

CABINET MEETING – 10 MARCH 2010

EXECUTIVE SUMMARY SHEET

Title of Report:

BUILDING SCHOOLS FOR THE FUTURE (BSF) - Submission of the BSF Wave 2 Strategy for Change (SfC) Business Case

Author(s):

EXECUTIVE DIRECTOR OF CHILDREN'S SERVICES

Purpose of Report:

This report seeks approval for the submission of the Council's BSF Wave 2 Strategy for Change to Partnerships for Schools (PfS) by 12th March 2010. The Strategy for Change (SfC) will be circulated prior to the Cabinet meeting.

Description of Decision:

Cabinet is asked to:

- (i) Approve the BSF Wave 2 Strategy for Change (SfC) Business Case for submission to Partnerships for Schools (PfS) by 12th March 2010;
- (ii) Authorise the Executive Director of Children's Services, following the Cabinet meeting, to complete the SfC in consultation with the Chief Executive, the Director of Financial Resources, the Leader of the Council and Lead Members for Children's Services and Resources prior to the deadline.

Is the decision consistent with the Budget/ Policy Framework – Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The Strategy for Change Business Case is the first formal stage of the BSF approvals process, requiring Cabinet approval prior to its submission to PfS. Approval will allow the project to progress to the Outline Business Case (OBC) Stage in October 2010.

Alternative options to be considered and recommended to be rejected:

If the SfC does not receive approval then the project cannot progress to the OBC stage which will lead to delays in the overall programme plan for BSF.

Is this a "Key Decision" as defined in the Constitution?

Yes

Relevant Scrutiny Committee:

Children, Young People and Learning

Is it included in the Forward Plan?

Yes

BUILDING SCHOOLS FOR THE FUTURE (BSF) - Submission of the BSF Wave 2 Strategy for Change (SfC) Business Case

REPORT OF THE EXECUTIVE DIRECTOR OF CHILDREN'S SERVICES

1. PURPOSE OF REPORT

- 1.1** This report seeks approval for the submission of the BSF Wave 2 Strategy for Change to Partnerships for Schools (PfS) by 12 March 2010. The Strategy for Change will be circulated prior to the Cabinet Meeting.

2. DESCRIPTION OF DECISION

- 2.1** Cabinet is asked to:

- (i) Approve the BSF Wave 2 Strategy for Change (SfC) Business Case for submission to Partnerships for Schools (PfS) by 12th March 2010;
- (ii) Authorise the Executive Director of Children's Services, following the Cabinet meeting, to complete the SfC in consultation with the Chief Executive, the Director of Financial Resources, the Leader of the Council and Lead Members for Children's Services and Resources prior to the deadline.

3. BACKGROUND

- 3.1** The 4 November 2009 Cabinet Report set out the position at that time in relation to BSF Wave 2 following the 'Remit Meeting' with Partnerships for Schools (PfS) on 20 October 2010. The Remit Meeting was the sign off point for the Readiness to Deliver Submission (submitted in May 2009) and signalled Sunderland's formal entry into the programme.
- 3.2** PfS confirmed at that meeting that the indicative funding for the Wave 2 project would cover all remaining schools in the programme and would be approximately £137million (including ICT funding), subject to variations due to changes to pupil numbers at the time of Outline Business Case submission and Royal Institute of Chartered Surveyors (RICS) Buildings Indexation. This news was very welcome as it enables the whole of the secondary school estate to be completed through BSF by 2015/2016 and avoids the creation of a 'two tier' estate where some of the city's children and young people benefit from transformed facilities and some do not. The schools involved in the second wave of BSF are as follows:

Barbara Priestman School
Castlegreen School (ICT only)
Farrington School
Hetton School

Houghton Kepier School
Monkwearmouth School
Portland College (ICT only)
Pupil Referral Unit (Key Stages 3 and 4)
Southmoor School
Springwell Dene School
St Aidan's Roman Catholic (RC) Voluntary Aided (VA) Boys School
St Anthony's Roman Catholic (RC) Voluntary Aided (VA) Girls School
Thornhill School
Venerable Bede Church of England Voluntary Aided (VA) School (ICT only)

- 3.3** The 'Post-Remit Letter' which followed the Remit Meeting set out a small number of conditions to the Readiness to Deliver Submission which are highlighted in the Executive Summary to the SfC. These are set out in more detail at 4.3 below.

4. CURRENT POSITION

- 4.1** The immediate next steps are to submit and receive approval for the Strategy for Change (SfC) document that will set out the strategic objectives for the programme, including the broad scope of works and the transformational vision for both the Council and schools. The SfC is the first formal stage of the BSF approvals process and is designed to capture the Local Authority strategy for 11-19 services and the requirements that this strategy places upon the physical school estate. In addition, to secure coherent capital investment to support the 14-19 reforms, it formally extends BSF and the SfC development to include all settings in which young people learn. The SfC is also expected to cover the implications of local plans for the transformation of services for children, young people and families, in particular the potential for these services to be co-located on or around schools. The SfC includes schools' strategies for change and how these relate to the overall city vision. The SfC also begins to scope the capital works at each of the BSF sites and provides an initial outline costing against each of the schemes in the programme. The SFC must therefore also give an indication that the programme is affordable within the resources available. Following approval of the SfC, the proposals will then be worked up to a much greater level of detail for the Outline Business Case (OBC) which is to be submitted to PfS in October 2010. The aim of the SfC is to ensure that:

- the local estate and educational strategies are brought together into a coherent document;
- a formal PfS review of the Council's proposals is secured ;
- the proposed designs are transformational and determined by local educational and children's services priorities;
- these priorities remain at the forefront throughout the planning process and the potential for co-location of services on school sites is maximised;
- the scope for slippage in the pre-procurement stages of BSF is reduced;
- the proposals are sufficiently radical, robust and transformational.

4.2 The Council was asked at the Remit Stage to focus on specific areas as the SfC and OBC are developed:

- (i) In relation to the transformational overview, headline Educational Key Performance Indicators (EKPIs) should be developed. These are included in the SfC Executive Summary and in Appendix 1 to the main Business Case;
- (ii) In relation to the Special Educational Needs (SEN) and inclusion strategy, firm proposals should be in place for the location of Barbara Priestman School and the additional SEN provision in mainstream schools. This is addressed in the SfC Executive Summary and in Part 1 of the main Business Case. There are no plans to relocate Barbara Priestman School as part of the SfC proposals and the school will be redeveloped on the existing site;
- (iii) In relation to the development of a robust change management strategy, plans to address this are addressed in the SfC Executive Summary and in Part 1 of the main Business Case;
- (iv) PfS noted at the Remit Stage that significant progress had been made in addressing issues in the conditional approval to use the PfS Contractors Framework rather than the Local Education Partnership (LEP) model. This has been achieved through the Alternative Procurement Business Case, developed in conjunction with the Council's BSF Financial Advisers KPMG. This will be further developed for the Outline Business Case Stage if required by PfS. The Council was also asked by PfS to review its estate proposals in order that a maximum amount of 70% new build is carried out at any one school, with the balance of works as either remodelling or refresh. A higher percentage than this could also trigger a Private Finance Initiative (PFI) interest, which would also necessitate procurement through a LEP. Having carried out this review exercise, it was subsequently agreed by the PfS Operations Panel that Sunderland could use the PfS framework, subject to demonstrating the Value for Money (VFM) case for the choice of procurement and funding mechanism in the Outline Business Case, which is scheduled for completion by October 2010. Subsequently, it has been proposed that the solution for Hetton School is 100% new build given the condition of existing buildings. Hetton School is the only 100% rebuild project. However, as the current estimated construction cost of £14.5million for the project is below the Treasury threshold for PFI projects (currently £20 million), it is proposed that this will be a Design and Build project procured through the PfS Contractors Framework, in common with the rest of the programme;
- (v) The Council was also asked to provide commitment to ensuring that resources are in place to ensure appropriate management of the programme. The approach to this issue is set out in the SfC Executive Summary and in Part 2 of the main Business Case. Further detail will be provided at OBC stage

5. REASONS FOR DECISION

- 5.1** The Strategy for Change Business Case is the first formal stage of the BSF approvals process, requiring Cabinet approval prior to its submission to PfS. Approval will allow the project to progress to the Outline Business Case (OBC) Stage in October 2010.

6. ALTERNATIVE OPTIONS TO BE CONSIDERED AND REJECTED

- 6.1** If the SfC does not receive approval then the project cannot progress to OBC stage which will lead to delays in the overall programme plan for BSF.

7. FINANCIAL IMPLICATIONS

- 7.1** The affordability position is monitored by calculating estimated costs for the scope of works for the proposed programme and comparing this against the PfS Funding Allocation Model (FAM), which calculates the envelope of funding that will be available from PfS for Wave 2. The FAM is driven by projected pupil numbers, floor areas and a number of other factors. The PfS funding formulae generate different sums for new build, refurbishment and minor works. A cap is applied on total national funding across the programme in the ratio 50:35:15 respectively for new build, remodelling and minor works. The FAM will generate funding in these ratios to calculate the Council's funding allocation for Wave 2.
- 7.2** Great care has been taken to control the level of new build in the individual scheme proposals and to retain and remodel a substantial part of the existing stock in order to conform closely to the 50:35:15 funding ratios for the scope of works for the proposed programme.
- 7.3** An indicative FAM was sent to the Council by PfS in September 2009 with a value of approximately £137million (including ICT funding). The indicative available funding in the FAM has now been revised using September 2009 building indices and agreed with the PfS funding team. Accordingly, the available funding for capital expenditure has been reduced, in line with the change in indices, from £123,390,105 to £113,358,355. Funding for ICT investment remains unchanged at £13,906,950 as this is based on a flat rate allowance that is not affected by indexation.

The scope of works has been developed further with each school, by the Council's Design Services Team. The cost of the individual school investment proposals has been reviewed to reflect advice from PfS. As the construction prices of Bidders on the PfS Contractors Framework are based on second quarter 2009, the cost of the Council's scope of works has been adjusted to reflect changes to the DTI PUBSEC indices from that base date.

As a matter of prudence, the construction rates for remodelling/refurbishment have not been revised down, as there is a greater degree of uncertainty around the pricing of these works. In

broad terms the overall cost of the outline scope of works at £113,157,508 is in line with the available funding from the FAM. The FAM will not be finally agreed until the Outline Business Case is approved and the matching of the available funding with the programme costs will be a very detailed and iterative process up until that point.

- 7.4** The precise funding requirements for internal project management and external consultancy costs are currently being drawn up. The approach, which includes proposals for 2010/2011 project resourcing, is covered in some detail in the SfC Part 2 section 10 and will be fully determined at the OBC stage.

8. RELEVANT CONSULTATIONS

- 8.1** Schools included in Sunderland's Wave 2 project have been involved in the development of their own Schools Strategy for Change Business Cases and there is ongoing dialogue with schools staff and governing bodies.
- 8.2** It is proposed to consult with ward members through the Area Committee Framework and through consultative mechanisms that will be established in the governance of BSF Wave 2 (ie the BSF Consultative Forum).

9. BACKGROUND PAPERS

Submission of Expression of Interest – Cabinet report 5 November 2008;
PfS Readiness to Deliver Submission – Cabinet report 8 April 2009
Outcome of the BSF Readiness to Deliver Submission and progress on Wave 2 – Cabinet Report 4 November 2009

