

Report to Cllr N Jupp, Cabinet Member for Learning and Skills

August 2022

Additional budget allocation for delivery of new Modular Teaching Block at Queen Elizabeth II Silver Jubilee Special School, Horsham

Report by Mr A Edwards, Assistant Director (Property and Assets) and Mr P Wagstaff, Assistant Director (Education and Skills)

Electoral division: Horsham East

Summary

The Special Education Needs Team within Education and Skills has identified a need to provide additional accommodation at Queen Elizabeth II Silver Jubilee Special School (QE2) in Horsham to provide for the 120 pupils currently on roll. Over recent years additional pupils have been accommodated by the school but without the supporting investment in accommodation. Pupil numbers have increased from 85 in 2017 to 105 in 2019, rising again to 120 in 2021.

In July 2020 the Cabinet Member for Education and Skills approved the allocation of £1.4m to fund the provision of a three-class modular teaching block with ancillary accommodation to ensure the school could offer suitable facilities for the 105 pupils on roll at the time (decision [ES02\(20/21\)](#) refers). Due to an increase in construction costs through the procurement process it was determined that an increased budget would be required for the project. Therefore a Change Request was submitted in August 2021 for £224,000, providing a total budget of £1.624m.

Following problems with the initial procurement process, Portakabin Ltd. was appointed in March 2022 to deliver the scheme, ready to be occupied in September 2022 (decision [OKD60 \(21/22\)](#) refers). At that point, Portakabin provided an estimated budget cost. Due to the exceptionally fast pace required for this project and further detailed design development taking place, Portakabin have now confirmed the projected project costs, which are higher than previously budgeted. This means that there is currently insufficient funding to cover the completion of the scheme.

The proposal to seek an increase to the budget was published in the [Forward Plan](#) on 26 July 2022. However, the decision to allocate additional funding for this scheme is now urgent to enable the project to continue without delay, to achieve completion for September 2022 and to ensure the County Council meets its obligations under the contract. This will provide the Contractor with urgent assurance of contractual cover for the increased contract sum to avoid a suspension of the works.

Due to the need for this decision to be determined as soon as possible the Cabinet Member for Learning and Skills, with agreement from the Director of Law & Assurance and having notified the Chairman of the Children and Young People's Services Scrutiny

Committee, is using the authority under Standing Order 5.21 to take this decision without the required 28 days' notice in the Forward Plan.

Recommendation

The Cabinet Member for Learning and Skills is asked to approve

- (1) An increase of £951,000 to the project budget, bringing the total approved budget to £2,575,000, enabling the completion of the project to deliver the modular teaching block at Queen Elizabeth II Silver Jubilee Special School.
-

Proposal

1 Background and context

- 1.1 In order to accommodate the rise in pupil numbers at Queen Elizabeth II Silver Jubilee School from 85 in 2017 to 105 in 2019 a viability study undertaken to assess options for capital investment at the school indicated that the school site was at capacity and expansion was not viable without significant investment.
- 1.2 In July 2020 the Cabinet Member for Education and Skills approved the allocation of £1.4m for the installation of this three classroom modular block and the commencement of a procurement to fully design and cost the new accommodation (decision [ES02\(20/21\)](#) refers). As part of the decision the Cabinet Member also delegated authority to the Director of Property and Assets to enter into a construction contract with the successful provider.
- 1.3 Following the Cabinet Member Decision in July 2020, the initial chosen route to procure a contractor failed (see paragraph 1.4 below) and the decision was taken to deliver the project to provide the three-classroom block at Queen Elizabeth II Silver Jubilee School through the NHS Modular Build Framework (decision [OKD60 \(21/22\)](#) refers)
- 1.4 The first procurement, completed in the summer of 2021, failed as the successful contractor pulled out of the contract due to the Covid-19 pandemic. Subsequently an attempt to award the contract to a contractor from the original procurement was not successful.
- 1.5 The total project budget was amended to £1,624,000 in August 2021, decision [OKD05\(21/22\)](#) refers.
- 1.6 Portakabin was awarded the contract on 24th March 2022 for £1,358,950 decision ([OKD60 \(21/22\) refers](#) (for costs not already met from the budget). Portakabin's submission was based on an estimated budget figure and the contractor started work immediately in order to achieve the delivery of the scheme for September 2022.
- 1.7 Portakabin have been progressing at pace, both on site and in design development since their appointment at the end of March 2022 and have only recently been able to refine their initial budget estimate to a contract sum of £1,886,695. The costs of this scheme have risen significantly due to a number of factors, beyond a level that value engineering can mitigate.

- 1.8 The reasons for the cost change between the Portakabin budget figure, and the revised contract sum of £1,886,695 are varied. Firstly, Portakabin based their budget costs on a recently completed project at Oak Grove College in Worthing, without taking proper cognisance of the differences between the two projects. The accelerated timeframes did not allow the contractor to properly digest them. Secondly, Portakabin could not commit to providing all the project elements that a main contractor would, such as groundworks, ICT and Furniture, Fittings & Equipment (FF&E), necessitating them to be procured separately and directly by the County Council. Thirdly, as more detailed work has taken place on site it has become evident that changes to the drainage scheme and an upgrade to the local electrical substation to meet the needs of the new accommodation, will be required, which will lead to additional cost. Since the original budget was allocated, inflationary pressures have seen an average construction cost increase by 10%.
- 1.9 The result is that there is a shortfall in budget which means that the County Council will be unable to meet its contractual obligations to the contractor in August 2022 as there is insufficient funding to pay for works currently being undertaken on site, and due to be invoiced in August.
- 1.10 In the current volatile market, contractors are acutely aware of their financial risk on any project. In this instance, without urgent reassurance that WSCC is able to pay for works currently being undertaken, the contractor could choose to mitigate their risk by suspending works and withdrawing from site until the situation is resolved. The scheme would no longer be delivered within the required timeframes, and no mitigation for the school is possible at this stage.
- 1.11 The County Council's Multi-Disciplinary Consultant (MDC) is providing Project Management and technical advisory services. As such, they have overseen a number of value engineering exercises, challenged design assumptions and benchmarked the revised costs, determining that they are necessary and reasonable.
- 1.12 Within the total construction value uplift of £527,745, the largest differences in cost between the original budget forecast and Portakabin's Contract Sum are in the foundations, drainage and fencing (£426k addition, the largest single item being an increase in hard landscaping of £170k and also the addition of safeguarding fencing for £83k) and then mechanical services (£80k addition, with the largest single item being an increase of £47k for heat recovery ventilation.) The majority of these differences are due to the original quotation of March 2022 being a budget figure, with firm costs emerging once the detailed design was completed.
- 1.13 It is difficult to separate out the inflation aspect of the increase. However as Portakabin's budget quotation was dated 18th March 2022 and the mid-point of construction is 3rd Quarter 2022, based on the latest Building Cost Information Service Construction Data (BCIS) all-in tender price indices, we must assume that inflation accounts for circa £75k of the £527,745 increase.
- 1.14 The scope of the works has not changed, it remains the same scope as at RIBA Stage 3 and was being delivered by the previous contractor, Thurston, before their employment was terminated. Some costs, e.g., the electrical upgrade, surface water drainage, have dramatically increased as Portakabin developed and finalised the building design with their designers and sub-contractors, noting that previous contractors did not develop the designs as far.

- 1.15 The actual cost of the upgrade to the electrical substation is likely to be less than the £270k budget figure outlined in this paper. This is an upgrade to the site's incoming supply, so it involves infrastructure upgrades in the highway, new cabling into the site, and switchgear, enclosure, etc on the site itself. It is an extensive piece of work, identified following load calculations, that there isn't enough incoming capacity to provide for the school site once the new facilities are built. We are exploring temporary generators as a means of handing over the building by the end of August, but the upgrade is necessary to meet the needs of the school in the most immediate future.
- 1.16 It was known at the end of March that Portakabin couldn't commit to providing the IT hardware and play equipment, and that the County Council would need to procure these project elements via separate contracts. A provisional allowance of £40k for loose FF&E was included in the March Officer Key Decision OKD60 (21/22) (£1.624m), pending confirmation of Portakabin's position on that item. The allowance, at the time, was deemed sufficient to deliver the project. Portakabin confirmed shortly afterwards that they couldn't guarantee to supply loose FF&E or ICT to meet the programme, and it was therefore omitted from their contract and fully taken on board as WSCC Direct Items, with the associated cost allowance uplifted to £180,000 as a consequence. Now all are included.
- 1.17 The project team produced an updated cost estimate in May 2022 which indicated that the total budget requirement had risen to c£2.4m, at which point Portakabin was still refining their design and costings, including value engineering. The final total budget cost estimate was defined in July 2022.
- 1.18 The IT, FF&E and play equipment install are unrelated to Portakabin costs and have no bearing on settling Portakabin invoices. They are categorised as 'client direct works' in the project cost reports/forecasts.

2 Proposal details

- 2.1 To enable the construction to progress for completion for the September 2022 intake of pupils the total project budget needs to be increased by £951,000 to a total approved budget of £2,575,000.

3 Other options considered (and reasons for not proposing)

- 3.1 Do not increase the project budget. The project will not be completed, and consequently the County Council cannot fulfil their statutory obligation by providing enough space to safely educate the number of pupils within the school. Please note that in this scenario, the County Council will still have incurred all actual project costs. This is not recommended.
- 3.2 Value engineer the scheme down to the current project budget. Value engineering has been ongoing throughout the scheme to attempt to achieve best value for money. However, the order of cost difference is such that it would require a significant cut to the scope to achieve a scheme within the budget, noting that all abortive costs would still need to be met by the County Council. In balance, this approach would increase project costs overall. This option is not recommended.

4 Consultation, engagement and advice

- 4.1 The Headteacher and Governors have been fully involved in the design and they will continue to be involved as the project progresses through the construction stage and into hand over.
- 4.2 Planning permission has been granted for this project [Application number: WSCC/010/21](#) refers.
- 4.3 The Chairman of the Children and Young People’s Services Scrutiny Committee has been notified of this proposal, due to the need for this decision to be taken with limited notice in the Forward Plan of key decisions.

5 Finance

5.1 Capital consequences

	Previous Years	2021/22	2022/23	Total
	£m	£m	£m	£m
Approved Capital budget	0.059	0.111	1.454	1.624
Change Request			0.951	0.951
Total Revised Capital Budget	0.059	0.111	2.405	2.575

5.2 Revised Project Cost Breakdown

Item	Cost	Comment	Variance in comparison to previous estimated budget breakdown
Uplifted Project Budget (total)	£2,575,000		+£951,000
Uplifted Construction Cost	£1,886,695	Notwithstanding elements removed from Portacabin scope, now WSCC Direct Items	+£527,745
UKPN substation	£270,000		+£270,000
WSCC Direct Items	£180,000	Loose FF&E, ICT & Planting, external play equipment to replace that demolished to make way for the classrooms	+180,000
MDC Fee	£178,305		-£26,745
Contingency	£60,000	No change. Please note that this is retained to	£0

		mitigate risk through the remainder of the project	
--	--	--	--

This proposal creates accommodation for 24 students (3no. 8 place classrooms) at a cost of £107,292 per place, this is above average Benchmark costs of around £70,000 per place. It does not produce additional cost avoidance because the current pupils are accommodated already but it does help address sufficiency & suitability accommodation issues.

SEND Funding

The additional allocation requested will be funded from the unallocated SEND Grant approved by the County Council in February 2022. The SEND Grant was provided by Government to enable investment and create additional places for children with SEND.

The additional amount requested in this urgent action is £0.951m and would reduce the remaining SEND unallocated grant to £16.645m from £17.596m in the Approved Capital Programme 2022/23 to 2026/27. The request represents 5.7% of the £17.596m remaining balance prior to approval.

	Approved Capital Programme £m
Special Schools - SEND pipeline Capital Programme	26.582
Approved & requested since Capital Programme	-8.986
Additional requested QE2 urgent action	-0.951
Balance remaining	16.645

5.3 The effect of the proposal:

(a) **How the cost represents good value**

Portakabin are the only modular contractor with the manufacturing capability and availability to deliver the project within the exceptionally short time frame available.

All costs have been scrutinised against BCIS benchmarks and deemed reasonable. However, it must be noted that this was a Direct Award and not competitively tendered.

(b) **Future savings/efficiencies being delivered**

None. This project is to relieve overcrowding in the existing school.

(c) **Human Resources, IT and Assets Impact**

The project delivery team is already in place and working closely with colleagues across services to deliver the scheme. The time resource required is above average for a project of this size.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
The contractor withdraws from site because they have not been paid for works completed and the scheme is not completed on time	Ensure that there is sufficient budget available to pay the contractor
Additional cost variation	A contingency of £60,000 (4.4% of the construction value) is retained to mitigate this risk, if it were to occur
Calculations conclude that an upgrade in capacity to the electrical substation is required. UKPN have advised of a lead-in time that takes the upgrade works beyond September 2022	Depending on the scale of the shortfall in capacity, certain elements of the build, such as the learning kitchen, will not be commissioned and therefore unable to be used until the upgrade works are completed. If necessary, a temporary measure could be put in place for a short duration

7 Policy alignment and compliance

- 7.1 Our Council Plan –sets out the corporate priorities and includes a commitment to help people and communities to fulfil their potential. This proposal will provide appropriate accommodation and equipment to best meet the needs of the young people requiring a Special School placement and will ensure continuity of placements within West Sussex.
- 7.2 Legal implications – The value of this contract is below the PCR 2015 threshold for works of £4,733,252. However, it was procured in line with the Council’s Standing Orders and the form of Contract will be reviewed by the Commercial Legal Team.
- 7.3 Equality duty and human rights assessment – Section 149 of the Equality Act 2010 requires that public bodies, in exercising their functions, have due regard to the need to (1) eliminate discrimination, harassment, victimisation and other unlawful conduct under the Act, (2) advance equality of opportunity and (3) foster good relations between persons who share a protected characteristic and persons who do not share it. This proposal will ensure those with protected characteristic have school places available to meet their needs.

Everyone has the right to respect for private and family life, home and correspondence under Article 8 of the Human Rights Act. The impact of any proposed changes on the right to family life such as a need to travel further to an appropriate school has been taken into consideration and this proposal will provide high quality Special School places close to home. Article 1 of the First Protocol is the right to education. No person shall be denied the right to education. The proposals therefore support this right as school places will be available in the local area for all children of school age.

- 7.4 Climate change – The employer’s requirements to consider climate change proposals, acts as part of the contract documentation and building regulations that must be adhered to.

Sustainability considerations are fully imbedded in the design of the new building and support the County Council’s goals in relation to combatting climate change. The potential requirement for the upgrade of the electrical

substation is a direct consequence of the implementation of the Climate Change Strategy, as all building services are electric.

- 7.5 Crime and disorder – not applicable
- 7.6 Public health – The proposed building is fully compliant with all statutory regulations and building resilience/ internal comfort has been considered to ensure users have a safe and comfortable internal environment.
- 7.7 Social value – The proposal ensures that a larger number of children are able to remain and interact with their local community.

Andrew Edwards
Assistant Director (Property and Assets)

Paul Wagstaff
**Assistant Director
(Education and Skills)**

Contact Officer: Lydia Schilbach, Contract Relationship Manager, Capital Project Delivery Team, 03302225832

Background papers - None