

DECISION-MAKER:	COUNCIL		
SUBJECT:	BUILDING SCHOOLS FOR THE FUTURE: SUBMISSION OF OUTLINE BUSINESS CASE		
DATE OF DECISION:	20 JANUARY 2010		
REPORT OF:	CABINET MEMBER FOR CHILDREN'S SERVICES		
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STATEMENT OF CONFIDENTIALITY

Appendix 1 of this report is not for publication by virtue of category 3 (information relating to the financial or business affairs of the Authority) of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the Council's Constitution.

It is not in the public interest to disclose this information because doing so would prejudice the Council's commercial position in relation to future procurement activities supporting the BSF project and could affect the Council's ability to deliver best value in the procurement of services for the benefit of the public.

SUMMARY

Building Schools for the Future (BSF) is a once in a generation opportunity to leverage significant Central Government capital investment into the City's secondary school estate and help improve local education, social and economic outcomes.

In order to access BSF funding, Local Authorities must produce an Outline Business Case (OBC). The OBC must demonstrate:

- i) the case for investment in school buildings (via detailed buildings and site surveys);
- ii) the expected return on investment (in terms of improved local, educational, social and economic outcomes); and
- iii) that the investment proposals are financially and technically sound (via outline design, costing, and affordability assessments). This work has been completed ahead of schedule by the BSF Team and is summarised below. The OBC is due to be submitted to central government in early 2010.

The OBC must be submitted following approval of a Council report which deals specifically with Local Authority contributions and overall affordability. This is the focus of this report. A range of other project specific work required for submission of OBC is being completed under delegated powers granted to officers by Cabinet on 23rd November 2009.

RECOMMENDATIONS:

- (i) To approve that the proposed capital and revenue contributions as detailed in Appendix 1 be added to budget proposals in future years.

- (ii) To vire in accordance with Financial Procedure Rules a sum of £5.147 million to the Children's Services Capital programme for BSF Wave 6a, funded from 14-19 Diplomas, SEN and Disabilities Targeted Capital Fund Grant.
- (iii) To delegate authority to the Executive Director of Resources to certify the Council's affordability position (the Section 151 letter) as required for the submission of the OBC or any other stage of the BSF procurement process subject to the project remaining within the overall affordability envelope approved by the Council.
- (iv) To delegate authority to the Executive Director of Resources to determine the actual Capital and Revenue sources of funding to be used to support the Council's required financial contributions (see indicative funding model in appendix 1) to BSF, subject to the project remaining within the overall affordability envelope approved by the Council.
- (v) To delegate authority to the Executive Director of Children's Services and Learning and the Executive Director of Resources, following consultation with the Solicitor to the Council and the Cabinet Member for Children's Services to do anything necessary to give effect to the recommendations in the report and/or to enable the Council to submit the OBC, subject to the project remaining within the overall affordability envelope approved by the Council.

REASONS FOR REPORT RECOMMENDATIONS

1. Central Government requires that the OBC, in particularly the affordability assessment, is supported by a full Council Approval.

CONSULTATION

2. Consultation was undertaken with all relevant officers and councillors, including the Chief Executive, the Executive Director for Children's Services and Learning, the Executive Director of Resources, and Cabinet and opposition members. Finance and legal officers have been actively involved in the production of all financial and legal work-packages under-pinning this programme and have advised on the development of this report and the Outline Business Case.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Not participating in the BSF programme.

DETAIL

4. Building Schools for the Future (BSF) is a once in a generation opportunity to leverage significant Central Government capital investment into the City's secondary school estate and help improve local education, social and economic outcomes.
5. The secondary school's prioritised for investment in wave 6a of the SCC BSF programme are all currently housed in building stock which mainly dates from the 1950, 60s, 70s. Condition surveys clearly demonstrate that the majority of this accommodation is now well beyond economic repair and

un-sustainable over the short to medium term. Qualitative analyses demonstrate that the vast majority of this accommodation does not comply with relevant requirements (DCSF statutory guidance BB98/BB97; Education (School Premises) Act as amended) on accommodation to support basic requirements for modern teaching and learning. Access audits also indicate that significant investment would be required to establish compliance with the Disability Discrimination Act. A relatively small proportion of building stock dates from the 80's 90s and 2000s. This accommodation is being retained wherever it is economically viable to do so.

6. The investment proposals for wave 6a were developed following a detailed options appraisal process which considered a minimum of four options per school:
 - Do Nothing,
 - Do Minimum;
 - Remodel; and
 - New Build.
7. A detailed value for money appraisal was also undertaken on each option which evaluated capital costs, whole life costs (including sustainability factors), education and community outcomes and design. The investment proposals also ensure that every school will be fully compliant with relevant regulations and legislation. No school exceeds the recommended floor area relative to the number of pupils on roll: this is a key indicator that the investment proposals are sensible rather than extravagant. This information was presented in full in the Strategy for Change Part 2 which was approved by Cabinet on 23rd November 2009.
8. The expected return on investment in terms of local educational, social and economic outcomes has been clearly demonstrated in the BSF Strategy for Change Parts 1 and 2. Significant performance improvements are expected across the standards agenda and the wider set of National Indicators and Every Child Matters Outcomes as a result of BSF investment. These improvements are summarised in Appendix 2.

Business Southampton and the Southampton Chamber of Commerce are key partners and are now well placed to support the BSF Team to ensure that the investment provides local employment opportunities and contributes to the up-skilling of the local workforce.

9. This report (which mirrors the OBC) shows a total inward investment of approximately £110m from central Government via conventional capital grant and Private Finance Initiative (PFI) credits. Appendix 1 details the estimated capital and revenue costs to the Council of taking forward BSF, based on rebuilding 3 schools through PFI, and substantially rebuilding 2 schools through design and build schemes. The figures detailed in appendix 1 are estimates of the maximum amounts the Council may have to contribute toward the total cost of the projects, based on estimated build costs from the design work undertaken to date. However, ultimately the costs of the projects will be determined following a rigorous procurement competition and all efforts will be directed at incentivising a currently depressed construction

market to return the keenest possible prices. No contracts will be entered into without the prior consent of the Cabinet.

10. All detailed design work will take place during the procurement period. Design work will be undertaken by the private sector in competition, overseen by the Council and schools. The Council will require bidders to explore the widest possible range of design strategies, including those which may not have been fully investigated by the Council to date including any options that propose or support co-location opportunities with existing or proposed community and educational facilities located in the area operated by the Council and/or its partners. Any design will have to deliver clear value for money for the Council and for schools, and be fully deliverable within the affordability assumptions set out in this paper and in the Outline Business Case.
11. It should be noted that on initial estimates for every £1 Southampton invests in BSF receives £1.70 in return. We expect this ratio to improve as a function of a highly competitive construction market.
12. It should also be noted that neighbouring Authorities all have BSF schemes with approved OBCs (Portsmouth, Bournemouth & Poole, and Somerset) or in development (Hampshire, Isle of Wight). The same can be said of all Southampton's statistical comparator Authorities. Southampton cannot afford to be left behind its geographic or statistical neighbours in terms of much needed investment in its secondary school estate.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

13. In March 2008, Council agreed in principal to meet the funding required to take forward the BSF programme, and to include funding as necessary (both capital and revenue) within future budgets. At the time the contribution to the capital costs of the whole BSF programme was estimated to be between £15 to £30 million.
14. It should be noted that the Wave 6a programme will bring almost £110 million of much needed inward investment into the city's secondary schools, via a combination of conventional capital grant (£18m) along with PFI credits (£92m).
15. The amount of DCSF grant awarded to Southampton is based on a Funding Allocation Model (FAM) which calculates a funding allocation based on the number of pupils forecast to be in each school, the required floor area and the relative proportion of new build, remodelling and refurbishment required. The FAM assumes that only 50% of the estate will require complete new build, and that a minimum level of expenditure on "abnormals" (e.g. temporary accommodation, planning constraints, demolition, environmental issues) is required. Inevitably, these assumptions ensure the need for a local contribution.
16. Appendix 1 shows the estimated Southampton capital contribution to Wave 6a of BSF along with the potential funding sources.

Revenue

17. **Procurement** - The estimated revenue costs of procurement of the Local Education Partnership (LEP) form part of the General Fund budget for 2009/10 and budget proposals for 2010/11 onwards. The available budget for the period up to and including 2100/12 is £4,720,000, as summarised in the table below:

Funding Source	2009/10	2010/11	2011/12
Revenue Developments Fund	£1,160,200	£1,110,000	£1,350,000
School contribution	£500,000	£500,000	
DCSF Grant	£50,000	£50,000	
Total	£1,710,200	£1,660,000	£1,350,000

18. From 2012/13 onwards, the medium term financial plan assumes a recurring BSF budget available of £1.4m. This sum will be available to contribute towards the ongoing costs of BSF.
19. **Unitary Charge** - The three schools that are due to be completely rebuilt under wave 6a will be procured and built under the Private Finance Initiative (PFI). The estimated annual revenue contribution (the Unitary Charge) to fund the three PFI schemes is as shown in Appendix 1, along with the proposed funding sources.
20. **One off Costs** - A one-off equity investment in both the LEP (£10,000) and the PFI Special Purpose vehicle (£300,000) is required totalling £310,000. This investment will be repayable at the end of the PFI project.

Property

21. Property issues arising from this report will be subject to detailed consideration in accordance with council procedures as implementation of the recommendations progress.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

22. Section 14 of the Education Act 1996 imposes a duty on Local Authorities to secure sufficient primary and secondary school places are available for the inhabitants of their areas. Provision is not considered 'sufficient' unless it is sufficient in number, character and equipment. Local Authorities have further power under s.16 of the Act to establish maintain and assist all schools provided in accordance with the general duties. These powers, together with s.111 Local Government Act 1972 (power to do anything calculated to facilitate or which is incidental or conducive to its primary functions) enable a Local Authority to participate in the BSF programme and to carry out improvements to educational provision in its area.

Other Legal Implications:

23. Provision of facilities and opportunities for pupils in accordance with the BSF programme will be subject to compliance with all relevant equalities

legislation, Human Rights Act 1998, s17 Crime & Disorder Act 1998 and European and national procurement legislation.

POLICY FRAMEWORK IMPLICATIONS

- 24. The proposals in this report are wholly in accordance with the policies contained within the Children and Young Peoples Plan and the Southampton Community Strategy, particularly objective two which requires that Learning and innovation is at the heart of all City Council proposals. The BSF proposals accord with the vision that the City will have excellent education, from the earliest years through to schools and colleges and encourage people to value learning throughout their lives.

SUPPORTING DOCUMENTATION

Appendices

1.	Confidential Financial Information
2.	Summary of Targeted Improved Educational Outcomes

Documents In Members' Rooms

1.	
2.	

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.		
2.		

Background documents available for inspection at:

FORWARD PLAN No:

KEY DECISION?

WARDS/COMMUNITIES AFFECTED:

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