

Report Title

Building Schools for the Future: BSF Programme Cost Manager and Quantity Surveyors

Report authorised by : **Director of the Children & Young People's Service**

Signature :

Contact Officer : **Jon McGrath**

020 8489 1818

jon.mcgrath@haringey.gov.uk

Wards(s) affected: **Various**

Report for: **Key Decision**

1. Purpose of the report

1.1 To seek approval for the additional resources required to deliver the Programme Cost Manager and Quantity Surveyor role associated with completion of the BSF programme.

2. Introduction by Cabinet Member

2.1 In relation to the 12 projects in the BSF programme it is clear that the complexity and volume of work involved has been greater than originally anticipated when the contract was let for Programme Cost Management and Quantity Surveyor services. Although this report does not propose to change the rates being paid, it does recognise the greater amount of work required to properly resource the BSF programme. This does represent an increase in spend with the incumbent provider, but the BSF Board has considered this in some detail and supports the recommendations as the additional costs can be met from within the BSF budget. I am therefore supporting the recommendation in the report.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1 Council Priorities

3.1.1 Making Haringey one of London's Greenest Boroughs

3.1.1.1. The Council's Programme Cost Manager and Quantity Surveyors will support the Building Schools for the Future programme in exhibiting a number of sustainability features. They play a key role in ensuring that the appointed Construction Partners are working in accordance with the Council's policies and the Council's Requirements for each individual project, and that the projects achieve their BREEAM and renewables targets.

3.1.2 Creating a Better Haringey: Cleaner, Greener and Safer

3.1.2.1. The Programme Cost Manager and Quantity Surveyors are closely involved in ensuring the Construction partners conform to sustainable greener methods of working.

3.1.3 Encouraging Lifetime Well Being, at Home, Work, Play and Learning

3.1.3.1. The Programme Cost Manager and Quantity Surveyors work closely with the BSF Transformation stream in contributing towards providing schemes which will transform outcomes for young people in Haringey by improving the learning environment, providing anywhere/anytime access to ICT, increasing inclusion and providing a wider range of pathways of study.

3.1.3.2. The BSF programme will improve access to extended services in and around schools and contribute to improving community cohesion. Examples include access to out of hours study support for children and families, sports and the arts. This project is proposing a new hall which could potentially be used for community use out of hours.

3.1.4 Promoting independent living while supporting adults and children when needed

3.1.4.1. The Programme Cost Manager and Quantity Surveyors support the BSF Programme in ensuring the Construction Partners implement, wherever possible, the Council's policies on local labour employment, and creating apprenticeships for local people.

3.1.5 Delivering Excellent, Customer Focussed, Cost Effective Services

3.1.5.1. Key to the success of the BSF programme is high quality finished school spaces to improve standards within schools. The Programme Cost Manager and Quantity Surveyors role play a role in ensuring that work carried out by the Construction Partners is consistent with the standards expected by the Council.

3.2 Council Strategies

3.2.1 Safer for All

3.2.1.1. In all our work we will pay particular attention to:

- Young people and crime
- Mental health issues
- Support for victims and witnesses of crime
- Working with and through communities (Community Engagement Resources)

3.2.2 Value for Money

3.2.2.1. Discussions have been carried out within the terms and cost rates of the original framework contract. This has been overseen by the Council's Central Procurement group and achieved reductions from the proposals made by the supplier.

3.2.3 Engagement of the Community

3.2.3.1. The designs of the projects have been made available prior to the construction stage. These initiatives will continue through the construction period.

3.2.4 Risk Management

3.2.4.1. Risks are managed within the governance of the BSF programme. This includes Stream Lead meetings and reporting to the Programme Board. The projects are managed within Prince 2 methodology and Managing Successful Programmes. Procurements are managed to European Legislation and advice is taken from legal advisers to ensure compliance. BSF Project Management Assurance Audits (undertaken by Deloitte & Touche Public Sector Internal Audit Limited) completed in January and October 2009 and gave an overall programme rating of 'Substantial Assurance'.

4. Recommendations

4.1 It is recommended that the Procurement Committee:

- Approve the variation of the scope and terms of the BSF Programme Cost Manager and Quantity Surveyor services to the extent set out in Appendix 1 paragraph 16 for the remaining phase of the BSF programme under the terms of CSO 13.02.

5. Reason for recommendation(s)

5.1 The BSF Programme has commenced work on all twelve schemes with significant ongoing work required to ensure that projects are managed within the cost, time and quality parameters agreed when construction contracts were let.

5.2 The focus has moved from planning and procurement to scheme management, closure and handover, including ensuring underlying benefits are realised.

5.3 Recent months have been used to review the work undertaken by main suppliers to the BSF programme under earlier procurements, assess the risks for the coming phases and to seek to secure resources, within those procurements, to mitigate those

risks. The Procurement Committee received and approved a proposal in July 2009 concerning negotiations with the BSF Project Managers on project management and construction lead services. Negotiations have continued over a protracted period with the BSF Programme Cost Manager and Quantity Surveyors on their services. In particular, the programme cost management services have proved to require significantly more time input to support the ongoing programme delivery than had originally been anticipated. Negotiations have been carried out in close consultation with the Corporate Procurement Unit and within the fee rates, terms and conditions of the framework procurements completed at the outset of the BSF programme. This report does not propose changes to those rates and discounts.

5.4 This report deals with the BSF Programme Cost Manager and Quantity Surveyors contract. The main topics were ensuring the level and scope of service required to complete the BSF Programme successfully.

5.5 The contracts originally entered into were secured through a framework exercise. The contract was not for a fixed rate, as the programme was at an early stage and there was no template for how such a programme would develop in Haringey's circumstances. In the event there has been a great deal more work entailed than could have been forecast, especially in the complexity of cost management of 12 projects concurrently to let and maintain projects within acceptable budgetary limits. Relevant examples include:

- Project re-design required by Partnership for Schools
- Comprehensive cost variation control across 12 projects
- Support for the creation of detailed spend profiles for each of the 12 BSF projects
- Programme level monitoring to adhere to the Council's agreed budget profile
- Close management of contingency budgets, leading to the present available surpluses

Programme Cost Manager and Quantity Surveyors have been central to addressing and overcoming these challenges to date and will remain so over the life of the BSF Programme.

5.6 How the Proposal Mitigates Risk

5.6.1 The discussions with the BSF Programme Cost Manager and Quantity Surveyors has focused on minimising risks to the Council and to the BSF Programme's success by ensuring continuity of the appropriate level of service over the programme life to support delivery of projects within budget, and to work with others on the identification and resolution of project issues as they arise. The Council has set the clear objective for the BSF Programme to be delivered on budget – failure to secure effective and full BSF Programme Cost Manager and Quantity Surveyor services runs counter to this objective:

5.6.2 This agreement secures the necessary level of staff resource until the end of each project, which in turn ensures that the Programme Cost Manager and Quantity Surveyors roles will be delivered in full. Failure to do so would place the Council at considerable risk.

5.6.3 Continuity of service of a supplier with full knowledge of the BSF programme is essential to ensuring translation of design and development issues into the management of the construction phase. The existing Programme Cost Manager and Quantity Surveyors have delivered their respective functions since early in 2007, and transfer to another provider is judged to be highly detrimental to the effective delivery of the construction phase, because the key interface relationship between stakeholders would be lost. The programme team considered whether an alternative provider could overcome these difficulties at significantly less cost and concluded that the level of risk associated with a change of provider at this stage of the BSF programme is unreasonably high, and so the BSF Programme did not consider alternative options for securing these services,

5.6.4 Full post-contract support and final account preparation over the defect period after practical completion. Maintaining the engagement of the Programme Cost Manager and Quantity Surveyors during the final account preparation and defect management phase is judged to improve the likelihood of successfully rejecting contractor claims.

5.6.5 Review of the costs from a percentage fee basis shows that capping the charge is planned to reduce the total cost over the BSF programme life. Section 16.1 of this report sets out the detailed costs associated with this item.

5.7 The Outcome

5.7.1 This proposal delivers solutions which meet the agreed objectives, representing a 24.8% increase on the currently budgeted cost (compared to the increased base allowing for previously approved costs associated with re-tendering the Heartlands construction contract). Section 16.1 of this report sets out the detailed costs associated with this additional cost.

5.7.2 This settlement includes the capping of fee level to allow for application of BSF contingency budgets over the life of the programme.

5.7.3 Financial provision for the negotiation was made in the financial planning for BSF. The BSF Board has considered and endorsed the outcome of the negotiations.

6. Other options considered

6.1 Not Applicable

7. Summary

7.1 The BSF programme will benefit from the negotiations by:

- Ensuring sufficient resources are available to manage the risks which emerge
- Capping the Council's exposure to fees
- Resolving areas of dispute or potential dispute

8. Chief Financial Officer Comments

- 8.1 The proposals in this report may be separated into two discrete elements:
- An extension to the scope of the work; and
 - A proposal for a 'Fee Cap'.
- 8.2 Paragraph 5.7.1 identifies an overall 24.8% increase compared to the latest budgeted cost. However, in order to consider whether Value for Money is being achieved it is also relevant to consider the extent to which fees have increased from those originally approved as well as reviewing the extent to which fees comprise the total of the BSF programme costs. As various fee contracts have been increased over the lifetime of the programme it may be beneficial to bring a separate report to a future meeting of the Procurement Committee to review the current position on fees.
- 8.3 The fee rates used are consistent with those negotiated as part of the original framework agreement and the increased cost associated with Programme Cost Management arises entirely from an increased in scope attributable to the reasons described in paragraph 5.5, some of which would appear to be outside of the Council's control (e.g. project redesign required by PfS).
- 8.4 The purpose of the 'Fee Cap' is to give certainty against future fee demands arising from the utilisation of the various BSF contingency sums; the comparison at paragraph 16.1 identifies the potential benefits from this approach. It is important that where approaches such as this are considered to give better value they are incorporated into the original specification when a competitive situation exists.
- 8.5 Notwithstanding the issues referred to above it is clear that the need for continuity of provider as described in paragraph 5.6.3 means that it is likely to be in the Council's best interest to agree this proposal.

9. Head of Legal Services Comments

- 9.1 The Procurement Committee has power under CSO 13.02 to approve the variation to the contract, provided that to do so is consistent with the provisions of the Council's Financial Regulations and the Public Contracts Regulations 2006.
- 9.2 The existing contract to which this variation relates was procured off a framework established in accordance with the Public Contract Regulations 2006 and the Council's Contracts Standing Orders and approved by Members on 23 March 2004. As such the variation of the contract would only be permissible by use of the negotiated procedure without prior publication of a contract notice to other parties under Public Contract Regulations 2006 regulation 14(d)(i).
- 9.3 Under the Public Contract Regulations 2006, this may be done where the additional services have become necessary and cannot for technical or economic reasons be provided separately from those under the original contract or are strictly necessary to the later stages of the performance of that contract, and the value of the additional works do not exceed 50% of the original contract value. Paragraph 5.6.3 above

highlights why the additional services for which approval is sought are strictly necessary to completion of the contract services. The total value of the fees for additional services is far less than 50% of the original contract value as shown in Appendix A at paragraph 16.1.

9.4 The Head of Legal Services confirms there are no legal reasons preventing the recommendations contained in this report being accepted.

10. Head of Procurement Comments

10.1 The additional fees as noted in Appendix 1 are for services outside the scope of the original delivery requirements for the Cost Consultant as referenced in section 5 of this report and the agreed fee covers any future planned future work.

10.2 The Cost Consultants fees overall are now capped (subject to any significant variations) and will help financial control of the programme

10.3 The Head of Procurement therefore acknowledges the need for additional fees as recommended by the Client on this project.

11. Equalities and Community Cohesion Comments

11.1 Detailed Equalities Impact Assessments (EIAs) have been carried out for each of the BSF projects. Each has been approved by the Director of CYPS prior to Procurement Committee approval of contracts.

12. Consultation

12.1 Internal consultations have been undertaken to ensure that the necessary steps to procure the BSF Programme Cost Manager and Quantity Surveyor services have been followed.

13. Service Financial Comments

13.1 Appendix 1 presents the costs of extending the BSF Programme Cost Manager and Quantity Surveyors contract to support additional work already undertaken and required to balance the delivery risks associated with completing the BSF programme. This table confirms the additional costs and savings associated with the proposals

13.2 Section 16.1.1 confirms that the budget provision available for this cost item is equal to the projected costs, so it is confirmed that budget provision exists for the extension of the BSF Programme Cost Manager and Quantity Surveyors contract set out in this report and detailed in section 16.1.

13.3 DCSF issued a revised promissory letter on Monday 24th November 2008 confirming the BSF programme Final Business Case had successfully been signed off, and the total grant funding payable to the council. As defined in the DCSF Funding

Protocol, the date of this promissory letter defines the moment of financial close for funding purposes. This was confirmed by the discussion and minute of the 21st October 2008 BSF Programme Board.

14. Use of appendices /Tables and photographs

14.1 Budget Profile (16.1)

14.2 Summary of Additional Costs (16.2)

15. Local Government (Access to Information) Act 1985

15.1 The following documents were used in the compilation of this report:

- The Council's Standing Orders
- Appendix 1 of this report contains exempt information and is **not for publication**. The exempt information is under the following category (identified in the amended Schedule 12A of the Local Government Act 1972):

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