It’s not just about cuts, it’s about the opportunities too.

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Many highways authorities are considering their future options for service delivery. The options list looks all too familiar; single provider, multiple providers, a framework agreement, a shared service, a joint venture, a Teckal (or another form of arms-length company), direct delivery or a combination of these options. Whilst single-provider Term Maintenance Contracts (TMC) have become the *de facto* standard within the sector, the performance gap between the various options has reduced considerably – especially when seen through the lens of traditional measures of performance. However, all these options are dependent on highways authority budgets, and these continue their downward spiral (Services Delivery Options Reviews, FHRC, 2017).

As the members of the Future Highways Research Club (FHRC) meet to agree the 2018/19 research programme, a key question will be the suitability and viability of these delivery options in the future. Decisions regarding future delivery structures are now more important than ever. In fact, an over-reliance on tried and tested delivery options may be binding the hands of authorities; denying them access to the newly emerging strategic opportunities.

Are the options for the future limited to more of the same?

At the forefront of any future service delivery decision is the emerging challenge of cost neutrality (FHRC Sector Interviews, 2017). A frequently expressed concern is that established forms of service delivery may be incompatible with a world of micro-commissioning, concession-selling, Electric Vehicle infrastructure building, investment winning and community-delivered services. This concern is well founded.

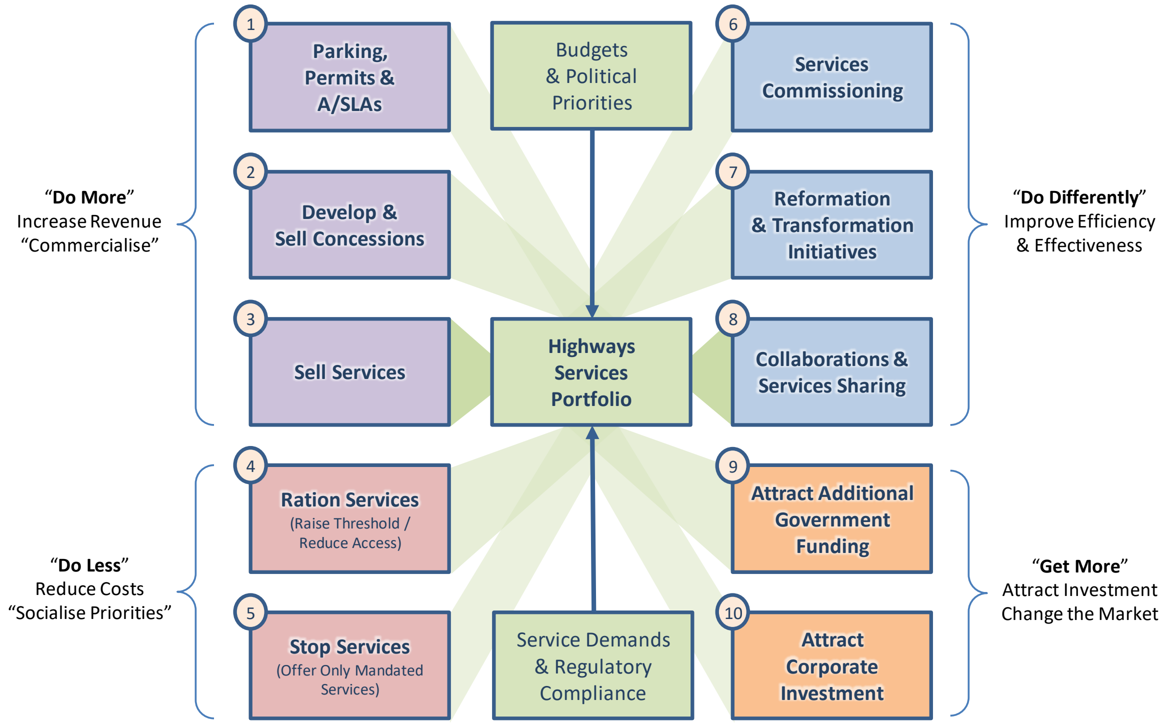
Thirty years ago, the alternative options to direct-delivered services achieved sizable and sustainable savings. Today, the reality is that highways services (and their partners) are pursuing modest, incremental improvements; where the laws of diminishing returns have already been fully demonstrated. The evidence increasingly suggests that these approaches, regardless of format, may now be acting as an anchor, stopping forward-thinking authorities from innovating and developing new types of service-delivery relationships. From the perspective of providers, the focus on costs and tightly-defined specifications has also stifled their ability to innovate.

In truth, all parties have been culpable in refining, embedding and entrenching the increasingly inflexible client/provider relationships. As a consequence, relationships have stagnated and differentiation between the service delivery options and sector providers has all but disappeared (Sector Review, FHRC, 2016). A commonly-reported observation is that the future has been defined using the rear-view mirror - just at a point where the sector needs a fresh strategy supported by a leap of imagination.

Future services will undoubtedly require a mixed economy of new income sources combined with additional cost reductions. The Future Highways Research Club will be investigating new types of revenue-generating initiatives and partner relationships. These may involve, for example, the sector working with entirely new partners on delivering Electric Vehicle and smart highways infrastructures. Combined, these will progressively reduce the dependence on dwindling authority budgets.

A balanced portfolio of methods and approaches will be required (as illustrated in Figure 1), each contributing to meeting the old and new challenges. Undoubtedly, at the forefront will be commercially-driven, income-generating (or cost-offsetting) services and relationships. These may require commissioners to embrace new contracting philosophies, including the adoption of mutuality frameworks enabling the sharing of business benefits (Future Sector Relationships, FHRC, 2017). They will also require authorities to manage a broader range of initiatives and partners than previously. The biggest barriers will be cultural; on all sides of the table.

Figure 1: Portfolio of Service Development Options



A simple self-diagnostic test can be completed using Figure 1 by counting the number and scale of service changes in each of the categories. For example, if most investments are in "Doing Less" or "Doing Differently", the probability is that the service is currently inward-facing and pursuing cost savings through economy and efficiency improvements. Conversely, if most of the change are found in "Do More" and "Get More" the service may be more focused on the opportunities than internal challenges. The ideal is to achieve a balanced portfolio. This should be underpinned by a clear understanding of the local environment, the national highways and transportation strategies and aligned with the local political priorities (Portfolio Management, FHRC, 2017).

Among the members of the FHRC there is plenty of evidence of change. Lincolnshire Highways is currently reviewing future contracting options capable of supporting new types of relationships, Suffolk Highways Service is designing a provider-mutuality framework, while Solihull and West Sussex are redesigning their investments and grants-winning processes to address budget shortfalls. The early indicators are promising and the FHRC will continue to monitor progress across the sector.

The Future Highways Research Club (FHRC) is relaunching on the 5th October 2017 at Cranfield University and is hosted by Proving Services. The Research Club is currently inviting new applications for membership. Membership is free but restricted to Directors of Highways Services. Please contact Simon Wilson on +44 (0)7970 773496 or by email using s.wilson@provingservices.co.uk for a research prospectus and to apply.