


Agenda item:

[No.]

CABINET **On 8th September 2009**

Report Title. CYPs CAPITAL PROGRAMME UPDATE	
Report of Peter Lewis, Director of Children and Young People's Service	
Signed : pp Peter Lewis 	
Contact Officer : Maggie Shields, Head of Capital Finance CYPs	
Wards(s) affected: All	Report for: Key Decision
1. Purpose of the report 1.1. To update Cabinet on the capital programme for Children and Young People's Service and request approval to re-profiling the 2009/10 and future budgets	
2. Introduction by Cabinet Member 2.1. The BSF programme is a multi-million pound investment in our secondary schools. We have now completed the design stage of the programme and this report sets out the necessary re-profiling of the individual school budgets as we move into the construction phase. 2.2. The Cabinet report on the Primary capital programme approved in January 2009 was a high level report and did not contain details of specific projects. This report sets out those details but also reflects changes necessary in order to respond to the increased demand for primary school places and the likelihood of reductions in central Government funding streams. 2.3. As a result of these two factors it has been necessary to defer a number of	

projects and programmes, including planned condition works at a number of primary schools.

- 2.4. As a result of successful lobbying by London Councils some additional money has been made available by Government to meet the increased demand for primary places. We have submitted a bid for additional resources and hope to know the outcome in September.

3. Recommendations

- 3.1. That the revised BSF capital programme and associated funding proposals are approved as set out in Appendices B and C.
- 3.2. That the revised Primary and other CYPS capital programme and associated funding proposals are approved as set out in Appendices D and E.
- 3.3. That the programme of works at secondary school sites detailed at Appendix F be agreed.

4. Reason for recommendations

- 4.1. To update the overall CYPS capital programme with a more detailed breakdown of planned expenditure.
- 4.2. To provide a revised profile of expenditure based on an update of delivery progress against milestones.
- 4.3. To align the planned programme with a revised assessment of future resource availability.
- 4.4. To include provision in the programme to provide sufficient primary school places required from 2011.

5. Summary

- 5.1. Cabinet approved the CYPS capital programme on January 26th 2009 as part of the consideration of the Council's overall budget package.
- 5.2. This report provides a more detailed breakdown of the programme, including a full update of progress on the delivery of the BSF programme, and a description of the projects to be undertaken to support the Primary Strategy for Change, for which full funding approval was received from the DCSF in March 2009.
- 5.3. In addition, the report considers the key risks in relation to the overall programme and recommends revisions to the programme to mitigate their potential impact.

6. Introduction

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- 6.1. The CYPS Capital Programme was approved by Cabinet on 26th January 2009. The programme comprises the Building Schools for the Future programme which is delivering strategic investment in the secondary school estate, and the Primary and other CYPS capital programme, which covers investment in the Council's primary schools, Children's Centres and other Early Years provision, Youth Centres, and planned asset maintenance across the CYPS estate. A summary of the originally approved programme is shown at Appendix A.
- 6.2. The Council's Capital Strategy for 2006-2011 identified a total capital investment need in relation to Children's Services of £317m. This included an assessment based on the condition, suitability and sufficiency of the asset base employed in raising educational achievement, and covered all Secondary, Special and Primary Schools, nurseries and Children's Centres. The Council's Asset Management Plan is a key document which is informed by the strategy and underpins this review of the capital programme.
- 6.3. Investment under the BSF programme totalling £214m as set out in the report is expected to address the majority of key suitability, sufficiency and condition issues within the secondary estate. Where additional condition works are recommended to be carried out alongside this programme to secure value for money and minimise disruption to service delivery, these have been included in the proposed programme for approval to proceed. At this stage, further work is required to determine whether the individual elements of these works should properly fall to be financed from the BSF programme contingency, the existing PFI lifecycle fund or direct school resources.
- 6.4. The Primary Strategy for Change submission provided an updated assessment of investment need in 2008 for the primary sector with a total proposed investment programme of over £100m. However, as detailed in this report, the forecast resources available to address this need and set out in the proposed programme total just over £60m. It also needs to be recognised that a significant proportion of these resources, and potential future funding is necessarily being used to contribute to the provision of sufficient of primary school places. This limits the ability of the council to address existing backlog condition issues on the remainder of the primary school estate, with the consequence that the cost of remedying defects and bringing the assets back up to standard is likely to escalate. An updated estimate of the shortfall in relation to the need to invest in the primary sector alone of up to £40m would therefore be a reasonable assessment of the current position.
- 6.5. It also needs to be noted that whilst at present some limited funding for the maintenance of Children's Centres is being supplied by DCSF Early Years Sure Start Grant, there is considerable uncertainty as to whether this funding will be sustained in the future. The maintenance costs of these assets are likely to form a future pressure on Council budgets for which a funding strategy needs to be developed.
- 6.6. An updated condition survey is being undertaken of the primary school and children's centre estate as part of the proposed programme to further inform asset management planning and prioritisation in the future. Updated condition surveys

will be undertaken of the secondary school estate in 2012 following completion of the BSF programme to inform future proposals for lifecycle and facilities management of the estate post 2012.

6.7. An integrated team for the delivery of the BSF and CYPS capital programmes has been established since January 09. Programme delivery is managed using Prince 2 methodologies and is subject to robust governance and review processes, including Lead Member representation. The programmes are currently managed under the direction of separate programme Boards, with the BSF Board managing the BSF Programme, and the Pre School and Primary Capital Commissioning Board (PPS Board) dealing with all major non BSF related investment programmes. Delivery is also supported by a comprehensive programme support team, and the costs of delivery are fully included within the proposed programme.

6.8. The BSF capital programme is time limited programme covering the projects identified in the Outline Business Case submitted to DCSF in autumn 2006. The Primary and other CYPS capital programme is a rolling 3 year programme covering a portfolio of projects which are individually commissioned in response to the strategic objectives of the Children and Young Peoples Plan and to specific initiatives as required. The PPS Board is developing a robust commissioning process to ensure that all relevant capital funding streams, project definition, and project management resources are co-ordinated to focus on the delivery of key objectives within the overall Children's plan, and that projects are properly scoped before being put forward for inclusion in the approved programme.

6.9. For ease of reference the two programmes are considered separately below.

7. BUILDING SCHOOLS FOR THE FUTURE

7.1. The Building Schools for the Future programme (BSF) is part of a national capital investment to improve secondary schools

7.2. The Haringey BSF programme will provide £214m of investment across all maintained secondary schools in the borough, comprising:

- Highest investment in schools in disadvantaged areas of the borough
- The opening of a new school (Heartlands High) in Wood Green
- Increased inclusion across the range of special educational needs
- Major investment in ICT in all schools

7.3. The key benefits of the programme will be:

- Schools are a better place to be for children and adults
- Improved achievements by age 16 – especially English and Mathematics
- Improved learning for more young people through a more relevant curriculum

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- More young people studying post 16
 - Improved behaviour and fewer exclusions
 - Greater inclusion across the SEN range
 - Schools a focal point of their community
 - A Greener Borough

7.4. The Building Schools for the Future Programme is currently completing the key design phase and is moving into the build / complete / handover phase, The programme is Haringey Council's contribution to the DCSF led initiative to improve every secondary school as part of national objective to transform educational outcomes through a blend of construction related works, enhanced ICT and educational transformation. This report updates Cabinet Members on the outcomes expected within each scheme, and re-profiles each project budget to reflect agreements for the construction phase.

7.5. The Haringey BSF Programme commenced outline development work in 2005, working through the process of developing Strategic and Outline Business Cases to secure funding from Partnership for Schools (PfS) to enable the outline programme of works to continue. Detailed development of projects continued, with the finally agreed projects captured in the Outline Business Case Addendum agreed in Spring 2008 – this document confirmed the scope, design quality and affordability of each of the 12 BSF Projects by reference to the broad range of stakeholders ranging from educational, corporate, PfS and DCSF contributions.

7.6. Construction partners, drawn from the BSF Construction framework were invited to tender for the delivery of construction works. Four contractors (Apollo London Ltd, Balfour Beatty Construction Ltd, Breyer Group Ltd. and Willmott Dixon Construction Ltd.) have been appointed to deliver 11 projects so far let, with the final contractor for Fortismere School to be confirmed.

7.7. Appendix G presents an update on each of the 12 projects identifying key outcomes and milestones. The following paragraphs set out an overview of the issues overcome by the BSF Programme and the key challenges that lay ahead as the Programme moves into the key Build / Close / Handover phase:

BSF Programme – Achievements to Date

- 12 major school construction projects on site or about to be, with agreed budgets and programmes
- Final tender prices agreed below budget overall, with £1m of savings returned to contingency
- Interim ICT MSP operating in all schools (unique to Haringey)
- Education led priorities backed up by solid Benefits regime
- Good foundations for community use and integration of sport, arts and culture
- BSF Programme management extended to primary and other capital

Issues Overcome in BSF Programme

- Underlying complexity of 12 simultaneous schemes across 16 schools, plus ICT and FM partners
- Untested national cost assumptions on build costs
- PFI suspension
- Timescale compression caused by sticking with delivery dates despite “three months pause” and other delays
- Re-tendering of the Heartlands Project, creating a time and scope compliant project, achieving a nominal saving of £7m
- Risk management of inherent non- LEP challenges and early MSP procurement

Issues to be Managed in the Build / Close / Handover Phase

- Variation, milestone payments and emerging claims
- Managing integration of ICT in build scheme phases
- Securing in-house resource and external advisors required for managing risks successfully
- Fixing external advisors’ remits and fees
- Addressing life-cycle planning, funding and management
- Embedding community use and extended school offerings
- Managing the MSP contract and moving to full service
- Embedding handover and legacy items

8. BSF Budget Profile Revision

8.1. The core issues affecting the BSF project budget profiles are summarised below:

8.2. Early BSF construction budget profiles were prepared by Potter Raper Partnership (PRP) based on standard s curve calculations that represent standard construction scheme spending patterns. At the point that each contract is let, PRP are required to confirm the agreement of actual contractual milestone payments and timing which will enable the construction project to be delivered. Confirmation of specific milestone payments sums for each project will change the overall timing of expenditure, which is embedded in the budget profile revision set out in this report.

8.3. BSF Projects phasing has been reworked to match contractual milestone payments in the construction projects contracts let to date – of the 12 BSF Projects, only Fortismere School has yet to complete its tender process and receive a firm payment profile. The BSF Programme will attach high priority to

managing the delivery of projects so that construction progress matches the payment milestones set out in each contract. There will however, inevitably be situations where progress on site is delayed, which in turn will affect the payment profile. Whilst focussing significant effort onto the management of the payment profiles as a proxy for site progress, the BSF Programme team cannot guarantee adherence to this budget profile, but it will ensure that issues are flagged as appropriate through the normal reporting routes.

- 8.4. BSF Programme Contingency budgets (circa £14m in project and programme contingencies) are included in the profile and are profiled to mirror the overall expenditure profile for the BSF Programme. Given the nature of contingency allocation and spending, the precise spending pattern does not follow any standard pattern. Members should note that variances in agreeing the timing and level of contingency sums will impact on the expenditure level against the approved budget profile. Action will be taken to pro-actively manage contingency to minimise the impact on expenditure profiles.
- 8.5. The BSF Board has undertaken a review of costs associated with additional work by professional advisers to complete the BSF Programme – these changes have been incorporated into the revised totals shown in Appendix B.

9. Risk

- 9.1. Risks have been carefully described and managed as the BSF Programme and Projects have been developed. The key risk of settling the BSF projects within agreed budget allocations has been generally achieved – only one contract remains to be let, and there is no indication at this time that this will present a problem in settling within the agreed budget.
- 9.2. There are three high level risks that remain to be faced by the BSF Programme through the build / close handover phase.

Minimising Contractual Claims / Settling Final Account Within Agreed Budgets

- 9.3. Any variation or delay to projects requires careful management by the Project Managers to ensure that any associated cost, scope or time impact is agreed and understood in advance. Careful management will enable inevitable changes that do occur to be managed within overall agreed parameters agreed with key stakeholders. The Programme Team is planning to place particular emphasis on scrutinising and challenging the impact of variations and changes, utilising Supplier management meetings to identify and resolve issues, backing up the day to day work of Project Managers.

Contingency Management

- 9.4. Management of contingency presents a key challenge to the project. The BSF Board will review its Contingency Management Strategy which balances progress and residual risk to ensure that contingency levels remain at viable levels throughout the programme. Given that the objective is to manage overall contingency levels to zero as the final project is completed, there is an inherent risk that contingency remains unspent to some extent or a very late construction

issue forces a cost in excess of available contingency resources. A key element of managing the £14m contingency relates to the consideration of additional works packages to maximise value for money as described below.

Management of Existing School Building Maintenance Issues

9.5. Lifecycle maintenance issues in some secondary schools were previously dealt with through a PFI arrangement which has now been suspended. Before each BSF project was commenced a condition survey was undertaken to establish outstanding building maintenance works at that point in time; some of those works have been taken account of by the BSF project works, some will be funded locally by schools and some may ultimately fall as commitments against the lifecycle fund which reverted to the LA at the point of PFI suspension.

9.6. The main BSF programme by its nature will often address building maintenance issues and in any event it makes sense to achieve value for money by incorporating identified works packages into the main programme. This is, of course, subject to sufficient funding being available. Appendix F identifies a number of works packages which are not currently incorporated into the BSF programme but which could, in some cases, be incorporated with consequent benefits.

9.7. It is therefore proposed to deal with consideration of these works through the main BSF programme allowing for their funding from a variety of sources including, amongst other things, the BSF contingency, lifecycle fund and schools contributions. Through this process it is intended that scope, benefits and affordability issues will be considered and dealt with to optimise the resources available to the Council.

10. Summary of Financial Implications

10.1. The key differences between the currently approved capital programme and the proposed revised programme are outlined below. Table 1 below outlines the effect of planned changes including the revised profiling of expenditure.

Table 1 – BSF Programme Proposed Revisions

	Prior Year Actuals	Proposed Revised Budget	Indicative Revised Budget	Indicative Revised Budget	Total
Proposed Changes to approved expenditure		2009/10	2010/11	2011/12	
	£'000	£'000	£'000	£'000	£'000
Current Approved Expenditure	68,321	98,822	34,560	5,308	207,011
Add Carry Forward from 2008/09		1,745	-	-	1,745
Add 2008/09 £2.9m Virement to future		-	1,751	1,149	2,900
Revised Expenditure	68,321	100,567	36,311	6,457	211,656
Add School Funded Project Extension		225	-	-	225
Add Heartlands Sustainability Works		282	282	-	564
VA Schools Unrecoverable VAT Costs		1,396	413	13	1,822
BSF Project Reprofiling		-	-	-	-
Heartlands Sectional Completion		(14,096)	13,849	247	-
ICT MSP Contract Reprofile		(2,780)	(210)	2,990	-
Fortismere/Blanche Neville Reprofile		(1,385)	1,352	33	-
Northumberland Park Reprofile		(1,771)	1,587	184	-
Woodside High School Reprofile		(462)	(3,660)	4,122	-
Park View Academy Reprofile		2,119	(1,819)	(300)	-
Other / Inclusion of Retention Sums in Profile		(1,320)	527	793	-
Proposed Revised Expenditure	68,321	82,775	48,632	14,539	214,267

Explanation of changes to expenditure

- 10.2. The sections below set out the high level reasons for variations to the BSF Capital Programme.

Heartlands Sectional Completion

- 10.3. The Heartlands school was initially tendered on a two stage Design and Build basis in summer 2008, resulting in the award of a Pre Construction Contract to Balfour Beatty. The project development process that ensued showed that both the key deadline for completion of July 2010 and the budget were both at significant risk. This prompted a re-tendering early in 2009 on a single stage Design and Build basis, which removed the uncertainty around completion dates and cost. This process secured a substantial price benefit from Willmott Dixon based on a sectional completion methodology, providing the appropriate accommodation for the first intake by July 2010, with the rest of the school completed in April 2011. This tender secured cost certainty and greater confidence of completion dates, but it does have the key impact on budget profiles of transferring around £14m from 2009/10 to 2010/11 and 2011/12 reflecting the revised build programme.

ICT MSP Contract

- 10.4. The ICT MSP contract was let to RM in September 2008. The current expenditure profile was based on the understanding of the cost profile at that time, but further detailed review has confirmed that the expenditure profile is different to the planning assumptions then available. This revised budget profile reflects the information received from the team managing the contract.

Fortismere / Blanche Nevile School

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- 10.5. Design changes to accommodate Fortismere School's requirements created additional work which has been completed at the school's cost. This project has yet to conclude its tender and contract award process, but is expected to be within budget. The revised budget profile moves circa £1.3m from 2009/10 to 2010/11 reflecting the delay created by the redesign process requested by the school.

Northumberland Park School

- 10.6. The Northumberland Park School project was originally phased by Potter Raper partnership on a standard S curve basis reflecting the normal expected construction programme of works. In reality, the programme of works and consequent expenditure profile is significantly different to the S curve, moving circa £1.7m from 2009/10 mainly to 2010/11, with a small sum in 2011/12. This does not affect the completion date of the project but does reflect the phasing of the works.

Woodside High School

- 10.7. The Woodside High School project was originally phased by Potter Raper partnership on a standard S curve basis reflecting the normal expected construction programme of works. In reality, the programme of works and consequent expenditure profile is significantly different to the S curve, moving circa £4.1m from 2009/10 and 2010/11 to 2011/12. This does not affect the length of the project but does reflect the phasing of the works.

Park View Academy

- 10.8. The project incorporated an early works package, enabling the main works to run straight on from the early works. The final build programme created a compressed early construction phase which accelerates circa £2.1m of expenditure into 2009/10 from 2010/11 and 2011/12 with a planned completion date of September 2010.

Other / Construction Retention Issues

- 10.9. Early BSF budget profiles were based on S Curve calculations, and did not include allowance for retention sums 12 months after completion. The revised budget profiles included in this report do now include this delayed payment, which together with other net variations has transferred circa £1.3m from 2009/10 to later years.

Resources

- 10.10. Table 2 below outlines the effect of the revised forecast of resources for BSF (detailed funding over the life of the BSF Programme is presented in Appendix C)

Table 2 – BSF Resources Over the Programme Life and Current Adjustments

	Prior Year Actuals	Proposed Revised Budget	Indicative Revised Budget	Indicative Revised Budget	Total
Proposed Changes to resource forecast		2009/10	2010/11	2011/12	
	£'000	£'000	£'000	£'000	£'000
Current approved resources	68,321	100,567	36,311	6,457	211,656
Add Schools DFC Contributions		225	-	-	225
Add Heartlands Sustainability Grant		282	282	-	564
VA Schools Unrecoverable VAT Grant		1,396	413	13	1,822
Revised resource available	68,321	102,470	37,006	6,470	214,267

Lifecycle maintenance

- 10.11. Planned lifecycle works for PFI schools are funded from an earmarked reserve established as part of the original PFI contract. This is currently managed by the Council since the point of suspension of the grouped schools PFI contract. The reserve continues to receive a proportion of the contributions from DCSF via specific revenue grant (PFI credits) payable under the original terms of the PFI funding agreement with DCSF. The purpose of the fund is to cover the costs of lifecycle maintenance for the secondary schools covered by the grouped schools PFI contract for the period of the original 25 year term of the contract. The fund balance is therefore generally expected to build up in the early years of the contract and to be drawn down in later years, as the maintenance issues increase with the age of the relevant buildings.
- 10.12. The originally approved CYPS capital budget approved in January 2009 included a total programme for lifecycle works of £200k per annum or £600k over the three year programme, intended to cover only urgent reactive maintenance needs and project management costs. It is proposed that this profile is maintained as a funding source as described in para. 9.7 above.

Explanation of differences in resource forecast

- 10.13. Additional funding is now available because:

School Funded Project Extensions (DFC)

- 10.14. Schools are allowed to apply additional funding to enable educational outcomes beyond those captured in the project scope. As time progresses, this source of funding is likely to grow, with school asked to fund the full additional costs of the change. To date, Northumberland Park School has requested additional work in its dining area costing £44,000, and Alexandra Park made a contribution of £181,300 to support the OBC Addendum scope of works.

Heartlands Sustainability Works

- 10.15. DCSF and Partnership for Schools has approved additional grant funding to enable the achievement of carbon reduction targets at Heartlands High School. Based on £50 per square metre for new build construction, a grant of £563,770

has been approved, which adds to the project budget.

VA Schools Unrecoverable VAT

- 10.16. VA schools operate under different funding guidance, meaning that they are unable to recover VAT on their BSF Project. Work was undertaken with HMRC to review the type of works and implications of the building schemes. Given the complexity of the situation and inability to satisfy HMRC rules, DCSF has agreed to provide additional grant funding totalling £1,822,300 as funding for the unrecoverable VAT.

11. PRIMARY AND OTHER CYPS CAPITAL PROGRAMME

- 11.1. The Council's Primary Strategy for Change (PSfC) was fully approved in March 2009, which confirmed the release of an additional £12m of resources in 2009/10 and 2010/11 to support capital investment in the Council's primary schools.
- 11.2. As outlined in the original capital programme approved by Cabinet on 26th January 09 resources for the primary capital programme are combined with a variety of other capital funding streams in order to support the CYPS capital programme, enabling it to deliver against key strategic objectives. These include the additional provision of places, enhanced suitability of facilities and ICT to support learning and achievement, development of extended schools, community access and inclusion of children with special needs.
- 11.3. The original programme as approved is shown at Appendix A(ii). At this stage, the definition of the Primary and other CYPS programme largely related to identifying the funding programmes to be used, and did not provide a clear breakdown of the specific projects and sub-programmes to be undertaken. The revised programme which is summarised at Appendix D provides a clearer definition of the projects to be undertaken, and these are more fully described in narrative form in Appendix G.
- 11.4. The availability of capital investment funding streams from government beyond the term of the current comprehensive spending programme (ending in March 2011) is increasingly uncertain. Further work has been undertaken therefore to define, scope and prioritise an initial phase of investment which can be committed within the scope of existing secured resources. This mitigates the risk that future funding streams are reduced below the level of those originally forecast. Additional consideration of programme risk is covered in Section 13 below.
- 11.5. In order to be able to respond to the release of future resources however, scoping and feasibility work will continue in relation to a planned second phase of investment, alongside work to fully update and review condition surveys across the estate to inform the asset management plan and future investment projects.

12. Proposed Programme

- 12.1. Details of the projects making up the programme are contained at Appendix G.
- 12.2. The programme proposed reflects a first phase of projects to support the Primary Strategy for Change which was submitted to the DCSF in July 2008 and received

final approval in March 2009. The key projects to be undertaken in this first phase, which have all been approved by Members as a priority, include the provision of new facilities for the Broadwater Farm Inclusive Learning Centre, the expansion of Rhodes Avenue Primary School, and the final phase of expansion at Coleridge Primary School. In addition the programme investment in phase 3 of Children's Centres, support for private and independent providers of Early Years, and various programmes to improve access and community use of existing facilities in schools and youth centres.

- 12.3. The Primary Strategy for Change submission contained a full investment programme for the period up to 2015, comprising a prioritised project list totalling over £100m of proposed investment. Phase 1 of the programme has been developed to encompass the highest priority projects within the strategy, having regard to the level of fully secured resources available to the Council. However, the level of future resources forecast in the programme is subject to significant uncertainty and the risk associated with this is discussed more fully in Section 13 below.
- 12.4. In order to manage this risk it is proposed that a number of originally planned investments supporting the Primary Strategy for Change remain uncommitted until further information has been received about the level of funding for the future. This includes planned condition works at a number of Primary Schools, and a programme of match funding for development projects proposed by schools.

13. Risk

- 13.1. There are currently two main risks to the overall programme in terms of resourcing and programme planning, considered in turn below. These are:
- Population growth pressure on primary school capacity, and the need to provide new places
 - Uncertainty in relation to government funding streams after March 2011.

Population growth pressure

- 13.2. The annual school place planning report for 2009 was considered by Cabinet on 21st July, and set out the potential impact for the Council of estimated roll projections over the next 10 years.
- 13.3. The current indications are that between 4 and 6 new Forms of Entry will need to be added to the borough's overall capacity from September 2011. This population growth is projected to be sustained, requiring that provision for several years of increased cohort size will be required from September 2011 onwards.
- 13.4. Initial provision for these new places can in some cases be undertaken by increasing capacity on existing sites. Work is underway to consider the options for meeting this demand. In terms of mitigating the risk in relation to the current three year capital programme budget a minimum provision equivalent to the cost of providing temporary classrooms to increase capacity is recommended to be included in the programme. The estimated cost of this minimal provision within the proposed programme up to 2012 is £0.4m.

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- 13.5. In terms of providing a longer term solution to the estimated sustained increase in cohort size this is likely to be provided by permanent expansion of up to 4 existing schools, with additional reception places available by 2011, and provision of an additional 1 FE school in the east of the borough at Tottenham Hale by 2014.
 - 13.6. In response to lobbying pressure by London Councils amongst others, the government issued guidance in July of this year for authorities to submit bids for Basic Need safety valve funding to assist authorities facing exceptional growth in primary school populations. The funding available nationally is £200m and is to support provision of permanent places by 2011. To be eligible for funding the Council must prove exceptional growth in predicted reception place cohorts of over 15%, either across the borough or in specific planning areas. The funding is generally expected to be allocated on a formula based on the proven numbers of additional places required. At the time of writing it is uncertain, based on the application process outlined that the formulaic allocation would attract additional resources for Haringey. However, the bid process does allow for a bid demonstrating specific need, and on this basis a bid has been submitted for an additional £9m to fund expansion works at existing schools.
 - 13.7. The bid makes clear that the Council has already given priority in the allocation of its overall capital funding to providing sufficient places, even though this often necessarily reduced the opportunity for undertaking other condition and suitability work on the rest of the estate. The Council had already responded to the clear signs of pressure on places by undertaking expansions at Tetherdown and Coldfall in recent years, and was continuing to provide for pressure in the west of the borough by expanding Coleridge and Rhodes Avenue. Further expansions will now be required to meet exceptional growth in the centre of the borough, for which no funding is currently available in the Council's capital programme.
 - 13.8. The announcement by DCSF on the allocation of the Basic Need safety valve funding is expected by end of September 2009.
 - 13.9. In the east of the borough a prospective 1fe school at Tottenham Hale is under consideration, with a likely requirement date of September 2014. Funding for this would therefore need to be confirmed as available by March 2012. Depending on the organisational and site solution adopted a requirement for between £6 to £9m may be required. A partial contribution from S106 receipts could be expected, and the balance would need to be funded from forecast Basic Need allocations from 2012 onwards or through a future application for Basic Need safety valve funding.

Future funding streams

- 13.10. In recent years, significant funds have flowed from central government to deal with the most urgent condition and suitability needs of the schools estate, and the BSF programme nationally has continued and enhanced this investment in relation to the secondary sector. The Primary Capital Programme funding launched by government in 2007 was intended to drive a strategic approach to investment in the primary sector. However, resources to support implementation of the strategy have only been secured up to 2011, and it is unlikely that any announcement on

future resource allocations will be made prior to December 2010. Whilst previous government indications have been that the similar levels of base resource for the primary capital programme would be announced for the period 2011/12-2013/14 the recent national budget announcements indicate that funding is likely be more severely constrained during this period.

- 13.11. The programme is also dependant on a number of specific and usually time-limited grants to support particular projects or types of investment. Where possible these are combined with other resources to achieve a more strategic impact. Again, there is no certainty over the availability or nature of these funding streams beyond March 2011.
- 13.12. Resources generated within the Council are currently limited to S106 receipts generated through the planning process, and contributions from schools devolved capital budgets. The current programme includes £1m of secured resources from previous planning approvals, but makes no projection in respect of future S106 receipts.
- 13.13. No revenue resources are currently directed towards the primary capital programme or long term maintenance of the estate. A revenue contribution of £0.5m sourced from the Dedicated Schools Grant is currently supporting the BSF programme and potentially could be made available after 2011 to support delivery of the overall CYPS programme. Updated condition survey work during 09/10 will inform the asset management plan for the primary estate over the next planning period. However it is likely that a minimum requirement of between £1m and £2m per annum would be required to deal with essential maintenance work to the estate in the future. This requirement will need to be factored into future capital programme requirements and a funding strategy developed in consultation with schools.
- 13.14. Additional resources are available to individual schools for capital projects which can be shown to reduce carbon emissions using the recently established Sustainable Investment Fund. The Council has created the Schools' Sustainable Investment Fund (SSIF) to encourage governing bodies to invest in carbon reducing strategies that benefit the environment, generate recurring revenue savings and contribute to carbon credits. The SSIF will provide schools with resources with the expectation that the costs will be more than offset by the revenue savings generated. Schools Forum has approved the use of overall school balances to fund the SIF, the level of which should not exceed 12.5% of total balances.
- 13.15. In terms of the current programme, the Primary Strategy for change set out the policy that schools would make contributions from their devolved capital budgets to projects in the proposed programme. Contributions will be set at 50% of project costs or 50% of devolved capital budgets over the relevant project life whichever is least. Forecast contributions from schools total £0.2m over the next 3 years.
- 13.16. Overall, therefore, if government funding streams are severely constrained beyond 2011 this will have a severe impact on the CYPS capital programme. The following scenarios have been considered and are illustrative of the likely risk and

impact:

Table 3 – Reduced Funding Scenarios

Scenario A	No formula funding or Primary Capital Funding beyond March 2011
Likelihood	Highly unlikely (less than 10%)
Impact	Illustrates worst case scenario. All discretionary (uncommitted) expenditure as at December 2010 would need to be cancelled including all asset maintenance, all uncommitted Phase 1 schemes (Mulberry), and no Phase 2 programme undertaken. In addition the Council would be faced with unfunded exposure of £8m to complete priority schemes started in 09/10. Projects which would be curtailed under these circumstances are identified in Appendix D with "A"
Scenario B	Formula funding and PCP resources reduce to 40% of current level to March 2015
Likelihood	Unlikely (Less than 50%)
Impact	All discretionary (uncommitted) expenditure as at December 2010 would need to be cancelled including all asset maintenance, all uncommitted Phase 1 schemes (Mulberry), and no Phase 2 programme undertaken. All other schemes committed in 09/10 would be funded through to completion, with no unfunded exposure. Projects which would be curtailed under these circumstances are identified in Appendix D with "B"
Scenario C	Formula funding and PCP resources reduce to 60% of current level to March 2015
Likelihood	Likely (greater than 50%)
Impact	A choice will need to be made between commitment of the next key improvement project (Mulberry) and the funding of planned maintenance across the remaining estate.

13.17. The above review of possible scenarios in respect of future funding suggests a prudent approach would be to revise the funding forecast from March 2011 downwards, and to assume that formula funding and PCP resources are reduced to 60% of the current level for the next comprehensive spending review period from April 2011 to March 2014. The impact on the current three year programme would be a reduction of £4.7m of resource in 2011/12, and this has been incorporated into the resource forecast supporting the revised programme.

14. Summary of financial implications

14.1. The key differences between the currently approved programme and the proposed revised programme are outlined below. Table 4 below outlines the effect of planned changes including the revised profiling of expenditure.

Table 4 – Proposed changes to Primary and other CYPS programme

Proposed Changes to approved expenditure	Proposed Revised Budget	Indicative Revised Budget	Indicative Revised Budget	Total
	2009/10	2010/11	2011/12	
	£'000	£'000	£'000	
Current approved expenditure	18,944	22,891	17,326	59,161
Add carry forward from 2008/09	2,520			2,520
Revised expenditure	21,464	22,891	17,326	61,681
Add Alternative Provision project	100	900	1,200	2,200
Additional costs for Broadwater Farm	200	-	2,837	3,037
Additional costs for Coleridge	(195)	693	22	520
Additional costs of Programme Delivery	677	403	639	1,719
Additional for asset maintenance	270	39	650	959
Reprofiling of other projects in PSC	(10,086)	(868)	160	(10,793)
Proposed revised expenditure	12,429	24,059	22,834	59,322

Explanation of changes to expenditure since original programme approved

Addition of Alternative Provision project

14.2. A successful bid to the DCSF has resulted in funding of £2.2m to improve the provision for pupils at risk of exclusion. The strategy and detailed plans for this programme are currently being developed. The grant is time limited and must be defrayed by March 2011.

Additional costs of Broadwater Farm

14.3. The Broadwater Farm Inclusive Learning Campus project involves the new build re-provision of the existing 2 Form Entry Primary School and amalgamation of primary phase of two existing special schools, William Harvey and Moselle on the current single site. SEN places planned are for 100 pupils with profound needs or ASD. Since inclusion in the Primary Strategy for Change and following completion of Stage B feasibility, the estimated cost of the project has increased by £3m. The original indicative estimate of £15m was included within the primary capital programme bid in March 2008. At this stage the project aims and objectives had not been fully defined and approved; and consequently the projected project cost had not been fully explored and examined. Since then a schedule of services, an accommodation schedule, and a project brief have been completed and approved and a full feasibility study undertaken. Value engineering exercises have also been carried out. The cash limit budget for the whole project life has now been set at £18.5m which is considered sustainable within the primary capital programme.

Additional costs for Coleridge

14.4. This project involves the expansion of the school to take 4 fe. The budget is for the final phase of the project. The estimate for this phase has increased since the project was included in the original approved programme at a cost of £525k. The

cash limit budget for this phase of the project has now been set at £1.1m for the project life. The increase in estimated costs arose as a result of identified inaccuracies in the initial costing carried out by the cost consultants in earlier phases of the project. CPG have worked with the project team and legal to ensure improved performance from the cost consultants on this project. Expenditure has also been re-profiled into future years in accordance with current project milestones. The project is expected to complete in September 2010 as originally planned.

Additional estimate for programme delivery

- 14.5. An integrated team has been created for the delivery of the CYPs capital programme including Primary Capital Programme and BSF. This budget is intended to provide for the delivery costs of the PCP programme and includes the relevant share of programme management and project support costs.

Additional estimate for asset maintenance

- 14.6. Updated condition survey work across the primary estate is scheduled for 09/10. Pending the results of this it would be prudent to increase the budget provision for asset maintenance from £2m to £3m for the period up to March 2012.
- 14.7.

Rephasing of Primary Strategy projects for which funding has not yet been secured.

- 14.8. As a result of the increases outlined above, and as a consequence of the remaining uncertainty in relation to future funding it has been necessary to reconsider the phasing of projects originally listed in the Primary Strategy for Change. However, early scoping work will be undertaken on Phase 2 of the Primary Capital programme so that projects can be properly costed and scheduled for inclusion in the programme should additional resources be secured.

Funding

Table 5 below outlines the effect of the revised forecast of funding.

	<i>Proposed Revised Budget</i>	<i>Indicative Revised Budget</i>	<i>Indicative Revised Budget</i>	<i>Total</i>
Proposed Changes to resource forecast	2009/10	2010/11	2011/12	
	£'000	£'000	£'000	£'000
Current approved resources	18,944	22,891	17,326	59,161
Add resources cfwd from 2008/09	2,520			2,520
Add Alternative Provision grant	100	2,100		2,200
Add contributions from schools	100	35	95	230
Reduce forecast for formula funding	-	-	(4,789)	(4,789)
Reprofile modernisation grant		(2,283)	2,283	-
Revised resource available	21,664	22,743	14,915	59,322

Explanation of differences in resource forecast

Alternative Provision grant

14.9. As mentioned above, an additional specific grant of £2.2m has been approved by the DCSF to fund improved provision for primary pupils at risk of exclusion.

Contributions from schools

14.10. The primary strategy for change included the requirement that schools should make a contribution from their own resources towards capital investment projects on their sites. The estimate of contributions for the period has been included in the resource forecast.

Reduced formula funding

14.11. On the assumption that base formula funding resources will be reduced to 60% of the current level over the period of the next spending review from April 2011 to March 2013, a reduction of £4.8m in formula funding has been forecast for 2011/12 as compared with the originally approved indicative budget.

15. Chief Financial Officer Comments

15.1. This report is seeking to vary the currently approved capital programme for CYPS for 2009/10 and the indicatively approved programme for 2010/11 and 2011/12. The reasons why the capital programme needs amending and re-phasing from that originally approved by the Council in February 2009 are set out in the report. In summary the proposed changes to the BSF and non-BSF programme are as indicated below.

(i) BSF Programme

	Prior year actual	2009/10	2010/11	2011/12	Total
	£m	£m	£m	£m	£m
Currently approved programme	68	101	36	7	212
Proposed revised programme	68	83	49	14	214
Variation	0	-18	13	7	2

The increase in the overall proposed programme will be funded from additional resources that have become available as outlined in table 2 at para 10.10 above.

(ii) Non-BSF Programme

	2009/10	2010/11	2011/12	Total
	£m	£m	£m	£m
Currently approved programme	21	23	18	62
Proposed revised programme	12	24	23	59
Variation	-9	1	5	-3

- 15.2. The currently approved capital budget for 2009/10 for CYPS will therefore need to be reduced by £27m in total, £18m for the BSF programme and £9m for the non-BSF programme. The re-phasing in future years will need to be reported and included as part of the Council's capital budget setting process for 2010/11 to 2012/13. Careful monitoring of the revised programme will be necessary to ensure that projects are completed on time and full spend is achieved.
- 15.3. The review of the programme also considered future capital resources likely to be available over the next comprehensive spending review period from April 2011 to March 2014. Due to the expected constraints on public resources over this period. It is likely that formula funding and PCP resources will reduce from 2011/12 and this has been reflected in the proposed programme for that year with an assumption that resources will reduce to 60% of current levels over the period 2011/12 to 2013/14.
- 15.4. The report identifies a further pressure for capital resources due to a growing primary school population. The Government has recognised this pressure and announced additional national funding of £200m. The Council has made a bid, in the region of £9m, against these resources. The Government are planning to announce allocations against successful bids in September 2009.
- 15.5. In addition it is proposed to consider incorporating other works set out in Appendix F into the programme where there are benefits, both operational and financial, in doing so. This process will be undertaken through the BBSG group in order to ensure that the effect on the BSF programme contingency is fully considered. The existing provision for lifecycle works at £200,000 per annum will be maintained to accommodate qualifying works that are necessary under the terms of the lifecycle fund but which cannot be sensibly incorporated into the BSF programme.

16. Head of Legal Services Comments

- 16.1. The Head of Legal Services has been consulted on the content of this report and has no specific comment to make concerning the proposed changes to the capital programme, other than to remind the Cabinet of the duty placed on all local authorities with responsibility for education functions to secure that sufficient schools for providing primary and secondary education are available for their areas.

17. Equalities & Community Cohesion Comments

- 17.1. The BSF programme focuses on addressing a range of inequalities, particularly those related to disadvantage and special educational needs. The greatest investment has been in schools in the east of the borough where disadvantage is at its greatest. Significant investment has also been made in schools in the west of the borough to promote an improved choice of curriculum pathways at all ages, reduce exclusions and to support students with special educational needs. The major investment in ICT will improve all children's access to

learning through a wide range of new technologies.

- 17.2. The Primary and Pre-school Programme also addresses a wide range of equalities issues. Improving Children's Centres, play and primary school places provides parents with greater choice and diversity both in supporting their children and helping families improve their economic wellbeing.
- 17.3. Central to all capital investments is the promotion of 'extended schools', whereby schools will provide a range of services to its local community and contribute to social cohesion.
- 17.4. In the procurement of contractors, we have emphasised the contribution each can make to employment opportunities, such as apprenticeships, work experience and use of local labour.

18. Use of appendices /Tables and photographs

- Appendix A – Original approved CYPS Capital Programme
- Appendix B – Revised BSF Capital Programme
- Appendix C – BSF Funding
- Appendix D – Revised Primary and other CYPS Programme
- Appendix E - Primary and other CYPS Funding
- Appendix F – Proposed Lifecycle programme
- Appendix G - BSF Project descriptions and outcomes
- Appendix H – Primary and other CYPS project descriptions

19. Local Government (Access to Information) Act 1985

- 19.1. Primary Strategy for Change
- 19.2. Cabinet Report 26th Jan – Financial Planning