



APPENDIX 1 NOT FOR PUBLICATION
Exempt / Confidential under Rule 10.4 (3)

**Report of the Director of Children's Services and the Chief Executive of Education
Leeds**

Executive Board

Date: 22nd August 2007

**Subject: Leeds Building Schools for the Future – Submission of the Outline Business
Case for Phases 2 and 3**

Electoral Wards Affected:

All

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

EXECUTIVE SUMMARY

- 1 Members of Executive Board will recall from reports considered by them on 24th January and 16th November 2005, that Leeds had been selected as a Wave 1 Authority under the Government's Building Schools for the Future (BSF) Programme. The aim Wave 1 of the BSF Programme in Leeds is to rebuild or substantially refurbishing, over three phases, 14 secondary schools in Leeds. Members also gave their approval to the establishment of a Local Education Partnership (LEP) and to the final scoping and financial implications of Phase 1 of the City Council's BSF Programme.
- 2 Members of Executive Board at their meeting on 24th January 2007 authorised the submission of the Final Business Case for Phase 1 of the Project. At that meeting of Executive Board, Members also agreed the arrangements for the establishment and Council participation in the Leeds Local Education Partnership (LEP).
- 3 Members of Executive Board, are requested to approve the Outline Business Case for Phases 2 and 3 of the Council's Wave 1 Building Schools for the Future Programme

and authorise submission to the Department for Children, Schools and Families and to Partnerships for Schools;

- 4 The three phases of this Programme comprise the rebuild or refurbish through PFI and conventional Design and Build, of 14 Secondary Schools in the City, with the schools to become operational between August 2008 and December 2010. The total investment over all three phases, including investment in ICT, is £275m. The BSF Programme continues the significant investment in Leeds Schools through the Government's PFI and BSF initiatives between 2000 and 2010, comprising a total of 10 Primary and 28 Secondary Schools (approximately half of the secondary school estate in Leeds), with capital investment in these schools exceeding £450m.
5. Members of Executive Board are recommended to:
 - a) Note the contents of this report;
 - b) To approve the Outline Business Case for Phases 2 and 3 of the Council's Wave 1 Building Schools for the Future Programme and authorise submission to the Department for Children, Schools and Families and to Partnerships for Schools;
 - c) To agree to the capital expenditure and funding set out in table 2 of the confidential appendix to this report ;
 - d) To note and agree the affordability implications over the life of the proposed PFI Contract for the New West Leeds High School, summarised in table 1 of the confidential appendix to this report;
 - e) To note the comments in paragraph 2 of the confidential appendix that the proposed West Leeds High School PFI will provide good value for money to the City Council and to the Public Sector;
 - f) To agree to the recommendations to the confidential appendix to this report and authorise officers to issue the City Council's affordability thresholds relating to both the PFI element and the Design and Build element to the LEP and to Environments for Learning.

1.0 Purpose Of This Report

1.1 The purpose of this report:

- a. To approve the Outline Business Case for Phases 2 and 3 of the Council's Wave 1 Building Schools for the Future Programme and authorise submission to the Department for Children, Schools and Families and to Partnerships for Schools;
- b. To note and agree the scope of Phases 2 and 3 of the Council's BSF Programme;
- c. To note and approve the financial and affordability implications to the Council of Phases 2 and 3 of the Programme.

2.0 Confidentiality

2.1 The Appendix to this report, and the Outline Business Case, are confidential under Access to Information Rule 10.4.3 because publication could prejudice the City Council's commercial interests as, both this Appendix and the Outline Business Case include matters where commercial negotiations will be required of a confidential nature will ensue with the LEP and Environments for Learning Consortium. In these circumstances it is considered that the public interest in not disclosing this commercial information outweighs the interests of disclosure.

3.0 Background Information on the BSF Programme

3.1 On 9th March 2005, Members of Executive Board approved the submission of the Strategic Business Case (SBC) to the Department for Education and Skills (now the Department for Children, Schools and Families) for the Council's Wave 1 BSF Programme. The SBC acts as the overriding plan for the delivery of the Building Schools for the Future Programme in Leeds. It sets out the vision for Education in Leeds and acts as the tool to promote and inform the Local Education Partnership. It is intended to reflect changing and developing national and local Education priorities.

3.2 The aims, objectives and anticipated outcomes of the BSF Programme, set out in the SBC are:

Aims

- To provide a framework for the transformation of teaching and learning.
- To contribute to the realisation of the Vision for Leeds 2004 – 2020.
- To improve learning and achievement in schools.
- To build upon the developments already undertaken through the Secondary and Post 16 Review.
- To ensure that the balance between the supply of and demand for places is appropriate within the demographic profile of the City.
- To facilitate and develop the 14 – 19 Strategy.
- To provide up to date and modern facilities for a 21st century curriculum.
- To facilitate the development of Extended Schools.
- To develop ICT as a fundamental tool for achieving a step change in teaching and learning.
- To support Education Leeds Inclusion Strategy through the development of Partnership Bases.

Objectives

- To ensure that the buildings support 21st century expectations in styles of teaching and learning, technological developments with flexibility and adaptability to enable future changes as the Education landscape evolves.
- To provide E-confident schools which will promote enhanced thinking, collaborative working and community cohesion.
- To provide flexible and adaptable accommodation to enable schools to develop extended schools practice.
- To develop partnerships between mainstream provision and the Specialist Inclusive Learning Centres by providing High Care and Generic Partnership Bases.
- To rationalise existing provision through the amalgamation of two schools in West Leeds and adjustments to the capacity of other schools within the Programme.

Outcomes

- All Leeds BSF schools will be high achieving schools providing a curriculum which will help young people to feel more powerful and optimistic about their future, allowing all young people to follow their individual learning pathways and thereby gaining high self esteem through achieving success.
- All BSF schools will be fully inclusive ensuring all children and young people achieve success and have access to the highest quality education.
- All BSF schools will be E-confident schools with ICT embedded in all teaching and learning.
- All BSF schools will focus on developing community links which will support the extended schools agenda.

3.3 The Wave 1 Programme includes 15 existing schools and the Programme is being delivered in three phases. The prioritisation of the secondary school estate for BSF was undertaken against the Secondary and Post 16 Review to improve performance and condition of schools within the Inner City.

The key drivers in selecting the schools within the Programme were the level of deprivation, as indicated as the take up of free school meals; performance, as the percentage of pupils attaining 5* A-C and the relative successes of the schools and the condition of the existing school environment.

Within Wave 1, the decision on the phasing of the 15 existing schools to be reprovided as 14 new and refurbished schools was based upon issues addressing the schools' capacity and readiness to deliver and was approved by Executive Board in July 2004.

4. Progress to Date

- 4.1 Executive Board received a report in October 2004, updating Members on the progress with the Council's Wave 1 BSF Programme. On 9th March 2005, Members agreed to the submission of both the Strategic Business Case and the Outline Business Case for Phase 1 of the Programme and to the principle of establishing a Local Education Partnership (LEP). Formal approval of these Business Cases was received from the then named Department for Education and Skills on 26th May 2005.
- 4.2 The formal procurement of the LEP partner and Phase 1 of the Programme commenced in August 2005, with the Preferred Bidder, the Environments for Learning Consortium, being selected in November 2006.
- 4.3 On 24th January 2007, Members of Executive Board supported and confirmed the decision of the PPP/PFI Coordination Board to submit the Final Business Case for Phase 1 of the Council's BSF Programme to the DfES and PfS. Their approval of the Final Business Case and the issue of the Promissory Note empowering the Council to enter into the Contract with the Preferred Bidder, Environments for Learning and Financial Close for this Phase of the Programme, was achieved on 3rd April 2007 and reported to Members of Executive Board on 16th May 2007.

5. Scope of Phases 2 and 3 of the BSF Programme

- 5.1 Phases 2 and 3 of the Council's BSF Programme comprise the significant refurbishment of seven schools in Leeds and the amalgamation of the existing West Leeds and Wortley High Schools and replacing these two schools with a new secondary school in West Leeds. The total estimated capital investment value of these two phases amounts to £131.5m, and when taken together with Phase 1, the City Council's Wave 1 BSF Programme represents the largest procurement undertaken in the history of the City Council.
- 5.2 The Scope of Phases 2 and 3 of the Programme has not changed significantly since the report to Members on 9th March 2005. The tables below summarises the scope of the eight schools included within Phases 2 and 3.

Phase 2 School	Summary of Proposed Project Scope
Crawshaw High School Design and Build Service commencement December 2009	Current School capacity – 1,173 Proposed School capacity 1,145 comprising: 975 pupils aged 11 to 16 170 pupils aged 16 to 18 The proposed scope of work will comprise of 2% new build and 39% of major refurbishment. The remaining 59% will be unaffected as this was recently rebuilt due to fire damage. The school will have a reduced capacity to reflect the demographic profile of the local area.

<p>Farnley Park High School</p> <p>Design and Build</p> <p>Service commencement December 2009</p>	<p>Current School capacity 789</p> <p>Proposed School capacity comprising: 1,050 pupils aged 11 to 16; 150 pupils aged 16 to 18 30 High Care Partnership pupils</p> <p>The proposed scope of the work comprises 70% of new build with the remaining 30% subject to minor alterations.</p> <p>The school will increase in size from its present capacity to ensure that there is sufficient capacity in the local area as a result of the amalgamation of West Leeds and Wortley High Schools. A high care partnership base will be provided.</p>
<p>Priesthorpe High School</p> <p>Design and Build</p> <p>Service commencement December 2009</p>	<p>Current School capacity – 1,193</p> <p>Proposed School capacity 1,205 comprising: 975 pupils aged 11 to 16; 200 pupils aged 16 to 18; 30 Generic Special Needs pupils</p> <p>Proposed scope of the work comprises approximately 1% new build; 68% refurbishment and remodeling and the remaining 31% subject to minor alterations.</p>
<p>West Leeds and Wortley High Schools to amalgamate as a new West Leeds High School</p> <p>Procured through PFI</p> <p>Service commencement August 2009</p>	<p>Combined current school capacities of existing West Leeds and Wortley – 1,966</p> <p>Proposed new School capacity 1,380 comprising: 1,200 pupils aged 11 to 16; 150 pupils aged 16 to 18; 30 Generic Special Needs pupils</p> <p>Proposed 100% new build</p>

Phase 3 School	Summary of Proposed Project Scope
<p>Corpus Christi RC High School</p> <p>Design and Build</p> <p>Service commencement December 2010</p>	<p>Current School capacity - 930</p> <p>Proposed School capacity 930 comprising: 900 pupils aged 11 to 16 No sixth form unit 30 Generic Special Needs pupils</p> <p>The scope of the work is approximately 10% new build and the remaining 90% refurbishment.</p>

Intake High Arts School	Current School capacity 1,231
Design and Build	Proposed School capacity 1,350 comprising: 1,200 pupils aged 11 to 16; 150 pupils aged 16 to 18
Service commencement December 2010	The proposed scope of the work comprises 46% of new build with the remaining 54% subject to minor alterations.
Mount St Mary's RC High	Current School capacity – 1,234
Design and Build	Proposed School capacity – 900 comprising: 900 pupils aged 11 to 16; No sixth form unit
Service commencement December 2010	Proposed scope of the work comprises 6% new build and 84% refurbishment and remodeling with the remaining 10% unaffected.
Parklands High School	Current School capacity – 821
Design and Build	Proposed School capacity 880 comprising: 750 pupils aged 11 to 16; 130 pupils aged 16 to 18;
Service commencement December 2010	Scope of the work comprises 17% new build; 37% refurbishment and remodeling; 24% subject to minor alterations and the remaining 22% unaffected.

5.3 **The Works Period**, the construction period for Phase 2 will run from contract signature, programmed for 28th February 2008 through to August 2009 for the New West Leeds High School and December 2009 for Farnley Park, Priesthorpe and Crawshaw High Schools for the schools in Phase 2 and programmed from February 2009, through to December 2010 for the schools in Phase 3.

5.4 **The Service Period** for the new West Leeds High School, procured through PFI is programmed to commence on 1st August 2009, and service completion on 31st July 2034.

5.5 **The Services** included within the PFI contract are:

- Facilities Management
- Asset Management Planning
- Buildings maintenance
- Installations maintenance (e.g. cabling, alarms, ICT infrastructure)
- Utilities and Environmental Conditions
- Lifecycle Maintenance
- Reinstatement and Change
- Catering
- Cleaning and Waste
- Furniture
- Grounds maintenance
- Health and Safety and Security

Porterage
Reactive On-Site Services
Help Desk and Administration
Continuous Improvement

- 5.6 **Employment and TUPE** – The PFI Contract will involve the transfer of caretaking, cleaning and catering staff under TUPE from the City Council to Interserve Project Services Limited, the hard and soft facilities management sub contractor to the PFI Special Purpose Vehicle (SPV). Drafting within the Contract will include requirements for the Service Providers to comply with the Code of Practice on Workforce Matters set out in the ODPM Circular 03/2003, which is aimed at avoiding a two tier workforce.
- 5.7 **Pensions:** The PFI Contract will provide for protection of pensions provision through an admission agreement to the West Yorkshire Pension Fund (WYPF). It is proposed that transferring employees and new employees of the facilities management Service Provider will have continued membership of, or access to the WYPF. If for any reason the employer cannot achieve or retain Admitted Body status for this purpose, then broadly comparable arrangements would have to be provided.
- 5.8 **Communication and Consultation Strategy** works through established protocols within Education Leeds and the City Council to ensure all stakeholders are not only kept informed but, when appropriate, are engaged in the procurement and construction stages of the process. This strategy was developed from experience acquired on earlier Schools PFI projects and Phase 1 of the Council's BSF Programme and seeks to continue the protocols with stakeholders undertaken during the procurement processes of Phases 2 and 3 of the Programme.
- 5.9 **Stakeholders** in this project are identified as:
- The schools, their head teachers, governors, staff, parents, pupils and their communities
 - Education Leeds
 - The City Council's Executive Board Members
 - The Education PFI / BSF Project Board
 - The BSF Project Team
 - Ward members (where schools located)
 - Department for Children, Schools and Families (DCSF)
 - Partnerships for Schools (PfS)
 - Other agencies and specialist bodies, including Sport England, English Heritage, Commission for Architecture and the Built Environment (CABE) etc.
 - Employee representatives
 - Media
- 5.10 Communication and consultation throughout the project to date has included:
- Regular newsletters to schools to adapt for their wider community. Newsletters are made available to Ward Members, MP's, and to Trade Unions
 - Members briefings
 - Governor and staff meetings at each school
 - Regular update meetings with Headteachers and their Chairs of Governors
 - Regular reports to the Education PFI / BSF Project Board,

- Regular meetings with Partnerships for Schools
- Regular meetings with Development Department on planning, highways and site issues
- Discussions with Sport England, English Heritage, CABE etc.

5.11 As the process moves from procurement and contract close towards service commencement the Council will undertake consultations with all affected staff, with input from E4L as appropriate. The trade unions will be included throughout this process.

5.12 **Impact upon the Leeds Public Playing Field Strategy** - In accordance with the requirements of the report on Leeds Public Playing Fields Strategy, approved by Executive Board on 13 December 2006, the potential impact of these Phases of the BSF Programme on school, and other public playing fields has been considered.

5.13 Subject to the approval of the Reserved Matters Planning applications, it can be confirmed that none of the construction work necessary to create the new school accommodation, or temporary facilities to support the phasing of works on site, will have any adverse impact on the existing sports pitches.

5.14 There will be some impact on existing indoor sports facilities, as sports halls and gymnasias are replaced, or refurbished. However, each school will seek to address this within existing budget provisions.

5.15 With regard to the playing fields and facilities at the New West Leeds High School, these will be managed and operated by the PFI Contractor. The terms of this Contract will be consistent with the terms of the PFI Contract for Phase 1 where during school hours and specified periods outside of normal school hours, the cost of access for Community Use is included within the Unitary Charge.

6.0 Implications For Council Policy And Governance

6.1 At their meetings on 9th March and 13th October 2005 and 24th January 2007, Members of Executive Board agreed the Corporate Governance arrangements for the procurement of PPP / PFI projects, giving appropriate delegations to the PPP / PFI Co-ordination Board; to specific PFI Project Boards and to officers in connection with BSF and the LEP. The procurement of Phases 2 and 3 of the BSF Programme will be undertaken in compliance with these arrangements. The authority and powers to enter into a contract with the LEP the schools in Phases 2 and 3 are reserved to Members of Executive Board.

6.2 The City Council has entered into a contract with the Local Education Partnership (the LEP) through a Strategic Partnership Agreement which, subject to conditions set out in the Agreement grants the LEP exclusive rights in relation to projects with a capital value of £100,000 or more in the Secondary School estate, including Phases 2 and 3 of the Council's BSF Wave 1 Programme. These rights are subject to compliance with procedures set out in the Agreement and providing that the bid submissions provide value for money to the Public Sector. Financial Close for Phase 2 of the Council's BSF Programme is programmed for 28th February 2008, and for Phase 3 one year later.

7.0 Project Timetable

7.1 The Project Timetable is based upon one of the schools within Phase 2 being completed in August 2009 and three in December 2009, and the completion of schools in Phase 3 by December 2010. Two of the phase 2 schools Crawshaw and Farnley Park will reach financial close on a later date but the opening dates of the three Design & Build schools will remain consistent.

Financial Close of Phase 1 and procurement of Local Education Partner	3 rd April 2007
Submission of Outline Business Case for Phases 2 and 3	29 th June 2007
Approval of the Outline Business Case	September 2007
Financial Close for Phase 2 PFI School West Leeds & Priesthorpe	28 th March 2008
Financial Close for Phase 2 Crawshaw	June 2008
Financial Close for Phase 2 Farnley Park	July 2008
Construction of Phase 2 schools	March 2008 to August 2009 for West Leeds and to December 2009 for Farnley Park and Priesthorpe and Crawshaw
Handover of Phase 2 Schools	August and December 2009
Financial Close for Phase 3	28 th February 2009
Construction of Phase 3 schools	March 2009 to December 2010
Handover of Phase 3 Schools	December 2010
Contract completion of PFI Schools	31 st July 2034

8.0 Resources to Deliver Phases 2 and 3

8.1 The table below illustrates the budgeted cost in 2007/08 for the procurement of Phases 2 and 3 of Wave 1 of the Council's BSF Programme. It is likely that there will be an impact on the Council's Revenue Budget beyond 2007/08 through to 2010/11 when the works on the schools are scheduled to be completed. There are also likely to be financial implications beyond 2010/2011 to ensure that effective Contract Management is in place when the West Leeds PFI School becomes operational.

	Budget for 2007/08 £000
Public Private Partnership Unit charges (includes strategic and project management, legal, financial, technical, governance, programming and performance support)	595
External adviser fees (legal, financial, technical, pension, insurance etc.)	444
Education Leeds Costs (BSF direction/strategy/client input into design, services and operation/stakeholder coordination)	420
Total	1.459

8.2 These cost projections reflect the City Council's experience of delivering Phase 1 of the Programme and previous PFI projects, and takes into account the complexities inherent in BSF. However, due to procurement through the LEP, the anticipated procurement timescale is quicker than conventional procurement and consequently less costly route to Financial Close.

9.0 Project Risks

9.1 A Risk Management Plan and a comprehensive Project Risk Register have been developed for Phases 2 and 3 to enable the continual, effective monitoring of the risks to success of the Project. A summary of the key risks is reported to each meeting of the Education PFI/BSF Project Board.

10.0 Financial Issues

10.1 Attached is a detailed report covering the financial issues relating to the Phases 2 and 3 of the BSF Programme. In summary the main issues covered in the report are:

- Value for Money.
- Affordability.
- Balance Sheet Treatment.

Members are requested to note that the recommended PFI Unitary Charge Affordability threshold set out in the attached confidential appendix takes account of the Continuous Improvement savings set out in Schedule 15 of the Strategic Partnering Agreement which was also signed by the City Council and Leeds LEP Limited on 3rd April 2007.

11.0 Recommendations

11.1 Members of Executive Board are recommended to:

- a) Note the contents of this report;
- b) Approve the Outline Business Case for Phases 2 and 3 of the Council's Wave 1 Building Schools for the Future Programme and authorise submission to the Department for Children, Schools and Families and to Partnerships for Schools;
- c) To agree to the capital expenditure and funding set out in table 2 of the confidential appendix to this report ;
- d) To note and agree the affordability implications over the life of the proposed PFI Contract for the New West Leeds High School, summarised in the annexe to the confidential appendix to this report;
- e) To note the comments in paragraph 2 of the confidential appendix that the proposed West Leeds High School PFI will provide good value for money to the City Council and to the Public Sector;
- f) To agree to the recommendations to the confidential appendix to this report and authorise officers to issue the City Council's affordability thresholds

relating to both the PFI element and the Design and Build element to the LEP and to Environments for Learning.