

## **NORTH LINCOLNSHIRE COUNCIL**

### **CHILDREN'S SERVICES CABINET MEMBER**

## **BUILDING SCHOOLS FOR THE FUTURE – EARLY WORKS ARRANGEMENTS**

### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 The object of this report is to seek approval for early works to be carried out on the two sample schemes in the BSF project.
- 1.2 This is to ensure that a start on construction work is not delayed following the final approval for the BSF scheme.

### **2. BACKGROUND INFORMATION**

- 2.1 The dialogue with bidders for the North Lincolnshire BSF contract is now complete. Submissions from both bid teams are now being evaluated and the preferred bidder will be announced on 24 March 2009.

At this point, the preferred bidder will be in a position to start planning the construction programme.

- 2.2 Following selection of the preferred bidder, the council will submit its final business case (FBC) to the government for approval to release funds and start the construction at the two sample schools. These are Melior Community College and Brumby Engineering College. Approval for the FBC is expected to be given in July 2009. This will allow the building works to start before the summer holidays 2009. That target date is important to get both schemes underway; it is particularly important for Brumby, as demolitions are scheduled for the summer holidays. Without the completion of these preliminary works, completion of the two schemes will be delayed by up to six months.

The steps needed to ensure that construction can begin soon after FBC are set out in the following paragraphs. The costs shown will be met by government grant, but not before the FBC has been confirmed. It will therefore be necessary for the costs to be met initially by the council. This is, in effect, a cash flow issue. However, there is a risk assessment involved, which is covered in section 6.

There are four areas of advance expenditure in this proposal, coming in total to approximately £1.27m.

- 2.3 It is necessary to place a works order with statutory services to divert & provide electricity, gas, and water to the two schemes. Each bidder has been asked to apply maximum load information so an order can be placed early as the statutory services take time to respond to works orders. This is essential at both sites to create works compounds, divert existing services and at Brumby to install temporary accommodation. The statutory services charge a fee payable in advance and we will not know the fee until the service has made an assessment.

The initial estimate is advance payments of approximately £100,000

- 2.4 It is necessary for the Preferred Bidder to submit planning applications immediately following the Cabinet Member's relevant decision being made (24 March). This is because planning approval is one of the elements needed as part of the FBC.

Planning Services require payment of fees in advance, and the initial estimate is payments of £10,225 for Melior and £9,425 for Brumby.

- 2.5 The Brumby scheme includes provision of temporary accommodation, which needs both planning permission and an order being placed for the relevant buildings.

Therefore, a letter of intent must be supplied to the Preferred Bidder to order temporary accommodation for Brumby and provide insurance cover once on site. This is because of lead in times to build and install temporary accommodation. This has to be located in late June 2009 to allow the school to move contents across before term ends so that the main block can be demolished over summer period. If this construction period is missed, then the Brumby scheme will be delayed.

The temporary accommodation can be used for teaching & learning.

The letter of intent needs to cover the full costs of purchase and installation. Payments are likely to be required by the specialist contractor in milestones with a large initial payment to secure order.

The initial estimate is authorisation of up to £450,000.

- 2.6 Certain early mobilisation steps will be needed to enable the start of main construction works to begin over the summer.

This is a significant issue in that the council is in effect commencing the works before the final contract has been signed off. We council has done this before on smaller scale projects. There are project specific reasons for doing this as the Preferred Bidder will be able to mobilise works and pre order foundations specialists to start and make best use of the summer break without pupils on site. The issues for each school are as follows:

Melior:

- to establish a temporary road, required to allow construction traffic onto site, to establish site compounds and lay out foundations.
- to commence foundation and drainage works.
- initial estimate is approximately up to £450,000 of approval to commit works.

Brumby:

- to establish site compound, divert drainage, arrange for demolition of buildings during summer, including asbestos removal.
- initial estimate is approximately up to £250,000 of approval to commit works

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The first option is to approve the programme of preliminary steps and early works set out in section 2. This will allow a start on construction work during the summer holidays 2009.
- 3.2 The second option is not to approve any early works and wait until FBC approval before any orders for work are placed.

### **4. ANALYSIS OF OPTIONS**

- 4.1 The first option will allow construction work to commence at both sample schools over the summer holiday 2009.
- 4.2 The second option will delay the start of construction for 5 to 6 months until all of the preliminary steps and early works shown in section 2 have been completed.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

#### **5.1 Financial**

- 5.1.1 The cost of advance works is £1.27m. If the scheme proceeds as expected this would be capital expenditure funded from government grant. If the BSF scheme does not proceed for any reason then these are abortive works which, if they have not created an asset for the council, would need to be charged to revenue. Normal accounting practice would allow only the cost of mobile classrooms and demolition to be capitalised out of these proposed advance works, the remainder would need to

be charged to revenue, perhaps amounting to around £750k. The council's financial position is tight and no provision is available for these revenue or capital costs. In the unlikely event of the BSF scheme not proceeding, these costs would be met from the Children and Young People's Service budget if possible or failing that from council budgets. It is possible that other financial spending plans may therefore be adversely affected.

## 5.2 Staffing

5.2.1 There are no direct staffing implications associated with this report.

## 5.3 Property

5.3.1 There are no direct property implications associated with this report.

## 5.4 IT

5.4.1 There are no direct IT implications associated with this report.

## 6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

6.1 The main risk element is that the early works are funded by the Council and the FBC is not approved for whatever reason. The consequences of this are set out in paragraph 5.1. This risk is low, because the issues addressed by the FBC have been through previous business cases and there have been no significant changes to the scope of the project since these. The counter risk if early works are not undertaken is that the schemes are delayed and inflation clauses are invoked by the contractor. However, this risk is not quantifiable and in current economic conditions is quite low.

## 7. **OUTCOMES OF CONSULTATION**

7.1 The proposals in this report were discussed at the meeting of the BSF Board on 10 February 2009 and were supported.

## 8. **RECOMMENDATIONS**

8.1 It is recommended that the Cabinet Member approves the early works arrangements set out in section 2 and refers the matter to the Corporate Services Cabinet Member.

SERVICE DIRECTOR LEARNING, SCHOOLS AND COMMUNITIES

Hewson House

BRIGG

North Lincolnshire

DN20 8XJ

Author: A Williamson

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**Background Papers used in the preparation of this report**

None

