

**Report of the Director of Resources & Housing, the Director of Children & Families and the Director of City Development**

**Report to** Executive Board

**Date:** 7 February 2018

**Subject:** Learning Places Programme - Capital Programme Update



Are specific electoral Wards affected? If relevant, name(s) of Ward(s): All wards	<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:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

The rapidly increasing birth rate in Leeds has required the Council to approve over 1600 new reception places since 2009 in order to fulfil its statutory duty to ensure sufficiency of school places. This report provides an update on the Learning Places Capital Programme and SEMH programme, providing details of the progress made on the projects currently forming part of the Programmes, seeks approval to increase the budget for three schemes post completion of a robust feasibility studies, outlines the programmes current funding gap and the reasons why this exists and makes recommendation on the funding level required for the Programmes Capital Risk Fund.

Since the last update to Executive Board in June 2017 the programme delivery team led by officers from the Projects, Programmes and Procurement Unit working closely with colleagues in Children & Families and City Development have successfully delivered a further **£31.902m** of investment into six schemes which are detailed in **Appendix A Table 1**. A further 16 schemes totalling an investment of **£97.899m** are on programme to deliver in 2018.

The benefits realisation strategy for the Learning Places Programme has demonstrated that on Projects commissioned via the programme from 2014 onwards and called off through either the YORbuild arrangements and or in conjunction with the Leeds Local Education Partnership (LLEP) have in total supported **76 new and or existing apprentices in their training as well as successfully supporting 116 people into permanent employment**. These figures relate to employees of both

main contractors and their supply chains. These schemes have also **recycled or reused a minimum of 95% of the waste generated** during the construction process.

There are no new schemes to inject into the programme at this time but an adjustment of the budget for the Beecroft, Greenside and Iveson schemes are required post completion of robust feasibility studies to determine scope and costs. These adjustments have been necessary for a variety of reasons, but all three projects contain a significant proportion of site abnormalities which have been identified through surveys and investigations undertaken as part of the feasibility stage. The Beecroft scheme was originally to be self-delivered by the school but due to a number of reasons outlined in the report this is now to be delivered direct by the Council. The original proposals for the Greenside scheme which was to build additional accommodation into the eaves of the existing school are now undeliverable due to changes in Building Regulations, this coupled with the need to address suitability issue as well carrying out work on a very constrained site has required a creative solution to be adopted involving an element of new build accommodation. The feasibility study for the Iveson scheme has identified suitability as well as significant backlog maintenance issues which must be addressed to facilitate the basic need expansion required. The outcomes of these feasibility studies has resulted in a request to inject a further **£3.75m** into the capital programme which will allow them to be delivered within the required timescales to meet current demand for school places.

In the current reporting period since the June 2017 Executive Board Report there has been one request totalling **£227,754** from the Hunslet St Mary's Project to access the Programme Capital Risk fund, the current balance of which stands at **£10.543m**.

An evaluation of programme risks that could impact on delivery has been undertaken it is recommended that Executive Board agrees to a reduction in the total held in the programme risk fund seeing **£3.003m** being returned to support the Council's capital programme commitments elsewhere, the revised Programme Capital Risk fund total is proposed to be reset at **£7.540m**.

The most significant risk to programme delivery is the extent of the programmes funding gap which currently stands at **£71.7m**. This calculation is primarily based on ESFA funding rates, which is known to be insufficient to meet current scheme cost estimates. It should be noted that projects in delivery are becoming more and more complex, most have significant 'abnormal' costs associated with them which reduces the opportunity to utilise standardised designs and makes the projects less attractive to contractors, which results in higher 'risk pricing'. Our schemes also address a range of suitability issues that central government do not currently provide funding for and often contain a proportion of backlog maintenance issues that must be addressed as part of the expansion scheme. The Council receives a level of maintenance grant but this again is insufficient to tackle the extent of maintenance work required across the estate resulting in basic need grant being stretched to cover condition and suitability issues as well as basic need accommodation requirements increasing the gap between ESFA funding rates and actual delivery rates.

Elected Members should note that the £71.7m estimate does not include the cost for additional nursery and sixth form places where required. The need for additional places in these areas is likely to increase this funding gap further.

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 2019-20. Discussions continue to seek additional central government funding, along with the potential to utilise other funding sources such as S106 development contributions, and Strategic Investment Board is being regularly updated on this position. The Capital Programme report elsewhere on the agenda recognises this funding gap as the largest significant pressure that the capital programme faces and as such has proposed to cashflow the expected programme of works during 2018/19 by injecting additional funding of £25m of LCC Borrowing and Community Infrastructure Levy funding. Executive Board will be kept updated via these update reports and future Capital Programme reports.

### **Recommendations**

Executive Board is requested to approve:

an increase in the capital spending approval of **£3.75m** to reset the budget envelopes on completion of a robust feasibility studies for the Beecroft, Greenside and Iveson schemes; and

a reduction in the total held in the programme risk fund seeing **£3.003m** being returned to support the Council's capital programme commitments elsewhere, the revised Programme Capital Risk fund total is proposed to be reset at **£7.540m**

Executive Board is requested to note:

The good progress made on this challenging programme of work which is currently valued at **£97.899m**.

That the following benefits have been delivered from the Projects commissioned via the programme from 2014 onwards. These have been called off through either the YORbuild arrangements and or in conjunction with the Leeds Local Education Partnership (LLEP). The programme has in total supported **76 new and or existing apprentices in their training as well as successfully assisting 116 people into permanent employment**. These figures relate to employees of both main contractors and their supply chains. These schemes have also **recycled or reused a minimum of 95% of the waste generated during the construction process**.

The projected funding deficit which currently stands at **£71.7m** primarily based on ESFA rates. Executive Board is asked to support a meeting between the Executive Member for Children's & Families and the Education and Skills Funding Agency (ESFA).

## **1 Purpose of the Report**

- 1.1 To update Executive Board on the Learning Places Capital Programme and SEMH programme, providing details of the progress made on the projects currently forming part of the Programmes, seeking approval to increase the budget for three schemes post completion of robust feasibility studies, outlines the programmes current funding gap and the reasons why this exists and makes recommendation on the funding level required for the Programmes Capital Risk Fund.

## **2 Background information**

- 2.1 The demand for additional school places has been increasing across the city since 2000/2001. The Council has so far successfully delivered over 1600 reception places in response to this.
- 2.2 For the academic year starting September 2017, a total of 8 Forms of Entry (FE) permanent, including 1FE from a Free School in addition to 5FE bulge/temporary have been secured to meet the level of demand for nursery preferences received for this year. Planning is continuing to progress to identify the accommodation requirements required for the academic year starting September 2018.
- 2.3 By September 2018, a further 150 permanent reception places (5FE) will be in place, along with another 165 bulge reception places (5.5FE) and 90 places (3FE) through the opening of a Free School to meet the expected demand for places. Projections for September 2019 anticipate a further 135 places (4.5FE) needed, to be met by a combination of Free Schools, permanent expansions and bulge cohorts.
- 2.4 The increase in cohort sizes is now beginning to impact on Secondary places. Projections currently indicate that the equivalent of up to 5 new schools are required by 2022 across the city. Additional capacity to meet the need for Secondary places is expect to be from a combination of expansions to existing schools or academies, changes in the delivery of Post 16 provision, and new free schools.
- 2.5 The Council retains a statutory responsibility to ensure that there are sufficient school places in the city, but in an environment of very 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. However the local authority is the provider of last resort and is currently only able to open a community school if no other provider wishes to do so.
- 2.6 The Cross-Party Steering Group, chaired by the Executive Member for Children & Families 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.
- 2.7 In addition, the School Places Programme Board follows corporate standards chaired by the Director of Resources and Housing and attended by senior officers

from Children & Families, City Development, Resources and Housing. This board provides check and challenge on proposals under the programme, approval of scheme DCR's and management of the Programmes Risk Fund.

### **3.0 Strategy of Delivery**

- 3.1 It is unlikely that all of the additional primary capacity will be delivered within the existing school estate. For this reason it is necessary to identify additional sites for the new primary and secondary provision that is being projected. The 'School Review Group' continues to develop a strategic plan for primary and secondary school sites on a city wide basis. Whilst recognising the Council's statutory responsibility to ensure that there are sufficient school places, the group provides a Council-wide check and challenge of the demographic assumptions and land requirements, considering them against other corporate priorities.
- 3.2 In areas where expansion of existing schools cannot be achieved and/or where the demand for school places exceeds supply, the group will identify and review Council owned sites which may provide a suitable location for a new school, or where land is owned adjacent to existing school sites, provide opportunities for further expansion. Consideration will be given to the opportunity cost of utilising existing council-owned sites which have been identified within the capital programme for disposal, where a capital receipt would have been realised. Under such circumstances, a report would be submitted to Asset Management Board requesting that the site is reserved for potential future school use.
- 3.3 Under circumstances where there are no council-owned sites available in an area of demand, the group will consider other land options available, such as buildings and sites in private ownership which may be available for sale. Where such buildings and sites are identified, reports could be submitted to both Asset Management Board and Strategic Investment Board for consideration for future education provision.
- 3.4 To deliver such a high profile and challenging programme of work to the required timescales, will necessitate development of an effective partnership approach with contractors utilising either a pre-existing framework arrangements for primary accommodation and or the Leeds Local Education Partnership (LLEP) arrangement for secondary accommodation. There is a need to be flexible and adopt a range of procurement routes to meet the specific needs of the individual projects whilst ensuring that value for money remains a key driver. It should be noted that the current procurement route for the Learning Places programme is the YORBuild2 framework unless it is appropriate to utilise the internal service provider Leeds Building Services (LBS) and or exclusivity provisions apply, e.g. the LLEP who's contract has recently been extended for a further five years and includes the retention of their exclusive right to works over £100k on the secondary estate, although other routes could also be considered as part of a risk-based approach.
- 3.5 In recent years the programme has very much focussed on the delivery of primary accommodation. A variety of procurement routes have been utilised to test the market. One of our most recent projects Shakespeare Primary is the first project in the Council to utilise "Cost Led Procurement" a new model of procurement

recommended by the Cabinet Office and Constructing Excellence. As a result of the procurement methodology, the new build 3FE project has to date identified potential savings of £3.4m against the original budget set and has seen build rates closer to those provided by ESFA.

- 3.6 The programme is now moving its' focus to the delivery of the identified need at secondary. The delivery partner for this aspect of the programme would be the LLEP. This arrangement has already assisted the Council in delivering over £400m of capital investment in the city. The five year extension of contract has resulted in a refreshed set of documents to ensure that it continues to provide the Council with a value for money procurement route, whilst providing a proven delivery mechanism for the potential secondary basic need programme which is currently in development.
- 3.7 The internal service provider, LBS has assisted in delivering one primary expansion for September 2017 and is onsite with three more expansion schemes providing further opportunities to build more effective collaboration and partnership working.

#### **4.0 Current programme**

- 4.1 Since the last update to Executive Board in June 2017 the programme delivery team led by officers from PPPU working collaboratively with colleagues in Children & Families and City Development have:
1. Successfully delivered a further **£31.902m** of investment into **Six** Expansion Schemes (**Appendix A, Table 1**).
  2. **Sixteen** schemes totalling an investment of **£97.899m** are on programme to deliver in 2018 (**Appendix A, Tables 2 & 3**).
  3. Three schemes previously injected in to the programme Beecroft, Greenside and Iveson have now completed a robust feasibility stage which has confirmed scope and costs resulting in a need to enhance the previously reported project budgets by a total of **£3.75m**. A narrative to support these re-alignment of project budgets is set out below.
- 4.1.1 **Beecroft** – Through early engagement with Beecroft Primary, a strong desire was expressed by the school and its Governing Body to manage and self-deliver the required works that would enable the school to expand by 0.5FE. This position at the start of the project was supported by the Council. The school and its Governing Body had demonstrated its competence in delivering building works at the school, updating the existing building fabric over recent years to reflect the demands of delivering an ever changing curriculum. The budget of £1.2m was reported to Executive Board on 27 July 2017 having been agreed direct with the school and its appointed architect based on EFSA rates. As the design work progressed NPS, acting as technical advisors for LCC, identified key issues within the proposed design that would potentially not only jeopardise a September 2017 delivery but also the ability to deliver the proposed works during term time which would have a potential impact on the schools operation. Discussions were held with the Governing body regarding the issues identified and it was agreed that the Council would manage the delivery of the expansion project and NPS and the Leeds Local Education Partnership (LLEP) were commissioned to carry out a

robust feasibility study to establish the full scope and costs of the work required which has now been completed.

The revised scheme presented by NPS and the Leeds LEP addresses the issues highlighted in previous project reports and outlines a required budget of £3m for the scheme. Its delivery, phasing and integration into the existing building is supported by the school, Governing Body and the Diocese.

The revised scope of works required to meet the needs of the 0.5FE proposed expansion comprise of the following main elements:

- The demolition of three classrooms, breakout space and associated ancillary services that posed significant structural challenges when designing the required accommodation.
- Installation of 6 classrooms (two storey integrated block) and ancillary services to support the school expansion
- Separation of utility services that link Beecroft and Sacred Heart Catholic Primary school. As the school expands the demand for services will exceed the current capacity and has caused historic problems for both sites.
- Revised car parking layout and appropriate external works to support the increase in staff and pupil numbers.

In order to support the delivery by the Council of the revised scheme for a September 2018 delivery, additional funds will be required. This report requests a further £1.8m to be injected into the capital programme to meet the challenges evident on the site and deliver the scope of works as set out above.

**4.1.2 Greenside** – A pre-feasibility budget of £2.5m was previously reported to Executive Board on 9th March 2016 to give an early indication of the indicative cost to expand the school by 0.5FE. It was also reported that given the particular constraints of this site, once the feasibility stage was completed and the scheme moves towards the detailed design phase, the budget will be realigned to reflect the design freeze or pre-tender estimate. The feasibility estimate to expand from a 1.5FE school to a 2FE school is currently £4.2m. Members should note that this scheme was subject to scrutiny and review at the November meeting of the Basic Need Cross Party Steering Group, where members expressed concern for the level of additional cost and the revised estimate of £4.2m for a 0.5FE increase.

The original budget was based on the expectation that additional classrooms would be built in the roof void, in-line with legacy building works undertaken by school. The Building Regulations governing disproportionate collapse (Requirement A3 – Disproportionate Collapse) which provides standards for this type of construction, have changed in the interim. This makes the eaves expansion approach financially and technically unviable because of the health and safety challenges required to install a steel structure in a live school that is compliant with Building Regulations.

Through the design development process the scope of the project scope has been reviewed and challenged by colleagues to ensure that minimal works are undertaken to the existing school to facilitate the basic need expansion. The project team now feel that the only opportunity moving forward to minimise costs is to focus on driving the contractor costs down through benchmarking in the next stage of design development.

The current scope of works to facilitate the revised scope of works for the basic need expansion project comprises of:-

- Remodelling of the Reception class bases and circulation to make a more logical flow through the school;
- A new two storey extension which will include five new Key Stage 2 classrooms and associated group space and toilets;
- Demolish and rebuild the existing 1970's extension to create a kitchen suitable for a 2FE school;
- Provision of a Car Park and a Multi-Use Games Area; and
- The provision of two temporary classrooms to manage the decant arrangements during construction.

The proposals have been developed in conjunction with the school and governing body, both are supportive of the project. This report request a further £1.7m to be injected into the capital programme to support the revised scope and costs post completion of a robust feasibility study.

**4.1.3 Iveson** - The approval for authority to spend requested at June 2017 Executive Board was £3.5m (which included all construction and non-construction related works), and was based on a high level indication of the anticipated cost of the scheme and this report noted that costs would be refined and updated when the project feasibility study had been concluded and the scope and extent of scheme had been fully assessed.

The projects feasibility study is now completed, in which NPS highlighted a number of suitability and condition issues with the existing building fabric. It was noted that the 'level of building fabric degradation is extensive exposing the expansion project to a high risk of needing to address some of these issues as part of the remodelling works and uncovering unanticipated issues during strip out works'. The report recommended that intrusive surveys be carried out to mitigate risk and establish cost to ensure this could be reflected in the project budget.

Intrusive surveys have all now been undertaken and have confirmed that the level of degradation is extensive with a significant number of these issues directly impact on the outcomes of this expansion project. In order to achieve the outcomes set out in the Project Brief these will need to be addressed. Some of these are so extensive that if they remain unaddressed they will impact further on other areas of the building fabric in the future.

The project scope has been developed in conjunction with the school and the governing body, both are supportive of the project. This report requests a further £0.25m to be injected into the capital programme to support the revised scope which includes the need to address a significant amount of backlog maintenance issue and this is reflected in the costs set out in the projects robust feasibility study.



## 5.0 Programme Benefits

- 5.1 The Programmes benefits realisation strategy has demonstrated that on Projects commissioned from 2014 onwards and called off through either the YORbuild arrangements and or in conjunction with the Leeds Local Education Partnership (LLEP) have supported in total 76 new and or existing apprentices with their training as well supporting 116 people into permanent employment. These figures relate to employees of both main contractors and their supply chains. These schemes have also recycled or reused a minimum of 95% of the waste generated during the construction process.

## 6.0 Applications to the Programme Capital Risk Fund

- 6.1 In the June 2017 Basic Need Programme report, Executive Board re-confirmed the principal of the programmes Capital Risk Fund. Approvals were amended to reflect the changed roles on the Programme Board and the delegations were updated to allow the Director of Children & Families delegated authority to manage decisions on the allocation of money from the fund to individual schemes budgets. Decisions by the Director of Children and Families to access the fund must be made with the prior approval of the Director of City Development and the Director of Resources and Housing and be in consultation with the appropriate Executive Members.
- 6.2 This approval process provides a mechanism which will enable timely and proportionate responses to variations which are required to individual project budgets post DCR as well as providing an effective mechanism to manage financial risks at a programme level. The Capital Risk Fund Budget was originally set at £10m or 10% of the total programme value.
- 6.3 The June 2017 Executive Board Report - Basic Need Programme - Capital Programme Update, Executive Board approval was given to:
1. Reset the balance of the programme risk fund to £10.771m, to facilitate effective risk management at programme level; and
  2. Return any savings made on applications to the programme risk fund to the risk fund to support continued management of programme risks.
- 6.4 In the current reporting period since the June 2017 Executive Board Report there has been one further request from the Hunslet St Marys scheme to access the risk fund. The application totalled **£227,754** and was required due to the following key facts; the foundation design was changed to pile foundations due to very poor ground conditions which were not known at that time as well as significant materials pricing increase due to market pressures. In addition changes were required to the drainage strategy which included the introduction of a large storm water attenuation tank and a pumped drainage solution. The current balance of the risk fund is **£10.543m**.
- 6.5 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 Capital Risk Fund. The main risks to the programme include

increases in construction costs, which are reported by the Royal Institute of Chartered Surveyors to be an average of 2.7% but could rise to 6% per annum, shortage of key trades and the availability of good quality labour, site abnormalities, and resource constraints across the delivery partnership. On this basis Executive Board approval is requested to:

- Approve a reduction in the total held in the programme risk fund seeing **£3.003m** being returned to support the Council's capital programme commitments elsewhere, that the revised Programme Capital Risk fund total is proposed to be reset at **£7.540m**.
- Any savings made on applications to the programme risk fund up to tender acceptance stage will be returned to the risk fund to support continued management of programme risks.

## **7.0 Corporate Considerations**

### **7.1 Consultation and Engagement**

- 7.1.1 The programme includes a comprehensive approach to consultation with programme and project stakeholder engagement plans in place for each individual scheme. Consultation is managed in accordance with relevant legislation and good practice.

### **7.2 Equality and Diversity / Cohesion and Integration**

- 7.2.1 Each Learning Places project is assessed on an individual basis, with EDCI screening accompanying the Design and Cost Report. Each project is designed to comply with building regulations including adherence to the building regulations associated with the Disability Discrimination Act. A completed Equality, Diversity, Cohesion and Integration Screening (EDCI) form for this report is attached at **Appendix B**.

### **7.3 Council Policies and the Best Council Plan**

- 7.3.1 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.
- 7.3.2 This contributes to the 2016/17 Best Council Plan outcomes for everyone in Leeds to 'Do well at all levels of learning and have the skills they need for life'; 'Be safe and feel safe' and 'Enjoy happy, healthy, active lives'. It also supports the vision in the supporting Children and Young People's Plan 2015-19 to build a child-friendly city with a focus on ensuring all children and young people are safe from harm; do well at all levels of learning and have the skills for life; enjoy healthy lifestyles; have fun growing up; are active citizens who feel they have a voice and influence. The programme seeks to deliver a supply of good quality accessible local school places which can contribute to these outcomes.
- 7.3.3 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.

## 8.0 Resources and value for money

### Current position and funding allocations and funding gap

- 8.1 Funding for new school places is provided by central government in the form of an annual basic need capital grant and a Special Educational Needs and Disability (SEND) special provision 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.

Allocations for Leeds Basic Need Grant are shown in the following table.

Funding Period	Allocation £
2014/15	18,480,325
2015/16	19,430,969
2016/17	20,402,517
2017/18	33,141,952*
2018/19	20,994,359
2019/20	£28,719,667
Total	£141,169,789

\* 25.36% of this allocation £8,405,217.36 was paid in early March 17

- 8.2 The most recent Basic Need grant announcement was issued on 3rd April 2017, which confirmed the grant allocations for 2019/20. The 2019/20 allocation amounts to £12,320 per primary place (same as 2018/19) and an increase to £15,995 per secondary place.
- 8.3 In addition to Basic Need Grant allocations SEND Special Provision Fund allocations for the three years 18/19 to 20/21 of £1,079k per annum were announced by the DfE on the 4<sup>th</sup> March 2017. Children & Families are managing these as part of the Learning Places Programme and this grant is also factored into the current deficit modelling.

- 8.4 Additional funding has also been provided through sec 106 Education Contributions, which are paid to the Authority by developers in order to fulfil respective planning obligations relating to housing developments. The contributions are generally allocated to be used for school expansion projects, the need for which arise from the increased pupil numbers likely to be experienced at schools as a result of nearby housing developments. Whilst this provides additional funding towards some of our expansion projects and therefore reduces the level of Basic Need funding required, it should be noted that as part of the School Capacity Survey that LA's are required to submit this information to the DfE each year. There is now a requirement to identify these contributions, and it is assumed that the DfE will be taking these contributions into account when calculating future Basic Need Allocations.
- 8.5 Based on projects delivered between 2009/10 and 2015/16, the latest Department for Education scorecard showed that Leeds are mid-range in the third quartile for costs per pupil place with new build schemes providing better value for money. It should be noted that projects are becoming more and more complex, most have significant 'abnormal' costs associated with them, this reduces the opportunity to utilise standardised designs and makes the projects less attractive to the contractors, which results in higher 'risk pricing'. Our schemes also address a range of suitability issues that central government do not currently provide funding for and often contain a proportion of backlog maintenance issues which further increase average costs per pupil upon which we are measured. The Council receives a level of maintenance grant but this again is insufficient to tackle the extent of maintenance work required across the estate resulting in basic need grant being stretched to cover condition and suitability issues as well as basic need accommodation requirements increasing the gap between ESFA funding rates and actual delivery rates.
- 8.6 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 2019-20. The current Council estimate of the funding gap is £71.7m; however, this calculation is primarily based on ESFA funding rates, which is known to be insufficient to meet current scheme cost estimates. Elected Members should note that this does not include the cost for additional nursery and sixth form places where required. The need for additional places in these areas is likely to increase this funding gap.
- 8.7 Discussions continue with the ESFA seeking additional central government funding, along with the potential to utilise more S106 development contributions and Community Infrastructure Levy funding to address the funding gap. Executive Board, at its meeting on 17/07/17, agreed to an allocation of £685.4k of Community Infrastructure Levy funding to support the Learning Places Programme. The Capital Programme report elsewhere on the agenda recognises this funding gap as the largest significant pressure that the capital programme faces and as such has proposed to cashflow the expected programme of works during 2018/19 by injecting additional funding of £25m of LCC Borrowing and Community Infrastructure Levy funding. Strategic Investment Board is being regularly updated on the deficit position and Executive Board will be kept updated via these update reports and future Capital Programme reports.

8.8 The discrepancy between funding provided by government and the cost of new places is most noticeable where new schools or large complex expansions projects (including suitability and backlog maintenance issues) 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.

8.9 As previously reported, the forecast suggests a general increase in construction costs averaging 2.7% but with the potential to increase to 6% during 2018. Cost increases can be attributed to the buoyancy of the local market, shortage of skilled labour and particularly key trades such as bricklayers as well as rising material prices. These forecast cost increases may potentially result in further applications to the programme capital risk fund. The full impact of Brexit has yet to be determined however there is some evidence that whilst there have been a couple of areas where costs have increased, it has not reduced construction activity within the city putting further pressure on tender prices.

## **9.0 Legal Implications, Access to Information and Call In**

9.1 There are no direct legal implications arising from the recommendations in this report.

9.2 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.

9.3 The proposals in this report are key decisions and subject to call in.

9.4 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 Learning Places programme capital risk fund is proposed in excess of £250,000 they will be key decisions subject to call in.

## **10.0 Risk Management**

10.1 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.

10.2 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.

## 11.0 Conclusions

- 11.1 The Council has responsibility for delivering new school places where needed. The Learning Places programme delivers a number of 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 Learning Places programme and the complex risks on each project including a rising economy, with a forecast funding deficit scheduled to arise in 2018/19.
- 11.2 The most significant risk to programme delivery is the programmes funding gap which currently stands at **£71.7m** this is primarily based on ESFA funding rates, these are known to be insufficient to meet current scheme cost estimates. Our projects in delivery are becoming more complex, often including significant 'abnormal' costs, reducing the opportunity to utilise standardised designs which results in higher 'risk pricing' from the market. In expansion projects there is always the need to address a range of suitability issues that central government do not currently provide funding for along with backlog maintenance that must be addressed as part of the expansion scheme to make the schemes functional and effective environments from which to deliver teaching and learning. The level of funding the Council receives to tackle these issues continues to be insufficient to meet the full extent of condition, suitability and expansion works required across the estate increasing the gap between ESFA funding rates and actual delivery rates.
- 11.3 The programme continues to have strong cross-council partnerships in place to respond to these challenges, and adequate controls to provide appropriate levels of governance and oversight of the programme.

## 12.0 Recommendations

- 12.1 Executive Board is requested to approve:

an increase in the capital spending approval of **£3.75m** to reset the budget envelopes on completion of a robust feasibility studies for the Beecroft, Greenside and Iveson schemes; and

a reduction in the total held in the programme risk fund seeing **£3.003m** being returned to support the Council's capital programme commitments elsewhere, the revised Programme Capital Risk fund total is proposed to be reset at **£7.540m**.

- 12.2 Executive Board is requested to note:

The good progress made on this challenging programme of work which is currently valued at **£97.899m**.

That the following benefits have been delivered from the Projects commissioned via the programme from 2014 onwards. These have been called off through either the YORbuild arrangements and or in conjunction with the Leeds Local Education Partnership (LLEP). The programme has in total supported **76 new and or existing apprentices in their training as well as successfully assisting 116 people into permanent employment**. These figures relate to employees of both main contractors and their supply chains. These schemes have also **recycled or reused a minimum of 95% of the waste generated during the construction process**.

The projected funding deficit which currently stands at £71.7m is primarily based on Education Funding Agency rates. Executive Board is asked to support a meeting between the Executive Member for Children's & Families and the Education and Skills Funding Agency (ESFA).

### **13.0 Background documents<sup>1</sup>**

13.1 None

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<sup>1</sup> 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.

**Appendix A**  
**Schemes in the Learning Places**  
**Programme**

Dec-17

**Table 1: Schemes with ATS completed and in defects to be removed from the programme**

Scheme	Places to be created	Year places 1st available	Current ATS	Scheme Status
Hollybush	210	2016	£4,000,000	Complete in defects
Castleton Primary School	210	2016	£5,636,500	Complete in defects
Roundhay Secondary Phase 2	325	2017	£12,150,000	Complete in defects
Hovingham Primary School	210	2017	£5,000,000	Complete in defects
Bramley Primary School	140	2017	£3,820,451	Complete in defects
Brudenell Primary School Phase 2	140	2017	£1,294,800	Complete in defects
Total Additional Places Created	1235			
			£31,901,751	

**Table 2: Schemes with ATS and in construction to complete in 2017/18 currently in the programme**

Scheme	Places to be created	Year places 1st available	Current ATS	Scheme Status
Park Spring Primary School	210	2017	£4,900,000	On site
Hunslet St. Mary's Primary School	105	2017	£1,827,800	On site
Low Road Primary School	70	2017	£1,556,700	On site
Hawthorn Wood Primary School	210	2017	£4,000,000	On site
Cockburn Academy	60	2017	£1,317,300	On site
Hunslet Moor	105	2018	£5,900,000	Mobilisation
Fieldhead Carr	210	2018	£4,582,500	On site
Shakespeare Primary School	315	2018	£11,585,100	On site
Leeds East SEMH	100	2018	£45,000,000	On site
Leeds South SEMH	100	2018		
Leeds North SEMH	100	2018		
			£80,669,400	



**Table 3: Schemes in development to complete 2017/18 currently in the programme without DCR approval**

Scheme	Places to be created	Year places 1st available	Scheme estimate	Scheme Status
Beecroft Primary School	105	2017	£3,000,000	Detailed Design - includes additional requested injection
Pudsey Greenside Primary School	210	2017	£4,200,000	Detailed Design - includes additional requested injection
Iveson *	105	2017	£3,850,000	Detailed Design - includes additional requested injection
Carr Manor	210	2018	£5,000,000	Pre- Feasibility
Brudenell Phase 3	140	2017	£1,179,305	Tender
			£17,229,305	

**\*This scheme has £100k of SCA funding which is in addition to the sum note above.**

Estimated cost of current LP programme

**£97,898,705**