

Resource type: case study

Highways Agency Programme-Level Incentive Fund

In 2010, the Highways Agency (now Highways England) awarded the Managed Motorways Framework to four suppliers. This framework consisted of ten schemes, each worth an average of £150m, to be delivered over a period of six years. At the time, this was believed to be the largest use of the NEC3 framework contract.

The Managed Motorways Framework aimed to encourage supplier collaboration in order to focus on efficient delivery of the owners outcomes. This required considerable commitment and behavioural change from the previous ways of working, based on competitive tender between contractors to gain further work allocations.

The framework sought to enable collaboration in a typically competitive commercial environment which can form a barrier to open and honest teamwork and sharing of best practice. This was facilitated by two features in particular; by allowing the suppliers to propose allocation of work based on the best value each of the parties could offer, and through the introduction of a Programme-Level Incentive Fund (PLIF).

Traditionally any gainshare generated during the course of a contract was typically shared at a project-level. The overarching framework introduced a mechanism to also assign a proportion of the gainshare at a programme-level. The PLIF was funded by 20% of any gainshare from the individual projects. On the completion of each scheme, half of the PLIF was distributed equally between the four suppliers and the remaining half to the Owner. The effect of this, along with the ability to allocate work, was to pull the organisations together and work collectively to improve and share.

The ability to draw on a vast pool of collective knowledge, expertise and cutting edge innovation benefited all areas of the programme. The PLIF supported the creation of an environment which facilitated a collaborative approach to the delivery of the overall framework objectives without begin held back by concerns over directly competing for future work within the programme. The suppliers involved benefited from a greater visibility of workload and an improvement in planning and forecasting.