

Report of Director of Children Services

Report to Scrutiny Board (Children and Families)

Date: 27th September 2012

Subject: The Development of All-Through Schools at Carr Manor and Roundhay

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Moortown and Roundhay	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues the reasons for the additional funding required in respect of both projects

1. The purpose of this report is to inform Scrutiny Board of the reasons for the significant variance in capital requirements between the original DCR approvals in October 2011 and the current scheme costs, in respect of the All-Through School Developments at Carr Manor High School and Roundhay School Technology & Language College. In addition, this report seeks to provide some clarity for Scrutiny Board as to the timing of the original DCR report, upon which the capital allocations were approved. This report will also detail a number of lessons learned from the Carr Manor and Roundhay Projects, and outline the Childrens Services proposed approach to the improved management of major capital projects

2. In October 2011, Design and Cost Reports (DCRs) for the Roundhay and Carr Manor Basic need Schemes were submitted to Executive Board for £4.43m and £2.57m respectively. Due to additional costs being subsequently identified in respect of both schemes, a further report was taken to the Executive Board on the 7th March 2012, seeking approval to an additional £655k, in respect of Carr Manor and £2.77m in respect of Roundhay All-Through School, a total of £3.43m extra spend.

3. The developments were to be designed and constructed using the Council's pre-procured modular framework contract. The modular framework contract was procured by Education Leeds in 2009, and been previously used successfully for the delivery of modular extensions at Leeds schools.

4. This report seeks to:

- (i) Explain how the scheme cost estimates were developed for the DCRs of October 2011
- (ii) Explain the reasons for the additional funding required in respect of both projects
- (iii) Detail lessons learned from the Carr Manor and Roundhay Projects in terms of cost estimation and cost management and detail the revised approach adopted by Childrens Services to the management of major capital projects

Recommendation

Scrutiny Board is requested to note:

- (i) The reasons for the two original DCRs being submitted to Executive Board in October 2011, which were found to have inaccurate cost estimation based on only limited site specific survey information.
- (ii) The reasons for the additional capital funding in respect of the All-Through School projects at Carr Manor and Roundhay, totalling £3.43m
- (iii) The lessons learned from the Carr Manor and Roundhay projects and a revised approach being adopted being by Childrens Services in the management of major capital projects.

1.0 Purpose of this report

- 1.1 The purpose of this report is to inform Scrutiny Board of the reasons for the significant variance in capital requirements between the original DCR approvals in October 2011 and the current scheme costs, in respect of the All-Through School Developments at Carr Manor High School and Roundhay School Technology & Language College. In addition, this report seeks to provide some clarity for Scrutiny Board as to the timing of the original DCR report, upon which the capital allocations were approved. This report will also detail a number of lessons learned from the Carr Manor and Roundhay Projects, and outline the Childrens Services proposed approach to the improved management of major capital projects.

2.0 Background information

- 2.1 In July 2011 the Council's Executive Board approved the proposals to change the age range of Carr Manor High School from 11-18 to 4-18, with a reception admission limit of 30 (1FE), on existing land adjacent to the High School. This was followed in September with an All-Through School being approved on the former Braim Wood Site, Elmete Lane, for Roundhay School. Roundhay School's age range was changed from 11-18 to 4-18, and a reception admission of 60 (2 FE) was approved on the Elmete Lane site.
- 2.2 Both schemes were in response to the need for additional pupil places which were identified in 2010. The rising birth rate in Leeds has led to acute pressure on the availability of school places and the duty of the local authority to ensure a sufficient supply. The additional demand for places equates to 10 forms of entry each year of which these schemes contributed 3 forms of entry. Education Leeds had delivered a number of major school extensions for the basic need programme using a pre-procured framework contract using an off site Design and Build approach. Previously the Framework had only been used for extensions and not whole school buildings. Although the Carr Manor and Roundhay projects were complete school builds, it was anticipated that the Modular Framework would be used to deliver both schools due to its successful use in the basic need Programme.

3.0 General Issues

3.1 Timeline

July 2011	Executive Board approve the proposals to extend the age range of Carr Manor to 4 – 18
Sept 2011	Executive Board approve proposals to extend the age range of Roundhay to 4 – 18
Oct 2011	Executive Board approve the DCRs for both schemes
Dec 2011	Planning permission is deferred for both schemes pending resolution of parking issues
Jan 2012	Planning permission obtained including the additional requirements
March 2012	Executive Board approve the revised DCR for both schemes to allow them to progress

3.1.1 The submission of the DCRs in October.

- 3.1.2 The practice within Education Leeds for DCR's was that they were jointly produced by the Project Managers in Estate Management and the Finance officers that were

embedded within the team. The finance officers provided advice and guidance as to the timing and content of DCR's to the project managers. Frequently Education Leeds would submit DCR's for funding approval at an early stage in the development of a scheme. This means that reports were submitted on the basis of budget estimates, and prior to the completion of the full project design ("design freeze").

- 3.2.2** This practice has been previously effective in ensuring that schemes could be delivered quickly, and there was a good track record of accurate cost estimates. One example includes the Primary Capital Programme which is for the delivery of 6 new and refurbished primary schools by the Leeds LEP and their supply chain. These projects have been delivered on programme and on budget. A number of the other projects where early DCR submission has occurred are detailed in Appendix 1.
- 3.2.3** Many of the Basic Need schemes up to this point were delivered using modular accommodation for which a framework agreement was in place. This gave approximate costs for modular extensions and had proved reliable as a basis for estimating the overall costs.
- 3.3** The modular framework contract was designed for the delivery of modular extensions at schools across the city. In 2009 when the modular framework was procured it was not envisaged that 'whole school' solutions would be required. Consequently the use of this framework for the delivery of whole school solutions has led to a high level of additional costs ("extra over") from the contractor on both schemes.
- 3.3.1** "Extra over" items are valid contractor costs that are outside the scope of the contract. In respect of the modular framework, as these were 'whole school solutions', these included additional costs for increased site establishment and welfare as well as project management fees. These costs across both schemes totalled £1.9m.
- 3.4** The Carr Manor and Roundhay schemes were submitted to the Council's Executive Board on 12th October 2011 to seek authority to incur the necessary capital expenditure. The approval amounts contained in the reports were budget estimates calculated from an average of Education Leeds 2010 modular scheme final account costs, with a percentage allowance for contingency, external works, inflation, and fees. The Carr Manor DCR sought approval of £2,574,130 whilst the Roundhay DCR sought an approval of £4,430,200. Both alluded to site specific information for which no appropriate costs were known. Contractors estimates had not been obtained. Planning permission had not yet been granted so no detailed costs could be given. The DCRs had been submitted in line with project deadlines containing significantly under-developed costs.
- 3.5 Planning Considerations.** There had been early discussions about the schemes with Planning and Highway Officers, however these were not always specific enough to be able to inform the DCRs. The planning requirements added significantly to the costs and these discussions continued with both Planning and Highways even after the design freeze stage had been reached on both schemes. The information obtained from these discussions was not used to inform the initial DCR.

- 3.6 Ground Conditions.** Information from the site surveys and the associated costs were not known until after the submission of the DCR. Whilst some generalised estimate for meeting site conditions had been included these were wholly insufficient and were not site specific.
- 3.7** In addition there has been a range of both project and site specific considerations that have led to the requirement for additional capital resources. These are detailed as follows:
- 3.8 Roundhay**
- 3.8.1 Modular contractor going into Administration**
Britspace, the original contractor, was allocated the scheme for only 10 weeks before going into administration. This was a critical period for the scheme development, and at this stage Britspace had not submitted a planning application, or costs and the design was only between 50 and 60 % complete. Whilst a replacement contractor was appointed, Waco, there was a necessary lead in period for them to take over the existing design team specialists (architects, engineers and landscapers), and to ensure that their modular system could match the previous design. The consequence of the change in contractors led to a delay of between 6 and 8 weeks in progressing the design along with associated costs.
- 3.8.2 Ground Conditions**
The Braim Wood site had significant site challenges that have impacted upon the cost and programme of the scheme. In summary these are in four key areas: site level changes, ICT linkages, security and green belt treatment. The changes in level had a range of implications which necessitated significant engineering solutions including retaining walls and structures between the site plateaux, bridge links to upper levels to meet DDA access/egress, ramps throughout the site, pathways accommodating the level changes and increased hard surface requirements.
- 3.8.3** Whilst there were challenges on the ground conditions the majority of site surveys were not carried out until after the submission of the October 2011 DCR. Although the figure in the DCR did include an allowance for external works, this was insufficient for the Roundhay scheme. The costs in relation to groundworks are substantial and are in the sum of £1,495,856.12, which was not reflected in the DCR.
- 3.8.4 Planning Considerations**
The All - Through school at Roundhay was required to comply with the Planning requirements for building within both the green belt and a conservation area. The conservation area/green belt status of the site has presented planning conditions impacting on the specification of the building design and structure, expensive external building materials, boundary treatment, lighting, path surfacing treatment and design, tree protection measures and a significant landscaping scheme.
- 3.8.5** Although the site was identified as green belt at site selection stage, the extent of the consequent high level of cost was underestimated and not built into the DCR costings. The first modular contractor, Britspace, went into administration which delayed the progress of the scheme, however rather than delaying the DCR it was submitted in line with the project deadlines. This led to a lack of site survey information and costs being built into the DCR.

3.8.6 Although discussions had been held with Highways and Planning officers throughout the planning process, additional development requirements were included that had not been anticipated. Detailed discussions with the Planning Officer in June and July 2011 helped inform the design team for the requirement of “high quality materials in a conservation and green belt area”. The Planning Officer also stressed his concerns against use of a modular solution, and consequently emphasised the use of supporting mitigating measures such as robust landscaping.

The Planning Officer’s gave a clear direction as to what was an acceptable scheme, but this was not priced until the design developed further. Consequently the project manager did not include any appropriate cost implications in the October 2011 DCR. The discussion with the Planning Officer around appropriate construction materials and finishes continued after the "Design freeze" stage had been realised. These had also been the subject of discussion at Plans Panel, and the imposition of changing requirements in terms of finishes and materials had an additional impact upon the project costs after the October DCR. There was poor project control in this respect.

3.8.7 In relation to discussions with Highways Officers, early engagement in July 2011 identified the need for a change in speed limits along Wetherby Road, Traffic Regulation Orders, and the need to address driver visibility on the Elmete Lane/Wetherby Road junction. At this early stage, an allowance was made within the budget for Highways costs. Again these estimates were later found to be insufficient, and were not based on the outcome of the advice. In common with the Planning Officers comments, the depth of the discussions with Highways did not lead to the project officer including any additional costs into the October 2011 DCR.

3.8.8 The Planning application for the Roundhay scheme was deferred by Plans Panel East on 1 December 2011 until January 2012, requesting the inclusion of an on-site parental car park. Parental car parking provision was not promoted by the Highways Officers, and therefore this additional requirement could not have been anticipated and was not included in the original scheme. The additional costs in relation to the Planning requirements at Roundhay are in the sum of £634,462. These are detailed as follows:

- (i) Highways off-site works £330k
- (ii) Improved quality roofing tiles £40.25k
- (iii) Footpaths and paved material upgrades £23.92k
- (iv) Additional staff car parking £2.3k
- (v) Parental parking area £238.62k

3.8.9 In addition to these costs, there were additional costs in terms of time/programme slippage, redesign work, and additional surveys (bat roost; tree reports; another set of ground investigations) and delayed achieving design freeze and the issue of the Stage 2 contractor costs. These extra costs were much harder to quantify as they were spread over a number of costing areas.

3.9 Carr Manor

3.9.1 The original DCR report in respect of Carr Manor was submitted to Executive Board with a total cost of £2,574,130. As with Roundhay, the DCR approval figure was based upon an estimated cost base built on previous modular extensions, with an

allowance for external works, fees and a project contingency. The cost base was not site specific to the Carr Manor scheme. The Carr Manor scheme had a number of specific considerations that have led to the requirements for additional capital expenditure. These are detailed as follows:

3.9.2 Survey information and ground conditions

Unlike the Roundhay scheme, intrusive site surveys were completed prior to the submission of the October 2011 DCR. Once site clearance commenced a high level of construction contamination was found, although the selected location was a brownfield site of 'made' ground. This resulted in an additional cost to the original DCR approval in the sum of £75k which could not have been reasonably foreseen.

3.9.3 Highways and Planning considerations

Pre-application consultations identified the requirement for a series of extensive highway works, which included traffic regulation orders, barrier railing, crossing points and traffic calming measures. Despite discussions in July 2011 with Highways Officers, the early stage of the DCR did not incorporate any costings for the off-site highway works into the DCR, now known to be in the sum of £100K. As with the Roundhay application, the Planning application for the Carr Manor scheme was deferred on 1 December 2011 until January 2012, pending the inclusion of a parental car park. In common with Roundhay on-site parental car parking was not promoted by the Highway Authority and therefore the additional cost requirements could not have been anticipated and were not incorporated into the original DCR.

3.9.4 Another major factor that added to the additional cost requirement was the Planning Officer's requirement for the inclusion of a mono-pitch roof. This item added £230k to the scheme costs. In total the additional costs on the Carr Manor scheme are £655,033, making a total project cost of £3,229,163.65.

3.10 Lessons Learned

3.10.1 The DCR was submitted before the planning permission process, design freeze and without proper screening by a senior officer. This approach towards DCRs was not uncommon in Education Leeds.

- The restructure of the senior leadership posts in Childrens Services were not complete until January 2012. The culture and expectations now within Children's Services are clear. A robust screening process for the approval of all DCR's has already been introduced. This involves all DCR'S being cleared by a senior manager in the Built Environment team, and the senior finance officer, to ensure that reports are of a high quality and the content is accurate, before passing to the respective Chief Officer for final sign off.
- No reports are submitted for funding approval prior to "design freeze" at which time there is a degree of cost certainty. It should be noted that waiting for designs to be developed and cost certainty to be achieved, creates potential slippage in construction programmes. In the case of future Basic Need developments, in particular, this may lead to the need for temporary accommodation solutions, and the use of temporary modular buildings at school sites across the City.
- DCRs will be clear about the extent of site specific cost estimates and whether they relate to surveys that have been carried out. With all building

projects there remains the potential for additional works to be identified once work begins on site.

3.10.2 There had been a culture within Education Leeds of pressing to meet very ambitious project deadlines to deliver school places. Whilst this has resulted in a large number of expansion projects that have been successfully delivered within remarkably tight timeframes, it has also led, in this instance, to a very early submission of a DCR with significantly under-developed costs.

- Childrens Services are seeking to deliver successful projects. It recognises that this may include the need for some temporary solutions, rather than striving to meet an unrealistic deadline.

3.10.3 Due to the very large number of Basic Needs projects that are necessary to meet the demographic changes in the City, the capital funding provided by central government is likely to be insufficient. This had led the team to reduce the level of contingency included early in the scheme to too small a level to be practical. In the case of both the Roundhay and Carr Manor projects, a sum of only 1% of contract value was originally included as a contingency figure, where a figure in the region of 10% would be usual.

- Now all current and future DCR'S for capital projects and programmes include an appropriate contingency to cover unforeseen costs that may occur on major developments The inclusion of a contingency sum in a contract is good practice and provides for the numerous unforeseen issues that can arise with any building project.

3.10.4 Although advice was sought from colleagues in both Planning and Highways these discussions did not go on to inform the costs in the DCR.

- Since the experience of the Carr Manor and Roundhay Projects, Children's Services have developed more robust and closer working relationships with colleagues across the Council, in Planning Services Highways and Corporate Asset Management. This process of improved relations, involves more coordinated early stage discussions with Council colleagues in identifying potential sites for future educational developments, and their suitability. This is an attempt to identify any potential site and planning risks relating to preferred sites, in particular any planning and Highway considerations and associated early stage costs. Where such advice is obtained DCRs will only be accepted where cost estimates relating to that advice have been obtained.

3.10.5 In addition Children's Services has established a regular liaison meeting with Highways to review proposed highway works on education schemes and to challenge design costs.

3.10.6 Project Managers produced DCRs without incorporating costs estimates based on advice provided, and submitted the reports without an appropriate clearance through senior officers.

- Children's Services has identified a training need for project managers, who were part of the former Education Leeds, to ensure they are fully conversant with the Council's financial and governance processes. A suitable training

session is currently in development with individual performance of officers monitored through the appraisal process.

3.10.7 The Council has recently established a Joint Venture Company (JVC) with Norfolk Property Services, NPS (Leeds), for the provision of a multi-disciplinary Architectural and Property Service across the Council's estate. Childrens Services has consequently commissioned NPS to develop appropriate design solutions on the next phase of "whole school" building solutions including major basic need expansion schemes at Morley Newlands, Florence Street, Little London, and South Leeds.

- The modular framework is not being used for any further whole school projects.

3.10.8 In tandem with the involvement of NPS, Childrens Services has also commissioned the Council's Public Private Partnership Unit (PPPU) to support with project management and governance on the next phase of major basic need projects. PPPU have considerable experience in the project delivery and governance field, having worked closely with both Education Leeds and Children's Services on the delivery of education PFI, BSF and Academy projects. The internal costs associated with this, however, are considerable.

- Childrens Services is working across the council to strengthen its capacity to deliver successful projects whilst addressing training and development needs.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The proposals in respect of changing the age range of both secondary schools and the provision of 90 additional pupil places for 2012, have been subject to extensive consultation including public consultation, and legal requirements in accordance with statutory process, since December 2010. The Executive Board reports are listed in section 7.

4.1.2 All ongoing works have been the subject of consultation between Children's Services Officers, the schools and governing body, and the public via the statutory planning process. In addition, throughout the project development there is a constant process of liaison between both schools and Children's Services officers.

4.2 Equality and Diversity / Cohesion and Integration.

4.2.1 The EDCI assessment was completed at the outset for the new schools and is available from the Children's Services Capacity Planning and Sufficiency team.

4.3 Council Policies and City Priorities

4.3.1 The proposed scheme will meet the Local Authority's statutory duty to provide sufficient school places. These schemes also make a positive contribution towards the modernisation of the school estate across the city, and should help raise standards and educational attainment amongst school pupils.

4.4 Resources and Value for Money

4.4.1 Since submission of the original DCRs in October 2011, the costs on both basic need schemes have reported significant increases of £655k in respect of Carr Manor All-Through School and £2.77m in respect of Roundhay All-Through School, a total of £3.43m.

4.4.2 The need for this additional funding was reported to Executive Board on 7th March 2012. The additional funding has been allocated from two secured grant funded schemes, £3.177m from Scheme 14185/000/000 Devolved Schools Capital Grant and £0.253 from Scheme 16404/000/000 (2011/2012) basic need Grant.

4.4.3 It is the opinion of our consultants, Jacobs, that both the Carr Manor and Roundhay schemes represent value for money, given the range of challenges that we have faced in respect of both sites. The schemes at Roundhay and Carr Manor fairly represent what it costs to build on two complex and challenging sites, in particular given the challenges of planning delays and contractor Administration.

4.4.4 The key areas and reasons for the variance and the need for additional capital funding are as follows:

- (i) The production and timing of the DCR submission: The DCR'S were produced collaboratively by the client project managers and the embedded financial team within Education Leeds Estate Management. They were written without developing cost estimates based on the actual sites, advice received from Planning and Highways officers, and prior to design freeze. As a consequence the estimates were without any secure foundation.
- (ii) The nature of the modular framework was such that it was primarily designed to deliver modular extensions. The use of this modular framework for the delivery for the first time of 'whole school' solutions has led to a high level of "extra over" costs from the contractor across both schemes. This was not anticipated and appropriate advice from the consultants was not sought.
- (iii) Planning Considerations. Whilst there was early engagement with Planning and Highway Officers, the effect of these discussions were not sufficiently developed to be priced, and consequently were not incorporated in the early DCRs. The impact of the Roundhay scheme being in a conservation/green belt area, had a significant impact in terms of enhanced finishes, treatments and construction implications. In addition the need to incorporate a parental car park, which could not have been anticipated, and a scheme of off-site highway works added significantly to the additional capital requirements.
- (iv) Ground Conditions. Information and costs from the Carr Manor and Roundhay site surveys were not incorporated in the DCR reports.

4.5 Legal Implications, access to Information and call In

4.5.1 This report will not be subject to call in.

4.6 Risk Management

4.6.1 The Project management of these two schemes was undertaken under the model formally used within Education Leeds. This is based on Prince 2 methodology. All

project managers are now using the Council's Delivering Successful Change methodology.

5 Recommendations

5.1 Scrutiny Board is requested to note:

- (iv) The rationale behind the timing of the two original DCRs to Executive Board in October 2011, which had inaccurate cost estimation relating to limited site specific survey information available at that time.
- (v) The reasons for the additional capital funding in respect of the All-Through School projects at Carr Manor and Roundhay, totalling £3.43m
- (vi) The lessons learned from the Carr Manor and Roundhay projects and a revised approach being adopted being by Childrens Services in the management of major capital projects.

6 Background documents¹

Executive Board reports:

15 December 2010 : Primary Place Planning for 2012

30 March 2011: Basic need programme 2012, outcome of consultations on proposals for primary provision for 2012 and request for authority to spend (ATS).

18 May 2011: Basic need 2012, outcome of consultations on proposals for primary provision for 2012.

27 July 2011: primary Basic need 2012, outcome of statutory notices for the expansion of primary provision in 2012.

7 September 2011: primary basic need programme, outcome of statutory notices for the expansion of primary provision in 2012

7 September 2011: Response to Carr Manor road safety group, deputation to full council on 13/07/2011

12 October 2011: Design and Cost Reports for Roundhay High school Technology college, and Carr Manor High School

7 March 2012: Design and Cost Report to Executive Board for additional funding in respect of Roundhay and Carr Manor all through schools

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1

Scheme Title	Executive Board Approval	Amount Approved by Executive Board	Contract Award (COA)
2010 Basic need Programme	April 2010	£8,329,800	Summer 2010 (Various)
Clapgate Primary School Extension	January 2009	£850,000	June 2010
Windmill Primary School Extension	January 2009	£850,000	July 2010
Morley High School Music Block	April 2009	£1,000,000	May 2010
Bruntcliffe High School Science Block	April 2009	£1,600,000	April 2010
Primary Capital Programme	August 2010	£33,125,500	February 2011 to June 2011 (Various)