

**Forward Plan reference number: FP/465/07/22**

<b>Report title: Future Highways Programme – request to drawdown funds for resources</b>	
<b>Report to:</b> Cllr. Whitbread - Finance, Resources and Corporate Affairs	
<b>Report author:</b> Paul Crick – Director for Highways and Transportation	
<b>Date:</b> 13 <sup>th</sup> October 2022	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

## 1. Everyone's Essex

- 1.1 Everyone's Essex, our new organisation strategy, sets out four strategic aims and 20 commitments. Within the strategic aim of economy, it includes a commitment to deliver and maintain high quality infrastructure.
- 1.2 Essex County Council (ECC) are embarking on a five-year programme to identify and secure a Highways service provision which is fit for Essex residents for the future.
- 1.3 The existing 15-year Highways Strategic Transformation contract between ECC and Ringway Jacobs (RJ) will cease on the 31 March 2027. This gives ECC the opportunity to undertake a full review of service provision models available, review the highways strategies to support ECC's over-arching vision, and take opportunities to understand and pursue innovation and new technologies.
- 1.4 The funding requested for resources will ensure that the programme is able to complete the discovery work required to ensure that the future Highways service provision helps improve the outcomes for Essex residents and contributes to ECC's Everyones Essex aims and objectives.
- 1.5 A good quality road network will support the economy, enabling people and goods to move across the county. We will balance this by looking at opportunities for active and sustainable travel and how that supports future road usage to contribute towards the net zero agenda and contributes to healthy lifestyles, especially in our priority areas for levelling up. We will look at opportunities within the service provision model to reduce the carbon footprint for example of plant and vehicles, and by exploiting new technologies; we will aim to protect and enhance the natural environment by the way we work. Above all, we will ensure a safe road network for the people of Essex.

## 2 Recommendations

- 2.1 Agree to drawdown funding from the Transformation Reserve of £4.862m as follows,
  - 2022/23 - £486,367

- 2023/24 - £1,556,433
- 2024/25 - £854,400
- 2025/26 - £854,400
- 2026/27 - £854,400
- 2027/28 - £256,000

### **3 Background and Proposal**

#### Future Highways Service Provision

- 3.1 The 15-year Highways Strategic Transformation contract between Essex County Council (ECC) and Ringway Jacobs (RJ) will cease on the 31 March 2027. By the end of the contract period an estimated £1.9bn will have been spent through the contract across revenue and capital. A new service provision must be in place from 01 April 2027 to ensure continuation of the Essex Highways Service.
- 3.2 The future model will seek to deliver outcomes which support the council's ambitions around the environment and climate change, net zero, levelling up, the economy and cybersecurity, while also being flexible enough to respond to emerging issues and challenges and to exploit opportunities in the future.

#### A130 hand-back

- 3.3 The model will also include the future management and maintenance of a key section of the A130 from Howe Green Interchange (A12 near Chelmsford) to Rayleigh Spur Roundabout (A1245) currently being operated under a 30-year Design, Build, Finance and Operate (DBFO) scheme by County Route.
- 3.4 From April 2030, ECC will take over the management and maintenance of this road and all assets associated with it (bridges, drains, fences, etc). This is a strategic route and the hand-back requires ECC to fulfil all contractual aspects, including asset condition agreements, maintenance operations hand-over, and financial retentions, requiring additional resource to ensure a smooth hand-back and continuity of management and maintenance.

#### Resourcing Challenges

- 3.5 The current Highways Strategic Transformation contract is ECC's largest service contract, which is highly visible to the public and all Members. The model which replaces it will be similarly large scale and high value, with multiple complexities to provide the wide range of highways services (see Appendix 1), requiring expert engagement, research, analysis, modelling and appraisal to produce the optimal outcome for Essex for the next period.
- 3.6 Challenges in resourcing this programme centre around four main areas:
- a) A recognised national pressure on available resources in the Highways and Construction market
  - b) Limitations of the current ECC commissioning team in terms of capacity and intelligence. Within the delivery arm of Essex Highways, 75% of the

workforce is employed by Ringway Jacobs, limiting the staff accessible for the procurement as Ringway Jacobs cannot in any way be involved in the programme to ensure that ECC does not breach Procurement law.

- c) High demand in the national market to secure and retain skills to respond to our climate change ambitions, and
- d) The challenging economic situation and market instability adding commercial complexity.

3.7 The programme aims to tackle these challenges by building a multi-disciplinary specialist team through the lifecycle of the programme to include existing resource where possible, and additional fixed term and permanent posts, with the potential for secondment, and using consultancy services as required. Consultancy will only be used if the skills and capabilities cannot be sourced internally or from the external recruitment market.

3.8 For Highways, the new additional roles required are specialist technical roles that are hard to fill and will be required for the whole life of the programme to deliver the preferred option and to give robust continuity throughout.

3.9 There are several risks of recruiting posts on a fixed term basis i.e.:

- We may not attract external candidates, particularly to hard-to-recruit-to roles
- We must ensure that fixed-term employees get the same pay and conditions, the same or equivalent benefits package as permanent staff
- Employees are entitled to information about permanent vacancies in the organisation and protection against redundancy or dismissal
- Employees acquire further employment rights if the contract is extended beyond 2 years. For example:
  - Anyone who has worked continually for the same employer for 2 years or more has the same redundancy rights as a permanent employee. They may be entitled to statutory redundancy payments after 2 years' service if the reason for non-renewal is redundancy
  - Ending a contract is a dismissal. If the employee has 2 years' service, we need to show a 'fair' reason for not renewing the contract - a genuine reason could be we plan to stop doing the work the contract was for
  - Any employee on fixed-term contracts for 4 or more years will automatically become a permanent employee,.

3.10 Given that the length of the programme, could span over 4 years, the programme will consider whether permanent contracts are offered, depending on the role. It could be that fixed term employees become permanent employees in any case given the length of service. At the end of the programme, the employees may be required to continue to work on the new arrangements or they could be redeployed across ECC. Should this not be possible, there would be a risk of redundancy costs for ECC. The proposed draw down sum includes an estimated sum of up to £46,000 based on the current resourcing requirements. This is an estimate and could be more or less depending on the workforce. If the £46,000 (or any part of it) is not used it will be returned to reserves. Redundancy liabilities will be closely monitored and reported on, with any changes in requirements being set out in future decision papers. We are mindful of the current financial pressures on the residents and businesses of Essex and the role of ECC in

supporting initiatives which address this. We therefore aim to work within existing budgets as far as possible. Officers have challenged, refined and prioritised the resource request, to balance the cost against the need for additional specialist resources to design the most appropriate service provision model in a complex and challenging environment. The spend will be monitored closely and regularly to ensure that budgets are adhered to.

### Delivery Approach

- 3.11 The programme will be delivered in six phases and the new service provision will be in place from 01 April 2027.

Phase 1: Initiation	<ul style="list-style-type: none"> <li>• Programme Preparation</li> </ul>
Phase 2: Discovery	<ul style="list-style-type: none"> <li>• Data analysis</li> <li>• Modelling</li> <li>• Set the strategic direction (includes benchmarking as a key activity)</li> </ul>
Phase 3: Design	<ul style="list-style-type: none"> <li>• Develop the preferred options</li> <li>• Complete governance to proceed.</li> </ul>
Phase 4: Delivery	<ul style="list-style-type: none"> <li>• Go out to tender (if preferred option)</li> <li>• Start demobilisation of existing contract</li> </ul>
Phase 5: Service Transition	<ul style="list-style-type: none"> <li>• Mobilisation of new service model</li> <li>• Demobilisation of existing contract continues</li> </ul>
Phase 6: Go Live	<ul style="list-style-type: none"> <li>• Close old contract</li> <li>• Embed the new model.</li> </ul>

- 3.13 It is proposed to draw down the funding of £4.862m in line with the below table to provide funding for resources to support the above project phases. There will be a further report brought forward during December 2023, to request funding for support services resources from phase 3 onwards. An informed estimate of these resources will not be known until phase 3 (design of preferred option).

	Financial Year	£'000	Purpose
a)	2022/2023	438	To fund the support services staff for the Discovery phase of the Future Highways Programme
b)	2023/2024	936	
c)	2022/2023 to 2027/2028*	3,488	To fund the Highways staff for all phases of the Future Highways Programme
		4,862	Total

## **4 Links to our Strategic Ambitions**

4.1 This report links to the following aims in the Essex Vision:

- Develop our County sustainably
- Connect us to each other and the world

4.2 Approving the recommendations in this report will not have an impact on the Council's ambition to be net carbon neutral by 2030.

4.3 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high-quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

## **5 Options**

5.1 There are two options that can be taken in relation to the request to draw down funds for resources.

### **Option 1 – Proceed with additional resources (recommended)**

5.2 Securing additional resources to undertake a full review of service provision models available to ECC, review the highways strategies to support ECC's overarching vision, and take opportunities to understand and pursue innovation and new technologies. The additional resources will help ECC deliver a new service provision that will be robust yet flexible enough to meet the complex challenges, particularly economic challenges.

### **Option 2 – Proceed without additional resources (not recommended)**

5.3 Without additional resources ECC will restrict itself in terms of market knowledge and the potential options it could pursue. There would be a lower level of due diligence undertaken.

## **6 Issues for consideration**

### **6.1 Financial implications**

6.1.1 In order to undertake the design and delivery of a new Highways service provision to commence operation from April 2027, and resource the hand back of the A130 from County Route to Essex County Council by 2030 which will form part of the Future Highways Service provision, additional resource is required over and above the existing resources contained within the Medium-Term Resourcing Strategy (MTRS).

6.1.2 Total programme costs are estimated to be between £4.158m (**£3.321m** new direct costs and £837,000 opportunity which are funded within existing service budgets) and £5.686m (**£4.862m** new direct costs and £824,000 opportunity costs which are funded within existing service budgets). With the below tables provided for further information

Option 1 Low Scenario	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	Average FTE
Direct Costs (Requested to be funded from Tranformation Reserve)								
Staffing	151	1,161	545	556	567	212	3,193	12.96
Non Staffing	78	50					128	
New Direct Costs	229	1,211	545	556	567	212	3,321	
Opportunity Costs (Funded within Existing Service Budgets)								
Staffing	139	583	26	42	42	5	837	7.09
Total Project Costs	368	1,794	571	598	610	217	4,158	

Option 2 High Scenario	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	Average FTE
Direct Costs (Requested to be funded from Transformation Reserve)								
Staffing	173	1,506	854	854	854	256	4,498	12.96
Non Staffing	313	50					364	
New Direct Costs	486	1,556	854	854	854	256	4,862	
Opportunity Costs (Funded within Existing Service Budgets)								
Staffing	139	571	26	42	42	5	824	7.09
Total Project Costs	625	2,127	880	896	897	261	5,686	

6.1.3 This decision paper requests approval to draw down funding from the transformation reserve of **£4.862m** to fund;

- Support services staff costs for the discovery phase of the Future Highways Programme with costs of up to **£1.374m** (£438,000 for 2022/23 and £936,000 for 2023/24).
- To fund additional highways staff costs of up to **£3.488m** needed for all phases of the Future Highways Programme to the end of March 2028.

6.1.4 A further drawdown request for support services additional resourcing requirements beyond March 2024 covering the later phases of the Future Highways Programme will be submitted separately in December 2023, if this cannot be re-prioritised from existing resources. At that point the options to propose to Cabinet will have been identified which will directly inform the level of resources required thereafter.

## **6.2 Legal implications**

6.2.1 The Council's financial regulations state that all drawdowns from reserves must be approved by the Cabinet Member for Finance.

6.2.2 Drawing down of money from reserves does not authorise any expenditure that is a key decision or any significant changes to ECC services or funding which must be authorised by the relevant Cabinet Member.

## **7 Equality and Diversity Considerations**

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. The Impact Assessment indicates the proposals within this report will have a positive impact for several cohorts due to the recruitment to new roles. However, the extent of the impact has been rated low due to the number of and type of roles that will be available.

## **8 List of Appendices**

8.1 Appendix 1 – Highways Services

8.2 Equalities Comprehensive Impact Assessment (ECIA) – ECIA447018244

## **9 List of Background papers**

9.1 Not Applicable

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>	<b>Date</b>
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<b>Cllr. Whitbread - Cabinet Member for Finance, Resources and Corporate Affairs</b>	20/10/2022
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**In consultation with:**

<b>Role</b>	<b>Date</b>
<b>Mark Ash – Executive Director for Climate, Environment &amp; Customer</b>	03/10/2022
<b>Cllr Scott – Cabinet Member for Highways Maintenance and Sustainable Transport</b>	13/10/2022
<b>Executive Director, Corporate Services (S151 Officer)</b> <b>Stephanie Mitchener on behalf of Nicole Wood</b>	13/10/2022
<b>Director, Legal and Assurance (Monitoring Officer)</b> <b>Laura Edwards on behalf of Paul Turner</b>	10/10/2022