

East Midlands Improvement and Efficiency Partnership



East Midlands
Improvement and
Efficiency Partnership

Midlands Highway Alliance: How the East Midlands will save £11 m by 2011 by working collaboratively on highways projects ▼

East Midlands Improvement and Efficiency Partnership Case Studies

The East Midlands Improvement & Efficiency Partnership is committed to celebrating the successful, innovative and imaginative project work that exists in the East Midlands region.

The EM IEP Support Team publish case studies showing how East Midlands councils are improving services, and delivering significant improvements and efficiencies.

The case studies are intended to inspire councils in the region, and indeed nationally, to transform services and benefit from the processes developed by those councils that have pioneered the way forward.

Background ▼

Set up following the publication of the National Improvement and Efficiency Strategy by Communities and Local Government (CLG) in December 2007 Regional Improvement and Efficiency Partnerships (RIEPs) support councils and their partners to work collaboratively, accelerate efficiency gains and drive improvement. The RIEPs were established through the merger of the Regional Centres of Excellence and the Regional Improvement Partnerships to ensure an integrated focus on efficiency and improvement.



Background continued

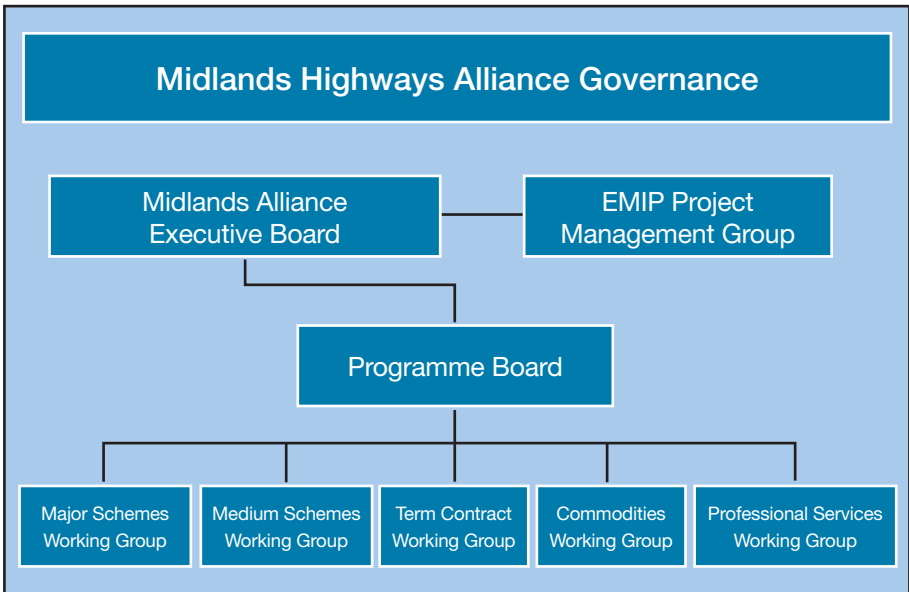
The East Midlands Improvement and Efficiency Partnership (EMIEP) aims to bring lasting improvements to the region by forging closer relationships between the 46 councils and five fire and rescue authorities and helping them to challenge and support each other on their “improvement journeys”.

The Midlands Highways Alliance (MHA) was formally launched in July 2007 by the East Midlands Centre of Excellence and its success has seen it continue as a core project now led by the East Midlands Improvement and Efficiency Partnership. It comprises nine East Midlands councils, one East of England council and the Highways Agency. These organisations have common interests in improving

performance and making potential efficiency savings of £11 million in the delivery of highway services working in collaboration. They have joined forces to improve the design and delivery of highways projects and achieve efficiency gains. The Alliance has been constituted as an “unincorporated association by agreement” to facilitate collaboration.

Leicestershire County Council acts as the lead authority for the Midlands Highways Alliance.

The governance structure of the Midlands Highways Alliance has three levels. The Executive Board, which meets twice a year, ensures the involvement of chief officers and is chaired by Leicestershire County Council. The Programme Board



Background continued

agrees the budget and forward programme on a quarterly basis. The five Working Groups, each chaired by a different authority, take forward the workstream areas. The Alliance has been assisted by Constructing Excellence with its consultancy arm Collaborative

Working Centre (CWC) providing expert project management support. The East Midlands Improvement and Efficiency Partnership has provided funding of £277,000 for two years matched by funding from the participating authorities.

Securing Improvements and Efficiency Savings in Five Areas ▾

The Midlands Highway Alliance is focused on delivering efficiencies through shared best practice and joint procurement in; professional services, commodities, term maintenance and procurement frameworks for medium and major highway schemes. Savings of £11 million have been identified as achievable by 2011. The objectives of the Midlands Highway Alliance are to:

- a) establish and develop collaborative procurement frameworks to secure the delivery of major highway capital schemes, medium size highway schemes and professional services;
- b) establish, implement and develop a continuous improvement model for highway term maintenance to achieve convergence to best practices; and

- c) embed partnering principles and construction best practice in all its work and throughout the supply chains to optimise commodity acquisition

Each workstream is led by a different authority to ensure that the improvement activity is owned and embedded by local authorities themselves and that the learning and practices are sustainable. Major schemes (£5 million – £50 million) are led by Northamptonshire County Council, medium schemes (up to £8 million) are led by Leicestershire County Council, term maintenance is led by Lincolnshire County Council, professional services are led by Nottinghamshire County Council and commodities are led by Derbyshire County Council.

1. Medium Highways Schemes – Procurement Framework ▾

In terms of financial savings to date, the most successful workstream has been the medium schemes procurement framework. This was developed jointly by the Midlands Highways Alliance and the Highways Agency and is known as the Midlands Schemes Works Framework 3 (MWF3). Members use a framework of four contractors (Balfour Beatty, Carillion, Aggregate

Industries and Geoffrey Osborne joint venture and Tarmac) for procuring highways schemes of up to £8 million in value. This framework runs for three years and will be renewed in November 2010.

The framework removes the need for individual procurement exercises, saving an estimated £100,000 per scheme in



procurement costs including the time required to go through European procurement processes. As a result the savings in procurement costs are expected to be £300,000 2008/9 and total £2.7 million by 2010/11.

In addition to achieving savings by reducing procurement costs, efficiencies and improved construction has been realised through Early Contractor Involvement (ECI) and the use of innovative approaches. The activities have included establishing a community board for the procurement framework, building integrated teams from the start of the scheme, operating under a cost transparent and incentivised contract to improve cost certainty (often known as “open book”) and reducing lead-in time.

With an independent chairman and made up of representatives from all contractors and all clients the community board is a forum for improving performance, sharing innovation and checking consistency. Involving a contractor early in the process to advise on pre-planning and “buildability” can hugely help a client. For example, a contractor requested that an island kerb line be moved as part of works to accommodate barriers and preserve traffic flow. This reduced the duration of the works and resulted in savings of £233,000.

By March 2009, each of the four contractors had been allocated about £15 million of highways work. Two schemes procured under this framework have been completed: the £7.1 million resurfacing of the M69 by Tarmac and the £1.3 million A52 Whatton resurfacing by Carillion. So far 27 medium sized schemes are planned to be procured through the framework over a three year period. These include a park and ride scheme for Leicester, a public realm scheme for the centre of Peterborough and a new development scheme for Markham Vale. The total for awarded and potential work to the end of 2008/9 is expected to be £55 million with savings forecast at £738,000 for 2008/9.

While analysis of the framework suggest savings of 6% over “traditional” adversarial contracts, savings of up to 24% have been achieved on some schemes. Total savings are forecast to be £6 million over the £100 million of spend.

2. Major Highways Schemes – Procurement Framework ▾

Similar procurement framework arrangements for major highways schemes (from £8 million to £50 million in value) are being investigated. There is potential for similar efficiency savings through reduced procurement costs,

early Contractor Involvement and innovative approaches. Progress has been slower due to the scarcity of larger schemes in the East Midlands and uncertainty about the timing of schemes.

3. Commodities – Joint Procurement ▾

Joint procurement of commodities such as salt, surface dressing materials, street lighting columns, civil engineering materials and fuel can offer financial savings. A large County Council will procure about 15,000 tonnes of salt each year for its roads so reductions in costs per tonne can add up substantially.

The joint procurement of salt for 24 Highway Authorities through the Eastern Shires Purchasing Organisation (ESPO) has delivered a like-for-like saving for each authority of between 6% and 17%. Over three years this will amount to the saving of £700,000 with some County Councils achieving savings of about £65,000. The same approach is now being applied to street-lighting materials and a range of other products.

4. Professional Services – Procurement Framework ▾

The County Councils of Nottinghamshire, Leicestershire and Derbyshire have joined forces to procure a single supplier of civil engineering consultancy services for highways across the three authorities (Scott Wilson). The advantages have been shared set-up costs, aggregation of workload for the provider (£1-2 million/annum), economies of scale, development

of a long-term relationship with provider, development of benchmarking between the provider and three counties and sourcing of an external training provider. The joint working has resulted in a study being commissioned to look at the impacts of climate change on highways. Total efficiency savings in 2008/9 are expected to be £700,000 for an overall workload of £2 million.

5. Term Contract – Best Practice ▾

Term contractors normally undertake maintenance and small improvement schemes for local authorities (up to £500,000 in value). Authorities undertake term contract services in different ways. Some authorities outsource all these services, while others retain a substantial in-house Direct Labour Organisation (DLO) and just purchase top-up services. The ten member authorities spend around £200 million annually on term contracts and it is highly sensitive to public perception especially for those authorities with their own Direct Labour Organisations. The contract term is generally for four to five years but can be extended for up to ten years. With these long contract terms the workstream focused on sharing best practice in terms of term contractor management.

The workstream has created a best practice benchmark to develop collective and individual programmes of improvement. The best practice model contained 18 attributes and each of these was found in at least one authority in the Midlands Highways Alliance. The best practice attributes included governance, procurement, mobilisation, contract term, form of contract and risk and cost management. Following benchmarking, a customised improvement programme was developed for each authority. The first workshop to share best practice was held in early December 2008. Specific initiatives have been undertaken to help authorities with mobilisation, cost management and incentivisation and continuous improvement. Supply chain management at Tier 2 and below has been identified as a key area for improvement (i.e. suppliers to the term contractor).

The Impact and Challenges ▾

The Midlands Highways Alliance provides an example of how the East Midlands Improvement and Efficiency Partnership (building on the legacy of the East Midlands Regional Centre of Excellence) has facilitated local authorities to work together in partnership to make considerable efficiency savings. At October 2008, savings of £1.35 million had been achieved by the Midlands Highways Alliance. These savings are forecast to rise to £10.97 million by 2011. While the financial savings achieved and forecast are impressive there are a number of challenges for the Midlands Highways Alliance. Firstly, the majority of savings that have

been achieved are from capital budgets so do not contribute to Local Authorities target to reduce revenue spend by 3% per annum. Secondly, in the future funding from the East Midlands Improvement and Efficiency Partnership for the Midlands Highways Alliance will be on the basis of a loan and will need to be paid back. Other ways of funding will be required to develop the alliance in the future. Options being considered include subscriptions for members and a levy. Lastly, unless the end dates of existing contracts are co-incident, there is a need to integrate authorities into the procurement frameworks over time.

“Our experience of the Midlands Highways Alliance has been positive and we are pleased by the way that organisations have worked together collaboratively and in an open way. We are about to start on site with our first project procured through their framework and it is already clear that the procurement approach and early contractor involvement has significantly speeded up implementation times. We expect these procurement time savings to deliver financial benefits for our authority and the government compared to the approaches we have used in the past. That said it has been challenging to adapt our internal processes for signing off and approving the contracts in a new way and to ensure that Cabinet Members are fully comfortable with the approach.”

Head of Environment
Transport and Engineering, Peterborough City Council

The Lessons ▾

The Midlands Highways Alliance has made substantial progress over the last eighteen months but the East Midlands Improvement and Efficiency Partnership recognises there are a number of lessons for the process of change they have been advocating and supporting:

- **Not a quick fix.** It took two years to get ten authorities to sign the alliance agreement and eighteen months to establish the medium scheme procurement framework.
- **Needs championing through internal advocates.** The commitment of a chief officer at Leicestershire County Council with a national remit has been a key success factor. The Director of the East Midlands Improvement and Efficiency Partnership has come from Nottinghamshire County Council and has a national representative role for construction.
- **Must have clear business case.** The financial return on engagement has to be clear to members and senior officers in each participating authority as an investment of £200,000 is required each year to fund the activity of the Midlands Highways Alliance.
- **Need project management resource with right background.** The Midlands Highways Alliance project manager was previously in charge of highways at Kent County Council which gave experience and independence but he also had national representative experience to ensure an understanding of the issues of different regions.
- **Any new approach needs to be well communicated to internal staff.** Change programmes often run up against the “not invented here” syndrome. Any programme that aims to change some comfortable and well established institutional processes requires thorough and effective internal communication.
- **Need to keep the politicians on board.** Politicians have been engaged through their chief officers and sensitive issues (such as the balance of work allocated to some authorities’ Direct Labour Organisations and to external contractors) have to be carefully managed. A cultural shift is being asked of some elected members (e.g. move to “open book” costing and allowing another organisation to undertake your procurement) and they have to be supported through this change.

The Lessons continued

- **National firsts.** The East Midlands is now well advanced in collaborative procurement for highways projects compared to other regions which gives credibility to those involved. Some initial work in each of the other regions would allow each region to bid to the Regional Improvement and Efficiency Partnership (RIEP) for funds for

pump priming and initial analysis about potential for collaboration across highways projects. Graham Dalton Chief Executive of the Highways Agency said the Midlands Highways Alliance is an excellent example of collaboration and stated that “we are keen to use the experience gained to assist in developing other regional highway alliances”.

Future Developments ▾

For the future the East Midlands Improvement and Efficiency Partnership and the Midlands Highways Alliance has identified the following opportunities for further efficiency improvements:

- Extending membership of the medium highway schemes framework across other regions. Telford and Wrekin Council and Staffordshire County Council in the West Midlands and South Derbyshire District Council have expressed interest in joining the Midlands Highways Alliance
- Widen the use of the professional services framework within the region.
- Increasing maximum contract value for the medium schemes so the procurement framework will cover most local authority schemes.

- Increasing the number of commodities that are procured jointly (e.g. light fittings and other electrical components).
- Ensuring best practice adoption in term contracts and moving to procurement frameworks for term contracts.
- Implementing procurement. Early Contractor Involvement and innovation savings achieved in medium highways schemes for major highways schemes.

The Midlands Highways Alliance model is sufficiently well established that the first steps are being taken for developing collaboration in four other regions. Many of the principles underlying the alliance model align with the Highways Agency’s role as a change agent. Helpfully there are common drivers between local authorities and the Highways Agency relating to efficiency savings and the benefits of early collaboration.

Notes ▾

Further Information ▾

Name:

Sandra Johal

Job Title:

Communications Officer

Organisation:

East Midlands Improvement and Efficiency Partnership (EMIEP)

Tel: 0115 977 4194

Email:

sandra.johal@nottsc.gov.uk

Name:

Alastair Jefford

Job Title:

Director

Organisation:

CWC and Midlands Highways Alliance Project Manager

Tel: 01622 812734

Email:

alastair.jefford@cwcltd.biz

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