

Cabinet

28 January 2021

Bermuda Connectivity

Recommendations

That Cabinet:

- 1) Approve £1.459million from the Capital Investment Fund to increase the existing budget for the Bermuda Connectivity project from £8.900million to £10.359million and add it to the Capital Programme
- 2) Approve the award of the Bermuda Connectivity construction contract at a cost of £4.833million.

1. Procurement of the Construction Contract

- 1.1 In July 2020, procurement of Bermuda Connectivity construction contract was undertaken through a Package Order Call Off Contract (POCOC) under Warwickshire County Council's Framework Contract for the Provision of Construction Works 2019. The Framework Contract was established in January 2019 following an EU procurement process. The Framework contract comprises four Framework Lots (identified by financial value and / or nature of work). Lot 3 and 4 NEC Framework Contractors were invited to tender for the construction contract.
- 1.2 A total of 6 out of the 9 NEC Framework Agreement Contractors submitted tenders with prices ranging from £4.833million to £6.33million. A price differential of £549k covered the lowest 5 tenders, which indicated the tender prices were extremely competitive and provide the County Council with Best Value. It is thought that prices are higher than the estimate due to increased supplier costs and additional risks arising from the COVID-19 pandemic as well as the addition of necessary works to an existing gas barrier. The need for the works to the gas barrier as part of the Scheme was unforeseen until the detailed design stage as no as-built information regarding the facility was ever produced and the facility did not appear in the desktop utility searches carried out during the preliminary design stage.
- 1.3 The tender price of the preferred bidder is £4.833million, an increase of £0.733million (more than 10%) compared to the total £4.100million construction element of the original budget estimate reported to Cabinet and Full Council in July 2018. Therefore, in accordance with Contract Standing

Orders, approval is required (given the size of the contract) from Cabinet to award the contract.

2 Managing Conflict with Existing Infrastructure

- 2.1 The detailed design of the Scheme includes necessary works to an existing in-ground gas barrier situated on the western embankment of Bermuda Bridge. The gas barrier was required by a planning condition for a residential development because of a nearby former landfill and coal mining sites. The gas barrier was constructed by the Developer for the purpose of preventing high concentrations of land borne gas accumulating (e.g. methane, carbon dioxide or radon), and so prevent a potential health and safety risk to residents. There is no planning condition placing an obligation on the Developer to maintain and monitor the performance of the gas barrier, and thus, the gas barrier has been in situ without maintenance since its construction in 2006.
- 2.2 Ground levels need to be raised by two metres as part of connecting the Bermuda Bridge to the highway, and thus, the gas barrier needs to be built over and some sections diverted. Further ground investigation work and detailed design are required regarding the gas barrier to ensure that performance, alignment, condition, land issues and the extent of remedial works (if required) are accurately reflected. Therefore, a sum of £0.243million is required to cover this health and safety management work. Recent ground investigation works have revealed some details on the extent and condition of the gas barrier and confirmed that further exploratory works need to be carried out to complete the detailed design work, and therefore, further capital expenditure is required. Atkins have carried out a cost review which provides reassurance that an additional £0.243million allocation would be enough.

3. Capital Investment Fund - Evaluation by the CIF Technical Panel

- 3.1 The findings and evaluation of the Technical Panel on the bid to the Capital Investment Fund (CIF) of the Scheme at an increased cost of £9.976million was that they recommend approval based on an overall score of 73/100 based on the following:

CIF Technical Panel Scores for Bermuda Connectivity	
Delivery of the Strategic Objective (Out of 10)	8.0
Alignment with the investment criteria of the Capital Strategy (Out of 40)	31.2
Achievability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk (Out of 40)	27.0
Sustainability, climate change and environmental impact (Out of 10)	6.8
Total Score	73.0

- 3.2 The Technical Panel were happy to support the initial request of £0.976million from the Capital Investment Fund. However, after factoring various risks into the evaluation process, the Technical Panel noted that the original contingency in the budget had been exhausted and strongly advised that consideration be given towards revising the contingency at this stage to account for the risk of further unknown costs arising during the construction phase. Therefore, an extra allocation of £0.483million has been made available from the Capital Investment Fund comprising an Optimism Bias set at 10% of the construction tender price, i.e. £4.833million. This new contingency would be added to the revised budget of £9.876 shown in the table in paragraph 3.1 to bring the total proposed budget up to £10.359million.
- 3.3 The Scheme makes use of two other external funding sources which are secured and included in the existing budget. The panel have suggested, if not already done, that the service explore options to gain additional funding from these sources. If funding can be secured, then some funding can be returned to CIF on a £ for £ basis.

4 Change from the Approved Budget to the Current Position

- 4.1 The table below compares the budget approved by Cabinet and Full Council in July 2018 with the current revised budget for all areas:

Element	Budget in July 2018 £m	Revised Budget £m	Difference
<u>Development Costs:</u>			
Development of Design and Other Support Costs	1.800	1.975	0.175
Land (including Acquisition, Stamp Duty and other Associated Charges)	0.100	0.196	0.096
External Support for Procurement and Management of the Construction Contract	0.200	0.362	0.162
<u>Additional Costs:</u>			
Enabling Completion of Gas Barrier Design	-	0.243	0.243
Site Compound Land Rental Charge (Oct 20 – May 22)	-	0.149	0.149
Additional Charges towards Development of Design	-	0.183	0.183
<u>Development Cost Sub Total</u>	<u>2.100</u>	<u>3.108</u>	<u>1.008</u>
<u>Service Diversions:</u>			
Service Diversions	1.000	0.435	-0.565

Construction Cost:			
Preliminaries	0.500	0.507	0.007
Earthworks	1.000	1.200	0.200
Pavement Reconstruction	0.700	0.850	0.150
Other Costs (including Traffic Signal Improvements, Drainage and Fencing)	1.400	1.400	0.000
General Contingency	0.500	-	-0.500
Construction Gas Barrier Allowance (including replacement)	-	0.300	0.300
Allowance for Compensation Events	-	0.576	0.576
Construction Cost Sub Total	4.100	4.833	0.733
Specific Contingency:			
Specific Contingency for Noise Compensation	1.700	1.500	-0.200
New Contingency for Scheme:			
10% of Construction Contract Costs	-	0.483	0.483
Total	£8.900	£10.359	1.459

4.2 The table highlights the following important considerations:

- There is a significant overrun in development costs of £1.008million as a result of covering additional costs required to complete the detailed design, secure the necessary parcels of land required to deliver the Scheme and support construction work, and to cover the external support required for the procurement and management of the construction contract;
- The increase in construction costs of £0.733million is primarily due to a COVID premium from tenderers (£0.433million) and allowance for the gas barrier work (£0.300million) including full replacement of the facility, if required;
- These budget increases are off-set by the projected savings incurred in service diversions costs (£0.565million) in acknowledgement that the extent and cost of the works is lower than originally forecasted after consultation with the relevant statutory undertakers and supporting ground investigation works, and a reduction in the estimated specific contingency of £0.200million; and
- The original General Contingency of £0.500million has been exhausted by the additional development costs (and is therefore re-allocated to other rows in the table) and so a final proposed increase of £0.483million has been made to create a new overall scheme contingency, as recommended by the CIF panel, to mitigate any optimism bias and further unidentified risks.

5 Financial Implications

- 5.1 The current £8.900million scheme budget is funded via £3.202million originally secured for Scheme from the WCC Growth Fund in 2014, a total contribution sum of £1.500million from the Coventry and Warwickshire Local Economic Partnership, and £4.198million from the WCC Capital Investment Fund awarded as part of the 2018-19 Council budget on the basis Bermuda Connectivity formed one of seven priority schemes.
- 5.2 The recommended £1.459 million from the Capital Investment Fund would increase the Scheme budget by 16% from £8.900 million to £10.359 million. Should the Scheme be fully completed under the £10.359 million budget then the available monies would be returned to the Capital Investment Fund.

6 Environmental Implications

- 6.1 The Scheme was tested in the 2017 Nuneaton and Bedworth Borough Wide Area Traffic Model, which projected a number of benefits should arise from delivery including a reduction in journeys times on a number of routes in West Nuneaton and reduced congestion in parts of the town centre, hence, improving links onto the A444 in other parts of the town.
- 6.2 The environmental impact review of the Scheme found that it would not have a significant adverse effect on air quality even on the roads experiencing an increase in traffic, but it is projected that residential properties at certain locations will be adversely impacted by increased noise levels.

7 Supporting Information

- 7.1 The revised benefit cost ratio taking account of the projected transport and wider economic benefits derived by the Scheme at an increased budget of £10.359million reduces to 6.0 compared to the 7.0 figure reported to Cabinet and Full Council in July 2018. The standalone transport benefits for the Scheme at an increased budget of £10.359million reduces to 3.3 in comparison to the 3.9 figure included in the benefit cost ratio figure reported to Cabinet and Full Council in July 2018. A Scheme with a benefit cost ratio of 6.0 still represents good value for money according to the Department for Transport's WebTAG appraisal model due to providing a combination of transport and wider economic benefits.

8 Timescales associated with the decision and next steps

- 8.1 If Cabinet gives approval to award the construction contract, the key milestones will be as follows:
- WCC Design Services to award the construction contract to the preferred bidder – February 2021;
 - The preferred bidder to commence construction works – Spring 2021 and
 - Completion of construction works / Scheme opening – Spring 2022

Appendices

None.

Background Papers

None.

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The report was circulated to the following members prior to publication:

Local Member(s): Cllr Clare Golby (Arbury Electoral Division)

Other members: Councillors Shilton, Holland, Fradgley and Kondakor