

Open Report on behalf of Keith Ireland, Chief Executive

Report to:	Highways & Transport Scrutiny Committee
Date:	22 October 2018
Subject:	Highways Future Operating Model Value for Money Assessment

Summary:

This report describes the progress with the Value for Money Assessments carried out for all of the elements of the Highways Future Operating Model.

Actions Required:

Members are asked to note the progress made with the Value for Money Assessments and suggest any changes or improvements that are required to the Assessments.

1. Background

This report describes the process for Value for Money (VfM) Assessments which was introduced as part of the Highways Future Operating Model (FOM) for Lincolnshire County Council's highways services. The FOM resulted from an Outline Business Case (OBC) completed in August 2015 and a subsequent Full Business Case (FBC) completed in March 2016. The FOM was introduced fully in March 2017.

The OBC, FBC and subsequent FOM evolved through a number of iterations and challenges to form the final proposal and approach. It was a timely and appropriate response to the drive for economies and improved efficiency and offered a thoughtful response to the reductions in central government funding.

The Fundamental Budget Review and the Financial Challenge resulted in the identification of savings in core highways functions. These savings, whilst considered in broad terms, lacked detailed definition and analysis of the implications for the service and the assets. The development of the FBC inherited, assessed and extended these savings as part of the comprehensive review.

The benefits identified within the FBC were both reasonable and significant although the proposed approach reduced the agility and responsiveness of the existing service as an inevitable result of the reduced resources available to deliver. The original proposals have been adjusted to reflect aspirations for the

level of service. There has been little or no discernible impact on overall performance; in fact, many services areas have experienced a performance improvement with one or two exceptions which are the subject of Improvement Plans.

The FOM introduced a simplified, leaner structure, with greater focus and accountability than the previous Division-based model. It also provided a robust platform for additional consolidations and operational savings, once the new baseline had been established.

The FOM was designed to include the core tenets of "best practice commissioning" from the outset and Proving Services (Cranfield) were commissioned to review the FOM against the key principles and philosophies as defined by the *Chartered Institute of Public Finance & Accounting* (CIPFA) and the *Centre for Public Innovation* (CPI)¹.

The Future Operating Model was developed on the basis of,

1. Simplifying the operating structures.
2. Improving processes consistency and compliance.
3. Improving resources management and utilisation.
4. Performance assessment and accountability facilitated by the introduction of an industry standard VfM Assessment Tool.

The final FOM structure with service areas can be found as Appendix A.

Value for Money Assurance

VfM Assurance is a primary responsibility of the Services Commissioning function within the FOM. VfM assessments utilise the Value for Money Assessment toolkit provided by Proving for periodic, internally-administered VfM assessments.

This approach enables continuous performance assessment at a functional level; using either *functional KPIs* or *functional contributions to outcomes* as the performance measures. Rapid service improvements can be implemented that specifically target the underperforming functions, whilst also recognising those that meet or exceed their targets.

¹ Authors of the Cabinet Office best practice guides for commissioning.

The key dimensions of each VfM assessment include:

1. Economy

- Are we paying a fair and reasonable price for the service or function?

2. Efficiency

- Is the service or function performing efficiently; with a consistently high level of resources utilisation and productivity?

3. Effectiveness

- Is the service or function delivering effectively in an operational context?

4. Strategic Value

- Is this service or function aligned with, and contributing to, the strategic outcomes identified for the service as a whole?

5. Stakeholder Value

- Is the service or function satisfying the needs of the identified stakeholders?

6. Sustainability

- Does the service or function remain relevant and capable of meeting the demands of LCC and other dependent functions?

On completion of each assessment, each function leader is required to review, agree and implement any changes necessary to achieve and sustain an optimal VfM position. This is usually done by the production of an agreed Improvement Plan. Transparent, annual VfM Assurance assessments provide internal stakeholders and the public with confidence that LCC Highways Services are delivering value for money. These assessments can also be used to illustrate to the DfT and other funding agencies that investments in the Lincolnshire network and assets will be well managed and deliver good value to the taxpayer. Assessments are carried out more frequently if the performance of the service requires it.

Future Operating Model Service Areas

All of the service areas of the FOM have been the subject of an initial VfM Assessment and a further "Waypoint 1" Assessment. All of the areas are now showing improvement in performance and all now have agreed improvement plans in place. Regular Performance dashboards are provided for each service area. The relative performance and improvement of individual service areas can be found on Appendix B. All of this performance activity supports the overall Value for Money Assurance for the service as a whole. Lincolnshire position in relation to the other participating members of the Future Highways Research Club can be found as Appendix C.

2. Conclusion

The Lincolnshire Highways Service is one of the few in the country that now has a full performance regime for its externally commissioned services and internal service areas. This helps to mitigate the impact that our own service provision can have on our external suppliers and vice versa. This reflective approach to

performance and Value for Money Assurance positions the Highways Service to be able to effectively respond to further challenges presented by the Local Government environment.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

A full Risk and Impact Analysis has been completed during the development of the Full Business Case for the Future Operating Model.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Highways Future Operating Model Structure
Appendix B	VfM Function Level Position Analysis Baseline and Waypoint 1
Appendix C	Lincolnshire Highways Service VfM Assessment

5. 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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