



CABINET – 17TH JUNE 2015

SUBJECT: ISLWYN WEST SECONDARY SCHOOL (IWSS) - UPDATE

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to provide members with an update on the new Islwyn West Secondary School and to determine whether to agree the target cost advised by the external project managers AECOM, on behalf of the contractor, Willmott Dixon.

2. LINKS TO STRATEGY

- 2.1 The new secondary school is being delivered as part of the Welsh Government's 21st century schools programme and meets both the Welsh Government and CCBC's programme aims.

3. THE REPORT

Progress to Date

- 3.1 The external project manager and cost consultant, AECOM, was appointed in September 2014 and commenced work on both developing the programme timetable and undertaking the cost analysis of the new school.
- 3.2 In the report to Cabinet on 1 October 2014, AECOM advised completion of the school by December 2016 with occupation in January 2017. The programme was presented as a realistic worst case position.
- 3.3 The Council's Building Consultancy design team completed the preliminary school design and site layout by end December 2014, as planned. The design has been completed in accordance with the option agreed by Members which AECOM had confirmed was the preferred design option providing the most cost effective solution.
- 3.4 A planning application was submitted in early December 2014 and planning consent was given on 13 March 2015.
- 3.5 The procurement process was NEC two stage design and build as approved by Cabinet on 4 June 2014. Tenderers were drawn from the SEWSCAP framework and Willmott Dixon was successful and has been appointed to the first stage of the process.
- 3.6 Willmott Dixon have developed the design to add the detail required for costing. Building Consultancy have monitored and commented on the design development.
- 3.7 Willmott Dixon was appointed on the basis of the quality of the proposed delivery team together with fixed and overhead costs. They have added detail to the design produced by Building Consultancy to enable the sub-contractor packages to be fully defined and priced.

AECOM have worked with Willmott Dixon towards agreeing a composite contract price that will form the basis for the second stage build contract.

- 3.8 Willmott Dixon have been paid for the first stage of the process but the Council is not committed to construct the school until a build price is agreed and the second stage build contract is signed.
- 3.9 The Cabinet report on 4th June 2014 outlined two options in terms of the type of construction contract that can be used once the design and costs have been finalised, as follows:
- NEC Option A (fixed price)
 - NEC option C (target price).
- 3.10 The intention of the two stage process was to provide best value for money and also to maximise cost certainty. To achieve this AECOM recommended that the Council use Option C with the flexibility to swap to Option A if at the negotiation stage this provides the best value. NEC Option C was endorsed by Cabinet on 1 October 2014.

Roles and Responsibilities

- 3.11 The Cabinet report of 14 May 2014 outlined separate lists of roles and responsibilities proposed for the Building Consultancy and contractor's design teams.
- 3.12 This split was consistent with the recommended option 3, as below:
- 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.
- 3.13 Cabinet subsequently approved option 2, as follows:
- Option 2: Utilise internal design services until award of the construction contract and external project management and contract management services throughout.
- Building Consultancy is responsible for conceptual design and Willmott Dixon responsible for detailed design.
- 3.14 As a consequence, an updated list of roles and responsibilities need to be agreed consistent with option 2. These are outlined in the Appendix.

Pupil Numbers

- 3.15 The longer term planning size of the school is 900 pupils, plus 50 place special resource base (SRB). It has always been acknowledged that there would be a "three year bulge" of pupils. The current design brief allows for a bulge of 103 pupils which can be accommodated flexibly within the design using resource areas and space that will be converted to community usage when the bulge subsides.
- 3.16 An additional longer term pupil bulge (up to 2021/22) has emerged as all pupils at the present Oakdale and Pontllanfraith Comprehensive Schools, at date of closure, will be transferring to the new school. The present admission numbers are Oakdale (152) and Pontllanfraith (202). There is a risk of admissions getting out of control and adding even more pressure on capacity, hence there has been a need to set temporary admission limits.
- 3.17 The Statutory Notice published a capacity of 1100 for September 2016, reducing to 900 from September 2017. The 1100 has been agreed as part of the Authority's Admission arrangements for 2016/17. These figures are exclusive of the 50 place SRB. To cover the period to September 2016, an officer decision has been made to set temporary admission numbers of 135 (Oakdale) and 95 (Pontllanfraith), excluding SRB, which has been endorsed by the 21st Century Schools Board.

- 3.18 The report to Cabinet on 1 October 2014 made provision for a temporary classroom block capable of accommodating up-to a further 100 pupils taking the total to the stated 1100 pupils. The additional cost of this was estimated by AECOM at £300,000, which was the reported amount to Cabinet. In view of the additional, longer term, pupil bulge, officers have assessed that the revised cost of temporary classrooms would be circa £500,000.
- 3.19 In view of the Council's LDP aspirations and the preferred strategy to 2031, discussions have ensued with the Welsh Government for a permanent extension, comprising 5 additional classrooms, additional toilets, increased dining area and possibly increased changing room space. This would have the effect of increasing the capacity from 900 to 1013, based on WG's formula (excluding SRB).
- 3.20 CCBC's bid for this extension (£1.5m) is presently being considered by WG. Officers are of the opinion the Council's share of the cost (50%) represents better value for money and future proofing compared to the provision of temporary classroom accommodation.
- 3.21 In view of difficulties relating to soil stabilisation issues, Willmott Dixon has produced a revised programme with a scheduled start date of the commencement of the summer term 2017. This revised date also incorporates the proposed extension.
- 3.22 The Cabinet report of 1 October 2014 recommended a target cost approach to the contract sum. A 'pain/gain' mechanism is prescribed in the options included within Lot 4 of the SEWSCAP framework and subsequently included in the ITT sent to all contractors.
- 3.23 Schedule 6 of the NEC option C SEWSCAP conditions of contract makes provision, if required, as follows:

The Contractor's share percentages and the share ranges are:-

| Share range | Contractor's share percentage |
|--------------------|--------------------------------------|
| less than 80% | 0% |
| from 80% to 90% | 0% |
| from 90% to 100% | 50% |
| from 100% to 110% | 50% |
| from 110% to 120% | 100% |
| greater than 120% | 100% |

3.24 In summary this means:

- The target cost will be 100% on the share range
- Below 90% of the target, the contractor gains nothing further from any saving
- At 90-100%, the contractor shares half the gain with the Authority
- At 100-110%, the contractor shares half the pain with the Authority
- Above 110%, the contractor takes all the pain.

The optimum situation for the contractor is therefore to stay within 90-100% of the target cost.

4. EQUALITIES IMPLICATIONS

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

5. FINANCIAL IMPLICATIONS

5.1 To date WG have confirmed that £24m can be allocated to Islwyn West, the Authority has previously approved its match funding contribution of 50% of this sum. The Authority are

awaiting final confirmation from WG for the approval of a revised sum of £25.5m for Islwyn West, this will include costs associated with the permanent classrooms. The sum of £25.5m will require an additional match funding contribution of £750k from the Authority. Based on estimates in respect of the Outturn position for 14/15 this money will be able to be allocated from reserves. Approval to allocate this sum will be sought from Cabinet/Council once WG have made their determination in respect of the Authority's revised bid.

- 5.2 Cabinet, on 1 October 2014, received a report on progress in relation to design, appointment of contractor and updated information on the cost plan. The report highlighted that the initial cost plan amounted to circa £21.5m, plus potential additional items of £1.15m, totalling £22.65m. It was acknowledged that at this early stage the cost plan was based on high level costs which were subject to refinement.
- 5.3 AECOM's Cost Plan 1, as reported to cabinet on 1 October 2014, amounted to £22.65m. The most recent cost plan (number 3) was produced in February 2015 and totals £24.245m.
- 5.4 Following design and tender action to date, approximately 90% of the works cost for the proposed construction contract for the new IWSS has been market tested. A further 4% of the total works cost is based on benchmarked rates from recently tendered projects and agreed between AECOM and the contractor, Willmott Dixon.
- 5.5 A summary of the target cost proposal from Willmott Dixon Construction Ltd for the construction contract together with the overall project cost is as follows:
- | | | |
|----|---|----------------|
| A. | Works Contract Target Cost – NEC Option C contract with Willmott Dixon (excluding VAT) | £19,523,494.84 |
| B. | Anticipated Total Project Cost – including Professional Services Contract, ex-contract client contingencies and allowances for fees, FF&E and other project related costs (excluding VAT) | £23,840,708.84 |
- 5.6 Based on the above figures and having carried out a detailed review of the works packages, it is AECOM's recommendation that Willmott Dixon Construction Ltd be instructed to proceed on the basis of the cost proposal noted in A above. The Anticipated Total Project Cost noted in B above is £159,291.00 below the anticipated budgeted sum of £24million. These costs exclude provision for temporary classrooms or the proposed permanent extension.
- 5.7 The proposed contract sum includes a number of provisional sums pending either design or scope clarification or receipt of quotations from statutory utility companies. The values included are an assessment based on the information currently available and are considered to be sums that will not be exceeded. Negotiation with Willmott Dixon to firm up the provisional sums as soon as possible following contract award will be carried out to mitigate the risk of any potential overspend against these items.
- 5.8 Welsh Government officials have also given an indication that they will be seeking circa 700k clawback from CCBC re land reclamation. This will be 100% CCBC funded as WG are not prepared to part fund. Officers are confident there are mitigating factors which will likely result in a reduced sum and the process of negotiation is likely to be on-going for a period of time. A provision in respect of this clawback has been included in the Accounts for 14/15. This provision will not be taken from the 21st Century Schools capital programme.

6. PERSONNEL IMPLICATIONS

- 6.1 There will be personnel implications in relation to staff from the existing Oakdale and Pontllanfraith Comprehensive Schools. HR has developed a 'draft joint pledge to safeguard employment in schools'.
- 6.2 This pledge has been developed for use by the 3 secondary schools in the Islwyn West area (namely Blackwood, Oakdale and Pontllanfraith).

7. CONSULTATIONS

- 7.1 Initial consultation has taken place with the staff of the two existing schools and some governors.

8. RECOMMENDATIONS

- 8.1 Members are requested to note progress in relation to the new IWSS development and to approve the target cost figure and pain/gain mechanism outlined in the report. Members are also recommended to receive an update report once details re the proposed extension are finalised.

9. REASONS FOR THE RECOMMENDATIONS

- 9.1 To ensure members are aware of current progress on the project.

10. STATUTORY POWER

- 10.1 School Standards and Organisation (Wales) Act 2013 and its associated Code.

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Appendices:

Appendix: Roles & Responsibilities