

Report to Cllr Russell, Cabinet Member for Children and Young People

October 2022

Increase to Funding Allocation for Remodelling of Orchard House Children's Home

Report by Ms Butler, Director of Children, Young People and Learning

Electoral divisions: Cuckfield & Lucastes

Summary

Orchard House children's home in Cuckfield is part of the County Council's Residential Service and caters for residential placements and short breaks for children with disabilities, with capacity for up to 16 children at one time.

Remodelling and refurbishment works are required to resolve critical issues, modernise the home and improve the facilities for those children resident at the home and those who undertake short breaks there.

Capital funding totalling £4.928m has so far been allocated to deliver this project, through Cabinet Member Key Decisions in March 2021 ([CYP04\(20/21\)](#)) and in December 2021 [CYP04 \(21/22\)](#). Since those decisions were taken, design development has taken place and inflationary pressures have led to construction cost rises, thus, the combination of these two factors means additional funding is now required to enable the project to continue.

Recommendation

The Cabinet Member for Children and Young People is asked to approve the allocation of a further £648k of capital funding for the refurbishment and remodelling of Orchard House.

Proposal

1 Background and context

- 1.1 Orchard House children's home consists of the Main Building – separated in two wings, Orchard Lodge - a standalone building on the premises and the home's Contact Centre.
- 1.2 The home was identified for refurbishment in the [Residential Service Strategy](#). To progress this proposed improvement work, a feasibility study was undertaken in late 2020 and a design developed for the remodelled home. £397k of capital funding was allocated to Orchard House to develop the design.

- 1.3 In March 2021 the Cabinet Member for Children and Young People approved £3.786m of further capital funding and the launch of a procurement process to enable the refurbishment and remodelling works at Orchard House to be progressed ([decision CYP04 \(20/21\)](#)).
- 1.4 Additional funding of £745k was allocated in December 2021 (decision [CYP04 \(21/22\)](#)) in order to better support the aims of the [Council's Climate Change Strategy](#) and enable implementation of associated revisions to the original proposed design.
- 1.5 Since the approval of the budget, the design for the proposal has been further developed, which has identified the need to adjust and amend some elements. The inflationary increases affecting the construction industry have also led to a review of the impact for this project. This review, reflected in the pre tender estimates, indicates a total proposed budget of £5.576m is now required.

2 Proposal details

- 2.1 Approval is sought for the allocation of a further £648k of capital funding to enable the project to refurbish and remodel Orchard House to continue. The variation of £648k suggested by the pre-tender estimates, is presented below, broken down by item and includes savings of £38k through value engineering identified during the latest design stage. 62% of the increase to the budget is due to inflation, whilst the remaining 38% is as a result of design development.

	Item	Cost (£)
	Changes as a result of inflation	
1	Inflation estimate increase from 2.4% to 7% - Orchard House & Lodge	175,000
2	Realised material inflation – Orchard House & Lodge	127,000
3	Inflation increase for Contact Centre	123,240
4	Savings to inflation identified through value engineering	-17,000
	Subtotal – total increase as a result of inflation	408,000
	Changes as a result of design development	
5	Works to access road	56,000
6	Amendments to drainage strategy	39,000
7	Upgrade of some appliances from domestic to commercial ratings	31,000
8	Upgrade to water main	23,000
9	New fibre link to premises	18,000
10	Other minor items	22,000
11	Design development for the Orchard Contact Centre and professional fees increase	72,000
12	Savings identified through value engineering	-21,000
	Subtotal – total increase as a result of design development	240,000
	Total:	648,000

- 2.2 The projects are currently out to tender with the return expected later in autumn 2022.

3 Other options considered (and reasons for not proposing)

- 3.1 **Do nothing.** If the budget is not increased and should tender returns be higher than the approved budget, it will be necessary for the agreed scope for the House and the Lodge to be cut significantly. This will likely have an impact on the quality of the service that staff can deliver for children resident at the home. This will also require further review and amendment of the design which will incur additional professional fees.
- 3.2 **Approve a budget increase based on the tender returns.** Given that the tender returns are expected by mid-Autumn 2022, should these suggest a cost increase, additional time would be required to secure the increased funding, leading to a delay to the contract award. This could risk either an incident relating to the current state of the building and/or a negative Ofsted rating relating to building issues. This would also put greater pressure on services provided at the Orchard House site, in particular supervised contact and day services delivery
- 3.3 **Approve a budget increase of a lower capital cost.** A significant reduction in scope would still be required with a high impact on the quality of the service provided and a requirement for additional professional fees to review and amend the design.
- 3.4 **Approve a budget increase of a higher capital cost.** This option was discounted as it is appropriate to only seek a revised budget that is considered adequate for the project to ensure the most efficient use of the Council's capital funding.

4 Consultation, engagement and advice

- 4.1 The Capital and Assets Board (the Council's internal governance process for capital projects) has considered and supports the proposal and comments from the Board have been incorporated into the final proposal and recommendations.
- 4.2 The Cabinet Member for Finance and Property has been consulted regarding the allocation of the additional funding from the Capital Programme to enable this project to proceed.
- 4.3 The local member has been updated on proposals for the home.
- 4.4 The Council's multi-disciplinary consultant (MDC), led by Faithful+Gould, was engaged to assess the feasibility of these proposals and have been engaged to deliver the design and management of the projects.
- 4.5 Children resident at the homes and the staff who work there will be kept up to date as the work progresses.

5 Finance

5.1 Revenue consequences

The additional £648,000 requested will be funded by Corporate Borrowing that will attract interest and will incur revenue costs in the form of borrowing costs and repayment of principal sum borrowed. This is shown in the table below.

Principal Repayment	£648,000
Interest	£600,335
Total Capital Financing Cost	£1,248,335

The revenue implications are a £35,667 annual charge to revenue for 35 years. This is based on the current interest rate of 4.2%. The above represents £1.92 for every £1 borrowed.

5.2 Capital consequences

The additional £648k will be funded from the capital improvements budget in the 2022-23 to 2026-27 capital programme and the details can be found below. All items are inclusive of contractor's prelims, profits and contingencies.

	Total Approved Budget	Proposed Budget	Additional requested
Orchard House (Main Building)	£3,195,000	£3,606,000	£411,000
Orchard Lodge	£843,000	£885,000	£42,000
Orchard Contact Centre	£890,000	£1,085,000	£195,000
Total	£4,928,000	£5,576,000	£648,000

This Change request adds £0.648m if approved and would increase the Approved budget to £5.576m. A previous Change Control request of £0.745m has already been processed increasing the budget from £4.183m to £4.928m in December 2021. The cumulative value of these change requests is £1.393m.

5.3 The effect of the proposal:

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

The procurement for the contractor will ensure that the works required under this proposal will represent best value.

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

This proposal will support the delivery of the projected benefits of the Orchard project (decision CYP04(20/21) refers). This includes £42k p/a of cost avoidance as a result of providing a solo occupancy bed at Orchard Lodge for children with disabilities and complex needs, a facility the County Council currently has to source from the private sector.

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

This proposal will increase the lifetime and functionality of the Orchard House site, a Council asset.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Further inflation increases	Any delays to the project will suggest further cost increases and should be avoided. On tender return, should the offers exceed the approved budget, approval for additional funding will be sought.
Further changes to the design of Orchard Contact Centre, leading to increases in cost/time	The employer's requirements are robust and provide a detailed view of what is expected by the Contractor. The budget will be constantly monitored.

7 Policy alignment and compliance

7.1 Legal implications

The development of Orchard House is necessary in order for the Council to discharge its statutory obligations where children and young people are concerned. The development is being project managed by the Council's Multi-Disciplinary Consultant ("MDC") who were procured following a fully compliant competitive process in 2018. The work put forward in this proposal will be procured together with the work already approved by a key decision in March 2021, apart from the delivery of the new modular Contact Centre, which will be procured separately as per March's key decision. Both items are below the threshold for works contracts, but the contractor(s) are procured in compliance with public procurement principles and the Council's Standing Orders on Contracts and Procurement.

7.2 Equality duty and human rights assessment

The improvement of the existing access road which has been identified as part of the design development will ensure safe access including barriers and lighting, within the site, making it suitable for those with protected characteristics.

7.3 Climate change

n/a

7.4 Crime and disorder

n/a

7.5 Public health

Improvement to the existing water main and the surface drainage, as well as the upgrade of the equipment supports the public health aspects of the premises.

7.6 Social value

Social value considerations have been built into the procurement process to secure a contractor to deliver these works.

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Background papers - none