



Date of Meeting: 3rd September 2019
Lead Member: Cllr Tony Ferrari,
Lead Member for Finance, Commercial and Assets
Local Member(s): All
Lead Officer: Aidan Dunn,
Executive Director for Corporate Development (S151)

Executive Summary:

The Dorset Highways Construction Delivery Team has, and continues to have, a requirement to procure additional labour resources to operate as part of its mixed economy delivery model. The mixed economy model provides suitable resilience and business continuity to ensure that Dorset Council can meet its statutory highway duties. Additional labour resources are required to cover the following specific areas:

- Highway Construction Operatives - of various skill types
- Traffic Management Operatives - of various qualifications
- Specialist Plant Operatives - of various plant and equipment

For the last four years this requirement has been fulfilled by utilising a Top-Up Resource (Multi-Supplier) Framework. The Framework is structured in Lots and all Lots are multi-supplier which ensures that flexibility, capacity, and best value for money services is secured. This Framework was set up with a maximum four-year term which expires at the end of March 2020.

Various options have been considered over recent months to determine the best solution to fulfil these requirements from April 2020:

- Do Nothing
- Employ significant number of new skilled operatives
- Procure additional resources through a Contractor Resource (Labour Top-Up) Multi-Supplier Framework
- Procure additional resources through a Dynamic Purchasing System (DPS)
- Procure additional resources through the Highway Works Term Service Contract
- Procure additional resources through the Hampshire County Council Gen 3 Highways Frameworks

After careful consideration of the benefits, risks and costs it has been determined that the preferred option is to re-procure a new Contractor Resource (Labour Top-Up) Multi-Supplier Framework.

Equalities Impact Assessment:

N/A

Budget:

Based on past expenditure it is estimated that the Total Value will be £6m. More detail is shown in Appendix 1, Section 2 - Spend Overview.

Risk Assessment:

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: **MEDIUM**

We have insufficient numbers of employed staff to deliver one of our most critical services: winter maintenance (level 3), carriageway defect repairs, safety critical improvement works.

Residual Risk: **LOW**

Additional labour resources can be hired in to accommodate peaks in workload. These can then be off-hired quickly and simply when work returns to normal, manageable levels.

Failure to re-procure the Dorset Highways Contractor Resource Framework would put the service under extreme pressures to deliver the vital and critical highway functions:

- Maintenance - winter maintenance, carriageway defect repairs
- Improvements - capital funded safety improvement schemes

Climate implications:

By procuring local suppliers from Dorset and the surrounding counties, we can reduce travel and commuting miles. This will help the new Climate Emergency Policy Development Panel meet their carbon reduction targets which are currently being discussed in response to Dorset Council's declaration of a climate emergency.

Other Implications:

N/A

Recommendation:

The Cabinet is asked to consider the contents of this report and give approval for the procurement and award of a Dorset Highways Contractor Resource (Labour Top-Up) Framework (re-procurement exercise)

Reasons for Recommendation:

Cabinet is required to approve all key decisions with a financial consequence of £500k or more, and procurements over £5m are subject to individual reports (Cabinet 04-06-19 refers).

The technical summary for reasons for the recommendation is as follows:

- The pre-agreed rates and contract conditions allows Dorset Highways to respond to changing demands / circumstances quickly and efficiently.
- The quick procured method - call off, is far quicker than the traditional quote, tender and mini-competition methods of procurement. This reduces administration and back office costs
- The multi supplier lots provide resilience if the preferred supplier cannot fulfil the call-off
- The multi supplier lots provide technical expertise in a variety of specialist areas
- The multi-supplier framework has worked for the last eight years.
- The organisation risk is LOW

Appendices:

Appendix 1 – Project Brief – Contractor Resource (Labour Top-Up) Framework

Background Papers:

N/A

Officer Contact:

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Appendix 1 – Project Brief – Contractor Resource (Labour Top-Up) Framework

1 Project Background

1.1 The Dorset Highways Construction Delivery Team is part of the Place Directorate and the team's main objectives are:

- respond to highway emergencies
- so far as is reasonably practicable, ensure that safe passage along a highway is not endangered by snow or ice
- to deliver routine maintenance
- to deliver capital improvement schemes

1.2 These functions require a minimum number of trained and competent operatives. The Dorset Highways Construction Delivery Team has, and continues to have, a requirement to buy in additional resources to complement its in-house delivery team for the provision of highways works, covering the following specific areas:

- Highway Construction Operatives - of various skill types
- Traffic Management Operatives - of various qualifications
- Specialist Plant Operatives - of various plant and equipment

1.3 This additional resource is procured on short, medium, and long-term hire periods. This additional resource allows the Council to respond to the variable demands which are often unforeseen or unscheduled, such as:

- Additional internal and/or external funding
- Response to political pressure
- Response to severe weather events

1.4 For the last four years this requirement has been fulfilled by utilising a Top-Up Resource (Multi-Supplier) Framework. The Framework is structured in Lots and all Lots are multi-supplier which ensures that flexibility, capacity, and best value for money services are secured. This current framework expires at the end of March 2020.

1.5 The current Framework comprises of 22 suppliers. 12 of these are Dorset based suppliers, and of the others, 9 are from neighbouring Counties and employ Dorset residents to help fulfil Dorset Council requirements through the Framework.

2 Spend Overview

2.1 The annual value of the whole framework is currently around £1.5m which equates to an estimated total Framework value of £6m over a maximum 4-year term. Around a half of this spend is with Dorset suppliers.

2.2 The table below shows the average annual spend against the different areas of work covered under the Framework.

Description of Works/Service	Annual Spend
Highway Construction Operative – of various skill types	£700k
Traffic Management Operatives	£750k
Plant Operatives – of various plant and equipment	£50k

3 Options Considered

3.1 Various options have been considered over recent months to determine the best solution to fulfil these requirements from April 2020:

a) Do Nothing

Dorset Council would not be able to fulfil its statutory function to maintain the highway in a safe working condition. As a result, there could be more killed or seriously injured (KSIs) incidents on the network, our local and national KPI results would start to fall, we could see an increase in insurance claims, we would receive significant negative public relations.

b) Employ significant number of new skilled operatives

Employing the number of operatives required to fulfil this requirement, with the varied and specific skill set and qualifications needed, would require a considerable amount of revenue funding. By employing operatives direct the Council would not be able to respond efficiently and effectively to the varying peaks and troughs that occur as a result of weather, funding and political pressures.

c) Procure additional resources through a Contractor Resource (Labour Top-Up) Multi-Supplier Framework

Additional labour resources can be hired / called-off quickly and simply using pre-agreed rates, terms and conditions. This enables the organisation to respond to and accommodate peaks in workload efficiently and effectively. These resources can also be off-hired quickly and simply when work returns to normal, manageable levels.

d) Procure additional resources through a Dynamic Purchasing System (DPS)

Unlike frameworks, the advantage of a DPS is that it allows new suppliers to apply to enter as a preferred supplier during its term – its ‘dynamic’ in that respect. Whereas, the disadvantage of a framework it that suppliers may only apply to enter one time only – that’s at point of tender. The disadvantage of a DPS is that it does not allow for direct award call-offs and all call-offs must be subject to tender (further competition). A DPS in comparison to a framework brings with it an extra process of not only doing the further competitions, but also evaluating new applications; both of which have minimum timescales that are set by Public Contracts Regulations.

Dorset Highways requires a contracting model that will allow them to fulfil their ‘reactive’ needs, mainly around calling-off of labour at short notice or for short periods. The advantage of a framework it that it can be established at the outset (point of tender) to have the ability to both direct award and further competition. By setting framework schedule of rates with suppliers at point of framework award, will provide the means for a more reactive procurement to meet requirements at short notice by direct call-off from these established rates.

It is on the basis of the reactive need that a DPS is not considered the appropriate contracting model.

The supply market for this type of resource in Dorset is fairly stable with limited new suppliers entering the market which is another reason why there is no advantage to adopt a DPS. Through good market engagement ahead of the tender Dorset Highways hope to ensure that all key and local suppliers are encouraged to tender for this opportunity for a place of the framework.

e) Procure works through the Highway Works Term Service Contract

Dorset Council has established a long-term partnership with Hanson Contracting. This allows Dorset Highways to deliver large programmes and packages of work based on pre-agreed rates, terms and conditions. Whilst it was acknowledged that this option does provide fantastic benefits, it is also accepted that this would not fulfil all of Dorset Highways 'reactive' needs, mainly around calling-off of labour at short notice or for short periods.

f) Procure works through the Hampshire County Council Gen 3 Highway Framework

Dorset Council is a named authority on this framework. This provides Dorset Council with a means to procure packages of work through "mini-competition". Whilst it was acknowledged that this option does provide some benefits it is also accepted that this would not fulfil all of Dorset Highways 'reactive' needs, mainly around calling-off of labour at short notice or for short periods.

4 Project Objectives

4.1 The main objective of this tender exercise is to establish a framework of suitable suppliers through which all top-up resource requirements can be sourced. The previous framework covered the majority of the requirements, however gaps have since been identified both in terms of key suppliers (who didn't get onto the previous framework) and also various skill levels not previously included, such as labourer, skilled, chargehand, foreman.

Every effort will be made to ensure these gaps are filled and to ensure full compliance of spend in these areas of works going forward.

5 Project Approach

5.1 To establish a multi-lot framework. Operatives of various skills are required, and, in most instances, these will be provided by different suppliers, so a multi-lot framework will be the most suitable procurement solution. Additionally, capacity of framework suppliers has proved a problem in the past, so it is envisaged to have multiple suppliers on each Lot to meet requirements

6 Project Scope

6.1 The specific skills that are in scope are as follows:

- | | |
|---------------------------------|----------------------------------------|
| • Highway Operatives | Labourer, Skilled, Chargehand, Foreman |
| • Ground Worker | Labourer, Skilled, Chargehand, Foreman |
| • Bricklayers / Paviour | Skilled, Chargehand, Foreman |
| • Welders | Skilled |
| • Steel Fixers | Skilled |
| • Carpenters | Skilled |
| • LGV Drivers | Skilled |
| • Plant Operators | Skilled |
| • Traffic Management Operatives | Skilled, Chargehand |
| • Gully Emptying | Skilled |
| • Excavator Operatives | Skilled |

6.2 To seek a simple schedule of hourly rates for these different skill types and different skill levels. The Framework will operate by direct call-offs against these rates.

7 Project deliverables

7.1 The project deliverables are as follows:

- Establishment of a compliant framework
- Suitable sources of supply for all top-up resource requirements
- Previous areas of non-compliance covered

8 Interfaces

8.1 Source to Pay Hub (S2P): Orders for these services are currently placed by the S2P (part of the Council's Procurement function), at the request of Dorset Highways Site Agents. This will be no different going forward. The S2P will be made aware when the new Framework is established and will be provided with the suppliers' details and schedule of rates. What will need to be re-enforced however, is that the Framework is used correctly in terms of suppliers' rankings. Site Agents should not, and will not, be requesting the services of suppliers who are ranked 3rd or 4th on the Lot for example; unless there is genuine reason the top ranked suppliers cannot fulfil the requirement. This will be monitored by both the Contract Manager and the Procurement.

8.2 Pro-Contract – The tender will be run through the e-tender system

9 Exclusions / Constraints

9.1 There are no particular constraints to this project other than the framework must be procured in accordance to Public Contract Regulations 2015 (PCR15) and the Council's own Constitution (CPRs)

9.2 It should be noted that the Framework needs to be established before the end of March 2020. The current Framework expires on 31st March 2020. The new Framework new needs to be in place so it can take over from 1st April 2020.

10 Project Organisation Structure / Collaboration

10.1 The stakeholder group will be made up as follows:

Stuart Allen - Contracts Manager, Highways, Dorset Council

Adam Langston - Senior Procurement Officer, Financial Services, Dorset Council

Dave Blackburn - Recycling Manager, Highways, Dorset Council

Jo Howe - Team Leader, Purchasing Hub, Dorset Council

10.2 Stuart Allen will be primarily responsible for producing specifications and quality questions, along with support from other technical representatives where needed.

10.3 There is the potential to collaborate with Bournemouth, Christchurch and Poole (BCP) on this Framework. This authority has a similar requirement and would possibly like to collaborate with Dorset Council as a route to market. By collaborating and combining our volumes and thus increasing the estimated framework value, this could generate additional interest from suppliers and potentially help to create more competitive rates.

11 Communication Strategy

11.1 Stakeholder group meetings will be held frequently to establish the full details of the procurement approach and finalise documentation such as specifications, quality questions and pricing schedules. Notes will be written up following each meeting and circulated to all stakeholders to ensure each member of the group is in full understanding of decisions made and actions required.

11.2 In respect of communication with suppliers, it has already been noted that supplier engagement will be important to ensure that key suppliers are all made aware of the tender opportunity and advised to register on the e-tender system in advance of the opportunity going live.

12 Quality Issues

12.1 The contractors that will be sourced under this Framework will have to have particular qualifications/accreditations and these will be made clear within the Lot specifications, and this should help ensure a minimum level of quality of work and health & safety understanding etc. KPIs will form part of the specification/framework agreement and these will be used to measure and control any quality issues that arise.

13 Project Controls

13.1 A project timetable has been developed against which the project team will keep track of progress. Frequent and clear communication, and ensuring stakeholders take responsibility for any actions they have been assigned, will ensure the project remains on schedule and ultimately delivers the required outcomes