

**Executive**

**On 21 March 2006**

Report Title: **Building Schools for the Future**

Forward Plan reference number (if applicable): **[add reference]**

Report of: **Director of Children's Service and Director of Finance**

Wards(s) affected: **All**

Report for: **Key decision**

### **1. Purpose**

- 1.1 To provide an update on the Building Schools for the Future programme.
- 1.2 To seek approval for the Outline Business Case.
- 1.3 To seek approval for the consequent land purchase for a new secondary school.

### **2. Introduction by Executive Member**

Building Schools for the Future (BSF) is the government's flagship programme for the transformation of the secondary school estate and here in Haringey this will amount to around a £165 million investment. The Executive in July 2005 agreed a Strategic Business Case (SBC) for Haringey's participation in the BSF programme. The next stage of the process is the submission of the Outline Business Case (OBC) which is attached hereto. The approval of the OBC enables the Council to commence procurement and as such I would recommend executive colleagues support the OBC as well as the acquisition of the new school site as part of the business case.

### **3. Recommendations**

- 3.1 That the progress on the BSF programme is noted.
- 3.2 That the financial implications of participation in the BSF programme are noted.
- 3.3 That the Outline Business Case is agreed, with any final adjustments delegated to the Directors of Finance and the Children's Service, in consultation with the Executive Member for Children's Services.
- 3.4 That the acquisition of the new school site on the terms set out in the exempt report is agreed.

Report Authorised by: **Director of Children's Service and Director of Finance**

Contact Officer: **Jon Hiscock, Interim Programme Director**

#### **4. Executive Summary**

4.1 The Council has been working with stakeholders to progress our BSF programme to enable procurement to commence. This report presents the resulting Outline Business Case for approval.

4.2 The report also seeks member approval for the acquisition of a site for a new secondary school.

#### **5. Reasons for any change in policy or for new policy development (if applicable)**

5.1 none

#### **6. Local Government (Access to Information) Act 1985**

6.1 General Guidance and process structures for Building for Schools for the Future issued by Department for Education and Skills (DfES) and Partnerships for Schools (PfS)

6.2 Strategic Business Case (SBC) previously approved.

#### **7 Background**

7.1 Building Schools for the Future (BSF) is the government's flagship programme for the transformation of secondary school estate. The 15-year programme is designed to ensure that school facilities enable and support transformed outcomes based on a vision for the role of schools within the local community

7.2 The Executive on July 2005 agreed a Strategic Business Case (SBC) for Haringey's participation in the BSF programme. The SBC contained our vision for secondary education entitled Bright Futures. The key strategy of the Education Vision seeks to:

- finally break the link between disadvantage and low achievement in order to create prosperous, inclusive and sustainable communities for the 21<sup>st</sup> century;
- support secondary schools to achieve the highest standards, to be fully inclusive, to put the aspirations and achievement of the learner first and to contribute to community cohesion and race equality;
- transform outcomes for vulnerable individuals and groups;
- enable secondary schools to have a key role in neighbourhood regeneration and in the wider agenda that supports the well-being of young people;

- assist all our partners with a stake in the future of young people to work together to provide the best possible opportunities for young people; and
- invest in services that support young people.

**7.3** The next stage of the process is the submission of the Outline Business Case (OBC) which is attached hereto. The approval of the OBC enables the Council to commence procurement.

**7.4** This report summarises progress under the following headings:

- funding and phasing
- Scope
- Procurement business case
- Affordability
- New school site acquisition
- Project governance
- Next steps.

## **8. Funding and phasing**

**8.1** Since being notified of Haringey's inclusion in BSF, and concurrently with the development of the business cases, the Council has been working with Partnerships for Schools (PfS) to determine the total funding envelope available and the funding profile

**8.2** Our initial allocation was £86.8m in wave 2, that is from April 2007. The initial allocation excluded schools which were part of our PFI project on the grounds that those schools had already received the necessary investment. We have argued that further investment is required in those schools to deliver transformational outcomes, and PfS now accept this in principle. The revised total funding envelope including PFI schools now stands at £158.2m (subject to final clarification of pupil numbers and other technical matters), however the final phasing has not yet been confirmed. The Council has argued that the phasing should be such that delivery can be managed as one programme, thus maximising efficiencies and achieving transformed outcomes at the earliest timescales.

**8.3** The attached OBC is based on our estimate of the final allocation once pupil numbers and other technical matters have been finalised. The estimate currently stands at £165m

## **9 Scope**

**9.1** The basic scope of the proposed programme is as follows

- renewal and refurbishment of the eight PFI community schools, including extended vocational provision, full on-site support facilities for special needs, and improved facilities for teacher training;

- renewal and refurbishment of the two voluntary-aided schools on the same basis;
- construction of a new sixth form centre serving the east of the borough (already on-site with additional secured funding of £5.7m from other DfES sources and £10m from the LSC);
- construction of a new secondary school in the middle of the borough (for which land acquisition is dealt with at paragraph 12); and
- a pupil support centre to cater for the small number of pupils to be educated off-campus.

**9.2** Funding allocations to the ten existing schools are driven by the vision set out in Bright Futures, within which the raising of achievement is of over-riding importance. This means that schools in the east of the borough receive relatively high allocations compared to those in the west. The funding allocations are set out at page 5 of Volume 1 of the OBC attached.

**9.3** Investment in ICT is fundamental to delivering transformed outcomes and requires innovation in the ways that technology can support and enable learning. Our BSF allocation contains per-pupil sums to invest in this area and this is reflected in proposed allocations to schools. ICT allocations are designed to fund replacement of existing hardware and software, and schools are expected to set-aside the relevant delegated budgets to enable future support and maintenance/replacement. It is envisaged that ICT investment, support and renewal cycles are delivered via a managed service arrangement. The proposed arrangements are set out in more detail in the Volume 4 of the OBC.

## **10 Procurement Business Case**

**10.1** PfS requires that local authorities consider a Local Education Partnership (LEP) as a delivery mechanism for BSF. Under the LEP model, a private sector partner is procured to deliver all aspects of the BSF programme, including lifecycle maintenance, ICT and other facilities management services. It is envisaged that a consortium of providers will come together to form the LEP, and that the local authority will have an equity stake in the entity which is created. Providers bid on the basis of sample schemes and will effectively be awarded a concession for the life of the programme.

**10.2** Members are aware that the Council already has a private sector partner for the eight community schools in the PFI arrangement. The difficulties of Jarvis have been well-documented, and the Haringey SPV is now owned jointly by the funders and the Secondary Market Infrastructure Fund (SMIF); Jarvis remain as the FM sub-contractor to the SPV. Our approach has therefore been to build on the current arrangements to create a project structure which delivers LEP aspirations, that is stakeholder partnership, transformed outcomes, and procurement efficiencies.

**10.3** The detailed proposed arrangements are set out in the attached procurement business case. Key aspects are:

- procurement of design, construction and ICT managed-service partners;

- consideration of outsourced FM arrangements in VA and new schools;
- retention of existing risk transfer for PFI schools;
- a partnership relationship with SMIF, with appropriate influence for SMIF over design-efficiency issues.

**10.4** The commercial arrangements with SMIF are currently under discussion. The Council must have regard in those discussions to procurement law and value for money issues and is working closely with PfS. Detailed arrangements will be reported for Member approval in due course.

## **11 Affordability**

**11.1** The following aspects of affordability need to be considered:

- programme aspiration
- programme delivery costs
- capital financing issues
- other on-going revenue implications.

**11.2** The programme aspiration of transformation was costed in our original bid at £218m, and this, of course, reflected a view of what might realistically be secured. In the event, funding of £165m is anticipated and therefore plans have to be adjusted accordingly. Within the total package, the costs of the new schools and the ICT investment are, in effect, fixed, therefore other aspects of the build programme have been have been adjusted to fit within the funding envelope whilst retaining the fundamental allocation principle derived from the vision.

**11.3** The programme clearly has significant governance, project management, adviser and design costs which are reflected in the OBC. The Council's approach to these costs has been to identify £0.5m per annum from the dedicated schools grant (DSG) and to ensure that all other costs are contained within the BSF capital funding envelope.

**11.4** Capital financing issues represent a key risk area for the Council. It is anticipated that Haringey's BSF allocation will be delivered as 'traditional' funding rather than as PFI credits. This means that our revenue grant from government should reflect the additional capital financing costs (principal and interest) which are incurred as a result of BSF borrowing. In practice, due to interest assumptions and scaling factors within the formula, actual revenue support is uncertain.

**11.5** There has been a major change in the methodology of the formula grant system for 2006/07 with the removal of formula spending shares and the introduction of four separate blocks. Capital financing is part of the relative needs block, which uses the initial borrowing approvals, applies a notional interest rate and a discount factor and is then put into the formula that brings in projected population bases for different groups of authorities. In the current year the financing costs of additional borrowing approvals would be fully covered by the revenue grant, however with the number of different variables in the formula that position could change from year to year. More fundamentally, the system of revenue support will be subject to further change

through the long-term period of the loans and therefore there is a further risk of future shortfalls. The government could remove this risk by providing funding as capital grant rather than revenue support and the Council is arguing for this approach. There is a possibility that the Council could eventually be above the revenue support grant 'floor' which would mean that grant levels delivered through the formula would be scaled back to fund the floor, leading to a shortfall in revenue support. The first wave BSF authorities have argued this case for the 2006/07 settlement and have received BSF funding as direct grant. If there were to be a revenue funding shortfall arising from financing the capital expenditure, a logical view would be that this should be charged to the ringfenced DSG, however this may be outside DSG rules. The only alternative would be a commitment against the council tax and Members should note this risk in agreeing the BSF programme.

**11.5** Other on-going revenue implications concern lifecycle, FM and ICT costs. These are matters to be managed by schools under normal local management arrangements. Where these costs are to be paid via long-term arrangements with third parties (as is already the case for lifecycle and FM costs in PFI schools) governors will be asked to sign agreements to commit the relevant portion of delegated budgets.

## **12 New school site**

**12.1** Members are aware of the plans to construct the new school on land within the Haringey Heartlands area adjacent to the railway line. Negotiations with the Strategic Rail Authority (SRA) (now part of the Department of Transport) in respect of land release and price and with government departments with regard to funding have been broadly concluded.

**12.2** The funding package comprises ODPM growth areas funding, BSF funding, and a section 106 contribution from the New River Village development. Members are asked to approve the acquisition of the site, subject to the formal release of the land by the Department of Transport and agreement to BSF funding by PfS and DfES. A detailed exempt report on the land acquisition is elsewhere on this agenda.

## **13 Project governance**

**13.1** The arrangements for project governance are set out at Section 5 of Volume 1 of the OBC. The key stakeholder body is the Strategic Management Board (SMB) which oversees the delivery of the programme in line with the vision. All decisions (on, for example, procurement) are reserved for Council bodies in the normal way, on the advice of the SMB.

**13.2** The project will be managed in accordance with the arrangements for project management agreed by the Executive on 21 February 2006. The project will be 'level 1' in the terms set out in that report.

## **14 Next steps**

**14.1** The next steps are the procurement of the design, ICT and construction partners such that work on site can start during 2007/8. The key milestones are set out in the following table:

<b>Milestone</b>	<b>Date (End of)</b>
SBC Approved	Jan 2006
PBC Approved in Principle	Feb 2006
OJEU issued for designers	Feb 2006
Submit OBC	March 2006
JPMT Convened	March/April 2006
Issue OJEU for ICT MSP	April 2006
OBC approved	April 2006
Issue OJEU for contractor	May 2006
Designers Appointed	June 2006
Commence 1 <sup>st</sup> Design	June 2006
Tender for ICT MSP	July 2006
Tender documents for contractor issued	November 2006
Appoint ICT MSP	Dec 2006
Appoint Contractor	Feb 2007
Commence contracts 1 <sup>st</sup> Scheme	June 2007

## **15 Comments of the Head of Legal Services**

**15.1** The Head of Legal Services notes the recommendations in this report and would add that the external legal advisors instructed to act for the Council in its participation in the BSF Programme should ensure that the Council's BSF programme accords with DfES requirements and follows DfES models.

**15.2** the Council's participation in the BSF programme would affect its existing PFI contract. The external legal advisors should advice the Council on changes required to be made to the PFI contract so its compliments the Council's proposals under the BSF programme.

**15.3** Members should also note in particular of paragraph 11.4 of this report with regard the risk of any shortfall and the implication on capital funding.

]