

# Combined Outline and Full Business Case

## Ruthin Town Schools Development

### Replacement Buildings and Facilities for Rhos Street School and Ysgol Pen Barras



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Version Control

Version	Date Issued	Brief Summary of Change	Owner's Name
0.1	10/03/2016	First Draft	Lowri Roberts
0.2	23/03/2016	SIG Submission	Lowri Roberts
0.3	29/03/2016	Cabinet	Lowri Roberts

## **Executive Summary (1500 Words Maximum)**

This combined outline and full business case presents a proposal to provide replacement school buildings and facilities for both Rhos Street School and Ysgol Pen Barras on a shared site within the town of Ruthin. The preferred option has been proposed following careful analysis of a wide range of options for the Ruthin area, as contained within the Economic Case. The overall project estimate is approximately £10.5million.

The scheme would provide new school buildings and facilities for each school with an as built full time capacity of 270 full time pupils for Ysgol Pen Barras and 180 full time pupils for Rhos Street School. The new facilities have been identified as a suitable alternative provision for pupils of Ysgol Rhewl which will close in September 2017 with existing pupils transferring to either Ysgol Pen Barras or Rhos Street School, subject to parental preference. Further information relating to the school organisation proposal for Ysgol Rhewl can be found [here](#).

The project would result in the following benefits which are in line with Denbighshire's strategic investment objectives and those of the 21<sup>st</sup> Century Schools Programme;

- There would be an overall reduction in surplus places within the area with the removal of 82 full time places (closure of Ysgol Rhewl);
- The project would lead to a reduction in maintenance backlog of an estimated £700k;
- The project would enable the removal of temporary and detached classrooms leading to an annual revenue saving of £47k per annum.
- The project would deliver permanent learning environments for all pupils. Currently over 60% of pupil places at Ysgol Pen Barras are provided via mobile classrooms;
- The project would improve the condition and suitability of the learning environment for all pupils and staff. The current condition and suitability of Rhos Street School is 'B' and Ysgol Pen Barras 'C'. On completion of the project it is expected the learning environment at both schools will be rated 'A';
- The project is aiming for BREEAM 'Excellent' and for the overall energy efficiency of the scheme to achieve an EPC rating of 'A' on completion.

### **Strategic Case Summary**

The overall strategic case as outlined in the SOC remains valid. In summary, the project will deliver on the key investment, business and educational strategies and deliver high level and programme wide benefits. Project specific benefits criteria have also been established, analysis of the options against the benefits criteria demonstrates that the preferred option will best contribute to delivering the critical success factors for the project.

## **Economic Case Summary**

**TBC**

## **Commercial Case Summary**

The procurement for the project has been undertaken via the North Wales Schools and Public Buildings Contractor Framework.

Given the initial estimated construction value of the project (£7.9m) the project fell within Lot 2 of the framework. Denbighshire engaged with the market over this project at an early stage and following contractor's feedback a two stage design and build with early contractual involvement was identified as the recommended procurement route. Following a rigorous mini competition process a contract award has been provided to Wynne Construction Ltd. They have been appointed for the Design stage with break clauses prior to the construction stage.

## **Financial Case Summary**

In January 2015 a report was submitted to Denbighshire's Cabinet recommending approval of £8.8million from the Council's own resources to demonstrate the commitment to taking the project forward through detailed design. The recommendation was approved within the budget and approved at Full Council in February 2015. Updated project costs have been provided in early 2016 which have identified budgetary pressures. The cost difference in the budget estimates are as a result of a number of factors however relate mainly to the acquisition of land and highway access to the site.

As a consequence of these pressures, DCC Strategic Investment Group January 2016 considered increasing the project contingency budget for the scheme. This recommendation was consequently approved at Cabinet and Full Council in February 2016. These costs are to be met by DCC and do not form part of Welsh Government funding. This funding element will be met by cash reserves, prudential borrowing and savings received as wider school organisation proposal.

## **Management Case Summary**

In terms of the management of the projects the Council's Modernising Education Programme Board will provide the strategic leadership for the overall programme moving forward. As this project is part of three projects considered as part of the Strategic Outline Case a Ruthin Primary Review Project Board, chaired by the Chief Executive has been established to assist in the project establishment stage for all these projects.

Each project has an identified Project Sponsor and Project Manager to ensure clear leadership and direction throughout the lifecycle of the project. Details of the project management structures are contained within the management case.

## **Strategic Case (1000 Words Maximum)**

The overall strategic case for the project as described in the Strategic Outline Case remains valid. To reconfirm in line with the detail in the SOP and SOC, satisfying the potential scope for this investment will deliver the following high level programme wide strategic benefits;

- 1. Investment Objective 1:** Learning environments for children and young people aged from 3 to 19 that will enable successful implementation of strategies for school improvement and better educational outcomes;
- 2. Investment Objective 2:** Greater economy through better use of resources to improve efficiency and cost-effectiveness of the education estate and public provision;
- 3. Investment Objective 3:** A sustainable education system with all schools meeting a 21<sup>st</sup> Century Schools Standard, and reducing recurrent costs and carbon footprint.

Guided by these overarching strategic objectives, a number of benefits criteria have been developed for the project against which to assess the options developed to address the business need. Based on an appraisal of the options against these investment objectives, a preferred option is proposed that will best contribute to delivering against these investment objectives, critical success factors and project specific benefits.

Appraisal of options available against the criteria- value for money assessment to moderate the appraisal from an affordability perspective plus an initial assessment of risk attached to each option. **Appendix XX and Appendix XX contain the Benefits Register and the Benefits Realisation Plan.** Further information relation to the benefit appraisal is contained within the economic case.

In summary the benefits criteria includes;

- Supporting the effective delivery of the curriculum;
- Raising attainment;
- Improve overall building condition and suitability;
- Improve the energy efficiency of the school estate;
- Strategic fit to meet demand and supply of places.

These benchmarks have been used to identify specific measurable benefits against which the preferred option can be assessed.

### **Business Strategies**

The Council has a 5 year Corporate Plan, approved by elected members in October 2012, which identifies 7 priority areas for Council activity and action which contextualises national and regional policy developments for Denbighshire.

Specifically within this plan there is a priority work stream for :-

- Improving performance in education and the quality of our school buildings

This priority includes the following intended outcomes:-

- We will invest significantly to improve school buildings and facilities and provide improved learning environments for pupils
- We will continue to review school provision across the county to ensure that we provide the right number of school places, of the right type, in the right location.

The Corporate Plan states that the programme will be funded through the use of reserves, balances and by selling assets with the rest being generated through prudential borrowing. The affordability of this plan has been reviewed and reconfirmed following the outcome of the Ruthin Area Review with Full Council approving the budget as part of the overall budget setting process in February 2015. In February 2016 Full Council again reviewed and reconfirmed the affordability of the project following a reassessment of the budget to take into account budgetary pressures which have arisen since 2015. Further detail regarding budget and cashflow is contained within the financial case of this document.

### **Other Organisational Strategies**

These corporate priorities are further supported by service delivery plans and the establishment of a number of Corporate Programmes. These include;

- Economic ambition
- Modernisation

*Which are supplemented by*

- Modernising Education

Delivery of projects within the 21<sup>st</sup> Century Schools Programme will also contribute to the development of the Economic Ambition Programme via the investment in the economy and the development of appropriate community benefits. Further information relating to community benefits can be found within the commercial case.

Of particular relevance to this proposed project is the 21<sup>st</sup> Century Schools Programme. The Council believes that the Programme, through effectively addressing issues around surplus and deficit places, will lead to a reduction in the number of schools maintained whilst focusing resources on remaining schools to provide an estate that is modern, efficient and effective for delivery of a modern curriculum. In the delivery of the programme a collaborative approach is taken with the school improvement service to ensure that any change to the learning environment at least maintains or will improve the existing level of attainment and learner experience.

In November 2012 Denbighshire's Cabinet approved the commencement of a review of primary schools in the Ruthin area. Overall educational standards within the Ruthin area are good, however there are a number of issues that were identified that could potentially impact on the ability of schools to sustain and improve the quality of education provision in the future. Issues identified included;

- Condition and Suitability of School Buildings and Facilities;
- Surplus Places;
- Provision of Mobile Classrooms;
- Headteacher recruitment.

During the Summer of 2013 Denbighshire's Cabinet approved 6 main recommendations which would address the issues outlined above and lead to significant investment in the overall school estate in the Ruthin Area. All 6 recommendations can be found in the SOC, the recommendation for the Ruthin Town area was as follows;

- *Further detailed feasibility works to be undertaken prior to the confirmation of any formal recommendations for Rhos Street School, Ysgol Pen Barras, Ysgol Borthyn and Ysgol Rhewl.*

Feasibility works regarding the long list of options was undertaken during the 2013/2014 period. Preliminary site surveys had been undertaken in 2013 at the outset of the Ruthin Review. Cabinet approved further comprehensive exploration of options relating to the town schools in 2014. This detailed period of feasibility focused on a long list of options in the context of the existing sites, as follows;

1. *1 x 315 new build on the Glasdir site;*
2. *Refurbishment of the existing site to accommodate a 1 x 210 school;*
3. *1 x 210 new build at the existing site;*
4. *A 525 pupil capacity shared site development on the Glasdir site;*
5. *Refurbishment and extension of Ysgol Rhewl*

Proposed solutions arising for Rhos Street School , Ysgol Pen Barras and Ysgol Rhewl were as follows;

- A. Do Nothing: Maintain Status Quo
- B. Do Minimum: Clear Maintenance Backlog- Remedial Repair
- C. Do Intermediate: Shared Site (Preferred)
- D. Do 'more than' Intermediate: New build at Glasdir and Remodel/Refurb Existing Site
- E. Do Maximum: Big Bang- 3 new builds (YPB/RSS/YRH)

Please see the economic case for detailed analysis of these options. Following the assessment of these options the preferred way forward would be to develop a shared site which would enable the relocation of Rhos Street School and Ysgol

Pen Barras with displaced pupils from Ysgol Rhewl transferring to the new site in September 2017.

With regard to the other schools, namely Ysgol Borthyn and Ysgol Rhewl it was agreed that Ysgol Borthyn would be retained to provide the town and surrounding areas with English medium, faith based (Church in Wales) primary provision.

Feasibility works undertaken with regard to Ysgol Rhewl demonstrated that that significant investment would be required to improve the overall condition and suitability of the facilities. In the context of the review, and other criteria such as the overall level of surplus places and the proximity to the new development for Rhos Street School and Ysgol Pen Barras Cabinet approved the proposal to close Ysgol Rhewl as of September 2017 (to coincide with the opening of the new school development) with existing pupils transferring to either Rhos Street School or Ysgol Pen Barras dependent on parental preference. Further information relating to the statutory proposal and process relating to Ysgol Rhewl can be found [here](#).

### **Welsh in Education Strategic Plan**

The Council recognises the importance of bilingualism in 21<sup>st</sup> Century Wales and has adopted a long term aspiration that all children and young people in the County will leave full-time education being competent and confident in using both Welsh and English languages. The Council recognises that this is a long term aspirational aim that will not be achieved for a number of years.

The Council's Welsh in Education Strategic Plan which covers the period 2014-2017 reaffirms the Council's commitment to increasing the number of pupils receiving their education through the medium of Welsh. Ysgol Pen Barras is a Category 1 Welsh medium school with 216 full time pupils on roll (as of January 2016 PLASC). Ysgol Pen Barras was established in response to the growth in demand for Welsh medium primary education. The permanent building (located adjacent to Rhos Street School) has an overall capacity of 92 full time places with the current site utilising a number of mobile classrooms to provide an overall capacity of 252. This project will provide, 21<sup>st</sup> century, fit for purpose permanent learning environments for the staff and pupils of Ysgol Pen Barras.

## Economic Case (3000 Words Maximum)

In accordance with the 21<sup>st</sup> century schools and education funding programme business case guidance document and the requirements of HM Treasury's Green Book, this section of the business case documents the range of options that have been considered in response to the potential scope identified within the SOC.

This combined OBC/FBC seeks approval for the identified 'preferred' option to deliver a new shared site development for both Rhos Street School and Ysgol Pen Barras.

### Critical Success Factors and Key Drivers

The Ruthin area faces a number of distinct challenges, these challenges have been applied as 'key drivers' for the Ruthin area review and have driven the rationale for the proposal and are aligned with the critical success factors and investment objective. The key drivers and the solutions offered by this project are displayed in the table below;

Reference	Key Driver	Solution Offered (preferred)
1	Reduction in surplus places	The project would align pupil place planning with the physical capacity of the new build facilities. There would be a reduction in 82 surplus places with the related proposal to close Ysgol Rhewl as of August 2017 with pupils transferring to either Rhos Street School or Ysgol Pen Barras.
2	Condition and suitability of school sites	The project would provide new, fit for purpose 21 <sup>st</sup> century school facilities for all pupils. The overall condition and suitability of both schools would be improved with the expected condition and suitability rating to be 'A'. Pupils from Ysgol Rhewl would also experience an improvement in the learning environment based on the current condition and suitability of the facilities at Ysgol Rhewl.
3	Removal of mobile classrooms	The project would result in the removal of 5 mobile classrooms.



		These mobile classrooms currently provide over 60% of the total pupil places at Ysgol Pen Barras. The removal of the mobile classrooms would also result in an annual revenue saving of £47k.
4	Efficiency and effectiveness of the school estate	The project will achieve an 'Excellent' BREEAM rating and an EPC energy rating of 'A'.

The critical success factors as outline in the SOC remain valid and are displayed in the table below;

Reference	Critical Success Factors
<b>CSF1</b>	Investment in educational attainment and achievement
<b>CSF2</b>	Removal of mobile classrooms and detached teaching areas and resource areas
<b>CSF3</b>	Reduce the ever growing maintenance backlog
<b>CSF4</b>	Meet demand for school places
<b>CSF5</b>	Increase the efficiency and effectiveness of the school estate
<b>CSF6</b>	Improve the learning environment to meet 21 <sup>st</sup> century school standards and allow for the delivery of a fluid and innovative 21 <sup>st</sup> century curriculum

#### SOC Long List

Within the SOC a long list of options was developed in response to the review of primary educational provision in the Ruthin area. Each of these long listed options was initially assessed against the project and programme investment objectives identified within the SOC.

The long list of options are displayed in the table below;

Reference	Summary Description	Option Type	Short List
<b>1</b>	Do Nothing- Maintain the status quo	Comparator	Discounted
<b>2</b>	Do Minimum- Clear maintenance backlog and undertake remedial repairs	Less Ambitious	Carried
<b>3</b>	Do Intermediate- New build Glasdir and remodel and refurbishment of the existing site	Less Ambitious	Carried
<b>4</b>	Do Maximum- New build school facilities for Rhos Street School and Ysgol Pen Barras on a shared site	Preferred	Carried
<b>5</b>	'Big Bang'- 3 new build schools for Rhos Street School, Ysgol	More Ambitious	Discounted

	Pen Barras and Ysgol Rhewl	
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**Appendix XX** contains the detailed analysis of the above long list of options as contained within the SOC. For the purpose of this business case and subsequent economic appraisal a shortlist of options from the above long list has been developed. This re-assessment was undertaken to challenge assumptions made as part of the long list of options. These areas of challenge include;

- Practicality
- Buildability
- Value for money
- Latest construction market
- Costs of options (initial feasibility 2014)
- Areas of inefficiency or in original long list of options

The key considerations that have influenced the short list and the reasons for discounting various options within the long list are provided below;

**Option 1- Do Nothing: Maintain Status Quo**

This option does not meet the minimum standards for the project or the critical success factors for the project. The option is contrary to DCC and WG policy with regard to removing mobile accommodation from the school estate.

This option would have an adverse impact on the educational delivery within the learning environment in the short term.

**Outcome: Discounted**

**Option 2- Do Minimum: Clear Maintenance Backlog**

This option does not meet all of the critical success factors for the project although it would result in a minimal capital outlay. This option is contrary to DCC and WG policy with regard to removing mobile accommodation from the school estate.

This option would lead to some improvement in the learning environment and reduce the maintenance backlog however the facilities and condition would not be reflective of a 21<sup>st</sup> century standard with many issues remaining.

**Outcome: Carried Forward (Comparator)**

**Option 3- Do Intermediate: 1 x New Build at the Glasdir Site and 1 x Refurbishment of Existing Site**

This option meets or partially meets the majority of the critical success factors for the project, however there would be a number of issues that would remain on the existing site such as areas falling below the minimum recommendations set out in BB99, traffic and access to the site and consequently does not lend itself to providing good value for money.

**Outcome: Carried Forward (Less Ambitious)**

### Option 4- Do Maximum: Shared Site New Build

This option meets all of the critical success criteria and would deliver significant improvements to the learning environment and would lead to greater efficiency and effectiveness of the school estate.

**Outcome: Carried Forward (Preferred)**

### Option 5- 'Big Bang': 3 x New Builds Ysgol Rhewl, Glasdir and Existing Site

This option meets a number of the critical success factors, mainly relating to the overall improvement in the learning environment and removal of mobile accommodation. This option would not deliver certain benefits such as an improvement in the efficiency and effectiveness of the overall school estate. In September 2015 Denbighshire County Councils' Cabinet determined the proposal to close Ysgol Rhewl as of September 2017. This option would not provide good value for money and would require a significant capital outlay.

**Outcome: Discounted**

The table below provides an assessment of these options against the critical success factors for the project and provides

Option Reference	CSF1	CSF2	CSF3	CSF4	CSF5	CSF6	Outcome and Key Findings
1	X	X	X	X	X	X	<b>Discounted:</b> Option 1 would not meet any of the critical success factors. Issues on the current site would worsen in the short term having an adverse impact on the learning environment and consequently levels of attainment. Only advantage to this option is no capital outlay required. Represents poor value for money. This option would also be contrary to the Council's policy to remove mobile classrooms.
2	✓	X	✓	X	X	X	<b>Carried:</b> Option 2 is limited in scope to deliver against the critical success factors however would remain affordable within the capital funding envelope.
3	✓	✓	✓	✓	X	X	<b>Carried:</b> This option meets some of the critical success factors however issues would still remain with a refurbishment not reflecting a 21 <sup>st</sup> century school standard.
4	✓	✓	✓	✓	✓	✓	<b>Carried (Preferred):</b> This option

							meets all of the critical success factors for the project and remains affordable within the capital funding envelope.
<b>5</b>	✓	✓	✓	<b>X</b>	<b>X</b>	<b>X</b>	<b>Discounted:</b> Although this options meets a number of the critical success factors it does not provide good value for money nor lead to a rationalisation of the school estate leading to greater effectiveness and efficiency. The option would require significant capital outlay and would become unaffordable within the capital funding envelope.

The following options have been shortlisted and taken forward for the purpose of this appraisal;

- Option 1- Do Minimum: Clear Maintenance Backlog
- Option2 – Do Intermediate: 1 x New Build and 1 x Refurbishment of Existing Site
- Option 3 – Do Maximum: Shared Site New Development (Preferred)

In detail, the above short-listed are;

**Option 1: Do Minimum- Clear Maintenance Backlog**

This option provides the benchmark for Value for Money and is based upon the following parameters:

Scope: Minimum- address current remedial maintenance issues at the existing site to address the existing maintenance backlog issues

Solution: Maintenance backlog and remedial repairs to be undertaken at the existing site

Service Delivery: Strategic Partnership

Implementation: Phased (school would be required to remain open)

Funding: Public

General Comments: This is not a realistic option however the option provides a comparator. Addressing the maintenance backlog would be a 'firefighting' exercise and would have a minimal impact on the overall condition and suitability of the existing site. Mobile accommodation would also remain.

**Option 2: Do Intermediate- 1 x New Build and 1 x Refurbishment of Existing Site**

This option provides an outline of a less ambitious version of the preferred option.

Scope: 1 x new build school building and facilities for Ysgol Pen Barras and a refurbishment and remodel of the existing site for Rhos Street School.

Solution: New build and refurbishment

Service Delivery: Strategic Partnership

Implementation: Phased (Ysgol Pen Barras would be required to decant to the new site prior to any refurbishment works at the existing site)

Funding: Public

General Comments: Although this option would result in an improvement to the overall learning environment, fundamental issues at the existing site would still remain which would not provide good value for money. Due to the phased nature of this option it poses a greater deal of disruption to both staff and pupils who would remain on the site whilst significant works were undertaken.

### Economic Appraisal

This section provides a detailed overview of the main costs and benefits associated with each of the shortlisted options. It indicates how they were identified and the main sources and assumptions associated with these.

### Estimating Benefits

The project benefits identified fell into the following main categories;

<b>Benefit Type</b>	<b>Description</b>
<b>Quantifiable Benefit (QB)</b>	Measurable- for example, £s or numbers of transactions etc
<b>Cash Releasing Benefit (CRB)</b>	These are financial benefits- for example, avoided spend, reduced cost etc
<b>Non-cash releasing benefit (non-CRB)</b>	These are economic benefits- for example opportunity cost of staff time etc
<b>Non-quantifiable benefit (non-qb)</b>	Non-measurable- for example, quality improvements such as well-being, improved morale etc

A full register of the project benefits, benefits management and realisation strategy can be found in [Appendix XX](#). The management and monitoring of benefits is conducted via VERTO a project and programme management system utilised by Denbighshire County Council. Further information regarding project management and governance can be found in the management case.

### Estimating Costs

Costs for each of the shortlisted options have been estimated in collaboration within the project team and technical project leads. The costs have been identified by elements within each of the options in terms of m2 costs for the respective proportions of the new build and refurbishment options inclusive of surveys, FF&E, ICT, professional fees and contingencies. Costs for the do minimum option are based on the existing maintenance backlog with related necessary costs.

The table below provides an outline of the costs for the shortlisted 3 options;

## **Project Benefits**

The full Benefits Register and Benefits Realisation Plan are included in **Appendix XX and Appendix XX** respectively. The benefits register and realisation plan is administered and monitored via 'VERTO', an electronic project management system utilised by Denbighshire County Council.

## **Cost per Benefit Point Analysis**

**TBC**

## **Risk Appraisal**

The risk appraisal has been undertaken and involved the following distinct elements;

- Identifying all the possible business and service risks associated with each option
- Assessing the impact and probability for each option
- Calculating a risk score

The range of scales used to quantify risk utilises the risk measurement tool within VERTO, a project management system used by DCC to monitor and report on projects.

The risk register and risk management plan is managed within the VERTO system, **Appendix XX** contains the project management documentation for the risk register and management plan.

## **Commercial Case (1000 Words Maximum)**

### **Method of Procurement**

This section outlines the proposed deal in relation to the preferred option as outlined in the economic case. The preferred procurement route for the preferred option was Design and Build.

However, given the nature of the shared site approach, an initial concept design works had been undertaken 'in-house' with an outline design summarising the general working principles that should be carried through the detailed design stage. This design provided a baseline design for the tendering exercise.

Procurement of the project was via the North Wales Schools and Public Buildings Contractor Framework (NWSPBCF). The Framework sets out clear procedures via mini-tender exercises for authorities to follow in procuring teams for specific projects. The Framework was developed and set up following an OJEU compliant procurement exercise that included PQQ and ITT stages to procure a limited number of main contractors to a set number of Lots under the Framework.

Given the anticipated initial project construction value of £7.9m the project falls within Lot 2 of the framework for projects valued £7.5M and £15M. Under the guidelines set out within the Framework for call off via mini-tender exercises for individual projects a number of procurement approaches are possible ranging from Early Contractor Involvement (ECI), through degrees of Design and Build to Full Design or Novation.

An appraisal of these options was undertaken based on an assessment of a number of priorities that included: programme, price certainty, quality, risk, complexity and management.

The conclusion reached given the nature, scale and ambition of the project was to adopt a two stage tender approach. A report was provided to the Modernising Education Board in March 2015 recommending this approach which was subsequently approved by the Board.

Following approval concept design work was undertaken 'in-house' utilising Denbighshire's Design and Construction Team in preparation for the mini-tender exercise. The mini-tender exercise was conducted using the guidelines set out in the Framework and was issued on the 19<sup>th</sup> of January 2016 to all contractors within Lot 2 of the Framework. This mini-tender exercise was based on a 70% Quality / 30% price ratio.

In addition, an explicit and clear evaluation criteria document was issued to the Contractors to accompany the mini-tender to ensure the evaluation process was clear and transparent. The mini-tender submissions were returned on the 10<sup>th</sup> of February 2016. All were scored by an evaluation panel according to the guidance in the evaluation criteria issued. In addition, interviews were held with contractors who submitted a tender to present their written responses and answer any questions or provide clarification that arose out of their written responses.

The project, as expressed within the mini-tender has been structured into phases: Phase 1- Concept Design, Phase 2- Detailed Design and preparation of Contract Sum and Phase 3- Construction. The forms of contract proposed for the project are the JCT Pre-Construction Services Agreement (General Contractor) 2011 for Phases 1 & 2 and the JCT Design and Build Contract 2011 for Phase 3. Breakout clauses have been inserted within the pre-construction services agreement such that progression beyond phases 1 and 2 shall be at the sole option and discretion of the employer and only following formal instructions.

The mini-tender process and evaluation exercise was facilitated via the Proactis portal and guided by the County's Procurement Service. As a result of the evaluation of the written tender responses with moderation at interview, a successful contractor, in this case Wynne Construction Ltd. was notified of their success via formal correspondence on February 24<sup>th</sup> 2016.

### **Required Services**

The required products and services in relation to the preferred way forward were defined briefly as follows;

- Appointment of a lead contractor with;
  - A successful recent track record of designing and constructing innovative primary 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 emerging education and economic trends both in a local and national context;
  - 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

### **Negotiated Deal and Contractual Arrangements**

As set out above, the project will use the JCT Pre-Construction Services Agreement (General Contractor) 2011 for Phases 1 and 2 with breakout clauses at the end of each phase. At the end of Phase 2, subject to final approval of the Full Business Case, the intention will be to let a JCT Design and Build Contractor 2011 for delivery of Phase 3- Construction.

The final decision to enter into a formal contract for Phase 3 is scheduled to be taken by Denbighshire's Cabinet in July 2016 in accordance with the Councils Financial Regulations. The decision will be made following an assessment of the submitted works information by the Contractor.

### **Financial Implications of Deal**

Under the proposed contractual arrangements and procurement approach the Contractor has initially been appointed for a fixed fee to undertake the Phase 1 and 2 design for the project and prepare a contract sum for agreement. A breakout clause at the end of Phase 1 limits the Client's exposure to financial risk. The contract sum will be developed in conjunction with the Clients cost advisors using an open book and transparent approach with the aim of agreeing a contract sum within the construction budget. It is then the intention to appoint the Contractor to undertake the construction works for the agreed fixed price contract sum.

### **Risk Transfer Arrangements**

The general principle adopted is that risks should be passed to 'the party best able to manage them', subject to value for money considerations. The final allocation of risk within the project will be determined as part of the negotiation with the successful contractor as the project develops. This will involve discussions via dedicated Risk Workshops between Denbighshire and Wynne



Construction whereby project risks are allocated to the party best able to manage them and allocation of risk sums to deal with any residual risks remaining. The risk register will remain a 'live' document as the project continues to develop, risks will be under constant review, with the ownership, likelihood, impact and potential cost associated reviewed; it is anticipated that the level of risk will reduce as the design process progresses. **The outline risk register and risk management plan for the identified preferred option is provided in Appendix XX and XX.**

### **Community Benefits**

The delivery of community benefits is a key component in the framework approach for the region. The priorities, as set out below, have been approved by the 6 North Wales authorities Cabinets (December 2012 through February 2013). The community benefits approach is core (we will evaluate the targeted recruitment and training element) with a target of 78 week apprenticeships/training/work experience/ or employment of disadvantaged person per £1m contract spend) this will vary between projects but it is the overall target for the framework.

As part of the mini-tender exercise the commitment of the contractor to community benefits was rigorously examined. In particular the contractors were required to outline how they would maximise potential community benefits as part of this project. The contractors' proposals for their community benefit strategy as submitted during the tender exercise are attached in **Appendix XX.**

**CONTRACT: CB's to be further developed and agreed etc etc**

The progression of these community benefits will be measured during the project in accordance with the toolkit and reported on annually to the Welsh Government.

### **Financial Case (1000 Words Maximum)**

#### **Funding Sources**

In January 2015 a report was submitted to Denbighshire's Cabinet recommending approval of £8.8million from the Council's own resources to demonstrate the commitment to taking the project forward through detailed design. The recommendation was approved within the budget and approved at Full Council in February 2015.

Following an assessment of project costs prior to tender stage pressures had been identified which required review of the budget. The cost difference in the budget estimates are a result of a number of factors associated with the project. These factors are set out and detailed as follows;

- **Land Agreement:** At the outset of the project it was intended that DCC and Welsh Government would exchange two parcels of land at the Glasdir site. Over the past 12 months DCC and WG have been in discussion regarding the land agreement, which is linked to a historical Joint Venture

agreement (JV). DCC will now be required to purchase the additional land required. An independent valuer (Legat Owen) valued the overall parcel of land at £1.01million however subject to the terms of the JV agreement the overall net cost of the land is reduced to £550k including associated fees.

- Access Road: As part of the land negotiations there is a requirement for the provision of an access road to the school site from the northern link road. This access road could potential form part of a development on the remaining WG owned land in the future. It has been agreed in the terms that the cost of this infrastructure will be met on a 50 / 50 funding basis by DCC and WG (these costs will be outside of 21st century schools funding). The initial cost for the access road is estimated at £300k (DCC £150k contribution).
  
- Flood Alleviation Works: Robust Flood Consequence Assessments and Hydraulic Modelling has been carried out as part of the pre-construction works. The school site sits outside of the flood zone however FCA are required as part of the planning process. The FCA work has demonstrated there will be a requirement for a small bund on land adjacent to the northern link road as part of the development. This contributes to the overall flood alleviation strategy for the Glasdir area. The estimated cost for the bund is £40k).
  
- Construction and Contingency: Following the return of the tender submissions there has been an increase in the overall estimated construction costs.

As a consequence of these pressures and those for Ysgol Carreg Emlyn, Strategic Investment Group January 2016 considered increasing the project budgets for these two schemes to provide an additional £4.8million in contingencies to meet additional costs arising. This was recommended for approval and subsequently approved by Cabinet and Full Council in February 2016.

**Appendix XX Capital Programme Spreadsheet from Full Council.**

The estimated summary spend profile and funding sources are below;

	13/14	14/15	15/16	16/17	17/18	18/19	Totals
<b>Total</b>		<b>£56,184</b>	<b>£87,264</b>	<b>£3,416,960</b>	<b>£6,698,785</b>	<b>£262,687</b>	<b>£10,521,880</b>
<b>WG</b>				<b>£2,511,166</b>	<b>£1,699,769</b>	<b>£229,757</b>	<b>£4,440,692</b>
<b>DCC</b>		<b>£56,184</b>	<b>£87,264</b>	<b>£905,794</b>	<b>£4,999,016</b>	<b>£32,930</b>	<b>£6,081,188</b>

**\*Note: The above is based on the current best understanding of the programme and includes elements (land purchase, access road) that are not eligible for WG funding)**

This has enabled the design stages 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 21<sup>st</sup> Century Schools Band A Programme given formal approval from the Welsh Government.

**COMPLETED TEMPLATE (ON SEPARATE SHEET) NEEDS TO BE INCLUDED AS APPENDIX AS PART OF FINANCIAL CASE**

### **PAYMENT STREAM/CASH FLOW**

The capital cost of the project is expected to be £10.5million over the expected lifetime of the project. Funding for the project will be in partnership with the Welsh Government. The revised Strategic Outline Programme which included the Ruthin projects was based on a 50 / 50 match funding basis by DCC and Welsh Government as part of the overall envelope for 21st Century Schools Funding.

At this stage it is proposed that the increased resources required to deliver this project would be met from DCC, which includes land purchase costs and highway infrastructure costs, which impacts on the overall split between WG and DCC funding. The DCC funding element will be funded by cash reserves, prudential borrowing and savings and capital receipts received as part of wider school organisation.

### **DETAIL ON CASHFLOW**

In January and February 2016 SIG, Cabinet and Full Council approved the affordability of the scheme in the context of emerging budgetary pressures. Estimated scheme costs and contingencies were presented at £11.5million. During the interim of this business case and the approval of additional funding by the Council in February there has been cost certainty for some elements of the scheme, such as land purchase costs, which have led to the revision of the scheme estimate to £10.5million.

This combined business case was presented to Denbighshire County Council's Strategic Investment Group (SIG) on the 29th of March 2016. The group reviewed the business case, financial affordability and to ensure it continued to align with the approved Council Capital Plan. SIG approved the recommendation for the business case to be referred to Cabinet for further approval.

**SECTION SUBJECT TO CABINET AND FULL COUNCIL APPROVAL OF BUSINESS CASE**

### **Preferred Option Costs**

The detailed costs associated with the construction element of the preferred option have been developed as part of progressing Phase 1- outline design of the project, equivalent to RIBA Stage C for the project.

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.

## ***Management Case (1000 Words Maximum)***

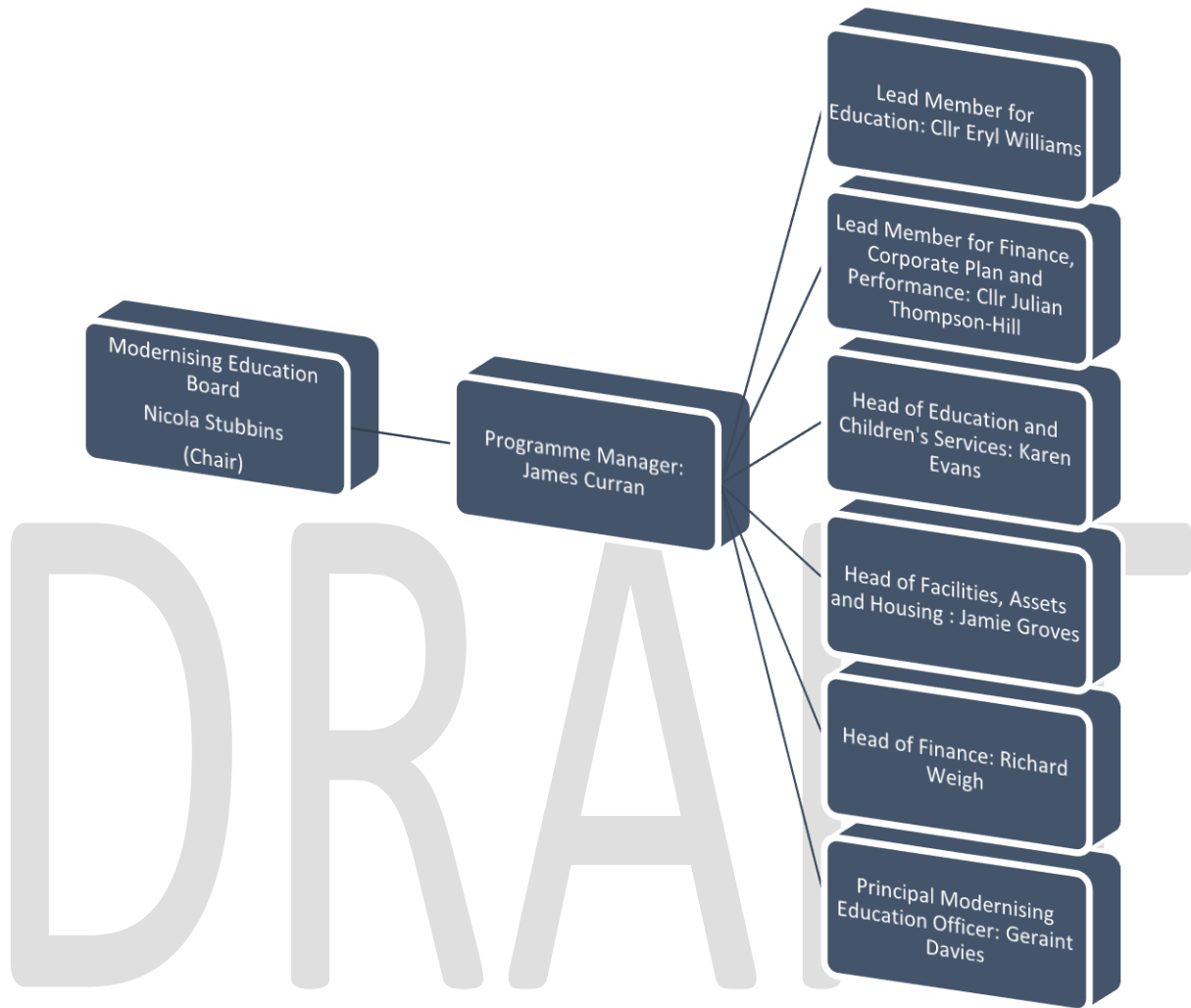
### **Programme Management**

The scheme is an integral part of the Denbighshire's 21<sup>st</sup> Century Schools Programme which comprises a portfolio of projects through which Denbighshire will deliver the necessary changes to ensure that the strategic aims of the Welsh Government's 21<sup>st</sup> Century Schools Programme are fully met. Denbighshire's Strategic Outline Programme (SOP) was agreed by the Welsh Government in December 2011.

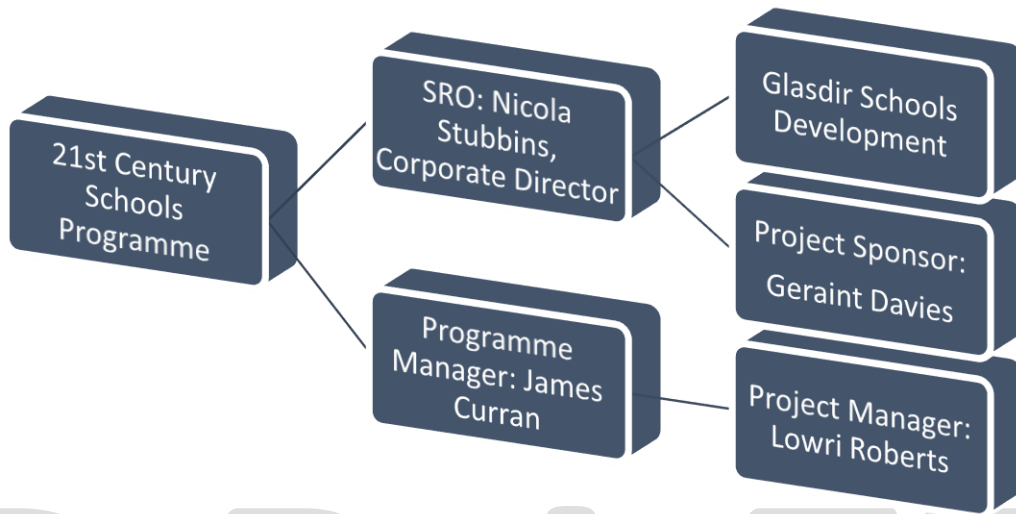
The project management arrangements sit within the context of Corporate Programme Management. DCC's Programme Management Strategy ensures that all project development and delivery is undertaken in concert with the Council's strategic vision and politically supported aspirations and priorities. The key principles of DCC's approach to Programme Management includes;

- Programme ownership at Corporate Executive level by a nominated Senior Responsible Owner
- A Programme Board with clearly defined Terms of Reference defining it's;
  - Purpose
  - Scope
  - Remit
  - Membership
  - Tenure
- Programme Board membership comprising relevant Cabinet members, executive officers and service heads
- A clear focus at strategic, corporate level on (and ultimate responsibility for) the realisation of identified Programme Outcomes and the Council's visions and priorities

The Councils' Modernising Education strategy is governed via the Modernising Education Programme Board. This board has responsibility to oversee the 21<sup>st</sup> Century Schools Programme and the key projects therein. The Programme reporting responsibilities and membership at Modernising Education Board level are shown below:



The operational link between Programmes and Projects is made by Executive Officers / Heads of Service / Programme Manager from the Programme Board being nominated Project Sponsors. The actual operational (service) programme reporting responsibilities for projects and strand activity are:



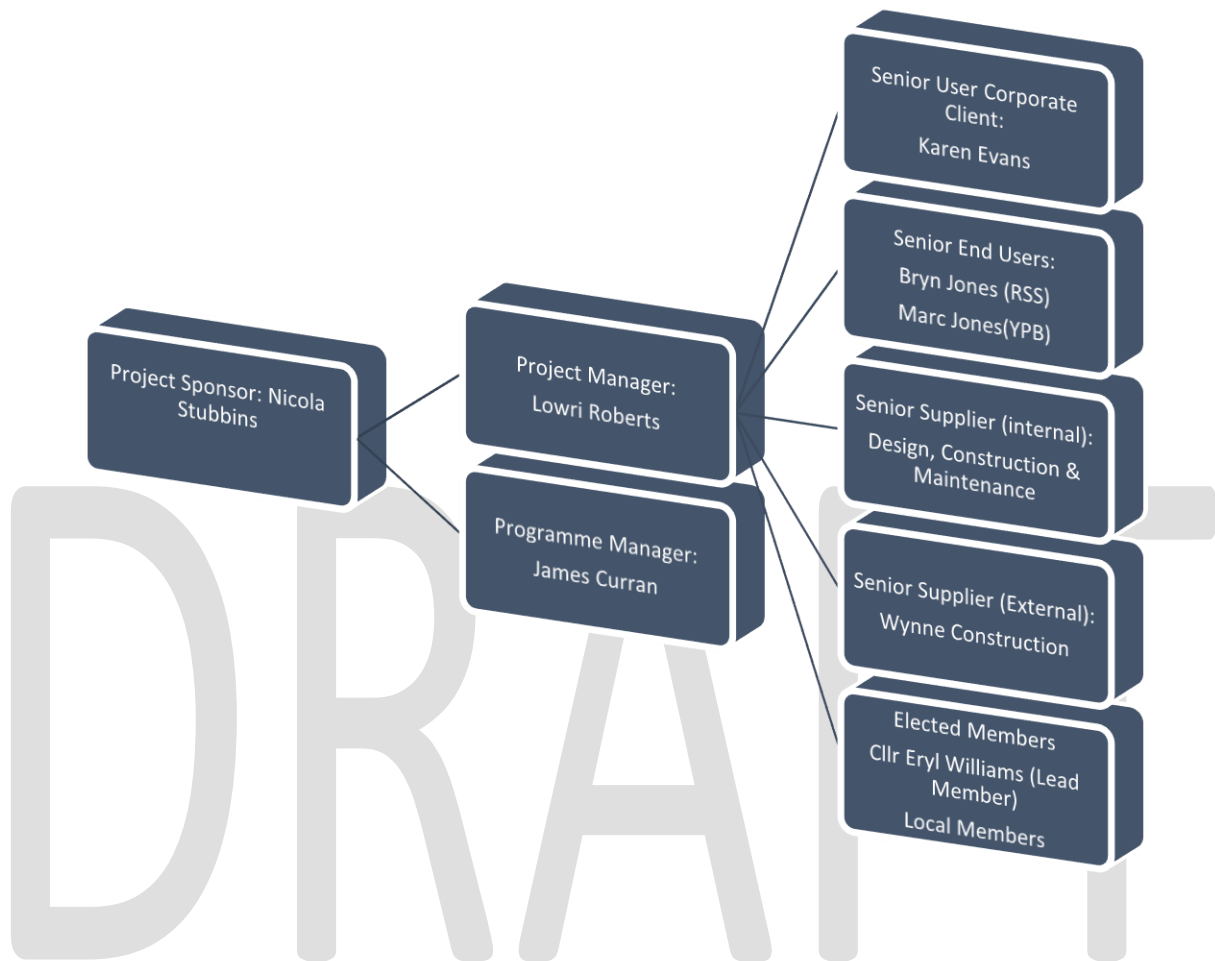
## **Project Management**

Denbighshire County Council has developed and implemented a corporate project management methodology, based on Prince 2 methodology, which ensures that projects are properly led, planned, resourced, monitored and controlled. The methodology has a prescribed structure of governance, structure and reporting for projects tailored according to magnitude, scope and complexity to enable successful and efficient project delivery.

A Project Board has been established to oversee the development and progress of the project. 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.

Similarly to the programme board, the project board is supported as appropriate by advisers in key areas. Where external advisers are to work on projects consideration will be given to the role of the local authority managers to supervise such work and provide line management as appropriate.

The outline reporting arrangements for the project are as indicated below:



It is the intention for the project board to meet at key milestones during the project development and delivery where key stage sign off is required before progress to the next stage, this will include at design stage and pre-contract. Additional boards will be called as and when required.

The schools will be represented by Mr Bryn Jones (Headteacher, Rhos Street School) and Mr Marc Lloyd-Jones (Headteacher, Ysgol Pen Barras)

Further specialist roles and advice will be provided by DCC internal design, construction and maintenance department covering areas including design advice, CDMC, QS and contract administration.

Local political representation will be via the local elected members for the area where the schools are to be located (Ruthin), in this case there are 3 local members.

The external senior supplier, as described in the commercial section, will be Wynne Construction Ltd (and their appointed design team) and they will be represented and play a role in the Project Board arrangements as required.

There is also included the option for Welsh Government representation at the Project Board as deemed required.

### **Key Milestones**

The list below details the key milestones within the design process and key approval and review stages anticipated:

{programme TBC}

### **Risk Management**

The strategy, framework and plans for dealing with the management of risk are described in the Risk Management Plan in **Appendix XX**. In addition there is a DCC risk register for the preferred option.

The DCC risk register is a County specific register that rolls up key general risks, in addition, as referred to in the Commercial Case is the risk profile developed with the main contractor that allocates specific risks to the party best able to deal plus an accompanying risk value.

These risk registers and management plan detail which party is responsible for the management of each risk and the required counter measures as required.

All of these documents will be reviewed and updated as the design develops and specific risks are retired or mitigated.

### **Benefits Realisation**

The strategy, framework and plan for dealing with the management and delivery of benefits are described in the Benefits Realisation Plan **in Appendix XX**.

In addition there is a Benefits Register for the preferred option and a Benefits Realisation Plan. In addition, there is also a document summarising the outcomes and benefits anticipated from the project based on an approved Welsh Government template.

These documents set out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

### **Gateway Reviews**

For individual projects within Denbighshire a stage review process has been established for all projects. This process allows for relevant professional views to emerge on individual projects prior to moving forward to the next formal stage.



A stage review, via the Strategic Investment Group for this project was undertaken prior to submission of this document.

Further gateway reviews linked to project board approval are planned for key stages in the development of the design and pre-contract stage.

The Council will discuss further proposed engagement with the Welsh Government Programme and Project Management Team regarding securing external gateway reviews of the project as appropriate.

### **Contingency Plans**

In the event that this project fails, the County will have to maintain the service within the existing facilities however they will not meet the aspirations of both the County and WG to provide facilities fit for purpose and suitable in which to deliver a 21<sup>st</sup> century curriculum.

### **Post Occupancy Evaluation**

Post Occupancy Evaluation 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 buildings lifecycle from the initial concept to occupation and beyond.

It is envisaged that both a pre and post occupancy evaluation will occur. The pre-occupancy evaluation will enable detail on the issues around the performance of the existing site to be captured and fed into and influence the design process. 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.

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