

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

23 May 2023

**REPORT AUTHOR: County Councillor Pete Roberts
Portfolio Holder for a Learning Powys**

REPORT TITLE: Welshpool C.in.W Primary School Project Virement

REPORT FOR: Decision

1. Purpose

This report seeks approval for additional funding of £150,000 for the Welshpool C.in.W Primary School Project, following the finalising of accounts.

2. Background

Welshpool C.in.W Primary School is a new build school that opened in January 2021 as part of the transformation of schools in the town. The project was part of the Council's 21st C Schools Programme Band A (2014 – 2019), and was funded by both the Welsh Government and Powys County Council. The project faced a number of unique challenges throughout its duration, as outlined in the chronology below:

- **17th January 2017:** Cabinet approved the following proposals for the transformation of education in Welshpool:
 - To establish a new English-medium Church-in-Wales (voluntary controlled) primary school that would operate initially on the current sites of Ysgol Maesydre, Gungrog and Oldford Schools, until it transferred in 2018/19 to a new school building that would be built on land at Welshpool High School. The school would be built to incorporate 360 places for primary children aged 4 – 11, with early years provision and a community room as well.
 - To establish a new Welsh-medium Community Primary School that would operate initially from the current site of Ardwyn School, until it transferred in 2018/19 to a new school building that would be built on the current site of Ysgol Maesydre. The intention was to demolish the old Ysgol Maesydre building and build a new 150 place Welsh-medium school on the site, which would also include early years and a community room.

- Dawnus Construction Ltd. was appointed as the main Design and Build contractor for both projects. The intention was to design and build both school buildings concurrently, meaning that economies of scale could be realised both in terms of construction and costs. Designs were developed during 2017 and both schools were designed as Passivhaus schools.
- **December 2017:** the Full Business Case (FBC) was approved by the Welsh Government for £13.7m to build the two schools. The financial information contained within the FBC was based on estimated costs provided by Dawnus Construction Ltd.
- **March 2018:** The authority received notification that Cadw had spot-listed the old Ysgol Maesydre building, indicating that their view was that the building had “*special and historic architectural interest*” and that it was “*a well-designed late C19 County Intermediate school – by one of the leading architects of the period*”, so required statutory protection.
- The original intention was to build the new Welsh-medium school on the playing field of Ysgol Maesydre, and to demolish the old buildings once they were unoccupied. At the time, the building was occupied by Welshpool C.i.W Primary School. As both new school buildings were originally planned to be built concurrently, the intention was to co-ordinate the construction work so that both schools opened at the same time.
- The listing of the Ysgol Maesydre building meant that the demolition could not happen. Consideration was given at the time to whether other sites in Welshpool were available for a new build school, however no sites were available.
- Advice from the Council’s planning department confirmed that it would have been extremely difficult for the Council to apply for the demolition of one of its buildings following the spot listing. Consent for demolition would only have been granted if there was no viable alternative to demolition.
- As the school was in operation at the time, and it was intended for a school to remain on the site, the issue was one of whether it was viable to adapt and upgrade the building as part of the redevelopment. The view was that adaptation was viable, although at considerable cost, and this would have been a material consideration for Welsh Government had an application been made to demolish.
- Given that a contractor had been appointed and was progressing the design, and that there was pressure to make progress, it was

agreed that the most expedient course of action was to develop proposals for adaptation rather than demolition.

- The impact of this was that the benefits associated with constructing two new schools at the same time were no longer achievable. Construction could not start on the Ysgol Gymraeg y Trallwng project until the listed building was unoccupied i.e. when the new building for Welshpool C.i.W Primary School was completed. Ysgol Gymraeg y Trallwng was therefore delayed, with an impact on costs.
- **19th June 2018:** To reflect the anticipated increase in costs on the Ysgol Gymraeg y Trallwng project, due to the Cadw listing, Cabinet agreed to increase the overall budget for the Welshpool project to £16,794,385, The cost information was supplied by Dawnus.

At this stage, the Welshpool transformation project was split into two separate projects. The following bullet points focus on Welshpool C.i.W Primary School only:

- **13th March 2019:** Dawnus Construction Ltd. was placed into administration with the immediate impact being on Welshpool C.i.W. Primary School, which was approximately 50% complete at the time, and had an intended opening date of September 2019. The Ysgol Gymraeg y Trallwng project was at RIBA Stage 4 and construction had not yet started.
- **March – September 2019:** a Dawnus Administration Project Group was established, which included the Portfolio Holder for Education, Portfolio Holder for Finance, S.151 Officer, Monitoring Officer, Director of Education, and officers representing Schools Service, HoWPS, Finance and Procurement. The purpose of this Project Group was to deal with the implications of the Dawnus collapse.
- The Project Group considered procurement options for both schools, with the priority being Welshpool C.i.W Primary School as that was partially-built at the time of the collapse. It was agreed to split the procurement into two separate tenders – one to complete the construction of the school, and one to complete the external works (highways, access and car park).
- Splitting the project into a 'building' and a 'highways' package allowed the Council to approach smaller contractors who could take a proportionate view of the risk and place the highways package in particular with parties most able to progress it i.e. the

Council's Engineering Design Service (EDS) and framework contractors. An approach was initially made to contractors on the SEWSCAP framework but there was very little interest. There was also strong political support for using smaller, more local contractors.

- **September 2019:** an invitation to tender was published to complete the construction of Welshpool C.i.W Primary School via an open tender. The contract was awarded to Pave Aways Ltd at a contract sum of £3,591,395 in December 2019, and work commenced on site in January 2020. Heart of Wales Property Services was responsible for managing this contract.
- **At the same time**, the highways package was directly awarded to Coyle Surfacing via the North Mid Wales Trunk Road Agency Resurfacing Framework. The NEC3 contract had a value of £474,495 in accordance with the Framework's Schedule of Rates prices. EDS managed this contract, with a working budget of £980,000 – this included £505,505 of contingency which was appropriate to reflect the level of risk for this project. It was recognised at the time that substantial further works would be required due to complexities and unknown factors on the site. The £980,000 also included works within the school boundary that were eligible for the Welsh Government's 21st C Schools Grant.
- **March 2020:** construction work was disrupted due to Covid-19, with work re-commencing in the summer. This had an impact on both the construction of the school and the external works.
- **January 2021:** the school opened to pupils.
- **September 2021:** all external access/highways works completed.
- **August 2022:** all external works were completed.

3. Final financial position

- 3.1 The overall budget situation is outlined below. In June 2021, Welsh Government approved a variation request to increase the funding envelope to take account of costs associated with the Dawnus administration. In March 2022, Cabinet also approved a virement for additional funding as a result of costs associated with the external highways works.

	£
School project (funded 50% by PCC and 50% by WG)	9,527,086
Variation request – approved by WG (June 2021)	1,145,332
Highways works (funded by PCC as not eligible for WG funding)	709,478
Revised approved funding envelope	11,381,896
Virement to fund additional costs of works related to footpath and landscaping – approved by Cabinet (March 2022)	200,000
Revised budget	11,581,896
Costs to date	11,731,896
Overspend	(150,000)

- 3.2 The table below shows that the project has a projected overspend of £150,000, which is related mainly to the cost of the external works. The items in red are higher than originally anticipated, and further information about the reasons for this are in section 4 of this report.

	Costs (£)
Dawnus	
<ul style="list-style-type: none"> • Payments up to March 2019 	4,789,151.07
Highways/access works post-Dawnus	
<ul style="list-style-type: none"> • Original budget based on tender • Contingency (risk) • Additional Works Outside Scope • Land contamination Remediation Works and Reporting • Footpath 	474,495.25 505,504.75 342,647.68 209,974.38 94,943.50
School construction work post-Dawnus	
<ul style="list-style-type: none"> • Completion of construction of school building • Additional work carried out during defects period 	3,486,800 10,000
Other	
<ul style="list-style-type: none"> • Direct Orders and Consultant Fees • Payments still outstanding 	1,748,142.07 70,237.28
TOTAL	11,731,896

4. Reasons for the overspend

4.1 **Change from Design & Build (D & B) to Traditional form of contract.** The main contractor went into administration in 2019 with the school partially built. Following a re-tender, another contractor was employed to complete the building work. Due to the risk profile on a partially completed project, it would have been impossible to appoint D & B contractors to complete, therefore the design risk had to transfer to PCC.

4.2 A separate tender was held for the external access and highways works. Whilst not directly contributing to the overspend, the fact that the project was split into two separate packages – one for the school build and one for the access works – didn't provide an ideal situation from a co-ordination point of view. A single contractor would have been more aware of gaps between work packages.

4.3 The increased costs are related to the external works that have been required on the site, which were complex, and are detailed below. These were dealt with as 'compensation events' i.e. a change to the works information from the original scope of a contract. Any change and/or addition to the tender works is managed in line with the NEC3 option B contract, allowing the contractor to claim demonstrated actual costs plus a percentage to cover overheads and profit, which would be stipulated in the tender.

• Land contamination remediation works

- As part of the planning application, a ground investigation survey was undertaken. The initial survey did not show any issues with the land.
- Once appointed, Dawnus' undertook further site investigations which identified that there was land contamination, namely an area which contained asbestos situated under the planned new road. Dawnus developed a remediation strategy to address this. Costs associated with remediation would have transferred to, and been payable by, the Council under the contract as a compensation event.
- However, when the new highways contractor commenced on site, they found that the area of contamination extended further than the area originally identified by Dawnus. This meant that Dawnus' remediation strategy no longer met the Council's Contaminated Land and Natural Resources Wales' requirements. The Council then had to employ another external body to undertake remediation works in the newly identified areas.

- **Installation of public footpath to meet planning condition**
 - The design of a new 330 metre public footpath was a planning condition which needed to link up to Gungrog Lane. Dawnus would have been responsible for preparing this design. However, this work had not been done, and therefore it was an extra part of work for the new contractor to undertake as a compensatory event. If this work had not been undertaken, the scheme would have been in breach of planning regulations.
 - This wasn't included in either the school build or the highways package - this was an oversight by the project team.
- **Works outside original scope**
 - Incoming Services (Gas, Water). These works originally fell within the contract to complete the school build. However, to assist the phasing and sequencing of works, these were transferred to the highways contractor due to the route of the incoming services coming through the site areas that they were working on.
 - Completion of the design and installation of Foul pump and raising main (including adoption) which was significantly longer than originally intended (450m)
 - Service diversion on the new highways access.
 - Additional road foundation due to poor ground
 - Works to provide safe routes to school over the Flash Leisure Centre junction
 - Re-doing works on an adopted county highways road which was in the wrong position and not constructed to adoptable standard
 - Design and construction of car park alterations - this included raising pedestrian paths to meet health and safety standards.
 - Fencing around the car park at the request of the school to ensure safeguarding
- **Other**
 - Completion of school build
 - Costs still to be paid, mainly related to completion of certification and fees

5. **Advice**

- 5.1 That £150,000 is allocated to the Welshpool C.in.W Primary School project to cover the outstanding costs. This funding will be taken from the unallocated amount currently held within the school's capital budget.
- 5.2 It is also advised that a full review of lessons learnt is undertaken, to include both the Welshpool school projects, and that this is shared with the Governance and Audit Committee's Capital Working Group.

5.3 It must also be noted that there are far more robust governance arrangements in place for capital projects and the transforming education programme compared with when this project was started. Business cases are thoroughly scrutinised at the Transforming Education Programme Board and the Capital Oversight Board prior to submission to Cabinet and the Welsh Government.

5.4 Many of the unique factors that affected this project were outside of the Council's control but will form the basis of a thorough review to ensure that the Council is better able to deal with a similar situation in the future.

6. Resource Implications

6.1 To fund this shortfall, it is recommended to transfer £150,000 from the unallocated amount currently held within the schools' capital budget. As this does not increase the overall capital programme budget, it will not increase the borrowing costs. However, this does reduce the amount available for future schemes and the impact of this will be disclosed as the future schemes are presented to Cabinet.

6.2 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation.

7. Legal implications

7.1 Legal: the recommendations can be accepted from a legal point of view

7.2 The Head of Legal Services and the Monitoring Officer has commented as follows: "I note the legal comment and have nothing to add to the report".

8. Data Protection

8.1 N/A

9. Comment from local member(s)

To follow

10. Impact Assessment

10.1 N/A

11. Recommendation

11.1 It is recommended that £150,000 is allocated to the Welshpool C.in.W Primary School project to cover the outstanding costs. This funding will

be taken from the unallocated amount currently held within the school's capital budget.

- 11.2 It is also recommended that a full review of lessons learnt is undertaken, to include both the Welshpool school projects, and that this is shared the Governance and Audit Committee's Capital Working Group.

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