

STRATEGIC PLANNING & PLACE BUILDING CONTRACT DIRECTIVE

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REFERENCE

FINANCIAL ARRANGEMENTS WITH SCHOOLS/COLLEGES ON JOINT FUNDED SCHEMES

1. Introduction

With the continued evolution of joint funding arrangements with schools on capital and other projects, it is important to establish principles so that neither schools nor the Authority are in any doubt about the responsibilities for payments and financial contributions to the scheme. On larger schemes formal contractual arrangements may need to be made with the schools, but for smaller projects it is thought that the agreements would be based on an exchange of letters, or other form of agreement between the school/college and Strategic Planning & Place.

The following guidance are notes based upon those prepared by the Section 151 Officer and are applicable to all schools. It is important that schools know at the outset what their responsibilities are and also to ensure that all schools are treated equally.

It is important to recognise that usually it is a project and not a sum of money being provided by the Authority

2. The Scheme

Strategic Planning & Place will usually provide a brief for the main scheme in the normal manner. Discussions will then take place between Strategic Planning & Place and the school to establish the nature of any further works to be financed by the school. In some instances there will be an identified sum of money as a top up, and in other cases there will be agreed identified items of work to be financed by the school. In either case it is vital that the school's commitment is clearly identified and the agreed items of work costed by the design team and quantity surveyor for the project. This will form the basis of the written agreement with the school. It is a general rule that schools are required to make a 5% contribution towards Capital Maintenance projects.

3. School's Contribution

The timing of the payments for the school's contribution will need to be agreed at an early stage to coincide with the authority's financial commitment. However, a school's actual contribution may not be known until the tenders have been received. It is important for the school to be fully aware of their precise liability and that they are both able and prepared to put in the cash at the appropriate time. Where such an arrangement happens it needs to be recognised that it is a partnership and so therefore the school will share equally in the liabilities as well as the gains should the scheme run into problems.

Schools contributing to the building works will also be expected to make their contribution towards fees and in this instance again the school would be required to pay its proportion of the scheme fees in proportion to the amount of cash that

NOTE:

THIS DIRECTIVE IS APPLICABLE TO THE MAJORITY OF SCHEMES BUT IT WILL NOT NECESSARILY BE APPROPRIATE TO ALL WORKS AND THEREFORE ON EACH SCHEME IT WILL BE NECESSARY TO CHECK THE SPECIFIC REQUIREMENTS.

is being enhanced to the scheme project. There will be design fees incurred in advance of the building work and it will be necessary for schools to meet their share of these costs. Therefore, if for example the scheme was £200,000 and the school was making an enhanced contribution of £100,000 then one would expect the apportioned fees to be paid by the school to be one third of the total fee bill for the £300,000 project. The school will need to be consulted before any final figures are agreed and commissions entered into in respect of fees.

With regard to loose furniture and fittings, the same comments made for buildings would apply. Unless agreed otherwise the schools would be required to pay a proportional cost of equipping their share of the scheme. It should be noted that generally schools would be equipped to a County Standard and if any additions over and above the standard are requested by the school, it would be the school who should pay for the increase in equipment requirements, and the associated fees.

On other issues, the question of liquidated damages which may be contracharged when a contractor exceeds the contract period, normally one would expect the liquidated damages to be paid to the party that had suffered the loss. Since, in most cases, it will be a County Council project and the County Council is most likely to bear the costs in pursuing the liquidated damages then it is to be expected that the liquidated damages would be deemed payable to the authority. In circumstances where the school can demonstrate that it is out of pocket, and some or all of the liquidated damages are properly allocatable to meet such out of pocket costs, then it would be possible to pass part of the saving resulting from the deduction of liquidated damages to the school.

In the unlikely event that a contractor goes into liquidation during the course of a contract, then the Authority will use all reasonable endeavours to ensure that the project proceeds as planned. Should, however, additional costs arise because of the need to bring in a new and therefore unfamiliar contractor to complete the work, then the school will be expected to share the additional costs in proportion to the agreed initial contribution figures. Project in excess of £250,000 are subject to a bonding arrangement which should protect the client against additional expenditure of this kind, and therefore all reasonable measures will be taken to guard against this situation arising.

When a school makes a commitment by virtue of an agreement and then withdraws from the project any stage, if fees have been incurred up to that stage, a school will be expected to pay their proportion of the fees which have been incurred.

We are clearly moving into an era where new types of financial arrangement are likely to arise and therefore, not surprisingly, there will be different issues which need to be resolved without reference to previous procedures. The principles outlined above will act as an initial guide and will need to be reviewed to take account of further experience in joint funding arrangements.

4. **Identification of Separate Financing**

It will be necessary for agreement to be obtained during the initial stages of the scheme whether the school's allocation of monies requires separate finance coding or whether the appropriate allocation of monies between the Authority and the school will be arranged separately by direct transfer.

CONCLUSION