

SUBJECT:	FUTURE SCHOOLS PROGRAMME.
MEETING:	Full Council
DATE:	20th October 2016
DIVISION/WARDS AFFECTED:	ALL – Countywide.

1. PURPOSE:

- 1.1 To update Members on the progress with the Future Schools Programme and to suggest changes to the approved capital programme that will enable full delivery of two new schools to replace Caldicot School and Monmouth Secondary School.

2. RECOMMENDATIONS:

- 2.1 The Future Schools Programme Board recommends that Council

- 2.1.1 Approve increases to the following capital budgets:

- Caldicot School from £ 34.9 million to £40.175 million
- Monmouth School from £41.049 million to £47.674 million

- 2.1.2 Approve an additional funding requirement of £11.9 million for the delivery of this programme to be financed by way of:

- A 50% contribution from Wales Government - £5.95 million (confirmation attached at Appendix 1).
- A 50% contribution from the Council - £5.95 million

- 2.1.3 Agree to give delegated authority to the Cabinet Member for Resources, in consultation with the Chief Officer Resources and the Head of Finance to determine the best funding package for the Council contribution of £5.95 million having regard to:

- Opportunity to release additional Council owned assets for disposal;
- Prudential borrowing opportunities with annualised contributions from Caldicot and Monmouth School budgets recognising significant energy efficiency improvements and elimination of any material need for building maintenance for an extended period.
- Inclusion within the Medium Term Financial Plan of a revenue provision (£476k) to finance the full £5.95 million by prudential borrowing over 25 years.

- 2.1.4 Agree that the revenue budget savings required to fund the additional borrowing will be considered as part of the budget and MTFP process

2.1.5 Agree to consider a revised approach to replacement leisure facilities on the Monmouth campus as set out in paragraphs 3.13 and 3.14. A further report will be provided to Council in January 2017.

3. KEY ISSUES:

3.1 Delivery of two new secondary schools to replace Caldicot and Monmouth schools has been a major priority for the Council for several years. Whilst there is reason to be proud of the progress made on renewing the primary school estate over the last decade or so, moving forward with the modernisation of the secondary estate was previously thought to be unattainable. This position changed when Wales Government demonstrated a will to provide up to 50% of the funding requirement for such investment. Subsequently Council agreed, with the support of Wales Government a capital allocation of £75.949 million to move the programme forward

3.2 The tendered returns for the two schools were considerably above expected costs and pre-tender estimates. The increase in tendered costs was associated with the following:

- Inflationary pressures within the tendering market (approx. 6% per annum at time of tendering)
- Increase in construction projects in South Wales leading to an overheated market.
- High level of abnormal costs on both sites and the complexity of site construction / logistics especially on the Monmouth Comprehensive site. Abnormal costs on Monmouth Comprehensive totalled £6.535m and Caldicot School of £4.929m.
- Poor pre-tender cost information from the partnering contractor which undervalued the designs.

3.3 Programme Board recognised this funding gap and asked that a number of options be considered for the delivery of the programme. These were:

OPTION 1

3.4 To redesign both schools to keep within the original budgets. Implications of this approach were;

- Significant delay in the programme of at least a year in both schools.
- Some existing building stock at each school would need to be utilised. Caldicot School had no current buildings which if retained would provide value for money, Monmouth Comprehensive only had one building which with could provide a suitable teaching and learning environment.
- Educational and curriculum vision would not be met in re-designed schools.
- Projected increasing construction costs would add more pressure on the budgets due to prolongation through re-design.

3.5 Programme Board determined that this option should not be followed.

OPTION 2

- 3.6 Re-tendering the schools. Both schools could be re-tendered to the wider construction market, re-introduce competition and potential cost savings offered by other contractors.
- Soft market testing suggested that there was little interest in the construction market for our schools – this was due to contractors having full order books and concerns on risks associated with tender cost increases and site specific risks.
 - Increased construction rates on the new SEWSCAP2 Framework for procuring 21st C Schools programme (currently MCC Schools are procured under SEWSCAP1) would add approx. 2-3% onto total costs.
- 3.7 Programme Board determined that this option should not be followed.

OPTION 3

- 3.8 Value engineering the existing designed school projects to drive costs down with the incumbent contractor. To realistically achieve this, an independent exercise (outside cost consultant used) would be required to review the contractors design, specification and tendered costs to clearly identify realistic opportunities within the current design to secure the appropriate savings. The use of recently constructed schools benchmark cost data from Welsh Government to test contractors tendered values against and identify target costs for elements of the design was incorporated.
- 3.9 Programme Board determined that this approach was the best way forward for the programme. It would establish the value of our schools in the current construction market, provide more robust cost data to challenge the incumbent contractors tendered costs, identify realistic cost savings but also maintain the integrity of the educational vision and maintain the original programmes.
- 3.10 An independent cost review was undertaken to benchmark the designed schools against current market values, similar school projects completed on the 21st C Schools Programme and investigate the value of a potential re-tendering of the schools. The outcome of this exercise was the following;
- Construction costs from the market had increased making the schools more expensive than the existing funding had allowed for.
 - The contract commercial decision on risk and inflation was higher than normal.
 - High levels of abnormal costs on both sites, especially Monmouth Comprehensive made up 15-20% of the total construction costs.
 - Current high levels of work in the construction industry would make the market re-tendering process risky with regards to commitment and cost reduction without a fundamental re-think of the schools.
 - Opportunity to value engineer existing designs would provide cost savings but it was unlikely that original budgets could be achieved without a fundamental re-think around the school designs.
 - Re-design of the two schools would add significant time to the programme as well as incur inflationary rises and additional costs.

- 3.11 To control cost, to negate further movement in the market by re-tendering and to keep to programme, the decision from Project Board was to negotiate with the incumbent using the independent cost review and WG cost data to benchmark the process going forward. A rigorous and intense 6 month process of value engineering (VE), re-designing, re-tendering, de-scoping as well as looking at different construction methodologies has driven cost out whilst maintaining the strong educational vision of the two secondary schools. This process now has been complete and revised and robust construction costs for both schools have been agreed.
- 3.12 The key changes to the tendered designs are as follows;
- Caldicot School – Design has remained the same, cost savings were achieved by value engineering material specification, re-tendering key packages (i.e. steel frame) and de-scoping the external works. In reviewing Caldicot Schools existing schools building stock it was determined that there was nothing that could be retained in order to facilitate a reduction of the new build to be achieved. Independent cost review had identified that the revised Value Engineered construction figure for Caldicot was in line with benchmarked cost data and current market value.
 - Monmouth Comprehensive – Design has been reviewed. The Phoenix Building has been incorporated and the inclusion of a sports hall instead of a pool (see paragraphs below for alternative options around the replacement pool). Additional cost savings were achieved by value engineering material specification, re-tendering key packages (i.e. steel frame), looking at differing construction methodologies and de-scoping the external works.

Leisure and Pool Implications

- 3.13.1 The original proposals on the Monmouth campus included the replacement of the pool facilities within the new school. This proposal has been revisited. Industry specialists were asked to look at the Monmouth Leisure offer and to give some high level views on redevelopment options taking into consideration local demographic profile and market competition. Their conclusions suggested a better site layout would see the main school building incorporating a sports hall rather than a swimming pool. The swimming pool would be better sited within the Leisure Centre and positioned where the current sports hall is. Programme Board accepted this view. Furthermore significant scope for further leisure enhancement was identified. It is now proposed that these plans are worked up in detail and presented to Council early in the New Year. To all intents and purposes, it is proposed to separate the leisure aspects of the programme from the school aspects. The commitment to re-provide a pool is absolute albeit the site location will change.
- 3.14 The suggestion provides a simpler, more cost effective build. It provides a sports hall resource that is more flexible to school needs during the day than a pool would, and relocating it allows the core Leisure centre to widen its leisure offer during the school day.

4. REASONS:

- 4.1 Additional funding is required to deliver the school programme as originally envisaged. All aspects of the programme have been tested to ensure value for money. Wales Government has been sufficiently assured by the robustness of the proposal to allocate a further £5.95 million over and above their initial contribution to meet the educational vision of Monmouthshire County Council.
- 4.2 Without additional funding Monmouth Comprehensive would require a full re-design and an increased level of retained / refurbishment of existing building stock. The educational offer would look different in each school. The re-design option for Monmouth Comprehensive would add approximately 12 months onto the current programme including additional costs and inflationary risks.
- 4.4 A revised proposal regarding the provision of a replacement pool in Monmouth as set out in paragraphs 3.13 and 3.14 is under development.

5. RESOURCE & RISK IMPLICATIONS:

- 5.1 The Future Schools project is the single biggest capital project for the Council for the next 4 years. Subject to the decision by members on this report, most of the expenditure on the Future Schools programme will be incurred over the next 2 years. Funding this programme relies heavily on utilising the capital receipts that are also due to be received in the next 2 years.
- 5.2 The consideration to raise the Councils commitment to the Future Schools project envelope by £5.95 million must be viewed against this background and other corporate demands for capital investment. The proposed revised arrangements are:

School	Approved budget (Cabinet Dec 2015, £ millions)	Revised Budget £millions	Difference £millions
Caldicot School	34.900	40.175	5.275
Monmouth School	41.049	47.674	6.625
Total Expenditure	75.949	87.849	11.900
Funding			
Feasibility 100% MCC funded	2.195	2.195	0
50% MCC	36.877	42.827	5.950
Total Funding	75.949	87.849	11.900

- 5.3 A number of funding suggestions have been considered at Project Board:
- Generating additional capital receipts, but no significant receipts have yet been identified.

- Reducing other projects in the capital programme has been reviewed, but levels of other spends have already been reduced to recognise Future schools needing to utilise all future capital receipts.
- Prudential Borrowing – as an indication the additional £5.95 million investment would cost £476,000 per annum to service this debt over a 25 year period. This would increase the gap in the revenue budget to be found. The options available to afford this are:
 - Reduce other revenue service budgets to afford the additional borrowing costs.
 - To use the efficiency savings to be derived from building the new schools to fund the additional borrowing costs. As an indication the Full business case submission to WG for the new school builds projected a 10% reduction in running costs for the new schools.

5.4 The preferred funding route is to use the savings derived from operating the new schools to service additional prudential borrowing. School leadership is engaged in this conversation and there is recognition that it may take 3-4 years to achieve the required level without compromising curriculum delivery.

5.5 A consequence of taking the pool out of the school build and replacing with a sports hall, is that the funding previously identified for the pool within the Future Schools programme is no longer available to any revised leisure proposal. It is expected that any revised proposal when it is submitted in January 2017 will require further investment from Council resources.

Risks

5.6 New schools achieving the revenue savings required to afford the additional prudential borrowing.

5.7 Delay on receiving capital receipts required to fund the original programme envelope and so the potential need to increase borrowing anyway with the consequent cost pressure this will cause on the revenue budget in the MTFP.

5.8 Reduced flexibility to deal with any other capital pressures or take forward new projects.

6. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)

7. CONSULTEES:

Future Schools Project Board
 Senior Leadership Team
 All Cabinet Members.
 Head of Legal Services.
 Head of Finance
 Headteacher of Caldicot and Monmouth Schools

8. BACKGROUND PAPERS:

Strategic Outline Programme – Request for Change – 29th July 2016

9. AUTHOR: Simon Kneafsey – 21st Century Programme Manager.

10. CONTACT DETAILS:

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