

West Dunbartonshire Council

Report by Director of Education and Cultural Services

West Dunbartonshire Council: 26 April 2006

Subject: “Building Our Future” Schools’ Regeneration PPP Project – Project Update

1. Purpose

- 1.1 The purpose of this paper is to provide Council with an update on progress made to date on the Schools’ Regeneration PPP Project.

2 Background/Main Issues

- 2.1 At present, West Dunbartonshire Schools’ PPP project is approaching what is known as the ITN phase. ITN stands for “Invitation to Negotiate” and represents the phase of PPP when the Project Team will be making an invitation to a number of potential bidders to bid formally for the contract to build our new schools.
- 2.2 The Project went to the market in December 2005 through a notice in the Official Journal of the European Union (OJEU). The Council organised a bidders’ day on 10 January 2006, an event attended by the Leader of the Council, the Convener of Education, the Chief Executive, the Director of Education and Cultural Services and several other officers of the Council. The event attracted over 80 individuals from industry, representing a wide range of interests; the project’s external advisers have stated that it was the best attended and most successful event of this nature to have taken place in Scotland in recent years.
- 2.3 The closing date for expressions of interest in the project was 9 February and by that date submissions had been received from 5 potential bidders:
- Balfour Beattie Capital Projects (trading as Transform Schools)
 - Amey/Carillion (trading as West Dunbartonshire Schools Project)
 - Morrison Construction
 - First Class Consortium (led by Hochtief)
 - Bam PPP

- 2.4 It should be noted that these are all major players in the PPP/PFI market; they all have recent experience of building, maintaining and facility managing schools; and they are all currently involved in the Scottish PPP scene. Again, the project's external advisers have informed the Project Team that this is the greatest level of interest in a Scottish schools' PPP project for several years. Moreover, because all 5 potential bidders are major players, none can be instantly dismissed as being incapable of taking on the project.
- 2.5 The Project Team has examined the five submissions (known as Pre-Qualification Questionnaires). These are vast documents detailing the commercial capability, financial and legal backing, technical expertise, PPP/schools/Scottish market experience and personnel/plant/supplier availability to undertake a project of this size, both in construction and in facilities management terms.
- 2.6 Because all 5 potential bidders have fulfilled the basic criteria (i.e. each is capable of delivering a project of this size) it was necessary to assess the quality of each of the submissions against pre-determined criteria
- 2.7 The Project Team (assisted by our external advisers) conducted two-hour interviews early in April with each of the 5 potential bidders to test the ability of each potential bidder to deliver what WDC is looking for.
- 2.8 The Project Team is now double checking compliance criteria and calling in references.
- 2.9 By 25 April, the Project Team hope to be in a position (again based on strict pre-determined criteria) to recommend to the Project Board a short list of 3 potential bidders whom we wish to invite to negotiate with us. Market experience indicates that 3 is the optimum number of bidders with whom one should enter into formal negotiations: fewer than 3 may mean inadequate competition; more than 3 may mean that bidders withdraw because they believe they have limited chance of success. If the Project Board approves these recommendations, it will pass them on to the Schools' Procurement Committee for a final decision.
- 2.10 Approval for the terms of the ITN will also have to be secured from the Scottish Executive, who, along with Partnerships UK (PUK) will shortly conduct what is known as a Key Stage Review to check that the Council has complied with all legislative requirements and has conducted proceedings according to established best practice.
- 2.11 Assuming that all necessary approvals are secured timeously, it is hoped to issue the ITN documentation in late May or the first week in June.

- 2.12 Over approximately the next 4 months, the selected bidders will spend time considering Council specifications and other documentation, talking to stakeholders, listening to what the Council wants from the project and developing detailed plans and designs for the schools. At this stage, the advantage (to an extent) is with the Council, since each bidder will almost certainly have committed over £1m to the bid process and will be very keen to secure the final contract by offering the Council more than its competitors can offer. At the end of this 4 month period, the Council will receive worked up bids from each of the bidders and the Project Team will spend approximately 2 months appraising these bids.
- 2.13 By December 2006, it is hoped that the Project Team will be able to recommend to the Project Board/Schools' Procurement Committee (again according to strict pre-determined criteria) the appointment of a Preferred Bidder. Scottish Executive approval is also required at this stage.
- 2.14 After the appointment of Preferred Bidder, there begins a phase of intense negotiation between the project team and the Preferred Bidder to firm up on financial and commercial considerations, design and specification details, phasing of the build aspect of the project, life cycle maintenance issues and facilities management procedures for the schools involved. As soon as Financial Close has been achieved (hopefully in spring/summer 2007), the construction phase will begin.
- 2.15 If all goes to plan, schools will be constructed between 2007 and summer 2010, with all schools being handed over by August 2010. Payments are only made to the contractor after the schools begin to be handed over, with full payments being made only after all schools have been completed. It should be noted that no decision has yet been made on phasing or on the order in which schools will be built. Indeed, all of the bidders have indicated that they have the capacity to proceed with construction on all 4 sites simultaneously, if that is the Council's preferred option and if there are no unexpected factors which delay the commencement of ground work.
- 2.16 In short, the project is proceeding apace and is still on target for completion by August 2010 as planned.

3. Financial Issues

- 3.1 Appendix 1 details changes to costings and space standards which have taken place since the project's Outline Business Case (OBC) was approved by Council on 8 March 2004 and explains the reasons for these changes.

- 3.2 Appendix 2 is a table outlining in more detail changes in costings and space standards between the OBC and the Revised Outline Business Case (ROBC).
 - 3.2.1 It should be noted that, in Appendix 2, OBC costs have been increased according to inflation rates in the construction industry and therefore appear higher than the equivalent figures in Appendix 1.
 - 3.2.2 It should also be noted that the ROBC costings are lower than the current costings shown in Appendix 1, since the latter figures have had subsequent inflation rates applied to them, together with changes in costs arising from recent changes to school specifications.
- 3.3 It is worth stressing that, because the Clydebank secondary schools are larger than the Dumbarton/Vale schools, economies of scale do apply. Quite simply, the larger the school, the lower the capital and revenue cost per pupil. This does not mean that pupils in smaller schools are getting a better deal than those in larger establishments; merely that one has to spend more on a per capita basis to achieve the same access to required facilities.

4. Personnel Issues

- 4.1 There are no personnel implications arising directly from this paper, although there are personnel issues which result from school amalgamations and from the transfer of staff to the future service provider. These issues have been addressed in papers previously approved by Council.
- 4.2 Consultations with stakeholders are currently being programmed to take place over the coming months with regard to design and specification issues.

5. Conclusions

- 5.1 The high level of market interest in West Dunbartonshire Council's Schools' PPP Project at this pre-ITN stage indicates that the project is very much on course to deliver new, modern, fit-for-purpose schools on schedule for the benefit of the young people of West Dunbartonshire.

6 Recommendations

6.1 Members are asked to note the contents of this report and its appendices.

Bob Cook
Director of Education and Cultural Services

Person To Contact: Terry Lanagan, Head of Schools' Estate, Schools' Estate Unit, Braidfield High School, Queen Mary Avenue, Clydebank G81 2LR

Background Papers: Council Report 31 August 2005 - "Building Our Future (Schools PPP) Revised Outline Business Case"

Wards Affected: All

Appendix 1

PPP: Explanations of Costings and Space Standards

In March 2004, the Outline Business Case provided the following costings for the 4 Community Learning Centres involved in the project (all figures in £millions):

<u>CLC</u>	<u>Secondary</u>	<u>Primary</u>	<u>EE&CC</u>	<u>Total</u>
Clydebank Non-denom.	£26.54	-	-	£26.54
Clydebank Denom.	£22.93	£2.394	£0.36	£25.684
Dumbarton	£12.32	£3.78	£0.36	£16.46
Vale of Leven	£16.94	£2.52	£0.54	£20.00

Notes:

- these figures assumed 11 square metres per pupil in all secondary schools and 7 square metres per pupil in all primaries and EE&CCs and made no allowances for differential costs and square metreages per pupil in different sizes of school;
- the costings assumed a 25 metre swimming pool, hydrotherapy pool and other associated facilities in the Clydebank Non-denominational campus; this facility has since been dropped from the programme;
- the primary school and EE&CC on the Vale of Leven campus have since been dropped from the programme;
- a Sensory Impairment Unit (for pupils from all over the WDC area) has since been added to the Dumbarton CLC;
- a Communication Base (for pupils on the autistic spectrum from all over the WDC area) has since been added to the Vale of Leven CLC;
- all costings at the time of the OBC were of necessity very approximate, since no detailed timetabling had been done at that stage for any of the schools, and “ball park” projected rolls of 1600, 1400, 800 and 1100 had been used for the 4 secondary schools respectively.

Since March 2004, there have been regular updatings of costs. These have been carried out by our Technical Advisers Turner & Townsend, in partnership with our Financial Advisers Caledonian Economics. Factors affecting changes from the original costings include:

- the fact that smaller schools are more expensive to build (calculated on a cost per pupil basis) than larger schools;
- the fact that the number of square metres per pupil is inevitably larger in small schools than in larger schools. This is because there are certain spaces which are common to all schools regardless of size (e.g. games

- hall, medical rooms, corridor widths, some offices) and other spaces which are not directly proportionate in size to the roll of the school (e.g. assembly hall, some offices, kitchens and dining rooms, aspects of circulation space);
- the fact that the more recent figures reflect what we actually require to construct in order to deliver the curriculum in each of the schools (based on information from educational advisers, timetablers, Head Teachers, teachers and other stakeholders);
 - inflation in the construction industry;
 - the fact that costs have risen more sharply for the construction of primary schools and Early Education Centres than for secondary schools.

The current capital cost estimates are as follows:

<u>CLC</u>	<u>Secondary</u>	<u>Primary</u>	<u>EE&CC</u>	<u>SI Unit</u>	<u>Com. Base</u>	<u>Total</u>
Clydebank Non-denom.	£25.502	-	-	-	-	£25.502
Clydebank Denom.	£24.377	£5.232	£1.105	-	-	£30.715
Dumbarton	£16.736	£6.155	£1.013	£0.305	-	£24.209
V.O.L.	£20.654	-	-	-	£0.526	£21.180

