



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

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Procurement: Penwortham Bypass and Section 1 of the East West Link Road

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Executive Summary

This report is to determine the preferred delivery/procurement model in respect of Penwortham Bypass and Section 1 of the East West Link Road (Lightfoot Lane to Sandyforth Lane)

Recommendation

The City Deal Executive and Stewardship Board is recommended to approve that the Penwortham Bypass be delivered through the LCC City Deal Highways Team; and Section 1 of the East West Link Road (EWLR) be subject to a formal tender process.

Background and Advice

The LCC City Deal (CD) Highways team has extensive experience of successfully delivering highway construction projects of this nature, it provides the flexibility to accommodate the complexity of programming and timing required by the Penwortham scheme, together with the ability to integrate into the design process at an early stage. The CD Highways Team will have capacity to deliver this scheme as they move from the programmed completion of the current A582 works on Pope Lane. To undertake a full external procurement exercise for this scheme could create a delay to the start on site of up to six months and would incur additional project and contract management costs.

The programme for delivery of the EWLR is time critical for the developer as the planning conditioning on David Wilson Homes is that housing occupation is limited to 25 units until this section of EWLR is completed and adopted highway. Due to commitments across the City Deal programme the CD Highway Team is unable to deliver within this timescale. The external procurement of the scheme would create additional capacity to deliver the first section of the EWLR within the required programme.



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Background

A decision was made by the CD Executive and Stewardship Board (E&SB) on 30th September 2016 that future decisions regarding the delivery/procurement model for specific schemes will be considered by the Board.

To date there has been a mixed economy in the delivery of schemes utilising Lancashire County Council Highway Service, South Ribble Borough Council, Preston City Council and tendered works with external contractors.

The LCC Highways service has developed a specific CD Highways team to lead on the construction of City Deal projects, providing control, co-ordination and flexibility in the overall programme management of the Infrastructure Delivery Plan. Where there have been pressures on capacity, timescales or specialisms, or where it has been more appropriate due to the scale of the project, alternative delivery mechanisms have been developed and implemented. The adoption of a mixed economy of delivery mechanisms has allowed greater flexibility in resource utilisation between the partners and the private sector.

Penwortham Bypass

City Deal Budget allocation: £17.5m

The City Deal Business Development Plan indicates a construction start on Penwortham Bypass in Q2 17/18. A change in this programme has been made with regards to the Planning decision date. This has moved from Q1 to a likely date within Q2. This will have a knock on effect, regardless of the delivery mechanism approved by the Executive and Stewardship Board, of moving the start on site date into Q3 2017/18 and an expected completion date of Q4 18/19.

An early decision on the delivery mechanism is required to either maximise the identified opportunities of the CD Highways team option; or to help manage the impact on the construction programme of the additional time required to prepare for and undertake a tendering procurement process.

The Planning Application for Penwortham Bypass was submitted to the Local Planning Authority in December 2016 and has been advertised for consultation. It is anticipated that the application will be determined in summer 2017 (Q2). The land required for the scheme is either already in the ownership of the county council or an agreement to purchase including value has been made. Subject to planning permission being granted the land will be acquired and the scheme will be constructed.

The detail design of the scheme is currently ongoing and will be completed in Q2. In undertaking the completion of this design process it is important that the procurement process is understood so that either:



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- the advantages of delivery by the CD Highways Team can be embraced and utilised to the full or
- the timescale required for the longer and more involved contract and specification preparation and development for the formal tendering process can be accommodated. This documentation is required to mitigate as far as possible the potential risks of a future unforeseen adversarial cost claim situation.

Procurement Alternatives

City Deal Highways Team

This is a proven delivery approach that has been utilised across a number of CD projects. It demonstrates an established successful working relationship between the City Deal Design team and the City Deal Highways team offering the opportunity to maximise the potential for early construction team engagement during the detailed design phase. The CD Highways Team will have capacity to start on site during Q3 2017/18 as they complete the works on Pope Lane (A582).

The early involvement of the CD Highways Team during the pre-construction detail design stages provides significant advantages in the following areas:

- Integration of design development and construction planning/programming
- Innovation opportunities from the construction knowledge to influence detailed design
- Optimised early stakeholder management and communications
- Extensive local knowledge to assist in determining construction detail and method
- Resolution of detail design issues resolved up front and incorporated into the detailed documents
- Provision of early developed and accurate pre start estimate based upon actual build costs and budget and not a balance sheet or traded service.
- Lead in time for materials procurement can be commenced significantly in advance of the required delivery date.

As the scheme progresses into the construction phase the advantages can be highlighted as:

- No supervision or contract management required from the design team
- No requirement for client QS resource
- The scheme risks are a single responsibility eliminating adversarial contractual interests in risk apportionment
- Unforeseen matters are resolved more quickly on an actual cost basis avoiding the contractual adversarial claim with associated increased costs.
- Quality and right first time approach. The highways team has a serious interest in long term maintenance costs impacting on the county councils challenged revenue budget.



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- Design changes or unforeseen disruptions can be accommodated by reallocating resources on other activities without the contractual imposition of delay and disruption claims
- Local workforce, established site compound and major works depot in locality

It should be noted that due to the scale of this project significant elements of the works delivery will themselves be subject to a tendering process, including a separate procurement of a significant earth/groundworks contract. It is envisaged that over 50% of this project would be subject to competitive tendering. This will ensure that full benefit is realised on the economies of scale.

Full External Procurement

An alternative delivery model is available through a formal tendering process to procure a construction contractor to deliver the scheme, with project management, supervision and contract management provided through the City Deal Design team. This would have the advantage of building in a market challenge of the construction costs of the project. The other significant advantage of external procurement is the ability to bring additional delivery capacity in to the City Deal programme. However, in this instance there is sufficient capacity within the CD Highways Team to deliver this project.

The tendering process would require all detailed design work to be completed and all land acquisition and work programming established. Detailed design will be available in Q2 2017/18. It is recommended that tender documents would not be published until the detailed design is available and the planning application had been determined. It is possible to begin the procurement process before planning determination but there is an element of risk associated with this approach. Any planning conditions relating to the design or the delivery programme would affect the detail of the contract documents. As both the detailed design and the Planning determination are scheduled for Q2 2017/18, it would be at this point that the contract documents would be finalised and published.

Due to the financial scale of this project the procurement process would be required to comply with the LCC Standing Orders and OJUE procedures. If it is determined that the tender should be awarded on lowest competitive price a prequalification exercise would be required to ensure the competency and financial stability of the selected tenderers. The full procurement procedure would take approximately 6 months, with a cost of c£25,000.

The procurement process would begin as soon as possible after the planning application is determined. Assuming a successful determination in mid-Q2 the procurement could start by the end of Q2, with decisions made in Q4 and works on site potentially beginning in Q1 18/19 (dependent upon the successful contractors availability) . The Business and Delivery Plan would be amended to show a delay in start of six months.



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There will be costs associated with the implementation of a procurement process. There is also a risk that the scheme receives tenders that are greater than the current cost estimate. An additional consequential cost of awarding the contract to an external contractor would be the on-going viability of the CD Highways Team.

As stated earlier this team has been established to deliver, as far as possible, the CD programme of work. The external award of Penwortham Bypass delivery would have a significant impact on the programme of work for this team and would lead to the requirement to downsize the permanently employed workforce. Whilst there will be some flexibility to move some members of the team elsewhere across the LCC highways service, there would be a need to terminate employment for approximately 17 highways staff. As well as the loss of local jobs for a skilled workforce, there would be costs to LCC associated with redundancy in the region of £300k - £350k. Alongside the downsizing of the staff resource would be a need to dispose of plant and equipment, which would be sold.

The reduction of the CD Highway Team will have ongoing implications for the delivery of CD projects, with significantly reduced capacity to deliver.

As mentioned above the CD Design Team would need to establish specific contract management and supervision arrangements for this project including a specific Quantity Surveyor, Resident Engineer and Clerk of works on site, plus additional technical and project management support within the CD Design team itself of an equivalent scale. The additional cost associated with this is in the region of £200k pa.

North West Preston East West Link Road – Section 1 - Lightfoot Lane to Sandyforth Lane:

City Deal Budget Allocation: £1.4M

This section of the East West Link Road (EWLR) forms part of the David Wilson Homes (DWH) housing development site which was granted full planning consent in November 2016. The planning consent includes this section of the EWLR exactly as included in the LCC Planning Application for the EWLR as a whole. The planning conditioning on DWH is that the housing occupation is limited to 25 units until this section of EWLR is completed and adopted highway and access is provided at that point to the development. DWH indicate that in line with company policy in recovering the land cost outlay as soon as possible that this point will come at 1st June 2018.

An agreement has been made between the City Deal partners, Lancashire County Council and Preston City Council involving the transfer of the land for this section of EWLR and the financial contribution from DWH to the costs of the same. The agreement also incorporates the mechanism that Lancashire County Council as City Deal partner and Highway Authority will deliver this section of EWLR to facilitate the continuous development of the site and avoid the constraints of the occupation limits



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imposed by the planning condition. The agreements will be formalised in a S106 Agreement and a Regulation 73 Agreement. Additionally to protect the commercial viability of the development for DWH timescales for the delivery of the Section of EWLR are also to be included.

The timescales to be included present a challenge in respect of the end date and the construction period (8-9 months) and procurement process which precedes it and associated with this is an uncertain start date as the agreements are formalised.

The anticipated delivery model for the construction of this scheme had been through the CD Highways team, with project management provided through the City Deal Design team. However, due to the specific time constraints around the delivery of this scheme and the commitment of the CD Highways Team on other CD projects, including corridor works, and the A582, it is not possible to deliver this scheme with the current in-house resource.

An alternative delivery model is available through a formal tendering process to procure a construction contractor to deliver the scheme, with project management, supervision and contract management provided through the City Deal Design team. This would create additional resource implications and associated costs for the team, however it does have the advantages of creating additional capacity to deliver the scheme within the programme and provides a valuable opportunity to market test current construction costs.

It is anticipated that a procurement exercise in accordance with LCC Standing Orders for this value of works will take approximately 5 months plus a minimum of 6 weeks mobilisation to commencement. It would require the full design specification to have been developed ahead of this. Procurement could not start until the design process was complete and contract award would require certainty of access to instigate the mobilisation period.

Planning permission is already in place and the detailed design for the scheme will be available in April (Q1). The expectation would be that a contract would be awarded to facilitate a start on site in September 2017 (early Q3). The scheme itself is expected to take 8-9 months to deliver which would achieve the June delivery date.

There will be costs associated with the implementation of a procurement process, which for the scale of the project could be considered to be disproportionately high compared to the potential to receive tender prices below the current estimate. However, it does provide the opportunity to deliver the scheme on schedule and provide a market test for highway works.