

EXECUTIVE

DATE: 20th APRIL 2009

SUBJECT: BSF – PHASE 2 PROJECTS

REPORT BY: CORPORATE DIRECTOR, CHILDREN & LEARNING

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IMPLICATIONS:

LEGAL	✓	STAFFING	✓
EQUAL, COH and INC	✓	COMMUNITY SAFETY	✓
FINANCIAL	✓	RISKS	✓

OTHER**CONSULTATIONS:**

COUNCILLORS CONSULTED ✓ **SCRUTINY COMMITTEE CONSULTED**
(BSF COMMISSION CONSULTED ✓)

STAKEHOLDERS CONSULTED ✓ **OTHER**

WARDS AFFECTED: ICKNIELD, STOPSLEY, SUNDON PARK, WIGMORE

LEAD EXECUTIVE MEMBER: CLLR TAHIR KHAN

RECOMMENDATION(S)

1. Executive is recommended to:-
 - a) approve Luton's draft BSF Wave 3 Stage 0 and Wave 6 OBC Phase 2 documents (attached as Appendices A and B);
 - b) delegate authority to the Corporate Director (Children and Learning), in consultation with the Portfolio Holder for Children & Young People, to finalise agreement of the above two documents following feedback from Partnerships for Schools (PfS) and prior to their formal submission at the end of May 2009;
 - c) note the indicative affordability for both capital investment and operational expenditure for the two Wave 6 Phase 2 projects included in the above OBC and covered by the Council's Section 151 letter.

REPORT

Background

2. Luton was originally included in BSF within a single wave of circa £216m. However, a policy change by the Government meant that no single wave could be larger than £150m. Thus, Luton was split into two waves and placed into Waves 3 and 6.
3. The original phasing for Waves 3 and 6 was over four years. However, because of Luton's progress in the procurement of a Private Sector Partner (PSP), PfS has agreed to an accelerated programme that will see the number of phases reduced from four to three, thereby completing the programme one year earlier than that published in the original Strategic Business Case.
4. Following approval of its Strategy for Change Part 1 document (identifying the key challenges and objectives), and Strategy for Change Part 2 document (identifying how these challenges will be addressed), the Council is now required to submit an updated business case (Stage 0 submission) for the two non-sample Wave 3 projects (Ashcroft and Lealands High Schools) and an Outline Business Case Phase 2 for its two early Wave 6 projects (Cardinal Newman VA RC Secondary and Stopsley High School).
5. Such business cases set out in detail the scope, costs, affordability, risks, procurement route and timetable of the project such that it can be approved by the LA to the satisfaction of PfS/DCSF, thereby allowing the project to progress to the next stage. Both the Stage 0 and the OBC documents are written to a prescribed template provided by PfS.
6. PfS approval of these two business cases is required before the Council can take forward these four projects to the 'design proper' stage (Stages 1-2) with the LEP and prior to submitting a Final Business Case in May 2010 to secure the release of funding.

Stage 0 submission (Appendix A)

7. This covers Ashcroft and Lealands High Schools and updates the information contained previously within the Wave 3 Outline Business Case. Both projects have changed as a result of the need to increase capacity in order to accommodate Luton's rising secondary school population, although this additional capital investment has been provided in the Wave 6 Funding Allocation Model (FAM). The increase in operational costs (for ICT and FM managed services) from that previously estimated in the Wave 3 Outline Business Case and now updated to include information contained in the Final Business Case for Phase 1 projects will be covered by the increase in floor area and pupil numbers. All previous assumptions and calculations included within the Wave 3 OBC therefore remain valid.

Outline Business Case Phase 2 (Appendix B)

8. This covers Cardinal Newman VA RC Secondary and Stopsley High Schools. Funding for the capital investment is covered by the Wave 6 Funding Allocation Model (FAM) and the indicative operational costs (for ICT and FM managed services) are based on the Final Business Case for Phase 1 projects and will be

covered by the increase in floor area and pupil numbers. As with the Phase 1 projects, the indicative lifecycle affordability gap for D&B projects will be bridged 50:50 between the School and LA as part of the commitment to maintain the buildings over a 25 year period.

LEGAL IMPLICATIONS

9. The delivery of BSF will require the Council to procure a private sector partner (PSP), establish a Local Education Partnership (LEP) through a joint venture company arrangement and to enter into a 10-15 year contractual agreement. The LEP will also provide managed services to BSF schools for ICT, soft and hard FM plus lifecycle maintenance. The legal implications have been agreed with Viv Mercer on behalf of Legal Services on 26th March 2009.

STAFFING IMPLICATIONS

10. The rebuilding and refurbishment of secondary schools under the BSF programme necessitates contracts for the provision of an ICT Managed Service and soft and hard FM services, including lifecycle maintenance, to be sourced from the LEP. This will result in staff currently employed by schools in such roles being subject to TUPE arrangements from the commencement of the services.

11. The above applies both to schools refurbished using traditional capital funding (i.e. supported capital expenditure (SCE) such as SCE-capital or SCE-revenue) and to 100% new build schools funded under PFI, although in the latter case this will be linked to a 25-30 year contract period and delivered by a PFI SPV.

EQUALITIES, INCLUSION & COHESION IMPLICATIONS

12. Access to high-quality education buildings and facilities should be available to all children and young people, irrespective of their place of residence.

13. The refurbishment and rebuilding of Luton's secondary schools will allow such schools to fully meet SENDA and DDA regulations and help deliver education transformation for the benefit of all pupils.

14. The collaborative approach to curriculum delivery at Key Stage 4 within and between consortia of schools will help develop and engender community cohesion across Luton.

15. Approved by the Children & Learning Equalities Officer on 26th March 2009.

COMMUNITY SAFETY

16. Investment in all Luton secondary schools should reduce the extent to which parental preference is influenced by the quality of buildings or facilities on offer in each school. Attendance at local schools minimises the need to travel, thereby reducing traffic congestion and making journeys to and from school safer for all.

FINANCIAL IMPLICATIONS

17. At present the funding envelope for BSF Wave 6 has been agreed provisionally and, when added to the existing Wave 3 funding envelope, will result in almost £260m being invested in the secondary sector over the next five years.

18. Evidence presented in the SfC Parts 1 and 2 indicates that the indicative Funding Allocation Model (FAM) for capital expenditure will match the proposed investment in all of the BSF Phase 2 schools.

19. Indicative operational costs for both ICT and FM managed services for Wave 3: Phase 1 projects are close to what was anticipated in the Outline Business Case approved by the Executive on 12th March 2007 and the Section 151 Officer letter, dated 11th October 2007, which committed the Council to meet any remaining affordability gap. This will set the benchmark for likely costs in future projects, including these Phase 2 projects.

20. For the FM (lifecycle contribution), this will be based on the Devolved Formula Capital (DFC) and a contribution based on the gross internal floor area from the School's revenue budget to half of the residual cost of the lifecycle maintenance of the BSF schools remaining after taking account of DFC and the LA's repairs and maintenance provision for BSF schools.

21. Consideration will be given by the Schools' Forum to meeting half of the residual cost of lifecycle maintenance by use of headroom in the Direct Schools' Grant (DSG) in future years as BSF schools become operational following capital investment.

22. These financial implications have been seen and cleared by the Finance Manager (Children & Learning) on 30th March 2009.

RISK IMPLICATIONS

23. The BSF Project Board (Strategic Partnering Board following Financial Close) has oversight of the BSF Programme. The main risks associated with the four Phase 2 projects are as follows:

- That the balance of capital funding between Phases 2 and 3 is appropriate
- That all planning consents are obtained with regard to the proposed school expansions
- That the LA and schools have sufficient capacity to develop and deliver the projects
- That schools make sufficient progress in developing and finalising their School Strategy for Change (SSfC) documents, design output specifications and adjacencies diagrams, to allow progression to the 'design proper' stage involving the LEP
- Meeting any affordability gap for both capital investment and operational expenditure
- Delivering education transformation by design, personalised learning and change management

COUNCILLORS CONSULTED

24. The BSF programme has been developed in consultation with the BSF Commission that includes cross-party and cross-agency representation in its membership. Also, the Portfolio Holder for Children & Young People is a member of the BSF Project Board.

STAKEHOLDERS CONSULTATIONS

25. All Phase 2 schools have been actively involved in developing their business plan requirements within the Stage 0 and OBC Phase 2 frameworks.

OPTIONS

26. Failure to submit the Stage 0 and OBC Phase 2 documents by the end of May 2009 will delay the development of the four Phase 2 projects and, as a result, reduce the quantum of work currently being planned by the Council and its Selected Bidder following Financial Close.

APPENDICES

27. The following appendices are attached to this report:

Appendix A – BSF Stage 0 Submission (to follow)

Appendix B – BSF Outline Business Case: Phase 2 (to follow)

BACKGROUND PAPERS

28. Background information nationally on BSF can be found at: www.bsf.gov.uk or by typing in 'building schools for the future' into a relevant search engine. Local information can be found at www.luton.gov.uk/bsf