

# A326 Waterside Improvements Scheme

Commercial Case

Hampshire County Council

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5199304



# Notice

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## Client signoff

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# 1. Commercial Case

## 1.1. Introduction

The Commercial Case sets out the proposed procurement strategy for the A326 Waterside Improvements Scheme as well as demonstrating that Hampshire County Council has suitable processes in place to deliver the scheme.

At SOBC stage, the Commercial Case focuses on the following key areas:

- Output based specification which highlights the required skills and services to deliver the scheme,
- Procurement strategy, constraints, and options; and,
- Costs and the sharing of risks between the Council and contractor.

The approach taken to assess commercial viability follows that of similar projects undertaken by Hampshire County Council, utilising existing frameworks that are suitable for a scheme of this cost and scope.

## 1.2. Output based specification

This section of the Commercial Case considers what skills and services are required to deliver the A326 Waterside Improvements Scheme. The development and assessment of the scheme utilises staff resources from a number of sources, including the local authority and framework consultants. Table 1-1 sets out an overview of the project output specification for the A326 Waterside Improvements Scheme.

**Table 1-1 - Project output specification for the A326 Waterside Improvements Scheme.**

<b>Stage of scheme development</b>	<b>Work Stream</b>	<b>Output</b>
Preparation	Project management support	Provision of sufficient project management capacity, reflecting the dimensions of the scheme
	Highway design	Completion of highway design deliverables including detailed designs
	Structures design	Completion of structures design deliverables including detailed designs
	Modelling and appraisal	Completion of deliverables for a TAG compliant Full Business Case
	Environmental advice	Completion of evidence base for Environmental Assessment as well as liaison with statutory environmental bodies
	Legal team	Provision of specialist legal support for the planning, CPO, SRO, TRO and other legal powers required to deliver the scheme
	Planning advice	Provision of advice to secure planning permission and discharge planning conditions
	Communications	Provision of support for stakeholder management and in connection with planning and legal processes
	Land / Property / Agricultural Agent	Provision of support for land negotiation, referencing and assembly
	Commercial / Contracts	Support for procurement of construction and operation of scheme
Construction	Construction of the A326 Waterside Improvements scheme	Construction to deliver highway works. Works completed in accordance with the proposed programme
Maintenance	Ongoing maintenance of highway and structures	Maintenance to be undertaken in accordance with Hampshire County Council policies/asset management plan

### 1.3. Procurement Strategy

The procurement strategy is designed to encompass the specific constraints of the scheme with particular reference to funding requirements, design, and construction periods, together with the planned acquisition of land and incorporation of statutory undertaker's services. The scheme will be designed to national standards for highways projects and in accordance with Hampshire County Council's asset management requirements.

Due to the requirements and objectives set out above, a different procurement strategy may be necessary from the traditional separate elements of design, tender and construction, typically utilised by the Council. For example, the early appointment of a contractor may be preferred so that the best use of collaborative knowledge regarding buildability, programming and technical expertise is used during the design phase with both design and construction teams.

The civil engineering works will be procured via the established Generation Four Civil Engineering, Highways and Transportation Infrastructure Works Frameworks 2020-2024 (GEN 4), which is available to public bodies across the South of England and is typically utilised by Hampshire County Council for all major transport schemes. The use of this procurement framework for highway improvement schemes has been pre-approved by the Council and as such no further approval is required in order for it to be utilised on the A326 Waterside Improvements Scheme.

The GEN 4 framework is made up of three framework contracts for projects of increasing complexity and value and the A323 Waterside Improvements Scheme would utilise the GEN4-3 framework, which is for high-value and large-scale Civil Engineering, Structural, Infrastructure and Highway works of significant complexity, up to the value of £150m. This framework offers the benefits of Early Contractor Involvement (ECI) and Design and Build options, as well as a works contract. The works form of contract is the NEC4 Engineering and Construction Contract, with the NEC4 Professional Services Short Contract (PSSC) used for ECI Time Charge Orders. Both works and ECI are procured via a mini competition between four selected suppliers:

- HOCHTIEF (UK) Construction Ltd.
- Skanska Construction UK Ltd.
- Tarmac Trading Ltd.
- VolkerFitzpatrick Ltd.

The procurement route will include commercial and quality selection methods in accordance with the GEN 4 framework, but still require bespoke production of tender documents. This will provide a transparent selection of the most suitable contracting partner. Once selected, joint production of the target with design and construction teams will be supplemented by appropriate incentives.

### 1.4. Procurement constraints

#### 1.4.1. Funding

As a scheme on the large Local Majors Programme, the DfT will provide the majority of funding for both scheme development and scheme construction. The DfT therefore holds the funding for the construction of the scheme until a satisfactory business case has been presented by Hampshire County Council. The business case will not be finally approved until:

- All the land required to deliver the scheme is either within Council ownership, or the Council has the ability to buy all the land required (by having all necessary Orders and permissions in place);
- All the statutory Orders (excluding Traffic Regulation Orders) required to construct the scheme are in place;
- A preferred contractor has been appointed, the Council is in a position to award the contract, and the contract value has been identified; and
- The traffic modelling has been updated with the latest traffic figures, and the cost-benefit analysis meets an acceptable value.

Hampshire County Council will contribute a proportion (see Financial Case for more details) of the funding required to both develop and construct the scheme. During the development phase this will be from local resources, while during the construction phase the local funding will be supplemented by third party funding.

#### 1.4.2. Land purchase

At this stage of the scheme it is not possible to confirm if any land purchase will be required. A topographical survey has been undertaken of the extent of the study area and once the preferred scheme is identified the preliminary design will confirm whether any land will be required to deliver the scheme. Should land be

required, land purchase negotiations and, if necessary, Compulsory Purchase Orders (CPOs) processes would commence on approval from the Hampshire County Council Executive Member for Economy, Transport and Environment (EMETE).

### 1.4.3. Ecological constraints

A Stage 1 Preliminary Ecological Assessment of the scheme study area has already been completed as part of the development of the SOBC. The assessment indicated the potential for protected species to be present. In addition, full Stage 2 ecology surveys have now commenced in order to determine the extent and nature of any ecological constraints that will affect the development and delivery of the scheme and require mitigation. An Environmental Impact Assessment will be prepared as part of the scheme development for submission as part of the Planning Application documents and any required mitigation measures would be developed once constraints are confirmed.

## 1.5. Procurement options assessed

The four procurement options that will be considered and assessed by the project team are summarised in Table 1-2. The choice of procurement options arises from the resources available to the Council, procurement regulations and the key parameters/constraints of the specific project.

**Table 1-2 - Procurement options to be assessed.**

Option	Details
Option 1: Single Main Contract Traditional + Early Contractor Involvement (ECI)	<ul style="list-style-type: none"> <li>• NEC3 Option B.</li> <li>• Single tender via Gen 3-3 Framework for entire Main Works, including signals and lighting works.</li> <li>• Advance ECI Contract for technical advice.</li> <li>• Minor advance works like vegetation clearance on separate Gen 3-2 Framework.</li> <li>• The Council arranges service diversions in advance and design is undertaken by EC/Atkins.</li> </ul>
Option 2: Concurrent Multiple Main Contract Traditional + ECI	<ul style="list-style-type: none"> <li>• As Option 1 but with packages of construction split into smaller, separate contracts.</li> <li>• Advance ECI Contract for technical advice.</li> <li>• The Council arranges services diversions in advance and design is undertaken by EC/Atkins.</li> </ul>
Option 3: Novated Design and Build Contract	<ul style="list-style-type: none"> <li>• NEC Design and Build Contract - Options A or C.</li> <li>• Tender for design and construction of entire Main Works with design predominantly by Contractor, based on Hampshire County Council outline design, for a Lump Sum price and costed Risk Register.</li> <li>• No ECI.</li> <li>• Specification stated as being to Specification for Highway Works (SHW) and Hampshire County Council standards.</li> <li>• Contractor also arranges and co-ordinates services diversions.</li> </ul>
Option 4: Collaborative Target Contract	<ul style="list-style-type: none"> <li>• NEC3 Options A or C but with collaborative target.</li> <li>• Tender on preliminary design with indicative items and a basket of rates with assessment on Contractors' on-cost percentages, management costs, rate breakdown and quality.</li> <li>• Detailed design developed in collaboration with successful Contractor - i.e. a collaborative Design and Build – and a jointly developed costed Risk Register.</li> <li>• Requires complete open accounting and collaboration to reduce risk.</li> </ul>

To identify which of the four procurement options set out above is preferred for the A326 Waterside Improvements Scheme, criteria for assessment will be selected and a weighting applied to each to reflect the relative importance of the different criteria. The likely criteria to be used in this assessment are set out in Table 1-3, but it is not possible to confirm the chosen options, criteria and weightings until a later stage of scheme development.

**Table 1-3 - Criteria for assessment**

<b>Category</b>	<b>Criterion</b>
Procurement	Procurement via OJEU or within existing frameworks, cost of procurement
	Procurement, tender and engagement period
	ECI timing and requirements
	Experience of contract preparation and contractual mechanisms
	Contractors' capability, experience and expertise
Funding	Impact on DfT funding approval
Cost	Commercial pressure, value for money and cost certainty/ financial control
	Ease of financial monitoring and contractual administration
	Flexibility and ease of changes to design and other variations
Programming	Programming and co-ordination of third parties
Contractual Risk	Allocation of risk
Reputation	Performance and reputation
	Network management

### 1.5.1. Costs and Risk Sharing

The target cost is likely to be adjusted during the works using Compensation Events. At the end of the contract, a comparison will be made between the final Defined Costs and Fee (the final 'Price for Work Done to Date') and the target costs. If the final price is less than the target, then the Contractor will make a share in the saving depending on the level agreed. If, however, it is greater than the target cost, the Contractor will pay a share of the difference at the level agreed. This "pain/gain" mechanism is designed to encourage/incentivise efficiency from the contractor and to align the Contractor's interests with those of the Council more closely.

The standard NEC3 approach to risk will be utilised as part of the contract. NEC3 allocates risk through compensation events, where a contractor can potentially claim for additional unforeseen work at the Council's risk, or if it's unnecessary work undertaken by the Contractor it will remain the Contractor's risk. The NEC3 contract operates an early warning system where any changes to the agreed scope or specification for the works, will translate to compensation events, positively or negatively, as appropriate.

Once the project progresses to delivery two risk registers will be maintained as part of the scheme:

- Hampshire County Council Project Risk Register – including items to do with funding, planning, legal, environmental and political risks.
- Contract (site) Risk Register – primarily dealing with risks associated with the construction phase and maintained by the Hampshire County Council NEC Project Manager with input from the Council's Contract Supervisors, the Contractor, and the wider project team.

Quarterly monitoring returns to the DfT will provide updates on risk as the project progresses, utilising the above risk registers.





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