

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD171

Title: Plumstead Fire Station Refurbishment and Extension Cost Uplift

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

The contents of this paper are commercially sensitive and include costs submitted by tenderers. Other elements of the paper relate to information that was previously identified as commercially sensitive in report LFC-0256X.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: 1 October 2023.

Legal adviser recommendation on the grounds for not publishing information at this time:

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered that access can be denied on the basis that such information constitutes exempt information under: section 43(2) of the Act, on the basis that the information in this report includes information that is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

The Information Commissioner has recognised that a wide range of commercial information relating to ongoing procurement activity may be covered by this exemption. In this instance, the London Fire Commissioner's (LFC's) legal team has indicated that the information in this Part 2 report includes information in relation to future expenditure plans for building works and the LFC's financial position in relation to that building contract. The exempt information would disclose the LFC's financial position and budget in relation to the contract to the contractor and other former bidders; and would prejudice the operation of contract award negotiations. It is therefore submitted that this information should be exempt from publication until the building contract is signed and this governance process has concluded.

Public interest assessment:

At present, on balance, it is considered by the LFC's legal team that the public interest is best served if the information is not disclosed at this point. Disclosure by the LFC would be likely to have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred on the Plumstead works contract.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information, as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

Legal Adviser – I make the above recommendations that this information should be considered

confidential at this time.

Name: TfL Legal

Date: 22 July 2022

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

This report seeks the Deputy Mayor's approval for the LFC to vire £803,078 (89 per cent) of the 2024-25 Fire Station Refurbishment capital budget towards the refurbishment and extension of Plumstead Fire Station. If agreed, this will provide a total approved project budget of £6,998,078 for Plumstead Fire Station. The existing approval set out in Deputy Mayor for Fire and Resilience Decision 50 is for £6,195,000. This decision will also reduce the 2024-25 capital budget for Fire Station Refurbishments from £900,000 to £96,922.

Recommended tender cost impact

Following the evaluation of submissions for the construction works relating to Plumstead Fire Station extension and refurbishment, the preferred bidders' costs have been identified as £5,983,294. When combined with the total additional project costs – such as consultancy, surveys, planning application and design fees – this results in a total project cost of £6,998,078.

Initially, the funding shortfall between the total project costs and the upper limit of the approved budget was £870,071 (i.e. a total project cost of £7,065,071). However, due to actions taken by Property Services, this funding shortfall has been reduced by £66,993 to £803,078.

Actions taken

In response to the options available and the risks posed to LFB, Property Services have taken the following action with the agreement of the project board.

The project team took action throughout the design of the project to value-engineer the proposals. In response to the current budget challenge, the consultants and Property Services have agreed on reductions in the consultant delivery team and associated fees, thus reducing the funding request; this has resulted in a saving of £20,000. Temporary gym facilities have also been removed from the scheme; and an alternative method of provision has been identified that removes the need for spend on this item. This has resulted in a further saving of £10,000.

There are costs attributable to the inclusion of an air source heat pump on the scheme. It has been agreed that funds from the carbon-reduction programme should be used to install this element of the project, resulting in a reduction of project spend of £110,000. The descoped works have been removed from the signed construction contract, so as to not legally bind the LFC to commit to the descoped elements while we go through the governance process. The items removed are: construction of the drill tower; community room fit-out; remedial works to the existing listed façade; provision of furniture; and provision of access control security measures. The elements will be reintroduced to the scope of works as soon as approval to uplift the budget is received. The works will be funded through the approval of this report to use the unallocated budget.

It was therefore agreed that approval be sought to uplift the capital project budget by £803,078, inclusive of a 10 per cent contingency sum to account for current construction-market inflation.

To allow the project to enter into contract for the construction works, without committing the LFC beyond the existing approved budget, Property Services agreed with the preferred contractor that certain elements

of the works will be temporarily descope to bring the contract award in line with the existing approved budget.

Uplift finance proposal

To afford the uplift in budget it has been agreed with LFB finance that the unallocated fire station refurbishment budget, held in the 2024-25 financial year capital works programme, will be allocated to the Plumstead project.

Currently, this capital budget has an allocation of £900,000 for the financial year 2024-25, the uplift required will result in this budget line being reduced to £96,922.

The additional expenditure is estimated to occur in the 2024-25 financial year.

Once the funding is in place, the contract sum will be increased to reflect the full scope of works, at this point the costs for the works will be fixed mitigating further risks in price inflation. Additionally, Frankham cost consultants will remain engaged with the project to monitor and manage the main contracts cost submissions, to ensure applications for payment are in line with expectations and do not exceed the approved budget.

Financial comments

This report requests the Deputy Mayor to authorise the LFC to commit additional capital expenditure of up to £803,078 for the refurbishment and extension of Plumstead Fire Station; and to increase the budget of £6,195,000, approved by Deputy Mayor for Fire and Resilience Decision 50 and LFC 0256x, by £803,078 to a total approved project budget of £6,998,078 of capital expenditure.

The 2022-23 capital programme approved in March includes £900,000 in the 2024-25 Minor Improvement Programme budget, which will be vired to cover the cost of this proposed uplift. This will create a residual risk that an urgent property-related issue may arise that cannot be fully funded by the remaining budget available, resulting in requests for new funding to address the urgent issue.

The capital costs of £803,078 will incur annual capital financing costs of £54,000 for the provision to repay debt (Minimum Revenue Provision) based on a 15-year asset life and £24,000 for interest per annum at a forecast rate of 3 per cent.

If this decision is approved, there will be an increase of £60,000 in capital financing costs for the current capital budget due to the changes in the forecasted interest rate.

Confidential appendices and supporting papers

Part 2 of report LFC-0715y – Plumstead Fire Station – Refurbishment and Extension Cost Uplift