



Highways Maintenance Efficiency Programme

Setting up and Operating a Shared Service

Accompanies the Shared Toolkit November 2012
Appendix A3 – Officers



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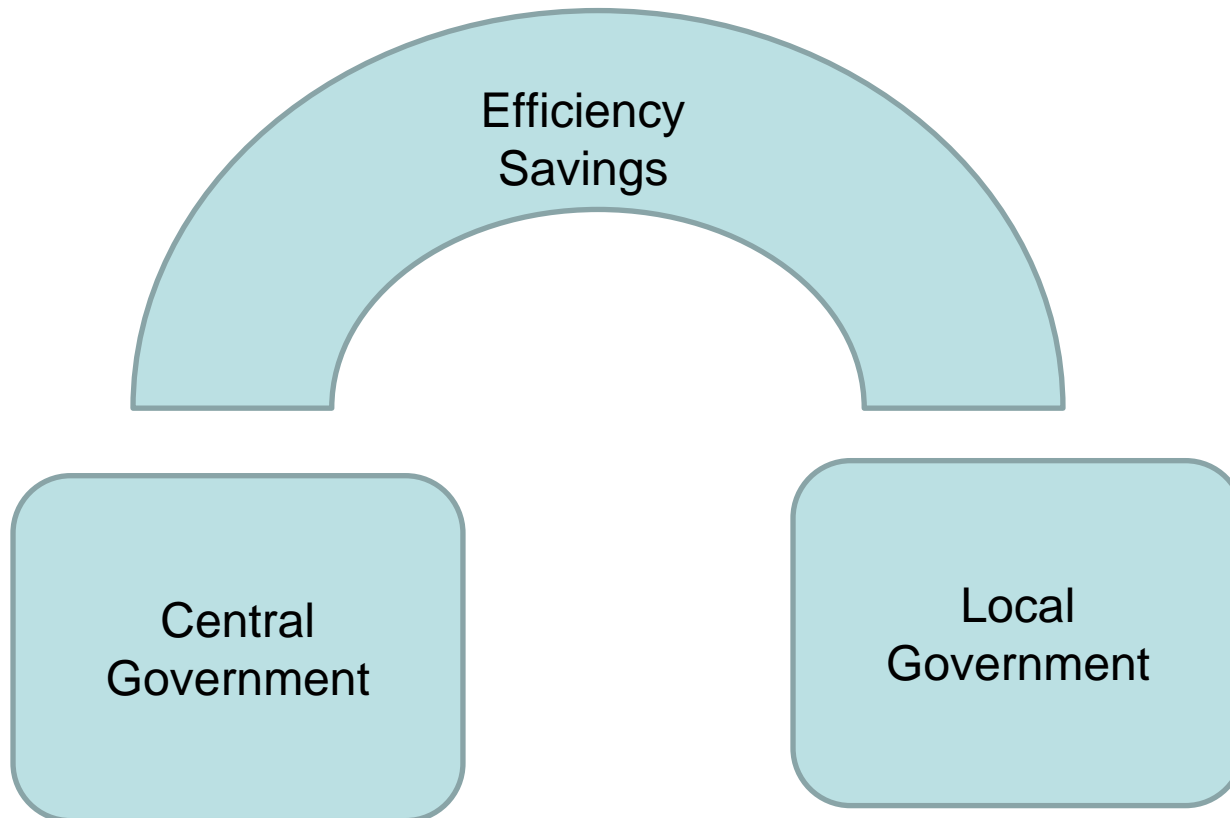
A highway shared service is defined as:

“a grouping of two or more LHA’s who share the delivery of one or more services”



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Drivers for Sharing Services





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Drivers for Sharing Services

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

“There needs to be more sharing of services and management teams. There are not enough shared services.”

Eric Pickles DCLG Secretary of State

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.

Retention of skilled resources is an immediate need.

Sharing services between local highway authorities
delivers these goals

Efficiencies

Sharing services saves money because it:

- Reduces duplication (for example, authorities otherwise separately procuring similar services and management);
- 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 joint procurement;
- Helps develop good practices.

Sharing services between authorities delivers significant efficiencies of up to 11% of throughput

(Shared Service Toolkit – HMEP January 2013)

“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

Main reasons for authorities entering into or maintaining a shared service are:

- Legacy Contracts
- Authorities that are currently delivering the service but want to make savings / improve the service
- Authorities who want to make a seamless service for the public
- Authorities that can fill a skill gap which another authority can fill
- Authorities with a political imperative to fulfil
- Authorities who wish to retain a specific skill / service in the face of a reducing workload
- Authorities who wish to sustain / develop their in-house capability and require increased throughput

Examples of benefits from current shared service arrangements as detailed in the HMEP Shared Services Toolkit

Black Country Minor works framework

- Savings in procurement costs of £300k
- Savings from combined throughput generating better rates of £720k per annum

Tayside Contracts – provision of highway maintenance to three unitary authorities

- Savings from economies of scale and efficiencies at an average of £850k per annum
- Investment over 16 years of £15.5m into delivery resources

Back office sharing – parking enforcement

- Savings through economies of scale generating savings for all partners of £45k per annum
- Consistency of customer approach in neighbouring partner authorities

If your answer to any of these questions is Yes for a particular service then the opportunity for sharing the service with other authorities should be investigated

Ref	Question	Response
1	Do the public/users expect the service to be seamless across authority boundaries?	Yes/No
2	Does the authority's cabinet wish to see more cooperation with neighbouring authorities?	Yes/No
3	Are there operational benefits from delivering a seamless service across authority boundaries?	Yes/No
4	Is this a specialist service that will not be sustained unless other authorities use it?	Yes/No
5	Is your authority lacking a specialist skill which is difficult/expensive to 'buy in'?	Yes/No
6	Is it likely that better value will be obtained if the service carries out a higher volume of work, with lower overheads?	Yes/No
7	Does my direct service organisation need to increase its order book to ensure that it has a sustainable future?	Yes/No
8	Is sharing a service likely to allow skilled staff to be retained also saving on redundancy costs?	Yes/No
9	Is collaborative action on this service, through a highway alliance, unlikely?	Yes/No

Shared services can be grouped into 4 main headings:

1. Operational Services Including:

- Cyclic and routine maintenance
- Network and street-works management
- Schemes procurement
 - Carriageway resurfacing
 - Street lighting schemes
 - Improvement schemes
- Reactive maintenance
- Winter maintenance

2. Technical Service Including:

- Urban traffic control
- Asset management
- Scheme design
- Weather forecasting
- Bridge management

Shared services can be grouped into 4 main headings:

***3. Back office Services
Processing and administration
Including:***

- Civil parking enforcement
- Road opening noticing
- Call centres
- Insurance claims

***4. Management Services
Shared management
arrangements
Including:***

- Management resource
- Procurement resource

How The Toolkit

The HMEP Shared Services Toolkit (January 2013) has been written to assist highways authorities set up and operate a shared service. 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 shared services were in existence and how they operated - including their experiences of forming a shared service;
- The toolkit content is drawn from both the survey and experience of good practice drawn together from within the construction sector;
- Current shared services operating were identified and their respective managers interviewed to establish lessons learnt, good practice and to build the case studies used in the toolkit.

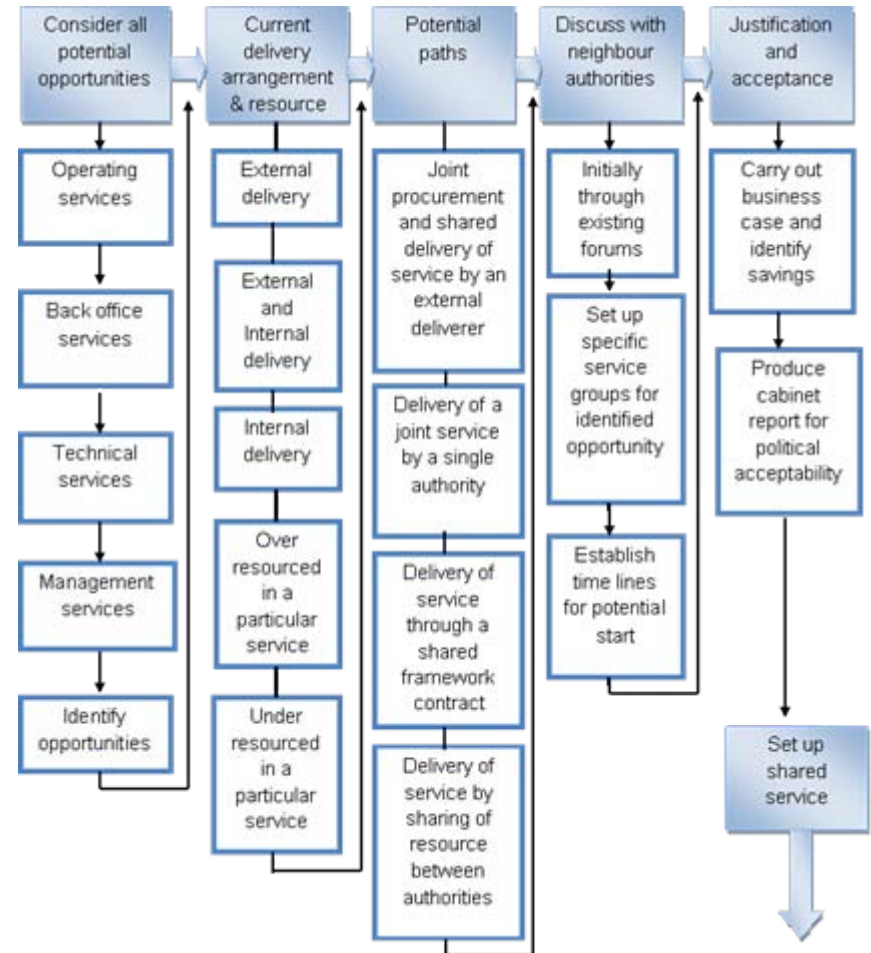
Self-diagnosis

The figure opposite (available in the toolkit) allows an authority to track the decision route and potential outcomes when asking themselves two fundamental questions:

Where can we improve efficiencies and generate savings?

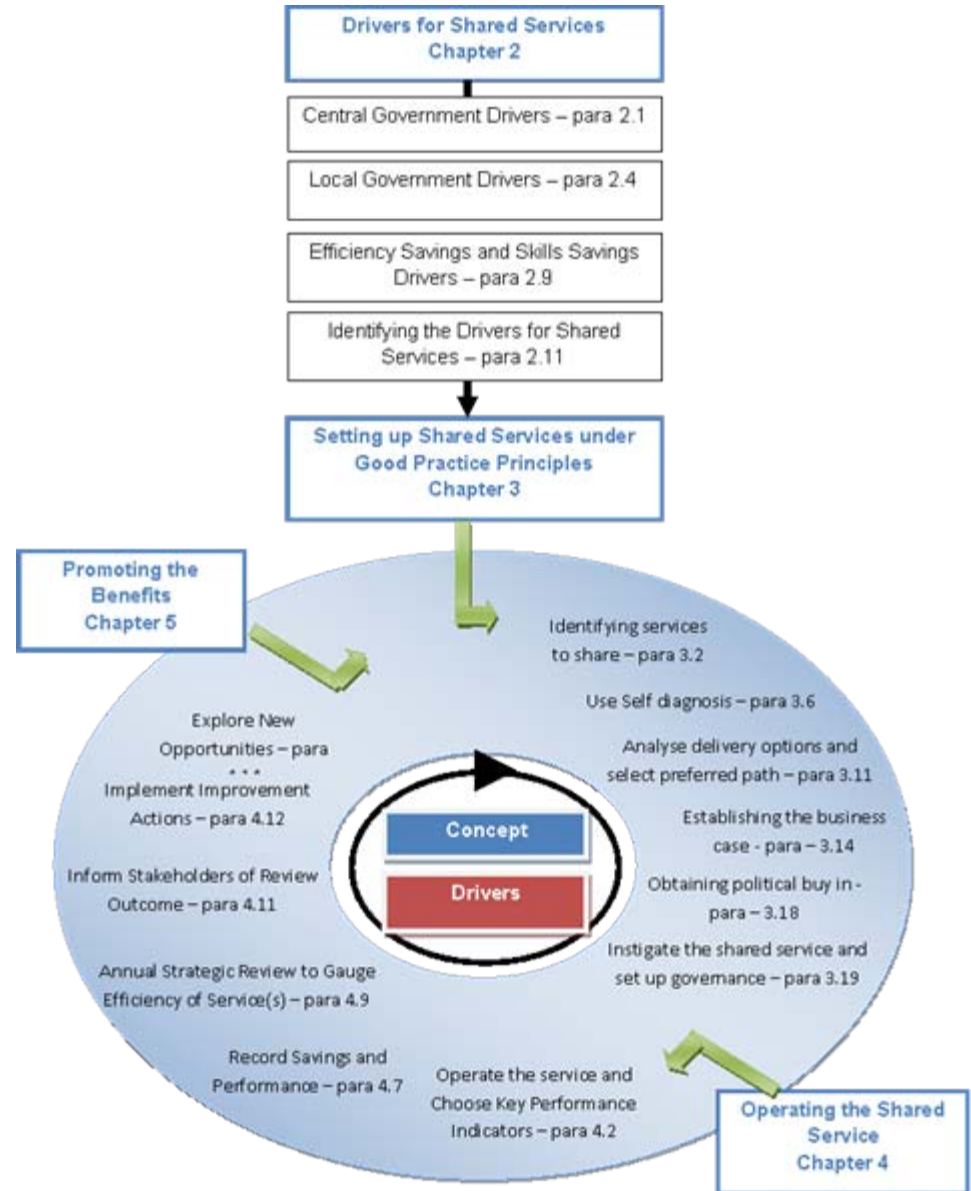
and

What is our situation with resources and skills?



The diagram opposite illustrates the steps required for setting up and operating a shared service.

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



Interviews with authorities currently sharing services highlight key requirements needed to set up and operate shared services. These have been extracted from lessons learnt. These include:

- ***Leadership***
 - Momentum and enthusiasm from the top down and identify lead authority from the outset
- ***Political challenges***
 - Need to emphasise no loss in sovereignty and the projected efficiency savings from a robust business case
- ***Overcoming the reluctance for change***
 - Essential for the success of the service
- ***Missed savings and not gauging the efficiency of the service***
 - It is important to demonstrate the success of the shared service and to continually look for improvement



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Setting Up a Shared Service

Developing the Business Case

The business case is a fundamental requirement. It acts as a driver for establishing the shared service and offers a benchmark for assessing the operating efficiency.

1. Strategy
2. Objectives
3. Option appraisal
4. Commercial aspects
5. Affordability
6. Achievability

These are covered in detail in the next slides



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Setting Up a Shared Service

Developing the Business Case

Strategy

- What is the shared service?
- Why is it required?
- How will it contribute to the business (efficiencies and / or resources)?

Objectives

- What are the benefits ?
- How will success be measured?

Option appraisal

- High level cost / benefit analysis for options of delivery (e.g. in-house, external, inter-authority)



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Setting Up a Shared Service

Developing the Business Case

Commercial

- Sourcing options with rationale for their selection
- Key commercial arrangements (contract terms, contract length, payment mechanism, incentives)

Affordability

- Are partnering authorities willing and able to contribute? (money and / or resource time)
- Estimates of the projected whole life cost of the service (minimum 5 years)
- Return on investment

Achievability

- High level plan for achieving outcomes and milestones
- Contingency plans and risk analysis



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Operating the Shared Service

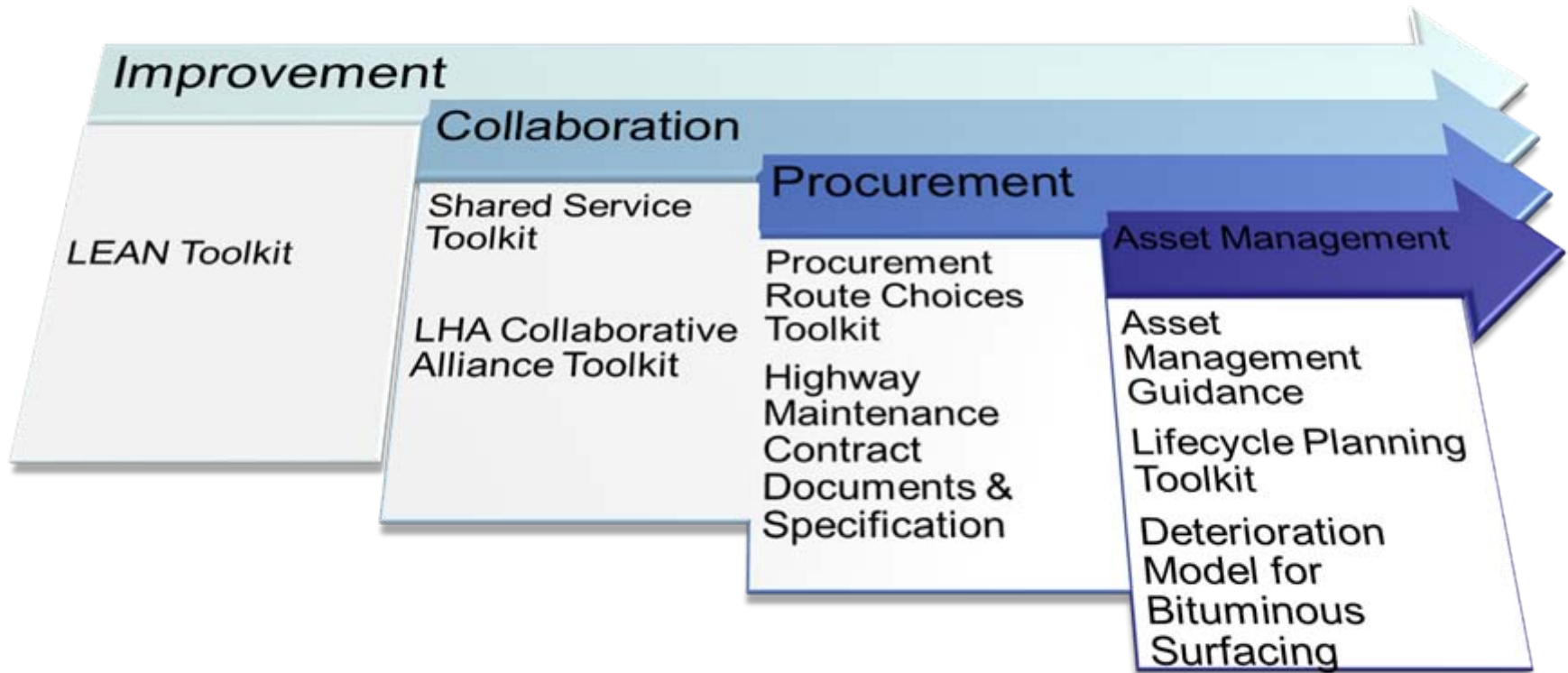
Key Requirements

- **Continuous Improvement and Gauging the Efficiency**
 - establish shared service KPI's; review annually, at a minimum
 - implement improvement actions
- **Identifying New Opportunities and Objectives**
 - fundamental to continuous improvement through extending scope of existing shared service or introducing new shared service
- **Training**
 - up-skilling of staff
- **Identifying and Recording Savings**
 - commitment to quantifying savings and innovations is paramount



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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 a shared service please contact:

Matthew Lugg OBE – HMEP Advocate

Former President of Association of Directors of Environment, Economy,
Planning and Transportation (ADEPT)