

## CABINET

**28 SEPTEMBER 2010**

### **WOODLANDS SCHOOL EXTENSION**

Portfolio Holder: Councillor Alan Jarrett, Finance  
Councillor Les Wicks, Children's Services

Report from: Deborah Upton, Monitoring Officer and Mick Hayward,  
Chief Finance Officer

Author: Deborah Upton, Monitoring Officer

#### **Summary**

This report identifies potential procurement and other issues that have arisen from works carried out at Woodlands Primary School, Gillingham, and to identify further work needed together with the budgetary provision to carry it out.

#### **1. Budget and Policy Framework**

- 1.1 Option D is a matter for Cabinet to decide, however, the additional money needed to carry out the extra works to Woodlands School (options A, B and C) is not within the existing budget and will have to be agreed by Full Council.
- 1.2 This report will also be received by the Audit Committee on 28 September 2010, who will be asked to consider the report and any further control measures necessary.
- 1.3 The Cabinet is asked to accept this as an urgent matter to enable the required works to be carried out.

#### **2. Background**

- 2.1 Woodlands School, Gillingham was a 1 form entry (1FE) primary school. In 2006 it had 200 pupils on the role and had received an "outstanding" ofsted inspection.
- 2.2 Officers appear to have agreed with the School towards the end of 2007 that the school facilities should be expanded to facilitate two forms of entry, in order to increase the number of primary school places available in the Gillingham area. At the time, this was consistent with Medway School Organisation Principles that said that popular and successful schools should

be able to expand. Woodlands Primary School was at that time consistently oversubscribed.

- 2.3 On 22 April 2008, Cabinet (decision 106/2008) agreed the arrangements for admission in 2009 for community and voluntary controlled primary schools. The arrangements included a change in admission arrangements for Woodlands Primary School with an expansion from a planned admission number of 45 pupils per year group to 60 pupils per year group, to make it a 2FE school in line with the then current pupil projections.

### **3. Work to Woodlands School**

- 3.1 Work would have been necessary at Woodlands School, as the increased intake necessitated adaptation to the size and composition of the school facilities needed to change. However, internal audit have been unable to find evidence as to whether any formal proposal of how the school could be extended to accommodate the increased pupil numbers was prepared, either by the Council's Learning and Achievement Division or by the School.
- 3.2 Minutes of the meeting of the Children's Services Capital Group on 18 January 2008, chaired by the Assistant Director, Learning & Achievement, include, in the 'A.O.B.' section, "Woodlands Primary: This needs to be added into the programme for 2008/09. The cost will be £750,000 from developer contributions to increase the school to 2FE." This appears to represent the only written record of any decision, and as set out in 3.1 above, there is no record or specification of what the £750,000 represents.
- 3.3 The estimated cost of £750,000 appears to have been arrived at in advance of any detailed planning, and the Learning and Achievement Division appears to have taken note of the schools view from the school that the work could be completed within that figure. However, the then Head of Design and Surveying had been consulted and had advised that the cost appeared low in view of the works required, but conceded that the school could probably achieve savings through using cheaper contractors. Some plans were apparently drawn up at this stage, but no evidence of these has been located.
- 3.4 Therefore we are unable to be clear as to what was the original specification for the work that was required to Woodlands School and whether the work was necessary and proportionate to achieve a 2FE school.

### **4. Authorisation for budget allocation**

- 4.1 The Woodlands School 'extension to 2 forms of entry' appeared for the first time in the capital budget monitoring report for January 2008, which was presented to Cabinet on 1 April. The narrative of the report stated this was a new project costing £25,000 to be funded by developer contributions and, as such, had been approved under the authority delegated to the Chief Finance Officer.
- 4.2 However, the supporting schedule to the report indicated a total approved cost of £750,000, £25,000 of which was to be spent that year, with £200,000 to be spent in 2008/09 and the remaining £525,000 in 2009/10. It appears

that £50,000 of the total was allocated to relocating existing early years facilities on site to the Bligh site, but there is a distinct lack of detail as to how the overall figure was arrived at.

- 4.3 Therefore it appears that the school extension was added to the capital programme prior to members making a decision to increase the size of the school to a 2FE in April 2008.
- 4.4 The proposed capital programme for 2008/09 would have been based on the monitoring report for November and at that point the scheme did not exist in financial terms. The project therefore missed inclusion in the annual programme approved by Council on 28 February 2008 and was not therefore approved by members as part of the capital budget for 2008/09. The Woodlands School extension first appears in the Capital Monitoring Report for January 2008, presented to Cabinet in April (paragraph 4.1 refers).
- 4.5 However, it appeared in capital budget monitoring reports throughout 2008/09, showing a gross cost of £750,000 but indicating that the £725,000 balance was a 'new approval' for 2008/09. This is not correct as this balance had not been approved by the Chief Finance Officer.
- 4.6 For 2009/10 a further sum of £525,000 was requested and allocated as part of the "Existing Schemes New/Additional Funding" identified from the supported borrowing allocation for 2009/10 and approved as part of the Capital budget presented to Council on 26 February 2009. This sum was in addition to the £750,000 for the previous year, and the report did not identify that the 'total scheme estimate' was now £1.275 million as the existing £750,000 was included within the 'Existing Schemes' summary for the directorate.
- 4.7 Capital budget monitoring reports for 2009/10 correctly show a 'total scheme budget' of £1.275 million and the £525,000 as a new approval for 2009/10.

## **5. Budget Monitoring**

- 5.1 The capital budget monitoring reports failed to identify any potential problems arising with the project until the school requested further funding at the end of September 2009. Monitoring reports throughout 2008/09 indicated that the project would be completed within the £750,000 budget, based on information from the Learning and Achievement Division that "the scheme will be partially completed in the current financial year, and the remainder will be completed in future years".
- 5.2 This included the monitoring report for January (presented to Cabinet on 31 March 2009), even though the additional £525,000 allocation as part of the 2009/10 capital programme was approved in February 2009, as part of the budget setting process. This proposal for an additional allocation should have alerted officers to the fact that the project was to exceed the £750,000 budget. Similarly, monitoring reports for the first half of 2009/10 (up to September) continued to report that the scheme would be completed within the revised £1,275,000 budget.

5.3 It does not appear that any detailed specification was requested or prepared when the additional £525,000 was requested, either by the School or the Learning and Achievement Division.

## **6. Project Management**

6.1 No proper project plan can be located and the only document equating to a 'project plan' simply splits the project into phases with approximate (presumably estimated) costs, with no projected completion date for each phase.

6.2 The Learning and Achievement Division consider that the school has been managing the project although this is at variance with the School's understanding. However, there is a lack of clarity as to how the decision to permit the school to manage the project was reached and who approved it, as there is no written evidence.

6.3 The reality is that the contractor invoiced the school and whilst one early invoice was paid directly by the Council, the rest to September 2009 were paid by the school that was then reimbursed by the Council.

## **7. Procurement of the Building Works**

7.1 The School appointed a company to carry out the building works. However this company was owned by the School's site manager and there is no evidence that any competitive tender exercise was undertaken in respect of the building works. The Council appears to not have had any involvement in the procurement of the contractor.

7.2 If the procurement had followed the correct route, then it would have been considered by the Procurement Board and a project plan and specification would have been required by the Board prior to the commencement of the project. This would have ensured that there was a robust challenge to the scope of the works and value for money.

## **8. Current Position**

8.1 In October 2009 the School contacted the Council to request additional monies to complete their building works. As a result of this request, the Monitoring Officer asked Mace (technical consultants who deal with school work) to visit the property to undertake a cost review to see if additional work was necessary or if it could be contained within budget.

8.2 The report received from Mace indicated serious concerns regarding some work at the School and as a result of this both building control and Mace were asked to undertake a technical review of the property and the school was told to stop all works.

8.3 The Council (through Building & Design Services) arranged for all necessary remediation work and all other immediately needed work to be done to ensure that the school could remain open and continue to function. The remediation work was carried out at half term week.

- 8.4 The school received funding of £1.275 million in total, of which some £965,000 has been spent on the original works and a further £112,000 has been spent by the Council in remediation works.
- 8.5 Since work at the school has been halted, interim measures have been put in place by the school, but these are not sustainable in the long term. The interim arrangements involve the school using community space that had been developed using lottery funding for sports and the arts as classroom space. This development was carried out by the School without the involvement of the Learning and Achievement Division, as it was directly funded by the School save for a £100,000 contribution made by Medway Council.
- 8.6 The work so far has delivered a re-organisation of accommodation in the school to support a more sensible organisation of the school curriculum. Enabling works have also been undertaken to allow an additional storey of accommodation to be provided over part of the school. This option has since been shown not to provide good value for money
- 8.7 Mace have been commissioned by the Learning and Achievement Division to review the works undertaken and to provide options for the completion of the scheme, which are described in the following section.

## 9. **Options appraisal**

- 9.1 An options appraisal has been undertaken by technical advisors based on the original scheme and the need to provide additional capacity within the school to provide for two forms of entry.
- 9.2 Each option has been compared to building bulletin 99 (BB99), which sets out simple, realistic, non-statutory area guidelines for primary school buildings. The guidelines are designed to assist Local Authorities and other stakeholders in the creation of a brief for any major project in a mainstream primary school and provide recommended space guidelines based on the number of pupils at the school. There is no obligation for a scheme to match the minimum space requirements, particularly where the project is based on redeveloping existing accommodation.
- 9.3 In developing the options, consideration has also been given to the need to provide early years accommodation for day nursery pupils, an integrated foundation stage and sure start children's centre.
- 9.4 Some accommodation within the school has been enhanced using lottery funding for sports and the arts, specifically to provide community facilities.
- 9.5 The school also provides additional support for up to 8 pupils, in addition to the schools roll, with Special Learning and Achievement needs, in an SEN hub. The school also provides a nurture room that is a classroom space for up to 10 children at any time with social and emotional needs. Each option would therefore need to provide appropriate accommodation for these pupils.

- 9.6 The following options have been explored:
- OPTION A - scheme to complete the works planned by the school, which includes a second storey of accommodation above existing classroom space.
  - OPTIONS B and C - schemes to deliver accommodation which is fully compliant with the minimum space requirements set out in BB99 and provides all accommodation required for early years provision and community use. Two options were developed, one that minimised the re-organisation of spaces within the school, and the second that improved the arrangement of accommodation.
  - OPTION D – scheme to deliver accommodation which would allow the school to deliver the curriculum and services to community users effectively, but does not deliver all aspects of BB99. This scheme has been developed, as part of a masterplan that would allow further phases of work to be delivered in the future if funding is available.

9.7 These options are described in further detail below:

#### Option A

- 9.8 Technical advisors were asked to estimate the cost for completing the works planned by the school. These works are based on plans provided by the school and include the costs for completing all works started by the school.
- 9.9 This scheme would create additional accommodation, primarily 7 additional classroom spaces, above existing classroom spaces, along with accommodation for children with Special Learning and Achievement needs, who are on the roll of the school.
- 9.10 A comparison to BB99 guidelines has shown that the total accommodation provided by this scheme would exceed BB99 guidelines by approximately 1343m<sup>2</sup> (3556m<sup>2</sup> against guidelines of 2213m<sup>2</sup>).
- 9.11 **The estimated costs to complete the works proposed by the school are £2.6 million, resulting in a total project cost of approximately £3.6 million.**
- 9.12 Due to the estimated cost of completing the works, and the significant overprovision of accommodation against BB99 guidelines, this option does not offer good value for money.

#### Option B & C

- 9.13 Either of these options would provide sufficient accommodation to meet the BB99 guidelines, plus additional accommodation for early years, community use and for pupils with Special Learning and Achievement needs.
- 9.14 In option B existing accommodation would be remodelled, and additional nursery accommodation and internal circulation space provided. Whilst all areas within the school would meet the minimum BB99 size guidelines, some of the areas in this scheme would not be ideally positioned to carry out the curriculum effectively. For example, foundation stage classrooms would be positioned some distance from the day nursery provision, and would have limited external space available.

- 9.15 Option C includes all requirements as per BB99 and considers the specific requirements of the school and other key stakeholders in the development of the scheme, which results in better organised accommodation overall. This scheme would cover one of the courtyards to allow for a new kitchen and dining hall. This scheme would also involve significant remodelling work and the re-organisation of a number of spaces within the school, including the relocation of the school's kitchen.
- 9.16 A comparison to BB99 guidelines have shown that the total school accommodation provided by these schemes would exceed BB99 guidelines by approximately 473m<sup>2</sup> (Option B), or 570m<sup>2</sup> (Option C).
- 9.17 **The estimated costs to complete either of these options would be £1.6 million for option B, or £1.9 million for option C.** This would represent total expenditure of approximately £2.6 million for option B or £2.9 million for option C.
- 9.18 Option B and C represent a departure from the original plans developed by the school, and a proportion of the overall estimated budget therefore would not have been required if either of these schemes had been planned from the start.
- 9.19 In developing the estimated costs for the scheme, our technical advisors have therefore estimated the cost of abortive works if we were to develop either of these schemes. The estimated total cost of re-work for each of these options is approximately £500,000.
- 9.20 The estimated timescale for delivering either of these schemes would be approximately 52 weeks, including approval, procurement and more detailed stakeholder engagement.

#### Option D

- 9.21 Discussions with the school regarding options B and C have highlighted that both schemes include urgent and non-urgent works, and a review has therefore been undertaken, in consultation with the school, to identify the urgent works only.
- 9.22 This has led to the development of a further scheme, (option D), which would allow the school to deliver the curriculum effectively, in appropriate accommodation, but with some compromises when compared to options B and C. The main compromises are as follows:

<b>Compromise</b>	<b>Mitigation</b>
No new hall or kitchen facilities have been provided.	Whilst this means that these spaces are smaller than recommended under BB99, the impact will be mitigated through management action, such as staggering lunchbreaks. In addition the community hall, which forms part of the community provision, could be shared with the main school.
No significant re-organisation of	Whilst these works were sensible in terms of the organisation of the school, these works are not

classroom, toilets, reception area and circulation space.	considered essential. Where spaces can continue to be used for their current purpose, this scheme has avoided unnecessary redevelopment work.
Some external circulation routes remain	Whilst it would be sensible to create internal circulation spaces throughout the school, these works are not considered essential.

- 9.23 Whilst the accommodation may not fully meet BB99 guidelines in every detail, particularly in terms of kitchen and dining accommodation, the majority of spaces do meet the requirements, and the overall accommodation is only slightly below the area recommended for a primary school of this size, by 33m<sup>2</sup>.
- 9.24 This scheme has been developed as part of a wider masterplan for the school, where urgent works have been identified as the first part of a two-phase development, represented by this option. Further works have been identified, as non-urgent, but would need to be delivered as part of a second phase of works, subject to additional funding being identified by the school.
- 9.25 **The estimated cost to complete option D is £525,000.** This would represent total expenditure of approximately £1.625 million compared to the capital programme of £1.275 million.
- 9.26 The second phase of works to be completed for September 2012 is estimated to require a further £0.5million of funding which is yet to be identified by the school. If this funding is not available then there would be a need to revert to a published admission number (PAN) of 45. This would not be inconsistent with the latest data on pupil numbers forecasts.
- 9.27 Option D represents a departure from the original plans developed by the school, and a proportion of the overall estimated budget therefore would not have been required if this scheme had been planned from the start. The estimated total cost of re-work for this option is approximately £300,000.
- 9.28 The estimated timescale for delivering option D would be much shorter than options B and C, with work, if approved expected to commence during the Christmas break, with completion scheduled for Easter 2011.

## 10. Advice and analysis on the additional building works

- 10.1 Option D would provide sufficient accommodation for the school if some compromises against BB99 guidelines are accepted. This scheme delivers all urgent accommodation requirements, as agreed with the school. It also ensures that all works completed to date by the school are fully compliant with current legislation.
- 10.2 Non-urgent works have been identified as part of a broader masterplan for the school, but have not been included in the scheme at this stage. This would allow further development to the school in the future, to bring the overall accommodation closer to BB99 guidelines, subject to additional funding being identified by the school.



- 10.3 £184,000 of previously approved Capital funding is available in the existing capital programme to contribute towards completion of the project.
- 10.4 Additional funding of approximately £350,000, which is sufficient to deliver option D, has been identified using developer contributions from the Grange Farm development. These contributions are for use on primary Learning and Achievement provision in the area, with no specific conditions on their use beyond this.
- 10.5 The technical advisors have completed detailed plans for Option D so that these can be measured and costed ready for a full tender package to be developed. The costings in this report are based on current construction market rates, but have not yet been subject to a formal tender process.

## **11. Lessons Learnt**

- 11.1 This procurement did not follow the Council's usual procurement processes and as such, the Procurement Board and Cabinet were unaware of how the procurement was undertaken or managed.
- 11.2 The Council operates a risk based procurement process for procurements above £100,000 in line with best practice procurement processes. Gateway is a process where projects are reviewed and scrutinised at selected, pre-determined stages of the project cycle and passage from one stage to the next is only possible having successfully passed through the appropriate gates or checks. Within any project cycle there are a number of logical points when one could pause and review progress to date and assuming one is content with progress, proceed with the next stage.
- 11.3 If the Gateway process had been used, this project would have been defined as "high risk" due to its value and the impact that failure of the project would have caused. The project would have commenced with an options appraisal and detailed business case, including project plan. At Gateway 3, officers are required to complete a Contract Award report, which obliges them to detail how the recommended solution was determined through the approach to the market. Particular emphasis must be given to the evaluation process, the quality of tender bids and the reasons for recommending the preferred tenderer. Again, this would have provided an opportunity to scrutinise the procurement.
- 11.4 The work of the Procurement Board is highly regarded by those involved in the Gateway process because it provides clear conclusions on the extent of value for money expected by the procurement decisions it approves, and this is supported by the Council's external auditors. Where the Board does not conclude value for money is evidenced, officers are asked to review their procurement work before final approval is given.
- 11.5 As the Learning and Achievement Division thought that this project was wholly managed and being delivered by the School, it did not follow any of the above procedures. The School disputes that it was managing the project and that this issue, and the lack of clarity as to how the decision to permit the

School to manage the project was reached, form part of the ongoing disciplinary investigation into the matter.

- 11.6 There is only one other project, using Council funding, which is being managed directly by a School, and this is closely monitored by officers in the Learning and Achievement Division. Officers have scrutinised the procurement processes used by the school to select technical support and the contractor. A qualified project manager has been appointed, along with a Construction Design and Management (CDM) Co-ordinator, ensuring a best practice approach to delivery. Council officers are attending monthly progress meetings, and also receive monthly build and finance progress reports. The latest progress reports show that the project is on track, in terms of time and cost, and project progress is reported to members via the monthly capital monitoring reports. The project is due to be completed during December 2010.
- 11.7 The apparent failure by the Learning and Achievement Division to keep a written record of the reason for its decision to approve costs, or to prepare a formal proposal as to how the School could be extended to accommodate the increased pupil numbers or to prepare a project plan or to undertake a careful analysis of the Schools view on the potential costs of the project and whether the original specification for the work was necessary and proportion to achieve a 2FE school, or to agree the works prior to a member decision on the 2FE at Woodlands, are also the subject of an ongoing disciplinary investigation, as is the failure by the School to undertake a proper procurement process.

## **12. Risk Management**

- 12.1 There is a risk to the future viability of Woodlands Primary School if the recommendations of this report are not implemented. Without the completion of the building project, accommodation within the school will be insufficient to allow the school to deliver the curriculum and meet the needs of all building users. The Council has both a moral and statutory duty to promote high standards and to ensure the viability of our schools.
- 12.2 A risk register has been established for the project and all high-risk items have been costed and covered in the contingency costs for the works. These risks include items such as suitability issues with utility connections and unforeseen drainage or cabling works.

## **13. Financial and Legal implications**

- 13.1 These are set out in the body of the report and conclusions.

## **14. Conclusion**

- 14.1 If this project had followed the Council's usual procurement procedures, then it would have been the subject of much greater scrutiny by both senior officers and members. This would have provided an opportunity for intervention and challenge, and would have ensured that the project had a detailed project plan and that the contract was awarded following a

competitive tender. We do not therefore consider that any recommendations need to be made in respect of the Council's own procurement processes.

- 14.2 If the Capital Programme for Schools was approved by full Council with sums allocated to specific schemes rather than broad funding totals, then any amendments to that capital programme would be a matter for members and this would provide a greater check on the deliverability of schools programmes within budget. The current position is that some £14.3 million (excluding Devolved Formula Capital) of the programme is allocated against broad headings such as the Primary Strategy Programme, rather than specific schools or projects.

## **15. Recommendations**

- 15.1 That Option D be agreed and that the Section 106 Contribution for Grange Farm be used to fund this work
- 15.2 That the Audit Committee be asked to consider the control issues arising from this report.

## **16. Suggested reasons for decision(s)**

- 16.1 To ensure that procedures are in place to protect the Council from any financial mismanagement and to ensure that it obtains value for money in all circumstances
- 16.2 To ensure that Woodlands Primary School can continue to operate as a 2FE school, at the lowest possible cost to the Council.

### **Lead officer contact:**

**Deborah Upton**  
**Monitoring Officer Tel: 01634 332133**  
**E: [deborah.upton@medway.gov.uk](mailto:deborah.upton@medway.gov.uk)**

### **Background Papers:**

None