

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

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| <b>Decision Maker:</b> | Executive Member for Economy, Transport and Environment  |
| <b>Date:</b>           | 8 October 2020   |
| <b>Title:</b>          | Procurement Approach for Highways Transportation Development, Engineering and Management Services post Summer 2022 |
| <b>Report From:</b>    | Director of Economy, Transport and Environment   |

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### Purpose of this Report

1. The purpose of this paper is to set out a strategy for securing future resources to deliver the Council's infrastructure, development, and economic growth ambitions by initially procuring a four year multi-supplier framework from June 2022, with an ambition to develop into subsequent transformational arrangements subject to further approvals.

### Recommendations

2. That approval be given to procure a four year multi-supplier framework consisting of specialist technical transportation, engineering and development management companies commencing in June 2022 to replace the services currently supplied through the Strategic Partnership Contract (Lot 3) when that contract expires on 22 June 2022.
3. That approval be given to widen the scope of services contained in the current Strategic Partnership Contract (Lot 3) to include elements within the frameworks for digital infrastructure allied to highways and transportation development, connectivity and network integration.
4. That further development and investigations be undertaken to explore bringing the Fourth Industrial (Digital) Revolution to the County's existing infrastructure assets by engagement with leading industry partners, where appropriate.
5. That commercial arrangements are explored during the framework to provide an agile and effective delivery model to engage significant resources prior to the completion of other contracts which will occur from 2024.
6. That the Director of Economy, Transport and Environment be given delegated authority to agree any variations to the items approved, in consultation with the Executive Member for Economy, Transport and Environment.

## **Strategic Overview**

7. In early 2020 the Commercial workstream, one of four workstreams within the Economy, Transport, and Environment Driving Change Programme (others being Digital, Customer and Workforce workstreams), gained officer approval to progress implementation of the department's new commercial strategy. A key pillar of this strategy is to ensure our future strategic relationships both align with our values, through allowing the Department to innovate and create a sustainable, future proof Hampshire, as well as unlock access to wider commercial opportunities. With the current Strategic Partnership Contract (SPC Lot 3) contract expiring on 22 June 2022, now is an opportune time to ensure the replacement solution fits with these aspirations.
8. In addition to the SPC Lot 3 contract expiring in summer 2022, there are a number of other relationships which may expire or terminate in the following few years, providing greater opportunity to develop a solution which is truly future proof and more commercial in nature. Given this, it is necessary for the solution required for summer 2022 to be sufficiently flexible to allow for a potential greater change in relationships and commercial activity, possibly from 2024 onwards.
9. It is therefore proposed that a twin track approach to procurement is followed, whereby a more immediate solution is procured for 2022 for up to four years, with a longer-term, multi-faceted approach developed in parallel, which may replace or work alongside the remaining timeframe of initial solution, from the middle of this decade.

## **Contextual information**

10. The County Council has a duty to maintain and improve its assets within Hampshire in a safe and effective manner. In addition, the Council also has ambitions to encourage economic and sustainable growth set against carbon reduction and improvements to the environment. Changes to how people move around the County and in their travel requirements have occurred over the last five years, but the recent outbreak of Covid-19 and associated restrictions have accelerated these changes. During the outbreak, movements of private motor vehicles and use of public transport were significantly reduced. Although release of lockdowns has occurred as the pandemic subsides, there has been a substantial change to travel patterns, and elements of this appear to be a more permanent factor. In addition, Government's Decarbonising Transport consultation demonstrates the need for further changes to travel patterns in order to meet the nation's carbon goals.
11. The traditional approach to transportation infrastructure development often involved the design and construction of large civil engineering projects which required resources to be employed over several years' duration for the planning and construction phases.
12. Although future development of infrastructure will require elements of civil engineering construction, the digital revolution provides, through connectivity of

vehicles and examination of real time traffic patterns, methods of managing traffic flows and providing information to users of public and private transport.

13. In recent months, from Covid-19 lockdown onwards, significant increases in the number of people walking and cycling have been observed. Government has capitalised on this momentum for a healthier, greener and cleaner recovery and signalled the growing importance of walking and cycling schemes through its new “Gear Change” policy. The policy has substantial funding for cycling, and transformative design guidance - very much in line with Hampshire County Council’s own developing walking and cycling principles. Strategic planning of infrastructure is currently being discussed through many professional bodies, such as the Royal Institution of Chartered Surveyors (RICS), the Institute of Civil Engineers (ICE), the Chartered Institute of Highways and Transportation (CIHT) and others with various predictions of what the future may look like. Although many publications have minor differences, the inference aligns with the World Economic Forum transformation papers. In summary the predictions point to less development of physical networks in developed nations but higher levels of connectivity through digital integration and a more balanced modal split in the future with walking, cycling and public transport mode shares likely to increase.
14. The Council will need continued support with delivery of its transportation and infrastructure programmes by the engagement of specialist engineering service companies to aid the development, design and management of physical infrastructure, including that used for walking, cycling and public transport. In addition, over the next decade, emphasis is likely to involve more integration of digital networks into existing and proposed assets. As demand for such specialist resources is likely to increase as other public authorities find themselves in a similar position, it is proposed that exploration of this topic is included within the scope of the proposed framework and that separate proposals are examined once a firm strategy has been established.
15. In the interim a resource requirement will be needed to replace the scope of services provided through the Strategic Partnership Contract (SPC Lot 3) when that contract expires on 22 June 2022. The SPC Lot 3 has successfully provided specialist planning, transportation, and engineering design and management services to assist the Council’s in-house teams with delivery of the Council’s revenue and capital programmes. A reflection of that success is that the contract has been extended to its maximum permitted duration of eight years but must end in June 2022. Irrespective of strategic issues stated in previous paragraphs, a continuing requirement for such services would necessitate a further procurement exercise.
16. The SPC Lot 3 was designed to provide ‘traditional’ transportation, engineering design and management services over a period of at least four years to provide support to the Council’s programmes. To that extent, the contract fully achieved its requirements and the scope was reasonably well defined. The requirements for the future are less likely to be covered by a single entity, and the scope and specification fluid. Furthermore, the predicted financial values being placed through such a contract are more difficult to calculate. In order to provide flexibility in terms of scope and financial value, a multi-supplier framework is therefore proposed for this interim solution from 2022.

17. In the longer term, the County Council will be optimising the opportunity that expiry of other contracts, as well as a drive for increased commercial activity, will bring. A greater understanding needs to be developed of the platform needed to achieve this in parallel to procuring the interim 2022 solution. This is likely to include wide market engagement, positioning Hampshire County Council as a thought leader in the future of infrastructure and connected technologies, as well as research into relevant and innovative vehicles suitable for unlocking our commercial aspirations.

### **Proposed detailed arrangements for 2022 onwards**

18. Taking the above into consideration, and in order to continue with services provided by specialist transportation and engineering design and management companies, it is proposed that a new four year framework is set up to replace the SPC Lot 3 when it expires in June 2022. As with similar frameworks operated by the Council, the framework will engage with several suppliers in order to meet the scope, timescales, and requirements serving any departments of the Authority. Current legislation under European Union (EU) rules regard such frameworks as a 'service provision' (as opposed to works) and as estimated values are anticipated to exceed EU thresholds, the framework will need to be advertised in accordance with EU regulations. It is recognised though that due to the end of the United Kingdom's Brexit transition period on the 31<sup>st</sup> December 2020, the procurement may fall outside of the Regulations. Nonetheless central government advice states that parallel UK regulations will be in place after this date, and this framework will follow any transitional arrangements.

19. Although this framework is predominantly designed to provide the Council with the transportation and engineering expertise it requires for delivery of its capital and revenue programmes, the regional effect of the Council's objectives may also impact upon adjacent authorities. In parallel with the Generation 4 works frameworks (Gen4), which commenced in April 2020, and from discussions held during the procurement of those frameworks, it is proposed that other public authorities within the South East region be named as Participating Authorities. Hampshire County Council will, however, be named as the Contracting Authority on procurement notices and retain overall control of the framework. This proposal also provides the following benefits:

- resources are prioritised toward the needs of Hampshire County Council, but this also places the Authority at the centre of regional influence with other authorities and suppliers;
- any resources offered to other authorities through the framework will provide a potential marginal income stream through a 'charge for use' rebate, which will support setting up the frameworks and pay for operational costs; and
- the wider area of operation available to suppliers is expected to make the framework more attractive to bidders.

20. As previously noted, it is difficult to accurately predict spend profiles for transportation and engineering services over the lifespan of contracts and frameworks. The current SPC3 arrangements are approximately £8million per annum, but increasing the scope and geographical area proposed by the framework is likely to substantially increase this value. The current estimate,

taking such increases into consideration, could realise a total value in the range of £100million - £140million over the four-year duration of the framework, and it is proposed that the overall advertised limit is placed with this value. It should be noted that use of a framework does not commit the Council to any minimum levels of expenditure and that these values are merely used for procurement regulation compliance.

21. On the supply side, the market is represented by medium and large sized enterprises (often with international connections) and the values, scope and geographical placement of this framework is designed to attract attention from these companies. In addition, inclusion of current and future trends regarding infrastructure development will be included within the scope of the framework, potentially encouraging those companies which have digital experience to apply.
22. The operation of a multi-supplier framework allows a cohort of companies to be established with which to explore new ideas and introduce new ways of working. The Gen4 works frameworks include regular forums with all participants within which to explore expertise and best practice. It is proposed that a similar operation be used for these frameworks so that the Council can use industry leading information as part of a transition to further future arrangements.

### **Alternatives Considered**

23. Two alternatives have been considered instead of procurement of a framework for 2022 onwards:

#### **Option 1**

*'In house' delivery of transportation and engineering services.*

The Council could choose to increase its 'in house' capability to directly provide transportation and engineering services, but this would require significant capital investment, substantial resources, and expertise to provide such services. It is unlikely that this could be achieved within the required timescales and would also commit the Authority to expenditure for many years. In the current volatile economic climate there may not be sufficient regular income to generate a return on investment employed. Engagement of external resources through a framework allows a reactive service without the liability of future committed workload. Option 1 has therefore been rejected.

#### **Option 2**

*A single source supplier.*

The current single source arrangements have worked extremely well as they were designed to provide traditional transportation and engineering services. The proposed arrangements seek to expand beyond traditional services and current geographical boundaries. Furthermore, the framework intends to establish a cohort of suppliers which may be used to investigate further future arrangements. Examination of the current market concludes that, because of the wide variety of competencies required, it may not be possible for one supplier to be able to deliver all of the services without recourse to sub-contracting and consequential additional supply chain costs. Option 2 has therefore been rejected.

## Conclusions

24. The current single supplier arrangements have served the Council well, but investigation of national and international trends suggest that the Fourth Industrial (Digital) Revolution is now being applied to infrastructure. This is likely to impact upon how the County Council delivers projects and programmes of work in the future and how resources are secured for these workstreams.
25. The Authority has a strong regional influence and expertise. The ability to engage with medium and large organisations to plan, develop and deliver infrastructure will continue this level of performance and engage with best practice during a period of significant change.
26. The variability of service and volatility of expenditure points toward a multi-supplier framework which does not commit the Council to any minimum values of expenditure but will engage a number of key suppliers to fulfil resource requirements.
27. Suppliers applying for a place on the framework will have to demonstrate minimum standards of technical expertise and the ability to adhere to the Council's corporate standards, thereby ensuring compliance with equalities legislation.
28. Suppliers will be vetted for competence at the first stage of the procurement exercise, with a second stage comprising a competitive price element and quality assessment. In line with services of a similar nature and complexity it is proposed that the quality element forms the largest proportion of the selection process.
29. The Authority's values and commercial aspirations favour strategic arrangements to future proof Hampshire and unlock commercial opportunities. With other contractual relationships having the potential to expire or terminate in the next few years, it is sensible to review the wider contractual position to understand how we can better achieve these aspirations. Therefore, it is proposed that alongside the procurement of the four-year multi-supplier framework, work is undertaken to investigate other longer-term options which may be put in place from 2024. This could potentially result in less use of the multi-supplier framework in the second half of its term.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

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| <b>Hampshire maintains strong and sustainable economic growth and prosperity:</b><br>By ensuring the design, construction and management of transportation and infrastructure are completed to the appropriate technical standards. | yes |
| <b>People in Hampshire live safe, healthy and independent lives:</b><br>Economic and resilient infrastructure provides long term benefits through stable and reliable transport systems.  | yes |
| <b>People in Hampshire enjoy a rich and diverse environment:</b><br>Engagement of appropriate and skilled resources enable the Council to provide agile solutions at local levels.  | yes |
| <b>People in Hampshire enjoy being part of strong, inclusive communities:</b><br>Solutions are all-inclusive, designed to meet local and regional needs reflecting individual community requirements.                               | yes |

**Other Significant Links**

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| <b>Links to previous Member decisions:</b>   |                              |
| <u>Title</u><br>Executive Member for Policy and Resources Decision Record 4567                               | <u>Date</u><br>18 April 2013 |
| Executive Member for Environment, Transport and Environment Decision Record                                  | 12 November 2019             |
| <b>Direct links to specific legislation or Government Directives</b>   |                              |
| <u>Title</u><br>HM Government Industrial Strategy: government and industry in partnership, Construction 2025 | <u>Date</u><br>July 2013     |

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

|                 |                 |
|-----------------|-----------------|
| <u>Document</u> | <u>Location</u> |
| None            |                 |

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

This decision has a neutral impact on groups with protected characteristics because all contract documentation will include clauses for the Council's equalities policies, procedures and standards. Suppliers will have to comply with these at all times, and the conditions of contract will also ensure that these are incorporated into each instruction for the service.