

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Transport and Environment Strategy
Date:	7 November 2022
Title:	Transforming Cities Fund – Portsmouth & Southampton: Update
Report From:	Director of Economy, Transport and Environment

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Purpose of this Report

1. The purpose of this report is to provide a summary of progress and highlight key risks with respect to delivery of the Southampton and Portsmouth Transforming Cities Fund programme of schemes.
2. In addition, this paper is recommending an adjustment to the approved capital programme 2022/23.

Recommendations

3. That the Executive Lead Member for Transport and Environment Strategy notes the positive progress and key risks in delivering the Transforming Cities Programme across the Southampton and Portsmouth regions.
4. That the Executive Lead Member for Transport and Environment Strategy approves an adjustment to the capital programme 2022/23 reducing the allocation for Junction Road, Totton from £1,743,000 to £950,000, and approves the reassignment of the released funding across the portfolio of Southampton TCF projects to manage cost pressures and ensure that costs are contained within the overall funding envelope.
5. That the Executive Lead Member for Transport and Environment Strategy delegates authority to the Director of Economy, Transport and Environment, in consultation with the Executive Lead Member for Transport and Environment Strategy, to reassign funding released from Junction Road, Totton to individual schemes across the Southampton TCF scheme portfolio, and to enter into revised funding agreements as necessary, in consultation with the Head of Legal Services.

Executive Summary

6. This paper seeks to outline progress on delivery and highlight key risks to the Transforming Cities Programme (TCF) across the Southampton and Portsmouth Cities Region. In addition, the report seeks approval to realignment of budget allocations which have altered during the development of individual schemes.
7. Hampshire County Council has worked collaboratively with Southampton City Council, Portsmouth City Council and Isle of Wight Council and was successful in securing funding from the Department for Transport – Transforming Cities Fund.
8. In partnership with Portsmouth City Council and Isle of Wight Council, funding of £56million was secured, with nine schemes (£22.316million) being delivered by Hampshire County Council. The current high-level summary is that schemes can be delivered within the overall funding envelope, but two schemes will not be completed, with a further two unlikely to be completed, by the funding deadline of 31 March 2023. There is no approved ‘Change Control’ from the Department for Transport at this time, albeit that approval has been requested and positive dialogue is ongoing.
9. In partnership with Southampton City Council, funding of £57million was secured, with twelve schemes (£18.895million) being delivered by Hampshire County Council. The current high-level summary is that ‘Change control’ has been approved from the Department for Transport approving a 12-month extension to the programme – the revised completion date of 31 March 2024 offers flexibility and reduces financial risk. However, there are a number of emerging costs pressures with current forecast costs exceeding the approved allocation by approximately £1.3million (after reassignment of the reduced funding allocation from Junction Road, Totton). Plans are in place to mitigate the forecast pressure, as set out in paragraphs 20-22.
10. Good progress is being made in delivering the individual projects. As the outline schemes have been developed, a number of challenges have emerged which have impacted upon the programme and cost base. This report seeks to:
 - realign budgets to reflect the current financial position;
 - highlight emerging inflationary pressures;
 - highlight specific risks across both programmes;
 - highlight that an adjusted capital programme position will be reported in January 2023; and
 - highlight that the Bishopstoke Road bus priority scheme holds the greatest financial and deliverability risks.
11. Hampshire County Council has an excellent record as a delivery body for infrastructure projects and it is critical that performance levels and reputation are maintained and enhanced. This report set out the revised budget position and seeks approval for adjustments to ensure progress in delivery is maintained and scheme objectives are not diluted.

Contextual information

12. In partnership with Portsmouth City Council and Isle of Wight Council, funding of £56million was secured, which aims to improve productivity by investing in public and sustainable transport infrastructure in and around City Regions. Hampshire County Council is the delivery body for nine schemes. A summary of individual schemes is set out below.
 1. A27 Delme Roundabout to Downend Road Junction Improvement - bus, pedestrian and cycle enhancements in Fareham.
 2. Gosport Bus Interchange Improvements.
 3. Elmleigh Road, Havant - pedestrian and cycle improvements.
 4. Park Road South - bus and walking improvements.
 5. A27, Portchester – bus improvements.
 6. Bedhampton Road, Havant – bus improvements.
 7. Havant Town Centre – Local Access Zone.
 8. Leigh Park – bus stop improvements.
 9. Ladybridge roundabout – bus priority (Deferred to be delivered as part of adjacent residential development).
13. In partnership with Southampton City Council, funding of £57million was secured which aims to improve productivity by investing in public and sustainable transport infrastructure in and around City Regions. Hampshire County Council is the delivery body for twelve schemes (£18.895million). A summary of individual schemes is set out below.
 1. Burlesdon Road – cycle route
 2. Eastleigh town centre cycle route.
 3. Marchwood bypass – bus priority.
 4. Rushington roundabout – bus priority.
 5. Bishopstoke Road, Eastleigh – bus priority.
 6. A27, Providence Hill – cycle route.
 7. Eling to Holbury – cycle route.
 8. Redbridge Causeway to Eling – cycle route.
 9. Junction Road, Totton – bus priority.
 10. Eastleigh & Fair Oak – bus stop improvements.
 11. Eastleigh Mobility Hub.
 12. Southampton Airport Parkway – Travel Hub.
14. Both Transforming Cities programmes align to the strategic objectives of Hampshire County Council as it supports the promotion of active travel, improves air quality and helps in the objective to reduce carbon emissions in line with the climate change strategy.

15. The schemes support the wellbeing of residents and local workplaces by providing active travel improvements and promoting a greener, healthier Hampshire, which aligns with the emerging Local Transport Plan 4 (LTP4) as it contributes towards a carbon neutral, resilient Hampshire including encouraging fewer vehicles on Hampshire's roads.
16. The funding award from the Department for Transport requires delivery by 31 March 2023. However, there is a mechanism in place to seek approval for 'Change Control' as schemes are developed. This process covers scope, programme and cost. There is a clear directive that any scope changes must not dilute delivery of scheme objectives.
17. As the Hampshire County Council portfolio of schemes has been developed, a number of challenges have emerged including cost pressures (primarily due to inflationary impacts); programme impacts (for example; securing necessary consents and approvals); technical challenges in detailed design; and responding to feedback from public engagement (a number of schemes have been redesigned to respond positively to feedback without diluting scheme objectives).

Finance

18. The funding envelope for **Southampton TCF is £18,895,356** – the current gross forecast position is £21.0million (an increase of approximately 11%) which represents a budget pressure of £2.1million. Plans are in place to mitigate this pressure as set out below.
19. Subject to approval of the recommendations in this report, the forecast inflationary pressure is reduced to £1.3million by reallocation of funds released from the revised scheme for Junction Road, Totton.
20. Forecast costs are indicative at this stage pending the outcome of procurement and tender returns received for each individual scheme - costs will be impacted by the volatility of the construction market and the local demand with a high volume of schemes requiring delivery to similar timescales - potentially creating demand which outstrips capacity. Therefore, it is not possible at this stage to be specific around the reallocation of funding to individual schemes.
21. In addition, approximately £790,000 of developer contributions are available which are applicable to the portfolio of schemes across the Southampton region – this will further reduce the forecast pressure to approximately £500,000.
22. The residual forecast pressure relates entirely to the scheme at Bishopstoke Road and is currently unfunded. This project has significant land, planning and design risks. Subject to resolution of the delivery risks a report will be brought to a future Executive Member Decision Day to consider the affordability, value for money and funding options.
23. The following paragraphs offer context to the projected variances between forecast costs and original scheme estimates.

24. Common to the current position across the construction industry, the programme has encountered significant inflationary and delivery cost pressures coupled with technical changes which have emerged through detailed design and amendments to accommodate comments from the public engagement, which has resulted in forecast outturn costs increasing.
25. The highway construction industry continues to experience volatility due to the effects of the Covid pandemic, the impacts of Brexit, and the on-going war in Ukraine. Oil and gas prices are rapidly increasing, as are costs for critical materials including steel, iron and timber, with bituminous products also impacted. Overall, the construction material price index rose 5% in March this year and is now almost 25% higher than 2021. This is driving higher tender prices.
26. The project team has been working closely with the design team and supply chain to manage, where possible, price and delivery pressures. For example: a 2-stage procurement approach has been adopted for the projects at A27 Providence Hill and Eling to Holbury cycle routes.
27. In terms of specifics, the Executive Member for Economy, Transport and Environment approved a Project Appraisal for Junction Road, Totton bus priority measures on 27 January 2022 (report available at [Southampton and South West Hampshire Transforming Cities Fund Programme-2022-01-27-ELMETE Decision Day \(hants.gov.uk\)](#) with a value of £1.743million.
28. As the scheme has developed, a redesign was required due to: constrained highway land compromising design standards; to respond to on-street parking issues highlighted through the consultation; to minimise the negative impact on other road users; to ensure that future public realm ideas were not compromised; and to ensure that value for money with respect to cost benefit was achieved. This has altered the core element from a bus lane, bus gate and carriageway widening to a revised signalised junction arrangement with bus priority measures. However, it still maintains the TCF objective of prioritising bus services by reducing journey times, albeit at a lower level than the original scheme, improving reliability of the journey duration, and arrival and departure times for those travelling within the Waterside area and between Waterside and Southampton. This will facilitate and encourage sustainable travel by offering better connectivity of public transport than is currently available.
29. The revised scheme is in line with approved Project Appraisal objectives. The views of the local member, Cllr Harrison, are being sought and will be reported at Chairman's Briefing
30. Updated costs for the revised scheme have been forecast at £0.95million – this represents a decrease of £0.793million.
31. It is recommended that an adjustment to the capital programme 2022/23 be approved reducing the allocation for Junction Road, Totton from £1,743,000 to £950,000 with the released funding reassigned across the portfolio of Southampton TCF projects to manage cost pressures and ensure that costs are contained within the overall funding envelope.

32. Due to the volatility of the construction market, it is recommended that authority to reassign funding across the Southampton TCF portfolio be delegated to the Director of Economy, Transport and Environment, in consultation with the Executive Member for Transport & Environment Strategy. This will enable tender prices to be secured improving certainty around costs prior to reassigning funding. The delegation will minimise delay in awarding contracts and commencing construction which, in turn, minimises the level of delivery beyond the DfT spend deadline.
33. Any variances to approved Project Appraisal values will be reported and approval sought in line with the County Council Scheme of Delegation either through the Director for Economy, Transport and Environment or Executive Member for Transport & Environment Strategy.
34. The adjusted financial position will be reported to the Executive Member Decision Day in January 2023.
35. The funding envelope for **Portsmouth TCF is £22.316million** – the current forecast position is that all schemes can be delivered within the funding envelope. Therefore, no funding adjustments or pressures are identified at this stage.
36. The positive position with respect to Portsmouth TCF funding is assisted due to (a) descoping of the Bedhampton Road bus priority scheme in response to public consultation feedback, which was approved by the Executive Lead Member for Economy, Transport and Environment on 18th July 2022 and (b) deferral and removal of the bus improvement scheme at Ladybridge, Purbrook from the TCF programme in response to public consultation feedback (to be delivered as part of the major development scheme in the area) (revised programme approved by the Executive Lead Member for Economy, Transport and Environment on 12th May 2022).

Performance

37. The **Portsmouth Transforming Cities Fund** programme is progressing well across all schemes. Key milestones of note are summarised below:
 - Gosport Interchange – planning consent secured; stage-1 contract awarded with advance utility works to commence in October 2022 with main works to the interchange scheduled to commence in January 2023;
 - A27 Delme roundabout to Downend Road – stage-1 contract awarded with construction scheduled to commence in November 2022;
 - Portchester – bus priority works have been co-ordinated with the resurfacing programme and are being delivered in October/November 2022; and
 - Bedhampton – contract awarded with construction scheduled for January 2023.
38. Key risks associated with the Portsmouth TCF portfolio are summarised below:

- Department for Transport (DfT) funding conditions require scheme completion by 31 March 2023 – extension beyond this date requires approval of 'Change Control' by DfT. Whilst all Hampshire County delivered schemes will be in contract, and works commenced in advance of the deadline, there are a number of schemes where construction will extend into 2023/24. This represents a reputational and financial risk if funding is reduced or withdrawn. The risk is considered moderate, as there has been regular dialogue with DfT, which has indicated that there may be some flexibility and that the projected spend profile across all city regions nationally indicates spend into 2023/24.
39. The **Southampton Transforming Cities Fund** programme is progressing well across all schemes. Key milestones of note are summarised below:
- the first schemes to start on site will be Bursledon and Redbridge Causeway to Eling cycle routes (scheduled for November and December 2022);
 - Southampton City Council is the lead authority for this programme and has secured 'Change Control' approval from DfT for a 12-month extension to the overall programme (irrespective of delivery body) which reflects the challenges being experienced in completing all schemes by 31 March 2023.
40. Whilst the extension offers Hampshire led schemes some flexibility over delivery programmes it is the County Council's intention to deliver schemes at the earliest opportunity and minimise delay – this programme will remain high-priority and a focus for the delivery teams. However, it allows procurement in a saturated marketplace to be staggered, thereby seeking to increase competition and reduce financial risk.
41. Key risks associated with the Southampton TCF programme are summarised below:
- delivery of the scheme at Bishopstoke Road is contingent on securing planning consent and land within the control of Eastleigh Borough Council. Eastleigh Borough Council has expressed concerns about the implications of the bus priority scheme and there is a risk that approvals will not be secured. Officers from both authorities are working closely to minimise/ mitigate concerns and there has been direct engagement with the responsible decision-making forum, Eastleigh Local Area Committee. In addition, there are significant environmental constraints; risks around drainage and challenging construction conditions to the nature of the site. When combined with the saturated construction market and high levels of inflation there are budget pressures to be mitigated and addressed; and
 - there is a key risk around increasing forecast costs impacting a number of schemes.
42. Strategic risks across both programmes have been identified which is creating programme and cost challenges, managed and mitigated by the project delivery teams, these include:

1. utility diversion lead in times and potential clashes with construction programmes which could lead to potential delays;
 - third party land requirement and planning approvals;
 - objections to Traffic Regulation Orders;
 - Night-Time Working;
 2. potential issues and delays on construction materials and ordering of works;
 3. rising construction costs and how these may affect the tender returns and programme budgets; and
 4. availability of suppliers for delivery of construction elements given current workloads, ongoing issues with staffing and the number of schemes coming through to construction at the same time, thereby saturating the market.
43. The Department for Transport (DfT) has been very clear that delivering the objectives of the Transforming Cities programme is paramount and there is no scope to dilute the scheme objectives. There is also clear guidance that additional funding is not available should scheme costs increase and limited flexibility around delivery timetables. However, there is a 'Change Control' process in place which enables delivery bodies to seek approval for changes.
44. Hampshire County Council has protected and remains committed to delivering the scheme objectives throughout all projects and is seeking to manage finances within the overall funding envelope. One element in achieving this is to stagger procurement in a saturated marketplace to increase competition and reduce financial risk - the downside of this approach is an extension to the delivery programme which has been highlighted to DfT.

Consultation and Equalities

45. Appropriate levels of consultation and engagement have been conducted for each individual project with the results and outcomes reported as part of the Project Appraisal. A range of feedback was received, and a number of schemes have been adjusted to respond positively to the feedback (For example: Bedhampton Road, Havant – Bus Priority where the scheme was redesigned to address concerns in relation to increased congestion).
46. Equalities Impact Assessments have been undertaken on individual schemes with details included in the respective Project Appraisal reports considered by the Executive Member. Positive impacts were identified in a majority of cases. For example, walking, cycling and public transport improvements generally indicate that the schemes provide an improvement for the protected groups of age, disability and sex. These groups benefit from enhancements to public transport and the enhanced walking and cycling infrastructure. The programme has a neutral impact on other protected groups.
47. The focus of this report is primarily financial and an update on progress. However, the original Equalities Impact Assessments included within the Project Appraisal reports have been reviewed – as scheme objectives have

been retained, the original assessment remains unchanged. Therefore, the overall position is neutral.

Climate Change Impact Assessments

48. 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.
49. Overall, the proposed schemes seek to encourage a modal shift toward active travel for journeys, bringing benefits in terms of reduced local congestion and associated air quality, and environmental benefits, including reductions in carbon emissions from vehicles.

Climate Change Adaptation

50. The Adaptation Project Screening Tool has assessed the schemes presented within this report and the following findings have been identified:
- The TCF Programme supports three strategic priorities as follows:
 - Hampshire maintains strong and resilient economic growth and prosperity;
 - People in Hampshire live safe, healthy and independent lives; and
 - People in Hampshire enjoy being part of strong, inclusive, resilient communities.

This is based on the schemes enabling a modal shift toward active travel for local journeys, providing more travel choices, and bringing benefits in terms of reduced local congestion and associated air quality and environmental benefits, including reductions in carbon emissions from vehicles.

Carbon Mitigation

51. Carbon emissions from this programme arise from the use of highway materials to construct the schemes, e.g., concrete and steel and from plant and equipment needed to undertake the work.

Carbon emissions will be mitigated by sourcing construction materials and plant locally wherever possible and prioritising the use of recycled materials where practical. On completion, the schemes will encourage a modal shift toward active travel for journeys, bringing benefits in terms of reduced local congestion and associated air quality, and environmental benefits, including reductions in carbon emissions from vehicles.

Conclusions

52. Good progress is being made in delivering a challenging portfolio of transport projects which will support active travel through walking and cycling and encourage use of public transport. However, there are significant risks, particularly around delivery timescales and financial pressures – this report seeks to offer an update on progress, highlight key risks, and seek approval to adjust the capital programme for 2022/23.

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:	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.)

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:

Equalities Impact Assessments have been undertaken on individual schemes with details included in the respective Project Appraisal reports considered by the Executive Member. Positive impacts were identified in a majority of cases. For example, walking, cycling and public transport improvements generally indicate that the schemes provide an improvement for the protected groups of age, disability and sex. These groups benefit from enhancements to public transport and the enhanced walking and cycling infrastructure. The programme has a neutral impact on other protected groups.

The focus of this report is primarily financial and an update on progress. However, the original Equalities Impact Assessments included within the Project Appraisal reports have been reviewed – as scheme objectives have been retained, the original assessment remains unchanged. Therefore, the overall position is neutral.