

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

1 OCTOBER 2009

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET/COUNCIL DECISION/KEY DECISION

Children and Young People – Lead Cabinet Member – Councillor A Cunningham

BUILDING SCHOOLS FOR THE FUTURE (BSF): DRAFT OUTLINE BUSINESS CASE (OBC) FOR WAVE 6 FUNDING

1. Summary

The Outline Business Case (OBC) is the final stage in the formal process of securing the release of BSF funding for the Wave 6 programme. It builds upon the content of the Strategy for Change documents already submitted and approved by government agencies. The OBC has been prepared in accordance with government guidance and with the support of external advisors experienced in successful OBC preparation. The document is to be submitted to government agencies for assessment in October.

Important factors to be assessed in the OBC will include the specific options preferred on each site, the planned procurement process, and the overall affordability of the programme. Options for each site have been agreed with schools to ensure that their own visions of educational transformation will be realised. Procurement will be through a Local Education Partnership using conventionally-funded Design & Build contracts. The Wave 6 programme as set out in the OBC is affordable within the BSF funding allocation, supplemented by the expected receipts from the sale of four redundant school sites. Wave 6 schools have agreed ongoing revenue contributions for managed ICT and hard FM services, and will allocate a proportion of their devolved resources, including LCVAP, to a lifecycle maintenance fund. The Authority will also contribute to this fund.

The scope of the Wave 6 programme has been enlarged with the addition of three further schools: Northfield School, St Michael's RC Comprehensive School, and St Patrick's RC Comprehensive School.

2. Recommendations

Members are asked to agree that:

1. the draft Outline Business Case attached as **Appendix 1** to this report be submitted for assessment by government agencies

2. the affordability position as set out in this report be approved
3. delegated authority be granted to the Corporate Director of Resources, in consultation with the relevant cabinet member, to sign the S151 Letter required as a part of the OBC submission. This letter commits the Council in line with the information and assumptions set out in this report and requires the Council to make every endeavour to bridge any affordability gap.
4. Cabinet recommend to Council that the affordability gap, currently assessed at ██████, be met from the sale of the surplus BSF sites released through the BSF Programme.
5. authority be delegated to the BSF Project Board to manage the procurement process as far as preparing a report to a future meeting of Cabinet recommending a preferred LEP provider.

3. Reasons for the Recommendations/Decision(s)

The release of government funding for the local Wave 6 BSF programme is dependent on the successful assessment by government agencies of a series of documents. The Outline Business Case is the final document in that series following successful submission of Strategy for Change Part 1 in July 2008 and Strategy for Change Part 2 in April 2009. The OBC has been prepared by the BSF Project Team in accordance with government guidance, and support has been received from external advisors with recent successful experience of supporting other local authorities in OBC preparation.

Approval of the OBC by government agencies will initiate a procurement process to select a private sector partner to manage the Local Education Partnership and deliver the local BSF programme on behalf of the Council and government agencies. Stages in the procurement process include:

- Publication of the OJEU notice
- Pre-Qualification Questionnaire (PQQ)
- Evaluation of initial bids to form a long list (3 bidders)
- Competitive Dialogue (first phase) to create short list (2 bidders)
- Competitive Dialogue (second phase)
- Selection of recommended preferred provider.

The key decision, the selection of preferred provider, will be made by Cabinet. It is suggested that responsibility for the management of the technical and lengthy procurement process be delegated to the BSF Project Board in consultation with government agencies and the Council's external advisors.

It is a requirement of PfS that the Authority's Corporate Director of Resources sign off a "Section 151 Letter". The purpose of this letter is to demonstrate the local authority's ownership and understanding of the OBC and to give confidence that the proposals set out in the OBC are affordable and represent value for money. It will also commit the Council to the financial proposals set out in the OBC.

This report contains commercially sensitive financial information that should not be disclosed to potential bidders. Such information will be obscured in the published version of this report.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

AGENDA ITEM

REPORT TO CABINET

1 OCTOBER 2009

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

**BUILDING SCHOOLS FOR THE FUTURE (BSF): DRAFT OUTLINE BUSINESS
CASE (OBC) FOR WAVE 6 FUNDING**

SUMMARY

The Outline Business Case (OBC) is the final stage in the formal process of securing the release of BSF funding for the Wave 6 programme. It builds upon the content of the Strategy for Change documents already submitted and approved by government agencies. The OBC has been prepared in accordance with government guidance and with the support of external advisors experienced in successful OBC preparation. The document is to be submitted to government agencies for assessment in October.

Important factors to be assessed in the OBC will include the specific options preferred on each site, the planned procurement process, and the overall affordability of the programme. Options for each site have been agreed with schools to ensure that their own visions of educational transformation will be realised. Procurement will be through a Local Education Partnership using conventionally-funded Design & Build contracts. The Wave 6 programme as set out in the OBC is affordable within the BSF funding allocation, supplemented by the expected receipts from the sale of four redundant school sites. Wave 6 schools have agreed ongoing revenue contributions for managed ICT and hard FM services, and will allocate a proportion of their devolved resources, including LCVAP, to a lifecycle maintenance fund. The Authority will also contribute to this fund. The scope of the Wave 6 programme has been enlarged with the addition of three further schools: Northfield School, St Michael's RC Comprehensive School, and St Patrick's RC Comprehensive School.

RECOMMENDATIONS

Members are asked to agree that:

1. the draft Outline Business Case attached as **Appendix 1** to this report be submitted for assessment by government agencies
2. the affordability position as set out in this report be approved
3. delegated authority be granted to the Corporate Director of Resources, in consultation with the relevant cabinet member, to sign the S151 Letter required as a part of the OBC submission. This letter commits the Council in line with the information and assumptions set out in this report and requires the Council to make every endeavour to bridge any affordability gap.
4. Cabinet recommend to Council that the affordability gap, currently assessed at ████████, be met from the sale of the surplus BSF sites released through the BSF Programme.

5. authority be delegated to the BSF Project Board to manage the procurement process as far as preparing a report to a future meeting of Cabinet recommending a preferred LEP provider.

DETAIL

1. The Outline Business Case (OBC) is the final stage in the formal process of securing the release of BSF funding for the schools in Wave 6 of the programme. This follows the Strategy for Change Part 1 (SfC1) and Part 2 (SfC2) agreed by Cabinet on 21 July 2008 and 5 February 2009 respectively. SfC2 was submitted for assessment by government agencies and received approval on 12 June.
2. The draft OBC attached as **Appendix 1** to this report has been prepared by the BSF Project Team with support from external advisors. Its content conforms to guidance published by Partnerships for Schools (Pfs), the national delivery agency for BSF.
3. The scope of the Wave 6 programme has increased significantly since SfC2 was endorsed by Cabinet in February. The BSF Project Team has submitted a series of requests for schools in the second Wave to be brought forward into Wave 6. Letters from the Department for Children, Schools and Families (DCSF) dated 28 April and 4 August confirm that three additional schools will be added to Wave 6. These are Northfield School, St Michael's RC Comprehensive School and St Patrick's RC Comprehensive School. This means that the Wave 6 programme will now include all the secondary schools in Billingham, Stockton and Thornaby as well as the three special schools that provide for students of secondary age. This will leave only three schools to await a second Wave of BSF funding. These are All Saints Church of England School, Conyers School and Egglecliffe School. The 4 August DCSF letter confirmed that consent will not be granted for those schools to be included in Wave 6. However, agreement has been reached on early release of 20% of the ICT funding to these second wave schools.
4. These changes will increase government funding for Wave 6 to a capital allocation (current prices) of £141.9 million (£170.4m at Outturn including additional VAT, abnormals and carbon reduction funding), plus £12.7 million for ICT hardware. A table in section 5 of the OBC document summarises the estimated capital cost of the Wave 6 programme.

Brief summary of the content of OBC

5. Section 1 is an executive summary.
6. Section 2.1 puts the Council's vision for BSF in the context of the long-term strategic vision of the Council and its partners as described in the Sustainable Community Strategy and the Council Plan. Section 2.2 expands on the education vision set out in SfC2 including the major objectives of raising standards for all, closing attainment gaps, increasing diversity and choice, implementing Integrated Service Areas and exploiting technological innovation. A table in 2.2.2 sets out the proposed capacity of each Wave 6 school after BSF and the projected number of students in 2017-18 based on forecasts provided by the Tees Valley Joint Strategy Unit (JSU).
7. Section 2.3 consists of a table for each Wave 6 school describing the existing buildings, proposed BSF work, estimated costs and phasing issues. The preferred

option for each site (known as the “Control Option”) is described in relation to the school’s own vision for educational transformation as set out in its Individual School Strategy for Change. The final part of each table draws attention to any changes from the preferred options set out in SfC2. New control options are suggested for the Bishopton Centre and for Westlands School. The preferred option for the Bishopton Centre in SfC2 was to remodel the existing buildings with a minimal amount of new build. This option raised much concern over the potential disruption to very vulnerable young people, whether they remained on site during refurbishment or were temporarily decanted to another site. It is now proposed that the Bishopton site be enlarged to include the adjacent Wrensfeld House. That building would be remodelled as the permanent home for the Bishopton Centre without any disruption to the existing Centre. On completion of the works, students would decant into Wrensfeld, and the Bishopton building would be demolished and replaced with improved outdoor learning facilities. The SfC2 control option for Westlands School was for remodelling on its existing site with minor new build extensions. This option too has raised grave concerns about the impact on vulnerable students. After an examination of opportunities to relocate Westlands to another site, the preferred option is now to transfer Westlands to part of the Grangefield School site. The site is of more than adequate size, and part of the existing Grangefield building could be converted for a new Westlands School in a self-contained area separate from the remodelled Grangefield. Such a transfer of a school to a different site would require statutory consultation under the Education and Inspections Act 2006 involving all stakeholders including parents, students and school staff. That consultation is likely to take place during 2010 or 2011. Consultation would also be required under the Town and Country Planning Act 1990. In preparation for that consultation, which will include residents in the area around Grangefield School, a planning brief will be published for comment.

8. Section 3 describes the option appraisals that led to the agreed control options, and the involvement of schools in that process. This section also describes activity in specific areas including PE and sports facilities, design quality, survey work and sustainability. Sections 3.2 and 3.3 relate specifically to the two sample schools, Bishopsgarth School and Ian Ramsey Church of England School, explaining the rationale for their selection and summarising their education visions. Section 3.4 sets out the planned contribution of ICT to learning and curriculum, school management and administration, professional development for school staff, and community access. It describes proposals for ICT services to schools to be managed by an external partner, and for operational support for schools’ administration systems to remain with the Council’s in-house Management Information Service. Section 3.5 describes proposals for an externally managed hard facilities management service (FM). “Soft” FM will be managed at school level, and lifecycle maintenance will be managed collectively by the Council, schools and the diocesan boards.
9. Section 4 sets out how the Council will ensure value for money for the procurement of the BSF Programme. Section 4.1 confirms that the Authority will procure a Local Education Partnership (LEP) to deliver the BSF programme. The scope of the LEP is as agreed by Cabinet on 3 September. Section 4.1 also includes a table showing the estimated degree of new build and refurbishment at each site (based on the agreed control options). These figures are indicative only at this stage. The LEP partner will review the control options, in consultation with schools and the BSF Project Team, and may in some cases be able to offer enhanced value within the funding available. Section 4.3 confirms that all projects in Wave 6 will be procured under Design & Build contracts. The remainder of this section summarises value for money issues relating to ICT (4.4) and facilities management (4.5).

10. Section 5 deals in some detail with the affordability of the programme. It sets out the capital funding position including estimated capital costs and funding together with potential receipts from the sale of redundant sites. It then deals with revenue affordability issues specific to facilities management, lifecycle maintenance and ICT, and the investment required by the Council as a partner in the LEP.
11. Section 6 describes the Council's processes for managing the BSF programme including the procurement process, communications and consultation, risk management and performance measures.
12. The final section deals with the change management programme that will be necessary to ensure that school leaders and staff, governors, parents and students will be able to take full advantage of the new learning facilities created by BSF investment in buildings and ICT. It describes the role of key groups and individuals at school and local authority level in promoting new ways of working. It refers to an extensive programme of professional development activity aimed at developing expertise and building leadership capacity. Section 7.5 confirms the Authority's commitment to follow an agreed staffing protocol where staffing changes are necessary, and to use TUPE arrangements where appropriate.

Next Steps

13. If agreed by Cabinet, the OBC will be submitted for formal assessment by government agencies later this month. Once approval has been received, an advertisement will be placed in the Official Journal of the European Union (OJEU) inviting bids from potential private-sector partners to deliver the local BSF programme through a Local Education Partnership (LEP). The OJEU notice will initiate a highly technical and lengthy procurement process carried out by the Council's BSF Team in consultation with government agencies and our external advisors.
14. The principal stages in the procurement process will be:
 - Issue of Pre Qualification Questionnaires (PQQ) to all interested potential bidders. The PQQ is a standard document which requires all potential bidders to provide the Council with information about the company, its financial standing, partnering experience, policies on health & safety, environmental protection, workforce and so on.
 - Create a long list of three bidders. The PQQs from bidders will be evaluated by means of an agreed matrix. The BSF team will recommend three bidders to be long listed for Competitive Dialogue.
 - Competitive Dialogue will be conducted with the three long listed bidders involving their high level proposals. After this stage one of the three bids will be rejected to leave a short list of two bidders.
 - A second stage of dialogue involves detailed consideration of all aspects of the bidders' proposed solutions such as design specifications, risk transfer and costs. Commercial competition between the two bidders will optimise their proposals.
 - Bidders will prepare and submit their final tender after which no material changes can be made. Final bids will be evaluated and a full report on the procurement process will be submitted to Cabinet with a recommended preferred provider.

Further consultation

15. Changes to school organisation such as closing schools, establishing new schools or transferring a school to a new site require a statutory process of consultation and decision under the Education and Inspections Act 2006. The process has been completed for proposals to close King Edwin School and Billingham Campus School and to enlarge Northfield School. A first stage of consultation has begun on proposals to close Blakeston School, The Norton School and Thornaby Community School. Subject to agreement between sponsors and the Secretary of State, two Academies would be established in Stockton and Thornaby to replace those schools. The outcome of consultation will be reported to Cabinet on 5 November with a recommendation that members consider publishing a statutory notice for the closure of those three schools.
16. Statutory consultation will also be carried out on the proposed relocation of Westlands School to the site of Grangefield School.
17. Regular communications will be maintained to ensure that all stakeholders are kept up to date with the developing BSF programme. These will include members' seminars and regular scheduled meetings with school staff and their unions.

FINANCIAL IMPLICATIONS

18. Building Schools for the Future is a large and complex programme and Members will appreciate that a number of assumptions have had to be made with regard to construction costs, programming, inflation and government funding to schools and dioceses. Agreement has been reached in principle with schools and dioceses on levels of future funding for the programme, but these will require to be reviewed regularly as the programme progresses.
19. Section 5 of the OBC sets out the financial implications of the Wave 6 programme. A summary of the position is set out below.

Capital

20. Capital funding has been calculated in accordance with the Funding Allocation Model (FAM) provided by PfS. The Council's technical advisors have provided estimates of the capital costs of the proposals set out in the OBC.
21. Funding and cost calculations were initially made at a fixed PfS reconciliation date (current prices) and have then been inflated to reflect the projected costs at the planned construction start dates.
22. The table below summarises the capital affordability position at estimated construction start dates.

	Construction £m	ICT £m
Total FAM Funding Available	170.4	12.7
Costed Capital Expenditure		
Difference		
Funded from		
Site sale receipts		

23. The Council intends to fund the shortfall from land sales. The timing of realisation of capital receipts is an issue for the year to year affordability of the programme. The Council has considered the likely timing for the realisation of the capital receipts and assessed the impact from a treasury management perspective of the need to temporarily fund the affordability gap before the capital receipts are realised. This will require a level of short term prudential borrowing.
24. Approval of the OBC by PfS will result in the funding for the two sample schools being “locked down” i.e. no further funding in respect of inflation for these two schemes will be available. This means that any risk associated with delay to the programme will fall as a future additional cost to the Council. It is therefore important that agreed delivery timescales are met.
25. In line with requirements set down by PfS as a condition to the Wave 6 programme, an exercise has also been undertaken to determine indicative affordability of a second, South of the Borough, wave of expenditure.
26. The short term (current) risks summarised below will require to be addressed prior to final submission of the OBC document.
 - Information required on scope and costs of Highways Works
 - Survey information requires finalisation for schools recently added to the Wave
 - Control Options for St Michaels/St Patrick’s are in the process of being finalised
 - Warranties
 - Funding of Post 16 Places – Further discussion to take place with PfS prior to OBC submission.

Revenue

27. The financial implications of the proposed arrangements for Facilities Management, Lifecycle Maintenance and ICT costs have been assessed and will be met from a combination of Schools, Local Authority and Diocesan (LCVAP) funding.
28. The costs of procuring and operating a LEP have been assessed, together with the ongoing costs of local authority project support to the BSF programme.
29. A sum of █████ per annum has been set aside in the Council's MTFP to resource the ongoing costs of the BSF Programme, including the elements set out above.

Section 151 Officer Letter

30. It is a requirement of PfS that the Authority’s Corporate Director of Resources sign off a “Section 151 Letter”. The purpose of this letter is to demonstrate the local authority’s ownership and understanding of the OBC and to give confidence that the proposals set out in the OBC are affordable and represent value for money. It will also commit the Council to the financial proposals set out in the OBC. This report requests that delegated authority be granted to the Corporate Director of Resources to finalise and sign the Section 151 letter to be included in the BSF Outline Business Case. The basis for this will be the affordability information summarised in this report and set out in more detail in the OBC document.

LEGAL IMPLICATIONS

31. Procurement of the LEP must comply with the requirements of the Public Contracts Regulations 2006 and associated Directives including the placing of the OJEU

notice. The OJEU notice must be sufficiently specific in the proposed scope of the LEP if it is to be relied on for future procurement. The draft OJEU notice will form an appendix to the OBC and will be drafted to reflect the scope of the LEP as agreed by Cabinet on 3 September.

32. To establish the LEP the Council will enter into a Strategic Partnering Agreement (SPA) and Shareholders Agreement (SHA). Draft agreements and draft D&B, ICT and FM contracts will also form appendices to the OBC.

RISK ASSESSMENT

33. The OBC has been prepared by the BSF Project Team in accordance with government guidance, and support has been received from external advisors with recent successful experience of supporting other local authorities in OBC preparation. A risk assessment has been carried out on the possibility that the OBC might be rejected by government agencies. This is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

Economic Regeneration and Transport

34. The projects described in the OBC will contribute positively to the economic regeneration of the borough. Transport impact assessments will be carried out for all sites where required.

Safer Communities

35. No negative implications.

Children and Young People

36. The BSF programme is intended to improve services for children and young people.

Health and Wellbeing

37. No negative implications.

Environment and Housing

38. All BSF projects will be required to meet Design Quality Indicators. Transport-related environmental implications will be considered as a part of the BSF transport assessments. In terms of other environmental implications the programme will have a minimum target to achieve the BREEAM* design standard of "very good" in all buildings. In addition the Council will look to maximise opportunities for onsite renewable energy generation (ground source heat, wind, solar, biomass etc) and design low carbon use buildings in line with Climate Change Strategy targets.

**BREEAM – Better Regulation Executive - Environmental Assessment Method. The Better Regulation Executive is a part of the government's Department for Business, Enterprise and Regulatory Reform (BERR).*

CORPORATE PARENTING

39. The Council's BSF strategy includes targets to raise educational achievement and improve life chances for all children and young people in the borough including those looked after by the Authority.

EQUALITY IMPACT ASSESSMENT

40. The BSF programme has been subject to an Equality Impact Assessment and has been judged to have a positive impact. No remedial actions are required.

CONSULTATION INCLUDING WARD/COUNCILLORS

41. Elements of the OBC have been developed in consultation with school representatives as indicated below. Communications have been maintained with Council members through regular members' seminars. Issues affecting the school workforce have been discussed at scheduled meetings of the JCC- Schools

Development Briefs and Planning Consultation

Development briefs have been prepared for the sample schools and submitted to planners for approval to ensure that the principles of development on the sample school sites will be supported when future full planning applications are considered. This process required consultation with adjoining owners / residents to be carried out. The process was successfully concluded for both sample schools and the planning committee approved the submissions. It is intended to carry out a similar briefing process for the Grangefield site later in the BSF programme. Other schools in the Wave 6 programme will be progressed with the benefit of a letter of comfort provided by planners.

Change Management Group meetings:

Change Management Group meetings are attended by all of the borough's secondary headteachers and school governing body representatives are also invited to attend when necessary.

- 11th December 2008
- 29th January 2009
- 12th March 2009
- 26th March 2009
- 23rd April 2009 (including governor representatives)
- 11th June 2009 (including governor representatives)

School Governing Body meetings

Members of the BSF team also attended the following school governing body meetings to address any individual school queries regarding the LEP, Facilities Management and ICT proposals.

- 15th June 2009 - Blakeston School Governing Body meeting
- 16th June 2009 – Grangefield School Governing Body meeting
- 25th June 2009 – The Norton School Humanities College Governing Body meeting
- 30th June 2009 – Thornaby Community School Governing Body meeting
- 30th June 2009 – Ian Ramsey Church of England School governing Body meeting
- 1st July 2009 – Grangefield School Governing Body meeting
- 18th July 2009 - Stockton First Federation Governing Body meeting

Members' Seminars

All members were invited to attend BSF Members' Seminars which provide regular updates regarding the development of the BSF programme. The LEP, Facilities Management and ICT Managed Service proposals were discussed at these seminars as indicated below:

- 13th January 2009 and 19th January 2009
- 11th March 2009 and 26th March 2009

15th June 2009 and 18th June 2009

Meetings with union representatives

Meetings have been held with unions to discuss the impact that a LEP would have on existing services and personnel.

Meetings with School Workforce JCC held on 13th January, 9th February, 10th March, 12th May and 9th June 2009.

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Background Papers

Cabinet reports dated 21 July 2008, 5 February 2009, and 1 September 2009.

BSF Strategy for Change Parts 1 and 2

Ward(s) and Ward Councillors:

Not Ward-specific

Property

The BSF programme will introduce substantial capital investment to renew secondary school buildings.