

North Yorkshire Council

Executive

21 April 2026

North Yorkshire Council (NYC)/NY Highways (NYH) - Highway Officer Integration and Transfer of >7.5t Mechanical Sweeping responsibility to NY Highways

This report contains information in Appendix A which is exempt under paragraph 1 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended). The public interest in maintaining the exemption outweighs the public interest in disclosing the information

Report of the Assistant Director – Highways & Infrastructure

1.0 PURPOSE OF REPORT

- 1.1 To provide a detailed update on work relating to:
 - i. the future operating model for mechanical sweeping; and
 - ii. the proposed alternative operating model for duties currently undertaken by Highway Officers, Assistant Highway Officers and some Maintenance Managers in North Yorkshire Council's (NYC's) Highway Operations Area teams
- 1.2 To seek approval for the implementation of a new way of delivering the above services via NY Highways (NYH)
- 1.3 To consider the Shareholder decisions required for NY Highways to deliver the above services for NYC

2.0 SUMMARY

- 2.1 Following the successful preparatory work leading up to, and 'go live' in June 2021, NY Highways, one of the Council's Brierley Group of 'teckal' companies has since grown in terms of size, capability, performance, and the range of services delivered.
- 2.2 As part of this evolution, and through a culture of collaboration, regular review, and an ongoing challenge to ensure effective and efficient delivery, processes and procedures are under constant review.
- 2.3 NY Highways is now at a level of maturity where, alongside undertaking external works, taking on the challenge of property services, alternatives to the current delivery model of functions currently undertaken within NYC can also be explored and evolved.
- 2.4 The changes proposed in this paper would see all Highway Officers (HOs), all Assistant Highway Officers (AHOs) and some Maintenance Managers (MMs) move to NY Highways, whilst ensuring that current levels of service, local engagement with communities and performance targets are not adversely affected. In addition, NYH will take on the responsibility for mechanically cleansing the highway, from NYC's Waste and Street Scene service, this will involve the TUPE transfer of ten posts [4 vacant] and nine vehicle assets.

- 2.5 These proposals have been put forward as it is felt that the alternative methods of service delivery will be even more effective and efficient than the current model, with a further increase in collaborative working between NYC and NYH. These proposals will also bring about a significant Revenue cost saving for NYC, which will assist in contributing to the overall and ongoing Transformation Savings challenge the Council currently faces with regard to its Revenue Budget.
- 2.6 Certain decisions of NY Highways are reserved matters for the Shareholder (being NYC). This report seeks to obtain Shareholder approvals necessary to enable NY Highways to receive the transfer of the services from NYC, subject to Members first approving the transfer from NYC to NY Highways.

3.0 BACKGROUND

3.1 General

- 3.1.1 The services in-scope are delivered via a hybrid working model from a series of locally based area offices and seven operational depots spread across the county. This comprises seven area highways teams (the Selby Area Office includes the Selby Bridges team), an Electrical Engineering team based at Leeming Bar but covering all of North Yorkshire and the Bridges team who again cover the whole of the county and predominantly work remotely (but convene at County Hall for Team days & meetings). The mechanical sweeping fleet are currently located in the historical former district/borough Council depots but will move to be operated from the NYH estate as part of this change.
- 3.2 Highway Officer, Assistant Highway Officer and (some) Maintenance Manager Integration.
- 3.2.1 With regard to Highway Officer (HO), Assistant Highway Officer (AHO) and some Maintenance Manager (MM) integration, for highway functions and where those physical depots exist, area-based teams are co-located with NY Highways who deliver works on the ground. The Service also has close links to Align Property Services (APS) who provide a design consultancy top-up service as well as a close interface with other service units in NYC, both within and beyond the Highways & Infrastructure service unit. This creates a strong collaborative 'one team' platform from which to deliver our service functions (outlined further below).
- 3.2.2 The focus of the HO/AHO and MM integration is the Area 1-7 Highways Teams, whose structures are broadly the same, with only subtle differences. For example, the number of staff based in those offices is broadly related to quantum of workload, proportion of highway network in that area and the number of Elected Members. This is why Area 6 has an Area Manager dedicated solely to that patch, for example. Areas are based on former district / borough council boundaries, with recent reviews and discussion confirming this is still the optimum model for colocation with NY Highways and service delivery using a 'form follows function' approach based on response times and optimising coverage of the geography of the county by those gangs engaged in routine maintenance, emergency and winter service activities.
- 3.2.3 Figure 1 shows the overall Highway Operations structure in the top graphic, with the bottom graphic showing the indicative structure in the Area 1 – 7 Highway offices, which is the focus of this paper (Electrical Engineering and Bridges teams are unaffected by these proposals). Business Support for administrative functions is provided to Highway Operations by Central Services, enabling Highway Operations staff to maximise their focus on technical and engineering matters.

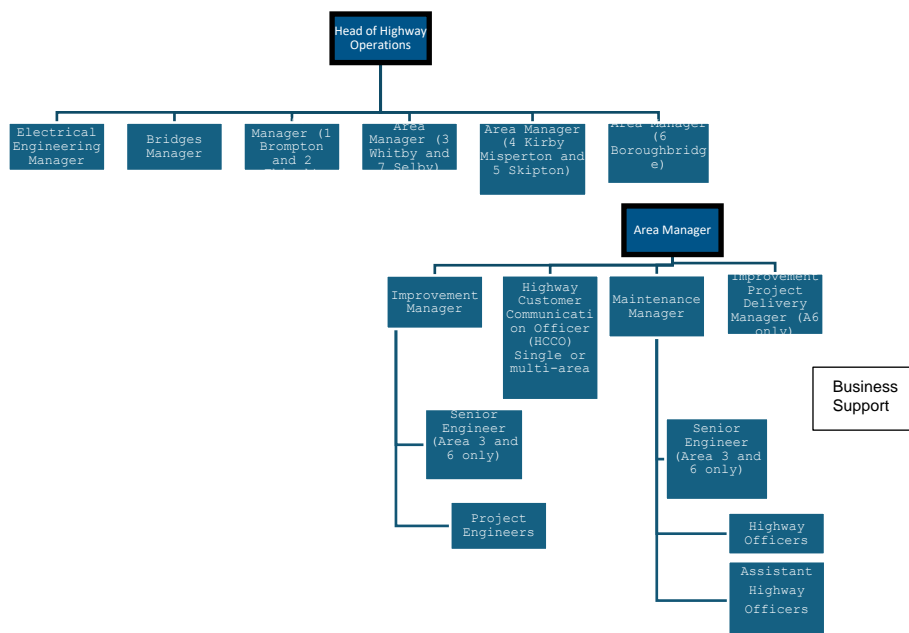


Figure 1 – Highway Operations Management and Area 1-7 highways team structure

3.2.4 Highway Officers (HOs), Assistant Highway Officers (AHOs) report to Maintenance Managers (MMs) in each of the area offices. The total number of Highway Officers, Assistant Highway Officers and Maintenance Managers, by Area, is shown in Table 1 below.

Area Office	Number of HOs (FTE)	Number of AHOs (FTE)	Number of MMs (FTE)	TOTAL FTE
1 - Brompton on Swale	4		1	5
2 - Thirsk	5		1	6
3 - Whitby	6	2 Note 1	1	9
4 - Kirby Misperton	4		1	5
5 - Skipton	3.6		1	4.6
6 - Boroughbridge	8		1	9
7 - Selby	3.8		1	4.8
TOTALS BY ROLE	34.4	2	7	43.4
TOTAL FTE (check)	34.4	2	7	43.4

Table 1 - Highway Officers, Assistant Highway Officers & Maintenance Managers, by Area

Note 1 – There are 2.0FTE AHO posts for the whole county – successful candidates are assigned to the Area Office closest to where they live in order to minimise their home to work travel costs

3.2.5 As outlined earlier, the Highways Service is delivered ‘on the ground’ by the council’s teckal company NY Highways (NYH). The journey to create NY Highways began in 2019, with the development of a five-year plan to create the new company by 2021, then monitor service delivery progress through a series of annual reports and explore efficiencies that could be achieved through the greater control and flexibility that exists through the teckal arrangement and underpinned by the four core values of:

- A 'one team' approach
- Customer focus
- Right first time
- Continuous improvement

3.2.6 The teckal model allows the ever-increasing challenge of ensuring budgets are spent wisely, allowing that challenge (part of the wider challenge on the council as a whole in the current financial climate and facing all local authorities) to be met through:

- Teamwork
- Avoiding commercially aggressive practices
- Focusing on delivery
- Being flexible with change
- Innovation without increased cost
- Increased social value through use of local supply chain

3.2.7 There is also an ongoing challenge to ensure all elements of the highways service are delivered in the most effective and efficient way possible and this ties in with the one team approach, continuous improvement, teamwork and being flexible with change elements outlined above. NY Highways is now in its seventh year (including development years) of the overall journey and in June 2026 will have its 'fifth birthday' of operating, having been launched in June 2021.

3.2.8 Regular reports have been submitted to the Council's Transport, Economy, Environment and Enterprise Overview and Scrutiny Committee (TEEEOSC) since the NY Highways went live to report on progress and performance of the teckal. Year-on-year improvements have been communicated, and it has been acknowledged that the company has reached a stage of maturity that enables other service delivery arrangements between NYC and NYH to be reviewed in addition to existing year-on-year improvements to service delivery and working practices that have already been made over the past five years.

3.2.9 Transformation savings have already been achieved through the increasingly closer interface between NYC and NYH. For example, savings being declared as part of the Highways and Transportation (HAT) 'HAT 01'. This NYC/NYH jointly delivered element of the council's wider savings plan saw an initial £500k achieved, then a further £300k in 2025/26 and another £300k for 2026/27 (i.e. totalling £1.1m). This is alongside other efficiency savings such as gully emptying and winter service (where 'unit rate costs' have reduced) that have also been returned to the Council. Other 'HAT' projects are also underway, including 'HAT03' - grass / gullies / weeds and street sweeping.

3.2.10 During the 2025/26 financial year, detailed discussion commenced as to whether the current interface between NYC and NYH could be revised to introduce even-closer working between the two teams, particularly around Highway Officers and the end-to-end processes relating to their functions. Initially, it was felt that a measured approach should be taken, with the proposal to move a proportion of HOs to NYH and a focus solely on Highway (carriageway and footway) inspections. It was estimated that approximately a third of the HOs' time was spent on this part of their overall duties, therefore it was initially proposed that around 11 HOs would transfer into NYH, with perhaps one Maintenance Manager, as management and oversight of that particular function was significantly less than a third of MMs' time.

3.2.11 This first phase / measured approach was proposed in order to evaluate how the closer working arrangement might operate without the potential risk of a wholesale transfer of all HOs and all their duties into NYH. However, a series of engagement sessions with HOs and MMs revealed concerns over dilution of roles, potential demoralisation of HOs with too much time spent on fewer tasks and activities, a loss of job satisfaction and overall concern that the proposed model would not work as efficiently as would a wholesale transfer of staff. Given the high level of buy-in from HOs for a transfer of all functions into NYH, the

original proposal was reviewed, and it was agreed all HO functions could transfer to NYH (along with the two AHO posts) from Highway Operations. Discussion followed around the Maintenance Managers, as there was still a need to retain overall control and management of some elements of service functions in NYC, such as Recharges, Third Party Claims, more-complex Customer Service requests and also engagement with Elected Members, MPs etc. It was concluded that a proportion of Maintenance Managers would transfer to NYH (see later for more detail).

- 3.2.12 As part of the desire to maximise the opportunity for further savings, it was confirmed, following the most recent staff engagement session on 4 December 2025 in the Council Chamber, that all Highway Officer (and Assistant HO) duties would transfer to NY Highways. A working date of 1 June 2026 (now revised to 1 July 2026) for this transfer to commence was communicated to staff, mindful that approvals would need to be sought from a governance perspective as well as a formal 30-day consultation exercise with staff impacted by this proposal. As mentioned earlier, a proportion of Maintenance Managers would also transfer to NY Highways in order to manage certain functions and a wider matrix management arrangement would be in place to ensure effective service delivery / continuity, too. Work has been undertaken to explore the benefits of greater integration, with no barriers to open and effective communication between the NYC and NYH. This would bring savings in addition to those HAT01 savings already achieved / in the pipeline. As mentioned earlier, HAT01 is on target to achieve £1.1m in savings; initially, savings from a partial transfer of HOs and some MMs to NYH was estimated to be in the region of £330k, although that figure was likely to be revised down as vacancy factors had not been included in those calculations (so the figure was likely to be closer to £250k). However, the wholesale transfer of all HOs, all AHOs and some MMs to NYH under this revised proposal will realise a saving well in excess of the current £330k target – this is covered in more detail in the Finance Section of this report.
- 3.2.13 Work is underway regarding the transfer of staff, the vehicles that would move across to NYH as well as any associated budget transfers. It should be noted that there will also be a change in how some elements of administrative support from Business Support, will be delivered, too. Currently this is all provided to Highway Operations by NYC Business Support teams, however there will be a need to adjust existing arrangements, since in future some of this support function will be delivered by NYC staff working under the Business Support Service Level Agreement (SLA) to NY Highways.
- 3.2.14 This proposal sees a shift of all the HO / AHO (plus some MM) functions and duties to NYH; strategic management and oversight of will be retained in NYC. NYH functions and duties will be covered either via a Service Level Agreement (SLA) or variation to the NY Highways Highway Maintenance Contract 2021 (the content of which is currently being drafted). Those strategic responsibilities will be retained via the Maintenance Managers remaining in NYC, overseen by the NYC Area Managers and ultimately NYC's Head of Highway Operations. Such strategic activities will include overall budget management & oversight, and assessing performance through prescribed Key Performance Indicators (KPIs), for example.
- 3.2.15 Ultimately, accountability for delivering the service will still rest with NYC, as the Council cannot discharge its Statutory Duties onto others; such duties include
- Section 41 / 41a of the Highways Act 1980 – Duty to Maintain highways maintainable at the public expense / Duty to ensure, so far as is reasonably practicable, that safe passage along a highway is not endangered by snow or ice
 - mounting our defence against third party claims under S58 of the Highways Act 1980.
- 3.2.16 Overall management of some other key elements of the service currently delivered by Highway Operations (HOPs), such as pursuing recharge costs for highway works from Third Parties or defending claims against the Council from Third Parties will also remain in NYC.

- 3.2.17 The proposed method of working will comprise strong collaboration and elements of matrix management, the detail of which will be outlined in the SLA or Variation to the Highway Maintenance Contract 2021 currently being prepared, which will also contain detail on governance and those management arrangements.
- 3.2.18 It is anticipated that once implemented, alongside any existing governance arrangements, (such as daily / weekly / monthly monitoring and management, regular performance management review etc.), that three- and six-month post 'go live' reviews will be undertaken. Dialogue has commenced between NYC's Head of Highway Operations and Assistant Director, Highways & Infrastructure (HoHO and AD H&I) in this regard and it is highly likely we will engage Veritau, the Council's internal audit service, to undertake such reviews alongside NYC and NYH management.

3.3 Mechanical Sweeping

- 3.3.1 Part of the Council's Street cleansing activity involves the deployment of mechanical sweepers across the public realm and the highways network. The assets largely fall into two categories; those smaller than 7.5t in weight and those greater. The smaller fleet are generally associated with pavements, pedestrianised precincts and the network within the immediate vicinity of the operating centres. All other mechanical sweeping tasks are undertaken by vehicles with the greatest capacity and functionality, which are over 7.5t in weight. While the Service is operationally delivered by Waste and Street Scene, the fleet assets are managed and maintained by Fleet. The Central Waste team arranges and funds the disposal of the sweepings.
- 3.3.2 As part of the desire to maximise the opportunity to integrate former district/borough functions with those of the former County Council, work has been undertaken to explore the benefits of greater integration between the respective Service areas under the HAT03 transformation programme – Parks & Countryside, Highways Operations, Network Strategy and Street Cleansing. So far, savings of £220,000 have been delivered, of which £50,000 has been delivered from the street cleansing service. As part of this work, opportunities for financial efficiencies and operational improvements have been identified from transferring the 7.5t and greater vehicles and drivers across to NYH. By co-delivering mechanical sweeping activity and gully cleansing alongside the wider Highways Service, it will deliver financial and operational efficiencies and require less contracted mechanical sweeping on highways infrastructure schemes.
- 3.3.3 Work has taken place to identify the staff within scope of a transfer, the vehicles that would move across to NYH and the budget transfer to Highway Operations.
- 3.3.4 To safely cleanse much of the rural road network requires planned traffic management, there is currently no available budget in Waste Operations, meaning there has been an ongoing deterioration in standards across the County.

4.0 **DETAIL OF KEY ISSUES AND CONSIDERATIONS**

4.1 Human Resources

- 4.1.1 There are 49.4 FTE posts that would be within scope of a transfer to NYH - see Table 2. At the time of writing this report, vacancies were as also shown in the table.
- 4.1.2 Engagement has taken place with affected staff involving NYC / NYH management & HR colleagues and Unison; this has been as a group, and individually, and continues.
- 4.1.3 These engagement sessions initially proposed transfer dates of 1 April 2026 for mechanical sweeping and then 1 June for HOs, AHOs & (some) MMs – this has now been revised to 1 July 2026 for all of these transfers.

4.1.4 Following the engagement sessions, Frequently Asked Questions (FAQs) and responses were compiled and shared, so responses to the issues raised could be viewed and considered.

4.1.5 The breakdown of staff by area, and the proposed numbers to transfer to NYH is as shown below in Table 2, below

Area Office	Total Number of FTE HOs (current vacancies in brackets)	Number of HOs (FTE) proposed to transfer to NY Highways	Number of AHOs (FTE)	Number of AHOs proposed (FTE) to transfer to NY Highways	Number of MMs (FTE) (current vacancies in brackets)	Number of MMs (FTE) proposed to transfer to NY Highways	Total FTE
1 - Brompton on Swale	1.0 (0)	4.0			1.0 (1.0)		
2 - Thirsk	5.0 (0)	5.0			1.0		
3 - Whitby	6.0 (0)	6.0	2.0	2.0	1.0		
4 - Kirby Misperton	4.0 (0)	4.0			1.0		
5 - Skipton	3.6 (1.0)	3.6			1.0 (1.0)		
6 - Boroughbridge	8.0 (0)	8.0			1.0		
7 - Selby	3.8 (1.0)	3.8			1.0 (1.0)		
TOTAL FTE	34.4		2.0		7.0		43.4
TO NYH		34.4		2		3 <small>Note 1</small>	39.4
	FTE						Total FTE
Mechanical Sweeper Drivers	10(4)						49.4

Table 2 - Highway Officers, Assistant Highway Officers & Maintenance Managers, Proposed Transfer to NY Highways, by area and Mechanical Sweeper Drivers.

Note 1: See later text for narrative on Maintenance Manager transfer to NY Highways; it has been established that 3.0FTE MM posts will transfer to NYH, with the other 4.0FTE MM posts remaining in NYC.

4.1.6 The Transferee [NYH] will be required to establish a pension scheme that meets the statutory criterion of being broadly comparable to the transferring employees' current pension arrangements. It is proposed that this would be the Local Government Pension Scheme. Appendix A contains further detail.

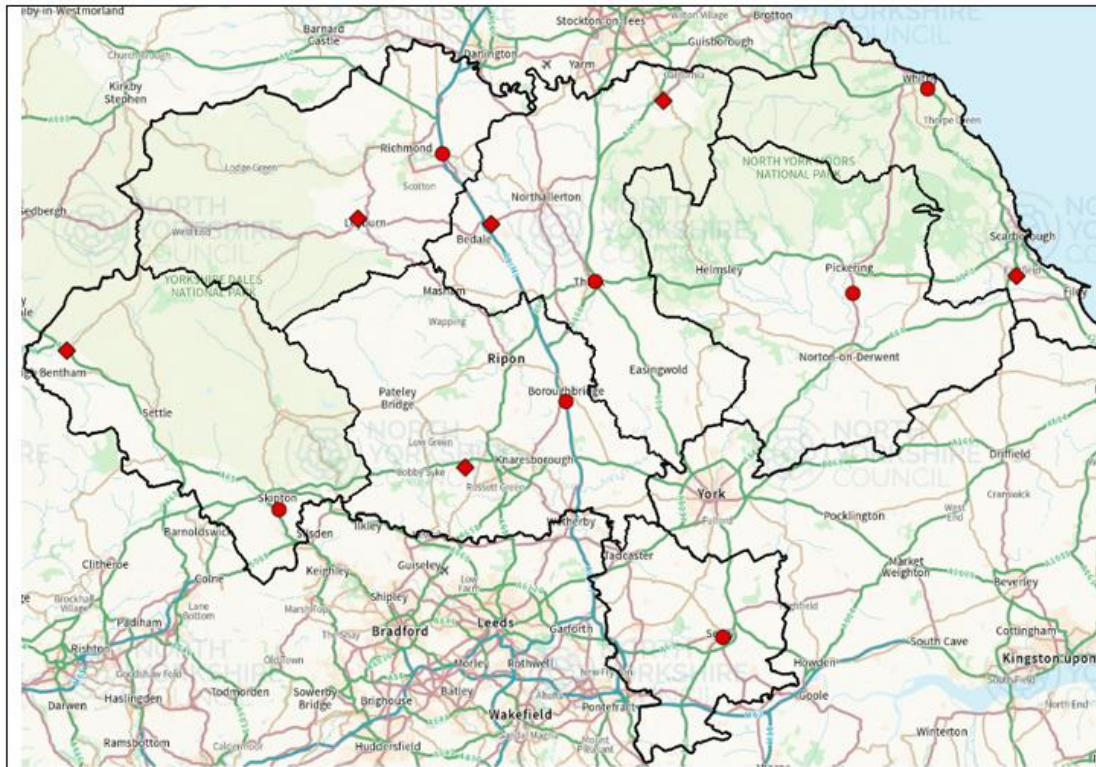
4.2 Operational Base

4.2.1 Under the proposed new operating models, the intention is that operational bases for colleagues will be as outlined below:

- Highway Officers – no change. HOs will continue to work from their current bases (numbers as per Table 2 above); this is achievable as HOs are currently co-located with NYH in the 'main' highways' depots around the county and this acts as a pragmatic base for their highway inspection areas
- Assistant Highway Officers – no change. Where AHOs are concerned, the rationale always applied is that the AHOs' base is the Area Office closest to where they live in order to minimise their travel costs given the comparatively lower grade they are on compared to Highway Officers. Presently both AHO postholders reside in Area 3; whilst this can change with new incumbents, the principle outlined above would be applied

- Maintenance Managers – some change to 3.0FTE MMs covering 7 areas. Each of the seven MMs posts is currently assigned to one of the seven area highway areas, so this will see some change and the exact split of areas for MMs is currently being finalised with NY Highways. All NYH MMs (and most NYC MMs) will cover more than one area if these proposals are implemented.
- Mechanical sweeper drivers will move from their existing work bases to the nearest NYH operational bases.

4.2.2 Map 1 shows the ‘main’ highways area offices/depts (red circles) and ‘satellite’ depots (red diamonds). The reader should note the map includes Leeming Bar Street Lighting depot, as officers can hot desk at that location.



Map 1: ‘main’ highways area offices/depts (red circles) and ‘satellite’ depots (red diamonds)

4.2.3 As part of this proposed change, the proportion of ‘rent’ NYH pay for floorspace in highways depots will also need to be adjusted in due course.

4.3 Fleet

4.3.1 This comprises 50 vehicles, currently made up of 47 owned vehicles and 3 leased vehicles. Owned vehicles are scheduled to transfer to NY Highways the assessment of market values of these vehicles is ongoing, and it is currently being explored whether those aforementioned three leased vehicles can be transferred. The replacement budget for all 50 vehicles is estimated to be in between £2,940,000 and £3,140,000 (subject to confirmation), with a current estimated annual cost of £369,000. At the time of the transfer, NYH will need to have sufficient funding to purchase these assets from NYC, or engage in a leaseback arrangement, based on the agreed market values, expected to be between £450,000 to £550,000. The current annual maintenance budget for fuel and maintenance is £289,000.

4.3.2 At the time of transfer NYC will ensure all vehicles are fully operational and all NYC peripherals are removed. Once the fleet transfers to NYH, all maintenance arrangements and liabilities become the sole responsibility of NYH alongside fuel and other consumables.

4.3.3 NYH will be responsible for the fleet asset life cycle going forward, this will be reviewed and managed in line with the existing NYH fleet. Recovery of fleet asset costs (either annual depreciation or hire/lease charges) will be included in the prelim costs or included in the charges as part of the recharge for services to NYC.

4.4 Service Design

4.4.1 NY Highways will deliver frontline highway service functions, those overarching HO duties (supported by AHOs) include, but are not limited to the following, which will not change on transfer to NY Highways:

- Footway and carriageway inspections
- Winter service duties
- Customer Service Requests (CSRs)
- Input to small drainage schemes and capital projects based on their local knowledge
- Find and fix / stewardship of their assigned areas
- Assisting with / responding to emergencies (including weather events) and other unplanned works

4.4.2 Outside of undertaking winter service duties and/or dealing with weather events, typically the vast majority (almost 90%) of a HO's day is spent on Inspections and CSRs. Day to day engagement with the local community will continue to remain an integral part of the Highway Officer duties as is currently the case, with a strong focus on 'Customer' being both an essential and integral part of the culture in both NYH and NYC.

4.4.3 It has been established that 3.0FTE of the 7.0FTE Maintenance Manager posts will move from NYC to NYH. This figure has been arrived at based on the proportion of time MMs spend on managing the various key function of their role, which include (but again are not limited to):

- Team management
- Budget management
- Oversight / management of planned cyclic inspections
- Third Party Claims Management
- Recharges
- Winter Service Duties
- Customer Service Requests
- Drainage and Capital Schemes
- Stewardship and Customer engagement, including Parish/Town Councils, Members, MPs – here the focus is very much on the Highway Officers continuing to have, and enhancing a 'pride in their Patch' approach
- Managing / responding to emergencies (including weather events) and other unplanned works

4.4.4 The exact arrangements relating to the interface between NYH MMs, HOs, AHOs and those MMs remaining in NYC will be fully developed in the SLA / variation to the Highway Maintenance Contract 2021 that is currently being prepared. This will include detail of how matrix management and other communication interfaces will operate, however the underlying principle behind this is no additional layers of bureaucracy and open access / dialogue between NYC and NYH staff in order to ensure a seamless, cohesive and collaborative working environment exists.

4.4.5 With regard to mechanical sweeping activity, Highway Operations will manage the budget for this area of service delivery in partnership with NYH. The service is being designed to provide an effective mechanical sweeping function within the available budget. All relevant service information has been consolidated to enable the NYC Network Strategy team to support the NYC Highway Operations teams in developing a new specification and standard for NYH. This work will be completed prior to the transfer. NYH will be responsible for the disposal of all arisings produced in the operation of their mechanical sweeping fleet.

5.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 The services referenced in this report play an essential role in achieving the council's ambitions of developing more sustainable and connected places, whilst retaining / delivering strong, local and customer led services. The proposed changes to how these functions are delivered and the resultant revenue budget savings it realises, assists in achieving the objective of ensuring the council is financially sustainable through effective management of our resources and responsible budget management.

6.0 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 A number of options have been considered:
- 6.1.1 Do nothing – retaining the status quo would not make use of the opportunities for closer working / further integration with NY Highways, nor would it assist in the realisation of savings from the Council's Revenue Budget
- 6.1.2 Transfer only part of the HO / AHO / MM function to NYH – this has been discussed at length in the engagement sessions. Highway Officers in particular were not supportive of this option as they felt it would remove variety from their role but also might see one HO passing another to undertake different functions in the same geographical areas, resulting in inefficient practices.
- 6.1.3 Transfer all HO / AHO and some MM functions to NYH – this has been deemed the most viable and efficient option. Maintenance Manager functions can be more easily undertaken remotely in many cases and given the necessary interface between NYH and NYC to ensure the HOs' / AHOs' duties are being discharged effectively. Whilst there will be a different focus/emphasis on NYH MM duties and NYC MM duties, there will inevitably be ongoing dialogue alongside a matrix management arrangement between NYC and NYH outlined in the overarching SLA or variation to NYH 2021 Highway Maintenance Contract.
- 6.1.4 The entire mechanical sweeping fleet, including assets associated with pavements and pedestrianised areas, could move across to NYH; this could be considered as a second phase and moving the largest fleet first does not impact the viability of any future changes.

7.0 FINANCIAL IMPLICATIONS

- 7.1 Highway Operations will be charged by NY Highways in a similar manner to other services NYH currently deliver to the council and underpinned by either a Service Level Agreement (SLA) or a variation to the Highway Maintenance Contract 2021. To align with the wider operating model for NYH, it is proposed that they will deliver against a programme of works and ensure KPIs are achieved. The current budget for delivering the service under the existing arrangement (i.e. within NYC) is £2,337k, this includes a 6% vacancy factor. Excluding any changes in Business Support arrangements, once the proposed transfer of the 49.4 FTE to NYH (34.4 HOs, 2.0 AHOs and 3.0 MMs, 6 Cleansing Drivers), the estimated staff cost of delivering the service in NYH is in the region of £2,495,000 (assuming no vacancies, 37 hour contract and without assuming anything for pay award, but taking account of staff getting an increment next year and also difference in the pension charge between NYC & NYH). This cost also includes provision for NYH to manage this element of their service delivery but would not be a transfer from NYC. This can be accommodated, including those additional costs to NY Highways highlighted in Appendix A.
- 7.2 As part of the charging mechanism between NYH and NYC, the value of works order claims are used to apportion the cost of prelims/overhead charges between Revenue and Capital budgets, this allows NYC to realise a Revenue budget saving as part of this exercise. The estimated reduction in cost charged to revenue is expected to achieve in excess of the original saving estimate of £330k, this will be known once transfer has taken place.

- 7.3 As part of the HAT01 savings programme there is an assigned £330k efficiency from this service area under the heading 'ENV13– Transfer planned inspections to NYH'; As mentioned earlier, that £330k saving will now be exceeded given the proposed wholesale transfer of all HOs, all AHOs and three MMs to NYH. Future years (2027/28 and beyond) will see the full HAT01/ENV13 saving continue to be achieved, so any savings realised as part of this proposal are in addition to existing savings already being realised via NYH.
- 7.4 To facilitate / reflect the new operating model, the following budget transfers from Highway Operations and NYC Fleet budgets into the NY Highways prelims budgets are proposed:

Element	Value £k
Highway Operations [Labour]	1,950
Removal of capital recharge budget	(398)
Fleet maintenance and Fuel	104
Fleet Annual Asset Value	127
Current MTFS Savings	(330)
Total Revenue Budget	2,113

- 7.5 To enable the mechanical sweeping change to take place, the following budget transfers to Highway Operations are proposed:

Element	Value £k
Waste Operations [Labour]	387
Central Waste disposal	333
Fleet maintenance	72
Fleet Annual Asset Value (Based on Replacement Value of £1.94m and 8 year Replacement Cycle)	242
Fuel	113
£50k saving commitment	(50)
Total transfer to Highway Operations	1,097

- 7.6 The current market value of the vehicles (along with lease arrangements for three vehicles) is being confirmed and agreed between NYC and NYH but is estimated to be £450,000 to £550,000. If ownership is transferred to NYHighways, funding options will need to be considered, including the availability of the loan facility between NYC and NY Highways Ltd. The loan facility for NYC is already partially drawn upon but there is sufficient facility headroom available to enable the purchase of the vehicles at market value set out above.
- 7.7 Once Business Support Service (BSS) requirements are understood, any additional charges incurred under the BSS SLA to NYHighways would require an equal budget transfer from the NYC Business Support budget into Highways prelims budget.
- 7.8 More details of financial risks and potential costs and mitigations are set out in the confidential appendix (Appendix A) to this report.

8.0 LEGAL IMPLICATIONS

- 8.1 NY Highways Limited was established as a 'Teckal' compliant company under the Public Contracts Regulation 2015 (now a 'Vertical Arrangement' under the Procurement Act 2023) enabling the Council to directly award contracts to NYHighways without the need to go through a procurement exercise.

- 8.2 NYH continues to comply with the Vertical Arrangement exemption (also known as the Teckal exemption) set out within Schedule 2 of the Procurement Act 2023. Paragraph 2 of Schedule 2 enables a contracting authority to directly awards contracts to a company it owns without undertaking a procurement exercise where the following criteria are satisfied:
- i. the contracting authority is a 'parent undertaking' of the company; and
 - ii. no person other than the contracting authority exerts a decisive influence on the activities of the company (either directly or indirectly); and
 - iii. more than 80% of the activities carried out by the company are carried out for or on behalf of the contracting authority or another person that is controlled by the contracting authority; and
 - iv. no person that is not a contracting authority holds shares in the company.
- 8.3 NYH continues to operate in a way which satisfies all four criteria above; 95% of its revenue comes from the Council and the Council controls the board and key decisions through Reserved Matters.
- 8.4 The proposed functions can be delivered by NYH under the scope of the existing 2021 Highways Maintenance contract. A variation agreement may be required to the HMC 2021 contract, and an SLA for additional back-office services such as business support provided by the Council to NY Highways necessary to facilitate this transfer.
- 8.5 An asset transfer agreement will be entered into between NYC and NY Highways to transfer vehicles from NYC to NY Highways. The vehicles are being valued and shall be transferred at market rate to ensure compliance with the Subsidy Control Act 2022.
- 8.6 The Council currently has a lease agreement with NY Highways in respect of the highway depots. As a result of the transfer, the lease agreement will be reviewed, and a variation is likely to be necessary to reflect the transfer of the highways maintenance service and staff. NY Highways shall pay the market rate for the lease of the Council buildings to ensure compliance with Subsidy Control.
- 8.7 Further Legal implications are set out in the confidential Appendix (Appendix A).

9.0 EQUALITIES IMPLICATIONS

- 9.1 An initial equalities impact assessment form was completed and is included as (Appendix B). The assessment of this report concluded that there is no impact on people with protected characteristics.

10.0 CLIMATE CHANGE IMPLICATIONS

- 10.1 A Climate Change Impact Assessment has been undertaken and is included (Appendix C).
- 10.2 NYH calculates its Scope 1 and Scope 2 carbon emissions – currently 0.35kg of carbon per £1 of turnover - this positively contributes towards the reduction in carbon used when delivering the highways services. There is no overall anticipated change in transferring some of the functions currently undertaken by NYC to NYH. Any increase in travel is likely to be incurred by Maintenance Managers working across more than one operational base; however, they can also still work in a hybrid manner. Additionally, any increase in MM travel is likely to be offset by more efficient working practices between the Highway Officers and other colleagues in NY Highways through closer, more collaborative working.

11.0 CONCLUSIONS

- 11.1 Analysis of the alternative means through which a more efficient operating model could work has led to the conclusion that further integrating Highway Officers, Assistant Highway Officers and some Maintenance Managers alongside highway street cleansing (sweeping) into NY Highways will bring benefit.

12.0 REASONS FOR RECOMMENDATIONS

- 12.1 The recommendations contained in this report are to enable this proposed change in service delivery model to be advanced and realise savings under the revised delivery model.

13.0 RECOMMENDATIONS

- 13.1 The Executive approves the transfer of staff and functions from NYC to NY Highways with effect by the 01 July 2026 for street sweeping and Highway Operations
- 13.2 The Executive approves the Council disposing of the street sweeper vehicles and highway maintenance vehicles as detailed in the report and delegate negotiation and agreement of the final price of the vehicles and terms of the asset transfer agreement to the Assistant Director, Environment and Transport.
- 13.3 The Executive delegate any other necessary steps to implement this decision including but not limited to entering contracts detailed in this report (excluding the asset transfer) to the Assistant Director – Highways & Infrastructure, Environment Directorate.
- 13.4 To amend the Environment Directorate organisational structure and move the responsibility for those functions outlined earlier, to sit within NY Highways. This will include some Business Support functions yet to be confirmed.
- 13.5 Subject to Member approval of the above, Executive are asked to approve the following on behalf of NYC in its capacity as Shareholder of NY Highways:
- i. The acquisition by NY Highways of all the vehicles detailed in this report from NYC.
 - ii. To open the LGPS pension scheme via a variation to the Deed of Accession for NY Highways to allow pension continuation for all transferring NYC staff to NY Highways.
 - iii. To agree the matters referred by the Board of Directors as detailed in confidential Appendix A; and
 - iv. To delegate any other shareholder decisions necessary to facilitate the transfer from NYC to NY Highways to the Chief Executive as Shareholder Representative.

APPENDICES

- Appendix A – NOT FOR PUBLICATION – Confidential Section
Appendix B – Equalities Impact Screening Form
Appendix C – Climate Change Impact Assessment

BACKGROUND DOCUMENTS: None

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