

Place & Resources Scrutiny Committee

25th April 2022

Dorset Highways Works Term Service Contract

For Review and Consultation

Portfolio Holder: Cllr R Bryan, Highways, Travel and Environment

Local Councillor(s): All

Executive Director: J Sellgren, Executive Director of Place

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Report Status: Public

Recommendation: That the committee evaluates the contractual governance system described in this report and scrutinises the performance of the Dorset Highways Works Term Service Contract in 2020-21.

Reason for Recommendation: This report provides an update and overview of the performance of the fourth year of the Dorset Highways Works Term Service Contract in supporting Dorset Council's highway maintenance activities.

1. Executive Summary

- 1.1. The Dorset Highways Works Term Service Contract (DHWTSC) is the main strategic contract used to support Dorset Highways in discharging Dorset Council's duties as a highway authority. The £150m, ten-year contract is designed to support Dorset Highways in its highway construction activities.
- 1.2. Due to the value of the contract, its design was carefully considered to maximise the value it offers Dorset's residents, businesses and visitors. Three elements that are key to this are the contract governance, performance management and contract management structures. These are expanded on in the body of the background papers (section 9) below.

- 1.3. The report concludes by focusing on the highlights of the outcomes achieved through the DHWTSC over the 2020-21 year. A full report of the period can be found in Appendix 1, along with a summary of the contract Key Performance Indicators (KPIs) in Appendix 2.
- 1.4. This report sets out how the DHWTSC is used to support the delivery of the highway service and recognising the strategic importance of this contract, it welcomes the review from the Place and Resources Scrutiny Committee of its performance over the 2020-21 year.

2. Financial Implications

- 2.1. The DHWTSC has formal price adjustment mechanisms built into the contract. These are based on changes in the Building Cost Information Service indices against a benchmark period. These mechanisms provide a means for adjusting prices on an annual basis in line with market conditions and provide scope for changes relating to any significant changes within this period.

3. Well-being and Health Implications

- 3.1. In January 2021 construction began on a three-year programme of new active travel infrastructure in the east of Dorset as part of the £102m Transforming Travel programme. Alongside Dorset Council's Construction Delivery team, the DHWTSC is being used to deliver this project with the aims of transforming local travel, improving air quality and bringing economic and health benefits to the area. The DHWTSC will allow Dorset Council to realise the benefits of this ambitious programme within the delivery window set out by the Department for Transport.

4. Climate implications

- 4.1. Within the performance management of the DHWTSC are two KPIs which specifically focus on the environmental impact of the service provision.
- 4.2. These measure the amount of material that is recycled into the highway network annually and the amount of CO₂ released per tonne of material laid. In both cases the KPI acts to incentivise awareness within decision making and drive reduction of impact over the service period. Over the first four years of the contract this has resulted in savings in excess of 4.5kg of carbon per tonne of asphalt laid on Dorset's highway network.

5. Other Implications

- 5.1. Through the DHWTSC Dorset Highways have established five working groups that look to leverage the combined resources of the supply chain to drive business improvement and value added to all partners. These groups focus on Marginal Gains, Health & Safety, Communications, Climate and Ecological Emergency and Social Value.
- 5.2. In 2020-21 these groups produced several key outcomes, including delivery of a social value scheme to provide utility connections with the Bus Shelter Dorset and the introduction of the Marginal Gains app to quantify the savings achieved through remote working in terms of finance, carbon and time.

6. Risk Assessment

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

Current Risk: Low
Residual Risk: Low

7. Equalities Impact Assessment

N/A

8. Appendices

Appendix 1 – Dorset Highways Strategic Partnership: Annual summary report 202021

Appendix 2 - Dorset Highways Strategic Partnership: Key Performance Indicators

9. Background Papers

9.1. The Dorset Highways Works Term Service Contract

- 9.1.1. The DHWTC has an estimated contract value of £150m and an Official Journal of the European Union threshold of £500m. It has a maximum service period of 10 years (5+2+2+1) ending in March 2027. The contract begins its sixth year in April 2022 and the initial 2-year extension has been granted.
- 9.1.2. The contract scope means that it is used exclusively for the delivery of capitably funded schemes, the majority of which are funded via the

Department for Transport. It is worth noting that through the Capital Bids and Asset Management Governance Structure process, £6.3m of funding has also been provided by Dorset Council, a large percentage of which will be commissioned through this contract.

9.1.3. The two main workstreams delivered through the contract are Dorset Council's structural maintenance surfacing programme and major highway improvement projects. The base flow of the structural maintenance programme has a value of around £5m per annum (£5.8m in 2020-21) whereas the major improvement programme can vary significantly from around £2m to £10m+ per annum (£3.0m in 2020-21). The main characteristics of the DHWTSC that offer Dorset Council value for money are: Strong contract governance, robust performance management and lean contract management structures.

9.2. Contract governance

9.2.1. The formal governance structure has two main bodies that meet on a quarterly basis: The Operations Board and Strategic Board. These bodies have representation from Dorset Council as the commissioner, Hanson Contracting as the Contractor as well as key members of the associated supply chain.

9.2.2. The Operational Board

9.2.3. There are 14 members of the board, who were appointed at contract commencement due to being involved in the operational delivery of the contract. Responsibilities include, but are not limited to:

- Monitoring and reviewing the performance of the Contractor in the delivery of the service the performance of the Contractor against the KPIs and the progress of tasks against their predicted task completion dates,
- Considering and subsequently recommending to the Strategic Board changes to this contract, considering any implications (financial or otherwise) which flow from such changes,
- Monitoring resources so that annual planned resources are not exceeded in any fiscal year and that any projected overspend is approved by the Strategic Board,
- Liaising with the Strategic Board and sharing the results of its monitoring of the Contractor's performance of the service with a view to identifying any lessons that can be learned or practices that can be improved upon,
- Identifying, assisting, managing and mitigating operational risks.

9.2.4. Decisions of the Operations Board are made by the majority vote of the people attending each meeting, provided that a minimum of two people from each Party are present.

9.2.5. The Strategic Board

9.2.6. There are 12 members of the board, who were appointed at contract commencement as they have responsibility for the performance of this contract, but not being involved in the day-to-day provision of the service. Responsibilities include, but are not limited to:

- Overseeing the Operations Board and the performance of this contract to meet the objectives,
- Reviewing and assessing the Contractor's overall performance in providing the service,
- Reviewing and approving the Medium-Term Plan and the Annual Plan,
- Implementing policy and procedures necessary for achieving the objectives,
- Deciding upon any issues raised by the Operations Board.

9.2.7. Decisions of the Strategic Board are made by the majority vote of the people attending each meeting, provided that a minimum of two people from each Party are present.

9.3. Performance Management

9.3.1. The DHWTSC has a suite of 10 KPIs that are intended to measure the performance of the Contractor to promote continuous improvement. The system includes appropriate incentives related to payment and contract duration which provide a focus for improvement activity throughout the service period of the contract.

9.3.2. It is worth noting that Contractor performance as measured by these KPIs informs any decision relating to the extension of the service period. KPI 6 (Commissioner Satisfaction) needs to exceed 60% as a pass/fail criterion for any assessment decision.

9.3.3. The KPIs were chosen to provide a measure of Dorset Council's primary objectives for the services provided under the contract. Each KPI has a measurable performance criterion, which are used to prepare and report performance monthly.

9.3.4. At the end of the measurement year, the Strategic Board, in Consultation with the Operations Board, will review the KPIs and reset the targets for the following year. The KPIs, metrics or targets may be amended at this

time by the Strategic Board to reflect any revised business objectives of Dorset Council whilst maintaining an incentive to the Contractor. For example, in 2020-21 changes were introduced to better reflect the needs of Dorset Council's Climate and Ecological Emergency Strategy.

9.3.5. A summary of the KPI categories can be found in Appendix 2.

9.4. Contract Management Structure

9.4.1. The DHWTSC procurement process took place in 2016-17 and utilised the Highways Maintenance Efficiency Programme Procurement Route Choices Toolkit. Three delivery options were considered: Local authority trading company, wholly in house, in house delivery with top up (mixed economy). The mixed economy model was selected, utilising a single provider as a top up for a defined scope of work.

9.4.2. In terms of demand management, this allows the in-house delivery team to meet the base flow, with peaks and troughs being managed by our partner. To limit the overhead exposure through this model on our partner, a lean management system was implemented, that has strong similarities with those seen through management contracts in other industries. This acted to reduce the management costs for the Contractor, which in turn reduced this element of the unit rates paid by Dorset Council.

9.4.3. This same structure also allows Dorset Council to benefit from access to the wider DHWTSC supply chain. This depth and breadth provides access to specialist skills and the ability to flex the collective resources available to Dorset Council, without the associated procurement costs.

9.4.4. Under the National Audit Office criteria, this provides access for Dorset Council to value for money in terms of economy, efficiency and effectiveness. To assess the value for money offered through the contract Dorset Highways conducts several viability assessments each year. These all into three main categories:

- Direct market comparison – every year a scheme or programme is tendered through an alternate contract or framework to test the market. The most recent comparison was using Hampshire County Council's Gen 4.1 framework,
- Ongoing viability assessment – on a quarterly basis a comparison is made using a representative sample of schemes from all workstreams of the outturn costs using our mixed economy model and the estimated costs using the DHWTSC rates (considered representative of the current market) for a fully outsourced model. This report is presented to the Portfolio Holder and Lead Member at the quarterly Highways Asset, Risk and Programming Board for

consideration. The aim here is to continually evaluate the value this delivery model offers Dorset's residents, businesses and visitors,

- External audit – Every two years we invite an external auditor into the service to assess the value for money offered by our delivery model. The outcome of this exercise informs a two-year improvement plan for Dorset Highways. The most recent audit was in the form of a peer review from the Future Highways Research Group.

9.4.5. Finally, the mixed economy model allows Dorset Council to retain much more control than an externally commissioned model. This control extends to the programming of work and the commissioning model for its delivery. This has strong alignment with Dorset's commitment to deliver sustainable economic growth, increasing productivity and the number of jobs in Dorset, creating great places to live, work and visit. When combined, the DHWTSC offers Dorset Council strategic alignment and a mechanism to continually evaluate value for money.

9.5. Highlights from 2020-21

9.5.1. Despite the impact of COVID-19 the contract allowed Dorset Council and Hanson Contracting to continue to perform of the course of this year. Changes had to be made to programmes to make sure that both those involved in service delivery and those who came into contact with it remained safe. This was achieved with only a three week pause in the contract programme. Alongside this, other highlights from the year included:

- Delivering more than 105 surfacing and highway improvement schemes with a combined value of £8.8m,
- Achieved 11 consecutive years (including a previous iteration of the contract) with zero reportable accidents, totalling 1.55m working hours,
- Certificate maintained for ISO 44001 Collaborative Business Relationships,
- Realised savings in excess of £1.8m to Dorset Council through the recycling of asphalt waste containing cold tar,
- Delivery of a social value scheme with the Bus Shelter Dorset,
- Introduction of the Marginal Gains app to quantify the savings achieved through remote working in terms of finances, carbon and time.

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

10. Appendices

10.1. Appendix 1 - Dorset Highways Strategic Partnership: Annual summary report 2020-21

10.1.1. This report sets out the contract highlights, behaviours, deliverables and performance (as measured by 10 Key Performance Indicators) over the 2020-21 year. This was the fourth year in the contract service period.

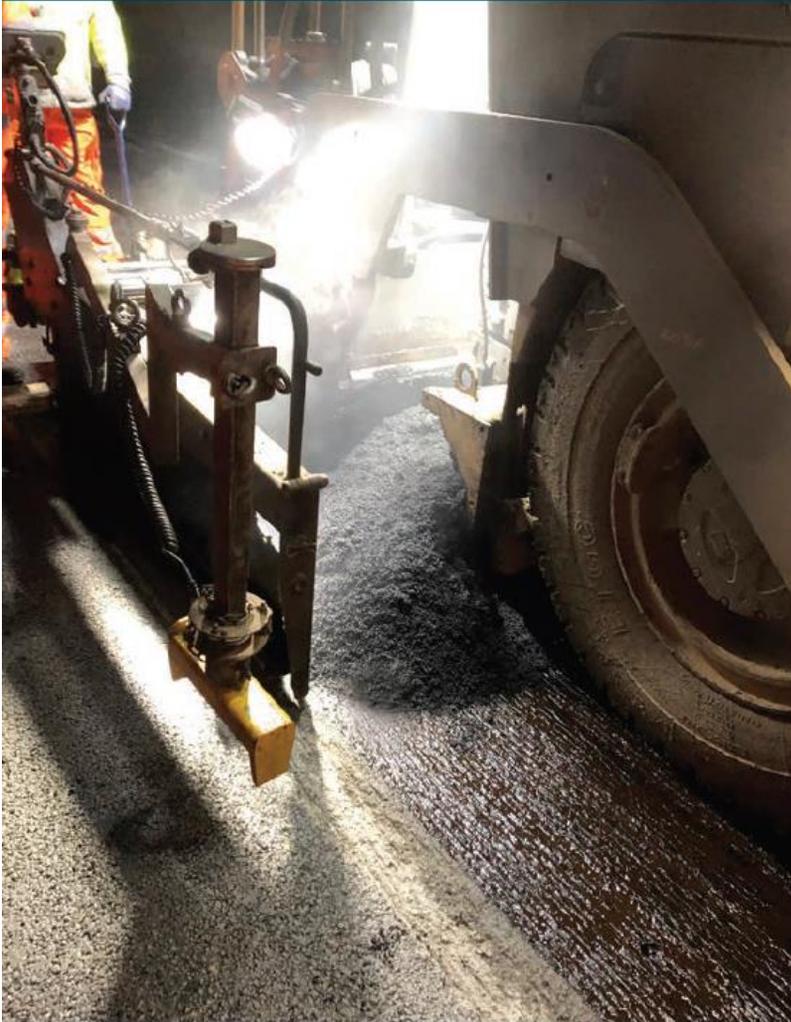


Dorset Highways Strategic Partnership

Annual summary report
2020/21



Dorset Highways Strategic Partnership (DHSP) highlights



- › 11th consecutive year with zero reportable accidents (1.55 million working hours)
- › Certificate maintained to the international standard for collaborative working ISO 44001
- › Continued cost savings achieved from recycling inert waste and tar bound materials from various schemes
- › Continued successful delivery of all schemes on time, and within budget, despite the impacts of Covid-19
- › Continued shared support for local community projects where possible due to Covid-19 restrictions



Collaborative working in practice

In March 2020 Dorset Council and BCP Council were awarded £79 million through the Government's Transforming Cities Fund (TCF) scheme, which aims to improve productivity and prosperity through investment in public and sustainable transport.

As part of this, Dorset Council is building 2.3km of new cycle and walking improvements on Leigh Road and Wimborne Road West. During the last quarter of 2020-21, the partnership began work on the scheme, with office staff moving to new premises in Wimborne. The works, scheduled to take place over two years, aim to reduce traffic by providing safe alternatives and include construction of a new cycleway and footway as well as carriageway resurfacing.

Supply chain partner R+W Langley has carried out the bulk of the excavation works and kerb laying, with all spoil transported to Allasso for recycling. Cement bound granular material was then returned on the same lorries for use in lower layers of the footway/cycleway. CH Contracting is providing traffic management for the daily activities at Leigh Road as well as overnight road closures for resurfacing works. Dorset Highways will also be completing several sections of work around the Ferndown area, close to its depot, and Knights Brown has also helped with construction on the Wimborne site, to keep the works to programme. Resurfacing of the footway/cycleways and the redesigned road is being completed by Hanson Contracting.



**The new footway/cycleway
On Wimborne Road West, part of
Dorset Council's TCF
Improvement scheme**

Introduction: partnership governance

The fourth year of the partnership contract has been dominated by the Covid-19 pandemic and our integrated team has risen to the unprecedented challenges this presented.

New working practices were introduced – with revised risk assessments and method statements – to comply with government and partnership guidelines and enable work to continue safely. In addition, more vehicles were introduced to allow social distancing to be maintained.

Despite this backdrop, the partnership has delivered a well-defined programme of highway works, in terms of both structural maintenance and capital schemes. Each of the maintenance and resurfacing projects completed during the year has also used materials and working practices that help reduce carbon emissions to ensure the partnership plays its part in helping Dorset Council meet its ambition to be carbon neutral by 2040.

The changes resulting from the local council boundary restructuring have been successfully managed with all people and systems working well to continue delivering partnership schemes with professionalism, safely, on time and within budget.

During the year, the first possible contract extension was agreed, extending the partnership contract past the original third term of 2017-2022, to 2024. This could be extended further still – possibly to 2027 – providing KPI targets continue to be reached.



Vision and values: **our behaviours**



The DHSP operates as One Team in the delivery of our works and services, placing an emphasis on all personnel involved – both employed directly as well as those in the supply chain – demonstrating collaborative attitudes and behaviours, including:

- › Being **trustworthy** and **open**
- › Being **committed** and **passionate**
- › Being **motivated** by organisation, community and end user values
- › Leading by **example**
- › Positively **challenging** but **respecting** the views of others
- › Sharing **knowledge** and **experience**
- › Taking **ownership** and **responsibility**
- › Timely **communication** with others
- › **Recognising** the contribution of others



One Team: sharing knowledge and experience through collaborative working

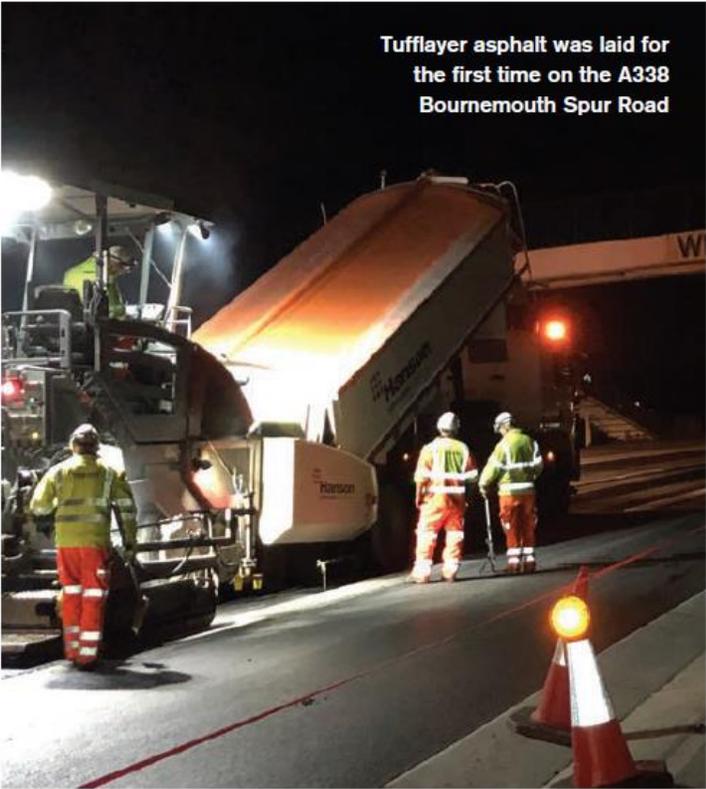
Completed schemes: our capability and output

During year four of the partnership contract, maintenance and improvement schemes with a total value of £8.8 million were undertaken, despite the impact of Covid-19.

Structural maintenance schemes



Improvement schemes

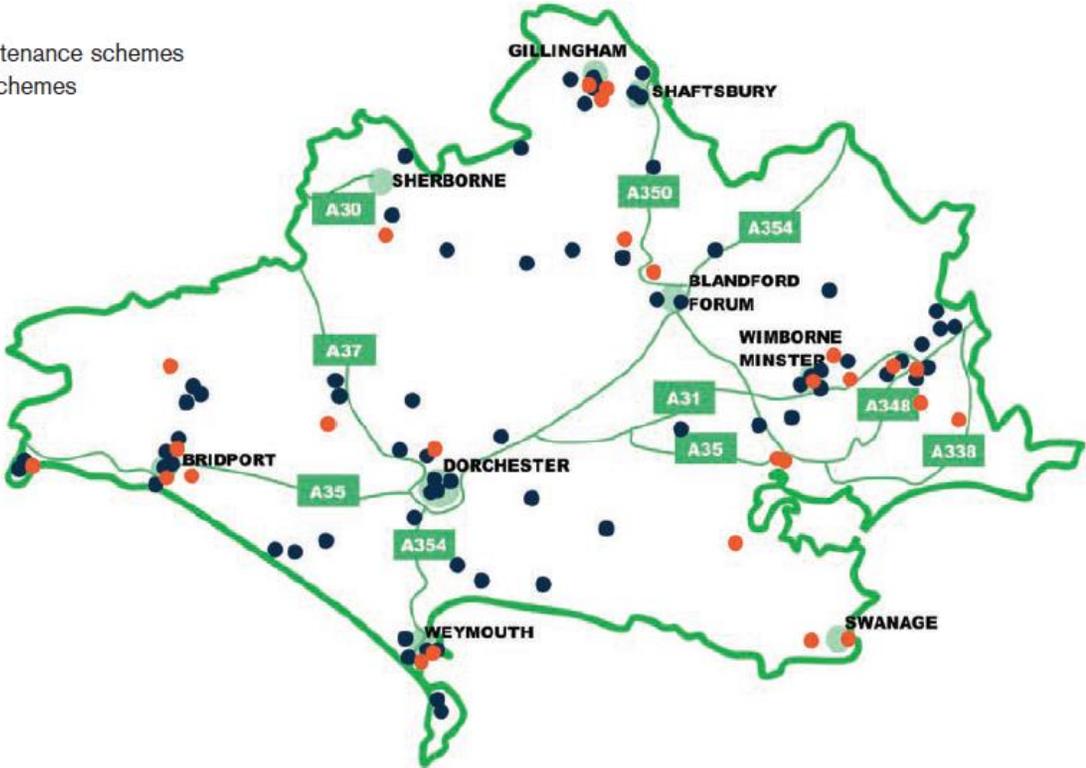


Tufflayer asphalt was laid for the first time on the A338 Bournemouth Spur Road

Activity map 2020/21

KEY

- Structural maintenance schemes
- Improvement schemes



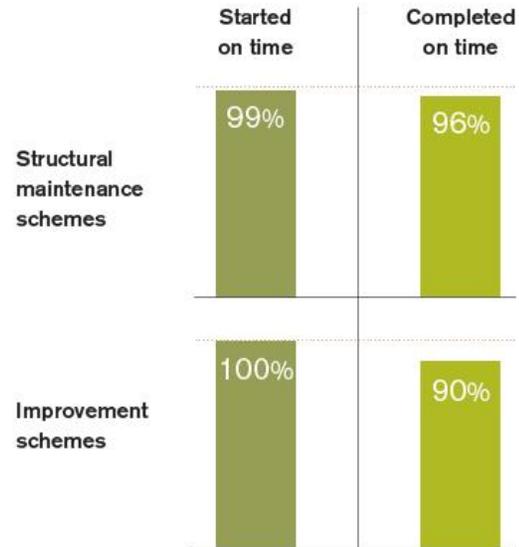
Supply chain partners 2020/21

Some of the supply chain partners who share the partnership's collaborative working ethos and delivered work throughout the year:



Resurfacing work on the A30, Coldharbour, Sherborne

This KPI combines four measures of performance for both structural maintenance and improvement schemes which monitor actual scheme start and completion against planned.



Roller driver Nicole Beardwell completing a resurfacing scheme in Bournemouth. Nicole is an active member of Hanson's Network of Women, which champions women across the business and is part of the company's policy to be fair, respectful and inclusive

A measure of workmanship and material performance, this KPI monitors the number of defect notifications for completed work and the speed at which a resolution/rectification is achieved.

For schemes completed in the year, 10 defects were reported which required 250 tonnes of asphalt to be replaced. Each was completed within 14 days of defect notification.



Amount of remedial surfacing material laid that had to be replaced
less than 1.0%

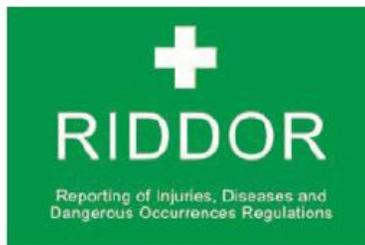


Hanson's spray tanker applying a hot, bituminous bond coat prior to laying the new surface course on the A30 at Shaftesbury

This measures the accident incident rate and compares performance against other industries. The benchmark is that the partnership operates within the top 25% of safe industries.

The partnership has a 100% record and has achieved an 11th consecutive year with no reportable accidents under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) from 91,000 hours worked in the year.

There has been an increase in the number of different partners actively raising near hit/miss reports related to unsafe acts or conditions, which is an important part of pro-active safety management. As a result, a total of 477 near hits were recorded across all sites.



The partnership has an open and honest approach to health and safety among all members of the supply chain

This KPI combines measures relating to the average tonnes of carbon emissions associated with the delivery of schemes and the level of recycling of old road pavement materials within new asphalt mixes.

Using our ERA warm mix asphalts in base, binder and surface courses has reduced CO₂ emissions significantly.

In the year:

- › Carbon emissions: 54kg/tonne of asphalt laid (target = 58.5kg/tonne)
- › 17.5% of material extracted, was recycled into the network in the year (target = 10%)
- › 20% RAP in base/binder materials laid on the network
- › 6,000 tonnes of material recycled by Allasso



Around 40% of materials specified are ERA warm mix asphalts, which can reduce the CO₂ emissions associated with asphalt production by 15%+

The KPI for stakeholder (residents, businesses, public services etc) satisfaction measures the feedback given by those who live and/or work within the extent of the delivered schemes. Stakeholders were provided with feedback cards requesting a poor, satisfactory, good or excellent rating for a variety of criteria (advance notice, cooperation of the workforce, cleanliness of the finished site etc).

During the year 19 sites were surveyed and a total of 162 responses were received from 1,148 feedback cards distributed for Hanson Contracting schemes – a 14% response rate. The average feedback score was 89% (73% good; 16% satisfactory) against a target of 70%.



Average feedback score up to
89%



The DHSP is committed to putting customers at the forefront of delivery and stakeholder feedback continues to improve

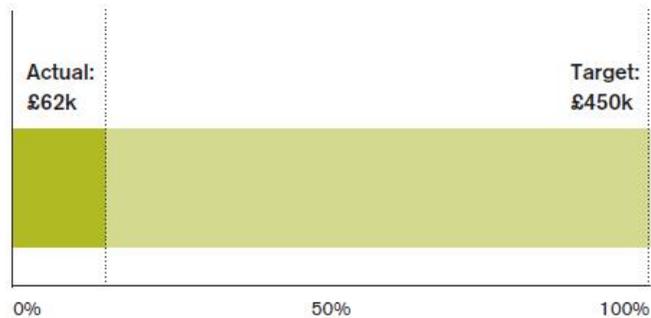
KPI | Reciprocal trade

Achieved: ❌ Improved: ❌

This KPI measures the value of works – such as vegetation clearance, boundary fencing and road signage installation – offered by the partnership back to Dorset Council.

Over the year £62,000 of services required in the delivery of schemes was offered back to the council rather than the supply chain, 14% of the target as a result of less opportunities due to the Covid-19 pandemic.

Reciprocal trade with Dorset Council



The impact of Covid-19 resulted in a drop in the level of work offered back to Dorset Council through reciprocal working

KPI | Material quality

Achieved: ✓ Improved: ✗

Measuring the percentage of materials delivered within specification by Hanson Asphalt to both Dorset Council and Hanson Contracting schemes, this KPI monitors important aspects such as the asphalt being delivered within the specified temperature range and to the right binder content and grading limits.

During the fourth year of the partnership contract, 99% of material laid on the network was within specification. Some minor grading failures on site are being monitored.

99%
of material
laid within
specification



KPI | Material delivery

Achieved: ✓ Improved: ✓

This measures the percentage of material orders delivered to both Dorset Council and Hanson Contracting sites within the requested time window.

Across all sites, 97% (61,000 tonnes) of asphalt deliveries were within the requested time window (target = 90%).

97%
of asphalt
delivered
on time



Areas for improvement 2021/22



- › Maintaining/reviewing new procedures in response to working since Covid-19 pandemic
- › Continue focus on providing a sustainable highways service through increasing the use of:
 - › RAP in base and binder mixes to 30%
 - › Allasoo recycled materials back into the network
 - › warm mix asphalts
- › Further the amount of construction-related work with local charities
- › Continue to introduce/monitor innovations to improve contract and scheme delivery
- › Promote/increase shared training initiatives

During the year we introduced new working practices and behaviours to ensure that we were able to continue delivering a full programme of works safely on time and budget. We are delighted that we have secured an extension to the partnership contract to 2024 and are committed to ensuring its continued success.

Ian Price, Managing Director, Hanson Contracting

The Covid-19 pandemic presented the partnership with a new set of unprecedented challenges, and I am extremely proud of the way the team has adapted and performed to continue delivering an outstanding service for the benefit of all residents and businesses in the county.

Jack Wiltshire, Head of Highways, Dorset Council

10.1.2. Appendix 2 - Dorset Highways Strategic Partnership: Key Performance Indicators

No	Description	Purpose
KPI 1	Time	To ensure the Contractor carries out work in accordance with agreed timescales.
KPI 2	Cost	To promote accuracy of forecast outturn cost for each Target Cost scheme. Better forecasting allows the Employer a greater opportunity to manage the overall
KPI 3	Quality	To measure number of defects and the Contractor's response to defects in order to promote a "Right First Time" culture.
KPI 4	Safety	To measure the number of injuries incurred by the Contractor and their supply chain engaged in the Term Service Contract.
KPI 5	Environmental	To measure the amount of material that is recycled into the highway network annually and to control and seek to limit the amount of CO ₂ released per tonne of material laid.
KPI 6	Customer Satisfaction	To measure satisfaction rating of people directly affected by the works.
KPI 7	Considerate Contractors	It is intended that the Contract is part of the Considerate Constructors Scheme and all registered sites are given a score indicating the level of performance they have reached against the Considerate Constructors Scheme - Code of Considerate
KPI 8	Reciprocal Trade	To measure the levels of Reciprocal Trading offered to Dorset Environment and Economy Directorate by the Contractor.
KPI 9	Material Quality and	To measure the reliability of coated roadstone deliveries to Dorset Highways both in time and quality.
KPI	Employer Satisfaction	To record the Employer's satisfaction with the overall service being provided by the