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| SUSTAINABLE GROWTH AND ENVIRONMENT CAPITAL SCRUTINY COMMITTEE | Agenda Item No. 5 |
| 15 SEPTEMBER 2015 | Public Report |

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| Report from the Corporate Director of Growth and Regeneration | | |
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Report on the Review of the A1139 Fletton Parkway Junction 17 A1(M) – Junction 2 Scheme and Procurement Options for Major Highway Schemes

1. PURPOSE

1.1 At their meeting on the 16th February 2015 the Scrutiny Committee recommended that a report be brought back to the Committee providing a full review of the Fletton Parkway Scheme to include the following information:

- The different procurement options for highway contracts including fixed price and target cost contracts
- Details of the different stages of delivery of major highways schemes, using the Fletton Parkway Junction 17-2 Scheme as an example

2. RECOMMENDATIONS

2.1 This Report and associated appendices is for information only and therefore no action is required.

3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY

3.1 This scheme/report directly contributes to the objectives and outcomes contained in the Sustainable Community Strategy and, in particular, the aspiration to 'create the UK's Environment Capital' and 'delivering substantial and truly sustainable growth'

The report also contributes to the following National Indicators:

- Principal road condition
- Total killed and seriously injured
- Reducing Congestion

4. BACKGROUND

4.1 A report was submitted to Cabinet by the Cabinet Member for Planning and Housing Services on the 2nd February 2015 – this report outlined the challenges the construction project has faced and the associated financial impacts. Cabinet were asked to approve the appointment of the incumbent construction contractor (Balfour Beatty) to carry out the additional works necessary to complete the project.

4.2 Cabinet approved the recommendations in the Cabinet Report at their meeting on the 2nd February 2015. The decision was "called in" on the 5th February 2015 and referred to the Sustainable Growth and Environmental Capital Scrutiny Committee. The Scrutiny Committee

considered the issues raised in the Call In Notice at their meeting on the 16th February 2015, but did not agree with the call in and supported the original Cabinet decision.

- 4.3 The Scrutiny Committee did however recommend that a report be brought back to them at the beginning of the next municipal year providing a full review of the Fletton Parkway Scheme. This to include details of the different stages of delivery of major highways schemes, using Fletton Parkway Junction 17 -2 Scheme as an example. Further, the Committee also requested details on different procurement options for highways contracts.

5. KEY ISSUES

- 5.1 None, the report is for information only

6. IMPLICATIONS

- 6.1 The choice of procurement route and hence contract is important in harnessing best value. Some of the factors that may influence this choice are: scheme complexity; size and estimated cost of project; availability of materials, manpower and machinery; ground conditions; buried services; ease of access; highway constraints; environmental issues; planning permission requirements; weather and site safety. Many of these issues present risks to project delivery which if they manifest themselves can lead to delays and increased costs.

- 6.2 If a project is a known entity (repetitious task) where material, manpower resources and machinery are readily available, ground conditions are known, good and safe access is achievable and risks are extremely low, then a fixed price contract may be most appropriate from a Clients viewpoint. Conversely with a more complex scheme where a multitude of difficulties may exist, but due to restricted access it is difficult to determine likely costs, a fixed price contract would be unlikely to provide best value. In this later situation bidding contractors would assess all of the potential risks and allocate a sum to cover them. This sum would be added to the known build costs producing in all likelihood a highly inflated bid figure – under this scenario if a particular risk did not manifest itself then the client would still end up paying for it.

- 6.3 An alternative contract arrangement exists called ‘target cost with activities schedule’. This process encourages collaborative working between Client and Contractor, both parties proactively working together to deliver the project in the most cost effective manner and sharing in any savings that can be achieved. Under this process the client only pays actual build costs + fee, which from a risk perspective only includes the costs of risks occurred.

7. CONSULTATION

- 7.1 Andy Cox (Head of Energy Programmes) Resources
Ruth Lea (Acting Head of Legal Services)
Stephen Pilsworth (Service Director Financial Services)
Amy Petrie (Principal Programme and Project Officer)
Simon Machen (Director of Growth and Regeneration)

8. NEXT STEPS

- 8.1 This Report and associated appendices is for information only and therefore no action is required.

9. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 9.1 None.

10. APPENDICES

- 10.1 Appendix 1 – Procurement Options for Highway Scheme Delivery

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