



Efficiency Case Study

Local Authority	Staffordshire County Council
Region	West Midlands
Sector	Highways
Theme	Cashable Efficiency
Savings / Benefits	Development of a virtual joint venture has achieved efficiency savings of over £2million
Publication Date	October 2010

Key lessons

The development of a virtual joint venture has achieved efficiency savings of over £2 million through:

- Elimination of any duplication of roles
- A single management structure
- Integrated design, programming and delivery
- A move from fully serviced area offices to flexible depots
- Investment in service improvement by private sector partners
- A service delivery structure which has a strong sense of purpose shared by all staff
- Continuous improvement through 'driven evolution not revolution' using the knowledge and experience of people within the service to identify change
- Combining service ethos with innovation and commercialism

Summary

Staffordshire's local transport network is the largest of any authority in the West Midlands and one of the largest in the country. The highway service in Staffordshire is delivered as a 'virtual joint venture' (VJV) bringing together Staffordshire County Council, and their highway term maintenance contractor as a seamless team. The development of the integrated team has achieved savings of £2 million and allowed a focus on delivery of the service rather than management of the contract. The service was recently found to be an 'exemplary practitioner of integrated working and at the forefront of collaborative working and best practice within the Midlands Highways Alliance'.

Traditionally, the service was very effective on strictly prioritising programmes to meet key actions such as improving road safety. This has helped to make Staffordshire's roads the safest of any County Council in the UK but was, to some extent, achieved at the expense of local priorities. Operational savings have been reinvested in development of initiatives such as

Community Highway Liaison and Neighbourhood Highway teams, allowing the service to become more community focused and ensure that the local highway programme is democratically accountable.

Background

Prior to 2004, highway construction services in Staffordshire were procured through dozens of price based contracts resulting in significant back office costs and a fragmented supply chain. Procurement processes were prescriptive and process driven resulting in a lack of 'contractor' ownership, integration in the delivery process and limited performance management. Although there was some experience of involving the contractor through a partnering approach within the highway term maintenance contract and specific construction projects, early contractor involvement was limited and the service mainly relied on the use of price rather than cost based contracts.

In 2004, the Highway Term Maintenance Contract for maintenance of roads was let under the terms and conditions of the Engineering and Construction Contract (ECC) Second Edition using the Option C Cost Reimbursable contract. In addition, a partnering arrangement was established for the operation of the Contract using the ECC Partnering Option X12. The Contract Price was built up from Actual Cost plus fee, and award was based on an evaluation of price/quality in the ratio 20/80%. Quality was assessed by Innovation, Culture and Deliverability applied to Performance Management, Working Together and Systems. The contract was let with a minimum fixed term of five years extendable to a maximum of ten subject to performance. The basis for determining any extension of the Contract beyond the minimum fixed term is the Performance Management framework. The contractor is therefore incentivised to continually improve and gain significant additional turnover through an extended contract. Extension of time assessments commenced at the end of contract financial year 2 and are incremental based on six month extensions at the end of years 2 to 5 followed by one year extensions from year 6 to 8. In the same year, a Highway Term Construction Contract was let under the ECC using Option C Target Cost with activity schedule with Partnering Option X12 with similar quality criteria to the term maintenance contract. The contract was let with a minimum period of three years extendable to five subject to performance.

From 2004 until 2009, the highway service operated as 'Staffordshire Highways' in a three way partnership between the Authority, the Highway Term Maintenance Contractor and the Highway Term Construction Contractor. All three organisations continued with individual management structures with a 'joint planning unit' staffed from all three partners. In 2009 the Highway Term Construction Contract ended and, as part of the transformation of the highway service the partnership between the Authority and Highway Term Maintenance Contractor evolved to become a single integrated team operating as a 'Virtual Joint Venture' (VJV). This approach represented a further development of the collaborative approach to the Contract rather than the traditional contractor-client relationship, in order to deliver better value for money for Staffordshire.

Drivers for Change

The need for a new procurement strategy was identified by the Best Value Review of Highways and Transportation Professional Services in 2002. The procurement strategy was developed following extensive consultation with other highway authorities and the construction industry. The key proposal in this strategy was to have most of the highway maintenance and

construction work delivered through just two contracts based on long term partnering relationships, allowing the County Council and contractor resources and processes to be integrated with a common commitment to achieving continuous improvement and excellence in the delivery of highway services across Staffordshire. The contracts were developed to:

- encourage innovation and provide the flexibility to develop and adopt evolving best practice
- allow strategic relationships to develop
- select a partner that could commit to Staffordshire CC's aims and objectives
- reduce contract preparation costs for all concerned
- reduce the costs of administration and supervision
- facilitate early contractor involvement, integration/single service ethos, supply chain management, best use of resources, continuous improvement
- allow risk to be managed by the appropriate organisation

The new Contracts specified desired outcomes rather than methods, with success measured against a Performance Management Framework (PMF). The PMF takes account of the County Council's strategic objectives and forms the basis by which extensions to the original contract period are incrementally awarded. As a natural progression in the evolution of Staffordshire Highways, an independent review of the partnership was undertaken in 2008 to compare the current strategy for the service with the direction of change for local government highways services. This was influenced by a number of reports including CSR 2007, and the White Paper "Strong and Prosperous Communities". This Vision for the transformation of Highway Services (Project VISTAH), led to the implementation of a 'Virtual Joint Venture' (VJV) that further integrates and streamlines the combined operations with the objectives of:

- Driving customer focus
- Improved performance through communication, systems, integration and incentive measured across performance
- Sustained cash releasing efficiencies
- Savings through collaboration, recycling, sustainable procurement and innovation
- Further streamlined operations through strategic depot reduction
- Improved design processes and earliest contractor involvement through integrated teams responsible for design and build
- Improved operational efficiency through centralising operational management

Improvement action

At the start of Project Vistah, the partnership had already been successful in managing the transformation from traditional service delivery, to a dynamic public/private sector partnership that provided a platform for rationalisation and further efficiency improvements. A 'health-check' carried out in 2008 involved workshops with key individuals and staff groups to identify where duplication of roles existed and what were the areas likely for efficiency improvement. The check concluded that in order to realise further benefits there was now a need to move towards a more integrated 'single team' approach. The format to implement the agreed solution was a transformation programme, called 'The Vistah Project' - the vision for the transformation of Highway Services. The programme was based on the delivery of a number of inter-related projects each managed by a Project Leader, under overall management by a Transformation Manager. Project Leaders were selected from across the partnership to reflect those best able to deliver the required outcomes. These inter-related projects included:

- The Front Line Support requirements to identify, design, support & coordinate all works
- Operations – detailing all programming & workflow management processes, as well as commercial, financial and performance management requirements
- ICT systems including the integration of the order management system, Work Manager, the development of an Integrated Highway Management System (IHMS) as well as interfaces between other existing Staffordshire County Council based systems
- Organisational Development, Organisational Structure, developing leadership qualities, internal communications, skills development, organisational processes
- Strategic direction, directed by the Transformation Project Board

In moving to a more integrated approach, a comprehensive Business Process Re-engineering exercise took place to identify opportunities for efficiency improvements, as well reduce the remaining areas of duplication. The work was undertaken jointly by 'Staffordshire Highways' personnel, supported by the project transformation team, using the industry standard 'Proudfoot' best practice business process mapping system. This approach helped to facilitate the detailed redesign of ICT systems and utilised the existing skills and knowledge of the highway team. The Transformation Project Board recognised at an early stage the role that members of staff had played in contributing to the transformation of the service and that their continued involvement was critical to moving up to the next level in the drive for continuing excellence. Communication was identified as a key issue at an early stage and included face to face meetings, team and service briefings, the publication of a 'Vistah' newsletter and the development of a micro-site on the County Councils intranet pages accessible to all employees. Business process maps of key activities were created to satisfy business and contractual requirements and best practice.

The key aims of the project were to:

- Improve operational efficiency
- Review and improve design processes
- Improve customer care and responsiveness of service in the following areas
- Timely delivery of local initiatives in response to local demand
- Standardise and formalise supervision procedures

Barriers

- The length of time required to change the culture of the organisation to ensure that all staff understand and accept the new culture in which they will operate
- 'Perceived threats' to change (job security, job losses, different and unfamiliar roles)
- Selecting the right partner
- The implementation of a new procurement strategy will see most maintenance and construction work delivered through just two term contracts based on strategic partnerships. One of the critical success factors will be attitude of staff in both Highway Maintenance and Engineering Services to the new arrangements, many of whom will need to adapt to new working practices, perhaps new roles and to a new culture in Contract Management
- Knowledge of different contract arrangements
- Cost plus - it took time to develop an understanding of 'cost' as opposed to 'price' and build a level of confidence in the information being presented.

Outcomes

- Reduced Overheads
- Improved Operational Efficiency
- Cashable/Non cashable savings
- Community Focus
- Neighbourhood Highways Teams
- Local Influence to programmes
- Improved Communications
- Programmes based upon local priorities

The concept has been a real culture change for the staff involved adapting from a traditional client/contractor to fully embraced partnership culture. Since the partnership was created in 2004 there followed three years of hard work improving the service, and since 2007 the partnership really has come of age delivering long term benefits to Staffordshire CC including :

- Staffordshire now ranks in the in the top 10 highway authorities nationally for efficiency savings.
- Delivery of the LTP was considered to be 'excellent' increasing the financial allocation by an extra £1.5m p.a.
- Staffordshire CC staff employed in the service has reduced by 12% releasing over £1.3m back to front line operations.
- Overhead reduction of £800k. Operating overheads have reduced by 3% in real terms year-on-year since Staffordshire Highways was created, again releasing much-needed funds back to the front line.
- Recycling savings in project specific reuse of materials £750k.
- Savings in winter maintenance provision of £440k.
- Savings in rural grass cutting provision of £88k.
- Gully emptying saving of £78k through gully waste recycling.
- Recycling of over 50,000 tonnes p.a. of highway arisings back into Staffordshire highway schemes, producing a saving of £604k.
- The Sentinel's Environmental Business Award was awarded in April 2008 for work undertaken in the north of the County for helping to pioneer a cleaner, greener 'black top' material. Over the past 12 months this has enabled the re-use of over 2,500 tonnes of material, saved money, reduced material taken to landfill and helped the County Council reduce its carbon dioxide emissions by 1,600 tonnes during the year.
- The highway service won the Award again in April 2010 for the development of a combined household waste and gully emptying recycling facility saving over £60,000 pa.
- Staffordshire Highways achieved two industry-leading health and safety accolades from the British Safety Council in both 2005 and 2006, one of only 30 such awards given each year.
- The Lyons Report on Local Government highlighted 'Staffordshire Highways' as an example of best practice. The report stated that "Staffordshire County Council's partnership ... is built on a 'one team' approach rather than on a rigid definition of client and contractor roles. The focus is on outcomes and a shared performance culture is improving efficiency, service quality and budget management".
- For the second year running, in 2007-08, Environmental Services were assessed as a four star service meaning that the County Council's Highway Services are performing

- strongly, well above minimum standards.
- Customer care during the construction of projects has improved with scores under the Considerate Constructors Scheme improving from an average score of 32 in 2006-07 to 35.5 in 2009-10 placing Staffordshire County Council in the top 5% nationally and resulting in two gold, five silver and eleven bronze awards up to the end of 2008.
 - The Rugeley Bypass Scheme, a 2.2km bypass diverting traffic away from the congested town centre and playing a significant role in the sustainable regeneration of mid-Staffordshire won two gold Considerate Constructor Awards and, a Civil Engineering Environmental Quality Assessment Award Scheme score of excellence
 - Upper quartile performance for overall customer satisfaction with highways and transport in the National Highways and Transport Public Satisfaction Survey in 2008 and 2009 being 6th place across County Councils in the latest survey.
 - Through the TAMP we have adopted a proactive asset management approach, whereby we have moved our road maintenance priorities away from treating roads in the worst state of repair, known as 'red' roads, to roads in the best state of repair; the aim being to keep these roads, known as 'green' roads in the best state of repair. To a lesser extent than previously, we focussed resources on 'amber' roads, bringing them up to a better state of repair (i.e. making them 'green' roads) and tackled a small number of 'red' roads. This approach has allowed the use of cheaper, preventative treatments to stop roads from becoming "amber" or "red", and achieved the aim of arresting the overall deterioration of the entire network. It is estimated that this approach has helped to generate efficiency saving of £0.5m during 2009/10, which has been re-distributed back into road maintenance activities.

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