



Achieving Efficiency Gains From Collaborative Roads Procurement

A Highways Industry Strategy

“Highways clients and supply chain partners working collaboratively to deliver efficient and continually improving highways services and infrastructure”.

19th September 2005



Foreword by Steve Rowsell, Director of Procurement, Highways Agency

The industry's response over the last few years, to the various programmes for change has been impressive. Many clients and suppliers have enthusiastically embraced new forms of procurement and have sought to deliver highways projects and services using a partnership approach. There is, however, much more that can be done by us all to deliver continual improvements through a more joined up approach and to share performance successes and lessons learnt.

The Highways Agency has just published a review and update of our 2001 Procurement Strategy. As well as highlighting the Agency's new vision "Customers First", 'client collaboration' has been added as an essential principle to support the delivery of best value. This will be a very important aspect of delivering the wider objectives of the Government's Efficiency Programme.

To support the principle of collaboration this strategy document has been produced to help align the many clients in the highways sector. Future success in delivering this Strategy will depend on the whole industry working together with common objectives. There are many similarities in the management and provision of local and strategic roads – for example how we procure and manage contracts and employ suppliers. This Strategy has therefore been written as one for the whole highways industry.

The Strategy incorporates the views expressed in the consultation exercise held at the beginning of 2005, and also the output from workshops attended by local authority and other industry representatives. I am also pleased senior industry representatives who came together to provide advice to the Highways Agency, initially as the Advisory Group, have now agreed to take on a wider 'liaison' role to champion aspects of delivery of the Strategy.

All highways clients and supply chain partners have ideas to contribute based on their experiences and lessons learnt. For us all to succeed and to deliver the mutual benefits it must be a two way process.

I am confident that the industry can respond positively to the challenge of the efficiency programme. Successful delivery of this Strategy will not only achieve the efficiency gains that are expected of us, it will improve the service we give to our customers.

Endorsement by the Highways Efficiency Liaison Group

Efficiency must be at the heart of public service provision.

The nation's economic and social needs and welfare require an effective road network both nationally and locally and it is paramount that any work is procured in the most efficient manner.

This will only be achieved by all parts of the roads industry working together and taking an holistic approach to achieve common outcomes.

This approach is increasingly becoming the heart of roads procurement but more can and should be done to share best practice and to ensure that successes in one area are applied in others.

Government has charged the Highways Agency with a particular responsibility as a "change agent" under the Gershon Efficiency Review, to work with others to deliver target roads procurement efficiencies.

As stakeholders we are delighted to play a major part in producing this strategy and we look forward to continued involvement in overseeing its delivery.



1. Introduction

This document sets out a strategy for the whole roads industry to jointly deliver efficiency gains. This involves improving the quality and cost of service provision across the whole road network for the benefit of all customers – i.e. those using, relying on, or affected by the road network. The intended audience for the Strategy is the whole industry: public sector clients for highway services and the whole supply chain. Detailed projects and workstreams will be developed and taken forward as part of a separate delivery plan.

This Strategy sets out the industry's vision, strategic objectives and the principles on which it will be implemented. It has been produced following consultation and a series of workshops with industry partners (see Appendix A). The key element of the Strategy is for highway authority clients to work collaboratively, and in close partnership with their supply chain.

The Highways Agency has been given a challenging new role as a “change agent” as part of the Department for Transport's Efficiency Programme . This role involves the Agency working with other highways clients, suppliers and key industry representative bodies, to assist the achievement of efficiency improvements in local roads delivery. The Agency will also bring the lessons it learns from local highway authorities to its drive for efficiency in strategic roads delivery.

1.1 Background

In July 2004, Sir Peter Gershon published the report of his independent review into public sector efficiency - “Releasing Resources To The Front Line”. The cross-public sector Efficiency Programme, which has been set in place to implement the outcome of the Review, is now a central element of Government policy, and reads across to many other Government initiatives (see Appendix B).

The Gershon Report identified a total efficiency gain target in excess of £20bn per year across the public sector, to be achieved by the end of the Spending Review 2004 period (2005/06 – 2007/08). Of this at least £6.45bn will come from local government efficiencies. In addition to these short-term (2005 - 2008) efficiency targets, the Report also emphasised the need to plan to achieve longer-term efficiency gains, i.e. beyond 2008.

The Highways Agency is leading two major workstreams which will contribute substantially towards the delivery of the Department for Transport's (DfT) efficiency target to achieve £785m in efficiency gains by 2007/08. One of these workstreams is to achieve significant increases in quality and customer benefit from improved levels of service in existing contracts for the strategic road network and from achieving savings in

new maintenance contracts. The other major workstream is for the Highways Agency to work collaboratively and/or in partnership with local authorities to achieve procurement efficiency improvements. At least half of all efficiency gains must be found by achieving cashable savings which can then be re-invested to support priority front-line activity.

The Office of the Deputy Prime Minister (ODPM) requires councils to achieve 2.5% per annum improvements on their 2004/5 baseline, of which at least half should be cashable. By 2007/8 efficiency gains equivalent to 7.5% of the 2004/5 baseline should be achieved.

The fundamental message is about doing things better, not public spending cuts. It is about providing improved public services more directly related to the needs and aspirations of the service recipient, but in such a way that real cash savings are achieved which can then be reinvested to support priority front-line activities.

1.2 Facilitating Change

The Gershon Report highlighted a number of potential benefits that would result from change agent activities and from the resulting improved procurement and project delivery practices. Although Gershon related these to all aspects of procurement they apply particularly to highways procurement. These benefits include:

Delivering better contracts and supply chain agreements

Shaping the market –

- a better understanding of forward plans and overall demand
- influencing - the supply chain to develop their capabilities and capacity to meet this demand

Understanding how client and customer behaviour drives supply costs

Ensuring quality and value from existing contracts and driving improvements from new contracts

Raising the levels of professionalism and expertise applied to procurement activities

Identifying 'clustering' of organisations and activities to better match up to the supply market and to optimise economic factors

Developing and designing pilot solutions e.g. new forms of contract and shared transactional services

Promoting and marketing 'best value' contracts

Monitoring and benchmarking performance

Sharing knowledge, experience, successes and learning.

As well as seeking to achieve these benefits in relation to its own highway programme, the Highways Agency will work with local authorities and suppliers to deliver the overall efficiency targets. Section 4 outlines ways in which the industry as a whole might work collectively to achieve targeted efficiencies.

2 Current Progress and Drivers for Change

The Government has a long-term commitment to improving efficiency in the construction industry. Much has already been achieved by leading highway authorities in delivering improved efficiency in roads procurement. This has been predominantly through the development of a 'best value' culture with partnerships supported by performance measurement and continuous improvement being core features. Also, a key focus of some clients has been leading the development of improved effectiveness in relationships between internal and external partners, particularly with suppliers. Examples of new initiatives applied by highway authorities include:

The Managing Agent Contractor (MAC) contract (based on the NEC/ECC form of contract) - a single company to manage the planning and operational delivery for maintenance areas

Early Contractor Involvement (ECI) contracts – team selection based on its ability to deliver effectively and efficiently with emphasis on quality

The HA's Capability Assessment Toolkit (CAT) – to identify those high quality supplier organisations with whom we want to develop more effective and longer term relationships

The HA's Culture Assessment Framework (CAF) – to identify areas for improved effectiveness and efficiency in the client/supplier team working relationships

Strategic Partnering contracts with integrated team working contractor/ designer/supplier both public and private sector

NEC/ECC contracts which embrace partnering, procured over a wider scope with target cost included and which encourage continuous improvement.

The extension of Whole of Government Accounting to local authorities and the application of Asset Management to roads as part of the next Local Transport Plans will raise greater awareness of the scale of the roads asset and the most efficient options for funding its improvement and maintenance.

3 The Strategic Vision

Highways clients and supply chain partners working collaboratively to deliver efficient and continually improving highways services and infrastructure.

This is an exciting opportunity for public sector clients to manage the roads procurement market in a more strategic and effective way. It is an opportunity to understand the overall market in which we collectively operate, to manage our processes and behaviours, to drive out waste and through efficiency to improve delivery for road users and others affected by the integrated highway network.



4 How the Vision will be Delivered

Seven interlinked, strategic objectives have been identified. These have resulted from informal discussions with stakeholders and potential partners, a formal consultation exercise held during December 2004 and January 2005, and the stakeholder workshops that preceded and followed the formal consultation:

Working closely with other delivery partners

Developing a consistent culture, based on the principles of partnering

Encouraging the use of collaborative contracts between individual local authorities (LAs) and between the Highways Agency and LAs

Encouraging operational collaboration

Identifying, sharing and promoting best practice

Developing a consistent approach to efficiency and performance measurement

Communicating effectively.

4.1 Working closely with other delivery partners

Since mid 2004, the Highways Agency has been exploring how to work more closely with local authorities to deliver efficiency targets. In addition to direct consultation with many local authorities and suppliers, and bodies who represent the technical, professional and political interests of local roads, a formal consultation exercise was held during December 2004 and January 2005. The findings of this consultation have been fed into this document.

It was essential to gain the wider views of the local roads industry. This has been achieved through close working with key organisations including: Institution of Highways and Transportation (IHT), County Surveyors Society (CSS) and Technical Advisers' Group (TAG). The Highways Agency is also working with the IHT Procurement Board; the CSS Best Practice Groups; various Regional Centres of Excellence; and the National Highways Best Value Benchmarking Clubs.

The Highways Efficiency Liaison Group was formed (see appendix A), to engage the industry on a wider basis and to give advice on matters potentially outside the highways sector in England that might be of value in taking the work forward. Looking to the future there is potential for extending the collaborative approach to encompass clients and suppliers operating in other parts of the UK.

4.2 Developing a consistent culture, based on the principles of partnering

The key to changed procurement practice lies fundamentally in changing the way the industry behaves, particularly the way clients and suppliers interact. The new forms of contract (such as longer term MAC style contracts) will only be fully effective if true partnering and supplier empowerment are allowed to develop, with clients focused on longer term planning and contracts as opposed to project and incident management. The adoption of behaviour that supports a consistent culture across the whole industry would achieve significant efficiencies and deliver substantial benefits. Other key elements are compatible and meaningful performance measurement and management across all supplier/client organisations.

One element of developing a consistent culture is the importance of shared values. Discussion at the post-consultation workshop, which agreed the thrust of the Strategy, stressed the importance of this. That discussion also indicated that the HA's values : **customer service; teamwork; improvement; best value; diversity and integrity** are helpful to achieving consistent cultures.

4.3 Encouraging the increased use of collaborative contracts

There are clear opportunities for public sector clients to collaborate in developing more efficient forms of contract that reduce the need for procurement effort. Collaboration should also extend to the supply chain to develop contracts which allow greater efficiencies to be obtained from supplier organisations – including by achieving greater clarity of the expectations on delivery and quality and enabling suppliers to plan more reliably for the longer term. Examples of such opportunities might be:

Joint (HA / LA) area maintenance contracts

Joint project contracts

Regional framework contracts with access available for HA and LAs

Aggregation of demand – e.g. bulk purchasing

E-procurement

Joint Research & Development

Exploring new procurement models – e.g. NHS ProCure 21

Communication and Information Technology developments

Making optimal use of project management expertise with the public sector.

Key partners in this development work, and in other areas of collaboration (see below) will be the Regional Centres of Excellence (RCEs). These regional organisations, originally set up to deliver the National Procurement Strategy, have now been given an efficiency focus to take forward the implementation of the Efficiency Programme and they are charged with driving efficiencies through all local authorities and across all spending areas. Close working between the industry leaders and these regional bodies is essential in developing new approaches and in understanding how public clients can work more effectively and efficiently together.



4.4 Encouraging Operational Collaboration

There is a huge potential to develop efficiency opportunities in the area of operational collaboration, building on existing HA and LA expertise. These include:

Improving network management and operation by closer forward planning and liaison

Jointly tackling health and safety initiatives

Sharing supplier performance and appraisal techniques and data and joint supply chain management

Jointly supporting implementation of Office of Government Commerce (OGC) Gateway processes

Setting up joint client/ supplier communities - possibly regionally as well as nationally – to help drive continual improvement initiatives

Development of project based insurance

Sharing initiatives such as CAT and CAF and developing other joint initiatives such as a CAT approach for small and medium sized enterprises

In conjunction with RCEs, development of regional procurement strategies for highways services and infrastructure, aligned to other service strategies

In conjunction with RCEs, learning from the experience of delivery and procurement strategies in other Central Government and LA delivery areas

Developing consistency in contract types, contract documentation and performance measurement and management (see also 4.6 below)

Exploring and encouraging strategic alliances between highway authorities

Better understanding, planning and management of the demand for public sector roads services.

Exploring opportunities for joint client delivery, including programming and planning.



4.5 Identifying, sharing and promoting best practice

This is likely to be the greatest area of collaborative opportunities for achieving efficiency gains - underpinned by robust performance measurement (see 4.6 below) and cultural development (see 4.2 above) regimes. Examples are likely to include:

Identifying the optimal 'highways client' role in highway authorities

Understanding risk and risk allocation

Sustainability in construction practice (for example the recent Waste and Resources Action Plan (WRAP))

Environmental protection and sustainability

Developing alignment between the work of the highways benchmarking clubs

Developing measures that relate to outcomes and outputs as well as inputs

Finding opportunities to share and explore good practice and examples of best practice

Development of good practice processes

Understanding the costs of service delivery as opposed to the price paid

Integration between client and supplier delivery teams (e.g. CAF)

Adoption of common values and procedures between clients to unite the roads services and construction industry

Reduced defects and better quality design

Understanding the conditions for different procurement choices, e.g. Public Private Partnerships (PPPs) / Design Build Finance and Operate (DBFO) etc.



4.6 Developing a consistent approach to efficiency and performance measurement

Performance measurement of cost and quality / quantity of service delivery, aligned to delivery of customer requirements and an organisation's corporate objectives, is an essential component of driving forward a continual improvement strategy. The recent toolkit published by ODPM ("Toolkit for Measuring Roads Local Transport Efficiency Gains" - see www.rcoe.gov.uk) is aligned to the measurement framework in the new Code of Practice for Highways Maintenance, published by the Roads Board on 6th July 2005. This work illustrates that while there are differences between the objectives of different parts of the road network there are also clear strategic and operational similarities.

However, there are many practical and cultural differences in the ways in which highways clients actually measure performance and, in order to objectively evaluate and share best practice, a more uniform approach to measurement is essential. The CoP and the Toolkit provide a useful starting point. The Highways Agency will be taking forward an important piece of work to improve its understanding of best value and how this could deliver improved customer service on the network.

Various performance measurement, benchmarking and best value organisations exist to assist delivery of continual improvement. Their objectives are similar but their approaches are not entirely aligned and communications between clubs is limited. Bringing these approaches and organisations closer together is seen as a primary strategic objective. A common understanding of best practice measurement would also assist the Audit Commission in reviewing local authority performance and in verifying efficiency claims.

Other, more detailed proposals will include:

Using measures which focus on customer needs and expectations

Measuring outcomes rather than outputs

Relating delivery performance to planning and budgeting processes

Measuring the real cost of service or infrastructure provision rather than payments or 'unit rates'

Relating delivery performance to continual improvement of people (e.g. skills, and culture), tools and delivery processes

4.7 Communicating Effectively

Communication will be at the heart of the delivery of this Strategy. The Liaison Group will act as a conduit for the views of the HA, local authorities, suppliers and other industry and representative partners. A variety of media such as the web, technical press, seminars and conferences, workshops and through direct, individual and group, contacts, will be used to share efficiency messages and good practice.

Where appropriate, the Agency will seek to demonstrate connection between the efficiency improvement work of the highways industry and activities by other relevant change agents, including encouraging mutual development and identifying synergy and encouraging joint initiatives where there may be potential benefit for improved efficiency in roads procurement.

The Agency, as guided by the Liaison Group, will work with Government and Non-Government Organisations which are working with LAs in respect of other service areas, including DfT and ODPM working groups and OGC, to ensure a consistent message.

A communication plan is being developed with an element specifically focusing on documenting and publishing information on clients' experiences of best practice and the advantages gained from new forms of contract.



5 The Way Forward

There is real value to be gained as a result of implementing this Strategy. It will result in working more closely together to share successful and less successful experiences, understanding how best to manage more efficient delivery of highways services and infrastructure and delivering better and cheaper solutions to meet customer expectations. However, it will not be easy. Some hard decisions will be required, particularly from client organisations, to implement the cultural and other changes necessary to realise the benefits. Where necessary benefits will be demonstrated by use of early pilots.

In order to implement the Strategy projects will be developed and proposals for collaborative ventures explored, which will act as pilots or exemplars for what might be achieved by collaboration. Focus will be given to projects which are deliverable, contribute to the efficiency agenda, and to the sustainable delivery of improvements in the longer term. The success of these projects will be used to embed the culture and to achieve commitment to this way of working across the industry. A communications plan will set out how knowledge will be shared and opportunities maximized, and further commitment achieved. All participants in the Strategy, in particular the Regional Centres of Excellence, will have a role in delivering collaboration and sharing knowledge and good practice.



Appendix A

The Highways Efficiency Liaison Group comprises senior representatives from the following major organisations:

- The Institution of Highways and Transportation (IHT) - www.iht.org
- The County Surveyors' Society (CSS) - www.cssnet.org.uk
- The Technical Advisors Group (TAG) - www.t-a-g.org.uk
- Public Private Partnership Programme (4Ps) - www.4ps.co.uk
- Civil Engineering Contractors Association (CECA) - www.ceca.co.uk
- Association for Consultancy and Engineering (ACE) - www.acenet.co.uk
- Highways Term Maintenance Association (HTMA)
- Constructing Excellence - www.constructingexcellence.org.uk
- Regional Centres of Excellence (RCEs) - www.rcoe.gov.uk/

Plus senior representatives from the HA delivery directorates - i.e. Traffic Operations Directorate (TOD) and Major Projects Directorate (MPD). The Group is chaired by the HA's Procurement Director.

Other strategic partners and organisations who have assisted in the development of this Strategy, include:

- Improvement and Development Agency (IdeA) - www.idea-knowledge.gov.uk
- Local Government Association (www.lga.gov.uk)
- National Highways Best Value Benchmarking Clubs (NHBVBMC)
www.buildsoft.co.uk/benchmarking-clubs
- Representatives of the National Highways Best Value Benchmarking Club (Works and Design)
- A number of leading local authorities

Appendix B

Gershon Review: Areas of Opportunity for efficiency savings

The Efficiency Review identified various ways in which these efficiency targets could be achieved, including:

Corporate Services: staff and cost reductions with greater emphasis on redirecting resources to improve service delivery

Procurement: the largest potential area for efficiency gain and covering the whole procurement process - from delivery planning to decommissioning - not just the 'buying' process

Productive time of front line professionals - related to procurement activities and includes the need to examine processes

Transactional services - tax or fee collection activities

Policy funding and regulation (private and public sector) - ensuring that costs are proportionate to added value

References

Constructing The Team - Sir Michael Latham (1994)

The Levene Efficiency Scrutiny Into Construction Procurement by Government (1995)

Rethinking Construction – Sir John Egan (1998)

Modernising Construction – The National Audit Office (2001)

Improving Public Services Through Better Construction - The National Audit Office (2005)

*Delivering Best Value Solutions and Services –
Highways Agency Procurement Strategy (2001)*

National Procurement Strategy For Local Government in England (2003)

Releasing Resources to the Front Line – Sir Peter Gershon (2004)

*CPA – The Harder Test: The New Framework For Comprehensive Performance
Assessment of Single Tier and County Councils from 2005 to 2008 (2005)*

*Efficiency Matters – The Annual Efficiency Statement and the Bigger Picture –
IDeA and Regional Centres of Excellence (2005)*

Efficiency Gains from Collaborative Procurement – the consultation HA (November 2004)

*Efficiency Gains from Collaborative Roads Procurement – Report on Responses to the
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