

AUDIT COMMITTEE

28 SEPTEMBER 2010

WOODLANDS SCHOOL EXTENSION

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Summary

This report identifies potential procurement and other issues that have arisen from works carried out at Woodlands Primary School, Gillingham.

1. Budget and Policy Framework

- 1.1 This report sets out issues that have arisen around the controls for the Woodlands School extension. A report was also be received by Cabinet on 28 September 2010, to consider any additional work necessary to Woodlands Primary School.
- 1.2 This report needs to be considered as a matter of urgency to ensure Members are advised of the latest information.

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 Officers have looked at a range of options to secure the sustainable future of the school. These have varied in cost from an additional £2.6 million to complete works as per the school vision; additional costs of £1.6 million and £1.9 million to achieve BB99 compliance and provide the required accommodation; and lastly a compromise solution that will be in two phases and require an additional cost of £525,000 to complete the most urgent works. This latter solution represents an improvement in the VFM loss from the £0.5 million estimated for the other options to a £0.3 million loss. Cabinet have been asked to consider this range of options for delivering the additional works needed, to enable it to continue as a 2FE school with a recommendation for the latter course.

9. Lessons Learnt

- 9.1 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.
- 9.2 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.
- 9.3 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.

- 9.4 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.
- 9.5 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.
- 9.6 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.
- 9.7 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.

10. Risk Management

- 10.1 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.
- 10.2 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.

11. Financial and Legal implications

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

12. Conclusion

12.1 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.

12.2 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.

13. Recommendations

13.1 That the Audit Committee be asked to consider the control issues arising from this report.

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Background Papers: None