

Decision Session - Executive Member for Children, Young People and Education

Report of the Corporate Director, Children, Education and Communities.

Centre of Excellence for Disabled Children and their families in York

Summary

1. The report will provide an update of the current cost and budget position for the Centre of Excellence for Disabled Children and their families in York.
2. The budget for the new Centre was agreed at City of York Council Executive on January 2018 and revised at the Executive in April 2018.
3. A Contractor has been procured early, via a Pre Contract Service Agreement, to work with existing design team to identify efficiencies, build ability issues and develop a detailed cost submission.
4. Initial cost submission exceeded the agreed budget. A value engineered exercise has been undertaken, in order to reduce cost without compromising the co- produced design and outcomes for disabled children.
5. The costs are now within budget, but further funds are required to ensure there is an adequate client contingency throughout the construction phase. This extension to the budget needs to be agreed in order to ensure the requirements of the external health funding are met and the project aligns with the development of Lincoln Court, therefore delivering shared cost efficiencies.

Recommendations

6. That the Executive Member for Children, Young People and Education:
 - a. Agree an increase to the budget by £250 000 in order to ensure there is adequate contingency, to be funded by a virement from uncommitted resources within the Education Basic Need capital budget.
 - b. Agree to delegate authority to the Director of Children, Education and Communities, to appoint a Contractor to carry out the works, subject to the project being deliverable within the available budget.

Background

7. The budget which was agreed and then revised at City of York Council Executive is £4.274m. External health funding of £1 073 650 has been secured from a Transforming Care Capital Grant, which has been added to overall budget.
8. Early Contractor Involvement via a Pre Contractor Service Agreement has enabled a preferred Contractor to develop a detailed cost submission for the project. The initial cost submission exceeded the agreed budget so a value engineering exercise has been undertaken alongside the existing design team, with consultation with front line practice and parent carers.
9. There were 3 reasons why the initial cost submission was over budget; 1. Lack of competitiveness of quotes within the work packages, 2. Some areas of design were overly complex which increased the construction costs 3. There were some areas that were not factored into the original cost estimate completed by the Independent Cost Consultants recruited by the Council.
10. The value engineering process has been completed with Cost Consultants, Contractor, Architects and Internal Council experts. Areas of design have been simplified, additional more competitive quotes have been obtained for all work packages and areas that were over specified have been reduced.

11. Independent Cost Consultants have worked closely with the Contractor to scrutinise and challenge the cost submission. Each cost has been benchmarked against the external market, in order to ensure the project achieves and demonstrates value for money for the Council.
12. All value engineered changes and proposals have been consulted on and agreed with front line practice and parent / carers. This continues the co production approach of working alongside key stakeholders in every stage of the design and implementation.
13. All agreed value engineered proposals represent non material changes from a planning perspective. All changes will not compromise the outcomes that the new building will deliver for disabled children and their families.
14. A summary of the current cost position against agreed budget is contained within exempt Annex A.

Options and analysis

15. The costs are within budget with a minimal contingency. Following internal discussions and consultation with Cost Consultants, the project is seeking to increase the client contingency, in order to reduce the risk of costs exceeding agreed budget in the construction phase.
16. In order to increase the contingency to an agreed amount the budget needs to be increased by £250 000. The new breakdown is contained in exempt Annex B.
17. The project is also seeking agreement of delegated authority to the Director of Children, Education and Communities, to appoint a contractor to carry out the works. This agreement will align with the agreement and the programme for the development of Lincoln Court. This will ensure there are cost efficiencies delivered by enabling a shared contractor to deliver both projects concurrently.

Implications

Financial

18. An increased contingency enables the project to manage the risk of overspend more effectively throughout the construction phase. Sufficient uncommitted resources are available within the Education Basic Need capital budget to fund the increase.
19. The basic need budget totals £25.7m over the period 2019/20 to 2022/23 to help manage the capital implications of projected pupil number increases. Further details of the proposed basic need expenditure plans will be brought forward for Member consideration later in the year.
20. Under the council's financial regulations (part B, scheme of capital virement delegations) the Executive Member holds delegated authority to approve the virement of £250k in consultation with the Director of Children, Education and Communities.
21. If the budget increase is not agreed, the progress of the overall project could be delayed. This will impact on the Council's ability to draw down the agreed the £1 073 650 Health funding.

Risks

22. The following risks relate to the recommendations within this paper. They are part of the risk plan for the overall project.
 - Increased budget not agreed which risks the project overspending the budget in the construction phase, due to unknown risk items.
 - Decision on the increased budget delayed, which risks the Council to losing £1 073 650 Health funding and the cost efficiencies achieved by running two projects (Lincoln Court) concurrently with the same Contractor
 - Increased budget not agreed, which calls into question the financial viability of the overall project. This could cause the project to stop which would impact on stakeholders, partner agencies and outcomes for disabled children.

Contact Details

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	Report approved	✓	Date 7/6/19
Specialist Implications Officer(s) None			
Wards Affected:			All ✓
For further information please contact the author of the report			

Background Papers

None

Exempt Annexes

Annex A	Current budget position
Annex B	New budget position