

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 17 MARCH 2015**

**ARBROATH SCHOOLS PROJECT (PHASE 1) UPDATE**

**REPORT BY THE STRATEGIC DIRECTOR – PEOPLE**

**ABSTRACT**

This report provides an update in relation to the Arbroath Schools Project (Phase 1).

**1. RECOMMENDATION**

- 1.1 It is recommended that the Policy and Resources Committee notes the updated position with the Arbroath Schools Project (Phase 1).

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/ SINGLE OUTCOME AGREEMENT/ CORPORATE PLAN**

- 2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- Our children and young people are confident individuals, effective contributors, successful learners and responsible citizens;
- We have improved the health and wellbeing of our people and inequalities are reduced;
- Individuals and families are involved in decisions which affect them.

**3. BACKGROUND**

- 3.1 Reference is made to Report 551/13, approved by the Education Committee at its meeting on 3 October 2013, which provided a progress update in relation to the Council's preferred option to replace Timmergreens and Warddykes Primary Schools with new build facilities as Phase 1 of the Arbroath Schools Project, and sought Procurement Authority for the progression of phase 1 of the project using the appropriate East Central Territory Hubco ("Hubco") procurement arrangements.

- 3.2 Reference is also made to Report 61/15, approved by Angus Council at its meeting on 12 February 2015, which set out the 2014/2019 Financial Plan and the provisional capital budget 2015/16, which specifies the gross cost of replacing Timmergreens and Warddykes, along with the various funding contributions, resulting in a net cost of £11m for budget purposes.

- 3.3 Reference is also made to Report 68/15, approved by Angus Council at its meeting on 12 February 2015, which provided an update in relation to major issues recently emerging during the procurement of the Arbroath Schools Project (Phase 1) using Hubco. Members may recall the key points from that report as follows:

- Hubco identified the main contractor for the project from their supply chain in April, supporting an October 2014 start to construction works.
- During September, Hubco advised the Council that a full October 2014 site start was not achievable and that the tendered costs were likely to be above the initial estimates.
- A briefing paper presenting the potential delay and increased costs was considered by the Council's Policy & Budget Strategy Group on 24 September 2014, and the recommendations were agreed to:
  - progress with an enabling works contract to carry out demolitions;
  - undertake a value engineering exercise to mitigate increased costs; and

- update the Financial Plan to £11m (from £10.6m) to meet the updated costs.
- Demolition of the existing Timmergreens building commenced during October 2014 and was completed in December 2014.
- The final costs for the project were received in mid-January, allowing the contract documentation to be progressed towards a proposed Financial Close date of 27 January 2015.
- This milestone was not achieved, and the Council were subsequently advised by Hubco that their main contractor would not be able to comply with a fundamental requirement of the contract.
- Hubco were noted as actively engaging with an alternative contractor from their supply chain to deliver the project, including establishing the implications in relation to time and cost.
- The Council agreed to delegate authority to the Head of Legal and Democratic Services, in consultation with the Chief Executive, the Strategic Director – Resources, the Strategic Director – People and the Head of Corporate Improvement & Finance to agree to the new price submitted from Hubco and its alternative supply chain partner, within the parameters set out in the report.

#### 4. CURRENT POSITION

4.1 At the time of writing this report, the Council is still waiting on firm proposals from Hubco. However, there is now a target to achieve Financial Close by the end of March 2015, leading to a start on site as soon as possible thereafter.

4.2 On this basis, the updated timetable for completion is currently anticipated to be as follows:

- Timmergreens would move into the new school in Easter 2016; and
- Warddykes would move into new school in Summer 2016, with the second phase completed by the end of October 2016.

4.3 Parents/ Carers of pupils attending Timmergreens and Warddykes have been informed of the current delay to the start of the new build works, and a press release was issued by the Council. Once Hubco has finalised the appointment of the new main contractor, confirmed costs and updated the timetable, a further communication with Parents/ Carers and press release will be issued to keep the school and wider community informed.

4.4 The overall costs for the project to date, reflected in Reports 61/15 and 68/15, are currently as follows:

	<b>£000's</b>
New Build elements:	
Timmergreens	£4,909
Warddykes	£6,346
	<u>£11,255</u>
Enabling/ Improvement Works:	
Muirfield Primary School	£390
Temporary Accommodation	£527
Other costs:	
Abortive Design Fees from Hospitalfield	<u>£104</u>
<b>Overall Costs (gross)</b>	<b><u>£12,276</u></b>

4.5 It should be noted that the new build costs for Timmergreens and Warddykes specified above, are based on the information received from Hubco in relation to the original contractor, and also include demolition costs amounting to c£250k. Report 68/15 provides members with further information in relation to the implications of Hubco progressing with an alternative contractor at this stage.

4.6 Members should also note the following in terms of the Enabling/ Improvement works elements:

- Investment in the existing Muirfield building has been designed to provide ‘Suitability’<sup>1</sup> changes to the building that would improve the facilities in the short term, while reducing the cost of investment required in the future when the main refurbishment works take place. For example, providing enhanced pre-school/ playgroup accommodation; improved dining/ multi-purpose space; improved production kitchen facilities; and improved car parking, are all specific works that would have been required at Muirfield as part of the future refurbishment project.
- While these improvements also support the joint use of the facilities during the Timmergreens staff/ pupils decant to the Muirfield site, specific costs associated with the Timmergreens decant alone are limited to the provision of staff area adjacent the temporary accommodation, albeit this will likely also support Muirfield decant arrangements in due course.
- The temporary accommodation currently located at the Muirfield site will support the current decant of Timmergreens staff/ pupils while the new school is built. In addition, it is proposed that Muirfield staff/ pupils will require the use of the temporary accommodation when their main refurbishment works are progressed. In addition, the units may also be required to support the refurbishment works at Ladyloan and Inverbrothock in due course (potential re-location of units). At the end of the overall project, it may be possible to sell the units, providing income to net-off against current expenditure, depending on the units’ condition and market demand at that time.

4.7 The above information highlights that the £12.276m gross costs to date also include elements that are attributable to long term improvements to Muirfield, along with other aspects which could potentially support the future programme of improvements on a number of Arbroath primaries. Accordingly, the works specific to the Timmergreens and Warddykes sites has been identified as £11.255m, albeit it is acknowledged there is a portion of the balance that is inextricably linked to the Timmergreens decant at the Muirfield site.

4.8 In terms of the cost increase on the Timmergreens and Warddykes elements to £11.255m, this reflects an inflation rise in construction prices beyond that which was anticipated in August 2012, when the base data was produced. The original calculations were based on a building rate of c£2,213/m<sup>2</sup> (including demolitions) at that time, in comparison to the current prices which reflect a building rate of c£2,455/m<sup>2</sup>. This represents an increase of 10.93% when comparing these rates, compared to the BCIS<sup>i</sup> increase over the same period of 11.73%. It is also worth highlighting that Scottish Futures Trust are currently utilising a funding rate of c£2,625/m<sup>2</sup> (£2,350/m<sup>2</sup> inflated to current price base) for new primary school projects as part of the ‘Scotland’s Schools for the Future’ programme, confirming that the prices being obtained for this project from Hubco are still within that national benchmark position.

## 5. FINANCIAL IMPLICATIONS

5.1 As indicated above, the Council’s Policy & Budget Strategy Group at its meeting on 24 September 2014, agreed to adjust the Financial Plan for the project at the next review of the Plan (the 2015/16 budget setting) as follows:

	<b>£000’s</b>
Warddykes Primary School	£6,346
Timmergreens Primary School (inc Enabling etc Works)	<u>£5,930</u>
Total Gross Cost	£12,276
SFT Hub Grant	<u>-£662</u>
Total Cost to Angus Council	£11,614
Revenue Funding	-£104
Capital Contribution (Property Capitalised Maintenance)	-£310
Capital Contribution (Schools and Learning Pre School Provision)	<u>-£200</u>
Net Cost*	<u>£11,000</u>

\* the net cost is the amount which has to be funded from the Council’s overall capital budget resources (mainly capital grant and borrowing)

5.2 The above table reflects the overall funding package information contained in Report 61/15, approved by Angus Council at its meeting on 12 February 2015, which set out the 2014/ 2019 Financial Plan and the provisional capital budget 2015/16; and also in Report 68/15,

<sup>1</sup> The ‘Suitability’ assessment at Muirfield undertaken during 2012 (identifying areas requiring improvement)

also approved by Angus Council at its meeting on 12 February 2015, which provided an update in relation to major issues emerging during the procurement of the Arbroath Schools Project (Phase 1).

- 5.3 Members should note that a further report will be presented to the Council with the updated cost position after Hubco have finalised the contract with the new main contractor.

## **6. OTHER IMPLICATIONS**

### **6.1 Risks**

- 6.1.1 Hubco are procuring an alternative supply chain contractor to deliver the Arbroath Schools Project (Phase 1), resulting in a delay to the start of the project and potentially increased costs.

**NOTE:** No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

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<sup>i</sup> RICS Building Cost Information Service