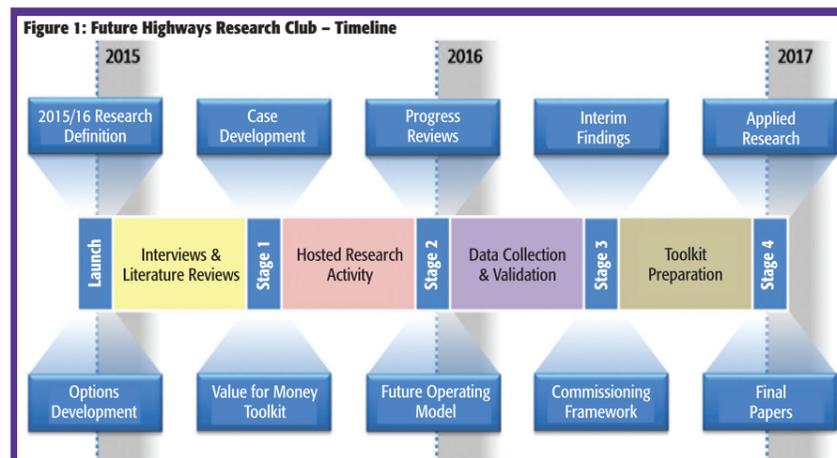


Model performer

Simon Watson reports on a future operating model for local highways services

Formed by Proving Services (established by practitioners from Cranfield University School of Management) in 2014 and hosted at Cranfield University, the Future Highways Research Club is driven by the national challenges of austerity and public dissatisfaction with the condition of highways assets and network performance. Involving 33 local authorities, the purpose of the research has been to explore radical and innovative approaches to highways services design and delivery, with the focus determined by the members. The output is a set of models and tools endorsed by the Chartered Institute of Public Finance and Accountancy that can be used to improve operations.

With an emphasis on tangible – typically cashable – business benefits, the members considered a wide range of new ideas, in each case challenging accepted assumptions, practices and structures. Each new concept was developed as an ‘Option’ and includes a clear definition of the required business changes, costs, risks and assessed outcomes.



The 2015 / 2016 research Options included, *inter alia*:

- Operating model redesign and services commissioning (internal and external)
- Value for money assurance and continuous value for money improvement
- Right-sourced client/provider
- Long-term partner planning and investment (optimum contract length)
- Regional resources and services sharing
- Community engagement and effective communications
- Winning grants and securing additional investment
- Effective asset management
- Reducing duties and minimising asset costs
- New materials/new methods
- Trading council (brand strength and resource utilisation)
- Big data exploitation

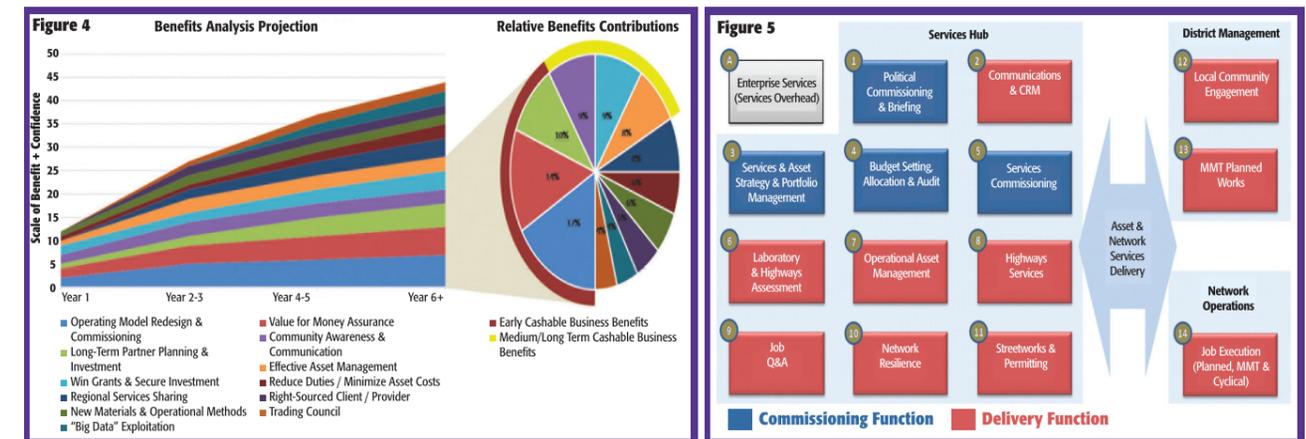
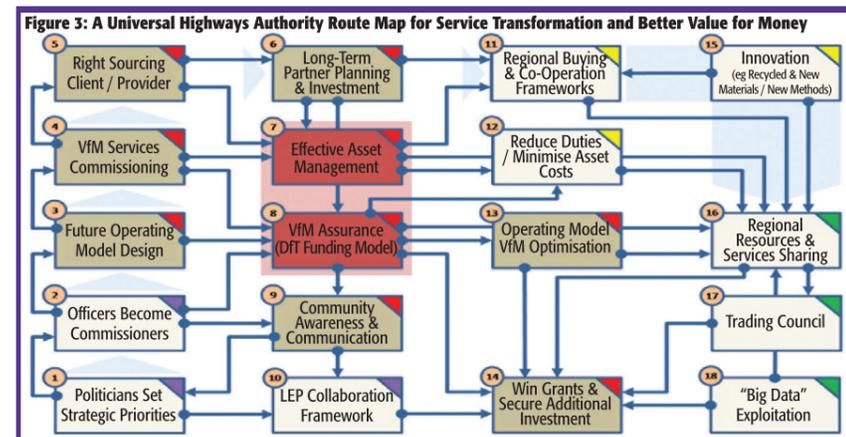
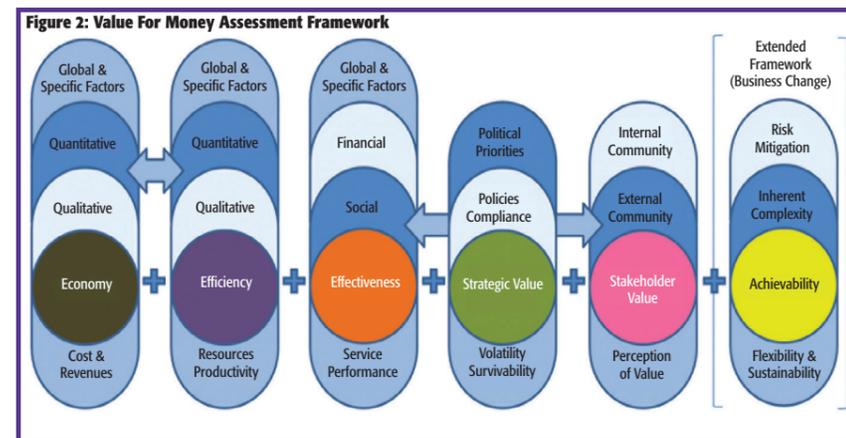
To assess the performance of each Option, Proving Services developed a highways-specific value for money (VfM) assessment tool to qualify and quantify the benefits using a consistent set of weighted factors [see Figure 2]. The weightings make clear that achieving optimum VfM is about much more than establishing the lowest cost option. VfM studies were conducted for each of the research club members to provide a VfM baseline, enabling the impact of the Options to be assessed.

Research findings

While many authorities had sought inspiration from the private sector, the research highlighted that the main sources of innovation came from within their own organisations.

This was most clearly illustrated by the constraints placed on highways authorities by providers keen to retain traditional contracting and service delivery models. In the future, providers will need to become equal partners in their willingness to push the boundaries of conventional thinking and explore alternative business methods.

The research findings have been fascinating and, in some cases, surprisingly counter-intuitive. For example, low-cost initiatives for managing public expectations are often as effective as more costly investments in asset and



network improvements. In other cases, options that performed well in theory demonstrated poor performance in real-world trials.

Another unexpected product of the research was the consistent scale of ambition of the highly diverse membership. This was reflected in a similar set of transformation strategies, incorporating many of the top-performing Options [see Figure 3]. By combining each of these strategies, we were able to develop a Universal Services Transformation Route Map to assess the current strategic position and future strategic options for any highways authority.

An important finding was that the options were non-competitive and could be combined and implemented concurrently, thereby aggregating and multiplying the business benefits [see Figure 4].

Research deliverables

The research programme has created a wide range of tools and methodologies, broadly applicable throughout the sector:

- Highways services transformation Options: All research Options have been designed to be scalable and adaptable to meet the specific needs of member organisations
- Highways services value for money assessment toolkit: With a customisable VfM factor set tailored specifically for analysing the performance of highways
- Strategic Options evaluation toolkit: Incorporating the research Options and applicable for the evaluation of in-house and contracted Options
- Commissioning for value framework: A best practice framework, specific to the highways function, designed to accelerate

the implementation of robust service and/or function level commissions

- Operating model design and analysis and achievability of future operating model designs and assessing the implications of changes in the strategic environment
- Service provider performance analysis and benchmarking toolkit: Incorporating scores for each of the leading providers across a wide range of factors, based on feedback from a wide range of authorities.

A fundamental premise of the research club has been self-help and the confident application of research-based tools and options using existing highways teams – without the need of support from expensive external consultancies. ☹

Lincolnshire CC Highways Service: Applied Research

As a founding member of the research club, Lincolnshire CC Highways Service (LCCHS) provided a ready and competent applied research partner.

Lincolnshire is one of the largest highways authorities in the country with a network of over 9,000km to manage and maintain. The authority has a record of innovation and bidding successfully for additional funding. Last year it was one of only two authorities awarded Band 3 status by right as part of the DfT self-assessment process. Lincolnshire is also one of the few authorities to have achieved BS 11000 (Collaborative Business Relationships) for collaborative working. Although an exemplar authority, the senior staff recognised that resourcing levels and existing practices were not financially sustainable in the long-term.

LCCHS, as pioneers of many sector-leading techniques, had already adopted a commissioning structure, encompassing both internal functions and contracted services. This provided an ideal environment for the development and deployment of both the individual research options and the whole service.

As a critical first step, LCCHS redesigned the current service delivery structures to create a Future Operating Model [see Figure 5], spanning the entire service. This redesign incorporated many of the highest performing research Options, together with a wide range of in-house service improvements. A comprehensive analysis of the business benefits, costs and risks of the new operating model were collated to form a detailed

business case, evidencing significant cashable savings of up to £14m over five years. These savings are being achieved by fundamentally challenging the current culture and the approach to service delivery, from the very top of the organisation down.

The core tenets of the new LCCHS operating model include; commissioning for value, function-level accountability, VfM assurance and a culture of continuous function-by-function optimisation. These overarching philosophies have provided a fresh focus for the highways team and have liberated the service from more static, traditional structures and attitudes. VfM assessments incorporating economy, efficiency, effectiveness, strategic value and stakeholder value have enabled agile decision-making and, in many cases, superseded less relevant historic key performance indicators.

In the new operating model, commissioners and functional managers work together to continuously optimise the service in response to the prevailing political priorities, asset condition and the needs of served communities. Flexible functions enable skills to be actively transferred to the point of need, enabling the service to respond fluidly to demand peaks without the need to permanently increase resources.

As LCCHS begins the process of negotiating a new term maintenance contract, it is envisaging a new, more dynamic relationship with a future provider. A critical test of potential private sector partners will be their ability to adopt these new philosophies and contribute additional business benefits in a new commissioning-style contract. The council is also exploring the wider application of the approach to other services across the organisation.

The Future Highways Research Club is relaunching in September 2017 with applications to join now welcome. Membership is targeted at leaders of highways services with support from the private sector. Local authorities looking at engaging in a transformation programme, reprocurring their private sector suppliers or wanting to benchmark themselves will benefit from involvement. If you are interested in getting involved please contact Simon Watson at s.watson@proving-services.co.uk.