



Highways Maintenance Efficiency Programme

# **Why You Should be Considering a Local Highway Authorities Collaborative Alliance and Setting up and Operating an Alliance**

**Accompanies the Local Highway Authorities Collaborative Alliance Toolkit July 2012**

**Appendix D2 – Senior Officers**



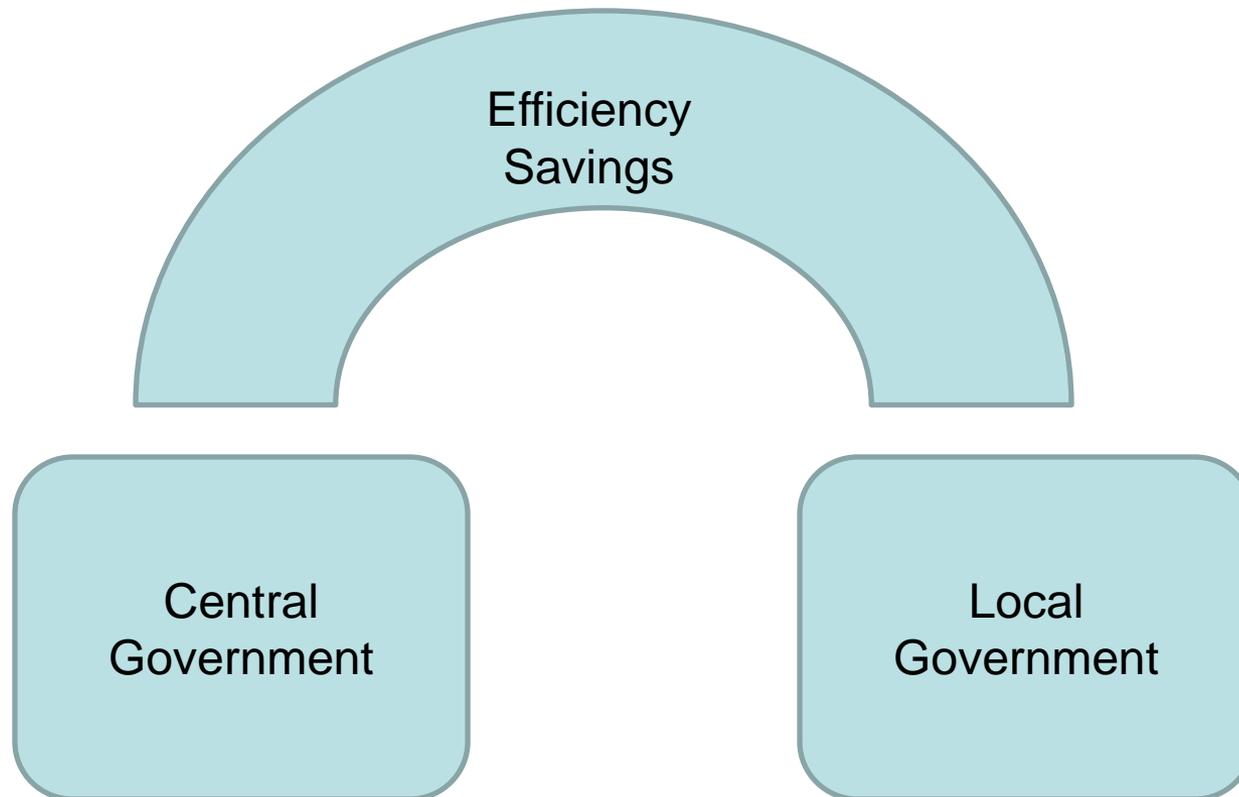
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## **A Local Highway Authorities Collaborative Alliance is defined as:**

“a grouping of more than two LHA’s who carry joint procurements and / or develop and implement good practices to improve their efficiency and customer service”

# **Drivers for Collaboration**

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## Central Government

The National Infrastructure Plan (Nov 2011) seeks to reduce costs of delivering services giving savings of between £20bn - £30bn over the next decade

*'HMEP recognises the value of more collaborative working because it provides real opportunities for economies of scale and cost savings without undermining local sovereignty'*

*Norman Baker, MP*

## Local Government

Local politicians want to be assured that their local highways service delivery is as efficient and effective as possible.

Furthermore, given shrinking budgets, you want as much expenditure as possible being directed towards front-line services.

**Collaboration between authorities through a highway alliance delivers these goals**

## Efficiencies

A highway alliance saves money because it:

- Reduces duplication (for example, authorities otherwise separately procuring similar services);
- Lowers costs (because the volume of work commissioned under one contract goes up so service providers' costs are more widely spread);
- Shortens delivery timescales for work streams through procured contracts;
- Helps deliver cost certainty through benchmarking with and previous experience of other members;
- Helps develop good practices.

## **Alliances between authorities deliver significant efficiencies of up to 10% of throughput by working collaboratively**

(Local Highway Authorities Collaborative Alliance Toolkit – HMEP July 2012)

*“For all benefits there is no loss of sovereignty for the individual authority nor is it a drain on resource”.*

*(Matthew Lugg OBE - Chair of HMEP Project Board)*

Participation in an alliance demonstrates “outward” rather than “inward” thinking and the key benefits of an alliance are summarised as:

- Lower costs because of increased work and economies of scale for contractors/suppliers.
- Shorter delivery time because of easier contractor selection.
- Less risk of cost increases and time over-runs because of better incentivisation of contractor/suppliers and longer term supply relationships.
- Better integration of supply chain, helping local firms/small and medium size enterprises.
- Savings in client “on-costs” so more money can be spent on “services”.
- Improved ability to demonstrate value for money.
- Up-skilling of clients and more cost effective training for clients and the supply chain.
- Innovation is encouraged, demonstrated to others and adopted by others.
- Builds confidence between member authorities which encourages more collaboration/sharing.
- Consistency of processes, measurement and standardisation of specification

A successful alliance is likely to be promoting collaboration in three main areas:

i) ***Primary highway maintenance activities***

Often the initial streams delivered by alliances generating immediate and obvious quantifiable benefits, these have included works frameworks and commodities supply frameworks.

ii) ***Secondary highway activities***

Activities that have been delivered at an initial start up but often considered after the first couple of years of alliance operation, these have included professional services frameworks, joint training, production and use of joint specifications, lean processes, innovation and recycling and supply chain re-engineering.

iii) ***Activity opportunities that exist because of the formation of the alliance***

Activities often outside of highways maintenance delivered within a maturing alliance or identified as specific needs of individual members. These have included shared services and back office activities such as ticketing, enforcement and Traffic Management Act activities.

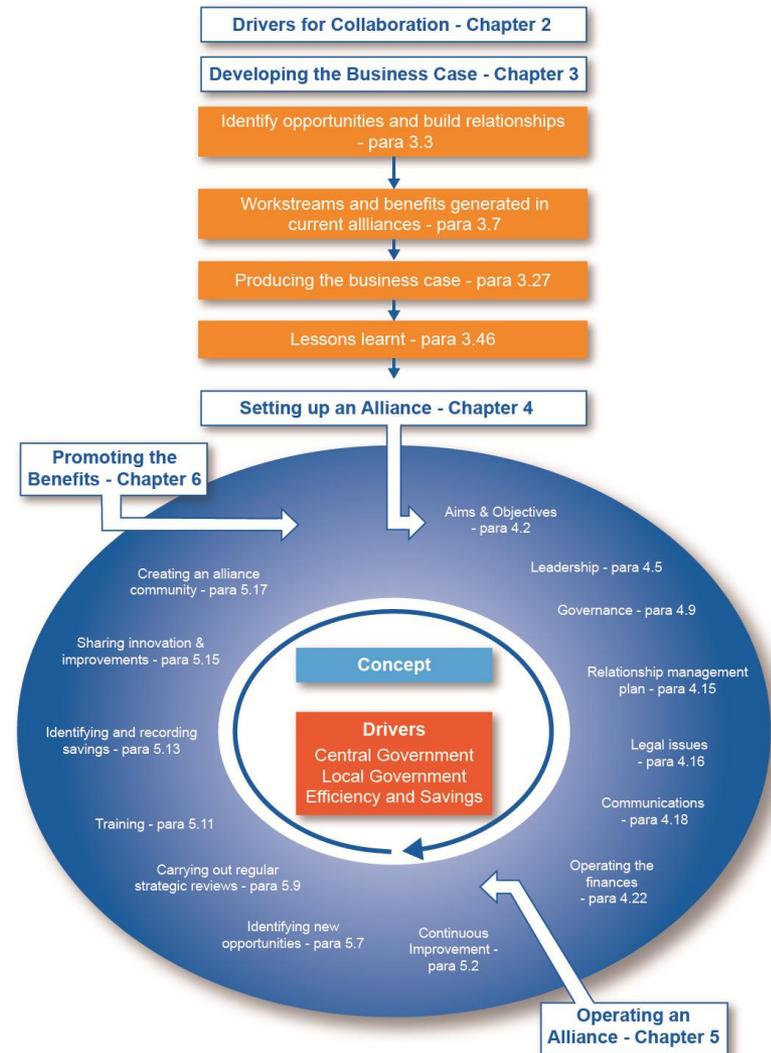
**The HMEP Local Highway Authorities Collaborative Alliance Toolkit (July 2012)** has been written to assist highways authorities set up and operate an alliance. This will substantially reduce the time and costs required.

The Toolkit has been developed through the following actions:

- An initial survey of all English local highway authorities was undertaken in October 2011 by the HMEP to determine what alliances were in existence and how they operated - including their experiences of forming a highway alliance.
- The toolkit content is drawn from both the survey and experience of best practice drawn together from within the construction sector and from consultants that have assisted the establishment of alliances in the past.
- Current highway alliances were identified and their respective managers interviewed. To establish lessons learnt and good practice.

The Collaborative Alliance Cycle diagram adjacent illustrates the steps required for setting up and operating a highways alliance.

Within the toolkit each of these steps is covered in detail and include case studies and examples, wherever possible, from existing alliances as well as the challenges overcome and lessons learnt



# Key Requirements

Currently there are six highway alliances established. The key factors given for setting up and operating the alliances are:

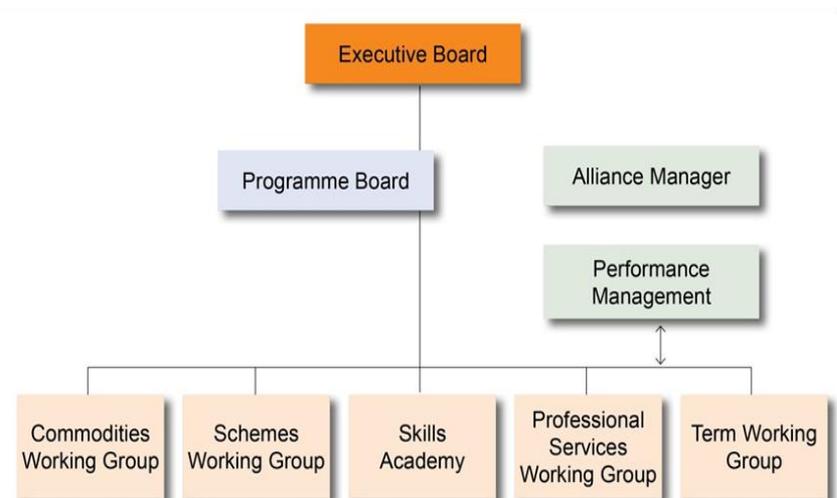
- ***Leadership***
  - Momentum and enthusiasm from the top down and identify lead authorities for the alliance as a whole
- ***Aims and Objectives***
  - Need to reflect the member authorities
- ***Communications***
  - Essential for the success of the alliance
- ***Operating the Finances***
  - Determine the type of funding mix, uncharged resource input and or subscriptions and or levies for alliance products

**This is the key role for the Senior Officers' support and enthusiasm to ensure the successful launch and operation of the alliance**

- ***Need Alliance Management*** - Most respondents indicate that some form of alliance management is essential
- ***Be Aware of Blockages and Challenges*** – Examples faced include:
  - Overcoming inertia of current practice; Lack of buy-in; Too reliant on individuals; Missed savings; Building trust ; Resource
- ***Need the Alliance not just the Product Streams*** - If the alliance is to develop it is important that it fosters a constructive interplay of ideas so that it becomes more than just a series of work streams.
- ***Need Lead Authorities for each Work Stream*** -The active participation of several authorities is important to the success of an alliance. Most surveyed had different authorities leading different work streams. This distributes and builds ownership of the alliance and avoids one authority being “saddled” with the bulk of the work.
- ***Avoid becoming a “Talking Shop”*** - Alliances need to be output and outcome driven,
- ***Measure the Alliance Performance*** – Annual Reviews

- Several current alliances have a formal agreement, although not all. Whilst a formal alliance agreement is not essential it does:
  - signify that authorities have made a strategic decision to enter into something more than a casual arrangement to work together.
  - Defines the entity of the alliance an advantage when it goes to the market to procure services and when it bids for grants.
- An unincorporated association by agreement is a common basis for agreements.

The adjacent diagram indicates a common example of governance structures currently being used.



Current alliances collect their funding from a mix of the following streams:

- **Subscriptions** –members pay annual subscriptions. Typically these are up to £10k per authority, with smaller authorities paying half the larger authorities' fee.
- **Joining fee** – alliances tend not to charge for founding members but some have effectively charged a joining fee for subsequent membership
- **Fees** – several alliances charge fees for using services they have set up. For example for works frameworks, this is typically a percentage of throughput works set at 1% of the target cost for the works package, payable when a task order is issued.
- **Resources** – members donate their personnel and resources free of charge

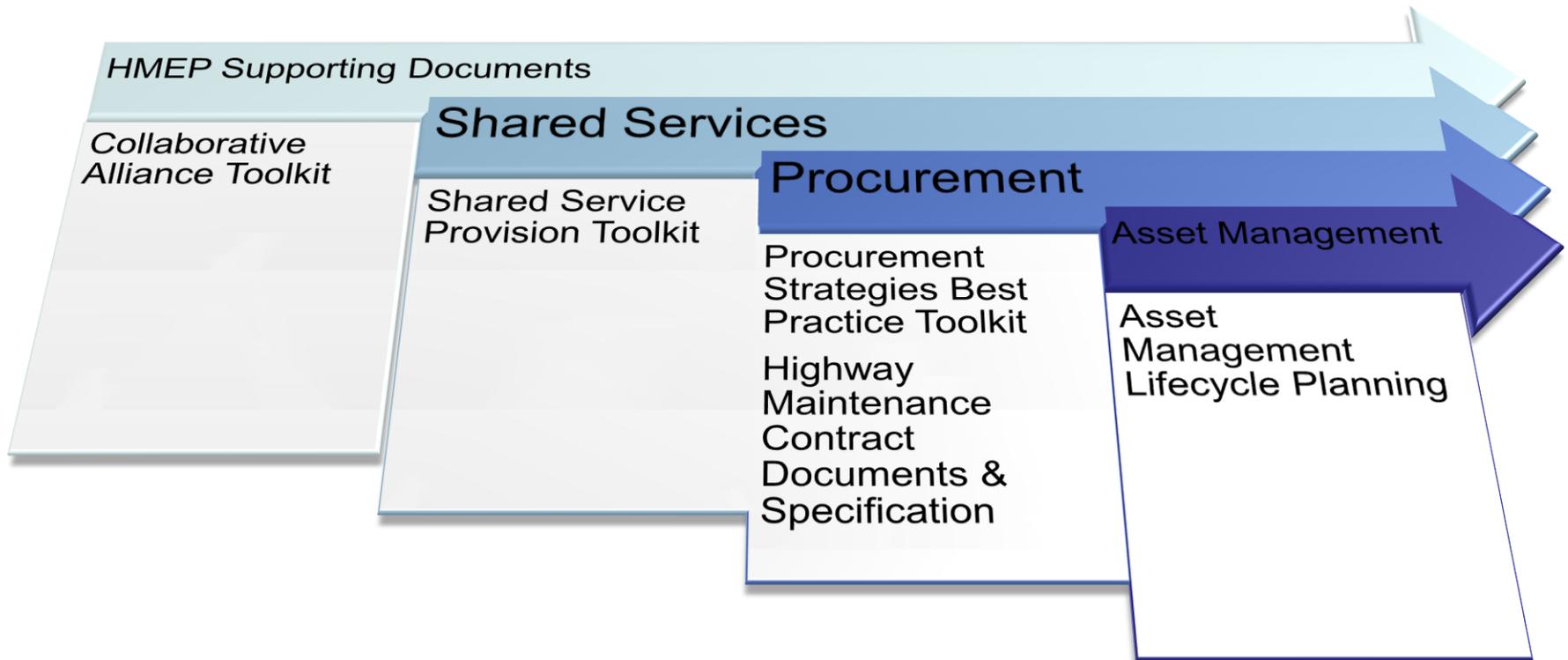
From the current highway alliances interviewed the timescale for setting up an alliance and identifying the first work stream to undertake varies from 12 to 18 months.

With the support of the HMEP toolkit that sets out step by step the actions to be taken and the challenges to be overcome and with leadership from yourselves this process is now envisaged to be reduced to 6 to 12 months.



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# Supporting HMEP Documents





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Thank you for your time and interest

If you would like to discuss any further aspects of forming and operating an highway alliance please contact:

**Matthew Lugg OBE – Chair of the HMEP Project Board**

Past President of Association of Director of Environment, Economy, Planning and Transportation (ADEPT)