new transport infrastructure in PDU. Also, the issue of planning for future transport infrastructure and services is common to parts of the Transport Planning Team, Road Safety Team and Public Transport Team along with the Planning Service. However, given that integration across all teams will be vital for service delivery, the new service should encourage collaborative ways of working such as working groups for particular projects, areas and/or types of asset. The importance of this was emphasised in the recent Spaces for People project which delivered active travel improvements to support social distancing and which involved staff from Area Roads Teams, PDU, transport planning and land use planning.

- 6.2.6 There was also recognition that a number of key engineering functions and workstreams rely on effective communication between teams with some staff observing inefficiencies and points of congestion in workflow management. At the initial workshop staff identified a task-orientated approach as a priority for improved workflow and resource management. Examples of good practice were highlighted such as the Transport Planning Team's e-Road Construction Consent project which has introduced a more rigorous registration and validation checklist and a consistent application recording system for the administration of applications and associated bonds. Highland is the first authority to utilise the existing e-Planning, Uniform and Idox applications for this purpose.
- 6.2.7 Given the value of such process improvements, other opportunities should be identified and explored further, including the possibility of a lean review of key areas, to identify opportunities for time savings, automation and to optimise performance. This should include improvements in managing workstreams electronically and to better manage peaks and troughs in workload across varying engineering team functions and geographical areas. In light of the consolidation of the service structure, and the positive staff attitudes towards integration, this is considered to be a major opportunity for the new service and is discussed further in sections below.
- 6.2.8 Notwithstanding opportunities for consolidation of the service and individual engineering teams, staff were keen to highlight the value and significance of the local teams who act as the first point of contact for service provision, with Members and who perform a vital function in our interaction with communities. Staff are keen to ensure that local presence and responsibility are reflected in the emerging structure. Similarly, the importance of appropriately and effectively discharging the Council's statutory function as the local Roads Authority under the Roads (Scotland) Act 1984 was identified and that this should be managed as a critical Roads and Transport function.

Case Study – West Link

One of the first projects to be identified was Inverness West Link Phase 1. In many ways this much vaunted and long-awaited project is an overwhelming success. The Project Board established at the outset under the joint direction of the then Directors of TEC Services and Development and Infrastructure drove the project forward and ensured the design and build of the new road crossing and secured the relocation of

the golf course and rugby facilities. There was excellent interaction with planning to ensure development opportunities were maximised.

However, following upon completion of the construction phase a number of issues have begun to emerge. Greater liaison could have taken place with the contractors and developers of the next stage of development at Ness-side to ensure the road layout and design were more compatible with their requirements. Similarly, Community Services were not represented effectively on the Project Board and this has given rise to concerns about the nature of the landscaping design and footpath network that were utilised. At its most simple the tree planting schemes adopted for the green areas make grass cutting more difficult and in turn more expensive.

Looking to the future the Council should ensure there is greater communication between teams and a full understanding of their respective requirements. This could be as simple as early engagement with teams likely to be involved in future maintenance.

Further the Council should actively take steps to minimise and future proof maintenance costs and be clear that these costs are a collective responsibility.

6.3 **Improving How we Work with External Partners**

- **Northern Roads Collaboration**

6.3.1 The simple scale and size of Highland means that it is regarded as effectively a region or regional roads authority in its own right. Nonetheless the Council is recognised an active partner which has embraced the opportunity to participate in the Northern Roads Collaboration. This initiative is still in its infancy but, unlike many other attempts at collaboration across Scotland in recent years, the intentions and efforts across the North of Scotland authorities are genuine and are already beginning to bear fruit for the constituent authorities. There is recognition beyond the constituent authorities of the merits of the collaboration and the potential it affords the Councils involved.

6.3.2 Through the Collaboration and recognising a lack of resource internally Highland has been able to call upon the services of Aberdeenshire Council to undertake preparation of a road safety strategy. As it develops and with continued commitment from the authorities the Collaboration offers the opportunity to continue to offer both efficiencies and opportunities through partnership work with and for other authorities.

- **Trunk Road / Transport Scotland**

6.3.3 The Review Team were offered a number of examples of successful partnership working with the national body and contractors responsible for maintenance of the Trunk Road network. These examples included sharing of depot resources and reciprocal agreements on winter maintenance. These examples highlighted the potential opportunities that exist for far greater collaboration and co-operation among the respective agencies and contractors. The Review would recommend there is early engagement with Transport Scotland and BEAR to establish if there is a willingness and enthusiasm to develop and expand these existing arrangements to identify efficiencies from working together to maintain the local and trunk road network. In particular, the Review would recommend that the new Service consider the emerging outcomes from the Depots Rapid Review, and actively pursue any opportunities to pursue shared facilities with Transport Scotland's maintenance contractors.

6.4 **Strategy, Governance and Project Management**

6.4.1 Feedback from staff from an early stage consistently identified concerns about a lack of definition of the broader framework within which individual teams and projects were operating leading to calls for a clearer strategy for projects and teams linked to the outcomes of the Council. Representatives of several specialist teams and functions reported that there were insufficient resources to properly define a strategy to shape service provision. Feedback from the initial workshop included calls for better coordination and understanding of capital and revenue budgets and what they can realistically achieve, with an emphasis on the lifetime costs for asset management. Indeed, officers pointed to anecdotal examples where better coordination between services could have led to better outcomes. Clearer definition of the strategy for delivering engineering services was seen as fundamental to more effective and efficient working across teams both within the Council and external partners.

6.4.2 Later, it was indicated that a clearer and more robust transport strategy would assist in planning for future service provision and prioritisation of available staff and financial resources. Separately, officers observed that such a strategy would put the Council in a stronger position both to manage its available resources and lobby for support in addressing the perceived shortfall in funding to manage, maintain and invest in the existing transport network. A clear strategy was seen as a way to improve the scoping, definition, management, costing and monitoring of projects. It would also have cyclical benefits in ensuring all staff understood the contribution their projects made to the delivery of outcomes for the service and Council. The strategy should be aligned closely to the Scottish Government programme to maximise opportunities of funding for infrastructure.

6.4.3 The Development & Infrastructure Service Plan 2017-22 refers to the delivery of capital programme projects by the PDU being "in accordance with the [Council] programme and also within the allocated budget...reported to each Environment, Development and Infrastructure Committee". However, there is no explicit reference to other outcomes, drivers or the strategy context for the delivery of such projects.

6.4.4 A key lesson and opportunity is both improved strategy and scoping of projects managed by engineering teams to ensure projects are accurately defined with appropriate resources allocated and they are monitored and recorded in terms of their contribution to a wider strategy and outcomes for the Council. Under the new service arrangements a single Service Plan is being drafted to reflect a fuller definition of how all engineering projects will be scoped, project managed and monitored. The electronic systems mentioned in paragraph 6.2.6 also hold potential to standardise the approach across teams and maximise the efficiency of workflow and reporting.

6.4.5 Following the announcement to create the Infrastructure and Environment Service as part of a wider Council restructure, in early 2020 a workshop was held involving all managers from the new service including transport planning, engineering and land use planning disciplines. The workshop highlighted strong support for a collaborative and coordinated approach to service delivery, particularly for asset management, strategic land use and transport planning and also investment in infrastructure. The Inner Moray Firth Local Development Plan was highlighted as an example of a current project which provides an ideal opportunity to formulate the transport strategy that shapes future service provision – including engineering services - in the new Council structure. However, other documents will also have an important role to play for asset management and transport policy such as the Local Transport Strategy and the Roads Asset Management Plan, and at the national level the National Transport Strategy (NTS). Similarly, there is currently ongoing work to progress the Scottish Government's new National Planning Framework and the 2nd Strategic Transport Projects Review (STPR2). Coordination across Council teams would ensure a robust case for funding for future infrastructure.

6.4.6 These documents are likely to reflect a significant shift towards investment in sustainable transport infrastructure at the national level in order to better support national outcomes for climate change, healthier lifestyles, improving the quality of our environment and air quality, and reducing the need to travel. Furthermore, it is also suggested that current ongoing commitments of the Council are considered in the context of current and emerging policy and funding considerations, not least the implications of the COVID-19 pandemic. There are already examples of how the design of our streets and communities is being adjusted to accommodate the requirements for social distancing and keeping businesses going. This Spaces for People project has shown how effectively officers can work together across the new service to deliver a complex project in a short space of time.

6.5 **Financial Resourcing**

- ***Sufficiency of Capital and Revenue budget allocation***

6.5.1 In both workshop sessions there was regular reference to the issue of resources. The issue and its implications took a number of forms. At its most simple there was a genuine frustration on the part of officers that they did not believe they were afforded sufficient resource to allow them to undertake the maintenance and repairs to the

existing road network that they considered necessary. The annual Scottish Government Scottish Road Condition Survey shows Highland roads are deteriorating due to insufficient investment in maintenance (the current budget is assessed as being between 25% and 35% of that needed to maintain a steady state) over a prolonged period. This was a theme that also emerged from feedback from other authorities. Developing this thread there was a belief that the Council did not make best use of the resource that was available. A number of reasons were advanced for this assertion and which developed across both sessions. These included issues such as the inability to undertake work in house, allocation appears to be based principally on road mileage, the fact that use of the PDU brought with it a significant increase in cost and the need to respect political decisions on the allocation of resources across respective areas/wards.

- 6.5.2 When invited to reflect upon how these concerns might be best addressed a consensus began to emerge. Faced with the allocation of a finite resource for road maintenance the new service should, as a priority, identify and seek agreement to an objective and more sophisticated policy for the allocation of budget/funds. The policy would establish assessment criteria and parameters for prioritising resource across the Highlands. The methodology must be clear, recognised by officers and members and be based on and informed by empirical evidence of need, recognising factors such as population and intensification of use in order to achieve greater value for money. This would at least take account and optimise the role of the Roads Asset Management Plan (RAMP) and any corresponding policies in any emerging transport policy document such as the Local Transport Strategy.

'A good highway maintenance engineer could double the useful life of a road surface. The key to this was early intervention and keeping the water out.'

Steve Isaacs, Director XAIS Asset Management

'Much of our infrastructure comprises legacy assets put to daily use by far more people than originally envisaged...this primarily means economic infrastructure including roads, railways, bridges, tunnels, water and waste water facilities, flood defences...'

In Plain Sight – Reducing the Risk of Infrastructure Failure

6.6 **Staff Resources**

- 6.6.1 Recommendation 3 seeks to ensure sufficient resourcing across all of the Council's wide-ranging engineering services. This is founded upon both feedback and analysis which highlights inconsistencies in the resourcing of particular functions and work areas, potentially as an indirect result of the leadership of engineering functions through disparate teams. In particular, concerns have been raised over the staff resourcing of all roads authority functions and the particular impact of day to day tasks - such as complaint handling, general customer relations and interactions and responding to queries – have on the ability to focus on genuine asset management and transport planning. There would be tangible benefits in freeing up the proportion of time professional engineering staff could devote to tasks/projects which directly utilise their engineering skills and expertise. Staff were keen to explore techniques to reduce the drain on staff time for day to day tasks including the use of digital resources to help customers such as online FAQs and online mapping for sharing information, use of automated and standard responses/templates, and improved reporting systems.
- 6.6.2 Similar concerns were raised about the lack of clarity over the policy or strategy framework within which engineering services are currently prioritised, funded and staffed. Senior staff provided feedback that areas such as the long term management and planning of assets - public transport, active travel, road maintenance and road safety – were not operating as effectively as they might within a robust policy framework. In addition, feedback from the Transport Planning Team and relevant management reveals that over recent years the vast majority of staff resource and work activity has been shifted to the development management aspect of the planning service, with only a small number of staff dedicated to strategic planning activities that form an explicit part of the team's responsibilities. It was also noted that the responsibilities of such officers also extend to project management of a suite of active travel projects and initiatives. However, the importance of the link to the planning service was also highlighted. The team has an ongoing and significant link with development planning and development management that staff highlighted should not be lost in any review of the service
- 6.6.3 The concerns over the sufficiency of staff resourcing was also raised in the context of other specialist teams across the Roads and Transport Team. In considering feedback from staff and users of the PDU, and the questions raised over the cost-multiplier in section 6.8 below, there is some uncertainty on the future resourcing and capacity to fulfil the Council's range of statutory duties and commitments. In this context, it should be noted that some other local authorities - albeit those with far smaller geographical areas and asset management responsibilities – have little or no resources allocated to the design and build of new capital road projects. Building upon this, the following submission from one particular team makes the case for a fundamental review of resourcing be undertaken as a pre-requisite to the inception of any new service:

“A vision is required for the future of all the businesses in the Engineering Review to address the issue of losing quality and experienced staff. This should also include proper consideration of resources meeting the service demands. In this

regard.....the Council's Work Force Planning strategy (should) be maximised to help improve the efficiency of the resources"

6.6.4 There are also resourcing issues for functions that are seasonal, such as winter maintenance. Staff and resource requirements are significant for the winter maintenance period. All staff engaged are full time equivalent. For the remainder of the year the same level of staff resources are employed on undertaking road maintenance functions. However, there are significant issues regarding the level of budget allocation as the revenue budgets for roads maintenance activities are insufficient to cover the fixed establishment costs in the period of spring to autumn. The service has to rely on undertaking capital budget structural maintenance works to ensure that staff resource costs are covered.

6.6.5 These combined factors lead to the recommendation for a review of the future resource requirements for all aspects of engineering services to be undertaken. Under the new consolidated service structure that is emerging it is recommended that a clear vision be developed which is informed by the staff and resources available but must also direct it's efficient and effective use. Staff resources would be managed in a way that allows a cradle to grave approach where possible, which removes the existing artificial split of expertise across two/three separate services and allows greater flexibility to respond to changing requirements. This move would also open up opportunities to simplify and streamline the approach to project management, and to draw stronger links to the wider organisation and service goals and outcomes. In turn, it is hoped that this would also bring improvements in performance and financial savings.

6.7 **Training and development**

6.7.1 This report has already highlighted the view that staff perceive there to be an imbalance in the approach to staff training, development and career progression across engineering teams. Consolidation of the service brings an opportunity to standardise the approach to training and development across all staff, and to identify projects where staff skills and knowledge can be diversified to provide a flexible and responsive workforce which, in turn, helps to manage resources.

6.7.2 Workforce planning has become a major priority for all engineering teams in recent years. The Community Services Plan (updated March 2019) states that the age profile of the current workforce presents challenges for the future with 76% of the workforce over 40 years of age and 52% over 50. Similarly, the Development & Infrastructure Service Plan (updated 2019) outlines similar concerns with 57% of the workforce over 40 years old. Any future service or workforce plan should consider the scope for graduate apprenticeship posts to pass knowledge on; an approach which staff indicated strong support for in the review workshops.

6.7.3 There is a career grade scheme of progression already in place within the PDU. The scheme starts at HC3 with a trainee technician role and allows for progression with experience and qualifications through to a Principal Engineer at HC 11. There does not appear to be such a clearly defined scheme of progression within the other parts of the engineering function. The imperative for the PDU to generate a return means that the Unit must always seek to be fully staffed in order to ensure fee income. Retention and recruitment has become more challenging for a number of reasons and is by no means restricted to Highland Council. However, the need of the PDU to continue to recruit coupled with the diminishing financial resource available within Community Services does mean that the Council has seen movement of professional staff from Community Services into PDU.

6.7.4 The Review recognises that the functions are not only effectively fishing for staff from an increasingly diminishing pool but, to an extent, in competition. This is not considered to serve the Council's best interests and in the new consolidated and integrated structure professionals should be given the opportunity to gain experience and progress all or as many of the disciplines as they wish. The Review had sight of the 'rainbow' of progression available within the former Care and Learning Service which establishes clear opportunity paths for employees both across the service and through the service. The Review would recommend that a similar rainbow is developed for the engineering function using as its foundation the PDU career grade progression.

6.8 **Cost-Multiplier**

6.8.1 As noted at para 6.5.1 above a consistent theme was that the financial resourcing for the maintenance of transport infrastructure has diminished over recent years. Alongside this concern, it was also noted that the financial recharge mechanism under which the PDU, along with other parts of the Council, must operate currently is felt to be a significant and unnecessary constraint to the efficiency of service provision.

6.8.2 An opportunity for significant change identified through the review is the current cost multiplier model for service delivery in PDU. This arises from both internal and external trading arrangements that were established in the different financial environment in place at the time specifically the Local Government Act 2003 – Significant Trading Operations, which replaced the former compulsory competitive tendering and should be addressed as part of a wider corporate initiative. Recommendations 7 and 8 above relate to the following key findings:

- a. Internal Engineering Services (IES) PDU applies a charge for its design services using a 'multiplier' formula. This formula has been set at x 2.3 by the service. By comparison the cost multiplier for similar services in Moray Council is 1.49.

- b. The cost of a job is calculated on the following basis: Base hourly rate x number of hours x 2.3.
- c. The hourly rate is derived by taking the basic salary at the top of the grade ie HC11 £49,077 (2019/20 rate) divided by 1600 hours (assumed productive hours) times the 2.3 multiplier plus £1.20 to cover subsistence/mileage. The hourly charge rate for HC11 is £71.75.
- d. The service is provided on a full cost recovery basis with the multiplier recovering office accommodation costs and those associated with employing a member of staff such as NI, training, equipment etc. In addition, the charging formula also generates a surplus of circa £0.9m which goes back into the overall D&I budget which in turn forms part of the Council's General Fund.
- e. There may be scope to reduce overhead costs through greater efficiencies which in turn would enable a reduction in the level of multiplier set.

- 6.8.3 Further examination of this approach highlighted that the multiplier charge reflects a service need for the PDU to generate a £875k surplus in 2019/20. This target is embedded within the overall Service budget. It is noted that for the period 2018/19 the surplus generated was £715k, resulting in a budget pressure of £160k. The shortfall in achieving the target is attributed to the number of vacant posts as, in simple terms, a vacant post does not generate income.
- 6.8.4 The £875k surplus income generation is reliant on the PDU service having capacity within their staff complement to generate the income. If capacity is compromised (through illness, having unfilled posts etc) bringing it below the level originally predicted to generate the income, then the PDU will not generate the 'surplus' income at the level currently set.
- 6.8.5 Equally if work is not forthcoming at a level to sustain the basic cost of running the PDU as it stands then the PDU is in danger of not being self-sustaining. Whilst it is not an unusual practice for engineering services to be set a target for surplus income generation (ref: SCOTS survey on trading services) this does create a particular pressure for the PDU and in turn the parent Service.
- 6.8.6 There are a number of ways typically used to charge for engineering services across the public sector. As the multiplier method does not always require the project scope to be defined early on, it can lead to a more relaxed approach to project definition and governance arrangements. Ultimately this may negatively affect the final costs of delivering a project. Removal of the surplus from the PDU will enable the reduction of the multiplier however this will need a strategy to be developed to deal with the likely revenue budget implications.

- 6.8.7 Feedback from staff across all engineering teams and current/past internal clients of the PDU has challenged ongoing viability and sustainability of the current approach. Some staff perceive the charge out rates as being too high / unrealistic and likely to impact on the PDU's ability to deliver an efficient service. It is argued by some that this might result in the PDU being non-competitive with the private sector and undermine the credibility and original aims and purpose for the delivery of the Council's Capital Programme and in providing expertise to other Council Services at a time of diminishing resources. This is backed up by feedback from past customers, some of whom declare to have stopped using PDU on the basis of costs. In comparing our approach to Moray Council their feedback indicates that the cost multiplier of 1.49 is more palatable due to the quality of work undertaken and the notable cost difference with the private sector. It was noted that the frustration with the current model extended to officers of the PDU who felt that the multiplier mitigated against their use and instruction in infrastructure related initiatives ostensibly because of the respective cost of their involvement. This difficulty in calling upon the skills and expertise available in the PDU does not serve the Council's interests.
- 6.8.8 It is recommended that alternative methods of cost recovery and the financial resourcing of the services and in particular a review of the means of budgeting for the PDU are considered to identify the optimum funding model which also supports good governance. In order to retain income levels and in turn work for staff, the PDU would need to forward plan and explore alternative income sources. As such, with the likelihood of increased capacity moving forward (assuming the PDU is to continue to be fully staffed) there is potential to offer increased design services to public partners and private clients in addition to extending the range of internal clients. In addition, it is recommended that the staff resource requirements across other engineering services is carefully reviewed and understood to ensure staff are in the right place to fulfil the Council's statutory requirements and all other commitments.
- 6.8.9 A key target would be to create and support an approach to resource and project management across the Council which results in a presumption that these are delivered in-house and private/commercial consultancy services are only commissioned in exceptional circumstances where there is no resource or skills across all appropriate engineering staff, as opposed to within a particular team.

Case Study – South Loch Ness

The work undertaken on South Loch Ness was identified as an exemplar which might serve as a model for future engagement. In this situation one member of staff from within the PDU undertook various engineering functions & elements for and on behalf of the Council. The Council was able to utilise a small amount of capital funding as seed money to deliver a number of improvements across the ward area.

In some ways the success was attributable to the officer concerned. He was uniquely well qualified to undertake the role having worked across all three of the disciplines.

Supported by the PDU he was empowered to undertake direct negotiations with the developers and was able to act as the single point of contact. Enjoying the support of local members as well as good relationships with both the Area Team and Development Control colleagues, developers were able to negotiate with the Council officer with confidence.

7. Conclusions

7.1 The findings of the peer review can be summarised as follows:

- There is recognition that the scale and breadth of asset management responsibilities and the ongoing costs for maintaining existing and providing new infrastructure are significant. There is a need to understand the ongoing staff resource requirements and to have an agile and flexible workforce.
- There is strong support for a clear identity for the new Infrastructure and Environment Service and for this to represent a more efficient, coordinated and collaborative approach to the management of engineering staff, projects and assets. Staff are keen to exploit the close inter-relationship that exists between engineering teams that were, until the restructure, split across two separate services.
- There are close interrelationships among many aspects of different engineering teams' work and indeed their work with other teams such as strategic land use planning. Whilst no conclusions or recommendations are being made about the exact configuration of teams given that integration will be vital for service delivery, the new service should encourage collaborative ways of working such as working groups for particular projects, areas and/or types of asset.
- There is an opportunity to develop a clearer strategy within which engineering staff operate within the new Infrastructure and Environment Service. This strategy should help to optimise the coordination of staff and funding for the delivery of outcomes at the local and national level.
- The coming together of engineering staff also brings positive benefits for sharing skills across teams and upskilling to support succession planning within an ageing workforce.
- The Council should look to consolidate its existing partnerships at the national level and look for opportunities to develop shared efficiencies.
- The new service should, as a priority, identify an objective and policy for the allocation of budget/funds, which establishes assessment criteria and parameters for prioritising resource across the Highlands, making best use of the role of existing asset management and transport/engineering policy documents.
- Alternative methods of cost recovery and the financial resourcing of the services should be considered, in particular a review of the means of budgeting for the PDU.

7.2 These conclusions have shaped the recommendations set out at paragraph 2.1 of this report.

Designation: Engineering Peer Review Team

Date: 12 March 2021

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Background Papers: