



Highways Maintenance Efficiency Programme

# **Setting up and operating a Local Highway Authorities Collaborative Alliance**

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

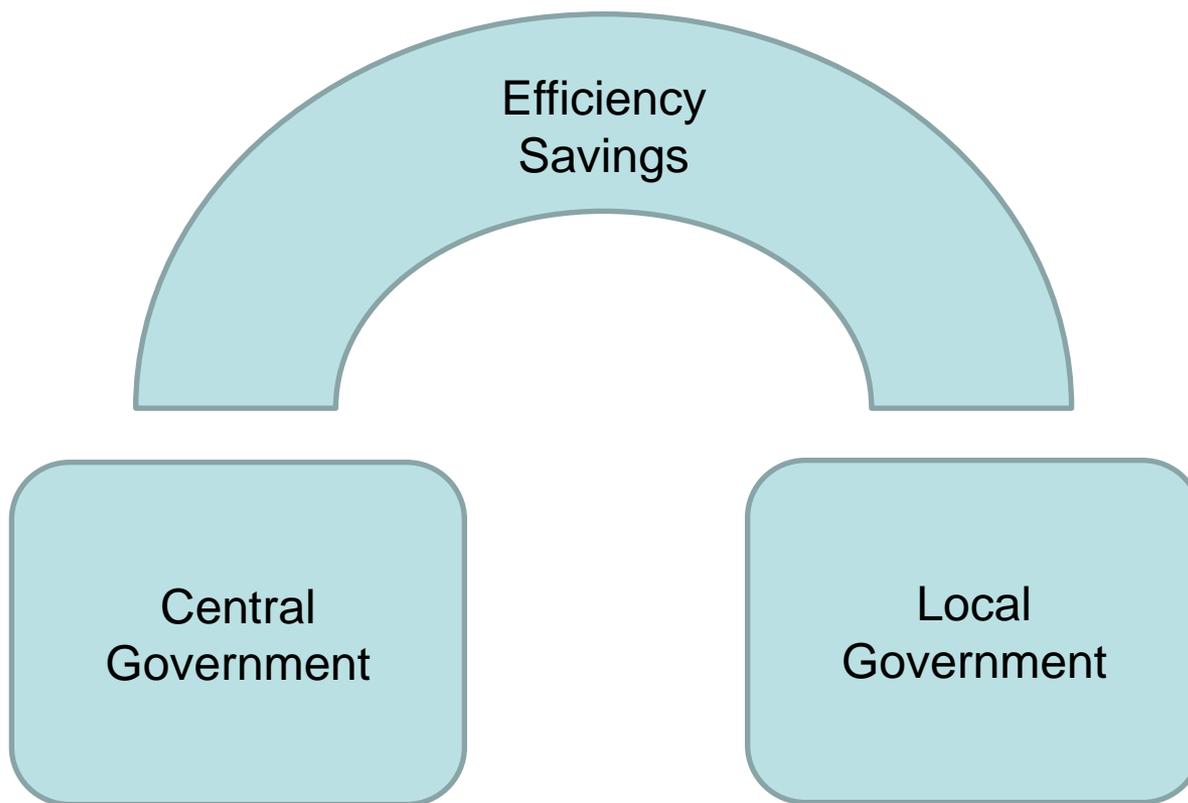
**Appendix D3 – Officers**



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**A Highway Collaborative Alliance is defined as:**

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



## 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*



# Drivers for Collaboration

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## 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.

## Efficiency Drivers:

- quantifiable savings
- reduction in procurement costs
- reduction in operating costs
- shared innovations

# Quantifiable Savings

Current Alliances are generating tangible savings from a wide range of activities that include:

## Frameworks for:

- works
- term maintenance
- commodities supply
- professional services

**Framework Savings** of £16.75 million have been identified for Midlands Highways Alliance members by 2013 at an average saving of £4m per annum through diverse work streams for the last four years.

## Commodities Savings

Actual - Winter salt = £400k one off (6%)  
Forecast - Lanterns = 40% savings (projected)

# Quantifiable Savings

Current alliances are also generating tangible savings from:

- joint training
- standard specifications
- lean processes
- innovation & recycling
- supply chain re-engineering
- shared services

## **Lean Processes:**

Maintenance delivery – forecast savings of £100k per annum.

Reactive repairs – forecast savings of £400k per annum.

## **Joint Training:**

- Utilisation of training grants.
- Economies of scale reducing cost per person.
- Ensuring graduates enter the industry.

# Non-Quantifiable Savings

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Some alliance benefits are non-quantifiable. These include:

- sharing good practice / innovation
- up-skilling of LA staff
- training by external advisors

*"It is easy to rely on a few people, but if they leave, because of say downsizing, there is a huge re-education process to go through; so get as many people as possible involved"*

*Peter Barclay, Midlands Highways Alliance*

These represent the wider benefits of collaborative working

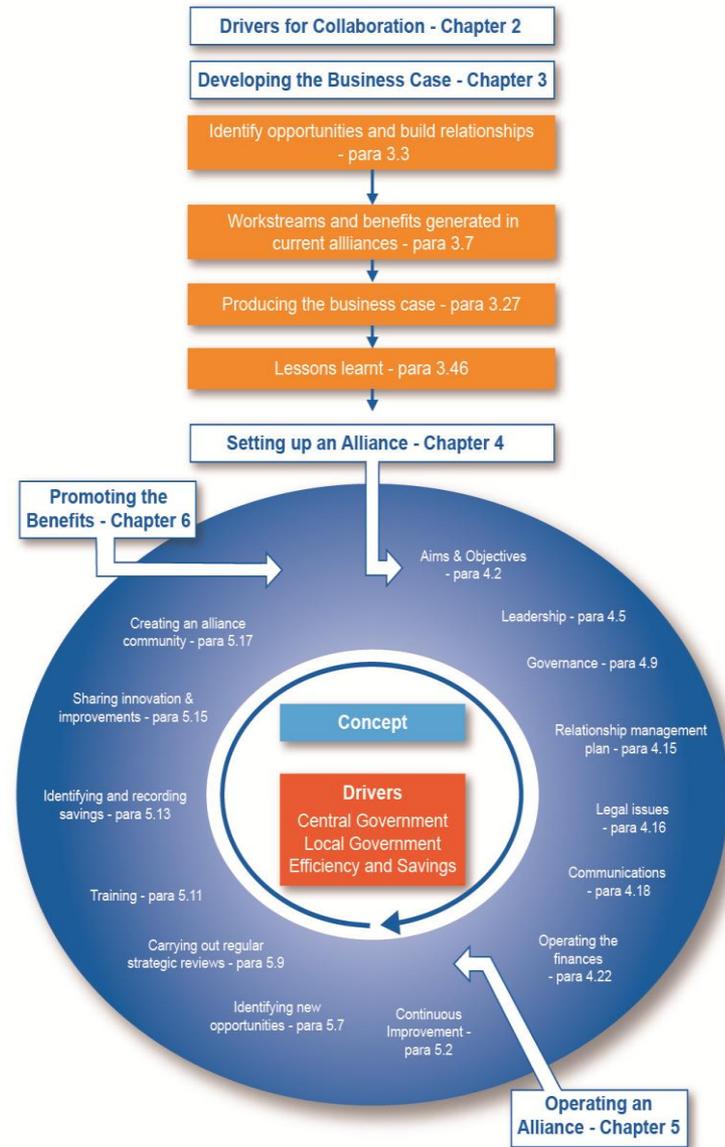
**The HMEP Local Highway Authorities Collaborative Alliance Toolkit (July 2012)** has been written to assist highways authorities set up and operate an alliance. This will substantially reduce the time and costs required.

The Toolkit has been developed through the following actions:

- an initial survey of all English local highway authorities was undertaken in October 2011 by 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 the survey, experience of best practice 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 an 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.





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# Setting Up and Operating an Alliance

The following good practice steps for setting up and operating an alliance have been detailed from existing alliances.

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

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

# Setting Up an Alliance

## Key Requirements

- Leadership
  - identify lead authorities for the alliance as a whole
- Governance
  - consider an alliance agreement
- Aims and Objectives
  - need to reflect the member authorities
- Communications
  - essential for the success of the alliance
- Operating the Finances
  - designate one authority as the alliance banker.

# Setting Up an Alliance

## Gathering the Data for the Alliance Business Case

- Identify the opportunities
- Identify existing associations/shared services that could provide “building blocks” for the alliance
- Identify needs/workloads/forward work programmes and hence work streams
- Identify likely benefits of an alliance for particular work-streams
- Identify possible lead authorities
- Identify how alliance management is to be delivered during the start-up phase.

# Setting Up an Alliance

## Identifying the Opportunities for Collaboration

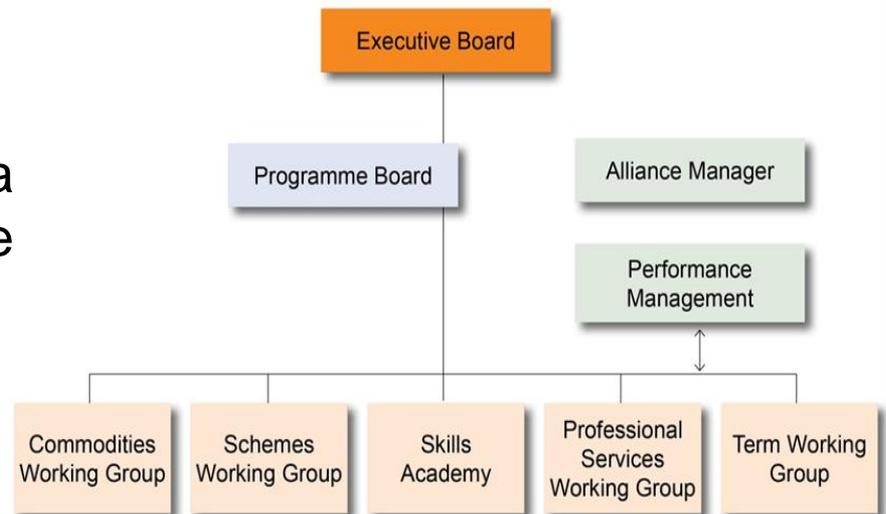
Highway alliances generate their efficiencies by collaboration with other members in various work streams, these have and can include:

- works frameworks
- term maintenance frameworks
- commodities supply frameworks
- professional services frameworks
- joint training
- lean processes
- innovation and recycling
- supply chain re-engineering
- shared services
- back office activities
- production and use of joint specifications

## Identifying the Governance for the Alliance

- 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
  - define 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.



## Developing the Alliance Business Case

- Develop individual cost benefit business cases for the individually identified work stream opportunities.
- Select the work stream(s) to move forward and the timings.
- Incorporate the work stream(s) outcomes together with the costs of the alliance into a five year business case for the alliance as a whole.

**Output a timeline of funding required**

# Setting Up an Alliance

## Identify the funding source(s)

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.

# Operating the Alliance

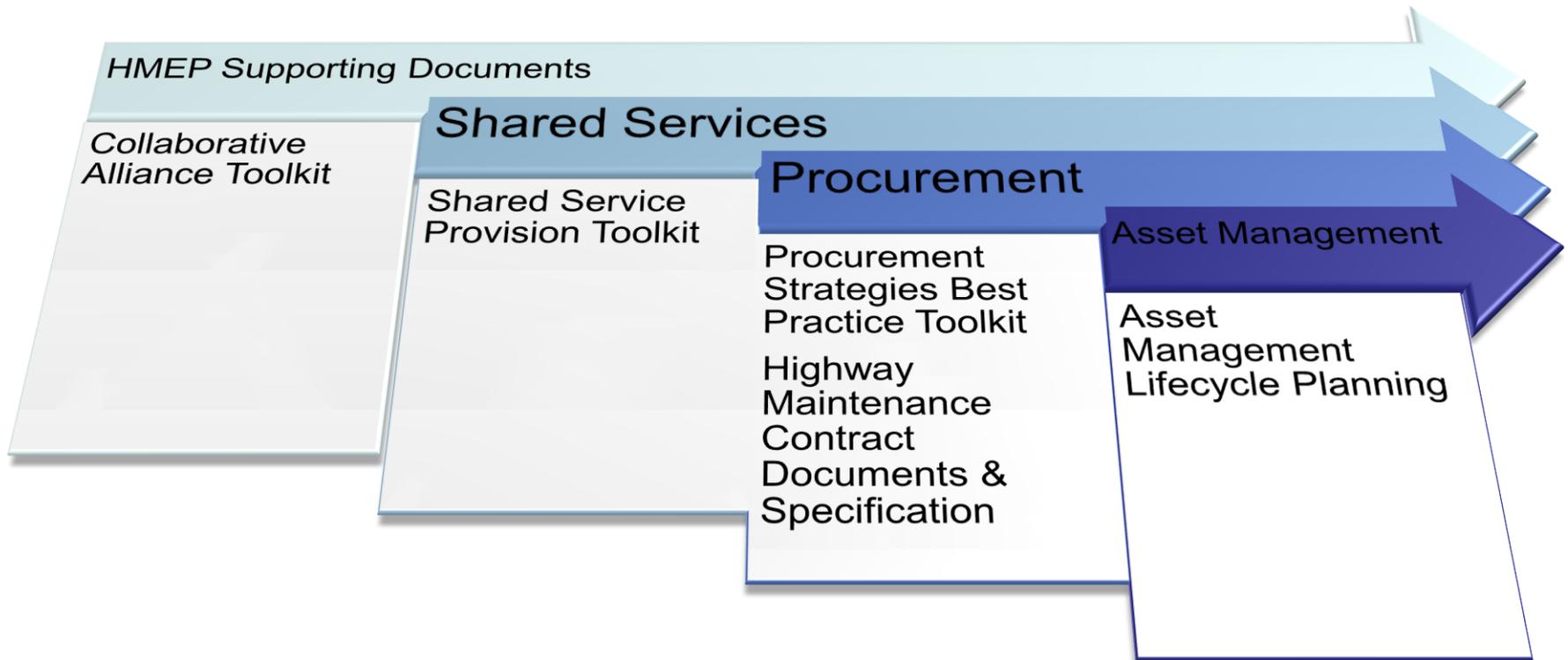
## Key Requirements

- **Continuous Improvement and Gauging the Efficiency**
  - establish alliance KPI's; review annually, at a minimum.
- **Identifying New Opportunities**
  - fundamental to continuous improvement and moving the alliance towards maturity.
- **Training**
  - up-skilling of staff through working in the alliance governance.
- **Identifying and Recording Savings**
  - commitment to quantifying savings and innovations is paramount.
- **Sharing Innovations and Improvements**
  - identify and have other authorities adopt them.

## Experience of current Alliances

- Alliance management – crucial usually a single individual
- Blockages / challenges:
  - overcoming inertia of current practice
  - lack of buy-in
- Missed savings – important to demonstrate successes
- Building trust – important for new opportunities
- Politicians and Senior Offices – at the least regularly briefed
- Need for an alliance not just product streams
- Measure the alliance as a whole on KPI outcome
- Avoid “Talking Shops”
- Publicise successes

# 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 a highway alliance please contact:

**Matthew Lugg - Chair of the HMEP Project Board**

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