

EDUCATION SCRUTINY COMMITTEE – 19 SEPTEMBER 2018

UPDATE ON THE CARILLION RECOVERY PLAN – PROJECT ATHENS

Report by the Director, Capital, Investment & Delivery

Introduction

1. Following the collapse of Carillion, the Council put a recovery plan in place to manage the fall-out from the collapse. The initial phase of the plan was focused on the activities required to complete legal termination of the contract and mobilise an operational service from 1 February 2018, including the transfer of staff and functions to OCC. This was achieved with minimal disruption for customers and clients.
2. The next phase of the plan focused on an assessment of the Carillion legacy issues - including completing projects that were underway, defects on completed projects and the management of the longer-term project risks such as latent defects. This report provides an update on the progress with the assessments and the plans to establish a business as usual situation regarding these ex Carillion projects.

Detail

3. **Assessment of Carillion Legacy Issues** There were immediate and critical legacy issues, including:
 - a) getting replacement contractors in place to complete unfinished projects;
 - b) rectification of known defects with completed projects;
 - c) treatment of latent defects (defects not known at this point that could emerge over time).
4. **Incomplete Projects** Replacement contractors are now in place for all in flight projects and most of the projects are now completed. Three of the largest projects – Sutton Courtenay, Matthew Arnold and West Witney Primary School – are underway with completion expected between July to September 2019. Others are comfortably being processed through our normal procurement processes.
5. The OCC Property Service has maintained regular contact with stakeholders to ensure they are aware of the replacement arrangements, including the timescales for completing works.
6. **Rectification of Known Defects** To determine the nature and extent of the defects on completed projects, assessments were undertaken in June, including consideration of the optimal solutions for rectification. Detailed

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costings and an implementation plan are being developed and will be considered by Cabinet and Council in the autumn budget setting process (It will be available for initial member consideration at Cabinet in October).

7. We have undertaken urgent defect rectification since Carillion's demise and have expended c.£650k in doing so in order that schools affected can continue to operate.
8. There are over 150 projects in this exercise but most are minimal in terms of scope. However, we have five key projects that require more substantial attention. They are:
 - (1) Bodicote, Longford Park
 - (2) North West Bicester, (Gaglebrook)
 - (3) Dicot, Great Western Park (Gems Academy)
 - (4) McIntyre Academy SEN & Residential School (Endeavour/Ormerod)
 - (5) Faringdon Junior School (Faringdon Academy)
9. It is important to note that while correcting the defects is essential and will be undertaken as soon as possible, none of them present health and safety risks so do not require immediate action.
10. **Treatment of Latent Defects** This phase of work is considering how to manage the risks/costs that might arise from building defects that are not known about at this point but could occur in the future. These latent defects are usually covered through standard contractual arrangements, but these are not applicable in the context of Carillion's liquidation.
11. Discussions with the council's insurance brokers indicate that it would be very difficult to get insurance cover for latent defects and even if available it would be very costly.
12. Other options being considered include
 - (a) establishing an internal process to review Latent Defect claims from schools and if qualifying correct them funded by an OCC provision.
 - (b) a legal response to other parties in the OCC/Carillion contract to recover costs of OCC's defect clearance and ongoing latent defect liabilities.
 - (c) proposals for managing the costs of latent defects will be included in the Autumn Budget setting process, with councillors able to scrutinise the figures at Cabinet in October.
13. **The Schools Estate** It has become increasingly clear through the Carillion legacy assessment and audit work and the regular, direct contact between schools and the Property Service that the position on repairs and maintenance of schools needs to be more fully assessed and quantified.
14. Maintenance is currently delegated to schools and only becomes an OCC issue in rare cases where certain structural repairs are required that can be

legitimately funded from our Schools Structural Maintenance Programme Budget.

15. There are questions about the effectiveness of this approach especially where schools funding is not being used to maintain new facilities provided by the council. This property may be on OCC remit or Academy remit but they are all de facto OCC liability in the event of Academy failure.
16. It is therefore proposed to commission a joint review to consider the condition of schools and our approach to maintaining them in the future. This is likely to result in an OCC managed annual property review for all Schools in Oxfordshire.

Financial and Staff Implications

17. Costs relating to the first three phases of the project fall into three areas:
 - additional staffing resources to ensure continuity of service, as well as the development and delivery of solutions to the Carillion legacy issues;
 - funding for the detailed assessment of the project and operational legacy issues
 - costs related to the resolution of staffing legacy issues
18. **Additional Staffing Resources** There are additional costs associated with the transition of the service, largely related to the employment of interim managers and the costs of TUPE. It is highly likely that the current service staffing costs, including the current cost of interim managers can be funded through: the base staffing budgets; the relevant funding transferred from what were Carillion contract payment budgets for Maintenance and Cleaning services; and trading income from schools for Catering services.
19. **Assessment of Carillion Legacy Issues** The costs relating to the assessment of the construction legacy issues are shown below. Please note these costs only relate to the cost of undertaking the assessment, not the rectification of identified legacy issues.

Table 1: Assessment of Carillion Legacy Issues

Activities	2018/19 £000s	Funding
Technical assessment of project defects	450	Agreed through the capital programme

20. **Staffing Legacy Issues** The costs of the additional HR resource are contained within the Property Service budget. The costs relating to pay parity for Catering staff will be funded through the income recovered from schools as paid of a traded service, the smaller amount for Cleaning staff will be funded through base budgets.

Equalities Implications

21. None directly related to the project.

RECOMMENDATION

22. **The Education Scrutiny Committee is RECOMMENDED to:**
- (a) note the progress in relation to the Recovery Plan;**
 - (b) note and comment on the proposed joint review on the maintenance of the schools estate.**

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Background papers: None

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