

Assurance Team Report Card

A46 Newark to Widmerpool Improvement Project, 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 A46 Newark to Widmerpool Improvement Project 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 constructing a new 17 miles long two-lane dual carriageway adjacent to the existing single carriageway A46. The new road runs along a north south axis commencing in the south at the A606 two level junction at Widmerpool and ending at Farndon, on the outskirts of Newark. The improvement is being constructed in order to reduce congestion, improve safety and provide a bypass for East Stoke and Farndon. Some sections of the existing A46 will be retained for use by local traffic and some sections would be downgraded for use by cyclists, walkers and horse riders and for private means of access.
4. The decision to construct this scheme followed a detailed assessment of options, including costs and benefits. The site works began in the spring of 2009 and are due for completion in the summer 2012.
5. 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.
6. 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
7. 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.
8. The contract with the contractor is based on the NEC standard contract document for design and 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.
9. 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.
10. 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.
11. We have discussed with HA staff the major Compensation Events which principally relate to services diversions and archaeological remains. These were both anticipated risk items but until excavation commenced it was difficult to predict the actual extent of Roman archaeological findings. However what has been costed to date is well within the contingency allocation for such items.
12. Communications and public relations is another issue which has emerged after discussions with the project team. Much project information has been put into the public domain via ongoing public consultations, Radio, TV and the HA web site (www.highways.gov.uk) simply as part of the project communications strategy.
13. 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: A46 Procuring Entity: Highways Agency
Project identification	Project purpose	To improve safety and reduce congestion on the A46
	Location	Widmerpool to Newark
	Intended Beneficiaries	Public at large
	Specification	17 mile dual carriageway and associated junctions, bridges etc
Funding	Budget	Construction budget of £171.68M in April 2005 increased to £258.2M in May 2009. Overall scheme budget of £375M in Sept 2009 includes fees, land, VAT etc
	QS's estimate	Projected final cost of £357.7M against £375M budget as at May 2010
Tender process (ECI supervisor and project support)	Tender procedure	Jacobs appointed for initial design and supervision following their previous work on preliminary design / feasibility study in 2001
	Name of main consultant	Jacobs
Tender process (commercial supervisor)	Tender procedure	Review key performance indicators between framework consultants – EC Harris was appointed
	Number expressing interest	Framework appointment
	Number shortlisted	Framework appointment
	Number submitting tender	Framework appointment
Tender process (main contract for works)	Tender procedure	ECI tender on quality basis
	Number expressing interest	At least 5
	List of tenderers	Balfour Beatty, Costain, McAlpine, Mowlem & Skanska
	Number shortlisted	5
	Number submitting tender	5
Contract award (ECI supervisor and project support)	Name of main consultant	Jacobs
	Contract price	£1,397,624
	Contract scope of work	Set out in HA order and attachments dated 20 th October 2009 and Jacobs submission document
	Contract programme	August 2009 – August 10 (1 year rolling framework)
Contract award (commercial supervisor)	Name of main consultant	EC Harris
	Contract price	£130,278
	Contract scope of work	Set out in HA order and attachments dated 28 th May 2010 and EC Harris submission document
	Contract programme	March 2009 – March 10 (1 year rolling framework)
Contract award (main contract for works)	Name of main contractor	Balfour Beatty
	Contract price	£259.2M
	Contract scope of work	Set out in technical specifications, bills of quantities, works information and supplementary information
	Contract programme	Advance works commenced on 2 nd March 2009. Main works commenced on 1 st June 2009 and completion is due 19 th April 2012
Contract Execution (ECI supervisor and project support)	Changes to contract price, programme, scope with reasons	NA as 1 year rolling resource based contract
Contract Execution (commercial supervisor)	Changes to contract price, programme, scope with reasons	NA as 1 year rolling resource based contract
Contract Execution (Main contract for works)	Individual changes to the contract which affect the price with reasons	£2,263,827 agreed value of compensation events (i.e. beyond target contract) as at 25 th May 2010. However an overall saving of £4.6M against the £259.2M target is being reported in May 2010
	Individual changes to the contract which affect the programme, with reasons	Current programmed completion remains 19 th April 2012
	VO's, claims, Early Warnings & Compensation Events	125 compensation event notices issued to May 2010
	Payment certificates	Payment certificates issued at monthly intervals
	Details of any re-award of main contract	None
Post contract completion details (main contract for works)	Actual contract price	Final target price £259.2M
	Total payments made	£56,474,879 certified up to 28 th March 2010
	Actual contract scope of work	Original specification as changed by instructions forming compensation events
	Actual contract programme	Current programmed completion remains 19 th April 2012
Documents to be disclosed		
Feasibility study		HA Project Management Plan document version 4 – May 2010
Financing agreement		HA signed client remit form of 9 th April 2009 refers to a ministerially approved budget of £319M
Procurement Strategy		Project level Procurement strategy March 2009 Audit of decision to adopt ECI not available
Contract Strategy / Type		ECI - Early Contractor Involvement
Tender evaluation report (Main contractor)		Tender assessment report dated Jan 2004
Project evaluation reports (on completion and on-going)		Monthly Project 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