



CABINET - 14TH MAY 2014

SUBJECT: PROCUREMENT ROUTE FOR PROPOSED NEW SECONDARY SCHOOL AT OAKDALE PLATEAU 3

REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To outline the recommended procurement route for the proposed new secondary school at Oakdale Plateau 3.

2. LINKS TO STRATEGY

- 2.1 Construction of the new secondary school is the key outcome of the Secondary Rationalisation (Phase 1) Project. This is part of the 21st Century Schools Programme.

3. THE REPORT

- 3.1 There are a number of key challenges facing the project. These are:

- a. The new school is scheduled to open at the beginning of September 2016. Although achievable this is a challenging timescale.
- b. The longer term size of the new school is 900 places plus 50 place additional learning needs unit. Demographics mean that there will be a temporary "bulge" of around 100 pupils between 2016 and 2019. A flexible and agile design will be needed to ensure the pupil "bulge" is accommodated without overstating the school's future capacity. In order to manage the challenges and project risk, the project team and appointed contractors will require relevant experience and expertise in secondary school design.
- c. It is currently estimated that the cost of the new school will be in the region of £18million. Funding has already been approved for the cost of building the new school plus related costs in respect of the Oakdale Plateau 3 site. It is imperative that the cost of the new school is rigorously managed to ensure it remains within budget.
- d. The Oakdale Plateau 3 site is 4 hectares in area. Although it is sufficient to build a new school plus sports facilities, the size of the site will require a carefully designed school and layout.

- 3.2 All the above constraints have inherent risks that must be carefully managed in order to ensure the project is delivered within budget and on time. It is important that the procurement route for the new school is carefully chosen to ensure flexibility to allow innovation but also to be robust in terms of contract management and cost control.

Procurement

- 3.3 Typically Caerphilly County Borough Council procures building projects with tender documents using a high level of detailed specification and design. The architectural design is prepared in-house. Contractors bid against a budget for the project. The prescriptive nature of the design can reduce the contractor's flexibility to introduce efficiencies and innovation within the building, which can in turn result in the project out-turn exceeding the project budget.
- 3.4 The challenges of this particular project (which are outlined in Para 3.1 above) and the inherent risks if they are not properly addressed mean that the Council needs to consider whether its normal procurement approach is the most appropriate in this case. Therefore having reviewed available options in liaison with the Council's Procurement Team, one possible procurement method, which has been successfully used to build schools by a number of authorities including RCT, Bridgend and the Vale of Glamorgan, is a partnering approach which is often referred to as the two stage procurement approach.

Two Stage Procurement

- 3.5 The two stage approach enables early contractor involvement and therefore allows the project to maximise design and construction efficiencies, and hence benefit in terms of final cost. Whilst it is not possible to totally eliminate risk all together, the two stage approach allows the project to be de-risked as far as possible by identifying and quantifying risk at an early stage. This helps to enhance the overall cost-certainty.
- 3.6 The first stage includes the procurement of Professional Technical Services (i.e. cost consultants, contract managers and project managers). The Professional Services will work with the Council to:
- prepare an outline design brief
 - identify project risks and methods of managing the risks to control costs
 - confirm a cost plan for the new school
 - be responsible for project management including cost management, value engineering and risk management
 - work with the Council's Procurement Unit in order to take the outline design brief to the market to procure a construction contractor
 - be responsible for both contract management and project management up until completion of the construction and occupation of the new school
- 3.7 Procurement of the Professional Technical Services can be sourced through the Welsh Government's Technical Consultancy Services Framework Agreement. Although the Framework Agreement was due to expire on 11 April 2014, the Welsh Government has confirmed that the Agreement has been extended by 6 months and is therefore available for the Authority to use.
- 3.8 The second stage of the process involves procuring a construction contractor. It is anticipated that this will be done through the existing SEWSCAP framework. This Framework Agreement has been established in accordance with EU Procurement Legislation and will therefore be a more efficient route for the Council to utilise in order to deliver the school by September 2016.
- 3.9 Once appointed, the construction contractor will finalise the design of the new school using their own architect's and design teams. By the time the detailed cost plan has been finalised, including a cost analysis of all risks, there will be a high level of cost certainty. At this stage the contractor will confirm the target cost/fixed price. The construction element of the contract will then be finalised and the new school building delivered. The Council will have an option of two types of contract for the construction.

- 3.10 The first contract would specify a fixed price or lump sum for delivery of the school (NEC Option A). The second type would specify a target price (NEC Option C). The advantage of the first contract type is that the final price is guaranteed. The second type of contract allows any savings below the target price to be shared between the contractor and Council on an agreed basis. However, any costs over the target price will also be shared on an agreed basis. Once the risk analysis is fully costed as part of the detailed cost plan the Council in consultation with the Cost Consultants will be able to determine whether to use the fixed price lump sum contract or the target price contract.

Procurement Options

- 3.11 Three options are discussed below.

Option 1: Utilise in house design services until the award of the construction contract together with in-house project management and contract management services throughout.

Option 2: Utilise internal design services until award of the construction contract and external project management and contract management services throughout.

Option 3: Utilise external cost consultants, contract and project management and design until award of the construction contract, together with external project management and contract management services throughout.

All three options retain in-house services such as Highways and Engineering Planning, Building Control, Procurement and Health & Safety.

Advantages and Disadvantages

- 3.12 The advantage of Option 1 is that there is no impact on the in-house Building Consultancy service. However the disadvantage is that it does not provide the project with the experience and expertise in secondary school projects that is required in order to address the design and budget challenges outlined in Para 3.1.

Option 2 reduces the impact on the in-house Building Consultancy service. Whilst the project will be able to benefit from external project management and contract management expertise, this option does not address the project's need for design expertise and experience in secondary schools.

The advantage of Option 3 is that the project will be best placed to address the challenges described in Para 3.1. The use of external design expertise in conjunction with external project management and contract management will enable the project to secure best value from the two stage tendering process. However the disadvantage is that there will be implications for the Building Consultancy services which are discussed in Para 3.13 below.

In order to address the challenges described in Para 3.1 and successfully deliver the project the recommended option is to use the two stage procurement route with Option 3. As described in Para's 3.5 to 3.10, this involves appointment of Technical Professional Services (i.e. cost consultants, contract managers and project managers) as the first stage and then the construction contractor and external design team as the second stage.

Implications for Building Consultancy

- 3.13 Under the Council's current procurement methods, Building Consultancy Services would prepare a detailed design for the new school. However, under the two stage process recommended the design will be undertaken by the contractor's design team. Therefore Building Consultancy will not benefit from the architect and design fees associated with this project. However, there is likely to be a "client architectural" role, which although greatly diminished in comparison to the full architectural design, will nevertheless give Building

Consultancy a continued role as part of the in-house project team. (This role is described in Appendix 1). The cost of the “client architectural role” will need to be built into the project costs, but will be significantly lower than the full design costs.

Implications for Other Council Services

- 3.14 Although the Council will be using external technical advisors, the project will still be utilising the Council's services such as Highways and Engineering, Planning, Building Control, Procurement and Health & Safety.

4. CONTRACT AND COST MANAGEMENT

- 4.1 The external advisors will project manage the period of construction through to completion and occupation. This will include close monitoring of the contract to ensure effective cost control.
- 4.2 The external advisor will prepare a project strategy that will ensure works are properly identified and managed, there is robust change control and that construction costs are challenged during the preparation of the cost plan, and subsequently during delivery of the project. They will use their expertise and knowledge of the construction supply chain to encourage the most competitive prices.
- 4.3 Effective communication with the contractor is essential and the external advisor will ensure Council and contractor work in genuine partnership to deliver the project on time and within budget.

5. EQUALITIES IMPLICATIONS

- 5.1 An Equalities Impact Assessment was conducted as part of the formal consultation process for the new school.

6. FINANCIAL IMPLICATIONS

- 6.1 It is estimated that the new school at Oakdale Plateau 3 will cost around £18million for which funding has been identified and approved. The estimated cost of £18million includes all construction and related work, together with all fees including design and architectural. The cost of the external technical advisers is also included in the £18million.
- 6.2 Building Consultancy have estimated that they would have charged circa £570,000 in fees in 2014/15 and 2015/16 for this project so failure to secure the work will mean there is a potential shortfall in their income requirements. The exact shortfall and impact on the Consultancy will be dependent on overall workloads and ability to reduce other costs accordingly. However, it is unlikely that alternate income to this level will become available and therefore there is likely to be a need to reduce staff related costs in 2015/16. It is difficult to accurately assess this at the present time but the worst case scenario is likely to be the loss of 4/5 jobs at a cost of circa £100,000 - £180,000.

7. PERSONNEL IMPLICATIONS

- 7.1 As set out in 6.2 the loss of potential fee income is likely to have implications for up to 5 staff during 2015/16. However, the position will not become clear for some time. During the intervening period the Council will make every effort to secure additional income for Building Consultancy and minimise/mitigate the impact. If there is a need to reduce jobs then the Council will apply its normal policies (e.g. redeployment policy) to try and avoid any compulsory redundancies.

8. CONSULTATIONS

- 8.1 The views of the listed consultees have been incorporated into the report. Gareth Hardacre, Head of People Management has met with Colin Jones, Head of Property and Performance, Mark Williams, Building Consultancy Manager together with staff. The staff have raised concerns regarding the implications of Option 3. The relevant trade unions have also been consulted. Their comments are included in Appendix 2.

9. RECOMMENDATIONS

- 9.1 It is recommended that the two stage procurement process using Option 3 as described in Para 3.11 (i.e. external design, project management and contract management) is used for the proposed new secondary school at Oakdale Plateau 3.
- 9.2 It is further recommended that procurement of the Professional Services commences via the Welsh Government's Technical Consultancy Services Framework Agreement.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that construction of the new school at Oakdale Plateau 3 is managed in a way that overcomes the challenge facing the project and that the school is built on time and within budget.

11. STATUTORY POWER

- 11.1 Procurement for the new school will be undertaken in accordance with relevant legislation as prescribed by the Local Government Acts 1972 and 2000.

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Consultees: Stuart Rosser, Chief Executive
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Dave Street, Corporate Director, Social Services
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Keri Cole, Manager, Learning Education & Inclusion
Education and Lifelong Learning Senior Management Team
Councillor Rhianon Passmore, Cabinet Member, Education and Lifelong Learning
Gail Williams, Interim Monitoring Officer
Lisa Haile, Personnel Manager
Liz Lucas, Head of Procurement
Gareth Hardacre, Head People Management
Mark Williams, Building Consultancy Manager
Colin Jones, Head of Property and Performance
Councillor David Hardacre, Cabinet Member for Performance & Asset Management
Councillor Keith Reynolds, Deputy Leader & Cabinet Member for Corporate Services.

Appendices:

Appendix 1 - Design of New Secondary School

Appendix 2 - Trade Union Response to Consultation on the Proposals

DESIGN OF NEW SECONDARY SCHOOL

Clarification of Roles

It is envisaged that the following services would still continue to be provided by CCBC's Building Consultancy:

- a) Site Details and Planning – management and co-ordination of the following
 - Surveys
 - Site Investigations
 - Highways negotiations
 - Ecology – working with Council's in house team
 - Discussions in relation to Safer Routes in Communities, school transport

- b) Design
 - Prepare accommodation schedule based on Building Bulletin 98
 - Specification of outline proposals in relation to building materials to be included within Employer's Requirements, i.e. walls, roof finishes, windows, internal partitions floor coverings etc.
 - Development of the performance specification in relation to the Mechanical and electrical design to be included within Employer's Requirements
 - Liaison with Contractor's design team during development of scheme (i.e. client architectural role)
 - Input into risk management process and value engineering
 - Interface with CCBC Planning and building control
 - Interface with CCBC highways

The following to be provided by the external Professional Technical Services and Contractor Design team

- a) Consultation on design of new buildings
 - Programme management
 - Co-ordinate meetings including progress meetings and user groups

- Cost management including pre and post tender services
- Value engineering
- Risk management
- Review and update end users in relation to design development
- Consultation with parents, pupils, staff and governors as well as third parties/external bodies
- Project management
- Cost consultancy
- Contract management
- Management of fixtures, fittings and equipment including decant
- Preparation of monthly board reports
- Change management
- Management of contractor selection process

b) Design and layout of new school – Contractor’s design team

- Design development based on Employers Requirements
- Site planning and adjacency exercise in terms of internal layouts
- Development of costs in partnership with the Cost Consultants
- Value engineering in partnership with Project Managers
- Development of mechanical and electrical design and structural solutions
- Preparation of room data sheets and procurement of FFE
- Final design review and sign off of highways
- Planning submission and ongoing negotiations
- Building Control negotiations
- Utilities and statutory provider co-ordination

Trade Union Response to Consultation on the Proposals

Unison recognises and accepts the pressures on Local Authorities to keep Public Sector Services in house. Unison commends the direction of this Authority to date in not simply outsourcing these types of services such as Building Consultancy as other Local Authorities have chosen to do.

However, Unison has reservations and concerns as to the proposals contained within the Cabinet report dated 14th May 2014. The recommended proposal would clearly have a detrimental impact on the long-term sustainability of Building Consultancy.

Whilst Unison accepts the importance surrounding the 21st Century Schools Programme, the recommended proposals are the thin end of the wedge, it should not be to the detriment of an established, sustainable, quality Public Sector service such as Building Consultancy, it should complement and not compete or be its ultimate demise.

Unison is concerned as to:

- * The level of consultation that has taken place surrounding these proposals with no staff or scrutiny processes involvement to date, which would debate the wider implications.
- * The shift in service delivery and strategic approach.
- * The objectivity surrounding Building Consultancy lack abilities.
- * The future resource and capacity of the department, with the potential of 4/5 staff becoming displaced as a consequence of this proposal.
- * The "built in" and hidden costs as outlined within section 6.1.
- * A thorough Equalities Impact Assessment has not been completed with staffing associations and the impact on staff and potential redundancies fully evaluated and identified clearly for Members.

It is noted that very few secondary schools are built, however Building Consultancy were an integral part of the team that worked on Cwm Rhymni and Lewis Pengam PFI schools. They have designed many quality facilities, including Greenhill Primary School which has been assessed as BREEAM outstanding. In light of the above Unison suggest that this employer should have commitment and belief in its work force to achieve and complete this project.

Unison would remind CCBC of a recent APSE report, which indicated that outsourcing provision could cost up to three times more of internal provision costs and I would therefore request in the strongest terms that a fuller breakdown and cost analysis of the £18m is carried out prior to any decision being made.

Consequently, Unison is against the recommended proposals as they currently stand and request that a full evaluation of these proposals, together with a robust consultation process with both staff and stakeholders take place prior to any decisions being made.

Kind Regards

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