

MINUTES OF CABINET MEETING HELD 2 FEBRUARY 2015

PRESENT

Cabinet Members: Councillor Cereste (Chairman), Councillor Holdich, Councillor Elsey, Councillor Fitzgerald, Councillor Hiller, Councillor Scott and Councillor Seaton.

Cabinet Advisers: Councillor Casey.

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor North, Councillor Serluca and Councillor Lamb.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE CABINET MEETING HELD ON 19 JANUARY 2015

The minutes of the meeting held on 19 January 2015 were agreed as a true and accurate record.

MONITORING ITEMS

It was agreed to take item 5, Annual Audit Letter 2013/14, as the next item of business.

4. ANNUAL AUDIT LETTER 2013/14

Cabinet received a report following a referral from the Council's External Auditor (PricewaterhouseCoopers).

The purpose of the report was for Cabinet to consider and respond to the Audit Letter for 2013/14, prepared jointly by the Council's external auditors.

Councillor Seaton introduced the report and highlighted the main issues contained within. The Council had received a clean bill of health from the Auditors and as budgets became tighter, the need for rigorous financial management would become more important, therefore the hard work would need to continue going forward. Julian Rickett from PricewaterhouseCoopers added further points of clarification around the summary of the letter and the detailed reports as set out within. The lack of issues reflected well on the authority and based on the work undertaken, it was the Auditor's view that the Council was financially well run and managed.

Cabinet considered the report and **RESOLVED:**

To approve the Annual Audit Letter for the financial year 2013/14.

REASONS FOR THE DECISION

The Council was required to consider the statutory Annual Audit Letter and make appropriate arrangements in response to recommendations.

ALTERNATIVE OPTIONS CONSIDERED

The External Auditor may take on board responses received prior to its formal publication, although he had a duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. No specific alternative options were submitted to Cabinet for consideration.

STRATEGIC DECISIONS

5. A1139 FLETTON PARKWAY JUNCTION 17 A1(M) TO JUNCTION 2 ROAD WIDENING SCHEME, CONTAMINATION AND DRAINAGE ISSUES

Cabinet received a report from the Cabinet Member for Planning and Housing Services.

The report sought approval for the completion of the A1139 Fletton Parkway Junction 17(A1M) to Junction 2 road widening scheme and further sought approval for variations to cover the increased cost of the scheme. The report also provided background information explaining the reasons why the cost of delivering the scheme had increased from the original target cost.

Councillor Hiller introduced the report and highlighted the main issues contained within, providing further background to the scheme. The Council's Director of Growth and Regeneration added further points of clarification.

Cabinet debated the report and key points raised and responses to questions included:

- The significant risk to the authority of not undertaking the scheme would be that the growth agenda for the city would effectively be cut by a third;
- If the road was not widened, major structural work would have to be undertaken instead, representing a cost of around £9m to the Council in full;
- Money from Government and the Local Enterprise Partnership was about growth and not about maintenance of existing assets;
- A detailed risk assessment, as part of the bid, looked at a number of issues and there was an ongoing live risk register as part of the scheme. Risk was embedded into the programme;
- Contingencies were in place, however the level of contamination that was experienced could never have been foreseen;
- There were questions that had arisen with regards to the initial construction around the road, around drainage as well as contamination levels;
- It was believed that the capping layer had been constructed at only half the level at which it should have been;
- There had been other works done to the road and similar issues had not been experienced, this could have been down to the use of a different contractor in the road's initial construction;
- The amount of soil which would be generated from 5km of extra road would be enormous, this could not be piled up on the side of the road and the central reservation was no longer in existence;
- The site was very close to the national conservation site for great crested newts;
- There had been exploration undertaken with regards to depositing soil onto the roundabout bowls, however there were major risks with regards to slippage;
- Forty years ago construction techniques and environmental considerations were very different to how they were at the current time;
- The impact of the increasing traffic loads was significant and the widening of the road would assist in easing this impact. It would also assist with the facilitation of new businesses, creating thousands of jobs for the area;

- The widening of the road was an essential part of the development of the infrastructure for the city;
- The number of houses built on the Great Haddon development would have a further significant impact on the traffic issues;
- The costs were less to the Council, due to the funding secured, than would have been if the Council had undertaken the work itself;
- The widening scheme would have less of an impact on traffic flow as it would not necessitate a close of lane in any direction;
- The works came within budget and were much needed improvement; and
- The growth and prosperity of the city needed to continue and the works were required for this.

Cabinet considered the report and **RESOLVED** to:

1. Approve Balfour Beatty to undertake the additional works necessary to complete the A1139 junction 17 A1(M) – junction 2 widening scheme; and
2. Authorise the virement of £4.502m to the project budget from the various budgets detailed within this report.

REASONS FOR THE DECISION

The cost of building the scheme had increased from the original estimate at the target cost stage. The majority of the additional costs listed within the report to Cabinet were already inherent either in the ground or in existing infrastructure, but not obvious, predictable or accessible.

The Council had endeavoured to mitigate costs wherever possible, but had been hampered by tight working conditions, minimum road space constraints, the need to ensure free flowing traffic, and the programme critical path. The extra expenditure above the target cost was necessary in order to complete the scheme to an acceptable standard and provide an asset that would serve the city for at least the next 20 years. Importantly, the scheme had attracted significant external funding in recognition of its strategic importance. Furthermore, the Council would have faced an estimated cost of £9m to carry out major structural repairs to this section of Fletton Parkway within the next three to four years if the widening scheme had not progressed, a cost significantly in excess of the Council's contribution to the widening scheme.

The implications of not approving the extra expenditure to complete the scheme were outlined within the report to Cabinet.

ALTERNATIVE OPTIONS CONSIDERED

Further scope reduction was considered at the target cost stage, such as not upgrading street lighting, but was discounted as it would have left a future maintenance liability and a burden on revenue budgets. Moreover the lighting was programmed for replacement in the near future and co-ordinating the works with the widening scheme reduced cost and mitigated further disruption on the strategic road network. As outturn costs increased consideration was also given to not upgrading the existing verge drainage. However, it was recognised that the poor condition of the drainage was a large contributory factor in the previous deterioration of the road structure and that drainage upgrade was necessary to guarantee the future structural integrity of the road.

Solutions to mitigate contaminated soil disposal costs were fully explored. Areas within the scheme were examined to see if soil could be sympathetically integrated into existing landscaped areas. The only realistic area for relocating large quantities of soil was the landscaped areas within the roundabout at junction 1. A proposal was investigated and priced but was discounted given risks to the overall programme,

limited cost savings, environmental constraints and the potential traffic impacts on the strategic road network and A1(M) through the need for severe traffic management.

The option of not completing the scheme had to be discounted given the need to maintain a safe highway.

Consideration was given as to whether the Council should run a separate procurement exercise as a result of the increase in project costs. This was discounted because its contract with Balfour Beatty was made on the terms of an NEC3 Option C Target Contract with Activity Schedule. This form of contract provided for Balfour Beatty to give to the Council an 'early warning' of any matter that could increase its prices. Following an 'early warning' and where it was assessed by the project manager that a 'compensation event' had occurred, the Council was notified of the 'compensation event'. Balfour Beatty was entitled to receive payment for the 'compensation event', once agreed by the Council.

Also, the Council would have incurred significant additional cost to run the procurement exercise including but not exclusively, procurement and contract costs and delays and demobilisation of Balfour Beatty, mobilisation of the new contractor and associated delays. This would also have prolonged the works and the impact on motorists in the area.

Chairman
10.00am - 10.30am