

AGENDA MANAGEMENT SHEET

Name of Committee **The Cabinet**
Date of Committee **12 October 2006**
Report Title **Rugby: Harris School**

Summary
This report updates Members on developments on this scheme since December 2005 when approval was given to the project to be financed from the sale of surplus land at the school and seeks approval to the acceptance of the most economically advantageous tender, the increased project cost in the capital programme and revised funding arrangements for the project.

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

Background papers
Planning Consent from Rugby Borough Council November 2002.
Report "Rugby: Harris School" to Cabinet on 8th December 2005
Report "Rugby: Harris School" to Cabinet on 1st April 2004

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

Other Committees

Local Member(s) Councillor C.J.P. Vereker: *"It has my strong support, particularly because of the importance to the immediate local area of providing these facilities as soon as possible"*
Councillor Ian Smith:

Other Elected Members For reference to Spokespersons of the Resources, Performance and Development O&S Committee (Councillors D. Booth, G. Atkinson and R.D. Hicks) and Spokespersons of the Children,

Young People and Families O&S Committee
(Councillors R. Grant, J. Dill-Russell and H. McCarthy)

- Cabinet Member Councillor A.J.L. Cockburn: *“Approved for consideration”*
Councillor John Burton: *“Noted”*
Councillor John Whitehouse:
- Chief Executive
- Legal via Barry Jukes :
via Sarah Duxbury:
via Peter Endall:
Comments incorporated within the report
- Finance via Charles Holden
via Virginia Rennie
Comments incorporated within the report
- Other Chief Officers
- 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 - 12 October 2006.

Rugby: Harris School

Joint Report of the Strategic Directors of Resources and Children, Young People & Families

Recommendation

That

- (i) approval be given for the acceptance of the lowest tender submitted by GAJ Construction Ltd in the sum of £2,286,198, subject to terms & conditions agreed by the Strategic Directors of Resources, and Performance & Development.
- (ii) The capital cost of the project in the 2006/07 capital programme be increased from £2.330 million to £2.744 million.
- (iii) approval be given for the use of £0.308 million unallocated resources available from the Children, Young People & Families Directorate Capital Programme, to fund the shortfall on the project.

1. Introduction

- 1.1 This report updates members on significant and sensitive developments on this scheme since the matter was the subject of a report to Cabinet on 8th December 2005.
- 1.2 Harris School is a voluntary aided Church of England school in the South-West of Rugby. It is also a specialist Sports College.
- 1.3 Previous Cabinet reports set out the County Council's proposal to finance the construction of a new Sports Hall at Harris School out of the sale of part of the School's surplus playing field provision, the bulk of which belonged to the County Council and part to the Diocesan Trustees who own the remainder of the School site. A disposal had been negotiated for a sum which in March 2006 was considered to be sufficient to finance the new Sports Hall. However, following the tendering exercise in July/August 2006 for the construction of the Hall, it became apparent that the proposed proceeds of sale were insufficient to cover the costs, as originally proposed.
- 1.4 The shortfall in funding can be met from within existing budget allocations.

2. Background

- 2.1 In 2002 a bid was made to the New Opportunities Fund (NOF) for funding to provide a new Sports Hall at Harris High School. This would meet the requirements of the school's specialist sports college status. The bid was unsuccessful.
- 2.2 Following the unsuccessful NOF bid a revised strategy to provide the required level of funding was devised following discussion between Warwickshire County Council and the Coventry Diocesan Board. In November 2002 it was proposed to generate the funding required by selling off 2.24 hectares/ 5.56 acres of surplus land at the School, 87.03% owned by the Council and 12.97% by the Diocese. It was agreed that the strict entitlement of the parties to the proceeds of a joint sale would be in those proportions. However, the intention was that the Council would expend both parties' share of the proceeds on the new Sports Hall and any excess remaining would be distributed according to the agreed proportions.
- 2.3 Throughout this period it was anticipated that the receipt for the surplus land (estimated to be £2.35m) would fully meet the likely cost for the new Sports Hall. Three sports halls of a similar specification to that planned for Harris School were constructed for less than £2.35m using joint NOF/ Big Lottery and Council funding at other school sites in Warwickshire.
- 2.4 The scheme received outline Planning Consent from Rugby Borough Council in November 2002. However, the scheme was called in by the Secretary of State in 2004, which caused a considerable delay to the project. Planning Permission was granted in August 2005 after the Secretary of State overruled the findings of the Planning Inspector. The Planning Permission and associated planning agreements impose stringent controls regarding the use of the proceeds of the sale. In essence the Council is only able to expend proceeds upon the Sports Hall, or in the event of there being any surplus, on other local school/ recreational projects.
- 2.5 Furthermore, the Secretary of State and Rugby Borough Council were anxious to ensure, via the planning process, that the new scheme would deliver a permanent community use element. The Council is compelled to enter into a Community Use Agreement with the School and Rugby Borough Council whereby the Sports Hall is to be managed by an external body outside normal school hours to fully open up the facility to the local community.
- 2.6 In December 2005, after considering a confidential report, Cabinet gave its approval for the Council to proceed with the land sale and to commence the detailed design works for the new Sports Hall. The report proposed the use of one of the Council's Framework Contractors on the Major Works Partnership, namely Interserve. This was the preferred option for all parties as Interserve had recently constructed the three other Sports Halls for the Council, as referred to in paragraph 2.2 and the Harris scheme was to be constructed to

the same model. At this point in time it was fully expected that the receipt for the land sale would cover the costs of the Sports Hall project.

2.7 The full Cabinet resolution was as follows:

- (i) That as required by Cabinet on 1 April 2004, full Council be recommended to agree the addition of a Sports Hall development at Harris School, Rugby, to the 2006/2007 Capital Programme at an estimated cost of £2.3 million.
- (ii) That approval be given to fund project costs of some £200,000 in advance of the capital receipt.
- (iii) That the residential land be sold separate to the procurement of a construction contract for the new Sports Hall, subject to terms and conditions as agreed by the Acting Director of Property Services and the County Solicitor and Assistant Chief Executive.
- (iv) That the construction contract for the new Sports Hall be procured using the Council's Major Works Partnership Framework as detailed in this report.
- (v) That the County Treasurer investigates any necessary action to protect the Council's VAT exemption position.

2.8 The land was marketed with the benefit of a detailed Planning Consent for 57 new dwellings. The marketing campaign sought formal tenders in accordance with a detailed tender pack.

The exercise resulted in 12 offers being received, however, none were fully compliant with the tender requirements.

Following consultation with legal colleagues it was agreed to negotiate with David Wilson Homes, who had submitted a bid which was almost compliant and which was in excess of the pre-marketing valuation. This negotiation resulted in an unconditional offer of £2.529m which was accepted, subject to contract, as being the best price achievable.

2.9 The Sale Contract with David Wilson Homes was completed on 7th March 2006. Important clauses include the following:

- (i) Ceiling on cost of new Sports Hall – the Council was not obliged to let the contract for the building of the new Sports Hall (which in turn is the trigger for completion of the land sale) if the contract sum thereof exceeded £2,254,084. This was intended to provide flexibility for the Council in the event of a sudden and extreme increase in costs.
- (ii) "Termination Date" – if the Council had not let the building contract by 31st July 2006 then either party could elect to terminate the sale contract for the land with no financial penalty other than the return of the 10% deposit which was paid to the Council on exchange of contracts. This situation has been revised, as outlined later in this report.

- 2.10 The proposals for the new Sports Hall at Harris High School are to provide a four-court Sports Hall with full clean changing facilities (male and female), multi-purpose teaching space, fitness suite, reception, office and lobby. In addition to the building there is also a requirement for parking areas for community use, a new access road from the existing Mellish Road, alterations to Harris Drive (to prevent the same being used as a means of vehicular access to the Sports Hall or residential development) and provision of new tennis courts to replace those currently located on the land to be sold.

3. Current Situation

- 3.1 A quotation for the building of the Sports Hall was received from the Approved Framework Contractor Interserve in May 2006 for £2.9 million excluding £400,000 fees. This significantly exceeded the available budget for the project. The Resources Property team held a number of meetings with Interserve, the school and the rest of the design team to try and identify where significant cost savings might be made. These included Mechanical and Electrical rationalisation, the removal of a storeroom, reduction in landscaping and a list of sundry items identified by Interserve and culminated in a revised bid from Interserve of £2,536,724. Whilst significant savings have been made, they were not of a sufficient magnitude to bring the project back on to budget and address a shortfall in funding of approximately £600,000 on the total cost of the scheme. See attached breakdown of costs in Appendix A.
- 3.2 A meeting was held between Resources Property and the school on 12th May 2006 and a number of options were discussed to meet the financial shortfall. The only remaining option available would be a reduction of the footprint of the building. The principal planning concern would be that all of the issues that had previously significantly delayed the project would be revisited causing another lengthy delay to the project, and that ultimately even if the Planning Authority could be persuaded to agree to changes under a minor amendment, an extensively reduced footprint would not be fit for purpose to deliver the school's needs.
- 3.3 If the Council were to place an order with Interserve for the construction of the new Sports Hall to the current specification an additional £600,000 would need to be identified.

4. Re-tendering the Project

- 4.1 A joint decision between Resources and Children's Young People & Families Directorates was taken to go to the market to see what savings might be available by pursuing a different procurement strategy. Therefore a formal tender exercise was carried out by Resources Property with six contractors who have previous experience of constructing sports halls.
- 4.2 Tender returns were received on 25th August 2006 and the two lowest tenders were submitted to professional scrutiny by consultant Quantity Surveyors who have recommended acceptance of the lowest tender in the sum of £2,286,198. This represents a substantial reduction in project costs, and therefore, a substantial reduction in project finance shortfall. Also following

further discussions with David Wilson Homes, Resources Property is pursuing a further £40,000 (overage) for the sale of land and has negotiated an improved price for the construction of the access road through the new development.

4.3	The new cost and funding is analysed below:	£	£
	Land sale value (less sale fees, etc.)	2,396,000	
	Probable further developer funding (overage)	<u>40,000</u>	
	Current Project Funding Total		2,436,000
	Proposed contract sum	2,286,198	
	Professional fees and disbursements	365,000	
	Access Road	63,000	
	Fixed Sports equipment	<u>30,000</u>	
	Current Project Total		<u>2,744,198</u>
	Current Shortfall		308,198

4.4 Following discussions between the Council and HM Revenue and Customs it has been agreed that as approximately 80% of the build cost is being funded by the sale of Council land, the VAT can be claimed back on a matching 80% of the build costs. The remaining 20% of the VAT costs will be met by the School; Harris School has agreed to meet the remaining 20% VAT valued at approximately £80,000.

5. Funding Option

5.1 The Children, Young People and Families Directorate Capital Programme report of 25th May 2006 identified unallocated resources of £1,473,000, which would be the subject of further cabinet reports.

5.2 It is now proposed that the shortfall of £308,000 be funded from these unallocated resources.

6. Risks

6.1 The major risks, should the project not progress as currently designed, are as follows:

(i) Planning Permission – in the pursuit of a reduced construction cost, a complete redesign to the current scheme will be required, which will mean a revisit of the planning process that has already led to a considerable delay in the project.

(ii) Functionality – again in the pursuit of a reduced construction cost, a reduced footprint of the building would result in the risk of providing a building that would not meet the requirements of the curriculum.

(iii) Specialist Schools Status – There is a risk that the failure to deliver a Sports Hall may affect the renewal of the school's specialist status, on the basis that the proposed Sports Hall was a major contribution to the initial bid. The specialist status is reviewed every three years and the next review is in 2007.

(iv) Time – the longer a decision takes, the greater the increase in cost. The Building Cost Information Service (BCIS) forecasts a rise of 5.4% in construction costs during the next twelve-month period against a projected static situation for land values. The Building Cost Index has significantly risen since November 2002 when the scheme was granted planning consent by Rugby Borough Council, which equates to an 18.2% rise. Over the same period the land value has only risen 7.6%. This goes some way to explain the upsurge in cost of the scheme over the previous three years.

(v) Fees – to date approximately £100,000 of professional fees have been committed to this project and these would effectively be lost if this project were not to proceed.

7. Conclusions

7.1 This scheme has been tendered twice and on both occasions it has not been possible to find a self-funding method of proceeding with the project. The Governors of Harris School are very concerned that, because they had received assurances throughout the process that the project could be funded from capital receipts, they have not asked for other sources of funding. Harris School is a specialist sports college and as such plays a very important role in the collaborative arrangements in Rugby and in the network of School Sports Coordinators. If this project were not to go ahead Harris School would be the only school in Rugby without a Sports Hall and the opportunity to provide excellent sporting facilities for both the school and community would be lost.

7.2 The Cabinet is therefore recommended to agree the making available of an additional £308,000 from unallocated resources available from the Children, Young People and Families Directorate Capital Programme, which will be the subject of further reports.

DAVID CLARKE
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Resources

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Strategic Director,
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Shire Hall
Warwick

08 September 2006

APPENDIX A

	£
Interserve Negotiated Cost Including Tennis Courts	2,536,724.00
Access Road	83,400.00
Fees	399,000.00
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	3,019,224.00
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94.8 of Land Sale Value	2,396,000.00
Therefore, Shortfall	623,224.00