

MEETING:	The Council
DATE:	May 13 th 2010
TITLE:	Budget for The New School at Yr Hendre
RECOMMENDATION:	Make provision in the Strategic Asset Strategy to overcome the budget deficit.
AUTHOR:	Iwan Trefor Jones – Corporate Director Gwenan Parry – Head of Customer Care
PORTFOLIO LEADERS	Councillor J R Jones – Senior Portfolio Leader – Resources Councillor Dewi Lewis – Senior Portfolio Leader - Development

1.0 BACKGROUND

- 1.1** Council was successful with an application for grant funds from the Strategic Capital Investment Fund (SCIF) towards developing a new school for the 21st Century for the Hendre area in Caernarfon.
- 1.2** The original cost estimates meant that the grant would provide 62% of the total cost i.e. a grant of £4.3million towards a total budget of £6.95million with the remainder coming from disposing of the present school site, a contribution from the adjacent residential development and contributions from Capital budgets which were already allocated to be spent on the present school buildings.
- 1.3** The Hendre site has already been identified as a pilot scheme for the Carbon Management Plan which means that a contribution of £150K is available towards the cost of the renewable energy elements from funds already included in the Corporate Asset Strategy towards carbon management. This means that the total available budget is £7.1M.
- 1.4** For numerous reasons, it is now not possible to build the school within the budget available. The purpose of this report is to highlight the budget deficit and offer a way forward.

2.0 PROJECT COST

- 2.1** Although the project costs cannot be confirmed until the building contract has been awarded, the quantity surveyor's valuation suggests that the project's total cost is likely to be in the region of £9.3 million, which is £2.2 million above the budget available at the moment.
- 2.2** Naturally the size of the school, the largest school in the County, means that the development costs are high. In order to conform to the grant conditions the development also has to include community facilities, an area for the Team Around the Child and the Social Services Children's Service. Another condition is that the school has to achieve the highest environmental standards, which is also consistent with our vision as a Council. All of this adds to the build cost and they cannot be excluded without losing the grant funding.
- 2.3** However during the past few months when detailed plans were being

developed, some elements have been substantially more expensive and complicated than what was foreseen at the beginning. The main elements are

- The fact that archaeological remains have been discovered which are above and beyond what was expected on the site.
- The cost of securing a suitable access to the site.
- The nature of the site i.e. long, narrow and sloping in parts

- 2.4** Early in the preparation works archaeological remains were discovered under the surface of the site and it is the developer's statutory responsibility to conduct a supervised dig and secure/remove the remains from the site as part of the development.
- 2.5** In order to secure the health and safety of the school users and the local residents, it is now apparent that traffic cannot gain access to the site through the estate roads to the North. The only way of gaining access to the site therefore is by constructing a new road to the south of the site, through land which has been allocated for residential development, in order to join up with Llanbeblig Road. This means that the development has to meet the costs of constructing a new road between the site and the highway, create a new junction, carry out improvements and crossing points along the existing highway and compensate the developer for the loss of land being taken up by the road and the effect this will have on the remainder of the residential development.
- 2.6** Another significant matter is the shape and nature of the development site. The site is on a slight incline and is narrow. This has created a challenge for the architect and his solution to provide a development which conforms to the requirements, baring in mind the nature of the site and to avoid a building with numerous steps and lifts, is to build a building which has an area above and beyond what would have been expected on a level site. The area of the building is therefore above and beyond what was expected and naturally this has lead to a further increase in costs of approximately £400,000.
- 2.7** These factors have lead to an increase in costs in the region of £1.85million.
- 2.8** The remainder of the increase in costs is due to the original budget being underestimated due to the fact that there was insufficient time when submitting the application for grant and to establish the required degree of detail.
- 2.9** If this project had followed the usual timetable for such a development then it would be possible to re-look carefully at the initial design and consider whether or not any savings could be made by re-designing some elements. However, this is not possible in this case without being unable to conform to the timetable to spend the grant funds and therefore delaying the commencement of the construction works in the hope of being able to save by re-designing some aspects which could lead to significantly more being lost by being unable to spend the grant in time. . Each months delay leads to being unable to spend £400,000 of grant money. Re-designing some elements would not save a sum of this magnitude.

3.0 Project Timetable

- 3.1** The usual timetable for a development of this magnitude would be in the region of 3 years, with an equal split between the preparatory works/design and the building period on site.
- 3.2** One of the grant conditions was the requirement to spend the entire grant no later than March 2011. The opportunity to present applications was made in June with only a three week period to present applications. The Council received confirmation in November that we had been successful.
- 3.3** In order to be able to spend the grant within the timescale this means that the majority of the preparatory works have to be completed within a 9 rather than the usual 18 months.
- 3.4** The diagram in Appendix A shows the usual timeline for such a project in comparison with the timeline we need to follow in this case if we are to spend the grant funds in time.
- 3.5** The Project Team's exceptional efforts during the past months, in addition to the efforts of the school's staff and governors, have allowed us to complete a year's work within 6 months. The plans are now at a stage which allows the quantity surveyor to reasonable cost the scheme for the first time. Had we followed the usual timescale we would not have reached this point for another 4-5 months.

4.0 OVERCOMING THE BUDGET DEFECIT

- 4.1** If the Council wants to see this development go ahead then there is a need to overcome the present budget deficit of £2.2M.
- 4.2** Before considering options to overcome the budget deficit, Board Members will naturally wish to be convinced that all efforts have been made during the design process to avoid overprovision, that there is no wastage and that expensive materials have not been unnecessarily incorporated in the design.
- 4.3** Throughout the consultation process with the school, and the community and throughout the design process itself, each element of the plans have been scrutinised and challenged in detail on several occasions by the Project Board and by the specialist consultants who are assisting us to carry out the development. Already all "desirable elements" have been excluded and all that remains are the "essential elements" to enable the children to be educated in the 21st Century together with the other requirements in order to comply with the grant conditions.
- 4.4** The building materials and the area to be provided have been scrutinised carefully and although the completed development will be of a high standard, modern and purposeful, there are no elements which are above and beyond what is required under the grant conditions.

- 4.5 Although the architects and quantity surveyors will continue to work on the design in order to reduce the costs as much as possible, before the Council enters into the building contract it is not possible to reduce the budget deficit much further in this manner.
- 4.6 The only logical option open to the Council therefore is to attempt to make provision within the Corporate Asset Strategy.
- 4.7 The Council therefore needs to decide whether this project to provide a new school for 21st Century to replace the current inadequate building is of a high enough priority to be included in the Corporate Asset Strategy and that a new provision should be made in the capital programme for 2011/12.
- 4.8 There will be a need to re-look at the Corporate Asset Strategy later on this year, due to the likely reduction in Capital that the Council will receive. At that time there will therefore be a requirement to re-prioritise to take into account a general deficit because of the public sector finance difficulties and the additional deficit which will be created by releasing capital for the Hendre project.
- 4.9 As previously noted, we cannot be absolutely certain of the total cost of the project until the building contract has been let and perhaps we will discover at that time that the costs will be less than what is stated at this moment in time. The building market is presently weak and this could lead to lower costs than what is predicted. However, it would be irresponsible to move ahead with the project without preparing for the situation which could face the Council.
- 4.11 In addition to this efforts are underway to attempt to secure further grant funding towards the budget deficit, and if these efforts are successful the Council's contribution will be reduced.
- 4.12 It should be made clear that any delay in making provision to overcome the budget deficit would lead to be unable to commence the construction works which would mean that there would be insufficient time to spend the SCIF grant funds within the timescale therefore leads to a further budget deficit.
- 5.0 RECOMMENDATION**
- 5.1 That the Council makes provision within the Corporate Asset Strategy to overcome the budget deficit in the Hendre School scheme and includes the required sum in the capital programme for 2011/12. The exact sum will be known once the building contract has been let but at its worst this sum could be in the region of £2.2 million.
- 5.2 That the Council puts pressure on the Assembly to offer a greater degree of flexibility in relation to the time scale for spending grant funds in order to avoid this type of situation in the future.
- 5.3 Support the Leadership Group's recommendation to commission work to look at whether or not there are lessons to be learnt in relation to the local and national arrangements.

A. Barn yr Aelod Lleol:-
Unrhyw sylwadau i'w cyflwyno ar y diwrnod
Any observations to be presented on the day.

B. Barn y Swyddogion Statudol:-

1. Y Prif Weithredwr

"Fel mae'r adroddiad yn nodi, mae'r cynllun hwn yn un strategol bwysig sydd yn denu arian sylweddol iawn gan Lywodraeth y Cynulliad. Yn amlwg hefyd, er bod rhai materion yn amlwg yn rhai na ellid bod wedi eu rhagweld, mae rhai gwersi i'w dysgu o ran yr amcangyfrifon gwreiddiol ar gyfer y prosiect.

Fodd bynnag, mae'r sefyllfa yn sefyll a rhaid ymateb yn ystyrion iddo. Mae'n bur debyg y byddai'r lefel blaenoriaeth uwch i'r cynllun hwn yn golygu y byddai'n flaenoriaeth gyda'r uchaf o'i gymharu a'r materion eraill o fewn y Strategaeth Asedau Corfforaethol fel ag y mae wedi ei gymeradwyo. Fel mae'n digwydd bydd y wasgfa ar wariant cyfalaf yn golygu bod yn rhaid ail-edrych ar rhai o gasgliadau'r Cynllun Rheoli Asedau gan bod yr adnoddau ar gyfer gwireddu yn debygol o fod llawer yn is na'r hyn a ragdybiwyd yn wreiddiol. Bydd yr adolygiad hynny felly yn sicr o olygu gollwng rhai materion a oedd yn is eu blaenoriaeth o fewn y cynllun neu ail-gyfeirio adnoddau referniw tuag ato.

Yr hyn y gofynnir i'r Cyngor ei wneud yw cadarnhau lefel uchel y flaenoriaeth ar gyfer y cynllun hwn gan ofyn i'r adolygiad o'r Strategaeth Asedau Corfforaethol, a fydd yn digwydd prun bynnag, benderfynu yn union ar sut mae unioni hyn, naill ai trwy i gynlluniau blaenoriaeth is gael eu gollwng neu eu llithro, neu trwy fuddosoddi arian referniw pellach."

As this report notes, this scheme is strategically important, attracting substantial funds from the Assembly Government. Obviously, despite there being some matters which could not have been foreseen, there are important lessons to be learnt as regards the project's original cost estimates.

However, the situation is one to which we must respond meaningfully. It is highly probable that the higher level of priority given to this scheme would mean that the scheme would receive the highest level of priority compared to other matters within the Corporate Asset Strategy in its current approved form. The squeeze on Capital expenditure will mean that we must reconsider some of the conclusions of the Corporate Asset Strategy since the resources for realization are likely to be substantially less than was initially presumed. This review will certainly mean dropping some matters of lower priority within the plan or alternatively redirecting revenue resources to the plan.

The Council is asked to confirm the highest level of priority for this scheme, by asking for the review of the Corporate Asset Strategy, which will take place in any case, to decide exactly how to reconcile this, either by dropping/postponing lower priority level schemes, or by investing further revenue funds.

2. Swyddog Monitro:-

Dim i'w ychwanegu o ran priodoldeb/ Nothing to add regarding propriety

3. Prif Swyddog Cyllid

Gwyddom eisoes fod sawl risg ynghlwm â'r prosiect heriol yma, ac erbyn hyn mae'n amlwg bydd raid i'r Cyngor gynyddu ei gyfraniad os ydyw am sicrhau'r ysgol newydd. Mae'r Bwrdd eisoes wedi tanysgrifennu'r prosiect fel blaenoriaeth, yng nghyswllt risg ynghlwm ag amserlen y grant. Os am ychwanegu hyd at £2.2m i'r rhaglen gyfalaf ar gyfer manteisio ar y £4.3m o grant SCIF a sicrhau'r ysgol newydd, yna bydd raid i'r Cyngor gadarnhau os yw'r deilliant yma'n parhau'n flaenoriaeth uwch na gweddill cynnwys y Strategaeth Asedau Corfforaethol. Cofier, wrth ddyrannu'r cyfalaf i'r perwyl hwn, ni fydd yr arian ar gael er mwyn cyflawni blaenoriaethau isaf y Strategaeth Asedau Corfforaethol, ond bydd Aelodau yn ymwybodol o'r angen am ysgol newydd ar gyfer y nifer cynyddol o ddisgyblion yn y dalgylch yma.

We are already aware that there are several risks associated with this challenging project, and by now it is obvious that the Council will have to increase its contribution if it is to see the new school developed. The Board has already denoted the project as a priority in relation to the risk associated with the grant timescale. If £2.2m is going to be added to the capital programme in order to take advantage of the £4.3m SCIF grant and ensure a new school, the Council will need to confirm that this remains a higher priority than the remainder of what is included in the Corporate Asset Strategy. Remember, when allocating the capital for this purpose, this finance will not be available to fund the lowest priorities in the Corporate Asset Strategy, but the Members will be aware of the need for a new school for the increasing number of pupils in this catchment area.

C. Papurau Cefndir

CH. Goblygiadau Polisi
