



Notice of Non-key Executive Decision

Subject Heading:	Royal Liberty Secondary school expansion – virement to increase funding allocation and approval to sign the revised S151 letter
Cabinet Member:	Councillor Robert Benham - Deputy Leader of the Council, Cabinet Member for Education, Children & Families
SLT Lead:	Tim Aldridge, Director of Children's Services
Report Author and contact details:	Pooneeta Mahadeo School Organisation Manager pooneeta.mahadeo@havering.gov.uk 01708 431092
Policy context:	The Council has a statutory duty to provide sufficient school places for the local population. In Havering the school age population is rising and this is projected to continue. The Council has to plan to meet the need and ensure permanent places are available on time.
Financial summary:	The revised and final cost of the Contribution needed for this expansion is now confirmed as £5,395,159 plus VAT excluding Technical Adviser fees. A further virement of £195,159 is required which is to be funded from Capital Contingency.
Relevant OSC:	Children's Services
Is this decision exempt from being called-in?	Yes

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The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input checked="" type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Place an X in the [] as appropriate

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

To approve a further virement of £195,159 for the expansion of The Royal Liberty School from Capital Contingency.

AUTHORITY UNDER WHICH DECISION IS MADE

Under Part 3 Responsibility for functions Section 3.10.3 S151 Officer function .

STATEMENT OF THE REASONS FOR THE DECISION

Cabinet approved a virement of £1.2m on 12 December 2018 as per the S151 letter received in November advising that the cost estimate for that project is £5.1m. However, on the 22 May 2019 we were informed that the cost is estimated at £5.6m.

Arcadis Recommendation for Contract Sum

Ref	Buildup	Amount	Comment
a	Contractor submitted CSA amount	5,650,872.07	
	<u>Less Risk money</u>		
b	design development	£ 84,938.40	
c	construction risk	£ 42,469.20	
d	BREXIT	£ -	
e	package risk (fixed price) Gross	£ 68,838.22	All allocated to DfE PSBP2
f	Net excluding risk	£ 5,454,626.24	
g	WD actual risk (excl. prov sums) Items 21 to 24 above	£ 196,245.83	3.60%
h	Suggested max risk at RIBA 4	£ 109,092.52	2.00%
j	Demolition of block H	£ 14,049.84	
k	Transfer of demolition of concrete single storey and brick building	£ 14,049.84	
l	Arcadis suggested CSA value (1FE works)	£ 5,591,818.44	

Asset management team went back to the ESFA and challenge some of the increased costs and following that discussion the ESFA came back with a revised cost as outlined below:

Original estimate: £5,639,225

Revised Arcadis assessment as per email sent 18/06/19 (as above) : £5,591,818

Final S151 pre-contract assessment to include reduced inflation cost: £5,395,159

Total overall reduction to Havering: £244,066

This figure (£5,395,159) is the figure that has been included in the revised S151 letter.

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Discussions are still ongoing regarding the increased costs. There are a number of areas which warrant further investigation in the search for savings and the Council is aiming to reduce the cost for that scheme to the agreed funding of £5.2m.

OTHER OPTIONS CONSIDERED AND REJECTED

The Council did consider to withdraw from the scheme. However the abortive costs were so high – current estimate £3.3m which may increase depending on actual costs. The S151 works are intrinsically linked with the PSBP2 works which means that removing the S151 would have significant cost implications.

PRE-DECISION CONSULTATION

Discussions are ongoing between Havering and the Department to identify savings to the agreed scope of the Additional Works to reduce the Contribution to £5,200,000 + VAT in line with the currently agreed budget Havering has in place for the Additional Works. Potential options have already been identified and these will be considered in greater detail as soon as the DfE enter into contract to further supplementing the saving.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Pooneeta Mahadeo

Designation: School Organisation Manager

Signature:



Date: 05/07/2019

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

If the additional £195,159 virement was deemed as being within the scheme budget of £5,395,159 then that would likely constitute a key decision and pursuant to the Constitution require Cabinet approval.

This decision is requesting approval of a further budget requirement of £195,159 from the Capital Contingency Budget. It should be noted that in signing the revised s151 letter dated 2 July 2019 that the Council is agreeing to the revised cost of the contribution being £5,395,159 plus VAT and excluding Technical Advisers' fees. Once the Technical Advisers' fees are included there is a risk the costs could be higher than this amount.

In signing the revised s151 letter as drafted the Council is agreeing that the revised cost of the Contribution is £5,395,159. It is agreed that will pay £5,200,000 plus VAT and that any balance over and above £5,200,000 will be invoiced and payable by the Council in September 2020. This is not limited to the difference of £195,159 between the revised cost and the £5,200,000, and could in fact be in excess of this.

If the Council did later want to challenge the amounts charged under the scheme, then it may be more difficult to challenge the costs up to £5,395,159. Signing of this letter is confirming acceptance of this being the revised cost, despite assurances being received from the Department of Education that they will seek to identify savings to bring the costs within the current agreed budget of £5,200,000.

The original s151 letter dated 21 September 2017 states that the costs will be provided to the Council on an 'open book' basis to the Council, prior to the Council agreeing the costs. If there are any concerns about the information provided to the Council about costs then it would be prudent to resolve these concerns prior to accepting the revised amount, as once again it is more difficult to challenge after the event.

Further, in the s151 letter dated 21 September 2017 the Council agrees to reimburse the ESFA for "any additional costs properly payable by the ESFA to the Contractor under the Contract which directly relates to the Additional Works". As such, there is a risk there may be additional costs once in contract which would again exceed the amount approved in budget, and by this additional virement

FINANCIAL IMPLICATIONS AND RISKS

Cabinet approval was gained in December 2018 to increase the budget for Royal Liberty Secondary School Expansion up to £5.2m. The revised costs are now in the region of £5.39m resulting in a further budget requirement of £195,159. In discussions with the S151 Officer, it has been determined that this amount will be funded via the Capital Contingency Budget.

At this stage, aborting from this project will result in costs of over £3.3m. This option

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has therefore been disregarded at the Schools Expansion Board.

The Department for Education have committed to identifying savings over and above the £5.2m. This will need to be monitored by the Council, and plans to address the increased costs have already been identified.

**HUMAN RESOURCES IMPLICATIONS AND RISKS
(AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

None

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

None

BACKGROUND PAPERS

Appendix 1 – Revised S151 letter

Appendix 2 – Cabinet report

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed



Name: Jane West

Cabinet Portfolio held:

CMT Member title: Chief Operating Officer

Head of Service title

Other manager title:

Date: 3rd July 2019

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 08/7/2019

Signed J. J. RR

