

CABINET MEETING – 15 FEBRUARY 2012
EXECUTIVE SUMMARY SHEET- PART I

Title of Report:

Sunderland Strategic Transport Corridor (SSTC) – New Wear Crossing Progress Update

Author(s)

Executive Director of City Services and Executive Director of Commercial and Corporate Services

Purpose of Report:

The report notifies Cabinet of the receipt of the Funding Decision from the Department for Transport (DfT) and seeks Cabinet's endorsement of the continued implementation of the scheme.

Description of Decision:

Cabinet is recommended to:

- § Note the DfT's funding offer of a maximum of £82.563m towards the SSTC – New Wear Crossing and the terms and conditions contained in the DfT's Funding Decision Letter of 21 December 2011;
- § Endorse the continued delivery of the scheme through to full implementation;
- § Authorise the Executive Director of City Services in consultation with the Executive Director of Commercial and Corporate Services, in consultation with the Portfolio Holder for Attractive and Inclusive City, to finalise and submit an application for Full Approval to DfT in due course, subject to the confirmation of the statutory orders for the scheme and successful conclusion of the procurement process for the main works contract;
- § Authorise the Executive Director of City Services and the Executive Director of Commercial and Corporate Services, in consultation with the Portfolio Holder for Attractive and Inclusive City, to enter into all necessary professional services appointments for the procurement and delivery phase of the project; and
- § Agree to receive further reports as the project progresses, including on the outcome of the procurement process, and to approve the appointment of, the main works contractor prior to contract award.

Is the decision consistent with the Budget/Policy Framework?		Yes.
If not, Council approval is required to change the Budget/Policy Framework		
Suggested reason for Decision: To enable the Council to take necessary actions to continue to progress the SSTC – New Wear Crossing through to the full implementation of the scheme.		
Alternative options to be considered and recommended to be rejected: None.		
Is this a “Key Decision” as defined in the Constitution? Yes	Relevant Scrutiny Committee: Environment and Attractive City	
Is it included in the Forward Plan? Yes		

SUNDERLAND STRATEGIC TRANSPORT CORRIDOR (SSTC) – NEW WEAR CROSSING PROGRESS UPDATE

REPORT OF THE EXECUTIVE DIRECTOR OF CITY SERVICES AND EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES

1.0 Purpose of the Report

- 1.1 The report notifies Cabinet of the receipt of the Funding Decision from the Department for Transport (DfT) and seeks Cabinet's endorsement to the continued implementation of the scheme.

2.0 Description of Decision

- 2.1 Cabinet is recommended to:

- § Note the DfT's funding offer of a maximum of £82.563m towards the SSTC – New Wear Crossing and the terms and conditions contained in the DfT's Funding Decision Letter of 21 December 2011;
- § Endorse the continued delivery of the scheme through to full implementation;
- § Authorise the Executive Director of City Services in consultation with the Executive Director of Commercial and Corporate Services, in consultation with the Portfolio Holder for Attractive and Inclusive City, to finalise and submit an application for Full Approval to DfT in due course, subject to the confirmation of the statutory orders for the scheme and successful conclusion of the procurement process for the main works contract;
- § Authorise the Executive Director of City Services and the Executive Director of Commercial and Corporate Services, in consultation with the Portfolio Holder for Attractive and Inclusive City, to enter into all necessary professional services appointments for the procurement and delivery phase of the project; and
- § Agree to receive further reports as the project progresses, including on the outcome of the procurement process, and to approve the appointment of, the main works contractor prior to contract award.

3.0 Background

- 3.1 On 9th September 2011, the Council submitted its Best and Final Bid (BAFB) in which DfT was requested to contribute £82.563m towards the total funding requirement of £117.642m to develop and construct the New Wear Crossing.
- 3.2 On 14th December 2012, the DfT confirmed that Ministers had agreed to provide the council with the £82.563m of funding requested and reconfirmed programme entry for the scheme. As a result, the local contribution of £35.079m remains unchanged from the level approved by Cabinet in September 2009.

4.0 Current Status

4.1 Since Cabinet approved the development of the landmark bridge project in 2009, the key achievements to date include:

Milestones	Date
Cabinet decision regarding landmark bridge	Sep '09
Compulsory Purchase Order (CPO) & Side Roads Order (SRO) made	Nov '09
Full Planning Permission	May '10
Design Substantially Complete	Dec '10
Industry Market Sounding	Mar '11
Submit BAFB to DfT	Sept '11
Public Inquiry (CPO/ SRO) Opens	Oct '11
Complete pre-qualification phase of procurement process	Dec '11
DfT reconfirm Programme Entry & Government funding of £82.563m	Dec '11

4.2 By approving the continued development of the Project during 2010 and 2011, the Council has enabled the project team to significantly minimise the delay to the overall implementation of the Project, as a consequence of the revised process implemented by DfT, with the benefit of this earlier deliverability being factored into the council's BAFB.

5.0 Alternative Options

5.1 The alternative options were considered in previous Cabinet reports, and in the BAFB to DfT, and rejected.

5.2 At this stage, no further alternatives to the Landmark design are being considered for the reasons set out in the previous reports and the BAFB.

6.0 DfT Funding Decision

6.1 On the 14th December 2011 the DfT confirmed that Ministers had agreed to provide the Council with the £82.563m of funding requested. The funding decision letter dated 21 December 2011 is provided in Appendix 1, detailing the DfT's conditions.

6.2 The Council is currently preparing a response to the DfT's decision letter to confirm acceptance of the terms and conditions contained therein.

7.0 Key Activities throughout 2012

7.1 Work is continuing with parties affected by the Compulsory Purchase Orders (CPO) and Side Roads Orders (SRO) to seek to remove objections to the scheme orders.

7.2 The largest land owner formally withdrew its objection to the scheme in October 2011, writing to a letter of support for the scheme and requesting the Secretary of State for Transport to approve the scheme orders.

- 7.3 The CPO and SRO public inquiry is due to reconvene on 17 April 2012, for 3 days and is expected to close on 19 April 2012. Following the closure of the inquiry, the Inspector's report will be submitted to the Secretary of State for Transport. The tender process for the main works contractor will commence provided the scheme orders are confirmed by the Secretary of State.
- 7.4 Work is progressing to finalise the invitation to tender and contract documentation that will form the basis of the tender process for the main works contractor. Five contractors have been shortlisted following a pre-qualification stage and will be invited to tender subject to completion of all financial checks.
- 7.5 It is a DfT requirement that the Project is subjected to a Gateway Review prior to contract award and this is one of the conditions included within the funding decision letter. A Gateway 3 Review is scheduled for autumn 2012 in line with when the procurement process is planned to conclude.
- 7.6 The Full Approval Business Case submission will be made to DfT towards the end of 2012 following conclusion of the procurement process and the selection of the preferred bidder. Full Approval will reaffirm DfT's funding approval to provide a maximum amount of funding for the scheme, including the timing of when DfT will pay the grant to the Council. As noted in the Funding Approval decision letter, conditions to the provision of funding by DfT may also be applied at this stage.
- 7.7 Following the receipt of Full Approval, the Council will be able to formally appoint the successful contractor, subject to further Cabinet approval, which will then enable construction to commence in early 2013.

8.0 Financial Position

- 8.1 Expenditure to date is within the resource allocation previously approved by Cabinet.
- 8.2 Expenditure from 1 January 2012 to Full Approval and appointment of the main works contractor (31 December 2012) is forecast to be £0.98m. The main areas of expenditure will include additional design work, site investigation works, concluding the CPO and SRO processes, development of the contractual documentation and undertaking the procurement of the contractor.
- 8.3 In addition, subject to the confirmation of the statutory orders, the Council will be required to commence acquisition of land through the implementation of the CPO. Whilst not all land expenditure will be incurred prior to Full Approval, it is estimated that expenditure of £2.5m will be incurred due to the need to acquire certain land earlier for the scheme, although the actual sum will ultimately depend upon the number and value of settlements reached before Full Approval. The completion of this prior to Full Approval will assist with enabling the scheme to progress as planned through providing unfettered access to the site to facilitate as early a commencement on site as possible by the contractor.

- 8.4 The forecast expenditure outlined above to be incurred prior to Full Approval is within the approved £117.642m overall scheme costs and will be funded through the approved local contribution of £35.079m. Following Full Approval, a funding profile will be agreed with DfT which will set out the funding contributions from DfT and the Council required in each year to meet the expenditure incurred, within the overall approved scheme cost.
- 8.5 A key condition of the provision of funding by DfT is that the council underwrites to meet any additional cost above the estimated project cost of £117.642m, i.e. the funding offer of £82.563m is the maximum that DfT will contribute to the scheme. Any cost overruns would be the responsibility of the Council and in this context the council is proposing the industry standard New Engineering Contract (NEC) Lump Sum form of contract, which is designed to minimise the risk of cost overruns.

Maintenance

- 8.6 Detailed analysis has been undertaken in respect of the anticipated maintenance costs associated with the New Wear Crossing, including assessing the impact upon existing highways. This indicates that there will be an estimated annual maintenance cost of c. £0.250m, per annum over a sixty year period. Clearly, the costs will vary from year to year depending on timing (in early years there will be limited maintenance requirements), the inspection regime (for example, a basic visual inspection planned or a rigorous and more detailed inspection) together with the maintenance and repairs that are required during any one year as a consequence of the inspection, and any periodic planned maintenance or exceptional maintenance required, such as re-painting the bridge masts and replacing the cables. The annual maintenance cost will be factored into the Council's Medium Term Financial Planning process as appropriate.

9.0 Reason for the Decision

- 9.1 To enable the Council to take necessary actions to continue to progress the SSTC – New Wear Crossing through to the full implementation of the scheme.

10.0 Background Papers

Appendix 1 – DfT Funding

Best and Final Bid (BAFB) 9 September 2011

Cabinet Report SSTC New Wear Crossing 1 December 2010

Cabinet Report SSTC – New Wear Bridge Acquisition of Additional Land 1 June 2011

Cabinet Report SSTC New Wear Crossing Progress – 7 July 2011

Cabinet Report - SSTC New Wear Bridge Acquisition of Additional Land and Supplemental Side Roads Order – 2 December 2011

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21 December 2011

Decision letter

Dear David,

**SUNDERLAND STRATEGIC TRANSPORT CORRIDOR
(SSTC) – NEW WEAR CROSSING
FUNDING APPROVAL AND RECONFIRMATION OF PROGRAMME
ENTRY**

Following the receipt of your Best and Final Funding Bid dated 9th September 2011 for the above scheme and following consideration of that bid, this letter confirms that Ministers have agreed to provide Sunderland City Council the funding requested, subject to the following conditions, and thereby reconfirm Programme Entry for the scheme.

This should allow your Authority to complete the remaining legal and procurement processes (but not enter into contractual or other legal commitments for the construction of the scheme) following which a request for Full Approval can be made. Once Full Approval has been granted the required contractual and other legal commitments for the construction of the scheme can be entered into.

DfT Funding

As part of this approval the Department will provide a maximum funding contribution of **£82.563m** towards the estimated total scheme cost of **£117.642m**. **No further funding will be provided by the Department for this scheme.** Should Full Approval of your scheme be granted, funding will be paid as capital grant under Section 31 of the Local Government Act 2003 to an indicative profile to be agreed.

Terms and Conditions of Funding

This offer of funding is subject to the following conditions:

- i. This funding approval is granted entirely without prejudice to any view that the Secretary of State or other Ministers may take on any future application for statutory powers or in accordance with any other functions.
- ii. The scheme must be implemented in accordance with the scheme proposals as set out in your Best and Final Funding Bid, including that it will be delivered within the timescale set out in your bid, subject to any changes which may occur as a result of further design or as a result of any remaining statutory procedures. Ministers reserve the right to reconsider their decision on funding if there are any changes to the overall cost, scope or design of the scheme which they consider to be material, particularly where such changes would alter the value for money of the scheme. You must notify the Department immediately of any such material changes, and provide on request any appropriate evidence to determine the impact of the changes on the scheme's value for money.
- iii. The Department's contribution will be a maximum of **£82.563m**. No further funding will be provided by the Department. Sunderland City Council is solely responsible for meeting any expenditure over and above this amount including any maintenance or operating costs and any Part 1 Claims. Should the final cost of the scheme be lower than **£117.642m**, the savings will be shared between the Department and Sunderland City Council in proportion to the share of funding as set out in this letter. The Department also reserves the right to reduce its contribution should you receive a greater level of third party contributions than currently anticipated, to the extent that the direct local authority contribution falls below 5% of total scheme costs.
- iv. Should this scheme progress to Full Approval, further detailed conditions may apply to any grant payable. These may include matters not yet discussed with you. It is expected that grant would be claimed quarterly in arrears on the basis of actual work done.
- v. Sunderland City Council will be solely responsible for the validity of the procurement process for the scheme.
- vi. We expect Sunderland City Council to keep us closely informed of progress with, and expenditure on, the scheme and it is important that you complete and return quarterly monitoring forms by the due date.
- vii. Sunderland City Council may, as previously set out, be required to undertake an evaluation of the scheme in line with DfT guidance at your own expense. We will inform authorities this coming Spring whether they will need to undertake a full evaluation and the process for agreeing its scope or whether a less detailed evaluation will be sufficient. All authorities will in any case be expected to monitor the impact of their schemes and we will issue guidance for doing this in due course.
- viii. Sunderland City Council is required to ensure that there is an appropriate project assurance mechanism in place (in the case of schemes with an overall cost greater than £50m this should include formal Gateway reviews) and to make the results and

recommendations of such reviews available to the Department on request.

- ix. You must provide a revised timetable for the remaining stages of the scheme within 3 months of the date of this letter, with a view to maintaining the completion date as set out in the Best and Final Funding Bid.
- x. The scheme is being progressed on the understanding that tolling the proposed crossing would not be viable, and that you can provide analysis to support that assumption.

I should be grateful for written confirmation that Sunderland City Council agrees to these conditions, including certification from your Section 151 Officer that the Council accepts the above terms and conditions.

Full Approval

No grant may be claimed until the Department has confirmed Full Approval status for this scheme. Your formal request to the Department for Full Approval will need to include:

- confirmation of the overall cost and scope of the scheme, and details of confirmed funding contributions from third parties;
- a declaration that that you have acquired all the necessary statutory powers to construct the scheme (Traffic Regulation Orders excepted);
- an assessment of the Social and Distribution Impacts of the scheme (conducted in line with DfT guidance) which, where appropriate, should include details of appropriate mitigations;
- confirmation that you have completed the procurement process to a stage where you have a preferred bidder and a firm and final offer (in the case of schemes with multiple procurements the timing of the Full Approval bid should be discussed with the Department);
- details of further engagement with the Statutory Bodies (Environment Agency, Natural England, English Heritage) and evidence of how you have taken account of their views
- your evaluation plans for the scheme; and
- confirmation from your S151 officer that Sunderland City Council has the ability to underwrite all remaining funding required over and above the maximum Departmental contribution, including any additional funding required as a result of any remaining legal and procurement processes.

The Department reserves the right to request any further relevant information prior to reaching a decision on Full Approval, including a proportionate review of delivery and procurement arrangements as necessary.

I look forward to receiving a bid for Full Approval once the above information is available.

Yours sincerely,

Bob Collins

