

WOOLWELL TO THE GEORGE: PHASE I CONSTRUCTION CONTRACT AWARD PART I



1. INTRODUCTION

- 1.1. This contract award report relates to the award of a contract for Phase I construction of the Woolwell to The George Transport Scheme (WTTG). The works include a new signalised junction where Woolwell Crescent joins the A386 Tavistock Road allowing vehicles to turn right to travel north. A new left turn into Woolwell Crescent will also be provided.
- 1.2. Woolwell Road will be upgraded to improve pedestrian and cycle facilities including a new signalised crossing and shared use cycle/pedestrian facilities on both sides of the carriageway. Phase I also includes a two-way cycle track on the east side of Tavistock Road between Woolwell Roundabout and Woolwell Crescent.
- 1.3. Construction is being procured through the Scape Procure Civil Engineering & Infrastructure Framework. This is a single supplier framework, the framework contractor is Balfour Beatty, and they will be awarded this contract via a direct award process. Use of the Scape framework involves Balfour Beatty competitively tendering work packages to ensure value for money. A Professional Services Contract (PSC) for Phase I design and surveys, and an Enabling Works Contract for site preparations have previously been awarded to Balfour Beatty as part of the project development process.
- 1.4. This award will approve the delivery of Phase I of the Woolwell to The George Transport Scheme which is supported by significant external grant funding through Transforming Cities Fund (TCF) and Levelling Up Funding (LUF).

2. BACKGROUND

- 2.1. The Woolwell to The George scheme aims to alleviate congestion at the notorious pinch-point between Woolwell Roundabout and The George, on the A386 Tavistock Road. More than 30,000 vehicles use this section of road each day and there are often queues and delays at peak times, caused by traffic having to merge over very short distances.
- 2.2. The Woolwell to The George Transport Scheme will be delivered in three phases:
 - Phase 1 – Woolwell Crescent junction, A386 Tavistock Road (north of Woolwell Roundabout) and Woolwell Road
 - Phase 2 – Main A386 Tavistock Road widening and new signal junction at Tavistock Road/Woolwell Road
 - Phase 3 – Expansion of The George Park and Ride site to provide additional parking capacity
- 2.3. This contract award relates to Phase I construction only.

3. REQUIRED PROJECT APPROVALS

- 3.1. The works constitute permitted development and a Certificate of Lawful Development has been issued by Plymouth City Council as the Local Planning Authority (Application No: 22/01469/PRUS). Planning permission is therefore not required. An Environmental Impact Assessment (EIA) screening has also been undertaken. This followed a formal screening request to the Local Planning Authority and it has been confirmed that the project does not constitute EIA development (Ref: 22/01460/ERS103). All necessary surveys, such as an Arboriculture Impact Assessment, habitat surveys and invasive species inspections have been undertaken.

- 3.2. The Phase I scheme funding of £5m was added to the PCC capital programme from the Transforming Cities Fund (TCF) allocation in January 2022. The LUF funding was added to the capital programme in November 2021 with the overall WTTG budget re-confirmed by Cabinet in March 2024. Spend of both TCF and LUF funding has stretched beyond the original grant funding timescales and the Department for Transport is aware.
- 3.3. Additional approvals to be obtained include Traffic Regulation Orders and Temporary Traffic Regulation Orders (TTRO). TTRO applications will be submitted to the Council's Network Management team to support implementation of the traffic management required for construction.

4. PROCUREMENT PROCESS

- 4.1. Following a review of procurement options with the Council's Procurement and Legal teams initially in 2019 and then reviewed further again in 2022, it was concluded that the Scape Procure Civil Engineering and Infrastructure Framework was the most suitable mechanism to procure the Woolwell to The George Transport Scheme contracts.
- 4.2. The choice of this framework against consideration of various alternative options were previously detailed in the Professional Services contract award report (Ref: COD05 22/23). This route provides continuity as the Scape framework has already been used for Phase I pre-construction (professional services) and enabling works. It is also being used for WTTG Phase 2. This framework allows early contractor involvement which suits complex schemes and where early input on design, programme, costings and buildability is required. It also allowed PCC to engage with a contractor quicker, compared to other procurement route options, which was vital for this scheme. Use of this framework allows a shorter project programme.
- 4.3. The Scape Group is a Local Authority controlled company wholly owned by Derby City, Derbyshire County, Gateshead, Nottingham City, Nottinghamshire County and Warwickshire County Councils in equal shares.
- 4.4. Scape was formed under section 95 of the 2003 Local Government Act and incorporated on 21 December 2005. It began trading on 1 April 2006. Scape acts as a Contracting Authority and Central Purchasing Body as defined in the EU Procurement Directives.
- 4.5. The Group's vision is to be leaders in collaborative working, providing cost effective solutions by using simple, easy to use and hassle free processes which deliver an inclusive and engaging experience for clients and the communities they serve.
- 4.6. Scape Procure Civil Engineering & Infrastructure Framework is delivered by Balfour Beatty, a leading international infrastructure group with more than 100 years of experience in complex infrastructure projects. The value of works that can be awarded under the Civil Engineering and Infrastructure Framework is from £0-£75m+.
- 4.7. This framework enables civil engineering and infrastructure works in sectors such as environmental, engineering, transportation, leisure, recycling and waste, defence, ports, harbours and marine, flood defence and coastal engineering, energy, education, industrial, commercial and other public sector assets.

PRE TENDER SELECTION CRITERIA AND EVALUATION

- 4.8. Balfour Beatty has already been through a compliant procurement process to ensure they are suitability qualified to undertake projects under the Civil Engineering framework.

5. TENDER EVALUATION CRITERIA

- 5.1. Scape has extensive processes in place which outlines all the necessary steps and documentation that need to be completed throughout the procurement process, to ensure compliance and

best value for money. This includes a free feasibility stage. Balfour Beatty are performance monitored throughout the lifetime of the framework.

6. SUMMARY OF EVALUATION

- 6.1. Summary of the evaluation and due-diligence that has been undertaken, prior to being in a position to award the contract for Phase I, is detailed further in Section 11 (financial), Section 12 (risk), Section 13 (programme) and Section 15 (financial).
- 6.2. In addition to the above, there are other agreed requirements set out in the Scape Framework (Schedule 18) which identify Balfour Beatty's commitment to delivering '*efficiency, certainty and social value*'. These include:
 - Monthly Scape KPI reporting
 - Feedback workshops and continuous improvement action
 - Joint communication activities
 - Biodiversity Net Gain Reports
 - Social value reporting from source to supply
- 6.3. A Social Value Specialist is part of the Balfour Beatty project team and is responsible for implementing a scheme Social Impact Action Plan. As part of the Scape framework, Balfour Beatty report to Scape against the TOMs framework, developed by the National Social Value Taskforce and the Social Value Portal. Customers for each Scape project can select up to five National TOMs as the focal point for the delivery of social impact activity.

7. ENSURING VALUE FOR MONEY WITH THE SCAPE FRAMEWORK

- 7.1. This procurement path ensures value for money as the Scape Civil Engineering Framework was compliantly procured, in accordance with Public Contract Regulations 2015.
- 7.2. Balfour Beatty were awarded as a single delivery partner for this framework, following a compliant competitive procurement process. PCC are able to compliantly direct award Balfour Beatty any relevant projects under this framework. Balfour Beatty are able to further demonstrate value for money by competitively tendering the sub-contracted work packages through their extensive supply chain via an open book process. This means that all of the project spend under this framework will have been subject to competition. Even though Balfour Beatty is the sole supplier under this framework, this does not result in a monopolistic situation as Balfour Beatty were subject to wide EU competition to be awarded as a partner via the framework and the construction work for the project has been competitively tendered by Balfour Beatty.
- 7.3. The Scape Framework has also been used to procure design and construction services as part of the Council's South Yard project, Charles Cross Roundabout Redevelopment and more recently, the Forder Valley Link Road scheme, which have reported positive experiences.
- 7.4. WTTG Phase I pre-construction stage was procured and delivered through the Scape framework using an NEC4 Professional Services Contract (PSC). Through this contract Balfour Beatty delivered all of the project design services.

Contractor's Procurement and Management of Supply Chain

- 7.5. Although the Scape Framework is a single supplier award, best value through Balfour Beatty's supply chain is achieved through competitively tendering individual work packages where sub-contractor prices are required through its extensive supply chain. This approach demonstrates value for money by all of the project spend under this framework being subject to competition.

By fostering collaborative, honest and open relationships, Balfour Beatty can drive performance improvement across all areas of their supply chain.

Enhancing Value

7.6. By working in partnership with key supply chain partners, Balfour Beatty enhance value and minimise risk; specific examples of this include the following:

- Collaborative planning forums – removes duplication and re-work for follow-on trades, by identifying constraints which may impact on interfacing works;
- Risk and opportunity workshops – identifying key risks and opportunities which are jointly managed across all suppliers for particular work sections;
- Value stream mapping – ensuring that offsite fabrication aligns with the required delivery programme and identifying bottlenecks to allow early mitigation;
- Co-location of supply chain and project staff – teams working together, removing the risk of segregation;
- Expedition of critical materials – actively managing demand peaks and troughs to avoid delays.

Tendering Processes – Approval, Selection and Performance Management

7.7. A critical aspect of the project delivery is ensuring the correct supply chain are engaged. Balfour Beatty do this with their supply chain through the implementation of strict supply chain selection and approval processes which includes:

- Supply Chain Rationalisation – Balfour Beatty review the volume of suppliers they actively trade with to ensure that they work with only the best suppliers and drive efficiencies.
- Supplier Approval Process – all new suppliers and subcontractors are required to undergo a rigorous pre-qualification assessment procedure and are required to demonstrate their capabilities and competence in all aspects of their business.
- Supplier Performance Management – once approved, annual audits are carried out to ensure standards are maintained and continuous improvement targets are set and achieved. Where necessary, improvement plans are implemented to increase performance.
- Supplier Selection – Balfour Beatty use an evaluation tool to identify and select supply chain partners based on a series of value adding criteria (not simply lowest price). The selection criteria for each package is bespoke to reflect the constraints, risks and opportunities associated with that specific element of works. Selection criteria can include:
 - Health and Safety Culture
 - Technical expertise and competence of supervisors and technical support
 - Capability and Capacity (including track record for delivery)
 - Use of local labour force and a local supply chain
 - Competitiveness of a robust price and transparency of cost base
 - Robust risk assessments and risk mitigation plans
 - Effective project controls to manage quality (systems, processes and practical evidence), time, cost, maintaining and improving programme
 - Proposals for continuous improvement and increasing productivity

- Supply chain mapping – the identification of sub-tiers of supply, sources of raw materials and country of origin
- Innovation
- Sustainability initiatives

Risk Management

- 7.8. Risk management within a contractor's supply chain is critical and Balfour Beatty ensure that risks are managed and mitigated at a macro level as well as throughout the lifecycle of the project.
- 7.9. Supply chain risks are managed and mitigated through detailed, bespoke procurement strategies.
- 7.10. Some of the most common supply chain risks that Balfour Beatty monitor and manage are:
- Supply Chain Vulnerability – Supply Failure and Supplier Failure
 - Macro-Environmental Risks – Political, Economic, Social, Technological and Legal
 - Anti-Competitive Behaviour – Price Fixing
 - Sustainability – Economic, Social and Environmental
 - Health and Safety – Policy, Performance and Investment
 - Commercial – Cost Certainty
 - Programme – Delivery and Completion
 - Quality – Products and Workmanship
- 7.11. Two of the most significant risks in the current market are that of Supply Failure and Cost Escalation brought about by the increasing likelihood of an imbalance between the demand on the supply chain and their capacity and capability to supply. These risks are managed closely through Balfour Beatty's supplier relationship management programmes and through the effective execution of project procurement strategies.

Managing Health, Safety and Wellbeing

- 7.12. The health, safety and wellbeing of employees and everyone else affected by project activities are fundamental. Balfour Beatty require that everyone who works for or with them:
- Embeds health and safety as core elements in all they do
 - Takes a lead in requiring and delivering excellent health and safety
 - Works with them to eliminate the risk of serious harm from all activities
 - Upholds and promotes their policies and expected behaviours
 - Is intolerant of unsafe behaviour, short cuts and unplanned work
 - Supports those who challenge these unsafe practices, and holds people to account if they don't conform
 - Insists that everyone is involved, informed and engaged
 - Challenges, learns and innovates to reduce risk
 - Reports potentially unsafe incidents and injuries, and investigates fully to learn lessons
 - Comes to work in a fit condition

Sustainable Procurement

- 7.13. Balfour Beatty are committed to working with the supply chain to:
- Maximise the engagement of local labour and suppliers

- Measure, understand and minimise greenhouse gas emissions and use of water
- Apply lifecycle thinking to the provision of lower impact products, materials and services
- Reduce and avoid the disposal of waste to landfill
- Provide responsibly sourced construction materials with high recycled contents
- Develop their collaborative approach to sustainable and responsible procurement
- Implement effective controls to guard against Modern Slavery
- Maximise the total amount of social value generated by the project

8. PRE-CONSTRUCTION PHASE

- 8.1. Preconstruction activities have been undertaken by Balfour Beatty through the Scape Pre-construction Services Delivery Agreement (Professional Services Option A).
- 8.2. Balfour Beatty have now concluded their competitive tendering process and submitted their final price for construction of the Phase I works.

9. NEC FORM OF CONTRACT

- 9.1. Scape uses NEC4 suite of contracts. WTTG Phase I will be delivered using the NEC4 main works Engineering and Construction Contract (ECC) Option A.
- 9.2. In order to determine the most appropriate payment option, a review of applicable options was undertaken with a specific focus on Options A and C. A summary is shown below in Table I.

Contract Payment Option	Uses	Advantages	Disadvantages	Balance Of Risk		
				Client	Contractor	
Option A: Priced contract with activity schedule.	<ul style="list-style-type: none"> • Where works well defined. Activities are prepared by contractor – these are often linked to completion of items based upon the programme, to assist with cashflow. • Price will still increase through CEs (client risk) 	<ul style="list-style-type: none"> • Contractor's responsibility to price lump sum for everything needed to complete activity. Payment on completion of activities. • Greatest cost certainty, as client will not share pain of overspend and contractor's risk items. • Simple payment process requiring less administration from Contractor and PM. 	<ul style="list-style-type: none"> • Contractor will price element of risk which is payable regardless of whether they occur. • Actual costs incurred by the contractor are not known. Efficiencies realised by the contractor are not shared gain with the client 			Y
Option B: Priced contract with bill of quantities.	<ul style="list-style-type: none"> • Where works well defined. • List of works prepared by employer and priced by contractor. • Price will still increase through CEs (client risk) 	<ul style="list-style-type: none"> • Cashflow is consistent with work done each month. • Good cost certainty, as client will not share pain of overspend and contractor's risk items. • Simple payment process which requires less administration from Contractor and PM (slightly more admin time required than option A). 	<ul style="list-style-type: none"> • Quantities re-measurable – potential for cost increases/decreases if there is an error in the Bill. • Actual costs incurred by the contractor are not known. Efficiencies realised by the contractor are not shared gain with the client 			X
Option C: Target contract with activity schedule.	<ul style="list-style-type: none"> • Often used where extent of works is not fully defined. • Where risks are greater or where the Employer sees benefit in encouraging collaboration. Target adjusted for CE's • Pain gain mechanism 	<ul style="list-style-type: none"> • Pain/Gain mechanism incentivises contractor to make savings during construction – Contractor shares in VE savings if it is their idea, and therefore encourages innovation. 	<ul style="list-style-type: none"> • More onerous administration as full defined costs need to be assessed each month (open book accounting). • Under/Over spend will be shared by the client 			Y
Option D: Target contract with bill of quantities.	<ul style="list-style-type: none"> • Where extent of works is not fully defined. Target adjusted for CE's • Pain gain mechanism • Unlike option B the bill is not re-measurable 	<ul style="list-style-type: none"> • Pain/Gain mechanism incentivises contractor to make savings during construction – Contractor shares in VE savings if it is their idea, and therefore encourages innovation. 	<ul style="list-style-type: none"> • More onerous administration as full defined costs need to be assessed each month (open book accounting). • Under/Overs pend will be shared by the client 			X
Option E: Cost reimbursable contract.	<ul style="list-style-type: none"> • Where time or quality are take priorities or scope unknown e.g. refurbishment • extreme flexibility required e.g. for enabling work • where a high level of Employer involvement is envisaged • emergency work (time driven) • trials or exploratory work 	<ul style="list-style-type: none"> • For quick reactive works. Allows work to progress before the full scope is determined 	<ul style="list-style-type: none"> • More onerous administration as full defined costs need to be assessed, which the contractor is paid plus an agreed profit/overhead percentage. • Contractor carries minimal risk. • Little incentive for Contractor to minimise costs. • High risk of cost escalation, especially if works progress without a fully defined scope 			X

Table I WTTG Phase I Contract Payment Options review summary

- 9.3. Option A is considered to be the most appropriate payment option for WTTG Phase I given the well defined scope, contract value and importance of cost certainty.

10. DUE DILIGENCE / COMMERCIAL RISK EVALUATION

- 10.1. A financial credit check has been undertaken in July 2024 with Balfour Beatty Group Limited and Balfour Beatty PLC.

11. CONTRACT RISK ALLOCATION AND TRANSFER

- 11.1. The Council has a robust Risk Management Strategy which will be used to manage risks within this project by wherever possible eliminating these risks or providing mitigation to reduce them as far as possible. The scheme delivery strategy is designed to maximise the use of the Council's in house skills and where appropriate pass risk on scheme construction and delivery to those best placed to deal with such risks.
- 11.2. A risk register has been developed and updated throughout the preconstruction stage. Joint risk workshops with PCC, WSP and Balfour Beatty have been held to inform the production and updating of a Quantified Risk Assessment (QRA).
- 11.3. The QRA covers both the design and construction elements of the scheme. Risks have been allocated to the most appropriate owner and are shown to be either the responsibility of the Council or the Contractor. As it is a live document, this will continue to be reviewed at monthly progress meetings as risks are closed they will be removed from the Risk Register or if risks materialise they will be placed on an issues log.
- 11.4. Many risks have been eliminated or reduced during the pre-construction period. Some residual risks include inflation, the impact of unforeseen utility diversions/performance of utility companies and extreme weather events.

12. CONTRACT PROGRAMME

- 12.1. The key programme milestones are set out in Table 2 below.

Activity	Timescale
Utilities Procured	Complete
Vegetation Clearance	Complete
Enabling Works	Complete
Complete Pre-construction, including Detailed Design & Traffic Management	Complete
Tendering of construction packages	Complete
Construction contract award	July 2024
Mobilisation	August – September 2024
Start of works (approx. 12 months duration)	September 2024
Planned opening	October 2025

Table 2 WTTG Phase I programme milestones

- 12.2. It is important to note that the programme is updated, reported and monitored on a monthly basis and must be accepted by the Project Manager. The programme can therefore be adjusted throughout the construction period for valid contractual reasons.

13. CONTRACT MANAGEMENT

- 13.1. The Council already has a robust contract management process in place for this scheme and has secured external Contract Management support through consultants WSP to assist in the administration of the construction works contract.
- 13.2. This approach enables WSP to fully scrutinise and challenge all works and prices on behalf of the Council, in order to ensure that the contractor is compliant with the scope contained within the works information and activity schedule. WSP have direct experience of managing highway engineering contracts for many public sector clients and have recently undertaken this role on Council schemes such as Plymouth Road, Forder Valley Link Road and Forder Valley Interchange.
- 13.3. WSP have provided contract management (NEC Project Manager role) for the Phase 1 PSC contract, Enabling works contract and Phase 2 PSC contract with Balfour Beatty.
- 13.4. Key activities which the Contract Management team (WSP and PCC) will undertake include:
- Ensure that value management procedures are implemented in order to minimise costs without adversely affecting quality;
 - Monitor works progress against both programme and forecast spend profiles, and check quality of the deliverables;
 - Review and agree the assessments of any compensation events;
 - Review and agree interim payments against completed activities within the activity schedule
- 13.5. Contract change management will be overseen by the Council and their agents. The Contractor must notify the Client Project Manager, of any matter through an Early Warning, which could increase the prices, delay completion or impair the performance of the works in use.
- 13.6. There is a likelihood in construction contracts for there to be unforeseen changes to the scope and/or site information, or other circumstances, which could lead to a variation. Under the NEC, these variations are known as Compensation Events which are usually not the fault of the contractor and change the cost of the work, or the time needed to complete it. As a result, the prices or programme may be reassessed.
- 13.7. Where compensation events are agreed, an uplift to the contract price and associated purchase order will be undertaken.
- 13.8. The scope with Balfour Beatty includes for the procurement of specialist contract management software CEEMAR in order to assist in the effective and efficient management of the contract.

14. FINANCIAL IMPLICATIONS

- 14.1. This contract award is for Woolwell to The George Phase 1 construction.
- 14.2. There will be framework management fees that Balfour Beatty will be responsible for paying to SCAPE framework, which is incorporated in below contract value.
- 14.3. The total contract value under this award is £8.425 million.
- 14.4. The funding package for the whole Woolwell to The George project was approved by Cabinet in November 2021 and updated in March 2024. The funding for this award has already been accounted for within the project budget which is supported by TCF and LUF funding.
- 14.5. Significant efforts have been made to ensure scheme affordability and value for money. Contractor prices have been robustly challenged and a collaborative effort has resulted in a general reduction in the price as part of the preconstruction process.

15. CONTRACT AWARD RECOMMENDATIONS

15.1. It is recommended that the Service Director for Strategic Planning and Infrastructure:

- Approves the construction contract award to Balfour Beatty Civil Engineering Ltd. through the Scape Framework for Woolwell to The George Phase I up to the value of £8.425 million.