

CECA South West Members Meeting – 27/9/23

Highways Contract Opportunities

**David Carter – Director of Infrastructure & Transport
Andy Coupé – Head of Infrastructure Programmes**



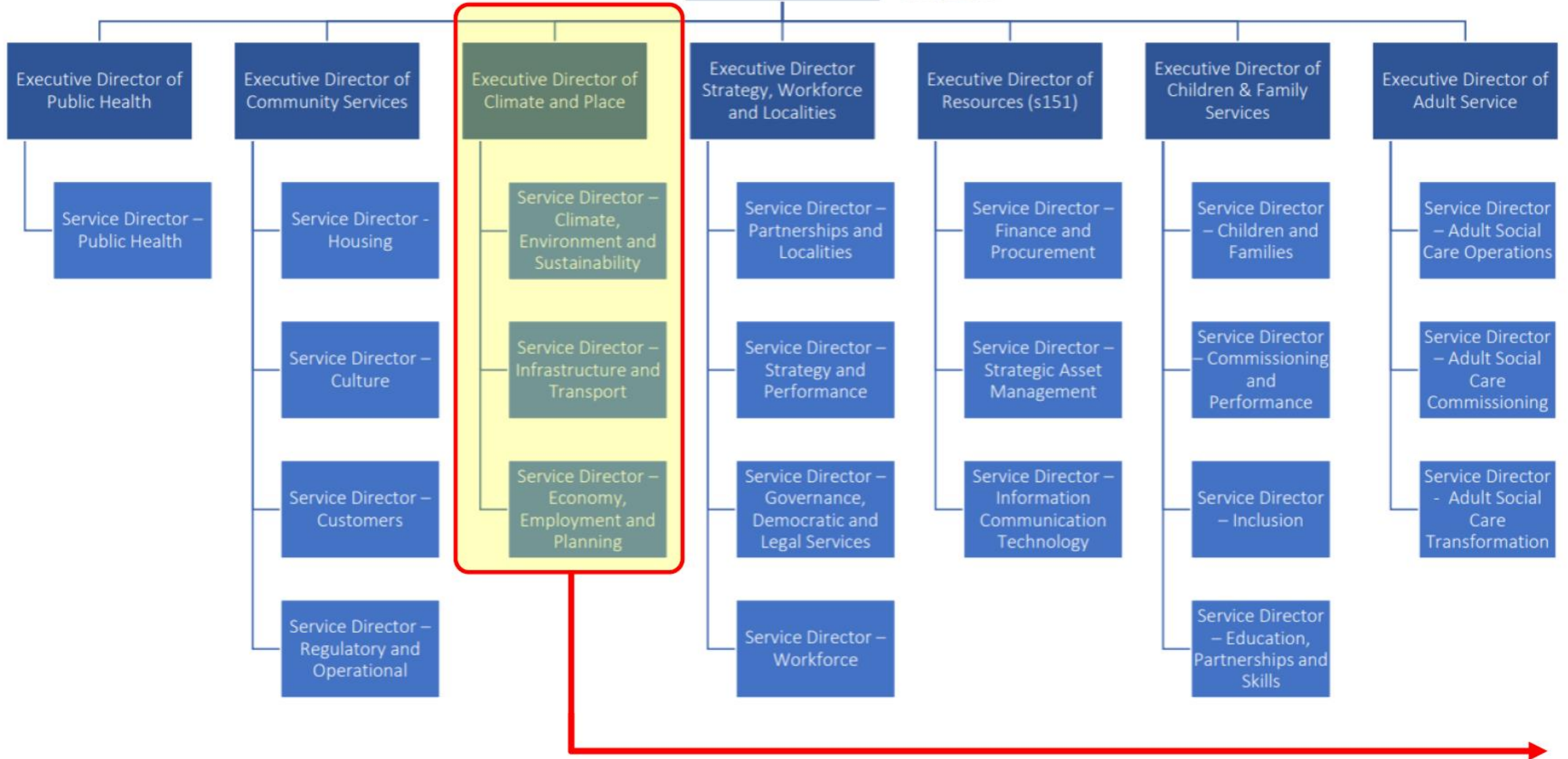
**Somerset
Council**

Context

- Local Government Finance – National and Local
- Local Context and Priorities
- Assets Pipeline
- Contracts for Highways Services



Chief Executive





Mickey Green

Executive Director

Kirsty Larkins

Director, Service Delivery

David Carter

Infrastructure and Transport

Paul Hickson

Economy, Employment & Planning

Biodiversity (and net gain) and Ecology
 Carbon Neutrality
 Climate Resilience and Adaptation
 Coastal Protection Authority
 Country Parks, Local Nature Recovery Strategy, Local Nature Reserves, AONB Partnerships (Countryside Services)
 Emergency Planning and Business Continuity
 Flooding Response
 Lead Local Flood Authority & Land Drainage
 Renewable Energy
 Somerset Rivers Authority
 Strategy and Partnership development
 Sustainability
 Waste Service
 Water Management

Active Travel
 Contracted Transport
 Delivery Programme Management
 Fleet Management
 Highways Authority
 Highways Major Projects
 Infrastructure Commissioning
 Parking
 Public Rights of Way
 Public Transport
 Road Safety
 Strategic Transport Planning
 Traffic Management
 Transport

Affordable Housing and Enabling
 City/Town Centre Management
 Economic Development
 Economic infrastructure, services and Innovation Centres
 Education Business Partnership
 Major Projects
 Nuclear Power
 Planning (conservation, enforcement, DM, local plan, waste and minerals, s106 allocations/CIL, Phosphates)
 Regeneration(non-housing)
 Scientific Services
 Skills
 Trading Standards (Devon partnership)



Finance - National Context

- Government funding – funding reforms and reviews postponed
 - Bad news for Somerset Council as older people population figures not updated since 2014
- Inflation
 - Hit 40 year high
 - Significant impacts on council budget and costs such as fuel costs, residential provider costs, children placements
- Interest Rates
 - Now at 15 year high with increases from 0.1% in Nov 21 to 5.25% in August 23
 - Significant impact upon Somerset Council as net borrower with majority of debt not fixed

Key Pressures

- Overspending areas in 2023/24
- Inflation - national pay award, increments, National Living Wage, fuel, energy, contracts etc
- Demand changes - household numbers for waste collection, increase in population, etc
- Adults and Childrens Social Care – demography, complexity, contract costs
- Financing costs – increased interest rates

What is happening elsewhere?

- Section 114 notice
 - Issued by S151 after consultation with Chief Executive & Monitoring Officer & informing DLUHC & external auditors
 - Puts an immediate freeze on all non-essential expenditure & requires a meeting of full council within 21 days
 - Northampton CC, Croydon, Slough, Thurrock, Woking, Birmingham (financial sustainability)
 - Nottingham City, Northumberland CC (unlawful expenditure)
- Best Value Notice
 - To facilitate engagement with that authority and to obtain assurance of the steps it is taking to secure compliance with the Best Value Duty
 - Will state the government's concerns with the authority and set clear expectations of the actions needed
 - BCP Council, Cambridge & Peterborough Combined Authority & Middlesbrough Council
- Exceptional Financial Support - Capitalisation Directions
 - Permission to fund revenue expenditure from capital resources including capital receipts & borrowing
 - Need to be agreed with DLUHC
 - BUT - borrowing over maximum of 20 years, adds to overall debt, and affects wider capital programme

Scale of the challenge: Overview

2022/23

Outturn
Approx £18.7m
overspend

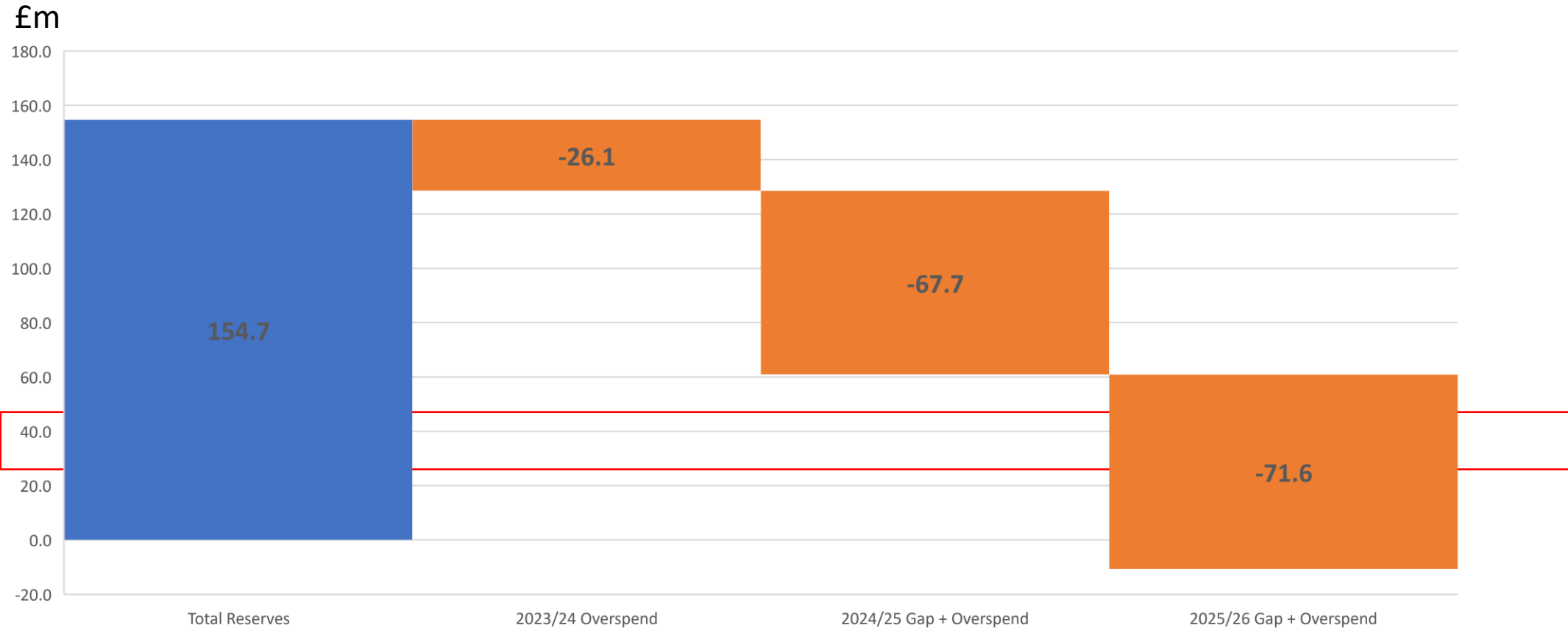
2023/24

Budget Monitoring
Month 4 - £26.1m
potential overspend

2024/25+

MTFP
Forecast Feb 23 £100m
Gap over next 3 years

Do-nothing: Run out of Reserves



Risk Based Assessment of Reserves approved by Council Feb 2023 – General reserves in range £30m to £50m

S114 notice will have to be issued in **February 25** if the current position is not adequately addressed

Capital Programme

- Review of whole programme
- Health and safety, invest to save or legislation/ statutory bids only
- Intense scrutiny to reduce demands on capital programme
- Inherited capital projects impacting on capital programme:
 - Procurement choices
 - Cost control
 - Best value
- Opportunities remain – Place, Property, Housing

Somerset: Future Approach

- Minor scheme delivery via New Assets Contract.
- Been exploring D&B with the prospect of the Walton/Ashcott but SOBC unsuccessful
- Pipeline of major projects lends to design-procure-deliver methodology
- Open procurement for each major (generally several £m) but determined case by case
- Internal design, including Principal Designer role
- Use of engineering consultancy for top up – new PSC with WSP
- ECI through New Assets Contract
- NEC3 Engineering and Construction Contract - Option A. Review underway.
- Contractor design elements – e.g. attenuation tank, structural elements (to offer contractors flexibility, encourage innovation and meet over-arching programme and budgetary requirements)

Pipeline

Scheme	Funders	Procurement Route	Approx. Value	Est. Start
Bridgwater A38 Dunball Junction Improvement	Levelling Up Fund Getting Building Fund Somerset Council National Highways	D&B – Design only Procure and Build	£5m+	Winter/ Spring 24
M5 J26 & Chelston Link Major Maintenance	DfT Challenge Fund SCC	D&B – Design only Procure and Build	£6m	2025
A38 MRN: M5 to Bristol Airport <ul style="list-style-type: none"> • Edithmead Junction • Cross Junction • Rooks Bridge • Strawberry Line Crossing 	DfT Road Investment Fund (MRN) Somerset Council	Design, Procure, Build	£8.5m	2024/25
Cannon/ Cross Rifles	Somerset Council Developer Contributions Levelling Up Fund	TBC – Scheme under review. Potential cycle/ pedestrian bridge over railway		

Pipeline - Others

Scheme	Funders	Procurement Route	Approx. Value	Est. Start
North Hill, Minehead – Catch Fence	Somerset Council	TBC	£1m	2024
Bus Service Improvement Plan Bus Priority Programme	DfT BSIP Grant Developer Contributions	New Assets	£5m	2024
Bus Service Improvement Plan Mobility Hubs at: Taunton Somerton	DfT BSIP Grant	New Assets	£2.5m	2024
Active Travel Programme: AT3 & AT4 (2022-2025)	DfT Grant via Active Travel England. Developer Contributions	New Assets	?	Ongoing

Pipeline - Others

Scheme	Funders	Procurement Route	Approx. Value	Est. Start
Traffic Signals Recovery Programme	Somerset Council DfT signals fund	SCC Signals Recovery Framework: <ul style="list-style-type: none">• Centregreat• Alun Griffiths• Dynniq	£16m programme	Ongoing

Others....

- Gravity Site
- Regeneration & Public Realm
- Taunton Town Centre
- EV Infrastructure
- Car Parks
- Housing Estates
- Third Party
- Coastal Protection
- Water Management

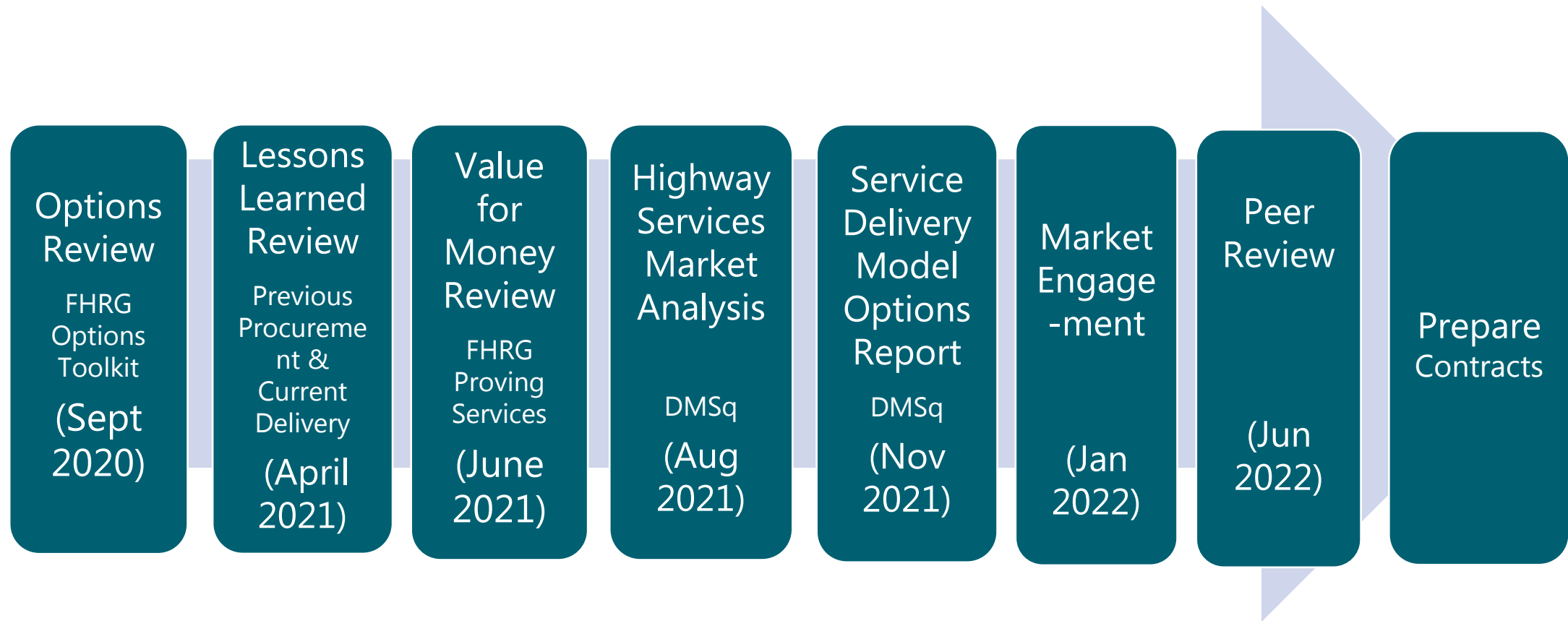
Contracts for Highways Services

- Term Maintenance Contract expires Spring 2024
- Development of Contracts underway since 2020

Broad Ambition for our future Partnerships & Contracts

- Covering the basics well: Quality, value for money, social value, decarbonisation & environmental improvement, informed and satisfied Customers and Communities
- Intelligent clienting and sound asset management
- Investment in our county of Somerset, and attracting external funding
- Commercial arrangements that drive genuine innovation and good relationships
- Working more directly with the supply chain
- Collaboration and shared ownership across a suite of contracts and delivery partners
- Supporting Local Community Networks (LCNs)

Commissioning Process



Commissioning Intentions

- A network that is adapted and resilient to climate change with a reduced carbon output, both in usage and maintenance, to contribute to the commitment for Somerset to be carbon neutral by 2030
- A safe, serviceable and sustainable network that is fit for purpose for all users under all conditions and supports the development of the local economy
- A service based on the intelligent client model that develops and sustains collaborative partnerships that deliver the objectives of all partners
- A flexible and agile service that attracts and retains the best people and embraces best practice and new technologies to enable innovation
- Sustain a financially resilient service that adopts robust asset management principles and delivers best value with the resources available
- Optimise service efficiency and maximise income from commercialisation and external funding
- A service that maximises social value and provides valuable local opportunities for individuals and businesses
- An informed community that has high public satisfaction and is engaged and enabled to do more for themselves

Procurement Strategy Objectives

- More control over the design and delivery. Stronger client asset management approach determining the most appropriate standards and locations for treatment.
- More direct relationship with the supply chain, reducing outsourced management of sub-contractors and enabling direct discussion about potential innovation.
- More bespoke arrangement for delivery of new asset schemes - greater cost predictability.
- Incorporate specification of a wider range of Unitary Council public realm maintenance services.
- Explicit requirements for at least a 50% reduction in carbon emissions over the lifetime of the contracts through an agreed climate change plan. (Includes electric vehicles < 3.5tonnes + alternative fuelled fleet for larger vehicles).

Procurement Strategy

Stronger client asset management and design function including TUPE staff.

Replace current highways term maintenance contract with:

- Smaller term service maintenance contract. 8-year term + option for 4-year extension. c£225m
- Surfacing term service contract. 4-year term + option for 4-year extension. c£50m
- Surface treatments term service contract. 4-year term + option for 4-year extension. c£50m
- New Assets framework contract. 4-year term. £20m - £40m

Replace current highway lighting contract with wider contract for highway lighting and illuminated and electrical assets. 8-year term + options for 4-year extension. £15m to £30m or £60m to £75m depending on the Highway Lighting Assets previously owned by the four District Councils

Collaboration board to ensure collaboration and coordination across contracts.

Tender review and award over coming weeks.....

Somerset: A New Transport Policy

- Decide and Provide
- Walking/ cycling natural first choice
- Reduce need to travel and promote sustainable travel
- Increasing highway capacity – last resort

Somerset: Future Challenges

- Government Policy Changing? NIC assessment due
- Lack of current funding certainty
- Skills, experience, ageing workforce
- Requirement for more efficient use of infrastructure?
- Continue increase in construction inflation above CPI/RPI?
- Mega Projects dominate the landscape to the detriment of locally high value schemes.

Somerset & South West Future Challenges – We have been here before.....

- We are usually clear what infrastructure we need, but not always coherent in how we collectively and consistently ask for it – SWIP
- How we fund it remains uncertain – but this not new.
- How we deliver infrastructure changes and evolves, but have we settled on some models that work better overall, or do we still seek the alternative to what we have?

Questions

In particular.... How can we help each other? Opportunities for joint lobbying to unlock the impossibility of decision making between social care pressures and infrastructure investment....