

## **Children & Young People's Capital – Value for Money Review Update**

To: Capital Programme Board

From: Rachael Greenlees, Construction Programme Manager

Hazel Belchamber, Head of Service 0-19 Place Planning & Organisation

Date: 14 September 2016

### **1.0 Executive Summary**

CCC Capital Programme Board (CPB) is seeking to make improvements to the governance of its Capital Programme. The paper below identifies area for discussion including:

1. setting benchmark building rates,
2. improved governance arrangements relating to Employer's contingency,
3. reducing build area and improving specifications,
4. the challenges faced by the Town Planning system,
5. a review of CCC policy on Fire Insurance costs;
6. batching of projects;
7. working with other development partners to reduce cost; and,
8. reduction of fees associated with construction projects.

The CPB are asked to note the work undertaken to date and comment on the identified recommendations, particularly items 4 -7, which are beyond the remit of LGSS Property and the client service teams.

### **2.0 Background**

The Capital Programme Board (CPB) is seeking to make improvements to the governance of the Council's Capital Programme to achieve the following outcomes:

- Improved estimates for cost and time of capital projects;
- Improved project and programme management and governance;
- Improved post project evaluation;
- Improved prioritisation process;
- Consistency of approach across the programme as a whole

This paper focuses on the capital programme managed by Children, Families and Adults (CFA). This is currently the largest capital programme managed by the Council. Responsibility for the programme and the client service function rests with the 0-19 Place Planning and Organisation Service. LGSS are commissioned to manage the construction programme, using a Design & Build (D&B) Framework. However, with the recent proposals to de-merge property from LGSS, this service management is likely to come from within CCC.

A discussion paper was provided to CPB in May 2016. It was agreed that follow up discussions should be held and an updated report presented to a future meeting of the Board. This paper provides the update on the work undertaken to date to help achieve the CPB outcomes, and sets out the remaining issues and challenges and further action to address these.

### **3.0 Identified areas for discussion by the Capital Programme Board**

### **a) Benchmark build rates**

In the May 2016 discussion paper benchmarking construction costs were highlighted as an area for further exploration. It was acknowledged that it would be sensible to agree a target benchmark rate for the D&B Framework to operate against, and that this needed to be comparable and on a like for like basis on all projects and with other Local Authorities. Following a review with the 0-19 Place Planning Team agreement has been reached on adopting a target benchmark £/m2 unit rate based on the National School Delivery Cost Benchmarking Report 2016 (NSDCBR).

A total of 63 Local Authorities contributed to the recent NSDCBR. The benchmark data and rates it contains therein are felt to be more current and specific for Education projects, rather than those offered by the Building Cost Information Service (BCIS). The data that underline the rates within the latter are historically skewed with a higher sample size for older projects that have been only updated for time and not changes in legislation and standards. This would give lower unrealistic nett construction rates for benchmarking comparison purposes.

For benchmarking purposes with our own CCC project cost data, the NSDCBR data have been updated for tender price inflation and location factor for Cambridgeshire from the quarterly published BCIS indices. Substructure costs have been normalised for Cambridgeshire projects to aid a direct comparison. A copy of the NSDCBR benchmark rates and CCC projects is attached at the end of this paper. The benchmark data could be updated on a quarterly basis, in line with published indices. In summary, the nett construction rates for CCC projects are favourable when compared to whole sample averages for each type of work.

The next step will be to consider setting targets for the new D&B Framework in 2017. This needs to take account of the balance to be struck between the need to manage, measure and be able to challenge performance and putting the market off tendering for the new Framework.

#### **Follow up actions agreed:**

To update the benchmarking analysis on a quarterly basis and to include this within the relevant monthly Project Status Report.

### **b) Contingencies**

As explained in the previous paper, the majority of projects delivered through the D&B Framework have done so with minimal use of the Employers' change contingency, which is typically 3-7% of the contract sum. The more substantial issue regarding cost overrun, and use of the capital programme relate to developer negotiations, or more to the point, developers reneging on their obligations. In recent years this has resulted in large-scale spending on the provision of infrastructure to support new schools (Isle of Ely Primary School), and the re-design of proposals as a result of poor site information from developers (Godmanchester Bridge Academy).

#### **Recommendation:**

At present the Employers' contingency is managed by the Consultant Project Manager on a project-by-project basis, and held by CFA, the service client. In order to overcome the potential for the contingency to be seen as available to spend irrespective of whether there is a true contingency need, and to make sure that the risks associated with developer negotiations are covered, it is recommended that the Employers' contingency is held in a central pot managed by the service client.

**Follow up actions required:**

The mechanisms for monitoring and tracking changes will need to be put in place. We will need to look at what is practical given the internal resource made available, and to where/whom monitoring is reported to.

**c) Reducing build area and improving specifications**

Given the growth model, potential site constraints and planning issues associated with expanding schools in Cambridgeshire, it is difficult to determine where a proactive reduction in building area can take place. Furthermore, in the context of expanding existing schools/academies the process of engagement and negotiation is very complex. It is necessary to ensure that schools are able to operate, but in the context of a design that is value for money. Therefore in reality, reducing area may not be practical and would go against the principle of planning for the future.

CFA recently hosted a visit from the National Audit Office (NAO) to inform a report they will be producing on local authorities' use of the basic need funding they receive from government. The visit included site tours of two schools, the Hardwick second campus at Cambourne and Swavesey Village College. The latter was a joint project with the academy with contributory funding being secured from the Education Funding Agency. The comments and feedback received by the NAO officers on the day was very positive. The report's findings and recommendations will be shared widely once available.

In order to reduce the overall cost of construction it is necessary for the schools/academies and design teams to be briefed appropriately and managed in such a way to ensure they do not over design or engineer a solution that goes beyond the requirements of delivering schemes to the government's Building Bulletin Guidelines (BB103) or the curriculum.

It is proposed, therefore, that the service client prepare a more detailed brief which sets out the expectations of the D&B team from the outset, including all required area schedule, for all new commissions at the very outset of the project. This will include instructions to:

- Resist extending existing buildings and build stand-alone new build blocks as an alternative.
- Resist rectification of existing issues with the schools e.g. poor circulation, deficiencies in staff and admin accommodation, unless it poses a health and safety risk.

**Follow up action agreed:**

To undertake a review of the Council's Technical Advisory Notes (TANs) to assess where costs savings could be made without compromising quality, life cycle cost and safety. Before the new D&B Framework comes into operation, these will need to be systematically overhauled and reviewed on a cyclical basis.

To allow D&B contractors more scope to identify their own solutions to achieve efficiencies and secure value for money at the MS1 stage of the process.

**Follow up actions required:**

The mechanisms for monitoring and tracking potential improvements in this area will need to be put in place. We will need to look at what is practical given the internal resource made available, and to where/whom monitoring is reported to.

**d) Other areas for consideration:**

The following areas are beyond the remit of LGSS Property and the client service teams. The recommendations provided are subject to collaboration with other corporate teams across the County Council. A steer from the CPB would be helpful as to how to tackle these corporate challenges in order to reduce capital expenditure.

**i) Town Planning**

*Public Art* - For projects within the Cambridge City Council area there is a requirement for 1% of total project cost contribution towards public art. There is a strong argument that this contribution should be waived as recent central Government guidance is that public art is not an essential requirement for an application to be acceptable.

**Recommendation:**

It is recommended that this is raised as an issue with Economy, Transport and Environment Teams.

*Design Quality Panel (DQP)* - CCC could take a more strategic approach to Planning and the Design Quality Panel to ensure that project programmes and cost savings are achieved through improved communication and understanding between parties. To date officers have developed good working relationships with the DQP, but further early engagement is required to ensure that last minute changes to design do not have an overall impact on cost and programme.

*Sustainability* – The Council's established policy is to achieve BREEAM Very Good with an aspiration to achieve Excellent. However, emerging South Cambridgeshire and Cambridge City District Council Planning Policy is to achieve excellent. This could have the potential of adding between 5%-10% on the Capital Programme.

**Recommendation:**

It is recommended that early engagement with the Economy, Transport and Environment Teams is established to limit the impact on capital costs.

*Renewable Energy* - Currently through planning policy we are required to achieve 10% plus renewable energy. On recent schemes considered at Development Control Committee members have sought to increase the obligation on the applicant to achieve a higher percentage of renewable energy sources up to 100%. If this is to be an emerging policy then there will be a significant increase in cost to projects.

**Recommendation:**

It is recommended that this is raised as an issue with Economy, Transport and Environment Teams before any policy decisions are made.

*SUDS* – Through CCC E&T / Planning Process emerging policy is requiring a higher specification for surface water attenuation. Traditionally school projects have addressed this in the most economical way, in particular attenuation crates under playgrounds. Pressure from planners and the SUDS team is resulting in conditions being imposed to provide other, more expensive, means of attenuation such as green roofs, swales, which all impact on the project budget and reduce available site area for the school build.

**Recommendation:**

It is recommended that this is raised as an issue with Economy, Transport and Environment Teams.

*Covered Cycle Shelters* – On all school projects we seek to provide mixed cycle and scooter storage provision covered and uncovered in accordance with national and local guidelines. However, at Planning Committee on recent applications the Committee have sought, by condition, to have all provision covered and the numbers of spaces provided to exceed current planning policy. The main implication of this approach is a budget overspend at a late milestone stage.

**Recommendation:**

It is recommended that this is raised as an issue to the Economy, Transport and Environment Teams, and the other District planning authorities.

*Development Control Officers (District Council)* - We carry out pre-application planning discussions with CCC and the main consultees prior to an application being formally submitted. We have, over the past two years, experienced a number of issues where staff changes in the planning teams in Cambridgeshire and the Districts have resulted in having to revisit and redesign large elements of projects that have been submitted for formal planning, because new Case Officers have been assigned and have expressed a different view to the design resulting in the design team having to invest further in what was previously an agreed design.

**Recommendation:**

It is recommended that this is raised as an issue with the Economy, Transport and Environment Teams, and the District planning authorities.

- ii) Fire Insurance Costs** – The current Council policy is to deliver all new schools with sprinkler detection. We are aware that other authorities / academies do not meet this specification.

**Recommendation:**

It is recommended that this policy is reviewed and discussed further with CCC Insurance and Fire and Rescue Service teams. For example, in order to reduce capital cost options include putting sprinklers in circulation areas and corridors to aid safe evacuation of the building.

- iii) Batching of projects** - Work is required to identify the real benefits of developing batched programmes of work as this could result in greater economies of scale for contractors.

However, it is acknowledged that this is difficult to achieve from a school place planning perspective.

- iv) CFA 0-19 Place Planning Service to work with developers and the Regional Schools Commissioner to identify sites where Free Schools can be delivered through the LGSS Framework** - There are examples in other areas of the Country where Developers, Academies, the EFA and Local Authorities work in partnership to deliver Free Schools. This type of arrangement has the potential to share the total capital cost of delivering new education provision and is already being considered in some areas of the Education capital programme. Officers have already held one meeting with the EFA to explore this option and have a follow-up discussion planned with regard to the free school application to establish a secondary school in Alconbury Weald.
- v) Fees and staff costs** - To support the D&B procurement route, project management/employers' agent fees are incurred. In addition there is a 1% fee charged for the LGSS service provision across the programme. The re-procurement of the consultants' framework should provide a more competitive environment for this service, and less ambiguity regarding roles and responsibilities and their corresponding charges.

In terms of internal recruitment the Council is competing for Construction Project Managers alongside the University and other developers, particularly south of the County. Generally speaking the salary being offered is not competitive, making recruitment very challenging. Furthermore, the CCR2 process means that there is a recruitment freeze resulting in the need to fill vacancies by agency staff, which is not useful from the point of cost (agency staff are paid significantly higher rates than their full time perm equivalent) and continuity of project delivery.

The CPB are asked to note the work undertaken to date and comment on the identified recommendations and follow up actions.