

**Report of the Head of Programme (PPPU)**

**Report to the Head of Service Learning Systems, Children & Families**

**Date: February 2018**

**Subject: Decision Report on the Iveson Primary School Expansion Scheme – Pre-Construction Agreement**



**Scheme Number: 32450 /IVE/ 000**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Wheatwood	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. As a consequence of the increasing birth rate in Leeds, it is necessary to expand Iveson Primary School as part of the City Council's Learning Places Programme, which aims to ensure its statutory duties are met with respect to ensuring a school place for every child within the city.
2. The school has self-proposed an expansion from a 1.5 Form Entry to a 2 Form Entry primary school, increasing pupil numbers by an additional 105 places. The accommodation required to support the expansion is planned to be available from September 2018, however other works required will continue till March 2019.
3. The school has already increased its pupil numbers on roll starting from reception class from 1.5FE to 2FE with effect from September 2016 (bulge in the first instance with no additional accommodation required).
4. Through a direct selection process using the YORbuild2 framework, Henry Boot Construction Limited (HBCL) has been engaged as designer and construction contractor to work on the project, which is currently in RIBA Stage 3 – Developed design.

5. This is the second Preconstruction Agreement (PCSA) for which approval is sought; the previous PCSA 1 was signed on the 2<sup>nd</sup> June 2017 by the Director of Children & Families. The total value of PCSA 1 inclusive of surveys and project resource costs was £91.8K.
6. The scheme previously included an Area Inclusion Partnership (AIP) but on the 24<sup>th</sup> August 2017, the Leeds Area Inclusion Partnership informed the project team that, due to funding constraints, they were no longer seeking to participate further with their proposal to locate an AIP at Iveson Primary School.
7. On Monday 6<sup>th</sup> November 2017, Henry Boot Construction Limited issued their Gateway 3 submission which showed a total budget cost of £4.05m; this included all design works and surveys carried out to that date as well as costs associated with the contractor's project team. The total budget cost also included the cost of PCSA 1.
8. The main reason for the high costs is as a result of there being a significant amount of historical outstanding maintenance related works both external and internal. The cost of remedying the essential maintenance and refurbishment works totalled £1.95m and the works relating to the expansion element of the scheme were costed at £2.02m. The remainder of the costs were for works that the school had requested and were going to fund.
9. Through discussions between colleagues in Children and Families and PPPU, it was agreed that the construction cost of the project should be set at £2.5m in view of the total scheme budget approved by Executive Board of £3.5m. However it was acknowledged that it was not possible to determine whether the budget set was adequate and this could only be determined once the Contractor had priced up the revised scope.
10. On Monday 11<sup>th</sup> December, Henry Boot Construction Limited submitted their revised cost plan which reflected the revised scope of works. As a result of the value engineering exercise carried out the cost of the project was reduced to £2.88m which is a significant reduction from the original submission price issued in November. Colleagues in NPS advised that the cost (£2.88m) was in line with their expectation and reflected current market rates.
11. At the Project Risk and Control Group meeting held on Wednesday 20<sup>th</sup> December 2017, members supported the proposal put forward to request from Executive Board members at their meeting in February 2018, an additional capital injection of £250K.
12. On Friday 16<sup>th</sup> February 2018, HBCL will submit their full designs and an updated cost plan that reflects the new revised scope of project. This revised scope has been agreed and signed by the Headteacher and the Chair of the Governing Body. This was done at their meeting on 23<sup>rd</sup> January 2018.
13. This report seeks approval for the Council to enter into a PCSA 2 so that it continues to have an appropriate contractual position and partnership working arrangement with HBCL. The agreement will provide the contractor with stage payments and assurance that they will be reimbursed for costs incurred for surveys and other fees incurred should the scheme be cancelled, and provide the Council with assurance of agreed fixed design fees for work prior to the main contract enabling effective management of risk should the scheme not proceed for any reason.
14. HBCL has provided details of their costs associated with the remaining; the total sum of this work is £229,858.59. This fee comprises of all design works and project

resources costs incurred between July 2017 and November 2017 (£183,626.08) as well as between November 2017 and February 2018 (£46,232.51).

## **Recommendations**

15. The Head of Learning Systems is requested to approve:

- entry into another Pre-Construction Agreement (PCSA 2) with Henry Boot Construction Limited to cover the pre-construction design fees up to the end of Gateway 3 (as set out in the document titled Gateway Review Process – Direct Selection) which will be paid on successful approval of Gateway 3 by the Council supported by our technical advisors, NPS.
- payment of £183,626.08 to be paid based on the approval of the Gateway 3 submission issued on Monday 6<sup>th</sup> November 2017;
- payment of £46,232.51 to be paid on approval of Gateway 3A which will be submitted on Friday 16<sup>th</sup> February 2018.
- that in the event of the Council cancelling the scheme between Stages 3 and 4 (Developed design and approval to contract award and proceed to construction), Stage 4 fees may be payable. If the scheme is not cancelled these Stage 4 fees are payable on Contract Award.

## **1.0 Purpose of this Report**

- 1.1. The purpose of this report is to seek approval to enter into a second Pre-Construction Agreement (PCSA 2) with Henry Boot Construction Limited.

## **2.0 Background Information**

- 2.1. As a consequence of the increasing birth rate in Leeds, it is necessary to expand Iveson Primary School as part of the City Council's Learning Places Programme, which aims to ensure its statutory duties are met with respect to ensuring a school place for every child within the city.
- 2.2. The school will expand from a 1.5 Form Entry to a 2 Form Entry primary school, increasing pupil numbers by an additional 105 places. The expansion is planned to be available from September 2018. There was a bulge cohort in September 2016 starting from Reception for which there was no additional accommodation required.
- 2.3. Through a direct selection process using the YORbuild2 framework, Henry Boot Construction Limited has been engaged as designer and contractor to work on the project. Henry Boot has appointed Watson Batty Architects to undertake design work. NPS, who will report directly to PPPU, has been appointed by Leeds City Council to provide technical support.

## **3.0 Main Issues**

### **3.1. Pre-Construction Agreement**

- 3.1.1. This is the second PCSA; the previous PCSA was signed on the 2<sup>nd</sup> June 2017 by the Director of Children & Families and covered mostly the design works relating to the AIP and some design elements of the whole scheme as well as surveys. The total value of PCSA was £91,804.10 (excluding VAT).
- 3.1.2. A second Pre-Construction Agreement (PCSA 2) is required so that the Council has an appropriate contractual position and partnership working arrangement prior to main contract signature and to ensure the scheme can be developed and completed in line with the revised programme.
- 3.1.3. The Contractor has already carried out significant amount of work to support the Council with progressing this scheme. This agreement will allow the contractor to continue to develop designs for the scheme with assurance that they will be reimbursed for costs incurred for surveys and fees should the scheme be cancelled prior to the main contract award. It will also provide the Council with assurance of agreed fixed design fees for work prior to the main contract.
- 3.1.4. If a decision is taken by the Council not to proceed to Contract Award, a provision in the PCSA enables the Council to use and reproduce the designs developed during the period of the agreement for all purposes for the development and delivery of the project.

### **3.2. Area Inclusion Partnership**

- 3.2.1. The scheme previously included an Area Inclusion Partnership (AIP) but on the 24<sup>th</sup> August 2017, the Leeds Area Inclusion Partnership informed the project team that,

due to funding constraints, they were no longer seeking to participate further with their proposal to locate an AIP at Iveson Primary School. A significant amount of design work had already been undertaken and costs incurred.

3.2.2. As a consequence of the decision by the Leeds AIP, Leeds City Council informed Henry Boot Construction Limited to temporarily cease working on the project to enable the project team to review the scope of the project in light of the above decision. A meeting between both parties was held on the 23<sup>rd</sup> September in which the revised scope of works omitting the works to the AIP was shared and discussed.

3.2.3. The decision by the AIP to withdraw from the scheme has caused delays to the project timetable and also resulted in abortive costs being incurred which have been funded from the overall project budget.

### **3.3. Revised Scope of Works and Scheme Budget**

3.3.1. On Monday 6<sup>th</sup> November 2017, Henry Boot Construction Limited issued their Gateway 3 submission which included updated designs that reflected the revised scope of works and an updated cost plan.

3.3.2. The submission received on the 6<sup>th</sup> November costed the works required to the school at £4.05m; this included all design works and surveys carried out to that date as well as costs associated with the Contractor's project team.

3.3.3. The main reason for the high costs is as a result of there being a significant amount of historical outstanding maintenance related works both external and internal. The cost of remedying the essential maintenance and refurbishment works totalled £1.95m and the works relating to the expansion element of the scheme were costed at £2.02m. The remainder of the costs were for works that the school had requested and were going to fund.

3.3.4. NPs, in their feasibility report, commissioned by Children and Families stated that the 'level of building fabric degradation is extensive exposing the project to a high risk of needing to address some of these issues as part of the remodelling works and uncovering anticipated during strip out works'. The report recommended that intrusive surveys are carried out to mitigate risk and establish cost.

3.3.5. Intrusive surveys carried out confirmed that the level of degradation is extensive and a significant number of these directly impact on the outcomes of this expansion project. These include poor ventilation in a number of areas causing black spot fungi. The building fabric externally also requires significant investment as well as the roof and windows.

3.3.6. Through discussions between colleagues in Children and Families and PPPU, it was agreed that the construction cost of the project should be set at £2.5m in view of the total scheme budget approved by Executive Board of £3.5m. However it was acknowledged that it was not possible to determine whether the budget set was adequate and this could only be determined once the Contractor had priced up the revised scope.

3.3.7. On Tuesday 14<sup>th</sup> November 2017, after reviewing the full submission, the council informed Henry Boot Construction Limited that it cannot proceed to Gateway 4 unless the construction cost (inclusive of all contractor fees) is reduced to £2.5m. A meeting was held between both parties to discuss how and whether this was achievable. It

was acknowledged that in order to reduce costs there was a requirement to reduce the scope of works.

- 3.3.8. A revised scope of works was developed and agreed with the school's leadership team and the chair of the Governing Body.
- 3.3.9. To enable a more accurate assessment of costs, Leeds City Council requested HBCL to issue the Mechanical and Engineering (M&E) element of their submission for market testing. M&E works constituted a significant proportion of the works at Iveson Primary School. The remainder of the works were costed by HBCL's quantity surveyor;
- 3.3.10. The team also instructed NPS, the council's technical advisors, to estimate the cost of the revised scope of works based on their experience of prices quoted on other similar schemes in Leeds. The purpose of this was to give the Council an early indication on whether the construction budget set was sufficient in view of the issues identified to fund the expansion works necessary to create an additional 0.5FE. The outcome of this exercise was shared with colleagues in Children and Families as well as the School.
- 3.3.11. This exercise was completed on Monday 11th December and an updated cost plan was submitted to Leeds City Council by HBCL. The project team successfully negotiated with HBCL to undertake the works between November and Monday 11th December at nil cost. This included the cost of their Project Manager, Quantity Surveyor and other members of their team.
- 3.3.12. As a consequence of the value engineering exercise carried out by colleagues, the construction cost of the project was reduced to £2.88m which is a significant reduction from the original submission price issued in November which was £4,05m. Colleagues in NPS advised that the cost (£2.88m) was in line with their expectation and reflected current market rates.
- 3.3.13. At the Project Risk and Control Group meeting held on Wednesday 20th December 2017, members supported the proposal put forward to request from Executive Board members at their meeting in February 2018, an additional capital injection of £250K.
- 3.3.14. Whilst the additional sum requested is significantly less than the cost submitted on Monday 11<sup>th</sup> December, the Project Team as well as the Contractor are confident that there is scope for additional savings specifically the proposed car park, the proposals for the learning resource centres and the replacement of the fire alarm. However it is unlikely to result in the savings needed to bring the scheme cost to £2.5m and it is likely to be circa £2.75m.
- 3.3.15. It was previously envisaged that it may be possible to reduce the amount of rewiring proposed by HBCL but this would result in the Council carrying a significant risk relating to failure as a result of incompatibility between the existing and the new wiring. Members of the Project Risk and Control Group agreed that in view of the potential risks associated with the current state of the wiring at Iveson Primary School, a full rewire is more appropriate. This would be funded from the scheme budget.
- 3.3.16. HBCL has provided details of their costs associated with the remaining; the total sum of this work is £229,858.59. This fee comprises of all design works and project resources costs incurred between July 2017 and November 2017 (£183,626.08) as well as between November 2017 and February 2018 (£46,232.51).

3.3.17. This does not include the cost of surveys required for this phase. The Contractor has carried out the following surveys, ecology and tree assessment, bat, surveys, car park trial holes and a structural survey of the school. The costs for these surveys have been invoiced and paid as each of the relevant activities were completed and received by the Council.

### 3.4. Programme

3.4.1. On Friday 16th February 2018, HBCL will submit their designs and an updated cost plan that reflects the new revised scope of project. This revised scope has been agreed and signed by the Headteacher and the Chair of the Governing Body. This was done at their meeting on 23<sup>rd</sup> January 2018.

3.4.2. The revised key milestones to achieve programme are currently being developed:

Henry Boot Construction Limited selected via Direct Selection	March 2017
Gateway 1 - Approval of Feasibility*	May 2017
Gateway 2 - Approval of Concept Design*	June 2017
Gateway 3 – Developed Design	November 2017
Gateway 3A – Developed Design (based on revised scope)	February 2018
Gateway 4 - Approval to Contract Award and Proceed to Construction	April 2018
Start on site	May 2018
Completion of works needed to support expansion	August 2018
Project completion	March 2019*

\*The approval of the feasibility study and concept design was based on the original scope.

## 4.0 Corporate Considerations

### 4.1. Consultation and Engagement

4.1.1. As the school 'self-proposed' the expansion to 2FE, a formal statutory process is not required. However, consultation with parents and local residents were a necessary part of the process and this was carried out in July 2016 with no objections were raised.

4.1.2. The proposed scheme and associated works have been the subject of consultation with Children and Families officers, City Development, Corporate Finance and representatives from the School's Leadership Team (SLT), the Governing Body and members of the Leeds North West Education Partnership.

### 4.2. Equality and Diversity / Cohesion and Integration

4.2.1. The recommendation within this report does not have any direct or specific impact on any of the groups falling under equality legislation and the need to eliminate discrimination and promote equality. A screening document was prepared and is submitted at Appendix A.

#### 4.3. **Council Policies and Best Council Plan**

4.3.1. This scheme is to be delivered under the City Council's Learning Places Programme and is required to fulfil the Local Authority's statutory responsibility to provide sufficient school places for all children living in Leeds. Providing places local to where children live improves accessibility, reduces the journey to school and reduces the risk of non-attendance.

4.3.2. This contributes to the 2017 /18 Best Council Plan outcomes for everyone in Leeds to 'Do well at all levels of learning and have the skills they need for life'; 'Be safe and feel safe' and 'Enjoy happy, healthy, active lives'. It also supports the priority set out in the Plan to being a child friendly city by 'keeping children safe, supporting families, raising aspirations and educational attainment'.

4.3.3. It also supports the vision in the supporting Children and Young People's Plan 2015-19 to build a child-friendly city with a focus on ensuring all children and young people are safe from harm; do well at all levels of learning and have the skills for life; enjoy healthy lifestyles; have fun growing up; are active citizens who feel they have a voice and influence. The programme seeks to deliver a supply of good quality accessible local school places which can contribute to these outcomes.

4.3.4. When consulting on the schemes to progress as part of this programme, the consultation process is in line with the Best Council value 'working with communities' in ensuring that 100% of major decisions are supported by community engagement, consultation and due regard for equality

#### 4.4. **Resources and Value for Money**

4.4.1. The scheme has been procured in accordance with the strategy set out in the learning places programme report approved in January 2016 and Leeds City Council's contract procedure rules.

4.4.2. NPS, has been commissioned to provide Technical Advisor Services. The scope of service is for NPS to provide colleagues in the PPPU with technical advice through the feasibility, design and construction process. The role of NPS is to review the Contractor's proposals and provide assurance that it offers value for money, meets the requirements set out in the brief, conforms to an agreed market testing strategy, the standards set out in the LCC generic Output Specification and is deliverable within the parameters of the programme.

4.4.3. The liability under the Pre-Construction Agreement for pre-construction design fees (up to the end of Stage 3) is £229,858.59. This comprises of £183,626.08 for costs incurred between July and November 2017 and £46,232.51 for costs incurred between November and February.

4.4.4. Other liabilities under the Pre-Construction Agreement are in the event of the Council cancelling the scheme between Stages 3 and 4, Stage 4 fees may also be payable. If the scheme is not cancelled then costs for undertaking Stage 4 fees are payable on Contract Award.



4.4.5. The capital cost will be met through the capital scheme number 32450/IVE 000 as part of the Learning Places Programme. Members of the Executive Board, at their meeting in June 2017, approved a budget of £3.5m for the expansion works. This did not include £197K allocated from the maintenance budget for heating works and a sum to be agreed for replacement of windows which will be funded from the maintenance budget. The project budget agreed by members of the Executive Board did not include a Section 106 contribution of £530K which will be used to fund the expansion works.

#### **4.5. Legal Implications, Access to Information and Call-In**

4.5.1. This report constitutes a Significant Operational Decision and as such will not be subject to 'Call-In'.

4.5.2. The Children and Families Head of Learning Systems has the authority to make this decision under powers granted within part 3 of the Council's Constitution and specifically under the Director of Children's Services Sub-Delegation Scheme.

#### **4.6. Risk Management**

4.6.1. If in the event the scheme does not proceed to Contract Award due to demographic projections changes, a provision in the Pre-Construction Agreement grants the council ownership of the design and enables the Council to use and reproduce the design developed during the period of the Pre-Construction Agreement for all purposes.

4.6.2. If the decision is taken by the Council not to enter into the Pre-Construction Agreement then the Council is at risk of failing in its statutory duty to ensure sufficiency of school places. The PCSA 2 is essential to ensuring that there is sufficient provision to meet the demand for school places.

4.6.3. Risk for this project is being managed through the application of 'best practice' project management tools and techniques via the City Council's Project Management methodology. A risk log is maintained for the scheme throughout the project lifecycle. Escalation of procurement related issues is via the Head of Programme, PPPU.

### **5.0 Conclusions**

5.1. On Iveson Primary School, there has been significant amount of work carried out to bring the cost of the project to an affordable level whilst still ensuring that the outcomes set out in the Project Brief are met. At the same time, the scope of the project has had to include a number of critical items of work that were previously not anticipated, for example rewiring of the whole school.

5.2. The Council has commenced procurement through YORbuild2 in order to ensure delivery of the required additional school places at Iveson Primary School by September 2018. In order to develop an appropriate contractual position and partnership working arrangement prior to main contract signature and to ensure the scheme can be developed and completed in line with the programme, a PCSA has been prepared. It is recommended that the Council enters into the agreement in order to maintain progress which will ensure that sufficient primary places are in place in the area for September 2018.

## **6.0 Recommendations**

16. The Head of Learning Systems is requested to approve:

- entry into another Pre-Construction Agreement (PCSA 2) with Henry Boot Construction Limited to cover the pre-construction design fees up to the end of Gateway 3 (as set out in the document titled Gateway Review Process – Direct Selection) which will be paid on successful approval of Gateway 3 by the Council supported by our technical advisors, NPS.
- payment of £183,626.08 to be paid based on the approval of the Gateway 3 submission issued on Monday 6<sup>th</sup> November 2017;
- payment of £46,232.51 to be paid on approval of Gateway 3A which will be submitted on Friday 16<sup>th</sup> February 2018.
- that in the event of the Council cancelling the scheme between Stages 3 and 4 (Developed design and approval to contract award and proceed to construction), Stage 4 fees may be payable. If the scheme is not cancelled these Stage 4 fees are payable on Contract Award,

## **7.0 Background documents<sup>1</sup>**

7.1. None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.