

Report of the Deputy Chief Executive, the Director of Children’s Services and the Director of City Development

Report to Executive Board

Date: 22nd April 2015

Subject: Basic Need Programme - Capital Programme Update



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|--|---|--|
| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

1. Executive Board in September 2014 considered and supported the adoption of a programme approach to the implementation of basic need projects which form part of the strategy for ensuring sufficient good quality learning places in Leeds. The basic need programme represents the Council’s response to the demographic growth pressures on primary school provision. The rapidly increasing birth rate in Leeds has required the Council to approve over 1300 new reception places since 2009 in order to fulfil its statutory duty to ensure sufficiency of school places. The programme will continue as there are ongoing pressures on school places. This report provides an update on the programme and seeks authority to spend from Executive Board for the next tranche of schemes including an update on the programme contingency.
2. Since implementation of the programme approach in September 2014 the programme team led by officers from PPPU and assisted by colleagues in Children’s Services and City Development have successfully delivered £34.6m of investment into 11 schemes. A further 17 schemes totalling an investment of £52m are on programme to deliver in 2015.
3. The Basic Need Programme is currently made up of 20 active schemes including the three schemes to be injected into the programme through this report, work continues to be undertaken in other areas of the city identifying possible solutions to satisfy the need for further places. Of the 20 active schemes, 14 have authority to spend from Executive Board (or under delegation for smaller schemes) with a total value of £45.4.

There are pressures on a number of primary planning areas for at least the next three years which will require a significant number of expansion or new school projects. Pressure on places will also generate a number of large scale projects to expand places for secondary and specialist provision.

4. Funding provided for basic need by government is limited and the Council has demonstrated value for money in delivering projects when compared nationally. As the construction industry continues to revive, sharp increases in tender prices have occurred. As a consequence, Executive Board is asked to note the use of the programme contingency fund to date and to approve the retention of the remainder of the contingency fund for continued management of programme risks. Executive Board is also asked to give authority to spend on the next phase of the programme, totalling £14.3m

Recommendations

5. Executive Board is requested to approve:
 - a. additional authority to spend on the basic need programme which comprises three schemes with a total value of £14.3m. This increases the overall approval of the schemes in the programme to £67.3m.
 - b. delegation of the approval of design and cost reports for the new tranche of schemes to the Director of Children's Services, subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the Executive Members and reports open to scrutiny by Members. This is consistent with the programme approach and governance arrangements approved by Executive Board in September 2014.
 - c. that the balance of the programme risk fund £8,975,570 is maintained, to facilitate effective risk management at programme level.
 - d. Executive Board is asked to note the current projected funding deficit which currently stands at £36.6m. Members should note that this is likely to increase due to rising construction costs.
 - e. Executive Board is asked to note that the Head of Service, Strategic Development and Investment continues to have client responsibility for the programme and the Chief Officer, Public Private Partnerships and Procurement Unit continues to be responsible for the delivery of the projects in the programme.

Purpose of this report

- 1.1 To update Executive Board on the progress of the basic need programme, set out and seek approval for further authority to spend on the programme, update on applications made and approved for access to the programme contingency fund, and indicate areas in which schemes are in development in relation to basic need.

2 Background information

- 2.1 The demand for additional school places has been increasing across the city as birth rates started to rise in 2000/2001. The Council has so far successfully increased reception capacity by 1,263 places. The Cross-Party Steering Group, chaired by the Executive Member for Children's Services and endorsed by Executive Board in July 2013, continues to assist the programme with Members from across the Council taking a proactive role. The group is supported by senior officers in considering strategic issues for the programme.
- 2.2 The Council retains a statutory responsibility to ensure that there are sufficient school places in the city, but in an environment of limited direct control. Foundation Schools, Academies (including Free Schools) and Voluntary Aided Schools all have increased powers to make changes to their capacities. This means that the Council must work in partnership with schools and with sponsors of schools to meet its legal responsibility on school places. The local authority's role is as a commissioner of places and it will seek to ensure good quality school places are provided to meet local demand.
- 2.3 Children's Services is responsible for ensuring that capacity and sufficiency planning leads to proposals for good quality local learning places for children. Children's Services leads the management and delivery of consultation and approvals for schools. Clear responsibility and accountability protocols have been established to support the client role and transparency. The Public Private Partnerships & Procurement Unit is responsible for the delivery of the basic need projects following organisational changes approved by Executive Board in September 2014.

3 Main issues

- 3.1 The Basic Need programme has been successful since 2009 in delivering over 1300 new places. Executive Board in September 2014 approved a programme approach to the implementation of the Basic Need Programme realigning roles and responsibilities to make best use of Council resources and mitigate programme risks. The programme is currently made up of 21 projects to provide places across the city. Appendix A Table 1 shows the 11 projects that successfully completed in 2014/15 and are no longer part of the live programme.
- 3.2 A range of schemes are in development and currently undergoing consultation, as indicated in Appendix A Table 2 & 3. Executive Board approval is sought for additional authority to spend on the Basic Need Programme of £14.3m for the schemes in the next tranche of delivery set out in Appendix 1 Table 4. All schemes in this next phase are valued at over £250,000 and will therefore be Key

Decisions at design and cost stage and subject to the rules on call in. The table below shows the next phase of the programme for which Executive Board approval is sought.

Projects in the next phase of the basic need programme

| Scheme | FE expansion | Places | Value (£) |
|--------------------------|--------------|------------|---------------|
| Castleton Primary School | 1FE to 2FE | 210 | £5.0m |
| Gledhow Primary School | 2FE to 3FE | 210 | £5.3m |
| Hollybush Primary School | 2FE to 3FE | 210 | £4.0m |
| | | 610 | £14.3m |

- 3.3 In accordance with the approved recommendation in the Primary Basic Need Programme Approach Report considered at Executive Board in September 2014, £10million was allocated to the establishment of a basic need programme contingency fund, and update on which is provided here. The table below shows the schemes for which applications to the programme contingency fund have been made along with a short narrative providing background to the reason for the request since its establishment in September 2014.

Applications to the programme contingency fund

| Scheme | Approved budget (£) | Contingency application value (£) |
|---------------------------------|--------------------------|-----------------------------------|
| Calverley C or E Primary School | 2,500,000 | 55,000 |
| Pudsey Primrose Primary School | 1,750,000 | 969,430 |
| | Total | 1,024,430 |
| | Remaining balance | 8,975,570 |

- 3.4 An application to the programme contingency fund for Calverley C of E Primary School was made at the Design and Cost Report approval stage in January 2015 following a requirement to meet enhanced planning obligations and to cover the cost of leased off-site land for use during construction for contractors access and compound.

3.5 An application to the programme contingency fund for Pudsey Primrose Hill Primary School was made in February 2015 to meet the costs of an increase to the project scope to replace the existing community facilities and rebuild rather than refurbish the kitchen along with an assessment of the likely increase in construction costs.

3.6 Post Stage B approval, the costs have increased by almost £1 million. This has resulted in the need to make an application for £969,430.00 from the Capital Risk Fund. The reasons for this increase in costs from Stage B to Stage D are:

- A new kitchen extension has been added into the scheme as the original proposal to convert the cellars is no longer economically possible following further structural investigation of the foundations.
- The design of the nursery building at Stage B was below the area recommended within DfE Building Bulletin guidance for an establishment of this size, which would cause operational issues for the school. The allocation of additional floor area was agreed with Children's Services.
- The requirements at Stage B did not include for a dedicated space for early intervention, which is required to address significant issues with students starting school with poor levels of speech. A decision to add this space was supported by Children's Services and Ward Members.
- The Stage B estimate for the scheme was based upon a lower level of refurbishment works than that which is actually required following further detailed surveys and design work.
- At the commencement of Stage C, a fire inspection was carried out which identified a potential risk that the existing open cloakrooms in the circulation corridors could impede evacuation of the building in the event of a fire. The open plan cloakrooms have therefore been relocated into especially designed fire resistant enclosures.
- The re-provision of cloakrooms has resulted in the relocation of the library space utilising a two storey void area in the circulation space to provide additional floor space without the need for a further extension.
- The relocation of the kitchen into the new extension has left the scheme with kitchen staff toilets and cloakroom that will not be required and are in the wrong location. These spaces will be converted into a much needed group room that could not be accommodated within the original scheme footprint.
- A mechanical ventilation system is to be installed in the Head Teachers office to address existing ventilation and heating issues which were unknown at Stage B.

3.7 An evaluation of risks that could impact on programme delivery has taken place to establish whether it may be necessary to adjust the amount of funding retained in the Programme Risk Fund. The main risks to the programme include increases in project costs and resource constraints across the delivery partnership, however it

is felt that the balance of the programme contingency funds of £8.976m should be sufficient to manage the identified programme risks going forward.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The programme includes a comprehensive approach to consultation with programme and project stakeholder engagement plans in place. Consultation is managed in accordance with relevant legislation and good practice.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Each basic need project is assessed on an individual basis, with EDCI screening accompanying the Design and Cost Report. Each project is designed to comply with British building regulations including adherence to the building regulations associated with the Disability Discrimination Act. A completed EDCI form for this report is attached as Appendix B.

4.3 Council Policies and City Priorities

4.3.1 The recommendations are being brought forward to meet the Council's statutory duty to ensure there are sufficient school places for all children living in Leeds. Providing places local to where children live improves accessibility, reduces the journey to school and reduces the risk of non-attendance.

4.3.2 An objective in the Best Council Plan 2013-2017 is to build a child friendly city with a focus on: our three Children's Trust partnership obsessions (looked after children, NEET and attendance); ensuring the best start in life; raising educational standards; and ensuring sufficiency of school places. The programme seeks to deliver a supply of good quality accessible local school places which can contribute to these objectives.

4.3.3 When consulting on the schemes to progress as part of this programme, the consultation process is in line with the Best Council value 'working with communities' in ensuring that 100% of major decisions are supported by community engagement, consultation and due regard for equality.

4.4 Resources and value for money

4.4.1 Funding for new school places is provided by central government in the form of an annual basic need capital grant allocation and this has previously been supplemented with bid rounds for targeted funding. The funding provided to local authorities is rationed by central government based on the projections of places required nationally and locally. Some funding adjustments are made to the allocations to fund the national Academy and Free School programmes.

4.4.2 Allocations for Leeds are shown in the following table.

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total 2014-18 |
|-------------------------|----------------|----------------|----------------|----------------|--------------------------|
| Annual basic allocation | 18,480,325 | 19,430,969 | 20,402,517 | 33,141,952 | 91,455,763 |

4.4.3 The latest announcement by the Department for Education was made on the 12th February 2015 and provided allocations for 2017-18, for which Leeds received £33,141,952. The Education Funding Agency has advised that this amounted to £12,320 per primary place and £15,400 per secondary place, an increase of 8.7% over the 2016-17 allocation. The latest Department for Education scorecard showed that Leeds is one of the best performing local authorities for the value for money on basic need schemes delivered.

4.4.4 The Council continues to monitor the overall deficit in funding which will arise from the need for new school places. This takes into account the latest demographic projections for primary and secondary places, the existing capacity in schools and projected funding assumptions up to 2018-19. The current Council estimate of the funding gap is **£36.6million**. Elected Members should note that this does not include the cost for additional nursery and sixth form places where required, and there are increasing pressures on the accommodation providing specialist provision. The need for additional places in these areas is likely to significantly increase this funding gap.

4.4.5 The discrepancy between funding provided by government and the cost of new places is most noticeable where new schools or large expansions have to be delivered. This appears to be because the DfE assumes that abnormal costs and site costs will be met by local authorities and these costs are not generally assumed to be covered by these funding allocations. These pressures include the cost of land acquisition for expansion purposes or additional sites to locate new schools, and the possible loss of capital receipts to the Council. Latest discussions for increasing school places, particularly within the secondary sector, have more examples of these pressures included within them.

4.4.6 There has been a general increase in construction costs, heightened by the increase in demand for construction related services as a result of the improving economy. Construction firms with strong order books are being selective about the schemes for which they bid and are including risk premiums in the prices they quote. It is expected therefore that tender prices will continue to rise for the foreseeable future potentially resulting in further applications to the programme contingency fund.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 There are no direct legal implications arising from the recommendations in this report.
- 4.5.2 The processes for school expansions which have been followed are in accordance with the Education and Inspections Act 2006 and the School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2013.
- 4.5.3 The proposals in this report are subject to call in.
- 4.5.4 Delegated decisions made by officers are subject to the usual constitutional rules on decisions. Decisions are subject to call in at their design and cost stage and where funding from the basic need risk capital fund is proposed in excess of £250,000 they will be key decisions subject to call in.

4.6 Risk Management

- 4.6.1 There are a range of risks on projects which are managed by the programme approach to the governance and funding of the schemes. Projects to deliver new places routinely carry a range of risks from their inception and the Council continues to review its approach to ensure risks are effectively managed.
- 4.6.2 Risks arise because project delivery timescales are limited, school sites are constrained, land in the right locations is limited, funding is limited, disruption to the school must be minimised and new school places must be available from the respective Autumn term (September) to meet the statutory duty. A cross-Council approach to dealing with site issues is in place to deliver solutions when risks materialise.

5 Conclusions

- 5.1 Children's Services has responsibility for delivering new school places where needed. The basic need programme delivers on key strategic outcomes for the city and must continue its success against the background of Council budget saving targets, the pace and scale of the basic need programme and the complex risks on projects including a rising economy.
- 5.2 Greater cross-Council support has been provided to ensure the effectiveness and efficiency of the basic need programme. Governance of the programme has been enhanced and progress reports will be brought back to the Executive Board at least every six months.

6 Recommendations

Executive Board is requested to approve:

- a) additional authority to spend on the basic need programme a total of £14.3m for the next phase of the programme which increases the overall approval of the schemes in the programme to £67.3m.
- b) delegation of the approval of design and cost reports for the new tranche of schemes to the Director of Children's Services, subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the Executive Members and reports open to scrutiny by Members. This is consistent with the programme approach and governance arrangements approved by Executive Board in September 2014.
- c) that the balance of the programme risk fund £8,975,570 be maintained, to facilitate effective risk management at programme level.
- d) Executive Board is asked to note the current projected funding deficit which currently stands at £36.6m. Members should note that this is likely to increase due to rising construction costs.
- e) Executive Board is asked to note that the Head of Service, Strategic Development and Investment continues to have client responsibility for the programme and the Chief Officer, Public Private Partnerships and Procurement Unit continues to be responsible for the delivery of the projects in the programme.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.