

# Finance and Resources Committee

10.00 am, Tuesday, 27 March 2018

## Award of Contract for the North Bridge Refurbishment

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| Item number         | 7.15                                      |
| Report number       |   |
| Executive/routine   | Executive                                 |
| Wards               | 11 – City Centre                          |
| Council Commitments | <a href="#">15</a> and <a href="#">16</a> |

### Executive Summary

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The Grade A listed North Bridge structure carries the A7 over Market Street and Waverley Station. Recent inspections have revealed the bridge to be in need of refurbishment in order to address health and safety concerns and safeguard the long-term use of this vital link to Edinburgh's city centre.

Balfour Beatty Civil Engineering Limited have submitted a tender to undertake the structural refurbishment works for a cost of £17,095,673.61. The total project cost is £22,300,000 for which sufficient funding is included in the Council's Capital Investment Programme.

This report seeks the approval of the Finance and Resources Committee to award the contract for the North Bridge Refurbishment to Balfour Beatty Civil Engineering Limited, through the Scape Group National Civil Engineering and Infrastructure Framework Agreement.

## Award of Contract for the North Bridge Refurbishment

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee:
  - 1.1.1 approves the appointment of Balfour Beatty Civil Engineering Limited to undertake the structural refurbishment of North Bridge for a target contract sum of £17,095,673.61.
  - 1.1.2 notes that the total cost of the project is £22,300,000.
  - 1.1.3 notes that any additional enhancement works which may be approved by the Transport and Environment Committee in the future can be added to this contract by the Executive Director of Place under the Contract Standing Orders, provided such additions are in accordance with the relevant procurement regulations and that sufficient funding is available.

### 2. Background

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- 2.1 The Grade A listed North Bridge structure carries the A7 over Market Street and Waverley Station. Minimal maintenance work has been undertaken on the bridge since it was constructed and it needs a full structural refurbishment.
- 2.2 Further background information regarding the condition of the structure, the scope of refurbishment work required, the timescales involved and the potential implications of not carrying out this work, is provided in the report to the Transport and Environment Committee of [9 March 2018](#).

### 3. Main report

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#### Procurement Process

- 3.1 As the work will be particularly challenging it was identified that early engagement with a suitably experienced contractor would be required to draw on their expertise of construction processes, buildability issues, programming and cost estimating, with a particular focus on the key interfaces with Network Rail and Waverley Station.

- 3.2 The Scape Group National Civil Engineering and Infrastructure Framework Agreement (the Framework) is a contract that the Council has access to and is particularly suited to projects requiring early engagement with a contractor as it clearly defines an initial pre-construction stage separated from the subsequent construction stage by a gateway review point.
- 3.3 Scape System Build Limited (trading as Scape Group) is a local authority-controlled company that has set up a number of framework agreements in respect of different types of construction work. Local authorities may call-off relevant contractors from a particular framework and all 'Delivery Agreements' called off are based on the industry standard NEC3 Conditions of Contract.
- 3.4 Balfour Beatty Civil Engineering Limited (BBCEL) were directly appointed to the Framework in July 2017 to undertake the pre-construction stage works. This included intrusive investigations to help establish the extent, cause and cost of any work required. A structural assessment of the bridge's load carrying capacity was also undertaken and this included checks to ensure the bridge can accommodate any future extension for the tram.
- 3.5 BBCEL is the single supplier appointed to the Framework following an open procurement process, which included both quality and financial award criteria, in accordance with EU procurement regulations. The mechanisms of the Framework are such that, through the pre-construction stage appointment, BBCEL were invited to submit a tender for undertaking the refurbishment works.
- 3.6 A tender of £17,095,673.61 has been received from BBCEL, on a Design and Build basis. This has been scrutinised by Currie and Brown (C&B), who has been appointed by the Council to undertake project management and cost consultancy services for the project.
- 3.7 The project Steering Group, which includes representatives from the Council's Finance, Legal and Procurement services, has provided oversight to the procurement and tendering process, including the pre-construction stage works. The Steering Group is in agreement with the proposed award of contract to BBCEL for the above amount.
- 3.8 A summary of the tendering and evaluation process is included in Appendix 1. It is recommended that this tender is accepted, for the core scope of works summarised in Appendix 2.

### **Timescales**

- 3.9 Subject to the approval of the recommendations in this report, BBCEL would be formally appointed in April 2018.
- 3.10 The work would then commence on site in Summer 2018 and be complete in Autumn 2020.

- 3.11 The duration of the construction period is heavily dictated by the availability of railway possessions. These are typically short overnight periods when trains do not run and electrified lines can be isolated to allow works to be safely carried out overhead. In this location the working time available within a possession is typically only two hours.

#### **4. Measures of success**

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- 4.1 A Steering Group has been put in place comprising of relevant senior Council staff, Network Rail and Waverley Station, to provide good governance.
- 4.2 The success of the project will be measured against its delivery in a safe manner in accordance with the project specification, within budget and programme.
- 4.3 BBCEL will be regularly monitored against 26 Key Performance Indicators (KPI's) which are pre-defined in the Framework. These include measures of performance against targets relating to health and safety, cost, programme and engagement of small and medium-sized enterprises (SMEs).
- 4.4 The KPI's also include requirements for community benefits with targets for local spend and employment of local labour.

#### **5. Financial impact**

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- 5.1 BBCEL have submitted a tender of £17,095,673.61 to undertake the construction stage works.
- 5.2 The total cost of the project is £22,300,000 which, in addition to the tendered construction cost, includes the cost of external project management services, internal staff costs, costs payable to Network Rail and allowances for third party compensation and risk. It also includes the cost of £744,000 already allocated to the pre-construction stage works as a standalone contract appointment.
- 5.3 Funding of £22,300,000 has been allocated to the project through the Council's Capital Investment Programme.
- 5.4 BBCEL's people costs, overheads and profit elements were competitively tendered in their appointment to the Framework and are defined therein. The remaining costs within their tender are typically made up of sub-contracted work packages which have been market tested, thus ensuring that competitive prices and value for money can be demonstrated.
- 5.5 The cost associated with procuring this contract is estimated as £100,000, which includes a proportion of C&B costs to date as well as fees associated with using the Framework.

- 5.6 The nature of the project is such that the cost of construction works cannot be fixed. The main reasons for this are, firstly, that the number, and durations, of railway possessions cannot be guaranteed and this is outside the contractor's control. Secondly, the full extent of structural repairs will not be evident until all of the access scaffolding is in place.
- 5.7 As such the contract will be awarded on a Target Cost basis. This encourages innovation and incentivises the contractor to deliver the project below the Target Cost. The Council would then share in any savings against the Target Cost, as a result of the contractor's efficiencies (known as gain share). The Council would also pay a share of any increased costs incurred by the contractor (known as pain share), however the Council has put in place a contractual mechanism which means that any additional cost to be borne by the Council is capped and this amount, currently £256,435, is included as a contingency within the total project cost.
- 5.8 The target cost, and therefore the cap, can only increase if there are changes to the scope (for example additional defects which have not been identified in previous inspections) or other matters arise which are defined as being the Council's risk under the contract (for example exceptionally adverse weather). Again, a contingency amount is included within the total project cost to allow for such risks.
- 5.9 This report outlines a capital investment of £22.3m. If fully funded by loans fund advances the overall loans charges associated with this over a 20 year period would be a principal repayment of £22.3m and interest of £14.517m, resulting in a total cost of £36.817m, based on a loans fund interest rate of 5.1%.
- 5.10 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy, provided for on an overall programme basis rather than for individual capital projects. Following instruction from Members, notional loan charge estimates have been provided above on the assumption of borrowing in full for this capital project.
- 5.11 The report to the Transport and Environment Committee on 9 March 2018 contains details of additional enhancements, which are currently being designed, that would visibly enhance the public realm in the vicinity of the bridge.
- 5.12 Subject to the availability of funding from other budgets, compatibility of timescales and the outcome of consultations, it may be of benefit to undertake these enhancements as part of the North Bridge Refurbishment project to take advantage of possible cost savings associated with having a contractor who is already fully mobilised and is familiar with working in the area.

- 5.13 The scope and extent of such enhancements will be subject to the approval of the Transport and Environment Committee following completion of the design and consultations. Any such additional works can be added to the North Bridge Refurbishment contract by the Executive Director of Place under the Contract Standing Orders, provided such additions are in accordance with the relevant procurement regulations.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 A risk register is in place for the project. This is regularly reviewed and updated with the most significant risks reported to the project Steering Group.
- 6.2 Network Rail and Waverley Station are members of the project Steering Group which has allowed positive working relationships to be developed and should prove beneficial if issues arise. However, if Network Rail cancel or fail to make railway possessions available this could greatly decrease the productivity of the contractor and greatly increase the duration and cost of the project.
- 6.3 It is inefficient and impractical to access all areas of the structure, to identify defects, until such time as a full scaffold system is in place. Accordingly, the cost of the project could increase if the structure is in a worse condition than anticipated.
- 6.4 A contingency sum is included within the total project cost to allow for such risks.
- 6.5 Any delays to the programme for the appointment of the contractor would increase the cost of the project as a result of inflation and a loss of efficiency in retaining key members of the contractor's staff who are already familiar with the project.
- 6.6 There are many health and safety risks associated with this project, including working at height over an operational electrified railway. BBCEL, as a competent contractor with significant experience of delivering projects of a similar nature, size and complexity, will be capable of managing such risks.
- 6.7 The procurement methodology is compliant with the Public Contracts (Scotland) Regulations 2015.

## **7. Equalities impact**

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- 7.1 In line with good practice on construction sites, appropriate steps will be taken by the contractor to ensure that any temporary pedestrian diversions put in place do not unnecessarily disadvantage those with mobility issues.

## **8. Sustainability impact**

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- 8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties and the outcomes are summarised below.

- 8.2 The KPI's defined in the Framework include targets for the amount of non-hazardous waste diverted from landfill and energy use during construction.
- 8.3 Restoring the structural integrity of the North Bridge will help achieve a sustainable Edinburgh by ensuring that this key route for public transport continues to be available for use, thus maintaining the current levels of social inclusion and equality of opportunity that are within the circle of influence of this project.

## 9. Consultation and engagement

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- 9.1 Given the location of the bridge, Network Rail and Waverley Station are key project stakeholders and they have been fully engaged as members of the project Steering Group.
- 9.2 Consultation has also taken place with the Balmoral, Scotsman and Carlton Hilton hotels, plus building managers at Waverley Gate, regarding the structural refurbishment works, some of which will involve noisy construction operations.

## 10. Background reading/external references

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- 10.1 [Scape Group Framework Agreement](#)

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## 11. Appendices

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- Appendix 1 Summary of Tendering and Evaluation Process
- Appendix 2 Scope of Works

## Summary of Tendering and Tender Evaluation Process

|                              |  |
|------------------------------|--|
| Contract                     | North Bridge Refurbishment (Ref: PL0133)   |
| Contract Period              | Summer 2018 – Autumn 2020  |
| Estimated Contract Value     | £17,095,673.61   |
| Procurement Route Chosen     | Use of national framework (Scape Group National Civil Engineering and Infrastructure Framework Agreement)  |
| Invitations to Tender Issued | One (Balfour Beatty are the single supplier on the Framework)  |
| Tenders Returned             | One  |
| Tenders Fully Compliant      | One  |
| Recommended Supplier         | Balfour Beatty Civil Engineering Limited   |
| Primary Criteria             | <p>Compliant tender in accordance with the requirements of the Framework, including the Framework requirement for market testing of all sub-contract packages to demonstrate value for money.</p> <p>The appointment of BBCEL to the Framework itself followed a competitive OJEU compliant tender process with a 50:50 Quality:Price ratio.</p> |
| Evaluation Team              | The tender was scrutinised by external advisors from Currie & Brown, who are undertaking project management and cost consultancy services, plus an experienced bridge engineer from the Place Directorate, who is undertaking the Technical Advisor role for the project.  |



### Scope of Works

- Structural steelwork repairs.
- Grit blasting and repainting of the structural steelwork.
- Repairs to the cast iron façades.
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- Repairs to the concrete deck soffit.
- Improvements to the structural drainage systems.
- Replacement of expansion joints.
- Restoration of, and repairs to, the Kings Own Scottish Borderers War Memorial (located on the east plinth of the bridge's south pier).
- Installation of permanent platforms to improve access provisions for future inspection and minor maintenance.
- All temporary scaffolding required to access the structure.