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**REPORT OF THE CHIEF EXECUTIVE OF EDUCATION LEEDS**  
**DATE: 17<sup>th</sup> MAY 2006**

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**SUBJECT: COMBINED SECONDARY SCHOOLS PFI REPORT**

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## **EXECUTIVE SUMMARY**

### **1. PURPOSE OF REPORT**

This report updates Members on the progression of the Leeds Combined Secondary Schools PFI project and sets out the latest expenditure and resource position. It also seeks approval to proposed changes to the scope of the project that have arisen over the 12 months since the Final Business Case was approved and seeks the appropriate financial approvals for the proposed funding solution.

### **2 BACKGROUND**

The project is for the rebuilding of five secondary schools and one primary school at various sites across the city and procured through a contract signed on 7/04/05.

The Executive Board agreed resources to assist in the affordability of the project on 19/01/05 and a design cost report setting out the works proposed at that time was approved on 21/09/05

### **3 THE ISSUE**

There have been further developments to the proposed scope of the project since January 2005 and anticipated expenditure is now in excess of agreed resources. The major changes with estimated costs are outlined in the report.

Executive Board at the meetings noted above, agreed that the receipts from the sales of the surplus sites within the project would be utilised to fund works outside of the main PFI contract. It is proposed that the cost of the changes in the scope of the project be funded by an increase in the minimum expected value of these receipts.

### **4 RECOMMENDATIONS**

Members of the Executive Board are requested to:

- a) note the content of the report;

- b) approve the proposed changes to the scope of the project;
- c) agree that the additional expenditure of £2.274m for this project is met from the proceeds arising from the disposal of these sites; and
- d) approve the injection of these additional funds into the capital programme and give authority to spend the additional funding.

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## REPORT TO THE CHIEF EXECUTIVE OF EDUCATION LEEDS

**EXECUTIVE BOARD: 17th May 2006**

**SUBJECT: COMBINED SECONDARY SCHOOLS PFI REPORT**

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**Electoral wards Affected:**

**Adel and Whafedale, Beeston and Holbeck, Burmantofts and Richmond Hill, City and Hunslet, Middleton Park, Moortown, Weetwood**

**Specific Implications For:**

Ethnic Minorities

Women

Disabled People

Narrowing the Gap

Eligible for Call-in

Not Eligible for Call-in

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### 1.0 PURPOSE OF THE REPORT

1.1 This report updates Members on the progression of the Leeds Combined Secondary Schools PFI project and sets out the latest expenditure and resource position. It also seeks approval to proposed changes to the scope of the project that have arisen over the 12 months since the Final Business Case was approved and seeks the appropriate approvals for the proposed funding solution.

### 2.0 BACKGROUND

2.1 The project is for the rebuilding of five secondary schools and one primary school at various sites across the city and procured through a contract signed on 7/04/05.

2.2 The Executive Board agreed resources to assist in the affordability of the project in January 2005 and a design cost report setting out the works proposed at that time was approved on 21/09/05.

2.3 The Executive Board agreed on 19/01/05 that:

- a) The capital receipts from the sale of surplus sites (Primrose, Carr Manor, Merlyn Rees and Matthew Murray) be committed to assist the affordability of the unitary charge to the City Council.
- b) That £4m arising from the sale of the surplus school land at Ralph Thoresby, and the regeneration of Holt Park be ring fenced to fund the works approved to be undertaken by the Council rather than the PFI contractor and identified as Authority works.

2.4 The scope of these authority works as reported to the Executive Board in January 2005 and September 2005 included:

- i. Upgrades to pitches and changing accommodation at Oxtan Way playing fields (part of Primrose/Shakespeare school site)
- ii. Upgrades to pitches and changing accommodation at Tinshill Recreation Ground
- iii. Site preparation works & footpath works
- iv. Highway works
- v. Access road at South Leeds – contribution to link road project.

### 3.0 **MAIN ISSUES**

#### **Progress**

3.1 As a consequence of the short delay after 31/03/05 in signing the contract (due to derogations sought from Partnerships UK) and the requirement of the Council's partner in this project, Investors In the Community (IIC) for a minimum construction programme of 17 months plus the mobilisation of resources, the contractual date for the completion of the four schools in phase one of the project had, ultimately to be accepted as 18/09/06.

3.2 The Council and the contractor have continued to review the programme for the construction of the new schools to seek to secure early access for the school staff, and contractors, to make the schools ready for pupils at the start of the school year, on 04/09/06. Significant recent progress to this end has been achieved, and it is very likely that all four schools will be completed ahead of programme, without any costs for acceleration, or impact on the quality of the project. A further update on this position will be provided at the meeting.

#### **Works Specification**

3.3 At the same time as the contractor has sought to progress the construction, there have been further changes in the scope of the project and the anticipated expenditure from the authority works budget of £4 million is now in excess of these resources. The changes to the project are considered to be essential in order to ensure that the schools open in September 2006 and are built to the standards now recognised as necessary by key stakeholders. The major changes to the scope of the project are referenced below. These are being negotiated via the change mechanism and reported to Education PFI Project Board. A summary of the cost of these and a number of other essential changes are detailed in Appendix A.

3.4 The ICT specification for the contract was written 18 months prior to the close of the contract. More recent developments in ICT and the emphasis within the developing BSF project has prompted a review of the specification. It has been

rescoped and the new specification will provide far greater and consistent opportunities for the delivery of curriculum through the support of the ICT infrastructure.

- 3.5 The Council's proposal to divert a Public Right of Way from across the existing Carr Manor School site, to around the new perimeter was not accepted by local residents. Although the footpath around the site is a requirement of the planning permission an additional alternative route, again through, and therefore dividing, the site was required by residents if their objections were to be withdrawn. This decision was taken at the end of the contractual negotiations, and securing approval to the design has taken considerable time, and will have significant cost and impact on the project.
- 3.6 Due to the pace of the negotiations, at the conclusion of the contract, a number of significant design, or construction issues remained outstanding. As sufficient information on which to base costs on some key issues was not available at contract close it was agreed that in order to ensure value for money for both sides, that the works would be dealt with outside of the unitary charge payment. This led to a significant annual revenue saving to the council estimated to be in excess of £100k pa. The three key areas relate to: asbestos removal from buildings to be demolished; the location of the ramped access to the pedestrian footbridge over the railway at South Leeds; and the full scope of the temporary accommodation required for 2 years at South Leeds that has been required now that planning permission is secured.
- 3.7 The Council, and the contractors, had been able to agree the cost of the demolition of the buildings, however, without a full intrusive survey asbestos the contractor considered his advisor's estimate of £2 million to be unrealistic, and recommended this work would be more competitively priced outside of the main contract once full surveys had been conducted. The survey work has now been completed and the net cost of the works is estimated at £525k. It is necessary that the funds can be committed in advance of the demolition to ensure the programme is met. In securing the clearance of these sites, once the schools have left, the Council will make further significant savings as security, and maintenance of these surplus buildings will not be needed, and in addition, the disposal will realise a higher capital receipt.
- 3.8 This site of the footbridge across the railway has now been agreed, and whilst the cost of the bridge has previously been included in the contract, the extent of the ramped access, to meet statutory legislation, could not be designed or costed. The combined cost of the design work and construction of £382,000 is a necessary element of the planning permission for the project, and it is anticipated to be used by the school to access the South Leeds Stadium and as a destination for school transport.
- 3.9 The establishment of the new South Leeds High school has resulted in the new school being in excess of the new building capacity for a period of two academic years. Thereafter the building will be adequate for its approved intake. The short term situation necessitates a requirement for temporary accommodation on the site to cater for this excess and which will be subsequently removed and the site reinstated to urban green space. The full extent of the temporary accommodation, to be located alongside the new school site, and linked by footpaths to the school, could not be determined until very recently. Temporary planning consent for the accommodation, which will be removed in two stages,

over two years, has also been obtained earlier this month and the funds to provide these facilities for the pupils currently attending the new school, is essential to ensure the existing school buildings can be vacated, and closed.

3.10 Due to issues arising from the interrelationship between the construction of the new international pool and the adjacent new highway, the opening of the new south Leeds link road has also been delayed. To ensure the new south Leeds school can be completed on time and consequential costs avoided, an alternative temporary access can be constructed to the school from Parkside which will also avoid construction traffic seeking to travel through the residential area of Belle Isle in contravention of planning restrictions.

3.11 A summary of these authority works costs is also included in Appendix A.

#### **4.0 Legal and Resource Implications**

4.1 Whilst it was anticipated that the sum of £4 million would be sufficient to cover all of the cost of the Authority works that were anticipated at the time of the Final Business Case report to Executive Board, this is no longer the situation. There is a current projected potential shortfall in capital funding for the contract changes and authority works elements of the project amounting to £2.274m.

4.2 There is a significant financial risk to the council, if the contractor is unable to complete the buildings as a result of consequential delays due to the council being unable to fund the proposed changes to the scope of the project.

4.3 These works were originally approved to be funded from capital receipts from the sale of surplus sites in the project. The Director of Development has formally confirmed that the minimum valuation of the surplus assets, with all sites cleared of asbestos and buildings will exceed the revised capital cost estimate. It is proposed therefore to fund the additional required expenditure from receipts realised from the sale of the surplus assets.

4.5 In September 2005 Executive Board gave authority to spend on the authority works budget up to £3.819m. In order to allow the first stage of the temporary accommodation to proceed on the new south Leeds school site, the Director of Corporate Services, in accordance with his delegated authority, granted authority to spend of £181k. This was the remainder of the £4m budget injected by Executive Board in January 2005.

4.6 It is proposed in this report that Executive Board gives authority to spend up to the full value of the revised estimated cost of the works, £6.274m as shown in the following table:

Previous total Authority to Spend on this scheme	TOTAL £000's	O MARCH 2005 £000's	FORECAST					
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's	
LAND (1)	0.0							
CONSTRUCTION (3)	3765.0		2683.0	697.0	385.0			
FURN & EQPT (5)	0.0							
DESIGN FEES (6)	168.0		141.0	27.0				
OTHER COSTS (7)	67.0			51.0	16.0			
<b>TOTALS</b>	<b>4000.0</b>	<b>0.0</b>	<b>2824.0</b>	<b>775.0</b>	<b>401.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Authority to Spend required for this Approval	TOTAL £000's	O MARCH 2005 £000's	FORECAST					
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's	
LAND (1)	-							
CONSTRUCTION (3)	1,042.0			1,042.0				
FURN & EQPT (5)	468.0			468.0				
DESIGN FEES (6)	250.0			250.0				
OTHER COSTS (7)	514.0			514.0				
<b>TOTALS</b>	<b>2,274.0</b>	<b>-</b>	<b>-</b>	<b>2,274.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	O MARCH 2,005.0 £000's	FORECAST					
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's	
Capital Receipt	6,274.0		2,824.0	3,049.0	401.0			
Total Funding	6,274.0	-	2,824.0	3,049.0	401.0	-	-	-
<b>Balance / Shortfall =</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.0 RECOMMENDATIONS

Members of the Executive Board are requested to:

- a) note the content of the report;
- b) approve the proposed changes to the scope of the project;
- c) approve the injection of £2.274m for this project is met from the proceeds arising from the disposal of the surplus school sites; and
- d) approve the injection of these additional funds into the capital programme and give authority to spend the additional funding.





# Combined Secondary Schools PFI Authority Works Summary

# APPENDIX A

## Client Changes Summary

Revised Works Description	Cost (£000)
Change in the Output Specification for ICT in all Schools costing	23
Electronic registration at all of the schools	200
A replacement Permissive Way to provide an alternative route through the site rather than around the school is required at Carr Manor High School	99
Health and Safety increase in Balustrade height in all Schools	59
Design fee for the performance area at Ralph Thoresby	12
Increasing the size of the bus garage at South Leeds	10
Floodlighting on the artificial pitch is required at Ralph Thoresby	75
Additional mechanical and electrical requirements at Shakespeare	50
Introduction of Magnetic locks to fire exit doors at all schools	50
CDT extraction in all of the schools	125
Changes to the fabric of the building and furniture to accommodate the new federation of Primrose/City of Leeds	50
<b>Total Cost</b>	<b>753</b>

## Authority Works Summary

Revised Works Description	Cost (£000)
Net cost of asbestos removal at all schools to be demolished	525
Requirement to provide access ramp to railway bridge at South Leeds	382
Temporary accommodation to South Leeds for two years	514
Temporary access to the South Leeds Link Road	100
<b>Total Cost</b>	<b>1,521</b>
<b>Total Additional Cost</b>	<b>2,274</b>

