

AGENDA MANAGEMENT SHEET

Name of Committee **The Cabinet**

Date of Committee **6th April 2006**

Report Title **North Leamington School - Best Value**

Summary A report to describe the procedures to be put in place to ensure that best value is achieved in the procurement of the new North Leamington School.

For further information please contact: Steve Smith Tony Phillips
Head of Property Senior Project Manager
Tel: 01926 412352 Tel: 01926 418641
stevensmith@warwickshire.gov.uk tonyphillips@warwickshire.gov.uk

Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Report to Cabinet, 'Major Works Partnership Contracts: Awards' on 22 April 2004

Report to Cabinet, 'North Leamington School and Corporate Development Centre' on 24 June 2004

Report to Cabinet, 'Targeted Capital Fund' on 7 April 2005

Report to Cabinet, 'Re-development of North Leamington School – The Next Steps', on 12 January 2006

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

Other Committees

Local Member(s) Councillor M.S.Doody:
"I have no problems with this report to Cabinet, the interesting meeting will be when it goes for Planning Permission at Warwick District Council. The theory of using money from one school for another is good, but I await the final plans and therefore reserve my judgement".

Other Elected Members For reference to Spokespersons of the Corporate Services O&S Committee (Councillors D.Booth, G.Atkinson and F.McCarney)

- Cabinet Member Councillor A.J.L.Cockburn:
"Approved for consideration"
- Chief Executive
- Legal via Catherine Witham:
Comments incorporated within the report
- Finance via Charles Holden (on behalf of Oliver Winters):
Cleared
- Other Chief Officers Marion Davis, Strategic Director for Children,
Young People and Families Services:
"Fine"
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Agenda No

The Cabinet - 6th April 2006.

North Leamington School - Best Value

Report of the Strategic Director of Resources

Recommendation

That the strategy described in this report for achieving best value in redeveloping North Leamington School be approved.

1. Background

- 1.1 At its meeting on 12th January 2006, the Cabinet considered a report on the Redevelopment of North Leamington School and resolved, inter alia, to support taking the proposals to detailed planning application stage and to embarking on the procurement strategy using Framework Contractor Miller Construction Limited. The engagement of Miller Construction is limited to the development of the design for the new School and outline design of a residential scheme including the submitting of planning applications. It was further required that a report be submitted to the Cabinet dealing with the best value aspects of the proposal.
- 1.2 This report describes the procedures to be put in place to ensure that best value is achieved, and is in three main parts. The first covers the selection of the principal contractor and the design team, the second covers the cost of design fees and construction work, and the third and last section deals with the sale of the redundant school site.

2. Selection of the Principal Contractor and the Design Team

- 2.1 It is clearly understood that Members have agreed to proceed with this project on a phased basis in recognition of the significant statutory planning hurdles to overcome as outlined in section 3 of the 12th January 2006 Cabinet report, and the equally significant issue of determining the finance for the project as detailed in section 4 of said report, which itself cannot be determined until planning approvals are achieved.
- 2.2 Should the planning and financing matters be resolved, the outcomes being reported to Members in due course, officers will recommend that the engagement of Miller Construction be extended to that of principal contractor for the construction phase.

- 2.3 The process of selection of the principal contractor and the design team has been carried out under Warwickshire County Council's Major Works Partnership Contracts, approved by the Cabinet on 22nd April 2004. Briefly, a competitively tendered selection procedure was undertaken following a Notice placed in the Official Journal of the European Union (OJEU) on 6th May 2003. Miller Construction Limited was one of the four successful tenderers based upon cost and quality selection criteria.
- 2.4 Ongoing performance is constantly checked by means of Industry Key Performance Indicators - that is, measuring comparisons with other contractors nationwide. Also rigorous third party auditing procedures are carried out.
- 2.5 The most significant demonstration of competitiveness and value by Millers has been their recent successful submission for the design and construction of the Avon Valley School and Performing Arts College in Rugby.
- 2.6 The process for selection comprised competitive tenders being sought from Miller Construction plus two other contractors, all being selected from the framework agreement with Warwickshire County Council. Following a detailed reconciliation and the marking of the tender for compliance, the tender submitted by Miller Construction was selected.
- 2.7 Comparisons have been drawn between Miller Construction's tender figure and comparable figures and statistics published by the DfES (Project Cost and Performance Data), the Building Cost Information Service and published price books. The table below shows the results of the comparison, which confirms that Miller Construction's costs represent reasonable value for money.

Basic Cost per m²	Miller Construction (£)	DfES (£)	BCIS (£)	Price book (£)
	1,188	1,253	1,117	1,115

3. The Cost of Design Fees and Construction Work

- 3.1 Provided that planning and financing matters are resolved, as referred to paragraph 2.1, and that the engagement of Miller Construction proceeds, then control of costs will be provided in the following way.
- 3.2 The quality criteria of the designers and contractors, referred to in section 2 of this report, have been satisfied through the selection process. The cost of the works will be continually checked against the agreed rates in the Major Works Partnership Contracts and current industry rates will be provided by the Royal Institution of Chartered Surveyors (RICS) in the published Building Cost Information Service (BCIS). To do this the Head of Property has engaged the services of a leading Construction Cost Management Consultant, Turner & Townsend. Their appointment is on the basis of the Office of Government Commerce 'buying solutions' framework agreement. This framework has also already been subject to the robust and competitive OJEU procurement process and removes the need for further advertising or competition.

3.3 Within the service procured, Turner & Townsend will offer advice on viability, costs at each stage and for each work package, selection and completion of forms of contract, risk management, target price methodology, payment schedules, innovation and value engineering opportunities, open book accounting, monitor construction costs as work develops, agree final costs, and provide key performance indicator data.

4 Sale of the Redundant School Site

4.1 Work is progressing with Miller Construction Ltd. through its residential development business to produce an outline planning application for residential development on the existing school site. Should the application be successful, the Council has the option to treat Miller Construction's residential development business as preferred bidder for the land provided that conditions are met concerning achieving best value when disposing of the land.

4.2 The construction of the new school will entail vacating the existing North Leamington School site, which will then be available for sale. The value of the site will be fully determined only upon the granting of Full Planning Approval. If that consent is for residential development, the value will depend upon the number of units that can be built and the amount of affordable housing required by that consent.

4.3 To get the best value for the Council out of this asset, a full consent will be obtained for the purchaser's scheme and an 'overage' clause will be inserted into the purchase contract - that is, if the purchaser achieves a higher residential density (value) planning consent they will be contractually obliged to pass on an agreed value of this benefit. The actual value of the site with whatever consent it achieves and the actual value of any overage agreement will be established by the District Valuer

4.4 An extract from Valuation Office Agency literature indicates that *"District Valuer Services is a dedicated business within the Valuation Office Agency (VOA), which is an Executive Agency of HM Revenue and Customs. Our public sector background means we have a unique understanding of the needs of our clients. We specialise in providing an independent and impartial service that fully meets financial audit requirements..."*

4.5 The Valuation Office has a staff of 600 throughout the UK and a local office in Coventry which provides experience of market conditions in this area. It works with a wide range of public sector bodies such as central government departments of Health, Defence, Highways, Courts, RDA's and local authorities.

4.6 As well as measures to ensure best value is derived from the sale of the existing site colleagues in Law and Governance are drafting relevant agreements with Miller Construction for the design, development and sale of the land.

Finance

5.1 It cannot be understated that financing of the project remains uncertain until the necessary planning approvals are achieved and the value in the land asset can be quantified with certainty. Even then, the funding may still need to be balanced and consultations will be held between the Children, Young People and Families Directorate, the School and the Resources Directorate to resolve any shortfall.

Conclusion

6.1 The process described and the consultations proposed will ensure that best value is demonstrated at each stage of the procurement of the new North Leamington School, and it is therefore recommended that the Cabinet approves the strategy described above.

DAVID CLARKE

Strategic Director of
Resources

Shire Hall
Warwick

10 March 2006