

NOTICE OF MEETING

Meeting	Transport and Environment Select Committee
Date and Time	Monday 3rd October, 2022 at 10.00 am
Place	Mitchell Room - HCC
Enquiries to	members.services@hants.gov.uk

Carolyn Williamson FCPFA
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the County Council's website and available for repeat viewing, it may also be recorded and filmed by the press and public. Filming or recording is only permitted in the meeting room whilst the meeting is taking place so must stop when the meeting is either adjourned or closed. Filming is not permitted elsewhere in the building at any time. Please see the Filming Protocol available on the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES OF PREVIOUS MEETING (Pages 5 - 8)

To confirm the minutes of the previous meeting

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. TFSE STRATEGIC INVESTMENT PLAN CONSULTATION (Pages 9 - 20)

To pre-scrutinise a decision to be taken by the Executive Lead Member for Transport and Environment Strategy on the Transport for South East Strategic Investment Plan consultation.

7. PA: HAMPSHIRE RECYCLING INFRASTRUCTURE DEVELOPMENT (Pages 21 - 36)

To pre-scrutinise a decision to be taken by the Executive Lead Member for Transport and Environment Strategy on Hampshire recycling infrastructure development.

8. WORK PROGRAMME (Pages 37 - 42)

To review and approve the current work programme for the Transport and Environment Select Committee.

9. HAMPSHIRE HIGHWAYS SERVICE CONTRACT - CONTRACT EXTENSION (Pages 43 - 54)

To pre-scrutinise a decision to be taken by the Executive Lead Member for Transport and Environmental Strategy on a Hampshire highways contract extension.

10. EXCLUSION OF PRESS AND PUBLIC

That the public be excluded from the meeting during the following item of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this item there would be disclosure to them of exempt information within Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the appendices.

11. HAMPSHIRE HIGHWAYS SERVICE CONTRACT - CONTRACT EXTENSION - EXEMPT APPENDIX A (Pages 55 - 70)

To consider an exempt appendix for Item 9 on the agenda.

12. HAMPSHIRE HIGHWAYS SERVICE CONTRACT - CONTRACT EXTENSION - EXEMPT APPENDIX B (Pages 71 - 82)

To consider an exempt appendix for Item 9 on the agenda.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

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Agenda Item 3

AT A MEETING of the Transport and Environment Select Committee of
HAMPSHIRE COUNTY COUNCIL held at the castle, Winchester on Monday,
18th July, 2022

Chairman:

* Councillor Derek Mellor

* Councillor Hugh Lumby	* Councillor Rupert Kyrle
* Councillor Lulu Bowerman	* Councillor Stephen Parker
* Councillor Debbie Curnow-Ford	* Councillor Gary Hughes
* Councillor David Drew	* Councillor Rupert Kyrle
* Councillor Barry Dunning	* Councillor Stephen Parker
* Councillor Michael Ford	* Councillor Louise Parker-Jones
* Councillor Tim Groves	* Councillor Martin Tod
* Councillor Gary Hughes	* Councillor Rhydian Vaughan MBE

*Present

Also present with the agreement of the Chairman: Councillor Rob Mocatta, Chairman of the Culture, Communities and Business Services Select Committee

1. **APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted, but apologies were received from Executive Members Councillor Edward Heron and Councillor Nick Adams-King.

2. **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

3. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

4. **DEPUTATIONS**

There were no deputations for the meeting.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed new Members to the Committee and thanked those that had previously sat on Committee for their work and contributions. Councillor Rob Mocatta, Chairman of the Culture, Communities and Business Services Select Committee was also welcomed as an observer.

6. **UPDATE ON THE 20MPH SPEED POLICY - TASK & FINISH GROUP**

The Committee received a presentation and verbal update on the work to date of the 20mph Speed Policy Task & Finish Group.

Officers summarised what the Task & Finish Group had learned so far and it was confirmed that future sessions would be planned to assist in the group concluding and formulating recommendations to the Select Committee.

The consultation around 20mph speed limits was due to be published imminently, accompanied by a press release. Due to the consultation being published later than planned, it was agreed that the deadline for responses should be extended into September to accommodate the summer break.

7. **UPDATE ON ELECTRIC VEHICLE CHARGING**

The Committee received a presentation and update on electric vehicle charging (item 7 in the minute book).

Members were updated on progress with the Local Transport Plan, future electric chargepoint schemes and given an introduction to LEVI funding.

In the presentation, Members also learned the following:

- There was currently not a large demand for electric vehicle charging;
- Rapid chargers were a popular method of charging;
- Residential charging needed further investigation with build-outs not being suitable for a lot of locations due to how narrow the pavements were. Cable covers and cable channelling were other methods for research;
- Electricity infrastructure was also another important consideration and whether this could be strengthened to provide the amount of electricity required for expanding the charging network;

Some Members feared investing in potentially redundant technology if hydrogen cells was developed further in the longer term and acknowledged that it was unlikely that there would be any further financial support from central government, so any funding would need to be generated with private investors.

Councillor Warwick thanked officers for their work on the pilots that had taken place and the data that had been gathered to assist in future work.

8. **WORK PROGRAMME**

The Committee considered the current work programme (item 8 in the minute book).

Members discussed potential future items for the Select Committee including:

- LTP4 pre-scrutiny
- Highways management
- Biodiversity and nature recovery plans, following the implementation of the Environment Bill

It was agreed that existing items related to the Hampshire economy and economic development would also be removed now they were no longer within the remit of the Select Committee.

RESOLVED

The attached work programme was agreed, and proposed items from the meeting would be taken forward for discussion with the Director of Economy, Transport and Environment to arrange suitable timings and placement on the work programme.

Chairman,

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HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Transport & Environment Select Committee
Date:	3 October 2022
Title:	TfSE Strategic Investment Plan Consultation
Report From:	Director of Economy, Transport and Environment

Contact name: Dominic McGrath

Tel: 0370 779 3710

Email: dominic.mcgrath@hants.gov.uk

Purpose of Report

1. For the Transport & Environment Select Committee to pre-scrutinise the proposals for a response to the consultation on the draft Transport for the South East (TfSE) Strategic Investment Plan (see report attached due to be considered at the decision day of the Executive Lead Member for Transport and Environment Strategy at 2.00pm on 3 October 2022).

Recommendation

2. That the Transport and Environment Select Committee:

Either:

Supports the recommendations being proposed to the Executive Lead Member for Transport and Environment Strategy in paragraph 2. of the attached report.

Or:

Agrees any alternative recommendations to the Executive Lead Member for Transport and Environment Strategy, with regards to the proposals set out in the attached report.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Transport and Environment Strategy
Date:	3 October 2022
Title:	TfSE Strategic Investment Plan Consultation
Report From:	Director of Economy, Transport and Environment

Contact name: Dominic McGrath

Tel: 0370 779 3710

Email: dominic.mcgrath@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek approval for a response to the consultation on the draft Transport for the South East (TfSE) Strategic Investment Plan.

Recommendation

2. That the Executive Lead Member for Transport and Environment Strategy approves the response set out in this report and delegates authority to the Director of Economy, Transport, and Environment to finalise and submit the detailed consultation response.

Executive Summary

3. This paper sets out the background to Transport for the South East (TfSE) and the current consultation. It outlines the content of the Strategic Investment Plan, particularly as it relates to Hampshire, and highlights key proposals in the document.
4. The report goes on to set out a proposed consultation response and to outline the way forward, beyond consultation.

Contextual information

5. Transport for the South East (TfSE) is the Sub-National Transport Body (SNTB) for South East England. It encompasses a partnership of sixteen local transport authorities, including Hampshire County Council. Hampshire County Council officers have been actively engaged in the work of TfSE including the preparation of the evidence base in support of the Strategic Investment Plan (SIP). The County Council is also represented on the TfSE Partnership Board.
6. The main role of TfSE is to advise the Government and 'to speak as one voice' on behalf of the region on transport investment priorities. The SIP summarises this as "Our role is to add strategic value to local and national decision making

and project delivery by making sure funding and strategy decisions about transport in the South-East are informed by local knowledge and priorities.”

7. TfSE published a Regional Transport Strategy in 2020. Following on from that there have been a series of area and topic-based studies, which collectively provide the evidence base for and feed into the SIP. The draft SIP is published online at [Transport for the South East - Strategic Investment Plan Consultation | Transport for the South East \(engagementhq.com\)](https://www.engagementhq.com/transport-for-the-south-east-strategic-investment-plan-consultation). The SIP is a key document for the region and its purpose is described as “providing a framework for investment in strategic transport infrastructure, services and regulatory interventions in the coming three decades”.
8. An Integrated Sustainability Appraisal (ISA) has been prepared to support the SIP. This includes full environmental and equality assessments of the proposals. The preparation of an ISA is a standard process in plan making that helps ensure that decisions are made fairly and contribute to achieving sustainable development.
9. Consultation on the document runs from 20 June 2022 – 12 September 2022. Special arrangements have been made to submit the County Council’s approved consultation response after the formal closing date, should the proposal be approved at the Decision Day on 3rd October.

Outline of the draft Strategic Investment Plan

10. The full SIP is a 140-page document including two appendices. The time frame corresponds to the same period as the Regional Transport Strategy running to 2050.
11. At the core of the document are twenty-four packages of interventions, which are described as “opportunities across the key modes or infrastructure networks of rail, mass transit (e.g., buses, ferries), active travel (e.g., walking, wheeling, cycling, horse-riding) and highways”. These are divided into global interventions (covering the whole region) and area-based groupings. The four geographic groupings are ‘Solent and Sussex Coast’, ‘Wessex Thames’, ‘London to Sussex Coast’ and ‘Kent, Medway and East Sussex’. The first two listed are of greatest relevance to Hampshire County Council, and effectively relate to the south and the north of the County, respectively.
12. The Solent and Sussex Coast section includes the following key proposals –
 - South Hampshire Core Rail Package, which sets out proposed investment to support enhancement to services;
 - South Hampshire Enhanced Rail Package, which sets out an ambitious longer-term package aimed at securing ‘urban metro’ service levels;
 - Mass Transit proposals focussed on the two cities of Southampton and Portsmouth but extended into surrounding urban areas;
 - complementary investment in Active Travel; and
 - targeted highway improvements.
13. In combination, the packages for Solent and Sussex Coast are estimated to require capital investment of £11.8billion, with a net increase in economic value of £1.3billion per annum by 2050.

14. The Wessex Thames proposal includes -

- a rail package aimed at delivering transformational change in both orbital and east-west connectivity. This includes electrification of the Basingstoke-Reading line and improved western links to Heathrow;
- Mass Transit and Active Travel measures in and between Basingstoke, Farnborough/Aldershot, Winchester, Andover and with cross-boundary adjoining settlements. It also includes proposals to enhance services linking Alton and Bordon with key cross-boundary locations;
- complementary investment in Active Travel; and
- targeted highway improvements, including M3 junction 9 (noting it as an existing commitment), M3 Junction 7-8 and M3 J9-14 Smart Motorways, although progressing the latter is subject to the outcome of a current Government review of the Smart Motorways programme.

15. In combination, the packages for Wessex Thames are estimated to require capital investment of £10.4billion, with a net increase in economic value of £1.2billion per annum by 2050.

16. The SIP discusses benefits and costs of the packages, funding and financing and delivery. The appendices set out the detail of the proposed interventions and outline the technical work underpinning the document.

17. The total investment required by the SIP as a whole is estimated at £45billion over the 27 years of the plan – this equates to about £1.5billion per annum. The modelling supporting the plan suggests that the transport interventions will generate an additional £4.1billion growth in GVA (Gross Value Added) per annum by 2050. It would accommodate 550,000 additional rail trips and 1.6 million bus, mass transit and ferry trips per day, thereby removing over four million car trips a day. The SIP also highlights that doing nothing is not an option, as this would lead to an increase in car trips of 23% and would not allow carbon reduction targets to be met, with a reduction of only 35% (compared to the 100% target).

Proposed Consultation Response

18. Hampshire County Council welcomes the publication of the Strategic Investment Plan and recognises its importance in articulating the transport infrastructure needs of the South-East. Doing so is a vital first step in delivering the Regional Transport Strategy and in securing investment in transport for the region and in achieving meaningful carbon reduction. The County Council strongly supports the proposals contained in the plan and the corridor packages. In particular it supports the proposals for Mass Rapid Transit and would consider these to be high priority components within the overall package of interventions.

19. Hampshire County Council has been actively engaged in the work pulling together the individual corridor packages and topic specific studies.

Detailed comments are as follows:

20. The SIP has identified that the region will require £45billion over the plan period and a package of improvements that need development. The creation of the package and forward programme is a very welcome achievement. It

establishes the needs of the region and will set TfSE and member authorities up well to plan for the future and seek future funding. Hampshire County Council commends the SIP to Government and looks forward to working with TfSE and member authorities to maintain, update and prioritise the list in the future.

- The total ask is consistent with historic levels of annual regional investment when worked out over the plan period. This seems like a reasonable and realistic ask in this context and also that of wider austerity. The economic case for doing so is well made showing a good rate of return for investment in transport in the South-East. It would be interesting to compare how investment in the South-East ranks with other regions.
- The SIP and the assessment work are predicated on a number of critical assumptions over the plan period to 2050. This includes the introduction by central Government of road user charging/taxation, income from which is expected to be used to reduce public transport fares. The assumptions are listed in what is called the “global package”. The SIP states “We encourage the UK Government to develop a national road user charging system to provide an alternative source of funding to fuel duty and to help manage demand in parallel to integrated local measures”.

It is not unreasonable to assume over the period to 2050 that some form of taxation or new charges will be needed, especially in the context of electrification of the private vehicle fleet and resulting loss of fuel duty income under the current system. At present there are various national tax incentives to operating an electric vehicle. In time and if electric vehicles dominate the vehicle fleet, the assumption that this will change is not unreasonable, especially in terms of lost UK tax revenue from diesel and petrol vehicles.

Road user charges or taxation changes do not form a part of national policy at this time and have not been supported by the County Council to date. Whilst it is clear that national Government need to address the transport investment requirements set out here, to support economic growth and environmental objectives, the promotion of road user charging is not supported at this time, and the strategy should instead refer to the need for additional Government investment funds for transport and infrastructure. There is equally no current direct relationship between motoring taxes and transport funding, and therefore it should not be assumed that any replacement for fuel duty would be directed to transport, or that the loss of fuel duty income would reduce Government funding for transport, including highway maintenance. As the SIP progresses, TfSE will need to keep potential Government funding streams and development of national policy under review, and potentially undertake sensitivity analysis should it not happen, as this is likely to require the strategy and area packages to be reviewed.

The income from taxation is expected to cover the costs of making public transport cheaper. This is a desirable use of such income. However, the County Council again has concerns this may not happen in practice and that

the real terms cost of using public transport, particularly buses, will continue to rise faster than other modes of travel. For example, the County Council recently submitted a bid to Government for funding to make buses better in Hampshire but received a zero Bus Service Improvement Plan settlement. The County Council fully supports the ambition and will work with TfSE to make the case for prioritising investment in public transport.

- The County Council has been well engaged and involved in the development of the corridor packages. Hampshire County Council considers the packages to be extensive and comprehensive. In particular, it welcomes the inclusion of the measures in the two corridor studies most relevant to Hampshire. The County Council considers them as a state in time view of what is needed. However, it is expected that this will change over time and that all the packages will need to be periodically reviewed and reassessed. New schemes may be added when needed or ones which have been delivered removed, and the remaining projects re-assessed against prevailing funding conditions.
- Across the corridor packages there is some inconsistency as to what certain measures mean. For example, the term 'Mass Transit' seems to mean different things in different parts of the region. It is applied to mean a high frequency, high-capacity solution in urban South Hampshire but the term is also used to describe rural inter-urban bus links elsewhere which would be low frequency, slow services with limited demand. There are other similar inconsistencies that stand out when looked at across all corridor packages. The County Council recognises that this is to be expected when dealing with multiple authorities, many of which will have different working definitions. This is not an issue provided that the future mechanism for prioritisation is able to distinguish between such inconsistencies and apply a fair and robust approach to appraisal. Hampshire County Council offers its support to help develop the future prioritisation tool.
- The SIP has identified a large potential programme of scheme development work. TfSE is not a scheme promoter in its own right and so the investment in business cases and scheme development sits with the promoting highway authority/TfSE member. In securing future funding, the County Council requests that TfSE make a case to Government to support scheme development funding to enable the programme to be developed further.
- Hampshire County Council strongly supports the focus on mass transit and public transport. These sustainable modes will need to do the "heavy lifting" in terms of decarbonisation and particularly in enabling the integration of land use and transport planning. In light of this, the County Council would welcome a small change to the text on page 42 of the SIP to reflect that the mass transit proposals for the cities of Portsmouth and Southampton both include the County Council as a major delivery partner and span way beyond the city boundaries. The context of this is that a significant proportion (over 80%) of the 100k homes that the Solent area is expected to deliver by 2039, under the Government's Housing assessment, are within

the Hampshire boundary and not in the Cities. In this context, text which clarifies that investment in mass transit needs to occur outside as well as within the cities would be very welcome. The County Council also welcomes a focus on active travel to support more active lifestyles, place making based on people rather than vehicles, and decarbonisation of shorter journeys.

- The National Highways work looking at the South West Quadrant identified that the stretch of the M25 between the M3 and M4 links and junctions was the busiest section of road network in the UK. Whilst recognising there are no easy solutions to the capacity issue, it remains an unresolved critical network capacity and resilience issue. It is not adequately addressed in the SIP at this time and should be given further consideration as the SIP evolves.
- Proposal R12 - A34. Hampshire County Council welcomes the proposals for Junction and Safety Enhancements to the A34. The County Council understands this includes proposals to deal with the sub-standard gradient issues which cause Heavy Goods Vehicles (HGVs) to block the two running lanes whilst overtaking slowly, which then causes delay and frustration for drivers with potential resultant safety implications. The County Council also welcomes recognition of the need to improve junctions. The County Council would therefore welcome a more comprehensive project description to “A34 upgrade to motorway standard”. The reasoning for this is that there are multiple sub-standard design issues for the A34 including the slip roads that need to be improved, that it is a strategic corridor of national importance for UK imports and exports, and because its improvement and higher status would also reflect the changing role of the A339 to be more of a local road following de-trunking.
- The County Council welcomes the rail package in the Wessex Corridor Study. It has all the core elements of the rail package that the County Council sees as important. However, there is a lack of clarity in the scheme descriptions relevant to a New Rail station at Chineham. Hampshire County Council would welcome reference to the long-standing consideration of the potential for a new rail station at Chineham (north of Basingstoke) possibly as a named element of O3 or O11. It is noted that the diagram on page 59 of the SIP includes a notation ‘O19’ within the Basingstoke area – there is not a corresponding entry in the list of interventions on the previous page.
- It is noted that the focus of the SIP and the packages is on capital schemes at this time. Moving forward there is a need to develop a similar programme of revenue-based programmes of work. Specifically, around behaviour change, mobility as a service, and public transport subsidy if this becomes an option, etc.
- The SIP is concerned with new investments in infrastructure and as such strategic asset management issues are largely out of scope of the SIP as written. It is accepted that a line must be drawn somewhere but adding

additional infrastructure when Government funding for maintaining existing transport assets is woefully inadequate is not seen as a sensible or sustainable position. The County Council would like to see TfSE develop a stream of work that looks at the asset management challenge we all face in a strategic way and supports the need for adequate funding for proper long-term management and maintenance of the railway and highway network, intelligent transport systems and other key transport assets. The need for this is pressing because in real terms, levels of funding for asset management are reducing over time. At the same time, the asset itself is getting bigger and as a region the challenge of adapting existing assets to climate change is a big one with little to no clarity on how to fund such schemes.

Next Steps

21. TfSE will need to review comments received following completion of the consultation. TfSE will make any necessary amendments to the SIP, in response to those comments and proceed to adoption of the document and submission to Government. The programme is to complete that process by March 2023 at a future partnership board. Prior to that it will be reported back to the Executive Lead Member (and/or Cabinet/Council as required) at the appropriate time. The SIP will be a 'live' document once adopted, to ensure that it can respond to changing circumstances and priorities.
22. It is anticipated that Hampshire County Council will consider adopting the SIP once finalised. This will be considered in a report to Cabinet or Council (as appropriate, depending on the final scope and content), which it is anticipated will be early next calendar year (2023).

Finance

23. There are no direct financial implications arising from the proposed response to the SIP consultation. However, the proposals within the SIP could, if supported by Government, bring substantial future investment in transport measures to Hampshire and the South-East. Moving forward, the County Council may choose to develop business cases for some of the schemes in the SIP as a promoting authority.

Consultation and Equalities

24. As referenced in the report, an Integrated Sustainability Appraisal (ISA) has been carried out on the SIP, which included an Equalities Impact Assessment. However, agreeing a response to the consultation has neutral impact on people with protected characteristics.

Climate Change Impact Assessments

25. As referenced in the report, an Integrated Sustainability Appraisal (ISA) has been carried out on the SIP, which included a Climate Change Impact Assessment. However, agreeing a response to the consultation has no climate change impacts.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

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.)

Document

Location

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:

As referenced in the report, an Integrated Sustainability Appraisal (ISA) has been carried out on the SIP, which included an Equalities Impact Assessment. However, agreeing a response to the consultation has neutral impact on people with protected characteristics.

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Executive Summary

5. This report seeks to:
 - set out the background to the project;
 - consider the finance for the project and set out the business case for the investment in the proposed development;
 - highlight the impact the project will have on the performance of the County Council and waste services across Hampshire; and
 - note the wider context of the proposal to the waste system in Hampshire.

Contextual Information

6. Hampshire County Council, as a Waste Disposal Authority (WDA), has a statutory duty for the disposal of municipal waste arisings in Hampshire. In order to fulfil this function, it has, in conjunction with its waste disposal partners, the unitary authorities of Portsmouth City Council and Southampton City Council, entered into a multi-year waste disposal service contract with Veolia UK Ltd.
7. The Waste Disposal Service Contract (WDSC) with Veolia is a Design, Build, and Maintain as well as Service contract, which requires the provision of the necessary infrastructure at the outset. The joint working arrangements put in place through the Project Integra partnership from 1997 onwards enabled the County Council to include recycling infrastructure within the remit of the WDSC, even though recycling activities are, in the main, the responsibility of Waste Collection Authorities (WCAs).
8. The recycling infrastructure delivered was originally designed to deal with a set specification in terms of inputs to sort, namely: plastic bottles, steel and aluminium cans, paper and cardboard. Whilst over time there have been some minor changes to this specification, it is limited in its scope from changing significantly without requiring major refurbishment or replacement to be able to accommodate and sort different material streams.
9. In December 2018, the Government published its Resources and Waste Strategy for England¹, which is the mechanism by which it will deliver on the ambition of the 25 Year Environment Plan to leave the environment in a better condition for future generations.
10. This was followed up with major consultations in February 2019 and April 2021 on the four key areas where legislative change is proposed:
 - consistency of recycling collections;
 - Deposit Return Scheme (DRS) for drinks containers;
 - Extended Producer Responsibility (EPR) for packaging; and
 - a plastics packaging tax.

¹ [Our waste, our resources: a strategy for England \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

11. The key aim of the consistency of recycling collections work stream is to ensure a consistent range of material is collected in the kerbside recycling stream across England. At present, and based on the information gathered from the consultation documents to date, it is clear that the Government is seeking to maximise quality through material segregation when collecting, as well as identifying the below streams that would need to be collected from 2025:
 - cardboard;
 - paper;
 - aluminium & steel cans;
 - plastic bottles;
 - pots, tubs and trays (PTTs);
 - cartons;
 - glass; and
 - plastic films (from 2026/27).

12. At present the two Material Recycling Facilities (MRFs) located at Alton and Portsmouth are not capable of handling PTTs, plastic films, cartons, or glass, hence they will not be able to meet potential future legislative requirements. It is neither physically viable nor cost effective to upgrade the existing MRFs without significant renovation as set out in the report to the Executive Member for Economy, Transport and Environment on 2 July 2020².

13. The overarching Environment Act became law in November 2021. The Government is now working on the secondary legislation and guidance to support delivery of the consistency of recycling collections element. Due to changes within Government, there have been delays to the publishing of the Government's response to the Consistency in kerbside recycling consultation and progression of both the secondary legislation and announcement of the funding arrangements related to Extended Producer Responsibility and new burdens. This will now not be published in the autumn of this year as previously expected.

Finance

14. <u>Estimates</u>	<u>£'000</u>	<u>% of</u>	<u>Funds Available</u>	<u>£'000</u>
		<u>total</u>		
Design Fee	690	2.3	HCC Prudential Borrowing	23,100
Client Fee	0		Portsmouth City Council Capital Funding	3,450

² [Recycling and Single Materials Recovery Facility Update-2020-07-02-EMETE Decision Day \(hants.gov.uk\)](https://hants.gov.uk/news/recycling-and-single-materials-recovery-facility-update-2020-07-02-emete-decision-day)

Supervision	0		Southampton City Council Capital Funding	3,450
Construction	12,000	40		
Civils Works Processing Costs	12,300	41		
Contingency	5,010	16.7		
Land	0			
Total	30,000	100	Total	30000

15. Maintenance Implications £'000 % Variation to Committee's budget

Net increase in current expenditure
Capital Charge 0 0

16. As stated above, the County Council is working with both Portsmouth and Southampton City Councils on the project under the existing tripartite arrangement that exists for the management of the waste disposal contract. This arrangement sees each authority funding a set percentage of the total project cost of £30 million, with the County Council liable for 77% (£23.1 million) and Portsmouth and Southampton Cities liable for 11.5% (£3.45 million) each.
17. Both Portsmouth and Southampton City Councils have made provision within their capital programmes for the necessary funding to support this project and will be progressing with the necessary formal decisions on the MRF business case during quarter three of this year.
18. The County Council has worked with its contractor, Veolia, to develop a design for the proposed MRF facility, as well as to consider the works required across the waste transfer station network in order to determine the estimated project costs. At this stage of the project these have been broken down into the two key constituent parts, those associated with the civil engineering works to deliver the footprint and the building and then those associated with the processing infrastructure required to sort the materials and associated services.
19. The new infrastructure will be operated and maintained by the current contractor Veolia under the Waste Disposal Service Contract which currently runs until December 2030. It is proposed that a variation is put in place to recognise the provision of the new dry recycling infrastructure and its

replacement of the existing co-mingled infrastructure. As such the operation and maintenance costs of the facility and the associated infrastructure will be included in the WDSC, and there will be no maintenance implications arising from the proposals in this paper.

Programme

20. It should be noted that whilst a planning application has been submitted and determined as valid it has not yet been considered by the Regulatory Committee. Due to the need to progress with the project as quickly as possible the project appraisal is being brought forward now and approval will be subject to the outcome of the planning submission.
21. It is estimated that once planning permission is granted the project will take approximately 12–18 months until the facility is completed and has been fully commissioned.
22. The construction period is estimated to be just under 12 months, with the installation of the processing equipment taking up to four months and allowing two months for commissioning and testing to take place. Where possible, elements of the programme will be progressed in parallel to reduce the overall project timetable.
23. The changes required to the Waste Transfer Station (WTS) infrastructure will be undertaken concurrently with the development of the new MRF, with the completion of works expected at the same time as the MRF to enable the full system to work effectively.

Scheme details

24. The proposed development would comprise a MRF with capacity to process around 135,000 tonnes per annum (tpa) of dry recyclable material. It is anticipated however that the initial input of dry recyclable materials would be in the order of 107,000 tpa with the capacity available to increase this to meet the demand of anticipated housing growth across Hampshire during the life of the facility.
25. The MRF would process the following materials from Hampshire's local collection services, Household Waste Recycling Centres (HWRC) and Veolia's Waste Transfer Stations (WTS):
 - Newspapers and Pamphlets (N&P);
 - Mixed Paper (MP);
 - Old Corrugated Cardboard (OCC);
 - Mixed coloured Glass;
 - Mixed Bottles;
 - Polypropylene (PP);
 - Pots, tubs and trays (PTT);
 - Plastic Film;
 - Ferrous metals (Fe);

- Non-Ferrous metals (N-Fe); and
- Beverage cartons.

26. The MRF would comprise the following key components as illustrated in Drawings 1 and 2 below:

- site entrance using the already constructed entrance and access track;
- a gate house and weighbridges;
- a portal framed MRF building (approximately 131m long by 80m wide by 15.5m high) with roller shutter doors;
- 2 Fire Water Tanks (approximately 10.3m wide in diameter and 12m high);
- Pumphouse (approximately 7m by 8m and 3m high);
- staff and visitor parking;
- offices and Materials Analysis Facility;
- lighting and security fencing; and
- circulation areas.

27. In addition to the development of the new MRF, it is necessary to undertake works across the Waste Transfer Station (WTS) network in Hampshire to enable the amended material streams to be stored and bulked for onward transport. These works will involve changes to the internal layout of the WTS buildings such that the bays in which material streams are tipped are suitable to accommodate not only the new twin stream dry recycling system but also, where feasible, a container for kerbside collected food waste to be tipped in.

Drawing 1 – Proposed Ground Floor Site Plan



Please note that the internal layout is not finalised due to the lack of clarity from Government regarding the detail associated with what materials will be identified as needing to be collected in the Consistency in Recycling Collections.

Drawing 2 – Proposed Roof Site Plan



Scheme Business Case

28. To support the work, a substantial model was developed to map the current waste system and associated cost to allow different scenarios to be run to reflect the introduction of new recycling infrastructure and the impact this would have on material flows through the system. The output shows the difference in cost between the current system and the scenario that has been modelled.
29. There are a number of assumptions related to the modelling that have the potential to change the final financial outcome. However, a significant contingency has been included in the project costs to take account of these. In light of the current economic situation the project timeline and costs are under review, however it should be noted that the level of uncertainty in the supply chain market means that any cost provided by suppliers may only be held for a maximum of two weeks. The key assumptions include:

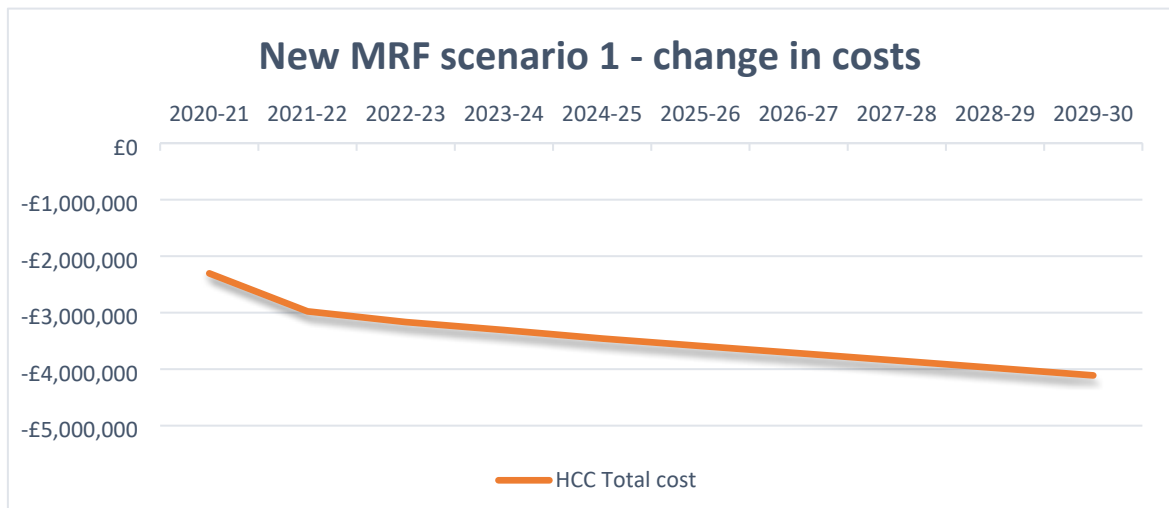
- Material Volumes – waste volume forecasts have been used to inform the model, but the service is demand driven and tonnage can vary depending on resident behaviour;
 - Capital Costs – based on work estimates from contractors, these are subject to change once works are tendered. Borrowing costs associated with the figures in the financial section above are included in the model calculations;
 - Waste System – it is assumed that all local authorities in Hampshire will switch to the twin stream system using set tipping locations for material. This is subject to change to suit operational needs and this could affect the financial outcome as each tipping location has its own cost;
 - Waste composition – 2018 waste composition data was used to inform waste volumes for diverted waste streams. As a snapshot taken at a point in time the composition data can vary from actuals, particularly as COVID-19 has had an impact on behaviour and therefore waste composition; and
 - Material income values – current material values were used to inform the model, but these are subject to fluctuation both up and down in global markets over time.
30. The model was configured to reflect a twin stream system, with those materials not currently collected (e.g., pots, tubs tray, cartons and glass) diverted from either the residual waste stream or other streams as appropriate. Capture rates of material are based on the Waste and Resources Action Programme³ (WRAP) data, with contamination rates for the material streams set at the rates assumed by the contractor in its proposal.
31. The scenario assumes that the two existing MRF facilities (Alton and Portsmouth) will close, along with Netley waste transfer station and all material will be diverted, mostly via other waste transfer stations, to the new facility in Eastleigh with some fibre being delivered to the current Portsmouth MRF for sorting and baling. The existing Portsmouth MRF will be converted to a fibre polishing plant to process a portion of the fibre stream, this will separate the paper and card so it can be bulked and sent to market for recycling.
32. The Alton MRF site will remain a site within the waste disposal service contract, the County Council retains an option to purchase the site under the contract at the end of the contract period in December 2030. Consideration is currently being given to how this site can be utilised for other waste operations, these would be subject to separate decisions and planning processes.
33. The modelling shows that there is an annual reduction in cost to Hampshire County Council of £2.3 million (see Graph 1 below), once the borrowing costs have been deducted, which is the result of a number of factors:

³ [About us | WRAP](#)

- reduced residual waste costs, as material that is currently in that stream will switch to the recycling stream (pots, tubs trays, cartons and flexible plastics). This shift includes existing recyclables that currently remain in the residual waste that are captured as overall performance is increased with a new system and increased communications;
- increased income from both increased tonnages of recyclable material collected and sale of additional residual waste capacity to process commercial and industrial waste; and
- reduction of capital costs associated with the existing infrastructure that will no longer be in use.

This saving set out above contributes towards the delayed package of waste related savings from the Transformation to 2021 and the delivery of the overall waste savings programme remains on track to meet the current savings timetable.

Graph 1: Total change in annual revenue costs



34. The modelling shows that the proposed investment in the new MRF offers annual revenue savings to the County Council as well as proving the basis for a new dry recycling system in Hampshire that will deliver a significant improvement in both the recycling performance and carbon impact of the waste system as a whole.

Consultation and Equalities

35. The development of the strategy for the new recycling system has been the subject of extensive consultation at both officer and Member level with all Project Integra partners and was ratified as part of the new Project Integra Joint Municipal Waste Management Strategy⁴ which was formally approved by the County Council in September 2021.

⁴ [Joint Municipal Waste Management Strategy-2021-09-23-EMETE Decision Day \(hants.gov.uk\)](https://www.hants.gov.uk/joint-municipal-waste-management-strategy-2021-09-23-emete-decision-day)

36. Prior to the submission of the planning application consultation was undertaken with the MP for Eastleigh, Paul Holmes, the Deputy Leader of Eastleigh Borough Council, Paul Bicknell and those County Councillors whose Wards are close to the development. These are Councillor Parker-Jones, Councillor Irish, Councillor Park and Councillor Broomfield.
37. Those consulted recognise the need for a change to the recycling system in Hampshire and that provision of new infrastructure will provide the opportunity for residents to recycle more.
38. All of those consulted have raised concerns regarding the impact that the proposed scheme will have on the traffic on the local road network, particularly Bishopstoke Road, due to the congestion that is currently experienced in the area.
39. As part of the planning process the application will be subject to a full public consultation as well as providing an opportunity for any other party to review and make a submission to the planning authority.
40. This decision is related to the construction of new recycling infrastructure and the development itself has been assessed as having a neutral impact on residents with protected characteristics. However, this decision will facilitate a significant change to kerbside recycling services and therefore indirectly there will be a positive impact for residents with the protected characteristics of age, disability, pregnancy and maternity, as well as those impacted by poverty and rurality, who will be able to recycle more items at the kerbside and avoid the need to make journeys to other places to recycle certain items like pots, tubs, trays and cartons.

Climate Change Impact Assessments

41. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation

42. There are two climate variables that pose a vulnerability to this project: heavy rainfall and surface water flooding, and extreme storm and wind events. Whilst the risk is not considered to be high both have the potential to impact on the operation of the facility once constructed. It is anticipated that these risks can be mitigated through the detailed design process and with consideration regarding the construction processes used.

43. The project is important for meeting Hampshire County Council's strategic priorities by providing the infrastructure required to significantly improve the environmental performance across Hampshire in terms of recycling and diversion of residual waste from Energy From Waste (EFW) facilities. This contributes towards the strategic aim to ensure that 'People in Hampshire enjoy a rich and diverse environment.' In addition, the facility will represent a significant investment in new recycling infrastructure that will provide local employment and support economic development aims, therefore contributing to the strategic aim to ensure that 'Hampshire maintains strong and sustainable economic growth and prosperity'.

Carbon Mitigation

44. This project will support the delivery of a change to a twin stream kerbside recycling service across Hampshire with the outcome of increasing the recycling performance across the County. This system has been assessed against the alternatives of maintaining a fully comingled recycling service or opting for a 'kerbside sort' system and determined the best option, with a carbon impact assessment being a key factor in the decision. This assessment showed that the twin stream system would result in a significant reduction in carbon emissions compared with the current co-mingled service and an equal reduction to that achieved through a kerbside sort system.
45. The modelling work has shown that the preferred twin stream system delivers a significant increase in the overall recycling rate for the Project Integra partnership of 13.4%. This significant shift in recycling performance results in a reduction of the equivalent of -13,603 tonnes of CO₂ per annum compared to the current system from a waste disposal perspective. Whilst from a whole system perspective there is small increase in the carbon impact of the collection of material (2,175 tonnes of CO₂ equivalent) there is a significant overall reduction of -11,428 tonnes of CO₂ equivalent.

Statutory Procedures

46. A planning application has been submitted for the proposed development and therefore this project appraisal is subject to the approval of that application.⁵

Land Requirements

47. The County Council owns the land required for the proposed development and therefore there are no land requirements associated with this project appraisal.

⁵ [def | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk)

Maintenance Implications

48. The new infrastructure will be operated by the current contractor Veolia under the Waste Disposal Service Contract which currently runs until December 2030. It is proposed that a variation is put in place to recognise the provision of the new dry recycling infrastructure and its replacement of the existing co-mingled infrastructure. As such the operation and maintenance costs of the facility and the associated infrastructure will be included in the WDSC. This will mean there are no maintenance implications arising from the proposals in this paper.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	no

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Recycling Infrastructure Planning Application-2021-10-28-EMETE Decision Day (hants.gov.uk)	<u>Date</u> 23.09.2021
Direct links to specific legislation or Government Directives	
<u>Title</u> The Environment Act 2021 - Environment Act 2021 (legislation.gov.uk)	<u>Date</u> 09.11.2021

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<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 protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are 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 in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This decision is related to the construction of new recycling infrastructure and the development itself has been assessed as having a neutral impact on residents with protected characteristics. However, this decision will facilitate a significant change to kerbside recycling services and therefore indirectly there will be a positive impact for residents with the protected characteristics of age, disability, pregnancy and maternity, as well as those impacted by poverty and rurality, who will be able to recycle more items at the kerbside and avoid the need to make journeys to other places to recycle certain items like pots, tubs, trays and cartons.

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Transport and Environment Select Committee
Date:	3 October 2022
Title:	Work Programme
Report From:	Chief Executive

Contact name: Katy Sherwood, Senior Democratic Services Officer

Tel: 01962 847347

Email: katy.sherwood@hants.gov.uk

1. Summary

1.1. The purpose of this item is to provide the work programme of future topics to be considered by this Select Committee.

2. Recommendation

That the Transport and Environment Select Committee approve the attached work programme.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

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.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

- 1.1. 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 under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) 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.

1.2. Equalities Impact Assessment:

- 1.3. This is a forward plan of topics under consideration by the Select Committee, therefore this section is not applicable to this report. The Committee will request appropriate impact assessments to be undertaken should this be relevant for any topic that the Committee is reviewing.

2. Impact on Crime and Disorder:

- 2.1. This is a forward plan of topics under consideration by the Select Committee, therefore this section is not applicable to this report. The Committee will request appropriate impact assessments to be undertaken should this be relevant for any topic that the Committee is reviewing.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

This is a forward plan of topics under consideration by the Select Committee, therefore this section is not applicable to this report. The Committee will consider climate change when approaching topics that impact upon our carbon footprint / energy consumption.

WORK PROGRAMME – ECONOMY, TRANSPORT AND ENVIRONMENT SELECT COMMITTEE
 (Edits since previous meeting in red)

Topic	Issue	Reason for inclusion	Status and Outcomes	19 September 2022	4 November 2022	23 January 2023	13 March 2023
Pre-Scrutiny	2022/23 Revenue Budget for ETE	Pre-scrutiny of the revenue programme to go on to Cabinet				✓	
Pre-Scrutiny	ETE Proposed Capital Programme for 2022/23 2023/24 and 2024/25	Pre-scrutiny of the capital programme to go on to Cabinet				✓	
Pre-Scrutiny	Highway Network Recovery Plan		To look further at planned and reactive maintenance				✓
Pre-Scrutiny	LTP4		Following consultation		✓		
Pre-Scrutiny	School Streets		Following pilot		✓		
Pre-scrutiny	20mph Speed Limits	Following discussion at Full Council on 4 November 2021	Working group to report back to the Select Committee		✓		

Topic	Issue	Reason for inclusion	Status and Outcomes	19 September 2022	4 November 2022	23 January 2023	13 March 2023
For future review	Waste and Collaborative Working	How waste is managed with partners.	Deferred from 2021			✓	
For future review	Environment Bill	To look at implementation, particularly around nature recovering plans and biodiversity	Requested by Councillor Tod	✓			

To be added to the work programme when timely:

- Bus Back Better
- County TRO presentation
- EV Charging (future review)

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HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Transport & Environment Select Committee
Date:	3 October 2022
Title:	Hampshire Highways Service Contract – Contract Extension
Report From:	Director of Economy, Transport and Environment

Contact name: Peter Rooney

Tel: 0370 779 4628

Email: Peter.rooney@hants.gov.uk

Purpose of Report

1. For the Transport & Environment Select Committee to pre-scrutinise the proposals for extending the Hampshire Highways Service Contract to 30 April 2029 (see report attached due to be considered at the decision day of the Executive Lead Member for Transport and Environment Strategy at 2.00pm on 3 October 2022).

Recommendation

2. That the Transport and Environment Select Committee:

Either:

Supports the recommendations being proposed to the Executive Lead Member for Transport and Environment Strategy in paragraphs 2.-5. of the attached report.

Or:

Agrees any alternative recommendations to the Executive Lead Member for Transport and Environment Strategy, with regards to the proposals set out in the attached report.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Transport and Environment Strategy
Date:	3 October 2022
Title:	Hampshire Highways Service Contract - Contract Extension
Report From:	Director of Economy, Transport and Environment

Contact name: Peter Rooney

Tel: 0370 779 4628

Email: peter.rooney@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to recommend that the Hampshire Highways Service Contract is extended by the maximum period available of five years, and to seek approval to extend the contract to 30 April 2029.

Recommendations

2. That the Executive Lead Member for Transport and Environment Strategy notes the contractual timescales for the Hampshire Highways Service Contract and the significant risks associated with procuring a new contract in the current financial and economic climate.
3. That the Executive Lead Member for Transport and Environment Strategy notes the opportunities proposed by Milestone Infrastructure Limited to improve the highway service for the duration of the extended contract period, and also the comments and advice provided by an external specialist to independently review the proposals, as part of the due diligence process, and provide an overview of current market conditions.
4. That the Executive Lead Member for Transport and Environment Strategy approves the development of revised performance measures to ensure the opportunities proposed by Milestone become contractual obligations and are bound into the contract documents, and that authority to agree the timescale and scope of these is delegated to the Director of Economy, Transport and Environment, in consultation with the Head of Legal Services.
5. That the Executive Lead Member for Transport and Environment Strategy approves the extension of the Hampshire Highways Service Contract for the maximum duration of five years, which will take the contract term to 30 April 2029, and delegates authority to the Director of Economy, Transport and Environment to enter into continued contractual arrangements with Milestone in consultation with the Head of Legal Services.

Executive Summary

6. This paper seeks to outline the reasons why the Hampshire Highways Service Contract (HHSC) should be extended to its maximum 12-year duration to 30 April 2029.
7. The HHSC delivers the County Council's (statutory) highway maintenance activity across Hampshire. The contract started on 1 August 2017 with an initial term running to 2024, i.e., 7 years, with the potential to extend this by up to five additional years to 30 April 2029.
8. The construction industry and highway sector are in a state of unprecedented financial volatility due to the ongoing and residual impacts of Brexit, Covid-19 and the Ukraine crisis. If the current contract is not extended the County Council will need to procure a new contract, from scratch, at a time when the market is heavily congested, fraught with unknown risk, uncertainty, and increasing costs.
9. The success of the current contract is built on a strong collaborative relationship with the current service provider, Milestone Infrastructure Limited (Milestone). The contract remains in a stable position despite the market challenges, and Milestone is enthusiastic to extend the contract to its full duration. Milestone has submitted a document *Safer, Greener Hampshire Highways – Beyond 2024* detailing ten areas where the highways service can be developed and improved for the duration of the extended contract. The proposals offer the County Council an excellent opportunity to progress the highway service and make significant improvements in key areas such as carbon reduction and climate resilience, and they will also yield cashable savings.
10. Milestone's proposals have been independently reviewed by the international law firm Bird & Bird. Bird & Bird is considered to be a specialist in the field of highways term contract procurement and has worked closely with a number of other County Councils. The report from Bird & Bird confirms that there are clear advantages to the County Council in extending its contract and the risks and costs of re-procurement could be very significant in the current market environment, which is not showing any signs of abating at present. Bird & Bird has reviewed the ten areas proposed by Milestone as part of the extension agreement and has recommended that these are bound into the contract, forming a contractual obligation on Milestone to deliver them.

Contextual information

11. The Hampshire Highways Service Contract (HHSC) delivers all of the County Council's highway maintenance activities. The contract scope is broad and also allows discretion for capital improvement projects to be included. The contract was initially awarded to Skanska Construction UK Ltd and started on 1 August 2017, with an initial term to 30 April 2024, extendable up to 2029. The HHSC has already delivered more than £280million of highway services and projects in four and a half years, averaging an annual spend of more than £62million. In May 2021 Skanska Construction UK Ltd, sold its Infrastructure Services business, which contained its portfolio of highway maintenance contracts to M Group Services and the HHSC was subsequently novated to a newly created business, Milestone Infrastructure Limited.

12. The HHSC has developed and grown since it started and its success is largely due to the strong collaborative relationship between the two organisations, and the wider supply chain. The relationship has been a key factor in maintaining the highway maintenance service in a stable position during what has arguably become the most unstable and unpredictable period for the construction industry and highway sectors in recent memory. Three recent reports to the Executive Member; *Hampshire Highways – Service Update*, July 2021, *Hampshire Highways – Highway Network Recovery Strategy*, March 2022 and *The Impact of Inflationary Pressures on the Delivery of the Highway Maintenance Service*, May 2022, have outlined the pressures and challenges facing the highways service, which include an estimated highway maintenance backlog of £377million due to underfunding in highway maintenance from central Government. Covid-19 and Brexit have also provided their own inflationary and operational pressures, and these have been compounded further by the war in Ukraine leading to unprecedented levels of inflation and increased costs.
13. The initial term for the contract is due to end in April 2024 and this can be extended by up to five additional years to 2029, subject to negotiations between the two organisations. It was originally intended to enter into negotiations during the financial year 2021/22. However, the transfer of the contract from Skanska Construction UK Ltd. to Milestone delayed these negotiations and a decision was taken to wait until the contract had been novated and established for a suitable period of time.
14. Not extending the contract will mean that the County Council will need to start the process of procuring a new term highways maintenance contract immediately, and in the current financial climate this presents layers of complexity and significant risk. The construction industry is in an unpredictable state, and it is not expected to stabilise for several years. It is understood that a number of other highway authorities are looking to extend their current contractual arrangements with their respective service providers, hoping to steer through this current period of uncertainty. Milestone has a large portfolio of public sector highway maintenance contracts and three of these have recently been extended to secure a stable position.
15. The procurement of term highway maintenance contracts has been a selective market for bidders for a number of years. The number of strategic suppliers in the market has reduced over time due to mergers/takeovers, insolvency or from a change in strategic business direction. Tendering for contracts can be expensive for suppliers and it is widely known that contractors will meticulously target the individual contracts they choose to tender for, and these decisions are based on various factors including the perception of the client relationship in the current contract, the contract model, and the apportionment of risk. The current market conditions have significantly increased this level of sensitivity and bidders are even more selective.
16. The Future Highways Research Group (FHRG) has estimated that 26 local authorities are looking to procure new term highways contracts over the next four and a half years which means it will be a heavily congested period for both local authorities and suppliers. If the HHSC is not extended the County Council would be looking to procure a new contract at the least favourable time, and it is unlikely that a best-value solution would be secured. Ultimately this could leave

the County Council in a situation where only a very small number of bidders show an interest in bidding, and any perceived risks will be covered by significantly higher costs than are currently being encountered. When the current HHSC contract was procured, only 3 bidders entered the tendering stage in 2016, which was in a period that was far more settled than the current market. The approval of a five-year extension should enable the County Council to re-procure its next contract in a calmer, less competitive and volatile period.

17. Extending the contract by five years would provide the necessary time for the County Council to fully explore the most suitable contract model options for Hampshire for 2029 onwards. It is critical for the sustainability of the future highway service that the next contract builds on the current HHSC and is inviting to the market, and provides flexibility and opportunities for innovative development, particularly around areas such as digital technology, resilience to climate change, carbon reduction and social value.
18. When procuring new term highway contracts there is inevitably an impact on the delivery of the highways service. If the current service provider is excluded from the procurement process for a new contract at any point, it is not uncommon to see a drop in the quality of service delivery as the incumbent focuses its attention on demobilising and withdrawing at the end of the current contract. Similarly, when a new service provider is introduced, it takes time for it to mobilise the necessary people, systems and processes, and this can have a detrimental effect on the delivery of the highways service until normal operations are in place. The detrimental effects are not solely due to the new service provider's situation. Introducing a new contract and supplier will also have an impact on the County Council's staff resources, where staff will need to be taken away from their normal roles to oversee the procurement and develop the new contract. Therefore, whenever the decision is made to start the procurement process for a new contract it is likely there will be an element of disruption to service delivery for both the outgoing and incoming suppliers and County Council staff. Extending the contract will therefore postpone this highly likely disruption to the service to a period of greater stability.
19. Milestone is enthusiastic to continue working in Hampshire and extending the contract for the full five-year duration. Senior representatives from both organisations have held meetings since November 2021 to discuss and negotiate options and opportunities to extend the contract with a combined aim to improve and develop the service provision.
20. The culmination of those discussions is Milestone's formal proposal to the County Council outlined in the document "*Safer, Greener Hampshire Highways - Beyond 2024*" which details Milestone's plans for developing and improving the highways service in Hampshire over the five-year period, 2024-2029. The document is included within Appendix A of this report. Note that this is a restricted document due to its commercial sensitivity.
21. The document outlines the successes of the contract to date, including quantitative data of the services delivered, and highlights high levels of performance, including service delivery during extreme weather situations such as the cold snap between February and March 2018, and Storms Dudley, Eunice and Franklin. Milestone has also continued to deliver across all frontline

services through unprecedented difficult periods such as the Covid pandemic, and more recently the global impacts of the Ukraine crises.

22. The report details the opportunities available to the County Council by extending the contract for the full five-year duration, and these are covered by the following ten areas.
- a) A continuously improving frontline highway maintenance service, where contract performance efficiencies are driven through the smarter use of data and jointly agreed performance indicators, resulting in a better customer/resident experience.
 - b) Sustained carbon reduction in all areas.
 - c) Supporting community initiatives, such as the parish lengthsman service.
 - d) Continued investment in the development and expansion of the Micheldever Highway Materials Recycling Facility.
 - e) Developing and implementing low carbon technical solutions, e.g., greater use of recycled products, low heat asphalts etc.
 - f) Delivering innovative and cost-effective solutions for gully waste recycling.
 - g) Increasing local drainage cleansing resources with Hampshire-specific machines in order to improve service resilience.
 - h) £5million of cashable savings and efficiencies between 2023/24 and 2029.
 - i) Providing up to £212million of social value over the full life of the contract to 2029.
 - j) Supporting the County Council in the delivery of the Highway Network Recovery Strategy.
23. The ten areas proposed by Milestone provide an excellent opportunity to enhance the highways service throughout the 5-year extension period. These include improvements to service delivery, support for local communities, innovation, and significant measures to reduce carbon emissions and improve resilience against the effects of climate change. To maximise the full benefit of these proposals it will be necessary to commit to the full five-year extension of the contract. However, a shorter duration will not provide sufficient time to deliver all the proposals, or the necessary financial payback period for Milestone.
24. There are no material or substantial changes required to the core contract terms for Milestone to provide these opportunities to Hampshire.
25. The international law firm Bird & Bird, which is a renowned specialist in highway contract procurement, was asked to independently review the proposal submitted by Milestone and to determine whether there are sound commercial and legal justifications for extending the HHSC in the current environment. Bird & Bird was selected for this commission due to its involvement with the procurement of highway maintenance services for other large county councils. Through these commissions Bird & Bird has an excellent understanding of client requirements and contract models and has recently engaged with all the main service providers in the highways sector. Bird and Bird is therefore perceived to have the most relevant and latest market intelligence for the purposes of this exercise.

26. The Bird & Bird report is included within Appendix B of this report. This is restricted for reasons of legal privilege and commercial confidentiality.
27. The report provides an overview of the following areas:
- a) Cost of procurement exercise.
 - b) Price volatility.
 - c) Bidder market.
 - d) Relationship with Milestone.
 - e) Consistency for staff and stakeholders.
 - f) Commercial benefits in the Milestone proposals.
 - g) Review of Milestone proposals.
28. Bird & Bird has recommended that the ten opportunity areas identified are bound into the contract, where this is practicable, to provide an obligation on Milestone to deliver them. This will also include the development of updated performance measures to monitor progress of delivery. It is proposed that the County Council's Highway Contract Management Team works collaboratively with Milestone to develop a series of appropriate and relevant measures for inclusion within the contract and that these are approved by the Director of Economy, Transport and Environment under delegated authority, in consultation with the Head of Legal Services.

Finance

29. The typical annual spend to date through the highways contract has been more than £60million. This is made up of locally sourced capital and revenue funding, Department for Transport (DfT) formula grants, DfT one-off grants and other external funding sources such as Section 106 developer funding. The level of spend varies each year as it is dependent on budget provision, but if the funding levels remain consistent over the 5-year extension period the total spend could potentially exceed £300million.
30. The Cabinet Report (19 July 2022) *Developing a Medium Term Financial Strategy* provides an overview of the inflationary pressures facing the construction industry and highways sector. This report outlines the instability and rising costs that are directly affecting delivery of construction related services and echoes the narrative provided in the Bird & Bird report.
31. Extending the highways contract now is considered to be financially prudent in order to minimise future financial and commercial risk on the authority during a period of significant uncertainty. The strong relationship with Milestone should also ensure there is sufficient flexibility in place should the scope of delivered services need to be reviewed as part the medium term financial strategy.

Performance

32. Since the start of the HHSC in 2017, Skanska/Milestone's performance has been good and has continued to improve over time, as expected for long term contracts of this nature. Since the start of the contract, operational productivity has increased and there has been a reduction in the operational workstack,

remedial works and third-party claims. These improvements have been made despite the external pressures and challenges caused by Brexit, Covid-19 and extreme weather events such as Storm Franklin, which have all had an adverse effect on normal operational delivery lasting many months. The contractor's performance must also be seen in the context of the sale of the Highways Maintenance business by Skanska to Milestone, and the challenges for Hampshire Highways overall, of managing a declining network with significantly constrained budgets.

33. Ongoing contractor performance or contract compliance is primarily managed via the contract's established governance structure. The drive for continuous improvement is already embedded across the Hampshire Highways relationship and both organisations work collaboratively to seek and implement changes to continuously improve service delivery.
34. The proposal from Milestone identifies ten areas for further development and improvement during the extension period. These measures will be formally bound into the contract with a jointly agreed set of new smart performance measures in place to monitor the quality and quantum of service delivery. No material or substantial changes will be required to the core contract terms to deliver these additional commitments.

Consultation and Equalities

35. Due to the nature of the approval sought for this report, limited consultation has been undertaken.
36. The decision sought in this report will not reduce the scope of the service provided or have any negative impact on the individuals working on the service or service users, so has been assessed as having a neutral impact on groups with protected characteristics. Approval is sought for a contract extension that will provide service improvements and it is not anticipated that these proposals will have a direct impact on people with protected characteristics. Rather, they are intended to improve service delivery to all highway users and help maintain and/or improve highway safety.

Climate Change Impact Assessments

37. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaption

38. The proposals submitted by Milestone for the contract extension will help to reduce the highway network's vulnerability to climate change impacts by increasing frontline resources and enabling a more responsive service.

Carbon Mitigation

39. The proposals include a commitment by Milestone to reduce its carbon emissions by 60% by 2030. The proposals will also lead to carbon reductions in planned maintenance activity through the use of warm asphalts and also expanding the scope of materials produced at the Micheldever Recycling Facility. Enhanced gully waste facilities will also see a higher proportion of waste material being recycled.
40. Data driven innovations will also create improvements to the scheduling and delivery of reactive repairs, improving efficiency and reducing disruption and diversions for the travelling public.

Conclusions

41. This report has outlined the various complexities surrounding the current market environment and the significant risks the County Council could be potentially exposed to if the contract is not extended and a new procurement exercise started.
42. Given the pressures and challenges facing the construction industry and highways sector, the HHSC contract is in a stable position due to the proactive collaborative relationship between Hampshire County Council and Milestone. Milestone is keen to extend this relationship and contract for the full term and the proposals submitted offer the County Council an excellent opportunity to develop and enhance the highways service particularly in areas such as carbon reduction, resilience to climate change, and supporting local communities, as well as providing £5million in cashable savings and £212million of social value.
43. The proposals submitted have been independently assessed and confirm that there are clear advantages to the County Council in extending the current arrangement. To re-procure a new contract in the current environment would be very risky and likely to cost significantly more.
44. Offering Milestone a shorter contract extension period remains an option. However, this would not deliver to the County Council the full range of opportunities, benefits, and value offered in Milestone's proposal.
45. The full five-year extension is anticipated to provide the County Council with sufficient time to fully investigate and prepare the next term highways contract, ready for a period of more stability and where there will be fewer highway contract retenders coinciding. The benefits will not only remain for the duration of the contract but will also create the foundation for what may follow in 2029.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
The Impact of Inflationary Pressures on the Delivery of the Highways Maintenance Service	12 May 2022
Hampshire Highways – Highway Network Recovery Strategy	10 March 2022
Hampshire Highways – Service Update	29 July 2021

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:

The decision sought in this report will not reduce the scope of the service provided or have any negative impact on the individuals working on the service or service users, so has been assessed as having a neutral impact on groups with protected characteristics. Approval is sought for a contract extension that will provide service improvements and it is not anticipated that these proposals will have a direct impact on people with protected characteristics. Rather, they are intended to improve service delivery to all highway users and help maintain and/or improve highway safety.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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By virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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