

Highways Service Partnership Benefits

The benefits expected as an outcome of the implementation of the HSP were set out within the Original Outline Business Case and June 2008 Cabinet Report. These expected benefits were as follows:

- Driving out inefficiencies in service delivery which can be reinvested back into the highways network to improve condition
- Securing investment in the service delivery infrastructure;
- Increasing the capacity and resources available to deliver the service;
- Securing economies of scale;
- Increasing the service performance level; and
- Maintaining and improving the customer focus

This section revisits the originally identified benefits and sets out the measurement methods and processes that will be used to monitor and assess the realisation of benefits. The main tenet underpinning the approach to benefits realisation and measurement is to ensure adequate benchmarks are known prior to contract award.

A more detailed Benefits Management Strategy, Benefit Profiles and Plans will be created based on these principles.

Driving out inefficiencies in service delivery which can be reinvested back into the highways network

This benefit requires the measurement and tracking of efficiencies and VFM comparatively between the existing service delivery model and the HSP. Additionally, the impact on the condition of the network must be considered in any benefits tracking.

There are therefore three components to the overarching benefit of improving efficiency and VFM; efficiency and VFM from Lump Sum Services; efficiencies and VFM from Target Cost Services; and, condition of the network.

The benefits therefore can be articulated as follows:

- Reduced cost of delivering equivalent Lump Sum services (Revenue);
- Reduced cost of delivering Target Cost (Capital) Schemes; and
- Improved condition of the network.

Reduced cost of delivering equivalent Lump Sum services (Revenue)

As has been described above, the Council's revenue affordability budget is based on the current cost of delivering the existing services which will be included under the Lump Sum services of the HSP.

ISDS submissions demonstrated a reduced cost of delivering the same services under the HSP (with improved service levels).

The Lump Sum will be fixed for the life of the contract unless the Council amends the service specification or if any other Compensation Events require a review. Therefore, if the Lump Sum price agreed at the outset of the contract is below the Council's affordability for the same services, VFM will be demonstrated.

Reduced cost from delivering Target Cost schemes

As set out in the Value for Money and Forecast Financial Benefits Section above sample scheme prices submitted by bidders at ISDS stage demonstrated a reduction in the cost of delivery of sample schemes when compared to existing arrangements.

At Final Tender stage bidders will be required to cost between 12-15 Sample Schemes which the successful bidder will be expected to deliver. The Council will have these same schemes priced as if they were to be delivered using its existing service delivery arrangements. This will enable a VFM comparison between existing arrangements and the HSP.

The sample schemes provided at Final Tender stage will be used as a benchmark for all future Target Costs schemes. Over the life of the contract, as more sample schemes are priced and delivered, a 'Library' of schemes will be compiled and used as a benchmark to assess value for money.

However, the Target Cost schemes delivered are not uniform over the life of the contract and there will be components of Target Cost schemes where the Library of schemes can not be referenced to ensure VFM is being provided. In these instances the Service Provider will be required to secure three quotes to demonstrate that the price being provided is VFM. The Council will also retain the right to tender high value capital schemes to ensure that the Service Provider is delivering competitive prices.

Improved condition of the network

Despite a robust process to ensure VFM is being delivered against Target Cost schemes it is intended to measure the condition of the network via an assessment of the depreciated asset value. This will demonstrate that the delivery of capital schemes through the HSP is a more effective and efficient delivery model and is therefore VFM.

The Council will measure the impact of the HSP on the condition of the Network through measurement of National Indicators for the Condition of Carriageways

and Footways, however, this will not be deliverable until the Partnership is in place. The target condition indicator will be forecast and the target required will be part of the Performance Framework and will attract either service deductions or contract extensions.

Increased investment in the service delivery infrastructure

This benefit will be measured through the identification of investment and expenditure within the Service Provider's Lump Sum Pro-forma.

Investment in the infrastructure (such as new fleet, plant, ICT) was evident within the bids submitted at the ISDS stage of the procurement process. In comparison the Council has no plans for investment into the service delivery infrastructure.

Increased capacity and resources available to deliver the service

The HSP will utilise the experience and expertise which the Service Provider will bring from the private sector. The Service Provider will be able to utilise wider resource and expertise in a way which the Council can not currently do.

The capacity and resources available to deliver the services will be tracked through measurement of the resources channelled into the service from outside of the original TUPE transferees. It is expected that there will be a significant number of additional resources with experience of working within the private sector and across other similar public sector contracts.

Securing economies of scale

This is an Immediate Outcome of the implementation of the HSP and will deliver the benefit of driving out inefficiencies in the service to be reinvested back in the network. The outcome will be measured through detailed analysis of the Lump Sum and Target Cost schemes; the reduced cost of delivering these services will be in part due to the increased buying power and more efficient supply chains of the Service Provider.

Increasing the service performance level

A detailed Performance Framework has been developed which specifies the required performance levels for the Service Provider (see Appendix 4). The Performance Framework also provides the current performance levels which are significantly below the required levels under the HSP.

All of these performance levels will be measured by the Service Provider on a regular basis and reported to the Council's Client and Contract Management Team.

Maintaining and improving the customer focus;

A Key Performance Indicator focuses on the Service Provider's customer management performance. This will be managed as part of the wider Performance Framework.