

**Open Report on behalf of Richard Wills,  
Executive Director for Environment and Economy**

Report to:	<b>Highways and Transport Scrutiny Committee</b>
Date:	<b>18 April 2016</b>
Subject:	<b>Highways Future Operating Model</b>

**Summary:**

This report details the background and progress with the work to develop a Future Operating Model for the highways service. Whilst initially work began on its development as a response to a Strategic Value for Money Assessment of the service in 2013, it now incorporates the further change required to accommodate the efficiencies and savings required by the Fundamental Budget Review and recent Financial Challenge.

**Actions Required:**

Members of the Highways and Transport Scrutiny Committee are invited to consider and comment on the report and highlight any recommendations or further actions required.

## **1. Background**

The proposed Highways Future Operating Model is based on some fundamental assumptions which have developed from an understanding of the available data concerning our existing operational model and the potential future operating conditions.

These include:-

1. The continued reduction in our operational capacity brought about by the Fundamental Budget Review and Financial Challenge is not sustainable without substantial change
2. Revenue budgets have been reduced and are likely to remain under pressure for the foreseeable future
3. Capital maintenance budgets are stable and capital improvement budgets are likely to remain stable for schemes linked to the growth agenda
4. Our existing structure introduces additional cost to our delivery due to its operating methods
5. The responsive/reactive nature of our operation is no longer affordable or sustainable

6. Our existing partnerships may need to be re-shaped to reflect our changing operating methods to ensure we are maximising efficiency opportunities.

Lincolnshire County Council (LCC) Highways have been working with Proving Services from Cranfield University since it carried out a Strategic Value for Money Assessment in August/September 2013. Whilst this demonstrated the very good effectiveness and efficiency which was provided by the highways service at that time, it also highlighted some further unrealised opportunities.

Further work began with workshops in January/February 2015 to explore the impact of the Senior Management Review which had resulted in a further move towards commissioning and the merging of four divisions into two. These changes offered an opportunity to explore the additional benefits that could be realised through further consolidation and re-structuring; with the objective of establishing an optimal operating model.

The series of workshops used a Benefits Dependency Network (BDN) framework as the basis for analysis. This approach identified:-

- a. The strategic objectives of LCC Highways
- b. The achievable business benefits that contribute to those strategic objectives
- c. The required changes to the operational structures of Lincolnshire County Council, so that the benefits can be realised
- d. The business and process (enabling) changes within the organisation that support the effective operation of the new structure
- e. The costs, risks and sustainability considerations associated with the changes

### Strategic Objectives

The following Lincolnshire County Council Highways Strategic Drivers were agreed and prioritised:

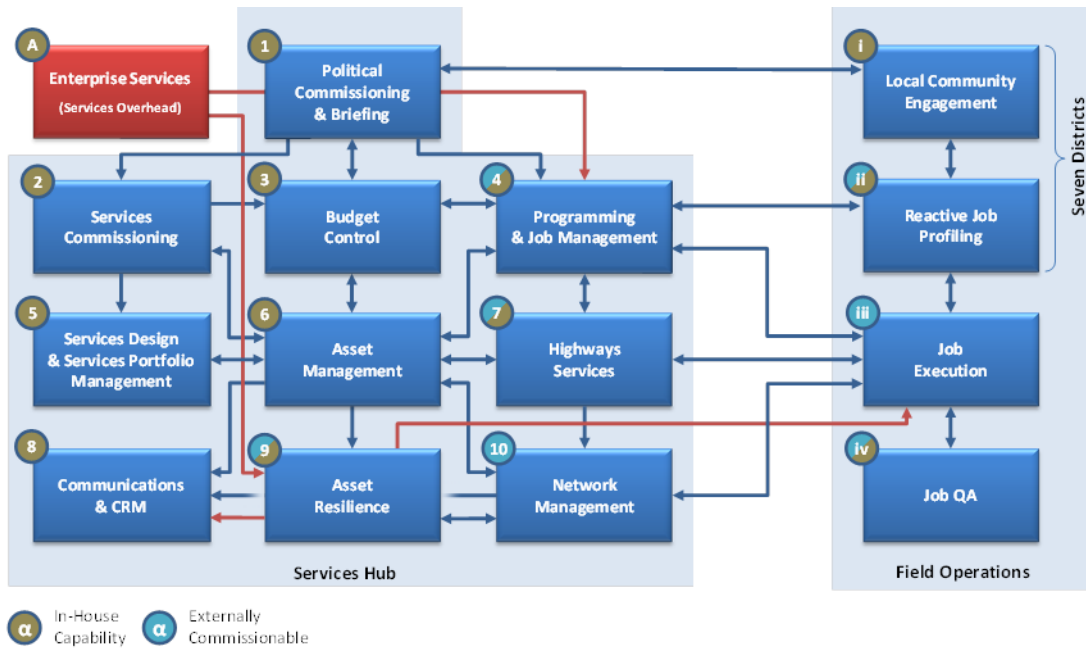
ID	Name	Priority
1	Ensure Network Availability	Critical
2	Deliver Affordable & Sustainable Services	Critical
3	Attract Inward Investment & Economic Stimulation	High
4	Provide Comprehensive Value for Money Assurance	High
5	Implement Tangible Service Improvements	High
6	Services & Asset Plan Aligned With Political Priorities	Medium-High
7	Ensure Service Continuity (Critical During Transition to FOM)	Medium

### Highways: Future Operating Model

The Future Operating Model has been developed from this work and is supported by the analysis of all the available data for the service. The Future Operating Model is a fundamental shift from our existing structure to focus our activity around asset management, improved budget control and enhanced programming and job management. It provides the “step change” required to send out the clear

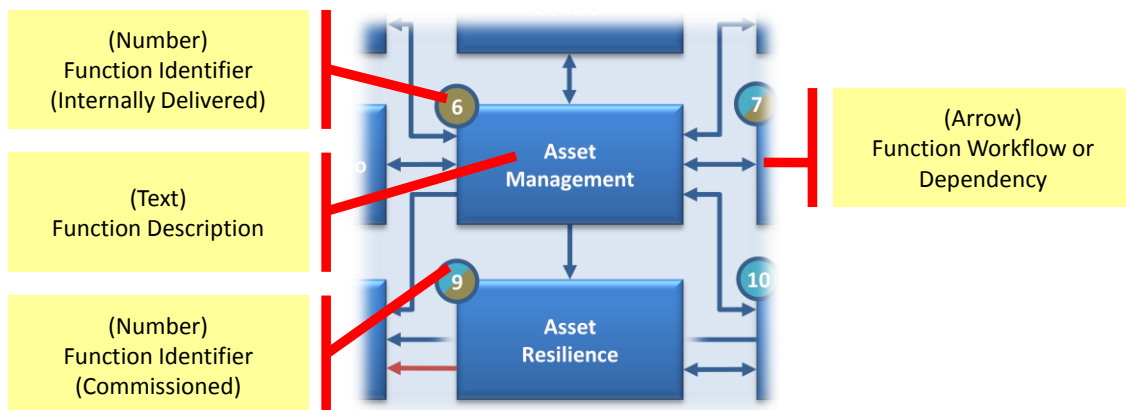
message that we cannot continue to deliver the same responsive service despite the repeated level of cuts to our resource.

**Figure 1: Lincolnshire Highways: Future Operating Model**



Each of the boxes in Figure 1 represents a key function or business process within the redesigned **Lincolnshire Highways: Future Operating Model**. Figure 2, below, provides a key for the diagram above.

**Figure 2: Future Operating Model Key**



\*Two-tone function identifiers are marked as “potentially commissionable”, subject to further investigation.

## **Services Hub**

The new Services Hub will consolidate and rationalise existing highways functions and will include tighter integration for key functions. It will also introduce a range of new and redesigned functions:

- **Political Commissioning and Briefing**  
Providing tighter political integration and transparency, in compliance with the commissioning principles adopted by the Authority.
- **Services Commissioning**  
Will oversee both internal and external commissions and will be tasked with ensuring Lincolnshire County Council achieves best value. This will identify shortfalls in performance and make recommendations regarding services improvement and future commissions.
- **Services Design and Services Portfolio Management**  
As part of the new commissioning structure, each discreet highways function will be managed as part of the highways services portfolio. Each function will be subject to a programme of continuous improvement. The operational performance of each function, and the implications for the portfolio as a whole, will be considered and future functional changes recommended.
- **Budget Control**  
Closely integrated with Asset Management and Programming and Job Management, a redesigned Budget Control function will improve financial management and cost control for both internally delivered services and contracted services.
- **Programming and Job Management**  
A disciplined and consistent approach to programming and job management will supersede the previously distributed and reactive approach. This will enable effective resources management; improving efficiency and reducing the costs associated with job duplication and management. This function will build on the now established Countywide Programming approach taken with surface dressing, retread etc. and will probably utilise the programming system Primavera as its management tool.
- **Asset Management**  
The introduction of Yotta Horizons will enable new asset management processes and improved treatment decisions. A more proactive, measured and controlled approach is planned, with asset management playing a pivotal role for the majority of Service Hub functions. We will need to be able to demonstrate this enhanced approach to asset management if we want to protect our increased capital maintenance grant through the Department for Transport Assessment Process.
- **Communications and Public Relations**  
New, lower cost approaches for communicating with the public will be implemented; simplifying, reducing or replacing current resource-intensive process for handling enquiries and complaints. It is expected that this will

include the utilisation of enhanced web-based technologies and improved data shepherding; moving job and network event data to publically-accessible web pages. In addition, this function is engaged as actively promoting the achievements of service, building public confidence, but also managing public expectations in the face of the potential for reducing budgets. This will rely on the successful development of Lagan and our ability to publish fixed, reliable programme information through Primavera.

- **Network Management**

This will provide a cohesive network management service including the statutory role of Traffic Manager, the provision of civil parking enforcement, traffic regulation and orders, street works and the introduction of a permit scheme.

Other functions within the Services Hub will be reviewed, redesigned and resource-levelled to ensure compliance with the overall structure of the Future Operating Model. Many individual initiatives, such as the introduction of a Permit Scheme, are currently underway but these are being co-ordinated as part of the implementation of the Future Operating Model to ensure consistency and coherence with the larger operating model.

### **Field Operations**

The creation of two Divisions (North and South), from the previous four-division operating model has been superseded by the development of the Future Operating Model which proposes a significantly simpler District based delivery model with two main functions:

- Local Community Engagement and,
- Reactive Job Profiling (Job Requests)

These two functions provide for local representation and data gathering, whilst utilising the Services Hub for works programming, job management and quality assurance. In implementing a more co-ordinated approach, it is possible to rationalise the scale of Field Operations, remove the duplicated functions and reallocate resource.

### **Issues and Challenges**

The opportunities highlighted are significant but not without issues and challenges that will need to be addressed before these benefits can be realised.

An improved Commissioning Framework will enhance the ability to progress with clarity and purpose. Further defining the roles and responsibilities for both commissioning and delivery elements of the service will improve the ability to deliver on clear outcome based methodology. We have developed a clear Strategic Highways Commissioning Framework as part of our work.

The existing operational delivery model has served Lincolnshire well over recent periods of change and has allowed us to respond to the incremental change over that period but will not facilitate the fundamental change required to deliver under the current economic climate. The current generic approach to roles and

responsibilities has resulted in a lack of clarity on the allocation of resource to address specific service delivery functions.

### **Current Progress Following Completion of the Full Business Case**

The current phase of work includes the development of the organisational structure which will enable the introduction of the Future Operating Model and additional syndicate reviews and independent verification identified during the completion of the Full Business Case. The additional reviews and work areas include:

1. The implementation of the Horizons Asset Management System to realise the operational benefits in the Future Operating Model context.
2. A review of the current relationship with Serco and its delivery of the Customer Service Centre including effective communications and reducing the cost-to-serve.
3. Asset Resilience: structures, processes and costs review.
4. TSP Syndicate Review: A Value for Money Assessment including structures, processes and costs.
5. Kier: structures, processes and costs review (in context of the Future Operating Model).
6. Network Management: structures, processes and costs review including the introduction of the Lincolnshire Permit Scheme.
7. Reactive Job Profiling: A move from Area Maintenance Teams to countywide Mobile Maintenance Teams. Included in (5) above.

### **Timescales**

A new organisational structure has been designed to reflect the Future Operating Model and new Job Descriptions for the revised Future Operating Model roles are being evaluated. A consultation process will then commence in June/July with a view to introducing the majority of the Future Operating Model during October 2016. It is expected that areas of further development will then continue until the expected full implementation of the Future Operating Model in April 2017.

## **2. Conclusion**

The benefits identified within the Future Business Cases are both reasonable and potentially very significant. Based on the analysis to-date, the cost savings are estimated to be £3 m (probable case, excluding contractor-side benefits). The cashable benefits over five years are in excess of £13.8 m (probable case, again, excluding contractor-side benefits). Whilst the proposed approach reduces the agility and responsiveness of the current service, there is little or no discernible impact on overall performance.

The Future Operating Model introduces a simplified, leaner structure, with greater focus and accountability than the current Division-based model. It also provides a robust platform for additional consolidations and operational savings, once the new baseline has been established.

The Future Operating Model has been designed to include the core tenets of "best practice commissioning" from the outset. Proving has reviewed the Future

Operating Model against the key principles and philosophies as defined by the *Chartered Institute of Public Finance and Accounting* (CIPFA) and the *Centre for Public Innovation* (authors of the Cabinet Office best practice guide to commissioning).

### **3. Consultation**

#### **a) Policy Proofing Actions Required**

n/a

### **4. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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