



Derby City Council

**COUNCIL CABINET**  
**12 September 2018**

Report of the Strategic Director for  
Communities and Place

# ITEM 18

## **A52 Wyvern Transport Improvements Scheme Update**

### **SUMMARY**

- 1.1 This report provides an update on the work that has been carried out since the A52 Wyvern Transport Improvement scheme was reported to Cabinet on 13 June 2018 and seeks approval for further recommendations to enable works to progress as efficiently and effectively as possible at optimum cost.
- 1.2 The A52 Wyvern Transport Improvements scheme is designed to provide significant highway benefits on a congested part of Derby's principal road network. The scheme will improve road safety and reduce congestion and delays to transport accessing and egressing Wyvern/ Pride Park from and to the A52, and to traffic using the A52 into Derby. The design also provides for new and improved access for sustainable transport modes and supports wider economic growth in Derby.
- 1.3 We have significantly strengthened our Governance arrangements, increased our project management and engineering design resources, and are supported by independent technical experts to provide assurance on the future delivery of the scheme.
- 1.4 In recent weeks, works have progressed to enable the construction of the A52 westbound third lane, and works have also been instructed to progress the completion of the works for the eastbound third lane.
- 1.5 At the time of the June Cabinet report it was envisaged that the detailed design and pricing works would have reached a stage where a final scheme cost estimate could be presented to Cabinet by September. This would have enabled consideration of the completion of a number of elements of the scheme and of the full future financial implications.
- 1.6 Unfortunately, due to the significant complexities of the scheme, it has not been possible to meet this reporting timetable for the final scheme cost estimate. The reason for this is that as the design engineers have reviewed and analysed the original designs and have worked with an updated site survey it has become clear that the project is much more complex than was envisaged in June. There are issues with the original designs and these need to be updated to integrate with the works that have already been constructed. A number of factors, particularly relating to ground conditions and construction have also emerged through this review process, and some of these require further analysis. In addition, this detailed design review process has also led to the development of other potential options to change elements of the

scheme design in order to mitigate scheme cost increases.

- 1.7 The June Cabinet report suggested that the final scheme cost could be c £30m. With the increased complexity of the final scheme designs and the emerging factors that are currently being fully assessed, indications suggest that the final scheme cost could increase. Work is continuing as quickly as practically possible to develop a final scheme cost estimate for Cabinet consideration. It is now currently estimated that this work will be finished in late autumn, with a report presented to Cabinet as soon as possible thereafter.
- 1.8 This report sets out a number of recommendations to enable the scheme to continue to progress on site, whilst the design and cost estimation work continues at pace.
- 1.9 To enable the scheme to continue to be delivered in the most cost effective manner and timely decisions to be made with executive oversight, particularly with the consideration of any scheme design changes; it is proposed to delegate these decisions to the Strategic Director of Communities and Place, in consultation with the Cabinet Member for Regeneration and Public Protection and the Strategic Director of Corporate Resources, within the revised capital budget proposed below.
- 1.10 Also, to enable construction works to continue, it is necessary to increase the current operational budget figure. It is proposed to increase the current interim approved budget figure from £24.713m to £33m to provide the headroom in the budget to ensure that the ongoing appropriate work can be instructed to the contractor. Appendix 2, which is part of the private and confidential section of the agenda, contains details to support the proposal for a budget figure of £33m.
- 1.11 It is recommended that, initially, the funding required to support this increase in budget is secured from the Budget Risk Reserve with a full financial analysis on how best to fund the final scheme cost be included in the Cabinet report following conclusion of the essential activity to complete this assessment.
- 1.12 The investigation into the letting of the contract and subsequent performance continues to be progressed by the Council's independent internal audit service. It is reviewing how the scheme was progressed prior to May 2018, and will identify what issues have contributed to the project failings. The results of this investigation will be reported to Cabinet as soon as it is complete.

<b>RECOMMENDATION</b>
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- 2.1 To note the positive progress and the continuing challenges that the completion of the A52 Wyvern Transport Improvement Scheme is presenting.
- 2.2 To delegate authority to the Strategic Director of Communities and Place, in consultation with the Cabinet Member for Regeneration and Public Protection and the Strategic Director of Corporate Resources to make necessary executive decisions to ensure that the project can continue to progress as effectively and efficiently as possible, at optimum cost, within the revised capital budget referred to in recommendation 2.3.

- 2.3 To approve an increase in the operational capital budget for the A52 Wyvern Transport Improvement Scheme from the current budget of £24.713m to a budget of £33m.
- 2.4 To approve the use of the Council's budget risk reserve to initially fund the additional £8.287m, with a full financial analysis to be carried out to identify a best value for money funding solution option that will minimise the impact on the Council's medium term financial plan.

## **REASONS FOR RECOMMENDATION**

- 3.1 To update Cabinet on the progress and ongoing challenging issues around the completion of the project
- 3.2 Delegated decision making, within the proposed revised capital budget, is proposed to ensure that works can be completed as efficiently and effectively as possible and at optimum cost.
- 3.3 A figure of £33m is considered to be an appropriate operational budget to allow the scheme to progress, whilst detailed design and costings are calculated to provide a final scheme cost estimate.
- 3.4 It is necessary for the Council to approve a funding source for the additional operational budget that is being requested.

## **SUPPORTING INFORMATION**

### **Background**

- 4.1 This report provides an update on the work that has been carried out since the A52 Wyvern Transport Improvement scheme was reported to Cabinet on 13 June 2018 and seeks approval for further recommendations to enable works to progress as efficiently and effectively as possible at optimum cost.
- 4.2 The A52 Brian Clough Way is a major road linking Derby and Nottingham. Over 18 million vehicles per year use this road. It is part of a wider west/east strategic route linking the A50, A38 and M1.
- 4.3 The A52 Wyvern Transport Improvements scheme is designed to provide significant highway benefits on a congested part of Derby's principal road network. The scheme will improve road safety and provide increased capacity at key junctions in this area and will reduce congestion and delays to transport accessing and egressing Wyvern/ Pride Park from and to the A52, as well as reduce delays to traffic using the A52 into Derby. The design also provides for new and improved access for sustainable transport modes and supports wider economic growth in Derby.

## **Progress to date**

- 4.4 A review of the project governance has taken place and measures have been put in place to significantly strengthen these arrangements. Additional resources have also been put in place to support these changes.
- 4.5 A Corporate Project Board has been established, which includes the Cabinet Member for Regeneration and Public Protection, the Strategic Director for Communities and Place, the Strategic Director of Corporate Resources and an independent technical expert, to provide assurance to this Board. A specific operational project board has also been set up which includes a range of internal and external resources to ensure that a full range of expertise is available to support the delivery of the project. This includes the contractor, Galliford Try and the independent technical experts providing assurance to the Council.
- 4.6 In relation to progress with scheme delivery, the key elements of work that have been progressing are a full level survey of the site to establish an up to date and accurate base line for the updating of the detailed design, progress on detailed design, working up cost estimates for different elements with the contractor, continued fabrication of the footbridge off site and construction works to widen the westbound A52 to 3 lanes between Raynesway and Wyvern slip roads. A recent instruction has also been given to continue with the A52 eastbound works to construct 3 lanes between the Wyvern on-slip and Raynesway.
- 4.7 The designers and contractors are working as quickly and as proficiently as possible to complete the designs and cost estimates. However the information coming forward from the survey has increased the complexities of the design and buildability of the scheme. As the design engineers have analysed the original designs and have worked with the updated site survey it has become clear that the project is much more complex than envisaged in June. This has meant that it has not been possible to provide a complete updated scheme estimate to Cabinet at this stage, which was what was envisaged at the time of presenting the June Cabinet report.
- 4.8 There are issues with the original designs and these need to be updated to integrate with the works that have already been constructed. A number of factors, particularly relating to ground conditions and construction have also emerged through this review process, and some of these require further analysis. These factors are particularly affecting the designs for the new Derwent Parade junction, the realignment of the Wyvern slip roads and the footbridge access arrangements. In addition, this detailed design review process has also led to the development of other potential options to change elements of the scheme design, to mitigate scheme cost increases.

- 4.9 The investigation into the letting of the contract and subsequent performance continues to be progressed by the Council's independent internal audit service. It is reviewing how the scheme was progressed prior to May 2018, and will identify what issues have contributed to the project failings. The results of this investigation will be reported to Cabinet as soon as it is complete.

### **Next steps**

- 4.10 The June Cabinet report suggested that the final scheme cost could be c £30m. With the increased complexity of the final scheme designs and the emerging factors that are currently being fully assessed, indications suggest that the final scheme cost could increase. Work is continuing as quickly as practically possible to develop a final scheme cost estimate for Cabinet consideration. It is now currently estimated that this work will be finished in late autumn, with a report to Cabinet as soon as possible thereafter.
- 4.11 This report sets out a number of recommendations to enable the scheme to continue to progress on site, whilst the design and cost estimation work continues at pace.
- 4.12 To enable the scheme to continue to be delivered in the most cost effective manner and timely decisions to be made, for example in relation to the detailed design and potential changes to the scheme layout, it is proposed to delegate necessary executive decisions to the Strategic Director of Communities and Place, in consultation with the Cabinet Member for Regeneration and Public Protection and the Strategic Director of Corporate Resources.
- 4.13 To enable construction works to continue it is necessary to increase the current operational budget figure. It is recommended to increase this budget from £24.713m to £33m to provide the headroom in the budget to ensure that appropriate work can be instructed to the contractor. Appendix 2, which is part of the private and confidential section of the agenda, contains details to support the proposal for a figure of £33m.
- 4.14 For now, it is recommended that the funding required to support this increase in budget is secured from the Budget Risk Reserve with a full financial analysis on how best to fund the final scheme cost be included in the Cabinet report following conclusion of the essential activity to complete this assessment.

<b>OTHER OPTIONS CONSIDERED</b>
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5.1 Ending the current contract and aborting the scheme is not an option for the following reasons:

- It would mean the outputs, required by our funding partners would not be achieved, and there would be an additional risk of claw back on the £6.72m Local Growth Fund and £2.6m 'Growth and Housing Fund' grants from Government;
- Without the full scheme in place, the Derby Triangle development could not be built out in full and the estimated 3,000 jobs generated by the development would not be secured.
- The £8,973,400 spent on the scheme to 31 March 2018 would be abortive costs.
- Unfinished construction would become a liability for the Council.

See further Legal Implications section in Appendix 1.

5.2 We are continuing to look at all ways to reduce costs and to consider options to reduce the scope of the remaining elements of the project as we progress detailed designs.

5.3 We continue to discuss the situation with our external funding partners to establish whether there is scope to increase contributions. However, the current indication is that there is no further funding likely to be made available.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Olu Idowu Don McLure  Glen O'Connell
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Christine Durrant 01332 642434 christine.durrant@derby.gov.uk Cabinet report: 13 June 2018 – A52 Wyvern Transport Improvements Scheme – Cost Increases Appendix 1 – Implications Appendix 2 – Private and Confidential information to support the operational scheme budget proposal of £33m

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 The report recommendation is to increase the operational scheme budget from £24.713m to £33m. The justification for this figure is included in Appendix 2, contained in the private and confidential section of the Cabinet agenda, due to the commercially sensitive nature of the information.
- 1.2 Funding required to support this increase in budget is proposed to be secured from the Budget Risk Reserve, with a full financial analysis on how best to fund the final scheme cost to be included in the Cabinet report following conclusion of the essential activity to support the final cost estimate.

**Legal**

- 2.1 Proceeding in accordance with the recommendations does not raise Legal Implications for the Council, as the Council will continue to operate in accordance with the NEC3 Engineering and Construction Contract entered into with the Contractor ("Construction Contract") and the conditions of the Local Growth Fund, Growth Housing Fund and National Productivity Investment Fund ( collectively the "Grant Conditions").
- 2.2 Legally, the Council could choose to terminate the Construction Contract and abandon the Project; however, to do so would have significant legal implications for the Council under the Construction Contract and the Grant Conditions. These implications were set out in detail within the 13 June 2018 Cabinet report.

**Personnel**

- 3.1 None

**IT**

- 4.1 None

**Equalities Impact**

- 5.1 The delay of completing the new footbridge will have a negative impact on disabled people as the new footbridge will be fully accessible for wheelchair users and mobility scooter users, enabling them to get to this particular area of Pride Park

**Health and Safety**

6.1 None

### **Environmental Sustainability**

7.1 None

### **Property and Asset Management**

8.1 None

### **Risk Management and Safeguarding**

- 9.1 There are clearly further risks associated with this contract with regard to the fact that the design team are still not in a position to provide an updated cost estimate with any level of confidence. Work is progressing with the detailed design and in conjunction with the contractor to provide this estimate as soon as practical. Legal and financial risks have been outlined in the report.
- 9.2 Project risks continue to be monitored and reviewed with the contractor, and will be reported to the Project Boards in line with the governance arrangements. The Council's strategic risk register is being reviewed in light of this project.

### **Corporate objectives and priorities for change**

- 10.1 Derby City Council 'A Different Council' Our Council Plan 2016-2019. The Scheme supports the vision that Derby is a place where jobs and businesses are growing and we have the infrastructure to create a city for the future. It also supports the priority outcome of Improving housing, supporting job creation and regeneration.