

**PUBLIC QUESTIONS AND ANSWERS TO AUDIT AND GOVERNANCE COMMITTEE
28 November 2018**

Question 1

Ms D Toynbee, Hereford

During the recent public inquiry into the Southern Link Road it was clear that Herefordshire Council has already incurred a significant overspend on this capital project, on professional fees alone. Please explain who has the authority to approve payment of an overspend of over £3 million, against a budget of £780,924 + uplift, on professional fees?

Response

The council's constitution and financial procedure rules do not authorise anyone to approve payments without an approved budget being in place; if expenditure is likely to exceed an approved budget further approval should be secured in advance.

I have sought clarification from the Chief Finance Officer regarding the figures quoted in the question who has confirmed that there is no overspend against the approved budget of £35m for the South Wye Transport Package, and advises that the £780,924 number quoted in this question appears to have been extracted from the Hereford Relief Road Study of Options 2010 report (4.14). This was an estimated cost at that time for preparation and supervision of the southern link road based on a percentage of the estimated construction cost of the road at that time. It should be noted that these costs were based on an indicative road corridor in advance of detailed design of the scheme and to reflect this significant allowances for optimism bias and risk are allowed for in the scheme budget giving an overall estimate for the SLR of £29,729,000 within a budget of £35m for the SWTP as set out in the Strategic Outline Business Case for the scheme. The budget breakdown will be updated and set out in the full final business in due course when submitted to the Department for Transport.

Question 2

Mrs E Morawiecka, Breinton

At the recent public inquiry into the Southern Link Road CPOs/SROs questions were raised about the costs incurred on this capital project. The inquiry was told that of the £4,977,931.67 spent to 31st March 2018, £4,786,544.24 had been spent on professional fees. The budget that is apparently being used by the management team is a 2010 base budget for a capital cost of £19,843,810 from the original Amey Multi modal study for the Hereford Relief Road, uplifted for inflation.

This 2010 budget allowed for £780,924 + uplift for professional fees. Would the Council please explain why the SWAP "Blueschool House" recommendations for capital projects do not appear to have been applied to the Southern Link Road project, particularly those around tracking spend against a robust budget?

Response

The detail of the question is not within the remit of the committee and therefore the S151 officer has been asked to provide a written response to the issue; however the committee has requested further assurance on the implementation of the internal audit recommendations relating to capital project management which will be reported to a future meeting.