

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

**Report to**     **Executive Board**

**Date:**         **17<sup>th</sup> September 2014**

**Subject:**     **Basic Need Programme**

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 July 2013 considered and supported the principles behind the developing strategy for ensuring sufficient good quality learning places in Leeds. This report updates Executive Board on the implementation of these principles as part of the Basic Need Programme, which is the council's plan for delivering the new school places. The council has been successful in implementing 8,666 new places since 2009 and the programme will continue as there are ongoing pressures on the school places in the city.
2. The council's commitment to meeting its obligations to provide sufficient good quality learning places is matched by the transformational scale of the Basic Need Programme. The programme is currently made up of 28 schemes delivering 3,409 school places, and work is being undertaken in a further 8 areas of the city for a further 840 places. Of the 28 active schemes, 18 have authority to spend approval from Executive Board (or under delegation for smaller schemes) with a total value of £69.335m and this report seeks approvals for the next tranche of schemes under the programme. The programme will continue for the foreseeable future as demand for school places continues to be strong. There are pressures in 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. The pressure on places for secondary and specialist provision will also generate a number of large scale projects to expand places in these areas over the next three to four years.

3. The Basic Need Programme is complex as it is made up of a series of projects which need to deliver to tight timescales usually all for the start of the new school year in September. Funding provided for Basic Need by government is limited and the council has successfully managed to demonstrate value for money in delivering projects when compared nationally. As the economy starts to revive, the construction industry is responding to significant increases in demand for their services. This has already led to sharp increases in the cost of raw materials and building products with resultant increases in tender prices and has led to firms being more selective in the schemes for which they will bid.
4. The council needs therefore, to respond to a combination of risks to maintain the scale of delivery at the pace which the programme demands. In order to ensure that the programme remains flexible, can manage costs and risks in a rising economic climate and to ensure there is strong corporate management and governance, Executive Board approval is requested in this report to a number of changes affecting the programme. Executive Board is asked to approve additional delegations to the Director of Children's Services, the Director of City Development and the Deputy Chief Executive and to approve additional authority to spend of £28,250k which includes £18,250k on discrete schemes and the establishment of a basic need risk capital fund of up to £10,000k with appropriate governance and scrutiny arrangements on future approvals. These arrangements will allow projects and the programme risks to be managed while retaining transparency and Member oversight on decisions.

## **Recommendations**

5. Executive Board is requested to approve:
  - i. the adoption of an enhanced programme approach to the management of the basic need schemes;
  - ii. additional authority to spend expenditure on the basic need programme of £28,250k which increases the overall approval on the schemes in the programme to £97,585k, and this additional authority to spend will include an allocation of up to £10,000k to the establishment of a basic need risk capital fund;
  - iii. the delegation of the approval of design and cost reports for the schemes identified in Table 3 in Appendix A to the Director of Children's Services and that these approvals shall be subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the appropriate Executive Members and that these reports will be open to scrutiny by Members as explained in this report;
  - iv. the delegation of the management and use of the basic need risk capital fund to the Director of Children's Services and that these decisions shall be subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the appropriate Executive Members and that

decisions on with these matters will be open to scrutiny by Members as explained in the report;

- v. the proposed governance and transparency arrangements in relation to the officer decisions for design and cost reports and variations on projects as set out in this report;
- vi. that regular reports, at least every six months are brought before Executive Board on the progress made delivering outcomes and on the overall programme approvals and budget; and
- vii. Executive Board is asked to note that the Head of Service, Strategic Development and Investment has client responsibility for the programme and the Chief Officer, Public Private Partnerships & Procurement Unit is responsible for the delivery of projects in the programme.

## **1 Purpose of this report**

- 1.1 To set out and seek approval from Executive Board to the delegations necessary to adopt a programme approach to the delivery of school places under the basic need programme.

## **2 Background information**

- 2.1 The demand for additional school places has been increasing across the city as birth rates started to rise from 2008. The council implemented a consolidated approach to providing the new places and this has resulted in the successful establishment of 8,666 places.
- 2.2 The council retains a statutory responsibility to ensure that there are sufficient school places in the city but this must be set against the significant changes to the regulation of the governance of schools. The establishment of trust schools, academies and free schools have successively lightened or removed the control and governance responsibility for schools by the local authority. 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 for primary, secondary and specialist provision (SEN and alternative provision for example).
- 2.3 Children's Services has for a number of years managed all aspects of the basic need programme including the demographic projection of new place requirements, the commissioning of new school places and the delivery of built environment solutions for the new school places. To support Children's Services to deliver this important programme, a number of organisational changes have been made recently which will help the council make the savings the council it needs to from its budget. Realignment and rationalisation of teams will bring additional support to the programme chiefly from the Strategy and Resources directorate. This includes support for demographic projections and the delivery of

the projects. Children's Services will focus on ensuring that the capacity and sufficiency planning leads to proposals for good quality local learning places for children. They will lead on the management and delivery of consultation and approvals for statutory changes in schools and as the client for change projects agreed with the schools. So that roles are clear across the organisation clear accountability and responsibility protocols have been established to support the client role and transparency. The approval by Executive Board, of school organisation changes are not affected by the arrangements proposed in this report.

### **3 Main issues**

- 3.1 The Basic Need programme managed by Children's Services has been successful since 2009 in delivering 8,666 new places. The programme is currently made up of 28 projects to provide 3,409 new places across the city. Future phases of projects will be needed to manage the demand for primary and secondary school places and for places in specialist education facilities (for Special Education Need and Alternative Provision for example) which arise from birth rate rises, net migration changes and new housing including the new Core Strategy targets for some 70,000 new homes across the city. These future basic need schemes will be brought forward through consultation based on local need for school places with consultation reported and approvals requested from Executive Board as they are currently. The proposals in this report will not change any of the school organisation and expansion approvals by Executive Board.
- 3.2 Despite its success to date, the council faces some unprecedented challenges to ensure that it can continue to deliver the scale of the Basic Need Programme and to do this at the pace required to ensure places are available each September to meet local demand. Basic need projects present a range of challenges to ensure that the council continues to deliver new school places and does so in a way which enhances schools ability to improve their performance. Projects need to be value for money at a time when capital funding from government is limited and when there is ongoing and increasing pressure on council budgets. And the council needs to manage project budgets appropriately bearing in mind the rising economy.
- 3.3 Time is of the essence for basic need projects so that the council meets its statutory duty to provide sufficient good quality school places and because these always need to be ready for the start of the school year. Time pressures are compounded because planning school places must react to short term changes in birth rates or other factors affecting demand for places. The knock on effect of time pressures on design, procurement and delivery of basic need projects are significant and can easily derail projects unless flexible approaches are taken at all stages of projects.
- 3.4 What is becoming increasingly relevant and evident is that as the economic situation in the country improves, the construction industry is seeing rapid increases in demand. This has already led to increasing pressure on raw materials and building products. The price of bricks alone has risen by more than 12% per quarter for the last two quarters. There is already evidence that

construction firms with strong order books are being selective about the schemes for which they will bid and are including additional risk premiums in the prices they quote. It is expected therefore that tender prices will continue to rise for the foreseeable future.

- 3.5 The council needs to respond so that projects are not subject to delay, can deliver at pace and so risks can be managed appropriately. To do this it is proposed that Executive Board approves a number of measures as follows. Approval is sought for an overall programme budget of up to £97,585k within which all basic need projects will be managed. Currently Executive Board approval (or officer delegation for small schemes) has been given for authority to spend for schemes with a value of £69,335k and details of these schemes is shown in tables 1 and 2 in Appendix A. Approval of the additional authority to spend requested in this report will allow the schemes in table 3 in Appendix A to be brought into the programme and will establish a basic need risk capital fund detailed of which are provided below. Further Executive Board approval will be required to amend this overall programme budget.
- 3.6 While Executive Board approval on authority to spend is sought in this report for the overall budget it is proposed that the approval of the new, individual design and costs approvals on basic need schemes is delegated to the Director of Children's Services. To ensure robust assessment of the proposals and to guarantee the schemes are open to examination by Members it is proposed that the Director of Children's Services decision must have the prior approval of the Director of City Development and the Deputy Chief Executive and be made in consultation with the appropriate Executive Members. Transparency will be maintained as the design and cost reports will be subject to the constitutional rules on officer decisions and all of the proposed schemes will be key decisions and subject to call in. These approvals will only be made where they are within the overall programme budget. The Deputy Chief Executive will use the basic need programme board, approved by Executive Board in July 2013, and detailed elsewhere in this report, to provide check and challenge on the decisions. In addition, new protocols have been agreed which set out the responsibility and accountability for tasks and approvals for the programme which will support transparency and aid teams to deliver effectively.
- 3.7 Approval is also sought for the establishment of a basic need risk capital fund within this programme budget and this will be financed from the council's basic need capital allocation. This fund will be required to be used only within the Basic Need Programme. Approval is requested for delegations to allow the Director of Children's Services to manage decisions on the allocation of money from the fund onto schemes. Decisions of the Director of Children's Services must be made with the prior approval of the Director of City Development and the Deputy Chief Executive and in consultation with the appropriate Executive Members. This approval will enable timely and proportionate responses to variations which are required to project budgets can be managed within the overall programme budget. As with design and cost approvals these decisions will be subject to the constitutional rules on decision making and call in.
- 3.8 To ensure transparency and scrutiny is not compromised it is proposed that the delegated decisions made by officers as a consequence of this report will be

subject to the normal constitutional rules on decisions. This will mean that decisions for design and cost reports and the use of the basic need risk fund. All the schemes listed in table 3 in Appendix A are over £250k and will therefore be key decisions at design and cost stage and subject to the rules on call in. In addition where funding from the basic need risk capital fund is proposed, decisions over £250k will be treated as a key decision and subject to call in. Decision involving less than £250k will be published as significant operational decisions.

- 3.9 Members will be aware that Executive Board has regularly approved programme budgets in the past. In 2010 and 2011 similar management arrangements for the Building Schools for the Future programme was approved by Executive Board (April 2010 for the 2010/11 programme and March 2011 for the 2011/12 programme). Other approved programme budgets operate on the Changing the Workplace and ICT programmes.
- 3.10 Since Executive Board last considered the basic need programme as a whole, in July 2013, strengthened capacity has further enhanced the ability to plan effectively and respond flexibly to changes in local demand for school places. These changes have also assisted the council in making the budget savings by realigning and rationalising resources between directorates.
- 3.11 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. This group will continue to have active involvement in the ongoing development of the programme approach to basic need.
- 3.12 In addition, Executive Board supported the extension of good governance for the programme including the use of a programme board with strong cross council and corporate involvement. It is proposed that the governance for the programme will continue to follow this model and will be led by the Deputy Chief Executive. The programme board will follow corporate standards with senior officers from Children's Services, City Development, Strategy and Resources and Legal and Democratic Services. This board will provide check and challenge on proposals under the programme including the delegated decisions requested in this report. It is proposed that the Deputy Chief Executive will be responsible for approving and amending the terms of reference for this board and to make agreed changes to the membership of the group.
- 3.13 The realignment and rationalisation of resource and increased corporate support for the programme has seen responsibility for the overarching demographic projections which supports pupil place planning move to the Strategy and Resources directorate. This work now takes a joined up approach to population predictions and ensures that the work supporting Children's and Planning Services are aligned. In addition, Children's Services has established a Programme Office to support basic need and this draws on support from Strategy and Resources and Children's Services. Close operational support is provided for the programme as a whole and for individual projects from officers in City

Development (planning services, highways and asset management), Strategy and Resources including Legal Services.

- 3.14 Since April this year the delivery of basic need projects has been commissioned from the Public Private Partnership and Procurement Unit (PPP&PU) in Strategy and Resources directorate. PPP&PU has supported Children's Services over a number of years on the delivery of new school places through a number of programmes including the Public Finance Initiative (PFI) and Building Schools for the Future (BSF). Commissioning PPP&PU to project manage the delivery of basic need schemes supports the council budget strategy to deliver savings and allows Children's Services to focus on its active Client role for capacity planning, consultation on changes to schools and its strategic role of commissioning school places. The new programme approach requested in this report will assist both Children's Services in its client role and PPP&PU on delivery.
- 3.15 In recognition of the new roles and input from across the council, agreed responsibility and accountability protocols have been agreed under which work will be allocated by the client to respective joint teams. This provides a firm framework for the management of the programme and provides clear accountability for decisions and work packages necessary to deliver effective projects.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The basic need programme includes a comprehensive approach to consultation with programme and project level stakeholder engagement and management plans in place. Consultation on changes to school places will be unaffected by the proposals in this report and they will be managed in accordance with all relevant legislation and local good practice.

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

- 4.2.1 An EDCI screening has been conducted for these proposals and this indicates that there will be no discrete EDCI impacts arising from the issues raised in this report. The EDCI forms are attached as an Appendix to this report.

### **4.3 Council policies and City Priorities**

- 4.3.1 The proposals are being brought forward to meet the council's statutory sufficiency 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 One of our best council objectives, as described in the Best Council Plan 2013-2017 is to build a child friendly city with a focus on: our 3 Children's Trust partnership objectives (looked after children, NEET and attendance); ensuring the best start in life; raising educational standards (the expansion of good schools helps meet this target; and ensuring sufficiency of school places.

4.3.3 The consultation process undertaken is cognisant of our best council value, 'working with communities' in ensuring that 100% of major decisions are supported by community engagement and consultation and due regard to equality.

#### 4.4 Resources and value for money

4.4.1 Funding for new school places is provided by 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 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 The last allocation for Leeds is shown in the following table with figures for 2015/16 and 2016/17 being indicative.

	2014-15	2015-16	2016-17	Total 2014-17 basic need
Annual Basic Allocation	18,480,325	19,430,969	20,402,517	58,313,810

4.4.3 Last year this amounted to £11.3k per primary place and £14.2k per secondary place which would provide £2.38m for 210 primary places (1 one form of entry provision) or £17.85m for 1,260 secondary places (equivalent to a secondary school with six forms of entry). The DfE scorecard which has been issued for the first time this year shows that Leeds which is one of the best performing local authorities for the value for money on basic need schemes spent on average £16.34k per primary place on new build schools (£17.16m on 1,050 places). For all school places provided (including temporary and expanding existing schools) the average cost for Leeds is £8.77k per place.

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 and the existing capacity in schools. Over the current period for which government has allocated resources, up to 2016-17, the council estimates the funding gap to be £41.5m. This includes the pressure on primary and secondary places but Members should note that this does not include the cost for sixth form places and that there are increasing pressures on the accommodation providing specialist provision including Special Education Needs and Alternative Provision and the need for additional places in this area may 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. The DfE has recommended a standardised set of designs for new schools and extensions and will expect council's to adopt these or at least to pursue built solutions which use industry

standard low cost elements to reduce the overall cost of new places. Taking a programme approach to governance and funding will allow the council to plan where the council will need to find capital funding for schools projects or to identify and pay for land for new schools.

- 4.5 The basic need programme consists of 28 active schemes delivering 3,409 school places. A further 8 areas with 840 further places have so far been identified for further phases of the programme and more areas are likely to be identified in the future. These schemes are shown in Appendix A and the following table summarises the programme:

Tranche	Schemes	Places	Values
Existing schemes with ATS completing in 2014	12	1,475	£27.729m
Existing schemes with ATS completing in 2015	6	1,065	£41.606m
Schemes in development to complete in 2015	10	869	£18.250m
Basic need risk capital fund			£10.000m

- 4.6 The programme will include schemes which have just delivered school places in September 2014 (12 schemes 1,475 places £27,729k). It will also include schemes with authority to spend completing in 2015 (6 schemes, 1,065 places, £41,606k including Adel Beck), schemes where consultation on school expansion is agreed and the schemes are advanced (10 schemes 869 places £18,250k) and an allowance of up to £10,000k to provide funding to manage programme risks on projects within a rising market.
- 4.7 The above table shows that 18 schemes with a total budget of £69.335m (the first two lines) have financial approvals in place for authority to spend from Executive Board or on small schemes from officers under sub delegations. It is proposed that all of the schemes in Appendix A are included in the programme approach approval for which is sought in this report. Executive Board is therefore being asked to approve use of an additional £18.250m on discrete schemes plus risk management fund of £10m as it approves the overall programme budget of £97.585m. The proposals made in this report will all be financed from basic need capital allocations already injected into the capital programme.

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

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

- 4.8.2 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.
- 4.8.3 The proposals in this report are subject to call in.
- 4.8.4 To ensure appropriate transparency and scrutiny it is proposed that the delegated decisions made by officers as a consequence of this report will be subject to the normal constitutional rules on decisions. This will mean that decisions will be subject to call in as usual at their design and cost stage and where funding from the basic need risk capital fund is proposed in excess of £250k they will be key decisions and subject to call in.
- 4.8.5 The effect of the approvals in this report are to grant authority to spend across the whole of the basic need programme detailed in this report including the use of the basic need risk capital fund to allow variations on reports as required under Financial Procedure Rules (FPR) and that no further FPR approvals are required which are not already delegated to officers including Funding and Chief Officer approvals. Amendments to the overall programme budget will require Executive Board approvals in the future.

## **5 Risk Management**

- 5.9 There are a range of risks on projects which it is proposed will be better managed by a programme approach to the governance and funding of the schemes. Projects to deliver new places in schools are routinely carry a range of risks from their inception and it is essential that the council continues to review its approach to ensure the risks can be effectively managed. Risks will arise from a number of causes for example because project delivery timescales are limited, most school sites are constrained, funding is very limited and because new school places must be available from the respective Autumn term (September) to meet the council's statutory duty.
- 5.10 Timescales on projects tend to be constrained because of the nature of predicting when demand for places (arising from increasing birth rates, net inward migration or increased housing) will be sufficient to justify the permanent school places. The new centralised demographic projections team and a corporate approach to decision making will assist with ensuring there is a pipeline of deliverable schemes.
- 5.11 Basic need projects can be further complicated by issues with existing school sites or for the need to find sites for new schools in the right locations. An expansion at a school must be planned to minimise disruption on teaching and safeguarding and should be designed so that the operational effectiveness of the school is not degraded. Achieving planning consent for new school places is often complex and requires detailed local consultation, good liaison with planning and highways and innovative designs. In some areas new schools must be planned and where possible this is done using existing council sites but in future it may be necessary to acquire land for new schools. A cross council approach to dealing with site issues is already in place and this will be enhanced through a

strategic project management group allowing proper escalation of issues and risks and most importantly to problem solve and deliver solutions when risks materialise.

## **6 Conclusions**

- 6.1 Children's Services has responsibility for successfully delivering new school places. The basic need programme delivers on key strategic outcomes for the city and must continue its success against a 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.
- 6.2 Greater cross council support has been provided to ensure the effectiveness and efficiency of the basic need programme and it is proposed to further enhance this by seeking approvals to establish a programme approach including a programme budget.
- 6.3 Governance of the programme will be enhanced and reports on progress will be brought back to Executive Board every six months.

## **7 Recommendations**

Executive Board is requested to approve:

- i. the adoption of an enhanced programme approach to the management of the basic need schemes;
- ii. additional authority to spend expenditure on the basic need programme of £28,250k which increases the overall approval on the schemes in the programme to £97,585k, and this additional authority to spend will include an allocation of up to £10,000k to the establishment of a basic need risk capital fund;
- iii. the delegation of the approval of design and cost reports for the schemes identified in Table 3 in Appendix A to the Director of Children's Services and that these approvals shall be subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the appropriate Executive Members and that these reports will be open to scrutiny by Members as explained in this report;
- iv. the delegation of the management and use of the basic need risk capital fund to the Director of Children's Services and that these decisions shall be subject to the agreement of the Director of City Development and the Deputy Chief Executive in consultation with the appropriate Executive Members and that decisions on with these matters will be open to scrutiny by Members as explained in the report;
- v. the proposed governance and transparency arrangements in relation to the officer decisions for design and cost reports and variations on projects as set out in this report; and

- vi. that regular reports, at least every six months are brought before Executive Board on the progress made delivering outcomes and on the overall programme approvals and budget; and
- vii. Executive Board is asked to note that the Head of Service, Strategic Development and Investment has client responsibility for the programme and the Chief Officer, Public Private Partnerships & Procurement Unit is responsible for the delivery of projects in the programme.

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

8.1 None

### **Appendices**

Appendix A - Schemes in the proposed Basic Need Programme arrangements

Appendix B – EDCI screening for the proposals

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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.