

## Cabinet

<b>Report Title:</b>	Lake Lothing Third Crossing – The next steps – update and approval to proceed to the construction phase.
<b>Meeting Date:</b>	25 August 2020
<b>Lead Councillor(s):</b>	Cllr Matthew Hicks, Leader of the Council Cllr Andrew Reid, Cabinet Member for Highways, Transport and Rural Affairs Cllr Gordon Jones, Cabinet Member for Finance and Resources
<b>Local Councillor(s):</b>	Cllr Keith Patience (Gunton); Cllr Steve Ardley (Gunton); Cllr Jamie Starling (Lowestoft South); Cllr Jenny Ceresa (Lowestoft South); Cllr James Reeder (Oulton); Cllr Keith Robinson (Oulton); Cllr Craig Rivett (Pakefield); Cllr Melanie Vigo di Gallidoro (Pakefield)
<b>Director:</b>	Mark Ash, Executive Director of Growth, Highways and Infrastructure
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### Brief summary of report

1. This is the final report, before the construction phase of the bridge. The report confirms that development consent has been granted by the Secretary of State, seeks authority to award the construction contract, seeks approval to submit the Final Business Case (FBC) to the Department for Transport (DfT); provides a thorough financial assessment of the total cost to deliver, operate and maintain the bridge, includes an explanation of the robust approach to risk and an assessment of its impact on cost; sets out the timetable for the delivery of the bridge project and makes proposals for the effective governance and contract management of the construction contract. The report also considers the naming of the bridge.
2. Additionally, to give Cabinet assurance that the arrangements to deliver the bridge are sound, this report notes that a Local Partnerships review (the supportive role of Local Partnerships is explained in paragraphs 133-135) took place at around the point at which this report was dispatched which will inform the final award of the contract and the submission of the Final Business Case (FBC) to the DfT. Any findings material to the recommendations in this report will be drawn to the Cabinet's attention at its meeting.

**(Please note, totals in the supporting tables may not appear to cast, cross-cast, or exactly match due to rounding differences).**

## What is Cabinet being asked to decide?

3. The current estimate cost of delivering the bridge is £126.75m. Cabinet is being asked to agree a total investment of up to £145.83m which must be allocated in its entirety to deliver the Lake Lothing Third Crossing project. This investment commitment will include:
  - a) A provision of £11.47m for the known risks that the Council will be holding, which will be overseen by the Executive Director for Growth, Highways and Infrastructure in accordance with the Council's scheme of delegation.
  - b) An additional £7.60m to hold as a contingency which can only be accessed by the Executive Director for Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance and Resources.
4. Agree an additional commitment of £61.94m over the initial £10.00m (£5m revenue, £5m borrowing) agreed at Cabinet in May 2016 to enable delivery of the project, comprising £1.98m from revenue reserves and £59.96m from borrowing. Provision has been made in the Council's Medium Term Financial Plan for borrowing up to £58m, therefore this is £6.96m of borrowing over and above what has already been provided for. This is an additional annual cost pressure of £0.36m that will need to be recognised in future budget plans.
5. Agree that the construction contract for the bridge be awarded by the Executive Director of Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader and the Cabinet Member for Finance and Resources within the budget set out in 3 above when DfT funding is confirmed. The retendering agreed by Cabinet in October 2019 has delivered a saving in excess of £12m (see paragraph 51).
6. Agree predicted revenue costs to operate and maintain the bridge (excluding insurance) of £0.59m per annum. Ask that the Executive Director for Growth Highways and Infrastructure and the Head of Finance make provision for these additional cost pressures in future budget plans.
7. Agree the proposals for the management of risk as set out in paragraphs 92 to 103 which have informed the above budget allocation.
8. Endorse the project timetable for the completion of the bridge as set out in paragraphs 142 to 143.
9. Approve the submission of the Final Business Case to DfT and delegate the authorisation of the final wording to the Executive Director of Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader and the Cabinet Member for Finance and Resources.
10. Allocate a total budget of up to £31.44m, which is part of the total investment in 3 above, to cover essential expenditure and to fund continuing work on the Lake Lothing Third Crossing up to the point at which the DfT confirms its formal decision on the Final Business Case.

11. Endorse the robust proposals to contract manage the construction of the bridge as set out in the construction phase governance and reporting procedure (paragraphs 104 to 116) and provided for in the budget in 3 above.
12. Authorise the Executive Director of Growth, Highways and Infrastructure in consultation with the Leader and the Cabinet Member for Finance and Resources to make revisions to the project in response to the Local Partnerships review and future developments but only on the basis that the revisions do not have a negative impact on the Council's ability to deliver the bridge within the budget ceiling set out in recommendation 3 above.
13. Endorse the bridge name announced by the Leader at the Cabinet meeting. The name was chosen based on the school children's competition as set out in paragraphs 136 to 141 of the report.

## **Reason for recommendation**

### **What are the key issues to consider?**

14. The construction of the Lake Lothing Third Crossing as an infrastructure project of national importance will be a big step forward for the town of Lowestoft and the wider east coast region. The construction of the bridge is essential to get the local economy moving as Suffolk emerges from the COVID-19 crisis. The provision of the Lake Lothing Third Crossing will remove an important impediment to much needed growth in Lowestoft by reducing congestion around the town and improving the reliability of journey times across the town particularly across Lake Lothing.
15. The Crossing sits alongside other aspirations and ambitions for Lowestoft. Recent announcements include the granting of £43m from Government for the Lowestoft Flood Risk Management Project and East Suffolk Council's approval of the Lowestoft Masterplan, and comes on the back of the development of the Centre for Environment, Fisheries and Aquaculture (Cefas) HQ. The Masterplan references the Third Crossing, alongside the Flood Risk Management Project, as enablers for further projects such as the Sustainable Urban Neighbourhood and Kirkley Waterfront, the Powerpark, Heritage Action Zones in North and South Lowestoft, and further investments in South Beach. Reliable north/south connectivity is central to the regeneration of not just the town, but also the wider Suffolk and Norfolk region.
16. The bridge is now at a crucial point in its implementation. The bridge has been granted planning permission in the form of a Development Consent Order (DCO), and, subject to the discharge of its requirements, it is ready to move forward to construction.
17. An initial Equality Impact Assessment has been undertaken and can be found via the following link: <https://pandp.suffolk.gov.uk/> (search under Lake Lothing). It was decided that a Full Equality Impact Assessment was not needed because at this stage of the project it is not expected that any of the people with the protected characteristics subject to the assessment are negatively affected.
18. Cabinet needs to consider:
  - a) Is it content to continue to fund the bridge based on the budget information supplied in this report?

- b) Is it content that officers have carried out an effective value for money exercise by going out to the market to achieve the best construction price?
- c) Does it acknowledge that the bridge will become an additional asset to maintain and operate for the life span of the structure?
- d) That the delivery of a major infrastructure project, particularly of a moving bridge, contains a certain amount of risk which could affect the delivery programme and budget and that appropriate due diligence has been carried out to reduce this risk as far as reasonably possible?
- e) Whether the risk and uncertainty created by the COVID-19 outbreak has been properly considered and the Council can continue the project whilst exposed to this level of risk?
- f) Whether the bridge can proceed on the basis of the above, or does it require a greater contribution from local partners and the Department for Transport, given the greater risk created by the COVID-19 crisis and, to a lesser extent, the delay in the Secretary of State's Development Consent Order decision?

### **What are the resource and risk implications?**

19. To build the Lake Lothing Third Crossing will require a substantial investment of up to £145.83m. The Council's contribution to the project is £71.94m, of which £64.96m will be funded from borrowing. The Council in its Medium-Term Financial Plan has already provided for up to £58.00m of borrowing costs. The additional borrowing of £6.96m recognises an additional cost pressure on the revenue budget of £0.36m per annum over and above what has already been provided for. However, although provision has been made in the Medium Term Financial Plan, there is significant uncertainty around local government funding and the long-term impact of COVID-19 and future years budgets still need to be balanced.
20. The capital investment identified to deliver the bridge is inclusive of all known costs including risk and contingency. The Executive Director of Growth, Highways and Infrastructure has established a Major Programme Delivery Board, which has reviewed the management of the Council's infrastructure projects. The Board has already concluded that the Council must be more realistic in its management of risk and provision of contingency. The rigour with which this has been done for the Lake Lothing Third Crossing is set out in paragraphs 92 to 103. As a result, it is set out in the recommendations above that the investment commitment must include provision for:
  - a) £138.23m for the construction of the bridge, including a provision for known risks the Council will be holding, which will be overseen by the Director for Growth, Highways and Infrastructure in accordance with the Council's scheme of delegation.
  - b) An additional £7.60m to hold as a contingency fund, which can only be accessed by the Executive Director for Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance and Resources.
21. The report also advises Cabinet of additional revenue costs to operate and maintain the bridge as set out in paragraphs 117 to 126 and acknowledges that

this will be an additional pressure on the Council's revenue budget. The Executive Director for Growth, Highways and Infrastructure and the Head of Finance will make the appropriate adjustments within the Council's budget to recognise this pressure.

22. To minimise sunk costs should the bridge not go ahead the Council will not award the construction contract, conclude the land purchases that it has agreed and proceed with the construction of the bridge until the DfT and the Treasury have confirmed funding on the basis of the Final Business Case. In the meantime, it is recommended that Cabinet allocate a total available budget of up to £31.44m to cover existing expenditure and to continue work on the Lake Lothing Third Crossing. It should be noted that this sum includes £4.36m of costs in relation to early payments to utility companies to ensure the best price is secured. However, if the scheme does not go ahead, only costs already incurred by the utility companies would need to be covered, resulting in a refund of a significant amount of these payments.
23. The delivery of a major infrastructure project in its construction phase will require the expansion of the existing project team to include supervision, site management and on-going design support. Commercial support and contract administration will continue to be supplied by Sharp Contract and Surveying Limited who were successful in being awarded the support contract in 2018, after a competitive tender process.
24. The decision to proceed with the delivery of the bridge will increase the cost of maintenance of the Council's asset portfolio. The bridge will also require 24-hour, 7 days a week operation which will add to the Council's costs. This point is dealt with in recommendation six.

### **What are the timescales associated with this decision?**

25. Government funding for the bridge has been allocated from the DfT's Local Major Transport Schemes' budget pending confirmation of approval of the Final Business Case. The programme for the bridge has therefore been determined with a view to starting of construction in 2021. The Council is in regular dialogue with the DfT about the progress of the bridge, and its current timetable and they have not raised any timetable concerns.
26. The key milestones in the delivery of the Lake Lothing Third Crossing are set out in figure nine. The bridge is timetabled to be finished during 2023.

### **Alternative options**

27. Cabinet could decide not to progress the bridge any further. If Cabinet were to consider this course of action, it should recognise the lost opportunity for growth and regeneration in Lowestoft and the wider east coast region. This is a widely supported project in the local area which will benefit the daily life of residents, commuters and businesses. It also supports the recently published Town Centre Masterplan ambitions and the newly approved one hundred-year flood protection scheme. More widely, it is an approved, nationally significant infrastructure project which will have a positive impact on the east coast energy schemes, attract new business to the town; and boost those already in the town. When surveyed, Lowestoft businesses estimated that the bridge would increase their turnover and provide opportunities to employ more staff.

28. If the bridge did not go ahead, based on current expenditure, the sunk cost that would be lost to the Council would be approximately £21.06m on the understanding that the expenditure on land purchases could be recouped. However, it is likely there would be further winding up costs, which would mean that the final figure would be greater than this. Of the £21.06m, £14.38m is treated as capital cost funded from borrowing and would need to be funded from a revenue reserve if the project was stopped.
29. Cabinet could decide to postpone the delivery of the bridge until more funds are secured from Government or other sources but there is no evidence that such a contribution would be forthcoming and this matter was previously explored by Cabinet on 9 October 2019. The Development Consent Order only lasts for five years. In addition, delay could lose the funding secured from DfT and put any side agreements with affected parties, for example, land acquisition in doubt. There is currently no evidence that a delay would enable the Council to secure additional funding, but it would increase the cost.

### **Who will be affected by this decision?**

30. Residents in Lowestoft and the surrounding area who would benefit from the growth and regeneration that will be supported by the provision of the bridge. The extent of the benefits was set out in the Outline Business Case. A decision to not proceed with the project would be a big setback for Lowestoft.
31. Road users in Lowestoft, including those on the Strategic Road Network A47.
32. Those with an interest in the land in the locality, be it landowners, tenants or statutory undertakers will be directly affected as the Council will be acquiring the land interests it needs to build and operate the bridge if the project goes ahead.

## **Main body of report**

### **Background**

33. Local newspaper records show demand for a third crossing for the town dating back 125 years. The turning point came after a visit to the town by the then Prime Minister David Cameron in April 2015. There is near-unanimous support in the town for a third crossing, but many residents are sceptical that it will ever materialise as it has been talked about for so long. In 2015, the Council was awarded funding by the DfT to develop an Outline Business Case (OBC), to identify and assess several ways of improving north-south connections across Lake Lothing.
34. As part of an extensive engagement exercise a survey of 151 local businesses revealed that 83% rated traffic problems as a “significant” or “very significant” problem to their business. With the opening of the third crossing, businesses are expected to see, on average, 23% growth in turnover in the next five years if the scheme is provided (only 5% if it is not provided).
35. On 24 February 2016, the Council formally requested that the Secretary of State for Transport should use his power under section 35 of the Planning Act 2008 to direct that the Lake Lothing Third Crossing, and its associated matters, should be treated as development for which development consent is required. In the direction of 22 March 2016, the Secretary of State confirmed that he was satisfied that the proposed scheme was nationally significant principally due to

the relief it provides to the A47 bascule bridge, part of the Strategic Road Network (SRN).

36. In March 2016, after submission of the OBC the Council received a provisional funding agreement of £73.39m from the DfT for the Lake Lothing Third Crossing bridge.
37. The Council's Development Consent Order (DCO) application for the bridge was submitted on 13 July 2018 and, after an acceptance period, was confirmed for examination on the 9 August 2018. The Examination began on 5 December 2018 and closed on 5 June 2019. The Examining Authority issued a recommendation report to the Secretary of State on 5 September 2019. The Secretary of State had been expected to issue a decision on formal planning consent on or before 5 December 2019. However, due to the General Election on 5 December 2019, the decision was postponed until a statement governing the new timescales was put before parliament. A decision was finally made on 30 April 2020 granting the DCO effective from 21 May 2020. The accompanying letter stated - "the Secretary of State also agrees with the panel that the proposed development has an aspirations aesthetic to its design, delivering an iconic new work of architectural engineering".
38. The agreed objectives of the bridge are to:
  - a) Open opportunities for regeneration and development in Lowestoft.
  - b) Provide the capacity needed to accommodate planned growth.
  - c) Reduce community severance between north and south Lowestoft.
  - d) Reduce congestion and delay on the existing bridges over Lake Lothing.
  - e) Reduce congestion in the town centre and improve accessibility.
  - f) Encourage more people to walk and cycle, and reduce conflict between cycles, pedestrians, and other traffic.
  - g) Improve bus journey times and reliability.
  - h) Reduce accidents.
39. The new crossing will have an air draught height of 12 metres compared to the existing bascule bridge's air draught height of 2.16 metres. Modelling carried out for the development consent application predicts a reduction of openings of 30-50% compared to the existing bridge. Traffic modelling carried out for the development consent application predicts that the provision of the new crossing will reduce traffic on the existing crossing by a predicted 50%.
40. The predicted reduction in traffic levels on the existing bascule bridge, will enable further regeneration and improvements to Lowestoft town and surrounding road network. For example, as cited in the recently published Lowestoft Town Centre Masterplan, the bridge will reduce traffic across the bascule bridge and so the public realm around Station Square can be improved.
41. Engineering and technology are an important part of Lowestoft's future in supporting the offshore energy sector. As part of the construction phase the Council is planning to increase the engagement with schools, colleges, residents and businesses to ensure local people can consider construction and

engineering as careers. Local businesses will have an opportunity to engage with the contractor at local supply chain events.

42. The Lake Lothing Third Crossing is an integral part of the investment and regeneration strategy for Lowestoft. As Suffolk's second largest town, Lowestoft is home to an important working port, run by Associated British Ports (ABP), and stands to benefit from the significant potential offered by the Offshore Wind Industry. The New Anglia Local Enterprise Partnership's Local Industrial Strategy states: "the Great Yarmouth and Lowestoft Enterprise Zone has the potential to create 18,500 new jobs over the next 25 years. The ports of Great Yarmouth and Lowestoft are strategic centres for the offshore wind sector. Significant investment has been made in port infrastructure to support pre-assembly, construction, installation and operations and maintenance, with land available for further expansion."
43. The Centre for Environment, Fisheries and Aquaculture (Cefas) has underlined their confidence in Lowestoft. Based in Lowestoft since 1902 Cefas now employs some 600 staff between Lowestoft, Weymouth, Kuwait and Oman. It is the UK's most diverse centre for applied marine and freshwater science and research, providing innovative solutions for the aquatic environment, biodiversity and food security and a bridge between government, academia and industry. The Cefas administrative headquarters and research facilities at the end of South Beach in Lowestoft have recently been redeveloped and extended putting Lowestoft at the heart of innovation and research in offshore renewables, fisheries, marine and coastal infrastructure and shipping.
44. The recently agreed Lowestoft Masterplan underlines the ambition for Lowestoft. The Lake Lothing Third Crossing is central to the Masterplan creating opportunities for regeneration and development, helping to reduce congestion and improve accessibility to the town centre. It sits alongside projects such as the Sustainable Urban Neighbourhood and Kirkley Waterfront and the Powerpark. Alongside these economic regeneration projects, the Masterplan identified the cultural regeneration of Lowestoft as a priority with Heritage Actions Zones in both North and South Lowestoft and further investment in Lowestoft South Beach, which has had success as a music and arts venue through the First Light festival. The vision of the Masterplan is to make Lowestoft town centre the thriving heart of the UK's most easterly coastal community by 2036 and the Third Crossing is an essential component.
45. Alongside the bridge, the other major infrastructure project in the Masterplan is the Lowestoft Flood Risk Management Project. The Government has shown its confidence in the area by awarding £43m – the largest award to any single scheme in England - to deliver the tidal flood walls and a tidal barrier to protect and safeguard the town from flooding. The Lowestoft scheme will address the flood risk which has constrained the development of key regeneration sites and will unlock multiple local and national growth opportunities.
46. These investments come at a time when Lowestoft's new Places Board is forming, with the prospect of a further £25m investment through the Government's Towns Fund. The importance of inclusive growth which benefits all the residents of Lowestoft is central to the work of the Board and the exciting range of projects proposed for Lowestoft in the coming years. It is recognised that Lowestoft currently has below average social mobility, that qualification levels at all ages and apprenticeship starts are lower than national comparators



and that there are pockets of severe deprivation in the town. Investment in the Third Crossing would demonstrate confidence in Lowestoft and provide a key piece of enabling infrastructure upon which to build the renaissance of the town.

47. The design of the bridge will make it a new landmark for the town to inspire and give residents and business something of which they can be proud.

## **Procurement**

48. On 8 October 2019 Cabinet acknowledged the need to re-tender the construction element of the project to ensure value for money (VfM) and enable a comprehensive budget requirement to be brought back to Cabinet in April or May 2020.
49. As a result, officers initiated a procurement programme and four bidders returned selection questionnaires for the first stage of the process. Three bidders were invited to submit tenders. The initial procurement timetable was extended to allow sufficient time for all bidders and to take account of the impact of COVID-19. Two bidders returned complete bids for evaluation.
50. It is encouraging that, despite the uncertainty created by both the delay in the Secretary of State's Development Consent Order decision and the increased risk created by COVID-19, the procurement process concluded with construction cost reductions. The delay in the Secretary of State's decision created doubt during the tendering process about whether the bridge would be built. COVID-19 created market instability and supply chain challenges during the crucial stages of the procurement. In the knowledge that any further delay would result in further upward cost pressure the Council drove the procurement process forward and resisted the temptation to pause the process. The result has been an improved value for money outcome, as set out below.
51. The re-tendering exercise has proved successful in containing an upward construction cost pressure and has delivered a substantial saving in excess of £12.00m from the original contractor's estimate in summer 2019.
52. It is recommended that authority is given so that the construction contract for the bridge can be provisionally awarded by the Executive Director of Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader and the Cabinet Member for Finance and Resources within the budget limit of £76.00m, and finally awarded provided the DfT has confirmed funding following the submission of the Final Business Case. Furthermore, it is recommended that the provisional award be announced following the call-in period to the Cabinet Meeting on the 25 August 2020 with the final award not being made until the funding is confirmed by DfT, to minimise sunk costs should the project not go ahead.
53. The evaluation model was based on a 60/40 price/quality model as cost certainty is such a high priority for major infrastructure projects. The procurement took place in the context of a fully designed bridge which has ensured a high quality of design. The tenders were evaluated in accordance with themes set out within the Government's Procuring Growth Balanced Scorecard for projects more than £10.00m.

54. The procurement team maintained a regular dialogue with the bidders and two clarification meetings were held in the tender period. Due to the uncertainty created by COVID-19, regular dialogue with bidders was maintained to understand any risk issues. The tender period was extended further, due to COVID-19 and supply chain availability.
55. Within the quality evaluation the bidders were asked several questions, covering several key topics to demonstrate their full understanding of the project, its technical challenges and their approach to delivering the project successfully. The evaluation team were satisfied that both bidders provided suitable evidence from previous similar projects, and that they were both capable of managing the project through its construction phase. The quality evaluation questions covered the following topics:
  - a) Delivery team, including skills and experience to benefit the project.
  - b) Understanding risks of the project.
  - c) Construction methodology for the project and programme.
  - d) Management of mechanical, electrical and hydraulics which included how they would deal with the moving bridge requirements.
  - e) Safety on site.
  - f) Community benefits, including social value benefits in the area.
56. The cost evaluation was designed to obtain the best commercial outcome for the Council, considering the initial contract value as well as the potential for future cost variations due to any changes. Clients within the industry are often criticised for choosing the lowest initial price, without successfully evaluating overall best value when choosing a contractor for construction projects. Within this procurement the strategy that was adopted was deliberately designed to determine which contractor would offer the best overall value for money to the Council.
57. The price evaluation included the following elements of the contractor's cost:
  - a) General preliminaries.
  - b) Fee percentage.
  - c) Contract Data Part 2 Discipline Rates.
  - d) Tender total price.
58. The Council set out to achieve a reduction on the price for the construction of the Lake Lothing Third Crossing by going out to procurement again. The costs and quality responses provided by both bidders demonstrated that the Council's rationale for undertaking the procurement to achieve best value was correct.
59. The procurement process was carried out in accordance with the Council's commercial statement, in so far as the financial focus and robust commercial approach of the process ensures the most is being made of every penny for the Council, Suffolk and Lowestoft.
60. The evaluation team were reassured that it was a commercial and competitive process with genuine interest in working with the Council as demonstrated by both bidders submitting tenders at very similar costs in terms of contract value.

61. With key elements of cost being very similar and consistent between both bidders, it provides reassurance that the prices represent robust market rates.
62. With any procurement, the tenderers have 30 days to challenge the Council's award decision. An award decision challenge could seek to recover procurement costs and in extremis lost profits resulting from a failure to secure a contract. The Council always takes legal advice on the management of its major procurements to ensure the arrangements have been robust and have followed relevant legislation. If the Council were challenged officer advice is that the Council's stance should be defended to avoid precedent. Officers are confident that they have taken action to ensure the processes are robust. However, if an unprecedented but potentially costly challenge emerged, the Executive Director of Growth, Highways and Infrastructure would return to Cabinet.

## **Social Value**

63. The construction contract has defined requirements to ensure that the contractor will be responsible for delivering a positive impact in terms of social value for local people and businesses in the following ways:
  - a) Provision of a minimum of 10 formal apprenticeship positions working on the construction project.
  - b) A requirement that 8 of the 10 apprenticeship posts will be for people from Suffolk and Norfolk.
  - c) Work placements for people from local schools, colleges and in further education.
  - d) Work placements for individuals not in education.
  - e) Work opportunities for local people who are economically or socially disadvantaged.
  - f) A programme of school engagement.
  - g) Maximised opportunities for local companies within a 70-mile radius to contribute to the works.
  - h) Two local supply chain events to engage with local companies and promote opportunities for working on the project.

## **Finance**

64. Cost projections for the Lake Lothing Third Crossing have been discussed at Cabinet regularly throughout the project and as with any major infrastructure provision, the reports explained from the start the risks and challenges the project faced. No infrastructure project is ever easy to deliver and costs frequently increase as greater knowledge and understanding is gained and an outline proposal is worked up in more detail. Thameslink, Crossrail, HS2, the new nuclear build programme and locally the Lowestoft Flood Risk Management Project are all examples of rising cost. Mace, the international consultancy and construction company, reported in A Blueprint for Modern

Infrastructure that 80% of large infrastructure projects globally experience cost increases or programme overruns.

65. On 17 May 2016 Cabinet was informed that the Government had provisionally granted funds for the project. The report set out that the budget allocation was an estimate and that it was possible additional funding would be needed later. The report explained there was uncertainty about the extent of the work that would be required to complete the statutory processes, acquire land, and procure the construction company. The report explicitly stated the risk that such schemes may be significantly above the estimated outturn cost, made it clear that there was uncertainty around the sources of local funding and that the Council would be required to guarantee the local contribution at the time of the submission of the Final Business Case. The report concluded that the Cabinet was being asked to approve significant sums of money to take the project forward and that there would be a need for further local funding in future years to support construction.
66. The May 2016 paper estimated total cost of the project was £91.73m, with funding for the project shown in figure below:

<b>Source of Contribution</b>	<b>Amount in £m</b>
DfT Contribution	73.39
SCC Contribution	10.00
Local Contribution	8.34
<b>Scheme Cost</b>	<b>91.73</b>

**Figure one: The original funding.**

67. By 19 June 2018, Cabinet had learnt that there was an upward budget pressure of £8.00m on the project budget, arising from land cost pressures as the Council learnt more about the complexity of the site. The June report referred to an opportunity to seek cost reductions through the value reengineering of the bridge (see paragraph 76 (a) below). The report noted that while no extra funding allocation was required at that point the cost would be more robust after a detailed design had been completed to provide a final target cost. To ensure prudent financial planning, £8.00m additional borrowing was recognised in the Council's capital programme. The report also updated Cabinet on risks pointing out that scheme design changes might be required because of the impact on port operations, that critical utility infrastructure may require amendments, and that external land acquisition costs were only at an early stage.
68. On 9 October 2018 Cabinet approved the design and build contract and Cabinet were advised that there was a risk that once stage one of the contract was complete the target cost for completing the construction phase may not be within the original project budget. A break clause was included in the contract so that if the target cost was more than anticipated it would be possible to re-tender the construction stage to ensure that VfM was achieved.
69. On 8 October 2019 Cabinet considered a part two item, due to the commercial negotiations and tendering exercises taking place at the time. The need for commercial confidentiality has now passed. The part two Cabinet report

explained the upward budget pressures and the forecast costs up to the award of contract of £32.83m, including £9.04m for land.

70. The 8 October 2019 report also explained that the project was facing upward cost pressures that were adding to estimated project costs. The main pressure reported related to land costs which had continued to increase beyond the level projected in the Cabinet report (19 June 2018) to a figure of approximately £17.00m. This is an increase of £3.40m in addition to the £8.00m identified at the 19 June 2018 Cabinet meeting. The increased land cost reflects the complexity of negotiating land deals, which includes the purchase of private land and/or compensation payments, primarily to businesses impacted by the development. The true cost cannot be established until due diligence is completed in line with statutory processes which the Council must comply with. The Council has engaged an industry leading land agent (Arden) to lead on land negotiation matters to ensure the Council is achieving best value in line with the Compensation Code. The Compensation Code provides for the payment of fair compensation to a landowner or business whose land is compulsorily purchased for public works (part of the statutory processes).
71. At the 8 October 2019 Cabinet meeting it was agreed that the construction element of the project would be retendered to seek value for money and when the construction cost of the project was known, Cabinet would receive a comprehensive report on the overall cost estimate. At that time, it was timetabled that the comprehensive report would be presented in either April or May 2020. The General Election, the delay in the Secretary of State's planning decision and the impact of COVID-19 has meant this report could not be finalised until this point.
72. In the Council's Medium Term Financial Plan, provision was made for additional borrowing of £45.00m to recognise the likely estimated increased costs in the project known at the time of setting the Council's 2021-22 budget. This contributed to the need to increase the interest budget by £2.86m over the next four years.
73. Despite the delays to the project set out above, project development has been managed within the budget envelope of £32.83m to get the project to this stage. Costs incurred and forecast up until end August 2020 are shown in Figure below:

	<b>Costs Forecast to the End of August 2020</b>
Statutory Undertakers Work	3,000
Land (including fees and compensation)	6,149,000
DCO Examination and Support	4,390,000
Design Costs	13,437,000
Council Staff Costs	1,008,000
Procurement, Final Business Case, Administration etc.	617,000
<b>Total</b>	<b>25,604,000</b>

**Figure two: Forecast costs to the end August 2020**

74. If Cabinet were to decide not to proceed with the project, due to the rising cost, the total anticipated costs to the end of August 2020 that could not be recovered are £21.06m. In addition to this it is likely there would be some significant wind-down costs. Cabinet should also note that any capital costs incurred to date that have not resulted in acquiring an asset could no longer be classified as a capital cost and therefore would have to be borne by the Council's revenue reserves. The capital costs to the end of August 2020 are anticipated to be £18.92m. Included in these costs are £4.54m of costs related to land and property acquisitions, leaving £14.38m that would need to be funded from revenue reserves.
75. The Lake Lothing Third Crossing has faced considerable upward budget cost pressures since the original early estimates produced for the Outline Business Case which were submitted to DfT. Most notably, these include:
- a) Land acquisition costs.
  - b) Construction costs.
  - c) Design costs.
  - d) Utilities.
  - e) Legal and examination costs associated primarily with dealing with objections to the scheme.
  - f) Project delays due to the General Election, the delay in the Secretary of State's planning decision and the impact of COVID-19.
76. To contextualise the impact of the upward cost pressures listed above it is important to understand the actions that officers have taken to mitigate and contain the costs. Some of the most notable actions taken are:
- a) During the detailed design phase of the project the original design for the bridge was reviewed to consider a more cost-effective construction method to reduce the risks and overall duration of the construction phase. The outcome of this value re-engineering was to change from a concrete deck in situ cantilever construction method to a steel and concrete hybrid construction. At that time, it was estimated by Arup consulting engineers that this reduced construction costs by £4.8m. The value reengineering added to the design costs, but the cost was far lower than the potential savings that will be made and therefore this was a prudent decision.
  - b) The original estimates for acquisition and compensation submitted in the Outline Business Case (OBC) were insufficient. During the planning and design phase, it was discovered that a developer had secured planning permission for a fast food outlet and other retail units on the land known locally as the "old coal yard site" on Denmark Road. The value of this land was now considerably higher than estimated within the OBC due to its new planning status. Council officers negotiated and secured the land quickly to avoid the need for significantly more expensive Compulsory Purchase Orders at a later stage if the site had been fully developed and potentially occupied. This action caused the land acquisition cost pressures explained in the 19 June 2018 Cabinet report. There was also an inadequate allowance for compensation to ABP for the impact of the

bridge on the port. ABP put significant effort into representations during the DCO Examination to provide evidence and justify how the bridge would impact their business. As a result of addressing the commercial impact on ABP fairly they have withdrawn their objection significantly reducing risk and removing an upward cost pressure. A similar issue occurred with some other landowners which further increased land compensation costs. Officers have worked to reduce any further land cost pressures and limit exposure to additional land compensation by reaching final agreements with all key landowners in advance of the start of construction.

- c) When the original construction contractor provided a construction estimate considerably in excess of the estimates made throughout the contract, Sharp Contract and Surveying were commissioned to test the market prices on a number of key items (such as steel, concrete and fill material) to see if more competitive rates could be secured. Their report indicated a substantial saving could be made by going out to tender on material rates alone. This informed the decision to go back to the market and tender for the construction phase to reduce costs. The retendering decision has saved the Council in excess of £12.00m.
  - d) A key task in the public examination is to sufficiently evidence and rebut claims made by effected parties for substantial compensation and mitigation. Although the cost of rebutting these claims has added to the project's spend, this is far outweighed by the reduction in scale of compensation originally sought and claimed in relation to impact on large commercial organisations working in and around the port area.
77. In the public examination the officer team provided strong evidence to the Planning Inspector on a wide range of complex issues including land acquisition issues that emerged during the hearings. Officers made considerable progress to contain landowner expectations and achieved fair transactions. This was reflected in the Secretary of State's decision letter and decision to grant a Development Consent Order.
78. It is now possible to set out the overall cost estimate of delivering the Lake Lothing Third Crossing given that officers have largely concluded agreements with local landowners and have actual costed tenders from construction contractors rather than estimates. The estimate before Cabinet is more accurate than ever but given the complexity of the project the final figure cannot be certain. To allow Cabinet to make an informed decision in full sight of the overall implications for the Council's budgeting the recommended budget provision below first sets out the current cost estimate of delivering the project and then goes on to add quantified risk and contingency.
79. The budget allocation required for the project is up to £145.83m. A breakdown of these costs is shown in Figure three below:

	<b>Total Scheme Budget</b>
Construction Contract (including contractor risk items)	76,000,000
Statutory Undertakers Work	6,087,000
Land (including fees and compensation)	16,866,000
Design Investigations, Surveys, Procurement, Supervision etc.	27,799,000
<b>Total (Excluding Quantified Risk)</b>	<b>126,752,000</b>
Quantified Risk	11,474,000
<b>Total (Including Quantified Risk)</b>	<b>138,226,000</b>
Contingency	7,600,000
<b>Total (Including Contingency)</b>	<b>145,826,000</b>

**Figure three: Total scheme costs**

80. It is paramount that Cabinet is aware of the comprehensive cost of the Lake Lothing Third Crossing bridge so a decision on whether to proceed can be made in full sight of the most accurate projected cost of the development and the impact the project will have on the Councils revenue and capital programme as a whole. The Corporate Leadership Team of the Council has established a Major Programme Delivery Group to improve the future management of the Council's infrastructure programme. The view of that group is that the Council must overcome the optimism bias that exists for infrastructure programmes when early cost estimates are made and sufficient allocations must be made for known risks and a contingency made for unknown occurrences. For this reason, includes provision for both a quantified risk assessment fund (£11.47m) and an additional contingency (£7.60m). It is recommended that the Council under no circumstances proceeds based on the current estimate of £126.75m, a decision must be made based on a prudent provision for quantified risk and contingency which gives a figure of up to £145.83m.
81. The estimated cost of managing risk within the project has been established using industry good practice risk analysis modelling (see next section). This sum will sit within the project from day one. Expenditure against the quantified risk assessment fund will take place in accordance with the Council's scheme of financial delegation. In addition:
- a) The Board, chaired by the Assistant Director Major Projects and Planning, will manage the construction phase of the project in consultation with the Leader and the Cabinet Member for Finance and Resources. The Board will receive regular financial reports at its meetings which will review the risk assessment to make a new cost projection at every meeting.
  - b) Any expenditure which results in a projected overspend of the quantified risk assessment fund and would result in a potential drawing upon the contingency fund would necessitate a Board discussion and could only be authorised by the Executive Director of Growth, Highways and Infrastructure and the Head of Finance after discussion with the Leader of the Council and Cabinet Member for Finance and Resources.



- c) Every single item of expenditure must be made in accordance with the Council's Scheme of Delegation. Expenditure can be authorised accordingly by:
- i) Assistant Director Major Projects and Planning up to £500k.
  - ii) Executive Director up to £1m.
  - iii) The Head of Finance to authorise all payments within the total capital investment of up to £145.83m to deliver the Lake Lothing Third Crossing project as set out in recommendation 3 above.
  - iv) To enable timely decision making so the Council can avoid delay costs any other expenditure up to £100k can be authorised by the Project Director on site.
82. The contingency fund of £7.60m will sit outside the project. It can only be accessed with the permission of the Executive Director of Growth, Highways and Infrastructure and the Head of Finance after discussion with the Leader of the Council and Cabinet Member for Finance and Resources. If this fund is to be accessed it must be accompanied by a financial report which sets out the new projected cost of the bridge i.e. including a new estimate of how much of the contingency fund will be accessed. The Assistant Director Major Projects and Planning will put in place robust contract management arrangements to ensure that the Council's interests are protected, and unreasonable claims resisted.
83. In addition to the cost of completing the construction of the project Cabinet must also be mindful of the whole life cost to include the operation and maintenance of the bridge during its lifetime. Paragraphs 117 to 126 set out this assessment. The Head of Finance will in due course have to set out how this cost will be integrated into the Council's medium-term financial planning.
84. The original budget included an amount of £8.34m to be raised through other local organisation contributions. Cabinet should note that the Council has only been successful in securing £0.50m of developer contribution funds against the £8.34m. Therefore, a total contribution from the Council of £71.94m is required to progress this scheme, £6.98m from revenue resources and £64.96m in borrowing. It should, however, be noted that there was an in-kind contribution of land owned by East Suffolk Council that was required for the project.
85. Total Funding for the project is as follows:

	Funding
<b>DfT Contribution</b>	73,390,000
<b>Revenue Reserves</b>	6,976,000
<b>Developer Contributions</b>	500,000
<b>Borrowing</b>	64,960,000
<b>Total Funding</b>	<b>145,826,000</b>

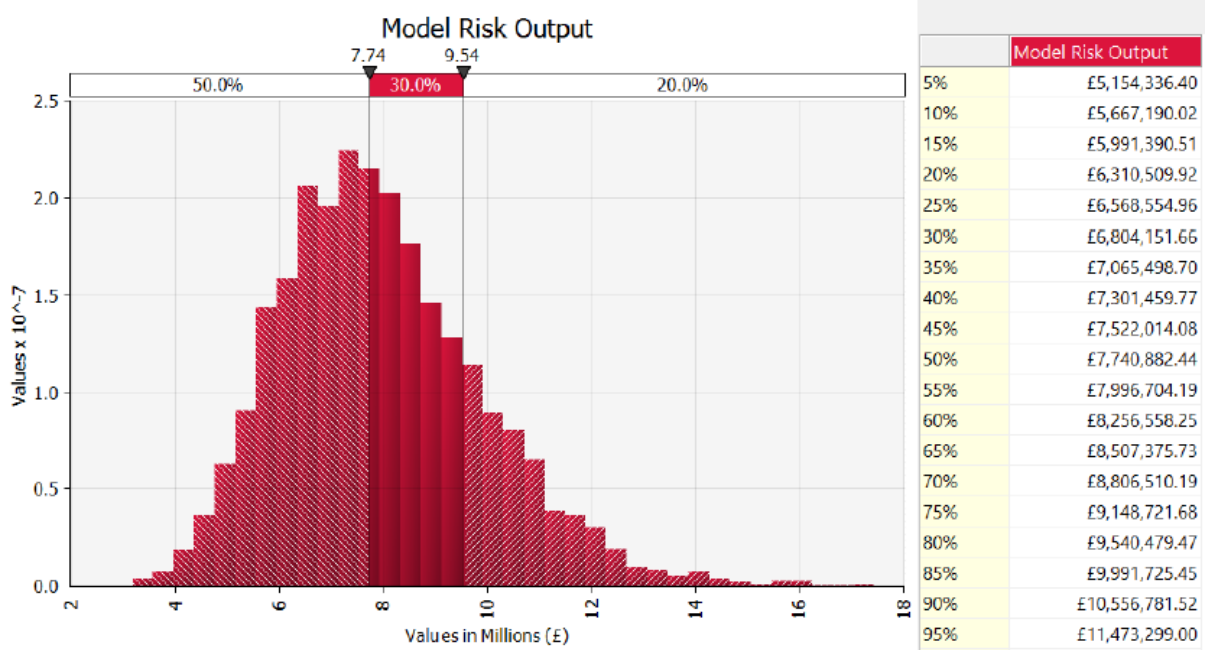
**Figure four: Total funding for the project**

86. The total Council investment required is over and above the funding set out in the initial Cabinet paper by £61.94m. This investment will require the Council to borrow a total of £64.96m at an annual cost of £3.31m for the next 30 years. Provision had already been made in the Council's Medium Term financial plan to allow borrowing up to £58.00m. Therefore, additional borrowing of £6.96m is required. This is an additional annual pressure of £0.36m on the Council's Medium Term Financial Plan. The affordability of the Council's current capital programme is constantly under review and a specific exercise has been undertaken to look at the affordability of the broader programme including this project to confirm that this is within the existing Council resources while continuing to deliver the key priorities of the Council.
87. It should be noted that the Council has not borrowed on this scale for a single project before. Therefore, the decision has been made to seek professional advice on the most cost-effective way to proceed. As a result, it is hoped that it will be possible to secure borrowing at a lower cost than stated above.
88. Cabinet must make its decision after considering the impact on the Council's overall capital programme. The total borrowing for this project is £64.96m of which the Council has included provision in Capital Financing costs for £58.00m in the Medium Term Financial Plan. Cabinet must note that although provision has been made in the Medium Term Financial Plan, there is significant uncertainty around local government funding due to the short, medium, and long-term impact of COVID-19 and the current national Spending Review. Each year, the budget process looks at pressures and costs to balance these for the next and future years against the funding available.
89. The current Capital Programme is affordable without additional schemes and costs. The increase in borrowing required to progress this scheme will mean no further schemes that require borrowing can be added to the Council's capital programme and current schemes need to be managed within existing budgets until there is further certainty around the Council's funding and the full impact of COVID-19 is known.
90. The borrowing costs stated above, alongside the future operation and maintenance costs result in an estimated annual expense to the Councils revenue budget of £3.90m. This is an extra £0.95m (£0.36m borrowing cost and £0.59m operation and maintenance costs) over and above the current provision.
91. It is recommended that a budget allocation of up to £145.83m be made to deliver the Lake Lothing Third Crossing project. This must include provision for:
  - a) The current cost estimate of delivering the bridge of £126.75m.
  - b) A provision of £11.47m for the known risks that the Council will be holding, which will be overseen by the Director for Growth, Highways and Infrastructure in accordance with the Council's scheme of delegation.
  - c) An additional £7.60m to hold as a contingency which can only be accessed by the Executive Director for Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance and Resources.

## Risk and the effects of COVID-19

92. It is paramount in a project of this complexity; risk is effectively managed and adequate financial provision is made to manage its potential consequences. Officers have set up the construction contract to reduce the risk to the Council and wherever possible the contract clauses have been drafted to make the contractor hold risk for the things that they are better able to manage. The contract includes provision for contractor held risks which form part of their bid and price. In some cases, the contractor is taking the risk for things that would normally sit with the client under a standard NEC 4 Construction Contract. The contract is effectively a fixed price lump sum for completing the work as defined by the scope of the contract. This means that the contract price at the start is as robust as possible and provides a better indication of the likely outturn cost the Council will end up paying to complete this project.
93. From experience it is known that things inevitably change during the construction phase of a project and any changes frequently result in additional cost. Officers are also fully aware that things might occur which are not the fault of the Contractor, and which could result in additional work for, and cost to, the Council. There are also things that are unknown now which will occur over the life of the construction phase affect the process and result in additional unforeseen costs.
94. To mitigate this, Cabinet is advised to produce a risk budget and a separate contingency budget. This will give an overall budget to protect the project against all the risk the Council is exposed to during the construction phase. Officers have taken advice from external risk consultants to inform the level of risk and contingency budget to allow. To identify what budget level this should be officers have undertaken a detailed, quantified risk analysis of all the known risks. The risk analysis team consisted of representatives of the Council, SHARP Contract and Surveying Ltd and WSP to provide a thorough assessment of the risk exposure.
95. Monte Carlo analysis has been used as a multi-variate model to forecast possible outcomes by creating a range of probability distributions. Monte Carlo analysis is frequently used by financial advisers and it is also used to create probability distributions to create a picture of risk. The Monte Carlo analysis has been undertaken using 5,000 iterations. Intra-category risk correlation has been implemented to acknowledge the relationships within these categories which includes the utility providers delivering the work, interface with third parties, and the geography of the project. Project risks were identified through multiple workshops where the utility provider costs and assumptions, third party costs and contractor assumptions were all reviewed in detail to inform the final list of known risks.
96. The cost risk model is based on the following assumptions:
- a) The clients design (scope) or contract conditions issued at tender are fixed and are not changed by the client post June 2020.
  - b) The site information and drawings are accurate and correct.
  - c) As part of the risk assessment process, officers have taken account of all known risks as far as reasonably possible.

- d) No additional Network Rail possession costs will be incurred by the Council.
  - e) The contractor will not go into liquidation.
  - f) There will be no legal challenge to the procurement process.
97. It should be noted that an evaluation of the bidders' financial stability was carried out as part of the Selection Questionnaire stage of the procurement by the Council's Finance department. This evaluation reviewed all the companies audited accounts, for turnover, profit and loss, borrowing and having a positive Creditsafe score.
98. The Council has ensured the capability to include a Performance Bond or Parent Company Guarantee with the successful bidder in addition to the retention requirements within the contract.
99. In relation to assessment of the current COVID-19 situation the conditions of contract have been modified specifically to include a deed of variation which provides a mechanism to consider and value any claims in relation to COVID-19 in the future. It also shares the risk between the parties and provides a way for the Council to retain overall control of this process. Taking account of this, the following COVID-19 related scenarios have been identified and quantified in the risk analysis:
- a) COVID-19 may have an impact on utility provider costs.
  - b) There may be a second COVID-19 wave during construction.
  - c) COVID-19 may impact on construction labour productivity and efficiency.
  - d) COVID-19 may impact on material prices to the extent it risks the contractor's commercial viability.
100. The distribution curve below is a graphical representation of the risk profile which gives projections of what financial provision Cabinet should make for quantified risk within the project, depending on the budget certainty the Council wishes to achieve.



### **Figure five: Monte Carlo analysis of the known risk profile.**

101. To have a high level of confidence (95%) in the risk budget, Cabinet is advised to allow a figure of £11.47m at the start of the contract.
102. In addition to the quantification of known risks, it is recommended that Cabinet also make provision for an additional contingency. The contingency budget would cover the following specific events:
  - a) Changes to the scope of design of the project.
  - b) If any of the risk analysis assumptions proves to be incorrect.
  - c) If over time the risk budget is shown to be inadequate due to the number of issues that have occurred or the emergence of unknown issues that were not foreseen.
103. It is recommended that a prudent contingency budget should be 10% of the construction contract value (£76.00m) which is £7.60m. The contingency budget covers any eventuality the Council is unable to predict with the information that is currently available. The contingency budget can only be accessed by following the set process detailed in the finance section. The calculation of the contingency focuses on the construction element of the contract, as much of the remaining risk is satisfactorily managed in the quantified risk assessment or has already being dealt with. For the avoidance of doubt, the allocation is not constrained in its application. It is therefore recommended that the Council budget for a total risk and contingency budget of £19.07m.

### **Construction phase governance and reporting procedure**

104. The governance, reporting and team structure changes according to the stages of a project. Now that the planning is complete, and the delivery stage is being entered, it is appropriate that revisions take place. To date the focus has been on business case preparation, planning and procurement. It is now time to move to overseeing the construction phase. The section below deals with the governance arrangements for the remainder of the project and the project team. During this stage robust contract management, effective budget control, risk management and engineering expertise will be required to successfully deliver the bridge.
105. The proposed bodies in the new governance structure are:
  - a) County Council Cabinet.
  - b) Peter Aldous MP's Lake Lothing Third Crossing Key Stakeholder's Group.
  - c) Lake Lothing Third Crossing Strategic Partnership Board.
  - d) Lake Lothing Third Crossing Project Board.
  - e) Lake Lothing Third Crossing Project Team.
106. The Governance structure is set out in Figure six and the delegated decision-making authority, if any, which each body will have is set out in paragraph 81 (a) to (c).
107. If Cabinet adopts the recommendations set out in this report the Executive Director of Growth, Highways and Infrastructure and the Head of Finance will

have delegated authority to deliver the completion of the bridge in consultation with the Leader of the Council and the Cabinet Member for Finance and Resources. The finances of the project will be overseen by Cabinet as part of its regular revenue and capital reports and the Leader of the Council will give updates on progress to the Full Council Meeting. The Executive Director of Growth, Highways and Infrastructure will only return to Cabinet with further decision-making reports if there is a proposal to go beyond the delegations set out in this report.

108. The day to day leadership of the project will be the responsibility of the Project Director. The Project Director reports to the Assistant Director Major Projects and Planning for the project. The Assistant Director Major Projects and Planning will hold regular meetings with the Leader of the Council and, when appropriate, the Cabinet Members for Finance and Resources and Highways, Transport and Rural Affairs.
109. The Lake Lothing Third Crossing is an important development for the future of Lowestoft so Peter Aldous MP's Key Stakeholders' Group will continue to meet on a quarterly basis to ensure the Project Board understands the views of Lowestoft. The Key Stakeholders' Group has a consultative role which is an important part of the project governance, but it is not a decision-making body.
110. In the construction phase of the bridge it is proposed that a quarterly Strategic Partnership Board be established to ensure effective working at the most senior level between the Council, the construction contractor and the District Council. It is also proposed that the Strategic Partnership Board has a focus on the need to seize every opportunity to ensure that Lowestoft benefits from this bridge. The final membership of the Strategic Partnership Board will be determined when the contractor is appointed.
111. The Project Board provides the leadership of the project within the Council. The Project Board has been meeting on a six-weekly basis, and at other times when required and this frequency of meetings will continue. The Project Board membership is shown in the table below and remains the same but Andy Jarvis Strategic Director, East Suffolk Council will join the senior Strategic Partnership Board leaving the Project Board to deal with any commercial matters associated with the construction contractor and local landowners. In addition to these members, guests are invited from the project team to present items which need a detailed discussion. For example, land matters, risk, and design. The Council is currently recruiting a new project director.
112. Local Partnerships have previously advised that it is good practice to have external challenge built into the governance of the project by an expert who is outside the project. The external challenge role is played by Mark Frith of Mott McDonald the global engineering, management, and development consultancy. Mark Frith is a Chartered Engineer and Chartered Environmentalist with over twenty years of experience delivering of infrastructure projects for both public sector clients including the Norwich Northern Distributor Road, the Great Yarmouth River Crossing, and A47 projects for Highways England.

<b>Project Responsibilities</b>	<b>Role</b>
Senior Director	Executive Director of Growth, Highways and Infrastructure
Assistant Director Major Projects and Planning (Chairman)	Assistant Director Major Projects and Planning
Project Director (and later transport strategy experience)	Head of Transport Strategy
Project Manager	Project Manager
Communications	Head of Communications
Finance	Head of Finance
Independent challenge	Mott McDonald
Others by invitation	

**Figure six: Membership of the Lake Lothing Third Crossing Programme Board**

113. For the construction phase the project team will need to change to reflect the different specialisms required. The tendered contract is an NEC option A lump sum contract, which is less burdensome in contract administration and therefore requires a smaller client team structure than other forms of contract. This was part of the consideration when choosing this form of contract to reduce fee on the project.
114. The construction phase project team will primarily be structured to provide contract administration including financial monitoring and reporting, construction supervision and land and DCO compliance support. This is shown in the outline structure below. The primary objectives for the new team are to ensure the contract is administered strictly in accordance with the contract, to manage risk, to control all costs and expenditure during the construction phase and to protect the Council's need to ensure a quality product is delivered at the end.

<b>Job Title</b>	<b>Role</b>
Senior Responsible Owner	Senior Officer.
Project Director	Council Project Lead.
Commercial / Contract Manager	Council Contract Manager.
Commercial Team	Sharp Contract and Surveying team including: <ul style="list-style-type: none"> <li>• Commercial Manager.</li> <li>• 2 x Quantity Surveyors.</li> <li>• Programme Planner.</li> <li>• Utilities Co-ordinator.</li> <li>• Risk Manager.</li> </ul>
Council Structures Construction Manager	Site supervision including: <ul style="list-style-type: none"> <li>• Manager.</li> <li>• Engineer.</li> <li>• M and E, welding and paint specialists.</li> <li>• Clerk of Works.</li> </ul>
Council Highways Construction Manager	Site supervision including: <ul style="list-style-type: none"> <li>• Manager.</li> <li>• Engineer.</li> <li>• Clerk of Works.</li> </ul>
Council Design Manager	Managing design related issues including: <ul style="list-style-type: none"> <li>• Manager.</li> <li>• Engineer.</li> <li>• Consultant support.</li> </ul>
Land and Compliance Manager	Ardent with support from Pinsent Masons.  Responsible for land access and DCO compliance in relation to Council obligations.
Council Procurement	Project support as needed.
Council Finance	Project support as needed.
Council Communications Officer	Project support as needed.
Council Project Support Officer	Project support as needed.

**Figure seven: Membership of the Lake Lothing Third Crossing Project Team**

115. The new structure is based on retaining key existing staff, recruiting new staff to fill specific roles that will be needed and utilising consultants for some specialist roles. It is important to get the new structure in place well before the contract starts. The recruitment process has started with the recruitment of the Project Director, who will be appointed if Cabinet confirms it wishes to proceed. The structure above is indicative and will be finalised by the Project Director when appointed to ensure the Council has the best possible blend of experience and expertise.

116. The Commercial Manager will be supported by a number of experienced contract management staff, including two experienced quantity surveyors and



will report regularly to the Contract Manager and Project Director, and in turn the Assistant Director Major Projects and Planning and the Project Board regularly throughout the construction phase. It is intended that the existing risk manager will be retained to work with the Commercial Manager during the construction phase and will regularly review and report on the Council's exposure to risk as the project moves through the construction phase. The NEC Contract has defined processes to undertake the commercial management of the contract. The primary function of the Commercial Manager is to administer the contract and protect the Council against any unjustifiable claims for additional costs made by the Contractor.

### **Future operation and maintenance**

117. The Lake Lothing Third Crossing has an operational design life of 120 years. To ensure this life is met, or exceeded, there is need for a periodic cycle of capital investment to fund inspections, maintenance and servicing alongside the annual costs for its operation.
118. The Council has not finalised how the day-to-day operation of the bridge will be managed so a sound commercial agreement can be reached with an appropriate provider. Associated British Ports (ABP) operate the existing bascule bridge on the A47 in Lowestoft, on behalf of Highways England. ABP are responsible for the role of Harbour Master which includes obligations for the safe, secure, efficient and environmentally sound conduct of marine operations in port waters.
119. The Council has engaged with ABP to jointly develop a 'Scheme of Operation' document. This sets out the requirements and protocols for the day-to-day operation of the new bridge and will form part of the conditions of contract for the preferred provider. The document does not limit the Council to an agreement with ABP, ensuring that the Council can fully consider all options and their cost.
120. Additionally, the bridge's abutments (supports placed in the river) will create turbulence, which will result in unwanted material deposits in the navigable channels. The operation and maintenance document also details inspection, minor maintenance, and cyclical activities, along with their required frequency. These costs vary year to year, but it is estimated that the average cost will be £0.59m per annum during the first 10 years of operation.
121. In addition to the revenue costs as set out in the operation and maintenance document it is possible that there will be revenue costs for further insurance required to cover loss/damage in relation to the bridge. Due to the complexity of this aspect, it will not be possible to advise until the bridge is nearing completion whether further insurance will be required or provide a cost estimate for this.
122. In addition, there will be a capital investment requirement for more substantial maintenance and replacement items during the structure's life with a peak of additional expenditure in year 10, when the maintenance requirement increases to £1.32m. These costs are not yet included within the Council's capital programme and will need to be considered as part of the longer-term capital plans.

123. The estimated operational revenue cost for years one to ten are £5.86m in total. For the same ten-year period, the capital maintenance and replacement costs total £1.47m.
124. Based on information taken from the operation and maintenance document there will be an increased capital maintenance requirement in future years as more expensive items need replacement.
125. The table below provides total capital maintenance costs for each ten-year block through to year 60 (50% design life).

<b>Years</b>	<b>11-20</b>	<b>21-30</b>	<b>31-40</b>	<b>41-50</b>	<b>51-60</b>
<b>Revenue Cost</b>	£6.151m	£6.153m	£6.115m	£6.151m	£6.153m
<b>Capital Cost</b>	£3.798m	£7.343m	£4.710m	£7.890m	£5.567m

**Figure eight: Estimated Lake Lothing Third Crossing operational, maintenance and replacement costs over the bridge’s lifetime.**

126. It should be noted that the capital investment is not evenly spread within each 10-year block, with peaks of investment occurring at five-year intervals on average during the above period

**Final Business Case**

127. It is recommended that the Cabinet approve the submission of the Final Business Case (FBC) to DfT and delegate the authorisation of the final wording to the Executive Director of Growth, Highways and Infrastructure and the Head of Finance in consultation with the Leader and the Cabinet Member for Finance and Resources.
128. The Final Business Case (FBC) contains five separate evidence-based documents (cases) which are:
- a) Strategic case.
  - b) Economic case.
  - c) Financial case.
  - d) Management case.
  - e) Commercial case.
129. On submission a DfT investment committee will consider the Final Business Case and make a recommendation to Ministers. Ministers will finally confirm that the proposal can proceed. The Final Business Case will:
- a) Provide details of the project’s overall balance of benefits and costs against objectives and set out plans for monitoring and evaluating these benefits when required.
  - b) Confirm the strategic fit and the case for change.
  - c) Provide the business and financial rationale for the project.
  - d) Detail the proposed contract management resourcing, processes, and benefit realisation plans.

- e) Show how the return would justify the overall investment of time and money, and,
  - f) Continue to be used to align the progress of the project towards achieving business objectives.
130. Economic benefits in the FBC will be measured as Present Value of Benefits (PVB), which will then be used alongside the Present Value of Costs (PVC) to generate a Benefit Cost Ratio (BCR), and subsequently a Value for Money (VfM) category. The methodology used to calculate these benefits (the underlying economic appraisal) are compliant with DfT guidance and were agreed with the DfT at Outline Business Case stage.
131. The scheme offers a high value for money, with an initial Benefit-Cost Ratio (BCR) of 2.39 and an Adjusted BCR of 2.84. The Adjusted BCR includes journey time reliability benefits and wider impacts. The monetary benefits are predominantly derived from journey time savings to commuters and business, as well as savings to vehicle operating costs. Lowestoft will benefit from reduced congestion, faster journeys, and improved journey time reliability. There will also be savings associated with the increased use of active modes (walking and cycling) and wider economic benefits (including induced investment, employments effects and productivity impacts), because of the scheme. This will support development, regeneration and the local economy.
132. The FBC recognises that the scheme will be funded through a combination of Government funding (52%) and a Local Contribution (48%), that the scheme is commercially viable and employed a robust contracting and procurement strategy. This included the use of the Official Journal of the European Union (OJEU) 'restricted procedure' procurement tendering process, a design and build contract, with the NEC4 Engineering and Construction Contract option A. The FBC summarises that the scheme is financially affordable, commercially viable achievable and offers high value for money for the proposed investment.

### **Local Partnerships Peer Review**

133. The Lake Lothing Third Crossing is a complex project with a substantial risk profile. Before proceeding with the project, it is important Cabinet does all it can to satisfy itself that the construction phase of the project will be well managed. To date the project has drawn upon considerable external expertise from private sector advisers. At this crucial stage of the bridge project it is important to take a step back and subject the Council's work to external challenge. The Council has invited Local Partnerships an organisation established by the Local Government Association and the Treasury to carry out a Gateway Three funding review. Local Partnerships brings a formidable combination of public and private sector experience, offering the highest quality and most effective support to the public sector. No review can foresee every possible future event, but Local Partnerships can provide the best possible assurance to Cabinet that the Council is ready to proceed with construction.
134. Local Partnerships have already provided constructive advice about the Lake Lothing Third Crossing at other stages of the project which has been helpful.

135. The latest review took place during August 2020, but its final findings were not known when this report was completed. At the August Cabinet meeting, the Executive Director of Growth, Highways and Infrastructure and the Assistant Director Major Projects and Planning will make Cabinet aware of any findings from the review which are material to the recommendations in this report. In addition, it is recommended that the Executive Director of Growth, Highways and Infrastructure, in consultation with the Leader and the Cabinet Member for Finance and Resources, be authorised to make revisions to the management of the project in response to the review and future developments. Revisions can only be made on the basis that they do not have a negative impact on the Council's ability to deliver the bridge within the budget envelope set out in recommendation 3 above.

### **The naming of the bridge**

136. The Lake Lothing Third Crossing will be a catalyst for the rebooting and regeneration of the Lowestoft economy after COVID-19, so the naming of the bridge is seen as a significant opportunity to promote the town. The bridge will be important to Lowestoft for generations to come, so a naming competition was designed with the assistance and advice of Lowestoft Rising, East Suffolk Council's economic development team, the local work inspiration broker from the Local Economic Partnership, East Coast College, BAM Nuttall's education team, Nexus engineering, and the Council's Communications Team.

137. The competition was developed to complement the "offer" made to primary schools to get involved in the project through the "Eyes on the Third Crossing" sessions which were offered and delivered to Year 5 primary pupils. These were free of charge, hands on classroom delivered sessions about bridges in the context of the Science, Technology, Engineering and Mathematics (STEM) subjects. The objective was to get a name for the bridge which could be adopted at the outset of construction, incorporated into the brand and logo, and help local people "own" the bridge and its role as a symbol of a Lowestoft renaissance.

138. The competition was introduced to the relevant schools in April 2019, giving them the summer term and half of the Autumn term to enter. From 22 schools in the Waveney area, seven schools sent in a total of 22 entries. The Project Board agreed that the judging panel should be convened to decide the winning entry. The panel met on 31 January 2020. The panel consisted of:

- Cllr James Reeder, Cabinet member, Suffolk County Council.
- Cllr Craig Rivett, Deputy Leader and Cabinet member, East Suffolk Council.
- Peter Aldous MP.
- Phil Aves, Lowestoft Rising.
- Jennifer Cushion, Chair of Lowestoft Chamber of Commerce.
- Cllr Peter Collecott, Lowestoft Town Council.

139. The panel used an online tool to each vote for their top three names. The panel then had detailed discussions on the options. Consensus was soon reached on the winning name which will be announced at the Cabinet meeting.

140. The winning name was submitted by a team of three pupils at Somerleyton Primary school. At the announcement of the name the three pupils will be each presented with a prize. The school wins a STEM related activity which could be either a school visit or getting an activity delivered in house.
141. The name will be incorporated into the branding for the bridge and all future communications, webpages, social media etc. It will also be used by the construction contractor.

**Next steps:**

142. As a result of the positive decision by the Secretary of State granting a DCO there are several steps the Council need to take prior to the start of construction. The Council will need to:
- a) Finalise all the checks to the Development Consent Order.
  - b) Finalise the contract and award the construction contract.
  - c) Observe the legal challenge period for the construction contract.
  - d) Issue land notices where required to start on site.
  - e) Submit the Final Business Case.
143. Once Cabinet has agreed to proceed with the Lake Lothing Third Crossing, the construction contract has been awarded and the Department for Transport and Treasury have finally confirmed the funding construction can commence. The timetable for the Department for Transport and Treasury decision making is not within the Council's gift. If they keep to the expected timetable, the contract should commence in the Autumn with the construction phase commencing in Spring 2021. The timetable for the remainder of the project is set out below:

<b>Key Milestone</b>	<b>Planned date</b>
Complete tender evaluation	August 2020
Cabinet meeting	August 2020
Anticipated confirmation of preferred contractor	September 2020
FBC submission to DfT	September 2020
DfT FBC funding approval	November 2020
Contract execution and commencement	November 2020
Construction phase start on site	Spring 2021
Bridge construction complete and open for public use	2023

**Figure nine: Timetable for the completion of the Lake Lothing Third Crossing project**

**Sources of further information**

- A Blueprint for Modern Infrastructure Delivery, Mace, March 2019.
- An Initial Equality Impact Assessment has been undertaken and can be found via the following link: <https://pandp.suffolk.gov.uk/> (search under Lake Lothing).

- Report to Cabinet, Meeting Date: 17 May 2016, Wet Dock Crossing, Ipswich and Lake Lothing Third Crossing, Lowestoft  
[https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=\(17-05-2016\),%20The%20Cabinet](https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=(17-05-2016),%20The%20Cabinet)
- Report to Cabinet, Meeting Date: 19 June 2018, Lake Lothing Third Crossing, Lowestoft the Next Steps:  
[https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=\(19-06-2018\),%20The%20Cabinet](https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=(19-06-2018),%20The%20Cabinet)
- Report to Cabinet, Meeting Date: 9 October 2018 Part II Papers (confidential).
- Report to Cabinet Date: 8 October 2019 Part II Papers (confidential).