

From:
To:
Subject:
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Subject: A28 Chart Road, Ashford - Updated Cost Plan

Dear Alan and Peter

Further to our meeting in March, please find attached the information discussed, based on your list provided below.

1. Contractors Budget Estimate breakdown based on target costs (We understand that you are happy to provide the summary costs, due to Contractors confidentiality) [Attached](#)
2. NEC Target Costs Contract – Pain / Gain Mechanism; [Contained in the Conditions of Contract](#)
3. Copy of the Contractors Contract; [Attached](#)
4. Risk Register; [Initial Contract register attached and risk allowance included in the cost estimate](#)
5. Contractors Programme; [Not available due to delay in project](#)
6. Costs spent to date. KCC stated that circa of £5m? [Included in the cost estimate](#)
7. Timing of Network Rails works; [Not available due to delay in project](#)
8. HS1 Insurance Quotation; [Email of estimate attached](#)

Apologies for the delay in getting this to you but we have recently made positive steps with the outstanding land agreements, which are now all agreed and I thought it was important that these actual costs were reported in this update as this has now reduced the overall project estimate to £24.716m. It is however, important to note, that this estimate is still based on the cost of delivering the scheme in 2018 and now that the project has been delayed this estimate will need to be reviewed and updated once a revised delivery programme has been agreed. Depending on the timing, we may also need to re-procure a contractor to deliver the project.

Estimated Target Cost

As you know, we have been in the process of moving towards agreeing the Target Cost with Jacksons and resolving the final ECI stage costs. At the moment we have a travelling draft of both and the current Series and Total Cost Summaries are included herein. The numbers may be different from the previous version and we aim to agree these costs over the next month or

two. For your information, on the basis of the Works Costs, Jacksons are still significantly lower than the other tenders that were received for this project.

Risks

We have throughout this process maintained a maximum and minimum approach to risk and this has been reducing as the design and investigations have progressed. We still have a significant risk allowance that we must retain, although we hope to manage it down over time. As advised above the Total Cost is now lower than you were recently advised and we are comfortable with this lower cost, but cannot reduce it further until we have more certainty on a number of issues.

The HS1 insurance is causing us particular problems, because even with a premium approaching £1m, the insurance cover does not meet their requirements, hence we still hold a risk over this item. We are currently in discussions with HS1 where we are trying to unlock this problem but ultimately the consequence of any incident with the HS1 line and service is severe and carries a high risk and premium.

One of the other more significant risks is inflation due to delays in starting the works and the significant additional costs that would be incurred if the scheme were to be split into phases to maintain the funding and/or avoid impacts to the Network Rail sidings project. Whereas these risks are not included at the moment, they are influencing our ability to manage down the other risks.

Contract

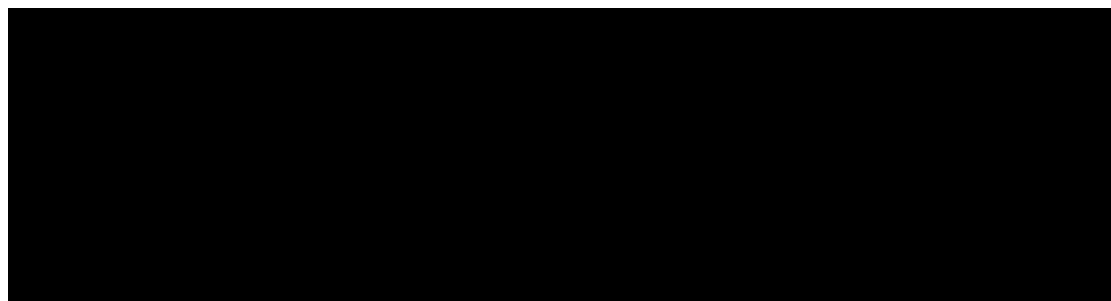
Although we have provided a copy of the contract, you will appreciate that at this sensitive time we cannot release commercially confidential information.

You have previously advised that you are not able provide the bond until you have reached 400 dwellings, so are you able to advise when you expect to reach this target so that we can plan and consider our delivery options for this project. I look forward to receiving your confirmation on this point.

If you have any further queries, please do not hesitate to contact me.

Kind Regards

Barry



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