

M40 Junction 15 (Longbridge) Bypass, the Highways Agency



1. The Construction Sector Transparency Initiative (CoST) is an international multi-stakeholder programme designed to increase the accountability of public sector organisations and construction companies for their construction projects. It will do this by disclosing information at all stages of the construction project cycle, from the initial identification of the project to the final completion. The Highways Agency M40 Junction 15 Bypass scheme is one of the chosen projects that form part of the UK Pilot.
2. The Assurance Team appointed by the UK Multi-Stakeholder Group for this pilot study comprises four senior construction industry specialists, working together to obtain and assess information and provide reports.
3. The Highways Agency is improving the M40 at Junction 15 by a combination of new road construction and by widening existing roads within a 1 mile radius of the M40. The decision to construct this scheme followed a detailed assessment of options, including costs and benefits. The site works began in 2008 and are due for completion in late summer 2010.
4. The Highways Agency operates procedures for the control of cost, management of the programme of work and monitoring of quality. They have made full and accurate disclosure of documents demonstrating their procedures for awarding contracts for this project and in operating their procedures with clear evidence of a transparent approval process. However some draft documents have never been marked as “final” or “approved” and this is an area where “processes” could be improved.
5. The contractor for this project was selected following the submission of competitive tenders based around quality rather than price. This was because a strategic decision was made for “Early Contractor Involvement” in which a contractor also designs as well as builds the project.
6. This approach has the benefit of getting the contractor's detailed input to the design, and the use of an experienced cost consultant to negotiate an initial target price and any subsequent changes to it. This approach also has the benefit of ongoing reassurance that any changes to the contract price are appropriate through the cost consultant's close involvement with the project.
7. The contract with the contractor is based on the NEC standard contract document for construction in common use in the construction industry. Proper management of the contract in accordance with the form of contract used and Highways Agency procedures is critical to the success of the project. Programme, quality and cost are generally managed by the Highways Agency in accordance with the requirements of these contracts and their own procedures.
8. During construction, the Highways Agency motivates the contractor to control costs within the available agency budget by sharing savings and overruns on the budget with him. This approach is a useful way of controlling costs on such contracts. To ensure that the contractor has a sufficiently challenging target, the number of items which could give rise to a change to this budget during the construction stage was limited.
9. Moreover for this method of procurement to work the contractor and Highways Agency work on a transparent “open book” basis sharing full financial information of both cost increases and savings. For example the contractor's proposal to use local sources of fill material (by negotiating with local land owners) saved approximately £6 million pounds as against the alternative cost of bringing fill to the site. Under more conventional forms of contract this saving would have been entirely to the contractor's account rather than being shared for the benefit of both the contractor and the public purse.
10. We have also discussed with HA staff the major Compensation Event No.17 which relates to delays caused by a major utility company. The financial consequences are currently being negotiated with the contractor who is claiming over £4.1M. In order to fulfil a commitment to local residents the project was started early on site and before major service diversions involving a major utility company had been undertaken. Therefore costs are higher than would otherwise have been the case.
11. Much project information has been put into the public domain via the HA web site (www.highways.gov.uk) as part of the project's communications strategy. However public relations is not the same as disclosure which is central to this report.
12. The full report is available from <http://www.constructiontransparency.org/CountriesSupporters/Countries/UnitedKingdom/> and www.ice.org.uk/CoSTUK.

Material Project Information

Stage of project cycle	List of MPI to be disclosed	Project name: M40 Junction15 Procuring Entity: Highways Agency
Project identification	Project purpose	To provide relief from traffic congestion at M40 junction 15 in accordance with the relevant targets in the <i>Highways Agency 10 year National Roads Strategy</i> .
	Location	M40 Junction 15 (Longbridge) Bypass Off B4463, Nr Sherbourne, Warwick CV35 8AE
	Intended Beneficiaries	Road users, local residents and non-motorised users (The new bypass has a pedestrian underpass near the River Sherbourne to improve access to the public footpath and bridleway network).
	Specification	Design Manual For Roads and bridges (DMRB)
Tender process (main contract for works)	List of tenderers	1. Nuttall, MouchelParkman 2. Carillion, Capita Symonds 3. Sir Robert McAlpine/Geoffrey Osborne JV, WSP 4. Morrison, Hyder 5. Interserve, Parsons Brinkerhoff
	Tender evaluation report	A46 WMJIP Final Tender Assessment Report.doc dated April 2005
Contract award (main contract for works)	Name of main contractor	Morrison Construction Services Ltd /Hyder Consulting
	Contract price	Agreed target cost is £52.810M (c.f. £53.3M Target Cost per Arup 22/1/08 giving total scheme cost of £75.2M including VAT, contingency and other costs)
	Contract scope of work	Design and construction of an off-line (by-pass) route for the A46 to the west of the junction, on a new bridge over the M40. The new bypass route extends from Coplow Wood, south of Junction 15, to the A4189 Hampton Road over-bridge to the north of the interchange.
	Contract programme	Contract Award = 26 May 2005 – Contract start on Site = 17 March 2008 Contract completion date = 20 August 2010
Contract Execution (main contract for works)	Individual changes to the contract which affect the price with reasons	54 No Compensation events to date which are included at Appendix 4
	Individual changes to the contract which affect the programme, with reasons	Compensation Event No 17 - delay and disruption as a result of a major utility company non performance and extended completion of their works amounting to a prolongation claim of 13 weeks and an adjustment to the target price of £4.1M Compensation Event No 9 - For Adverse Weather in Aug 2008 amounting to 4 days
	Details of any re-award of main contract	None
Post contract completion details (main contract for works)	Actual contract price	Scheme Total £78,781,298 – but subject to final negotiation which may reduce this figure
	Total payments made	Certified payment to the contractor as at 26-04-10 is £62,895,324.31 (this includes £6,593,796 of costs during the scheme development which are outside the target price for the construction phase)
	Actual contract scope of work	As per original Works amended by compensation events
	Actual contract programme	Planned completion date is 15 July 2010 (as at April 2010)
Documents to be disclosed		Disclosure status
Feasibility study		Project Appraisal Reports
Financing agreement		Project Appraisal Reports Financial authorisation reports
Project evaluation reports (on completion and on-going)		Monthly reports

Note: This material has been funded by UKaid from the Department for International Development; however the views expressed do not necessarily reflect the department's official policies.