

ELY SOUTHERN BYPASS- STAGE 2 CONTRACT AWARD

To: Executive Director, ETE.

From: Brian Stinton

1 Purpose

- 1.1 To seek approval from the Executive Director (Economy Transport and Environment), in consultation with the Chair and Vice Chair of the Economy Transport and Environment Committee, to award Stage 2 of the contract for the Design and Construction of Ely Southern Bypass.

2 Background

- 2.1 At its meeting on 14th July 2017 the Economy, Transport and Environment Committee approved the award of Stage 1 of the Design and Construction contract to Volker Fitzpatrick and delegated the decision to commence the second stage of the contract (construction) to the Executive Director of Economy and Environment in consultation with the Chair and Vice Chair of the Economy and Environment Committee.
- 2.2 It was noted that the post-design construction Target Price would be likely to vary from the current construction Target Price submitted as part of the tender as a result of development of the engineering detail and the clarification of construction methods and timescales. Given the aspiration to deliver the scheme as quickly as possible, the Committee delegated the agreement of the construction Target Price and commencement of construction to the Executive Director - Economy Transport and Environment, in consultation with the Chair and Vice Chair of the Economy and Environment Committee unless the post-design Target Price is significantly higher than expected. If the construction target price is significantly higher, then the decision to trigger construction may be referred back to committee.

3 Target Price

- 3.1 The estimated construction Target Price at the time of tender was £23,784,278.65. Developing the design and construction methodology during the 16 week Stage 1 contract has informed the revised Target Price of **£27,470,909.**
- 3.2 Development of the Target Price has been monitored during the design stage and a number of factors and changes in rates have resulted in the increase. The major contributors to the increase are:

Earthworks	+£666,097.11
Railway Bridge	+£836,119.41
Viaduct	+£2,501,960.81

Significant increases in cost have arisen from the development of the design beyond that which was available at tender stage. The original outline design undertaken by Skanska/Atkins had, in some areas been found to have significantly under-assessed the requirements. This is exemplified by the Piling costs on the Viaduct and Rail Bridge where the costs have increased by £1.314m. Structural steelworks costs have also risen significantly with the majority of the increased cost being attributable to the impact of Brexit on imported steel costs. The increased steelwork cost amounts to £1.223m. Earthworks and ground stabilisation has also increased to the amount of approximately £666,000. Other areas of pricing has also seen smaller increases.

- 3.3 A full technical report on the Target Price has been compiled detailing the cost build-up. The report concludes that although the cost has increased from the Tender estimate, it remains reasonable and is backed up by the provision of details of the contractor's costs in both resources and materials.
- 3.4 As with all construction projects there remain both risks and opportunities. The VE and Opportunities are currently assessed at £584,000, of which £319,000 are identified as shared 'pain and gain. This leaves a County Council Opportunity of £424,500.

4. Other Costs

- 4.1 Other costs associated with the scheme have also been refined as the detailed design has progressed. These include land, Network Rail, statutory undertakers' and supervision and management costs. These, together with costs already incurred in development and design, are currently estimated at £5.426m

5 Funding and Financial Implications

- 5.1 The County Council has an allocation in the Business Plan for the scheme of **£36m**. The total scheme cost including Stage 2 contract and other costs detailed in section 4 is **£35.8m**.
- 5.2 It should be noted that the statutory undertakers' costs are based on current estimates provided by the stats companies. Discount is applied for advanced payments and reimbursements made if costs are not met. The view is that costs will be lower than estimated are more likely to be £1.1-£1.3m.

- 5.3 DfT Growth Deal funding has received Ministerial approval, subject to the Target Price for construction not increasing to a point where the Benefit Cost Ratio drops from the medium value for money category. The range of costs agreed with DfT would allow the outturn cost to exceed £40m before this would occur. It is expected that the Growth Deal Funding will be confirmed if the County Council approves construction.

6 Contingencies

- 6.1 Whilst risk and opportunities are reflected in the Target Price and there may be further opportunity to value engineer the project, as in all construction projects, there are likely to be unforeseen issues that can impact on the outturn cost. The current estimate of cost against budget leaves limited contingency to take account of unforeseen events.
- 6.2 It may be worth considering whether a sum for contingencies should be sought through the Business Planning process.

7. Comments and Conclusion

- 7.1 Although the cost is higher than at tender award, it is in line with estimated scheme costs prior to tender. Along with checks on the cost build up, some comparison has been undertaken with the original tender process. The target Price is approximately 0.5% from the mean estimates received from other contractors.
- 7.2 Given that the scheme cost remains within the budget allocation and aligns with expected costs based on pre-tender estimates and will secure the £16m DfT Growth Deal funding, it is recommended that approval is given to commence construction. This will allow work to commence on site in January (proposed date 9th January).
- 7.3 Given the nature of the site, it is almost certain that the cost will vary from the Target Price. Consideration should be given on how to deal with any cost increase that lies outside the current risk/opportunity allowance.