

Officer Delegated Decision Report 22 February 2019

Report title: Waiver to increase of budget for St Leonard's Primary Expansion Project

Wards: St Leonards

Portfolio: Councillor Jennifer Brathwaite, Deputy Leader of the Council (Children and Young People)

Report Authorised by: Christina Thompson, Acting Strategic Director Finance & Investment.

Contact for enquiries: Kamran Rashid, Assistant Director: Schools and Community Programmes, Strategic Programmes, 07736 472589, KRashid@lambeth.gov.uk

Report summary

A contract was awarded to Jerram Falkus Construction (JFC) for the development and expansion works at St Leonard's C of E Primary School. The original contract sum agreed with JFC was £2,988,920.23. Due to unforeseen conditions and events, and the accompanying extension of time associated, the contractor has incurred extra costs.

All of the original and instructed works at St Leonard's Primary have now been completed by JFC. The additional works and associated prolongation has been evaluated and a final account sum agreed between the contracting parties. The final account sum agreed is £3,554,999.58.

Purchase orders were made to JFC totalling £3,288,920.23 (i.e. the original contract sum plus the contingency) against which interim payments have been made totalling £3,266,620.45 until the overall final account could be validated.

This report seeks to note the agreed final account and authorise an increase to the budget, contract CPA and contract sum to enable payment of the remaining balance due to JFC £288,379.13 be paid.

In addition to the above, officers have estimated that an additional £110,000 is required for associated additional consultant fees and to address boiler/heating capacity issues.

Finance summary

The total funding allocated to the St Leonard's Primary expansion in the original Cabinet Member decision report (13 October 2014) was £4,400,000, which included Fixtures, Fittings & Equipment (FF&E), Capitalisation, programme and risk allowances etc. There is currently £108,885 budget remaining unspent against this project.

This report seeks authorisation to increase the overall project budget to £4,689,494.13 to accommodate the additional costs arising for JFC and the provision for legacy items. This represents an increase to the original budget of £289,494.13.

Recommendations

1. To note the variation to Jerram Falkus Construction's contract resulting in a revised contract sum of £3,554,999.58;

2. That the St Leonard's Primary Expansion Project budget be increased by £289,494.13, from £4,400,000.00 to £4,689,494.13, to accommodate the balance due to Jerram Falkus Construction (£288,379.13), associated additional professional fees and legacy works.

Reasons for Exemption from disclosure

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

Paragraph 3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. Context

- 1.1 The project involved the expansion of the existing St Leonard's C of E Primary School. The contract included the design, remodelling and a new-build extension to the school, including demolition, ICT infrastructure works and external landscaping, and was contracted on a JCT Design & Build Contract, 2011 Edition with the appointed contractor further developing and completing the design, and construction.
- 1.2 Due to unforeseen conditions and events, and the accompanying extension of time associated, the contractor has incurred extra costs. In addition, officers managing the project identified issues, and gave commitments to resolving the heating systems in the school.
- 1.3 Cabinet member approval is sought to increase the St Leonard C of E Primary School Project budget by the sum by £289,494 (£398,379 additional cost offset by £108,885 of remaining budget) specified herein and note the variation to the Main Contractor's work, associated additional professional fees and legacy work identified since the award of the Contract.

2. Proposal and Reasons

- 2.1 Officers seek authorisation to a change in the project budget to address necessary variations undertaken during the main contract works at St Leonard's by Jerram Falkus Construction (JFC) and provide for associated additional professional fees and further legacy work identified since the award of the contract.
- 2.2 This will enable the council to fulfil its obligations and release to JFC, the balance of retention due at the end of defects period, pay associated additional professional fees and carry our commitments made to the school in undertaking further legacy work in re-providing a bin store, car park surfacing, pupil entrance safety equipment and allocating funds to address boiler/heating capacity issues.
- 2.3 The costs associated with contract variations and prolongation have been evaluated and recommended by the Authority's Employer's Agent and Contract Administrator of the Works Contract, Artelia, as fair and reasonable and best value.
- 2.4 The further legacy works remain to be authorised and completed and have been estimated in conjunction with the project design team, the school's representatives and JFC.

3. Finance

- 3.1 The total funding allocated in the Capital Investment Programme is £4,400,000, with a remaining budget of £108,885.
- 3.2 The overall project final account and provision for additional post-completion works comes to £4,689,384.13, inclusive of the balance due to JFC of £288,379.13 and the provision for legacy items of £110,000.
- 3.3 After adjusting for the remaining budget, additional funds totalling £289,494 is being sought as outlined in the table below.

| Budget Description | Cost (£) |
|--------------------------------|------------------|
| Original Budget Allocation | 4,400,000 |
| Additional cost: Jerram Falkus | 288,379 |
| Additional consultant fees | 110,000 |
| Remaining Budget | (108,885) |
| Total Cost | 4,689,494 |
| Additional budget requirement | 289,494 |

3.4 The additional funds are to be transferred from the budget line on the Capital investment Programme entitled “Other Phase 2 Projects Balance” into the project budget line for “St Leonard’s C of E Primary Expansion”, where there are sufficient uncommitted funds.

4. Legal and Democracy

4.1 The Council has delegated the authority to enact this report’s recommendations to the Strategic Director for Neighbourhoods and Growth. Before exercising that authority, this report should be reviewed by a category board.

4.2 The statutory procurement regime applies to the proposed award by virtue of the Public Contracts Regulations 2015. The Regulations allow contracting authorities to negotiate contract variations where additional services are required from the contractor that through unforeseen circumstances were not included in the original contract. It must be the case that the additional services cannot be technically or economically separated from the original contract without great inconvenience to the contracting authority, or although separable, are strictly necessary for the completion of the original contract. The aggregate value of all contract variations should not exceed 50% of the value of the original contract.

4.3 The Council’s Constitution requires that all key decisions, decisions which involve resources between the sums of £100,000 and £500,000, and important or sensitive issues, must be published on the website for five clear days before the decision is approved by the Director concerned. Any representations received during this period must be considered by the decision-maker before the decision is taken.

5. Consultation and co-production

5.1 Consultation has been held with key stakeholders including the school head teacher and management team, the Governing Body, Diocese, staff, pupils, parents and the local community.

6. Risk management

6.1 A full risk register and management matrix for the project was maintained throughout the contract with regular reviews and actions as required.

6.2 The project has already come to an end. This report seeks approval for additional expenditure over and above the original sum approved in order to settle the contractor’s retention figure and rectify a limited number of issues to increase safety

7. Equalities impact assessment

7.1 An Equalities Impact Assessment was undertaken for the overall Capital Programme and was assessed as Low Risk.

8. Community safety

8.1 The project delivers much needed additional primary and nursery places at St Leonard's Primary School. Community safety implications have been considered within the project as directed by the Planning Department's 'Secure by Design' requirements and the implementation of highways measures to ensure safe pedestrian and vehicular traffic movement around the school.

9. Organisational implications

9.1 Environmental

None.

9.2 Staffing and accommodation

Not applicable

9.3 Procurement

The variation and extension works which are the subject of this report were not included in the original contract however the contract contained provision for variation and extension to deal with unforeseen construction or contract issues that may arise during the works. The variations identified fell within the overall period of the contract and time remaining open for such work.

9.4 Health

None.

10. Timetable for implementation

The work has already been carried out and completed. This report is to seek authority to increase the project budget, in order to pay the contractor's retention and rectify a limited number of issues to increase safety.

| Audit Trail | | | | |
|---|---|------------------|----------------------|-------------------------------|
| Consultation | | | | |
| Name/Position | Lambeth directorate / department or partner | Date Sent | Date Received | Comments in paragraph: |
| Councillor Jennifer Brathwaite | Deputy Leader of the Council Children and Young People | 29.11.18 | 12.02.19 | All |
| Sue Foster | Strategic Director for Neighbourhoods and Growth | 19.11.18 | 27.11.18 | All |
| Rachel Sharpe | Director, Strategic Programmes | 19.11.18 | 27.11.18 | All |
| Andrew Ramsden, Finance | Corporate Resources | 11.09.18 | 11.09.18 | 3 |
| Michael O’Hora, Legal Services | Corporate Resources | 11.09.18 | 20.09.18 | 4 |
| Henry Langford,, Democratic Services | Corporate Resources | 19.11.18 | 19.11.18 | All |
| Saif Mahamroot, Procurement | Corporate Resources | 11.09.18 | 20.09.18 | All |

| Report History | |
|---|--|
| Original discussion with Cabinet Member | 29.11.18 |
| Part II Exempt from Disclosure/confidential accompanying report? | Yes |
| Key decision report | No |
| Date first appeared on forward plan | N/A |
| Key decision reasons | N/A |
| Background information | Cabinet Member Decision, 13 October 2014 Contract Award for St. Leonards CoE Primary capital expansion project (Main Works) |
| Appendices | N/A |

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Kamran Rashid
Assistant Director: Schools and Community Programmes, Strategic Programmes

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Christina Thompson, Acting Strategic Director Finance & Investment.

Any declarations of interest (or exemptions granted): None

Any conflicts of interest: None

Any dispensations: N/A