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Carolyn Williamson

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Dear Ms Stephenson,

### Approval by Section 151 Officer – Havant Academy

In my capacity as Section 151 Officer for Hampshire County Council I have reviewed the Outline Business Case (OBC) for the Havant Academy. I am confident that the scheme is affordable (subject to ratification by the County Council's Cabinet on 27 September 2010), based on the agreed funding allocation and cost estimates prepared; as outlined below:

	<b>£m</b>
<b>Funding Allocation Model (FAM)</b>	<b>10.085</b>
Estimated construction costs (including site costs, abnormalities, fees, FF&E and ICT Infrastructure)	9.121
ICT hardware	0.964
<b>Total estimated cost</b>	<b>10.085</b>
<b>Affordability gap</b>	<b>0</b>

### Construction budget (including ICT)

As outlined above, the total estimated construction budget for the Havant Academy project is £10,085,501 (assuming a construction start date of August 2011) which lies within the allocated Funding Allocation Model (FAM) envelope.

This budget includes building costs, site costs, abnormalities, furniture and equipment, professional fees, ICT infrastructure, ICT hardware and inflation. It excludes provision of VAT for ICT hardware, currently estimated in the FAM at £168,744 (based on 17.5% of the calculated cost of ICT hardware – although this cost will increase to £192,850 based on a VAT rate of 20.0%). This VAT liability will be met through additional funding provided to the Academy as reflected in the FAM.

The construction budget includes both the Contractor's design and pre-construction services and those of the County Council's Property Department's for project management and initial design, which it intends to capitalise in line with its financial standing orders. This also includes the costs of the procurement and contract monitoring phases.

The remaining costs of managing the delivery of the Academy, together with project implementation, are provided for within the existing revenue and capital budgets of the County Council.

This construction budget has been derived from the design proposals outlined in the OBC, which have been developed to RIBA Stage B/C. The detail of the cost plan will be developed as the design progresses, in collaboration with the chosen D&B contractor, and will be subject to the gateway review process outlined below. The costs are based on a defined scope of works for new build, remodelling and refurbishment and take account of the site characteristics and constraints, Building Regulations and statutory requirements and meeting a BREEAM "Very Good" target.

### **Gateway Reviews**

To ensure that costs are controlled within the available budget, the project will be subject to 'gateway reviews' as identified in the County Council's corporate procurement strategy for major contracts. The gateway reviews will be carried out at key decision points, on a fully informed basis, to provide assurance that the project can progress to the next stage, whilst ensuring the project remains in budget and affordable. Further details of the this process are provided in the OBC.

### **Procurement**

As agreed in the Memorandum of Understanding with PFS, the County Council will deliver the Havant Academy through the established Improvement and Efficiency South East (IESE) Major Projects Framework. This framework was established in July 2007 and has delivered over £1bn of public authority projects for over 30 authorities, including nine BSF One School Pathfinder projects, proving a track record of delivery in secondary schools. The Framework follows a two-stage collaborative approach and is based on creating a continuous healthy tension between the framework contractors to deliver best performance, cost, and quality. The County Council is confident that this procurement route will enable the project to be delivered in line with the programme shown in the OBC

### **Construction Payments**

The form of contract will be as prescribed by the IESE framework and milestone payments will be agreed with the chosen D&B contractor before the contract is signed. The County Council will agree with PFS the payments to be made for each financial year over which construction takes place and confirms it will have sufficient funds to meet the contractual commitment to the D&B contractor at each of the milestones.

### **Conclusion**

The County Council fully supports the Havant Academy and has fully engaged with the Academy Trust to develop the OBC and the concept design. It will continue to work with the Trust to procure the design and construction of the building development but will remain the Contracting Party. The County Council fully expects to deliver the Academy in line with the FAM funding envelope, although it accepts that it will bear the risk of any overspends in the unlikely event they occur. Any overspend arising as a direct result of the Academy changing the design following Financial Close will be met by the Academy and not the County Council.

This financial risk will be mitigated through use of the gateway review project management process outlined above, and by revisions being made to the construction design if required.

The County Council also acknowledges that it will meet the cost of relocating the third party nursery currently on site. This cost is not included within the figures shown above, but will be met from the County Council's existing capital programme budget.

A final version of the Section 151 Officer's letter will be forwarded to Partnership for Schools immediately following approval by Cabinet on 27 September 2010.

Yours sincerely

Carolyn Williamson  
**County Treasurer (S151 Officer)**