

## CABINET MEETING – 28 JANUARY 2015

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Sunderland Strategic Transport Corridor (SSTC) – New Wear Crossing Preferred Bidder Stage and Project Update.

**Author(s):**

Deputy Chief Executive

**Purpose of Report:**

The purpose of the report is to inform Cabinet of the progress made in respect of the procurement process for the main works contract (“the Contract”) for the design and construction of the New Wear Crossing scheme (“the Scheme”) and to the next steps to enable the award of the Contract and the commencement of the construction phase for the Scheme subject to confirmation of the Government funding contribution. In addition, the report also informs Cabinet of the appointment of the Site Supervision team to administer the proposed Contract.

**Description of Decision:**

Cabinet is recommended to note the contents of this report and the substantial progress made to date in respect of the procurement process for the Scheme leading to a recommendation for the appointment of a preferred bidder in the separate Part II report and the next steps in order to undertake the construction phase for the Scheme.

**Is the decision consistent with the Budget/Policy Framework?                      Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

Concluding the procurement process for the Scheme will enable the Council (subject to the relevant conditions precedent including confirmation of the Government’s funding contribution) to proceed to the construction phase and lead to the delivery and completion of the Scheme in accordance with the current Scheme programme.

The significant economic, regeneration and transport benefits to the City that will arise from the delivery of the Scheme have been set out in detail in the previous Cabinet reports.

**Alternative options to be considered and recommended to be rejected:**

The Council could decide not to appoint the preferred bidder and/or abandon the procurement process. However, this would mean that the Scheme would not be delivered in accordance with the Council and the Government's programme and therefore the significant economic, regeneration and transport benefits to the City as set out in detail in the previous Cabinet reports would be lost.

Alternative scheme delivery options have been considered previously and rejected.

**Impacts analysed;**

**Equality Yes    Privacy N/A    Sustainability N/A    Crime and Disorder N/A**

**Is this a "Key Decision" as defined  
in the Constitution?    Yes**

**Is it included in the 28 Day Notice?  
Yes**

**Scrutiny Committee**

**SUNDERLAND STRATEGIC TRANSPORT CORRIDOR (SSTC) – NEW WEAR CROSSING PREFERRED BIDDER STAGE AND PROJECT UPDATE**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE**

**1. Purpose of the Report**

- 1.1 The purpose of the report is to inform Cabinet of the progress made in respect of the procurement process for the main works contract (“the Contract”) for the design and construction of the New Wear Crossing scheme (“the Scheme”) and to the next steps to enable the award of the Contract and the commencement of the construction phase for the Scheme subject to confirmation of the Government funding contribution.
- 1.2 In addition, the report also informs Cabinet of the appointment of the Site Supervision team to administer the proposed Contract.

**2. Description of Decision (Recommendations)**

- 2.1 Cabinet is recommended to note the contents of this report and the substantial progress made to date in respect of the procurement process for the Scheme leading to a recommendation for the appointment of a preferred bidder in the separate Part II report and the next steps in order to undertake the construction phase for the Scheme.

**3. Background**

- 3.1 In July 2013 Cabinet approved the commencement of a new procurement process for the design and construction of the Scheme on the basis of a simplified cable stay bridge design.
- 3.2 As Cabinet is aware, the strategic objectives of the Scheme are as follows:
  - Objective 1 – to enable new jobs that result from developments located along the River Wear and other city centre locations, to be readily accessible by users of public and private transport, as well as by pedestrians and cyclists;
  - Objective 2 – a strategic public transport corridor connecting Washington, Nissan, the Enterprise Zone and the A19 with the city centre and Port of Sunderland;
  - Objective 3 – to relieve existing river crossings of congestion, enabling enhanced priority for public transport and cyclists on these crossings and approach routes;
  - Objective 4 – to assist in the regeneration of the inner city, including the Port of Sunderland, the riverbanks and the housing regeneration areas either side; and
  - Objective 5 – to improve the environment and safety in areas currently adversely affected by heavy traffic flows, or by lesser volumes of through traffic in environmentally sensitive areas, e.g. residential areas in Pallion.

- 3.3 Following Cabinet's approval, the Council has undertaken a new OJEU procurement process for the appointment of a contractor for the design and construction of the Scheme using the competitive dialogue process. The procurement process commenced in March 2014, and following a shortlisting exercise, three Bidders (all with sufficient experience, capability and capacity to deliver the Scheme and with a track record of delivering similar major infrastructure projects) were selected to participate in a focused competitive dialogue process in order to develop and refine their tender proposals for the design and construction of the Scheme in dialogue with the Council.
- 3.4 The dialogue process comprised four scheduled sessions with each Bidder, and over the course of the four sessions, the primary focus was on the following key areas:
- Desired outcomes of the Scheme
  - Key constraints, including programme, site and planning;
  - The Council's specification for the works;
  - Risk and the Contract Terms and Conditions;
  - The Bidder's bridge pylon and deck option(s); contractor designed elements; technical queries; and
  - Affordability.
- 3.5 The competitive dialogue stage commenced in June and was formally closed on 9 November 2014, when all three Bidders were invited to complete and submit their Final Tenders, which were received on 5 December 2014. All three shortlisted Bidders submitted Final Tenders.
- 3.6 The three Bidders that submitted Final Tenders are:
- FCC Construcción S.A. (FCC);
  - A joint venture comprising Northstone (NI) Ltd and Victor Buyck Steel Construction N.V (FVB); and
  - A joint venture comprising Hochtief (UK) Construction Ltd and Dragados SA (HD JV).
- 3.7 In parallel with the procurement process, the following steps have also been undertaken to ensure that the Scheme programme remains fully deliverable and to facilitate the proposed start on site in April 2015:
- A Section 73 TCPA 1990 minor material amendment application to the Scheme planning permission (approved in May 2010 and implemented in May 2014), was applied for during the summer of 2014 in respect of the simplified cable stay bridge form of design and this was approved by the Local Planning Authority in August 2014.
  - The Section 106(3) HA 1980 Bridge Scheme (statutory consent to construct over navigable waters) was confirmed in a decision by the Secretary of State for Transport on Monday 12 January 2015, ensuring all statutory approvals required to commence the works are now in place; and
  - Following previous Cabinet approval, implementation of the Compulsory Purchase Order (CPO) commenced in August 2014, by the making of the General Vesting Declaration (GVD), which will ensure all land interests required for the Scheme are vested in the Council on 27 February 2015.

## 4. Evaluation of Final Tenders

4.1 The Final Tenders were evaluated applying the following award criteria in order to determine which was the most economically advantageous tender:

- Quality 30%
- Price 70%

4.2 The quality evaluation of the Final Tenders was based on the Bidders' responses to the following:

- Commercial, including risk allocation and the Bidder's response to the Contract Documents;
- Organisation and Communication, including:
  - Key roles and positions of those working on the Scheme; and
  - Management and communication between the key stakeholders/ third parties, for example, the Council, Utility companies and competent authorities.
- Social and Economic, including:
  - Recruitment opportunities and targets for those who have been out of work for 6 months or more and young people aged 16-18 not in education, employment or training (NEET);
  - Notification of job vacancies to the Council's Employment and Training Manager and Job Centre Plus in Sunderland;
  - Opportunities for apprenticeships for new entrants into the construction industry;
  - Opportunities for further/ higher education students and unemployed adults in Sunderland to obtain work based learning and work experience; and
  - Promotion of local supply chain opportunities, in particular for small and medium sized enterprises (SMEs).
- Health and Safety, including relevant method statements;
- Architectural, including general arrangement plans and details of the new bridge;
- Finishes and Details, including the choice of materials and the approach consistency throughout the Scheme;
- Construction, including the approach to undertaking the manufacture and installation of the bridge works; and
- Maintenance, including the approach to reducing whole life costs.

4.3 Minimum score thresholds were also specified in respect of each of the above categories, together with an overall minimum quality score threshold, in order to ensure that appropriate minimum standards were secured in all of these key areas.

4.4 A detailed summary of the quality and price evaluation and scoring of the Final Tenders, a recommendation in respect of the appointment of a preferred bidder for the Scheme and the approval of the next steps in order to conclude the procurement process and proceed to contract award are set out in the Part II report.

## 5. Works Supervision and Contract Administration

- 5.1 In parallel with the procurement process for the Contract, a separate OJEU procurement process has been undertaken to appoint an organisation to carry out the Works Supervision and Contract Administration in respect of the construction of the Scheme.
- 5.2 The form of appointment for the Works Supervision and Contract Administration is NEC3 Professional Services Contract, Option E (time based contract) and will be a staged appointment as follows:
- Stage 1 to include project familiarisation and initial advice to the Council regarding specific aspects of the Scheme during the preferred bidder stage, and will be undertaken up to the award of the Main Works Contract; and
  - Stage 2, which is conditional upon the award of the Main Works Contract, will provide Works Supervision and Contract Administration for the duration of the construction period and subsequent defects rectification.
- 5.3 Three tenders were received, which have been evaluated to determine the most economically advantageous tender on the basis of 60% quality and 40% price and a contract has subsequently been awarded to the successful tenderer.
- 5.4 The tenders are based on daily rates for the expected roles required to carry out the Works Supervision and Contract Administration on behalf of the Council. The actual resources deployed and the fees incurred at any one time will be managed in agreement with the Council, as this will vary over time to take account of the activities being undertaken by the Main Works Contractor.

## 6. Next Steps

- 6.1 In the event Cabinet approves the recommendation for the appointment of a preferred bidder for the Scheme as set out in the Part II report, the Bidders will be notified in writing of the Council's decision, and subject to the operation of the mandatory standstill period and confirmation of the Government funding contribution, the Council will then enter into the Contract for the design and construction of the Scheme in spring 2015.
- 6.2 The key next step is to secure final approval from Government of their funding contribution for the Scheme which will be considered by DCLG's Finance Sub-Committee on 24th February 2015, with the outcome anticipated within the following two weeks.
- 6.3 The key milestones through to the award of the Contract are summarised in the table below.

<b>Milestone</b>	<b>Dates</b>
Cabinet Decision to appoint Preferred Bidder	28 January 2015
Notify Bidders of Evaluation Outcome and Standstill period	2 <sup>nd</sup> to 12 <sup>th</sup> February 2015
Full Approval funding submission to Government	31 January 2015
DCLG Finance Sub-committee	24 February 2015

CPO land vested in the Council	27 February 2015
SoS (DCLG) funding decision	6 March 2015
Award of Contract	20 March 2015
Commence construction	End of March 2015
Construction completion	End of 2017

## **7. Financial Implications**

- 7.1 The detailed financial implications are considered within Part II of the agenda.
- 7.2 In addition to the tendered price for the construction of the Scheme, a number of other associated costs are forecast to be incurred by the Council in the delivery of the Scheme including costs incurred to date associated with developing the Scheme, land assembly costs, utility works, project management; and site supervision together with an allowance for inflation and for those risks that lie with the Council which may arise during the construction phase.
- 7.3 In overall terms, the forecast construction and other associated costs are fully funded through a contribution of up to £82.521m from DfT and the previously approved local contribution of £35.079m within the approved capital programme. A funding profile will be agreed with Government during the Full Approval process, which will set out the funding contributions from Government and the Council required in each year to meet the expenditure incurred in the delivery of the Scheme.
- 7.4 A key condition of the provision of funding by Government is that the Council underwrites any additional cost above the agreed funding contribution, ie, the funding offer from Government of up to £82.521m is the maximum that Government will contribute to the scheme. Any additional costs would be the responsibility of the Council.

## **8. Legal Implications**

- 8.1 The form of Contract for the Scheme is NEC3 Engineering and Construction Contract April 2013 Option A (Priced Contract with Activity schedule) which is a construction industry standard form used widely throughout the UK on major infrastructure projects. In addition, the Council has also made certain project specific amendments to the contract documents to reflect the specific requirements of the Scheme and to limit the Council's risk exposure where possible.
- 8.2 The legal implications arising from the evaluation of the final tenders and the appointment of a preferred bidder are considered in the Part II report.

## **9. Reasons for the Decision**

- 9.1 Concluding the procurement process for the Scheme will enable the Council (subject to the relevant conditions precedent including confirmation of the Government's funding contribution) to proceed to the construction phase and lead to the delivery and completion of the Scheme in accordance with the current Scheme programme.

- 9.2 The significant economic, regeneration and transport benefits to the City that will arise from the delivery of the Scheme have been set out in detail in the previous Cabinet reports.

## **10. Alternative Options**

- 10.1 The Council could decide not to appoint the preferred bidder and/or abandon the procurement process. However, this would mean that the Scheme would not be delivered in accordance with the Council and the Government's programme and therefore the significant economic, regeneration and transport benefits to the City as set out in detail in the previous Cabinet reports would be lost.
- 10.2 Alternative scheme delivery options have been considered previously and rejected.

## **11. Equality Impact Analysis**

- 11.1 The equalities impact analysis in respect of the appointment of the preferred bidder is considered in the Part II report.

## **12. Other Relevant Considerations / Consultations**

### **Risk Implications**

- 12.1 The risk analysis in respect of the appointment of the preferred bidder and subsequent construction of the Scheme is considered in the Part II report.

## **13. List of Appendices**

- 13.1 None

## **14. Background Papers**

- 14.1 Relevant previous Cabinet Reports in respect of the Scheme dated 18<sup>th</sup> June 2014, 17<sup>th</sup> July 2013, 15<sup>th</sup> February 2012, 2<sup>nd</sup> December 2011, 20<sup>th</sup> July 2011, 17<sup>th</sup> June 2011, 2<sup>nd</sup> November 2009, 9<sup>th</sup> September 2009 and 8<sup>th</sup> April 2009.