

## Stage 2 – Out of Tolerance / Change Request

<b>Project/Programme Name:</b>	Milton Interchange S1010
<b>Total Capital Budget:</b>	£10.625m increasing to £11.560m
<b>Divisions Affected:</b>	Chilton, Didcot, Harwell, Milton
<b>Purpose of this report:</b>	This report requests approval to increase the budget by £0.935m to give a revised total capital budget of £11.56m.

### Sign-off & Approval

*In preparing this report input must be obtained from the following:*

Responsible Owner	Name	Date
Client / Project Sponsor (Author)	P Mulvihill	08.02.16
Project Manager (Contributor)	Lydia Dunsdon	04.02.16
Service Finance Business Partner or Senior Financial Adviser (Contributor)	n/a	
The Capital Finance Team (Contributor)	Kathryn Goldsby-West	03.02.16
Other Contributors as applicable Transport Strategy	Mark Kemp	14.02.16

*Final approval as per the Financial Procedure Rules must be obtained from:*

Approval Level Required	Name	Date
Under £0.025m Corporate Finance Manager		
£0.025m to £0.5m - relevant Director and the Chief Finance Officer		
Over £0.5m - Cabinet/ On behalf of Cabinet (Leader of the Council)	Cabinet	23.02.2016

\*\* Higher level if significant cost/scope change or controversial / sensitive - as deemed necessary

## **1 Description of the change in cost and/or scope**

### **FINANCIAL**

The total approved budget for the project as per the stage 2 full business case approved by Cabinet in September 2014 is £10.625m. The forecast cost is now £11.560m, giving an overall increase in budget requirement of £0.935m.

A summary detailing the origin of the increases is below:

#### **Construction**

The construction cost has increased by £0.415m. The main reasons for the increase are as follows.

- 1) Increased construction costs of £0.233m are attributed to traffic management changes safety and network resilience requirements requested by the Highways England Service Provider the Council Network Management team and Thames Valley Police.
- 2) Post tender design changes increased construction costs by £0.194m
- 3) Existing asset conditions added £0.124m to construction costs.
- 4) Additional construction costs of £0.394m are attributed to additional safety and network management requirements following discussions with Highways England and Thames Valley Police.
- 5) The remaining additional construction costs of approximately £0.021 are attributed to additional signals and lighting requirements.
- 6) Value engineering of utility diversions and protection works were carried out by the contractor and the associated costs are absorbed through the main works contract. This reduced the utility diversion costs by £0.551m. When this is offset against the costs in items 1 to 4 above the net construction increase is £0.415m

#### **Design and Supervision**

The complexity of the scheme demanded significant additional design and OCC staff input amounting to £0.907m.

The main reasons for the increase are predominantly as follows

- 1) Increased costs of £0.222m for additional geotechnical investigations and consequent design changes
- 2) Increased costs of £0.162m for redesign required after commencing detailed design at risk and additional checks/changes, further design work and additional ad hoc design support activities not included in original plan.
- 3) Increased costs of £0.321m for increase in time estimated to liaise and provide information to Highways Agency Service Provider, preparation of Environmental Assessment Report & responding to Highways Agency comments, Ad Hoc construction support beyond original scope, Construction support, RFI responses & associated project management and continued ad hoc design office support during construction.
- 4) Additional staff costs of £0.182m

The cost increases were partially offset by utilisation of £0.382m of project contingency allowance.

The delay to agreeing the cost increases until now is predominantly as a result of the process of agreeing compensation events and revised programmes.

We are also exploring if costs could be recovered where suppliers have made design errors that have resulted in increased project costs.

## PROGRAMME

The current planned completion date is 6 months after that stated in Business Case stage 2. This was known about prior to the scheme starting and communications on completion of spring 2016 reflected this update programme.

The scheme start was delayed from that identified within the Stage-2 Business Case to because approval processes for temporary traffic regulation orders and associated traffic management proposals for the trunk road network took longer than planned and the need to better co-ordinate with other activities on the network.

## **2 Options considered to address the situation**

The scheme has continually been value engineered throughout the project where possible and all elements are integral, so there is no option to drop particular elements of the scheme to reduce cost. The scheme is also too far progressed with the implementation to be able to practically reduce scope.

No change in project scope is therefore proposed.

## **3 Revised Cost & Proposed Funding Plan**

The total approved budget for the project as per the stage 2 full business case is £10.625m, which included a contingency provision of £1.090m. The forecast cost is now £11.560m, including £0.707m contingency provision for the remainder of the project.

A summary of the change in estimated cost from initial bid to current forecast is shown below.

£	Cost Estimate at Bid Stage	Cost Estimate at Stage 1 BC	Cost Estimate at Stage 2 BC	Current Scheme Forecast Feb 2016	Forecast Variation Stage 2 BC / Current
Design	590,000	590,000	871,000	1,596,694	725,694
Advanced Works/Utilities	1,019,000	1,205,000	805,000	254,288	550,712
Main Works	6,672,000	7,590,000	7,634,000	8,600,872	966,872
HE commuted sum	76,000	76,000	76,000	70,000	6,000
Staff costs	200,000	200,000	149,000	330,738	181,738
<b>Total Forecast Cost</b>	<b>8,557,000</b>	<b>9,661,000</b>	<b>9,535,000</b>	<b>10,852,591</b>	<b>1,317,591</b>
Optimism Bias	1,116,000			-	
Risk Provision (QRA)	964,000	964,000	1,090,000	707,425	382,575
<b>Total Budget Requirement</b>	<b>10,637,000</b>	<b>10,625,000</b>	<b>10,625,000</b>	<b>11,560,016</b>	<b>935,016</b>

Some of the anticipated risks within the Stage 2 business case contingency provision of £1.090m have occurred and are now reflected within the estimated scheme cost. Events that have not been realised and are no longer applicable have been removed.

The risk register has been updated to enable a revised contingency allowance of £0.707m to be calculated for remaining risks, which include compensation events that have yet to be agreed. This revised contingency provision is deemed to be adequate to reflect the risks faced to completion of the project.

As well as being funded by Local Pinch Point grant and developer contributions, this is one of several schemes within the council's capital programme which is funded by prudential borrowing supported by the LEP via business rate growth. The £0.935m budget increase will need to be balanced within the overall borrowing requirement of the LEP package of schemes. If necessary, consideration will need to be given to the scope or continuation of future schemes or to increasing the overall borrowing requirement in agreement with the LEP.

#### **4 Risks, Constraints, Dependencies and Exclusions**

Key remaining risks to project completion are identified below:

##### **Delays caused by slow approval of traffic management plans**

Strong relationship and understanding by all is now established. Regular meetings are held with Highways England, their Service Provider, the contractor, the traffic management subcontractor, the designers and OCC project team and network management representatives to identify early on an issues and resolve in a collaborative and timely manner.

##### **Design changes and errors in design leading to delays to programme and increased construction costs**

Regular design meetings are held with the contractor and designers to manage design issues. We encourage the contractor not to raise a Request for Information (RFI) to the design consultant without proposing an alternative where possible to avoid unnecessary delays.

##### **Network Management and Highways Agency requirements increase costs**

Regular meetings are held with Highways England, their Service Provider, the contractor and network management representatives to manage expectations.

##### **Management of the NEC process and documentation leads to erroneous reporting and contract disputes**

Improved partnership working and management of contract NEC Compensation Event and Risk Registers to improve adherence to NEC protocols leading to timely resolution of compensation events leading to changes in costs or to the programme.

#### **5 Project Delivery Timetable**

The impact on the contractual programme because of the events set out in section 1 is two months, but is within the overall programme tolerance expected an planned for.

The scheme is currently on track to complete in Spring 2016 as publicly communicated prior to the start of construction. The specific planned completion date is 22<sup>nd</sup> April.

The project programme will be continually managed and monitored to try to reduce any delays that occur and to enable to project to be completed to the current scheduled completion.

## **6 Communication & Consultation**

The increase in scheme costs may be of interest publicly. The project team are therefore working with the Council's Communications team to prepare a suitable Press Statement and answers to likely questions.

Communications with regard to programme and traffic management changes will continue with key stakeholders and interested parties in line with the scheme Communication Plan.

## **7 Programme/ Project Governance**

The project will continue to be managed within the current governance and reporting arrangements. Greater engagement with the site team along with improved monitoring and management of Compensation Events will be had to deliver the project within the revised budget.

## **8 Supporting Documents**

### Appendix A – Updated Project Risk Register - February 2016



Appendix A Updated  
Project Risk Register

### Appendix B – Original Project Risk Register (as at Stage 2 Business Case) - August 2014



Appendix B Original  
Risk Register S2BC At

### Appendix C – Summary of Compensation Events - 23 January 2016



Appendix C Summary  
of Compensation Eve