

Cabinet Member Delegated Decision 7 May 2019

Report title: Woodmansterne Secondary School Project budget Increase

Wards: Streatham South

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

Report Authorised by: Christina Thompson: Acting Strategic Director Finance and Investment

Contact for enquiries: Saboor Nasar, Senior Project Manager Schools and Communities Capital Programme Neighbourhoods & Growth Tel: 07850909271 SNasar@Lambeth.gov.uk

Report summary

A contract was awarded to Willmott Dixon Construction (WDC) for the development works at Woodmansterne Secondary School. The original contract sum agreed with WDC plus all consultant costs and variations was £21.275 million. 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 Woodmansterne Secondary School have now been completed by WDC. The additional works have been evaluated and an interim forecast final account sum agreed between the contracting parties. The final account sum agreed is £21.725 million.

Purchase orders were made to WDC and Faithful and Gould F+G (Council's Employer's agent) totalling £26.5 million (i.e. the original contract sum plus the contingency) against which interim payments have been made totalling £21,728,482 with a forecast of a further spend of £5,211,515.30 spend at final account.

This report seeks to note the forecast for the final account and authorise an increase to the budget, contract CPA and contract sum to enable the forecast final sum due to WDC to be paid.

Finance summary

The total funding allocated to the Woodmansterne Secondary development in the original Cabinet Member decision report (27 October 2016) was £21.275 million, which included FF&E, Capitalisation, programme and risk allowances etc.

The anticipated increase of the main works contract is £495,306.00 from £21.275 to £21.77 million plus Employers Agent fees in turn increases the overall budget from £26.5 to £27 million

This report seeks authorisation to increase the overall project budget by £500,000 to £27 million to accommodate the additional costs arising for WDC and the provision for legacy items.

Recommendations

1. To increase the Woodmansterne Secondary Development Project budget by £500,000 from £26.5 million to £27 million to accommodate the balance due to Willmott Dixon Construction, 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 construction of a secondary school at the Woodmansterne site in order to complete an all through comprehensive school in Lambeth. 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 WDC 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, along with the requirement of temporary accommodation and enabling works for pupils the contractor has incurred extra costs.
- 1.3 Cabinet member approval is sought to increase the Woodmansterne Secondary School Project budget by the sum by £500,000 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 Woodmansterne by Willmott Dixon Construction (WDC) 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 meet the forecast final account to WDC.
- 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, Faithful and Gould, as fair and reasonable and best value.

3. Finance

- 3.1 The total funding allocated in the Capital Investment Programme is £26.5 million. Current spend on the budget line is £ 21,728,482 with a remaining budget of £4,780,518.
- 3.2 The overall forecast project final account and provision for additional post-completion works comes to £26.95 million comprising the overall spend to date, which would leave a balance due to WDC of £450,000. 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 "Woodmansterne Secondary School", where there are sufficient uncommitted funds.
- 3.3 The table below shows the breakdown of costs, current spend with a final account forecast spend is included to highlight the required uplift.

	Budget	Current	Forecast
Main Work - Approved Budget	21,275,000.00		
Main Works - Anticipated Overall Project Cost		21,670,306.00	
Main Works - Anticipated Overall Project Cost + £100K Contingency			21,770,306.00
FF&E + ICT	1,372,500.00	1,372,500.00	1,372,500.00
Enabling Works	1,543,522.97	1,553,459.15	1,553,459.15
Section 106 / 278 works	500,000.00	206,703	206,703
F&G's Current Total PO Value(s)	1,818,276.40		
Current F&G Approved Fees		2,007,766.64	
Current F&G Approved Fees PLUS Unapproved Proposed Fees			2,037,029.15
	26,509,299.37	26,810,734.79	26,939,997.30

4. Legal and Democracy

- 4.1 The Council has delegated the authority to enact this report's recommendations to the Deputy Leader (Children and Young People).
- 4.2 The statutory procurement regime applies to the proposed award by virtue of the Public Contracts Regulations 2015. Major construction projects typically incur additional costs through various events that are not within the control of the contractor (called Relevant Events) and through the addition to the programme of unexpected further works identified in the course of the construction. These additional costs are often covered by a contingency fund set aside for this purpose. In this case the aggregate cost of these additional works exceeds the project contingency (which had already been used), and the Council is liable to pay the contractor and consultants once the Council's agent (the employer's agent) has certified all the works and costs. The Regulations allow contracting authorities to negotiate contract variations where additional works or services are required from the contractor that through unforeseen circumstances were not included in the original contract. The additional expenditure is a relatively small percentage of the original project cost and should not raise any adverse procurement law implications.
- 4.3 This proposed key decision was entered in the Forward Plan on 2 March 2018 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

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 secondary places at Woodmansterne 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	13.02.19	27.02.19	
Paul Butler, Finance	Finance and Investment	11.12.18	11.12.18	3
David Thomas, Legal Services	Legal and Governance	11.12.18	17.12.18	4
Maria Burton, Democratic Services	Legal and Governance	22.01.19	29.01.19	4
Saif Mahamroot, Procurement	Finance and Investment	04.02.19	08.02.19	
Kamran Rashid	Assistant Director Schools and Communities Capital Programme	21.01.19	23.01.19	1,2,7

Report History	
Original discussion with Cabinet Member	27.02.19
Part II Exempt from Disclosure/confidential accompanying report?	Yes
Key decision report	Yes
Date first appeared on forward plan	02.03.18
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Letter of intent WDC PCSA
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:
Saboor Nasar Senior Project Manager

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: Councillor Jennifer Brathwaite, Deputy Leader (Children and Young People)

Any declarations of interest (or exemptions granted): None

Any conflicts of interest: None

Any dispensations: N/A