

Report of The Director of Children's Services

Report to Executive Board

Date: 05 September 2012

Subject: Bankside Primary School Capital Project

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Gipton and Harehills	<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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. In 2007 the then Education Leeds commenced a work programme to rebuild Bankside Primary School in Harehills as a new build 3FE primary school. The driver for the project was to provide permanent accommodation following an expansion of the school, which would also address suitability issues, replace temporary accommodation and make better use of a very tight site to provide better play space.
2. Education Leeds commissioned the Council's Strategic Design Alliance (SDA) to deliver the project in two phases; Phase 1 being the construction of the new school and associated external works and drainage and Phase 2 the demolition of the existing school and completion of the remaining external works. The project was scheduled to start on site in March 2009 and be completed for July 2010, with work starting on site in July 2009 and completion achieved in September 2011.
3. The Design and Cost Report for the project that was submitted to Executive Board on 01 April 2009 gave authority to incur capital expenditure in the sum of £9,100,000 in respect of construction and fees. A commercial settlement of the final account was agreed in May 2012 which has resulted in a projected outturn of £10,693,495 (+£1,593,495). The final accounts are due in September 2012 following the conclusion of the defects period.
4. Following a review across directorates a number of key issues have been identified that led to the delays and extent of overspend with the project. These can be summarised as follows:
 - Governance. Insufficient clarity with regard to the membership, constitution and remit of the Project Board and the role of the Project Manager. This led to the Project Board getting involved in the detail of the project, rather than managing by

exception and providing the high level challenge required for a project of this nature;

- Although ADS had previously delivered a design winning primary school in Beeston (Bewerley), by the time of this project, weak senior management of the design team in ADS and lack of appropriate capability in ADS resulted in commitments being made to the project, both in terms of design capability and timescales that were unachievable. In this context, the design team switch from Jacobs to ADS part way through led to a lack of clarity and ownership of errors. ADS' weaknesses on this project was a driver for the establishment of the Joint Venture partnership with Norfolk Property Solutions (Leeds);
 - Insufficient independent check and challenge by the Project Board at the end of the important stages. For example, the lack of a clearly documented brief for ADS, progressing to detailed design and tender without a design freeze and robust cost plan, a reduction in the time allowed for design and production information and a reduction to the construction period;
 - Timescales were always tight and the further reductions to the programme approved put undue pressure on the design team. The outcome of this was that ADS could not cope with producing the information required at the appropriate stages of the project and costs were either based on poor information or not based on the correct level of information at the right time. This made cost control very challenging, delays and inevitably extensions of time and claims from the contractor.
 - Increasingly poor relationships between Education Leeds and ADS;
 - Poor change control processes, including reporting arrangements for approving changes and overspends.
4. Extensive reviews have taken place within directorates to determine the key issues that the project encountered. This included input from Internal Audit in July 2010 and the Public Private Partnerships Unit in the latter stages of the project. This learning has been incorporated into revised processes in Children's Services and other directorates to ensure the issues that led to overspend and delay do not happen again. This builds upon the positive changes that have already been put in place for the current Primaries Basic Needs projects and Eastmoor Secure Unit project and the lessons learnt from the successfully delivered Building Schools for the Future programme.
5. Key issues from lessons learned review are;
- a) The need to strengthen the client capacity and capability in Children's Services - partially achieved;
 - b) The need to increase ADS capacity and capability – being progressed via the joint venture with Norfolk Property Solutions;
 - c) For design and cost reports not to go to Executive Board until design freeze and costs understood – in place;

- d) Costing to be realistic with appropriate contingency to reflect any site constraints, rather than being budget capped – in place;
- e) Timescales to be realistic to achieve the delivery of the project rather than being led purely by school year deadlines which can often be unachievable – in place.

Recommendations

- 6. Executive Board is recommended to:
 - a. Note the content of the report which provides details of the issues that contributed to the overspend of £1.593m.
 - b. To give authority to spend £1.593m.

1 Purpose of this report

1.1 The purpose of the report is to:

- Advise Executive Board of the overspend on the capital scheme;
- Request Authority to Spend of £1.593m;
- Outline the key issues that the project encountered;
- Provide assurance to Executive Board on improvements made to prevent re-occurrence of issues that led to the overspend and delay do not happen again.

2. Background information

- 1.1 In 2007 Education Leeds commenced a work programme to rebuild Bankside Primary School in Harehills as a new build 3FE primary school, located on a very tight and difficult site.
- 1.2 The driver for the project was to provide permanent accommodation following an expansion of the school, which would also address suitability issues, replace temporary accommodation and make better use of a very tight site to provide better play space. The design incorporated 'transformational features' such as community parenting facilities, break out spaces, play decks and sustainability renewables such as a ground source heat pump and solar panels.
- 1.3 The Design and Cost Report that was submitted to Executive Board on 01 April 2009 gave authority to incur capital expenditure in the sum of £9,018,900.00 in respect of construction and fees.
- 1.4 The design and procurement of this scheme was commissioned through the Strategic Design Alliance (SDA), (the alliance between LCC's in-house Architectural Design Service (ADS) and the private sector partner Jacobs). Whilst there was involvement by Jacob's during the early stages of the scheme, the project has predominately been delivered by ADS.
- 1.5 Kier Northern were appointed on a traditional JCT lump sum form of contract under a two stage tender process to benefit the scheme from the contractor's early involvement.
- 1.6 The project was delivered in two phases; Phase 1 being the construction of the new school and associated external works and drainage and Phase 2 the demolition of the existing school and completion of the remaining external works. Half of the school was decanted into the former Fir Tree School during Phase 1, whilst the other half remained in the existing school.
- 1.7 Phase 1 was scheduled to start on site in March 2009 but did not in fact commence until July 2009. The contractor, however, confirmed that he would undertake to complete Phase 1 by the original completion date of July 2010 thereby reducing the original construction period from 16 months to 12 months. Phase 1 was delivered in May 2011 and Phase 2 completed in September 2011.

- 1.8 During 2010/11 the Audit and Risk Division's Project Assurance Unit reviewed the progress of the scheme and conducted a number of project assurance health checks.
- 1.9 In July 2010, an Internal Audit Report was produced by the Audit and Risk Division.
- 1.10 In November 2010, the Public Private Partnerships Unit (PPPU) was commissioned to:
- Determine the likelihood of the project being delivered to the then forecasted programme and budget;
 - Provide recommendations to ensure that the scheme was either delivered by the currently forecast programme and budget or ensure that any further delays and/or cost over-runs are mitigated as far as possible;
 - Present the options available to address the issues identified and implement the recommendations.
- 2.11 The findings of the project assurance health checks, Internal Audit Report and Public Private Partnerships Unit commission are summarised below in Main Issues.

2 Main issues

2.1 The key issues that the project encountered can be summarised as follows:-

2.1.1 Governance arrangements could have been strengthened:

- There was insufficient clarity with regard to the membership, constitution and remit of the Project Board. The Project Board would have benefited from either an independent chair and / or independent members from other directorates. This would also have ensured that the Project Board managed by exception rather than getting involved in the detail of the project.
- The role of the project manager was not fully understood and therefore this role was not fully delivered or recognised. Consequently, the project did not benefit from such a role. The appointment of an independent project manager would have benefitted the project.
- There was a lack of clarity with regard to the ADS' project team structure and the Design and Management team and therefore it was not able to interface properly with the Client and the Contractor. This was partly due to the transfer of design responsibility within the SDA during the early stages of the scheme, a high turnover of ADS' design team and changes in the ADS management team. However, there should have been adequate management systems in place in ADS to deal with these issues.

2.1.2 Roles and responsibilities were unclear throughout the project team. A roles and responsibilities matrix would have helped to ensure that all of the project team members were aware of their and others respective roles and responsibilities and that any gaps were filled. Unfortunately, this lack of clarity contributed to a number of the other issues such as lack of ownership and relationship issues, and which

lead to behaviours and attitudes which were generally reactive, rather than proactive.

- 2.1.3 At the time Education Leeds and the Council both followed different formal project management methodologies. Although the Delivering Successful Change (DSC) methodology had been implemented in the Council, at the time, Education Leeds had not yet implemented. However, throughout the project, Audit and Risk conducted project assurance health checks. The project would have benefitted from adhering to the DSC methodology.
- 2.1.4 There was insufficient check and challenge by the Project Board at the end of the important stages. This is particularly illustrated by the Project Board approval to progress to detailed design and tender without a design freeze and robust cost plan (at the end of RIBA Work Stage D). Furthermore, the lack of check and challenge also led to a reduction in the following design and production information stages (RIBA Work Stages E to G), which in turn led to design and tender and cost information not being to the appropriate level of detail for tendering (Design freeze was not until after construction had commenced and therefore tenders were sought without the benefit of a robust cost plan). In addition, the contractor agreed to a reduction of the original construction period from 16 months to 12 months. With the level of design information already being behind programme this put undue pressure on the design team during construction, with the outcome being that ADS could not cope with producing the information required by the contractor and costs were either based on poor information or not based on the correct level of information at the right time. This made cost control very challenging, delays and inevitably extensions of time and claims from the contractor. Again this decision should have been challenged and all its implications understood. All parties should have recognised the inherent risks in accepting a compressed programme. A more independent Project Board could have better challenged the decisions being made on programme.
- 2.1.5 The lack of a clearly documented brief for ADS from Education Leeds has, together with the other issues detailed in this report, led to a substantial number of client design changes and variations post contract. This was exacerbated by the lack of a design freeze, as there was a significant amount of outstanding design information, Education Leeds were not clear that their expectations were being met, leading to design / scope changes. A detailed design brief at the end of the feasibility stage (RIBA Work Stage B) and design freeze at the end of RIBA Work Stage D is key to the success of a project.
- 2.1.6 Change control could have been better managed by both ADS and Education Leeds. The reporting arrangements for approving changes and overspends were not clearly set out and therefore contract procedure rules and financial procedure rules were not fully adhered to. A change control process should be agreed at the start of the project, which should reflect contract procedure rules and financial procedure rules.
- 2.1.7 The necessary skills and capacity were not always available within the ADS team and this resulted in the design information not being co-ordinated, to the required quality or in a timely manner. There were also resourcing issues with ADS, despite additional fees being provided to support this purpose on four occasions. This was partly due to the transfer of design responsibility within the SDA during the early stages of the scheme, a high turnover of ADS' design team and changes

in the ADS management team. However, there should have been adequate management systems in place in ADS to deal with these issues.

- 2.1.8 Relationships, particularly between ADS and the Education Leeds were less than ideal from the outset of the project and this had an adverse impact on the project, particularly with regards communications between the three main parties, Education Leeds, ADS and Kier Northern. This prevented a cohesive approach to ensure the scheme was successfully and also manifested itself in SDA resource difficulties, as staff did not wish to work on the scheme. There was also evidence to suggest that relationship issues also existed within the ADS team. Strong relationships are key to delivering successful projects and this issue should have been addressed early on in the project.
- 2.1.9 There were concerns regarding the appropriateness and accuracy of design information, drawing version control, tender and contractual information and minutes of meetings. ADS should have had adequate management systems in place to deal with these issues.
- 2.2 This learning has been incorporated into revised processes in Children's Services and other directorates to ensure the issues that led to overspend and delay do not happen again. This will build upon the positive changes that have already been put in place for the current Primaries Basic Needs projects and Eastmoor Secure Unit project and the lessons learnt from the successfully delivered Building Schools for the Future programme. It should also build on the changes brought about by the transfer of Education Leeds to Children's Services, the formation of the joint venture with NPS Leeds and the commissioning of project management services from Public Private Partnerships Unit.
- 2.3 Key issues from lessons learned review are;
- a) The need to strengthen the client capacity and capability in Children's Services - partially achieved;
 - b) The need to increase ADS capacity and capability – being progressed via the joint venture with Norfolk Property Solutions;
 - c) For design and cost reports not to go to Executive Board until design freeze and costs understood – in place;
 - d) Costing to be realistic with appropriate contingency to reflect any site constraints, rather than being budget capped – in place;
 - e) Timescales to be realistic to achieve the delivery of the project rather than being led purely by school year deadlines which can often be unachievable – in place.

3 Corporate Considerations

3.1 Consultation and Engagement

- 3.1.1 Members were consulted fully in respect of the planned expansion of the school.

3.2 Equality and Diversity / Cohesion and Integration

3.2.1 The EDCI assessment was carried out in 2008 as part of the proposal to expand the school.

3.3 Council policies and City Priorities

3.3.1 The project contributes to raising standards and increasing educational attainment through the modernisation of school buildings. There is also improvement to facilities for play and sport promoting the healthy schools agenda and Child Friendly City. The provision of a community parenting facility contributes to working with communities and harmonious communities. Children have been consulted on the school design (through the DQI consultation framework) promoting 'developing the voice and influence of children'.

3.4 Resources and value for money

3.4.1 The Design and Cost Report for the project that was submitted to Executive Board on 01 April 2009 gave authority to incur capital expenditure in the sum of £9,100,000 in respect of construction and fees. A commercial settlement of the final account was agreed in May 2012 which has resulted in a projected outturn of £10,693,495.

3.4.2 The analysis below details the overspend of £1,593,495 after commercial settlement of the final account:

Construction Overspend (Commercial Settlement)	1,648,334
Additional Fees	150,911
Savings against decant elements of the project	-205,750
TOTAL OVERSPEND	£1,593,495

3.4.3 The above figures do not take into account any cost implications that may arise from the ongoing discussions around the ventilation strategy.

3.4.4 The overspend has been funded from £1,200,000 of contingencies set aside against Primary Capital Programme (PCP) Schemes, for which Bankside was a Pathfinder Project, and £393,495 of general Children's Services programme contingencies.

3.4.5 On 09 May 2012, Internal Audit reviewed the commercial settlement offered by Kier Northern and achieved an agreed reduction and commercial settlement of the final account. However, this was not a full review/ audit of the final account. At this point it was evident that this had only been partially substantiated by the QS and Internal Audit advised that another commercial settlement be offered where further substantiation could not be agreed. However, the QS confirmed that the costs incurred in delivering the project could be substantiated and in his opinion the account represented value for money for the work completed.

3.5 Legal Implications, Access to Information and Call In

- 3.5.1 This report does not contain confidential or exempt information and the decision is eligible for call in.

3.6 Risk Management

- 3.6.1 Risk management has been applied throughout the scheme. Whilst the defects period for phase two of the project concludes in September, with commercial settlement there are no known risks outstanding at this time, other than concluding discussions around the ventilation strategy.

4 Conclusions

- 4.1 Following extensive reviews within directorates it has been possible to outline a number of key issues that the project encountered resulting from the Internal Audit Report produced by the Audit and Risk Division in July 2010 and the involvement of the Public Private Partnerships Unit in the latter stages of the project. These have been summarised in this report.
- 4.2 This learning has been incorporated into revised processes in Children's Services and other directorates to ensure the issues that led to overspend and delay do not happen again. This will build upon the positive changes that have already been put in place for the current Primaries Basic Needs projects and Eastmoor Secure Unit. It should also build on the changes brought about by the transfer of Education Leeds to Children's Services, the formation of the joint venture with NPS Leeds and the commissioning of project management services from Public Private Partnerships Unit.
- 4.3 A commercial settlement has been agreed with Kier.

5 Recommendations

- 5.1 Executive Board is recommended to:
- a) Note the content of the report which provides details of the issues that contributed to the overspend of £1.593m.
 - b) To give authority to spend £1.593m.

6 Background documents¹

- 6.1 Report to SIB 24 February 2012
- 6.2 Audit Report

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.