

Appendix 1

Rhyl New School (RNS)

Full Business Case (FBC)

Version No: 1.0
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VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft 0.1	17/01/2014	First Draft Version	J Curran
1.0	29/01/2014	First Version	J Curran

1. Executive Summary

1.1 Introduction

This Full Business Case seeks approval to invest £24,586,100 in a contract with Willmott Dixon Construction to construct a new school and associated facilities in Rhyl.

1.2 Strategic case

1.2.1 The strategic context

This business case is for the provision of a new school building to replace the existing Rhyl High School building at a cost of £24,586,100; this being a key project within Denbighshire County Council's overall 21st Century Schools Programme.

This business case builds on the detail presented in the SOC that was approved by Welsh Government in September 2013. It also develops and confirms the following:

- Determining and confirming value for money
- Preparing for and contracting the deal
- Confirming affordability and financial requirement
- Planning for successful delivery

1.2.2 The case for change

Rhyl High School is situated in a residential area of Rhyl and shares its site with Rhyl Leisure Centre (RLC). It occupies a range of buildings which have been adapted and remodelled over the years. The school has the poorest energy efficiency and performance figures of the entire Council buildings portfolio – a situation which is difficult to improve given the usage patterns of its series of detached and external 'walkway-linked' buildings.

Ysgol Tir Morfa is a community special school which caters for pupils with a wide range of additional learning needs, aged between 3 and 19 years. The school is located on Ffordd Derwen. The Key Stage 1 and 2 provision has seen significant investment by Denbighshire County Council and the Welsh Government in recent years. However plans for the next phase to address needs for KS 3&4 have had to be re-assessed due to the scarcity of capital funding to undertake the work.

The strategic drivers for this investment and associated strategies, programmes and plans include the following:

- A need to bring about a step-change improvement in 11-16 secondary education provision in Rhyl and the associated attendance and attainment levels
- The vision for the economic regeneration of Rhyl demands that education infrastructure is kept in step with progress made in other areas of the regeneration programme
- A required reduction in the ever-growing (cost of the) maintenance backlog of secondary school buildings in Rhyl

- The requirement to reduce the carbon footprint of the Council – in particular that of the total school estate

Since the initial discussions regarding this project in 2009 Rhyl High School has had a change of leadership which has seen considerable improvements in performance and attainment. However, in order to see sustained improvements there is a compelling case to improve the physical teaching and learning environment.

At Ysgol Tir Morfa KS3&4 pupils need access to more specialist curriculum facilities than can be provided at the main school site – particularly for vocational courses, performance spaces, technology and science. To address this need consideration has been given to the co-location of elements of Ysgol Tir Morfa at Rhyl High School to enable the school to access improved facilities. This will be provided within the design and configuration of new buildings at Rhyl High School where Ysgol Tir Morfa pupils would have their own discrete base with direct access to shared specialist facilities. This would also provide practical integration opportunities with mainstream life – socially and academically.

1.3 Economic case

1.3.1 The OBC long list and short list

The five long list options as considered in the SOC and confirmed in this business case included:

- Option 1.1 – do nothing
- Option 1.2 – the ‘minimum’ scope – for some improvements in secondary education provision in Rhyl: close RHS and re-open as a 11-16 school within the existing buildings
- Option 1.3 – the ‘do-a-bit-more-than-the-minimum’ scope – marginal improvements in secondary education provision in Rhyl: Remodel or refurbish present RHS buildings - Leave BEJ to be reviewed as part of a wider ‘faith’ Education review; continue with Rhyl 6th Project; keep Welsh medium provision discrete
- Option 1.4 – the ‘intermediate’ scope – for improvements in secondary education provision in Rhyl: Rebuild RHS on its present site or an alternative site - Leave BEJ to be reviewed as part of a wider ‘faith’ Education review; continue with Rhyl 6th Project; keep Welsh medium provision discrete
- Option 1.5 – ‘maximum’ scope – for improvements in secondary education provision in Rhyl: Closing Rhyl High School (RHS) and/or Blessed Edward Jones Roman Catholic High School (BEJ); open a new replacement/successor school for RHS and/or BEJ establishing a single campus 11-18 school with a ‘faith’ element and offering a Welsh medium stream with community and ALN facilities

The short list shown within the SOC and confirmed in the business case is as follows:

- Option 1 – the do minimum – clear maintenance backlog – status quo

- Option 2 – do intermediate – major refurbishment & extension
- Option 3 – do maximum – new school build

1.3.2 The procurement

Denbighshire County Council’s aspiration was to use the best current practice for procurement and implementation of the project. Specialist advice was sought from a number of areas; this is explained in more detail in Section 4 – Commercial Case. Based on this advice it was decided to adopt an Early Contractor Involvement (ECI) approach within a ‘partnering’ agreement as the best way to ensure the Council’s aspirations for the project could be met within a partnering relationship with an experienced strategic partner.

It was decided to structure the procurement call into three main Phases as follows:

Phase 1 – Feasibility

Phase 2 – Detailed Design & Target Cost Preparation

Phase 3 – Construction

This approach was taken so as to provide break points at which progress could be halted in order to attain the required approvals at Council and Welsh Government level for the preferred option and the funding to support moving on to the next phase.

The first stage of the procurement process, given the scale of the potential project estimated at the time to be in the order of £25M, was to prepare and launch an OJEU notice and initial PQQ exercise for potential partners.

The OJEU Notice was issued in October 2009 and 15 valid PQQ responses were received in response and subsequently evaluated against the advertised evaluation criteria. Of the 15 responses, 8 potential providers were shortlisted and invited to tender in January 2010.

The 8 potential provider tenders were evaluated against the advertised evaluation criteria and interviewed by a panel. Based on the outcome of this evaluation, Willmott Dixon Construction was selected as the preferred partner to take forward the project in a phased approach as described above.

1.3.3 Key findings

The key findings from the economic appraisals are:

	Undiscounted (£)	Net Present Cost (Value) (£)
Option 1 – Do minimum – Status Quo – Clear maintenance backlog		
Capital	3,088,050	2,741,689
Revenue (inc. maintenance)	972,000	551,093
Optimism bias 10% (on capital)	308,805	274,172
Total costs	4,368,855	3,566,984
Less cash releasing benefits	-2,063,000	-1,788,992
Total	2,305,855	1,777,991

	Undiscounted (£)	Net Present Cost (Value) (£)
Option 2 – Do intermediate – major refurbishment & extension		
Capital	26,316,644	24,237,438
Revenue (inc. maintenance)	2,632,500	1,492,542
Optimism bias 10% (on capital)	2,631,664	2,423,744
Total costs	31,580,808	28,153,725
Less cash releasing benefits	-2,063,000	-1,788,992
Total	29,517,808	26,364,732
Option 3 – Do maximum – New school build		
Capital	24,811,100	22,536,013
Revenue (inc. maintenance)	2,632,500	1,492,542
Optimism bias 10% (on capital)	2,481,110	2,253,601
Total costs	29,924,710	26,282,157
Less cash releasing benefits	-2,063,000	-1,788,992
Total	27,861,710	24,493,164

NOTES:

- *Capital – includes initial project capital costs plus cyclical capital costs at years 10,20 & 25 of £50k, £75k & £100k*
- *Revenue (inc. maintenance) – estimated revenue impact on school of Options 2&3 of increased floor area of £87,500 plus £36k annual maintenance for Option 1 & £10k annual maintenance for Options 2&3*
- *Optimism Bias – standard 10% applied across all three options based on the capital element only*
- *Cash releasing benefits - consist of £2,063,000 in estimated current maintenance backlog*

The key findings are as follows:

- *Option 1 – Do minimum – Status Quo – Clear maintenance backlog*
This option ranks first overall in terms of 'Cost net all savings' however it is not a realistic investment option as a step-change in accommodation and facilities is required. Investing in the current buildings would not bring about sufficient change in the teaching and learning environment to realise this. The present buildings lie within a defined flood plain, which militates against any case for large scale capital investment in the site.

It provides no additional benefits in terms of up to date teaching and learning facilities or improved suitability for delivering a modern curriculum. Minimum maintenance investment would just keep the present buildings safe, secure and weather-tight, sufficient to allow continuing operation.

- *Option 2 – Do intermediate – Major refurbishment & extension*

This option ranks third overall in terms of ‘Cost net all savings’. It would see the existing building refurbished & refreshed and new additional accommodation constructed to provide the required capacity to accommodate 1200 plus 45 ALN for Ysgol Tir Morfa. The issue with this option is that it would not provide the complete step change in facilities as a significant amount of the existing accommodation would be retained albeit fully refurbished. This is estimated as being the most expensive option financially given the more complicated nature of a major refurbishment and the logistics of working within a live site.

- *Option 3 – Do maximum – New school build*

This option ranks second overall in terms of ‘Cost net all savings’. It provides a new building with state of the art accommodation and facilities; this would enable full flexibility in the design process to ensure the school will be provided with the accommodation required to make that set change.

1.3.4 Overall findings: the preferred option

Summary of overall results:

Evaluation Results	Option 1 Do minimum Clearing maintenance backlog	Option 2 Do Intermediate Major Refurbishment & extension	Option 3 Do Maximum New build school
Economic Appraisals	1	3	2
Benefits Appraisals	3	2	1
Cost per Benefit Point	3	2	1
Risk Appraisal	3	2	1
Overall Ranking	3	2	1

1.4 Commercial case

1.4.1 Agreed products and service

The products and services under contract are as follows:

- A successful recent track record of designing and constructing innovative secondary schools
- Experience of using ‘partnering-ethos’ arrangements
- Ability to provide and lead a team of appropriate technical specialists (Education consultants, ICT and Energy specialists, et al)
- Understanding of the emerging education and economic trends in Wales and locally in Denbighshire and Rhyl

- A sound reputation for maximising use of local suppliers within the construction supply chain
- A history of delivering significant community benefits through their construction ventures
- Technical ability to lead a complex design and build project to replace the existing school buildings including design, construction, demolition and reinstatement/re-landscaping works

1.4.2 Agreed risk allocation and charging mechanism

The advertised tender invited bidders to submit their proposals for managing risks under contract. These were 'scored' as part of the evaluation of tenders and included consideration of:

- a 'pain/gain' model to offset risk to the Council
- development of target cost for the project; firming of prices
- an insight into their experience and perceptions of 'partnering'

An allocation of risk against a number of risk categories have been agreed with Willmott Dixon Construction.

Reimbursement under the contract will be made in line with appropriate procedure supporting the submission of claims and control of costs as required. Within the contractual arrangements there is an agreed Pain/Gain mechanism whereby should the Target Cost be exceeded then the contractor will be liable for 100% of the pain. As part of PHASE 2 – Detailed Design & Target Cost Preparation a number of construction risks have been identified and costed in order to allocate a sufficient risk contingency should these risks materialise as the project progresses.

1.4.3 Key contractual arrangements

In addition to 'standard' contract headings and wording associated with an NEC3 contract, the key contract provisions reflect DCC's aspiration to engage a partner organisation as a first step towards building an enduring beneficial relationship. Some of the key contractual clauses are in relation to the following:

- Project Delivery Proposal
- Building Performance
- Community Focus
- Delivery
- Learning Environment
- Financial Information
 - PHASE 1 – (Feasibility)
 - PHASE 2 - (Detailed Design and Target Cost Preparation)
 - PHASE 3 - (Construction Phase)
- PRICING SCHEDULES

- SPECIFICATIONS
 - Partnering
 - Sustainable Development Scheme
 - Delivery and Implementation of Community Benefits

There are no personnel implications and TUPE does **NOT** apply.

1.4.4 Agreed implementation timescales

Having appointed a successful supplier (Willmott Dixon Construction) following the procurement approach described above in Section 1.3.2, Phase 1 (Feasibility) of the works was conducted between April and October 2010 using funding from the Welsh Governments Tranche 1 of Transitional Funding awarded in 2009. The output from this Phase provided key information to feed into the developing 5 Case Business Case Process being undertaken by Denbighshire in relation to the Welsh Government's 21st Century Schools Programme.

There was then a pause in the project whilst the implications for changes to the timescales and scale of the Welsh Government's 21st Century School Programme and Denbighshire's response to it were worked through.

In order to demonstrate commitment to the project and to be in a good position to make timely progress moving forward Denbighshire decided to provide funding to commence work on Phase 2 (Detailed Design & Target Cost Preparation) with this work commencing in Spring 2013 and feeding into this Business Case. Phase 2 is anticipated to be completed by May 2014.

This business case seeks approval to take forward the outputs from Phase 2 and proceed to Phase 3 – contract award for an NEC3 Engineering and Construction Contract for delivery of works associated with construction of a new school building in Rhyl.

1.4.5 Accountancy treatment

The assets created as a result of the project will be included in DCC's Education property portfolio and the appropriate corporate asset register.

1.5 Financial case

1.5.1 Financial expenditure

Summary of financial expenditure:

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£	£	£	£	£	£
Option 3						
Capital	24,945	1,477,975	7,222,434	15,860,746	0	24,586,100
Revenue	0	0	0	0	87,500	87,500
Total (Capital)	24,945	1,477,975	7,222,434	15,860,746	15,860,746	24,586,100

Capital Only						
DCC	24,945	1,477,975	2,859,758	7,930,372	0	0
WG	0	0	4,362,676	7,930,374	0	0
Total	24,945	1,477,975	7,222,434	15,860,746	15,860,746	24,586,100

NOTE:

The increase in revenue shown, £87,500, is in direct relation to the increase in the Gross Internal Floor Area (GIFA) of the preferred option against the current school GIFA. The revenue budget for schools is driven by a number of variables which are often dependent upon pupil numbers. Whilst it is expected that the project will have a positive impact on pupil numbers at this stage this hasn't been robustly modelled. The overall quantum for the all schools revenue budget would remain the same.

Therefore the increased revenue is not an increased financial pressure to the County as it will be dealt with via the standard school budget setting formula process from within the funding envelope for all schools year on year

1.5.2 Overall affordability and balance sheet treatment

The payment stream for the capital only to fund the chosen option (Option 3) will see 50% of the funding coming from the WG, the remaining 50% coming from DCC. Revenue implications will be dealt with once the new project is in place via the standard school budget formula setting process.

The capital cost of the project is £24,586,100 over the expected lifetime of the project. A submission to access 50% of the project value is being made to WG with the remaining 50% coming as contribution from Denbighshire. This approach was outlined in the SOP and has been agreed at Council. The detail on the proposed method of delivery for the 50% contribution from Denbighshire was included within the Capital Plan that formed part of the latest Corporate Plan that was agreed at Council on 09th October 2012. The funding provided by the authority will be found from reserves, balances and by selling assets with the rest being generated through prudential borrowing. Any amendments to the delegated school revenue budgets arising from the project will be dealt with via the existing school budget formula setting process

In February 2013, a report was submitted to Denbighshire's Cabinet recommending approval of £1.5M from the county's own resources to demonstrate the commitment to taking the project forward through detailed design. This recommendation was approved at Cabinet with the £1.5M being included in the Corporate Plan matrix. This has enabled Phase 2 to progress in parallel with the Welsh Government Business Case process so as to inform the business case development in a timely manner and place the project in a good position to proceed without delay within the County's overall 21st Century Schools Band A Programme given formal approval from Welsh Government.

In addition, this business case has been reviewed by Denbighshire Strategic Investment Group to ensure it aligns with the approved Council Capital Plan. The Council's Cabinet and Council will also consider the Business Case prior to determination by the Welsh Government.

The proposed capital expenditure will increase the overall value of the Council's asset estate by replacing aged buildings with new structures. Consequently, the balance sheet will show an increase in total asset value

1.6 Management case

1.6.1 Project management arrangements

The scheme is an integral part of the DCC 21st Century Schools programme, which comprises a portfolio of Education transformation projects within the context of Modernising Education in Denbighshire. Like all projects within the programme, this project will follow the DCC Project Management Methodology founded on PRINCE2 and the principle of management by exception within approved parameter boundaries.

A Project Board was established in September 2009 to oversee the development and progress of the project. Following completion of the feasibility study stage of the project in 2010 the Project Board was suspended until the project detailed design stage was re-started in 2013.

The Project Team reports to, and advises the Project Board and is responsible for the development, planning and delivery of the project. The membership of the team is dynamic and evolves over time with some roles increasing or diminishing in profile as the project progresses through its sequential stages. The team is led and coordinated by the Project Manager.

As with the 21st Century Schools Programme Board, the Project Team will be supported, as appropriate, by advisers in key areas. This was a key principle in the appointment of a lead strategic project partner with a recent successful background and track record of designing and constructing similar schools.

1.6.2 Benefits realisation and risk management

A benefits register for the project is maintained within the DCC corporate project management system. The register records details of the beneficiaries, the timeframe for realisation, the metrics and indicators (for baselines, targets and monitoring) and the benefits owner/manager as the persons accountable for realisation.

As with benefits, a risk register is maintained within the DCC corporate project management system. The register identifies and allocates risk management responsibilities and mitigation measures. This risk register is reviewed on a regular basis to ensure it is up to date and any new risks identified are recorded.

1.6.3 Post project evaluation arrangements

Post occupancy evaluation (POE) provides a structured review of the process of delivering a capital project as well as a review of operational, functional and strategic performance of the building following occupation. This is a recognised way of providing feedback on the performance of the project through a building's lifecycle from the initial concept to occupation and beyond.

The post occupancy evaluation will occur after a period of operational use – between 6-12 months – and will again capture feedback from all users on how the new set-up is

functioning and to measure the actual outcomes against the objectives, plus it will feedback to identify any areas where changes are needed and as a source of lessons learned for any other similar projects being developed.

1.7 Recommendation

We recommend that the Rhyl New School should proceed to the delivery phase of the project, Phase 3 – Construction.

Signed:

A handwritten signature in cursive script, reading "Wynne Williams", enclosed in a thin black rectangular border.

Date:

29/01/2014

**Senior Responsible Owner
Project team**