

Title of meeting: Solent Transport Joint Committee

Date of meeting: 21st June 2022

Subject: Solent Sub-Regional Transport model- contract

Report by: Richard Pemberton

Wards affected: All Solent area Local Transport Authorities

Key decision: No

Full Council decision: No

1. Purpose of report

1. This report is intended to inform Joint Committee regarding the current exercise to procure a consultant for continued operation of the Solent Sub-Regional Transport Model (SRTM) and to seek decisions regarding delegation of authority Hampshire County Council to award a contract and financial risk management.

2. Recommendations

- 1. That the Joint Committee note the intention of HCC’s Director for Economy, Transport and Environment to award a contract for a consultant to operate SRTM on Solent Transport’s behalf.**
- 2. That Members endorse the steps set out in Paragraphs 16 and 17 relating to financial risk mitigation.**

3. Background

1. The Solent Sub-Regional Transport Model (SRTM) is a key tool used by the four Member Local Transport Authorities of Solent Transport, as well as by other public and private sector organisations. It is a sophisticated WebTAG (DfT modelling standards) compliant Land Use and Transport Interaction Model of the Solent area which can provide evidence and forecasts for a variety of purposes including:
 - To support the feasibility testing, design and development of transport schemes and initiatives
 - to support transport business cases to secure funding for delivery;
 - to assess the impacts of strategic transport and land use decisions;
 - to support a range of other strategic transport, land use planning and environmental and economic studies and activities.

2. SRTM is a shared/joint resource for HCC, IWC, PCC and SCC and is owned and managed by Solent Transport on behalf of the four Local Transport Authorities. The model was developed in 2010/11 and has been updated subsequently. Most recently, in 2021 the model was “re-based” to a 2019 base year (with outcomes summarised in the 2021/22 Business Plan report) and some further model maintenance has been carried out in 2022, including to ensure the model incorporates recently committed developments and new transport schemes, and updated wider transport and economic forecasts.
3. Modelling and other evidence output from SRTM has supported successful funding bids and business cases which have brought in around £250m of capital funding to the Solent Local Transport Authorities (LTAs) between 2017 and 2022. It has also supported business cases submitted by other bodies such as Highways England/National Highways and Network Rail which has helped secure hundreds of millions of pounds of further transport investment in recent years.

Contract procurement for continued operation of the SRTM model

4. Currently the SRTM is operated by SYSTRA consultancy, but the contractual arrangements by which the model is accessed will expire by 31st August 2022. Therefore a procurement process is underway to procure a consultant to deliver the SRTM service/activity from August 2022 onwards.
5. Priority outcomes for the procurement exercise are:
 - to ensure continued access to the SRTM Model /service once the current contract expires with no disruption to service
 - to achieve better value for money from the contract through seeking competitive tenders from providers and through removal of cost overheads which apply to the current contractual route.
6. Hampshire County Council has acted as the contracting authority for SRTM since its creation, including for the current contractual arrangements, and will continue in this role for the new contract, supporting Solent Transport and its Member authorities in continuing “business as usual”.
7. Following the opening of the appropriate Lot on the Solent Transport Dynamic Purchasing System set up by Portsmouth City Council (PCC) to support this procurement, Hampshire County Council have undertaken a “mini competition” tender to award this contract under this DPS. This exercise has required significant support from HCC’s Procurement team- Solent Transport’s officers are grateful to this team for its support.
8. Following a Decision by HCC’s Director for Economy, Transport and Environment (*Decision Record 21st February 2022- Solent SRTM initiation of Tender Exercise*) the tender advert was published on 19th April 2022 and the tender closing date was 10th June 2022. At time of writing, the tenders received are being evaluated by

officers from all four Solent Local Transport Authorities as well as by Solent Transport. Target date for identifying a preferred tender is 8th July, with the new contract intended to commence from 1st August.

9. As Hampshire County Council are the contracting authority, the decision to award a contract will need to be made by HCC. The Joint Committee Members are therefore requested to note HCC's intention that the appropriate decisionmaker at HCC (in this case, the Director for Economy, Transport and Environment) award a contract on behalf of Solent Transport.

Proposed future operational contract details for operation of SRTM

10. The procurement exercise aims to award a contract with a sole supplier for up to 7 years - as an initial 3 year contract with a value of up to £2.1m, with options to extend the contract up to a further 4 years in annual increments (+1+1+1+1). A lifetime maximum contract value of £4.9m is proposed. These contract values correspond to annual expenditures between £500,000-£700,000 per annum, which is in line with typical annual expenditure on SRTM studies in recent years.
11. Whilst we expect this contract to have an "active" life of perhaps three years (reflecting the likely lifespan of the current SRTM model), a longer contract life (of potentially up to seven years) and higher value is desirable for the following reasons:
 - In order that the consultant that is procured can be retained (subject to satisfactory performance) to revisit work undertaken via this contract for several years after the model is superseded (as this is occasionally required in some scheme development/ business case projects).
 - To cater for a longer life from the existing model in the event that a stable post-Covid "new normal" takes longer than expected to manifest, or that funding and implementing the anticipated post-Covid "new normal" update takes longer than expected.

Management of financial risk

12. By acting as Contracting Authority for SRTM, HCC are responsible for the theoretical financial risk on behalf of the other members of Solent Transport although in line with Solent Transport's Legal agreement, this in reality is a shared risk.
13. Most of the expenditure via the SRTM Contract in the past, and we expect in future, is "pass through" expenditure, where various end users commission model studies through this contract and Solent Transport/ Hampshire County Council re-charge these end users the costs of this work (whilst also levying an uplift on these costs, which is retained to pay for model maintenance and upgrades and some staff costs). Between 01/01/2019 and 25/11/21, 74% of the expenditure on the SRTM contract was "pass-through" (ie not by HCC).

14. This type of arrangement generates some financial risk to HCC and to the reserve fund (that would otherwise be used for model updates) as there is potential for study work to be completed by the consultant and billed to HCC, but the recharge from HCC to end-users not being paid for by these clients. Such an instance has not occurred during at least the last four years of operation. Some features of the operation of the SRTM contract help to reduce these risks:

- For studies commissioned between 01/01/2019 and 25/11/21, only 22% of the total value of work was undertaken by clients outside of the Solent Transport partnership (ie clients other than HCC, IWC, PCC, and SCC):
- 15% of the spend value was for projects for Local Planning Authorities, PfSH and other public bodies; and
- 7% (around £132,000) of work was commissioned by private sector clients.
- The majority of model studies are comparatively low in value: out of 123 model studies carried out between 01/01/2019 and 25/11/21, 88 of them involved fees of less than £20,500 and only 7 studies involved a spend of more than £50,000 - therefore if a client defaulted on payment, it is likely that the unpaid amount owed to HCC would be relatively small.

15. Nonetheless Joint Committee Members are asked to endorse the following steps to manage risk on HCC's part:

16. HCC holds (on behalf of Solent Transport) a model maintenance & upgrade reserve which is funded through the uplifts on model fees. In previous years the SRTM has produced a financial surplus, which is ring fenced within Solent Transport's Budgets to fund upgrades and improvement of the SRTM. The value of this reserve is currently estimated at around £441,000 (See June 22 finance paper). In the event of a client failing to pay and no other means of recovering the debt being effective, any outstanding debt will be covered from this reserve fund, subject to agreement with the other Solent Transport Members.

17. If required by HCC to further mitigate financial risk, Solent transport will require deposits or up-front payment for commissions on behalf of external clients (defined as private sector clients and potentially other public sector clients such as Local Planning Authorities and other public bodies).

4. Reasons for recommendations

18. Recommendation 1 would ensure that a contractual route to access the SRTM model, a key strategic transport evidence and testing tool, remains available to Solent Transport and its partners and stakeholders in the South Hampshire area. Without such a contract, it would not be possible to use the model.

19. Recommendation 2 is intended to help to mitigate potential financial risks upon HCC arising from acting as Contracting Authority for the SRTM (see Recommendation 1).

5. Integrated impact assessment

20.No new or revised Policies or Procedures directly affecting the public will be introduced as a result of the recommendations in this report. Therefore an integrated impact assessment is not deemed to be required.

6. Legal implications

21. There is no additional legal commentary for this report.

7. Director of Finance's comments

22. There is no additional financial commentary for this report.

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Signed by:

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: