



Coventry City Council

Council Meeting

9th December, 2008

Booklet 1

Recommendation Minutes

INDEX TO MINUTES

Cabinet – 18 November 2008

CABINET

18 November 2008

Cabinet Members
Present:

Councillor Blundell
Councillor Mrs Dixon
Councillor Foster
Councillor Mrs Johnson
Councillor Lee
Councillor Noonan
Councillor Ridley
Councillor Sawdon
Councillor Taylor (Chair)
Councillor Williams

Non-Voting Opposition
Representatives present:

Councillor Duggins
Councillor Field
Councillor Mutton
Councillor Nellist

Others Present:

L. Lynch (Coventry Telegraph)

Employees Present:

R. Brankowski (Customer and Workforce Service Directorate)
L. Bull (Acting Director of Community Services)
F. Collingham (Communications and Media Relations Manager)
L. Commane (Special Projects Finance)
D. Elliott (City Development Directorate)
F. Empl (Children, Learning and Young People's Directorate)
C. Forde (Head of Legal Services)
C. Green (Director of Children, Learning and Young People)
J. Handley (Customer and Workforce Service Directorate)
L. Harte (Children, Learning and Young People's
A. Hume (City Development Directorate)
J. McGuigan (Joint Acting Chief Executive)
B. Messinger (Joint Acting Chief Executive)
C. Parker (Chief Executive's Directorate)
J. Parry (Assistant Chief Executive)
A. Perrins (Chief Executive's Directorate)
A. Simpson (BSF Programme Manager)
R. Snow (Head of Services for Schools)
A. Walker (Chief Executive's Directorate)
C. West (Director of Finance and Legal Services)
R. Young (Regeneration Strategy and Resources Manager)

RECOMMENDATION

113. **Authority to Submit an Outline Business Case for the Sidney Stringer Academy**

The Cabinet considered a joint report of the Director of Children, Learning and Young People and the Director of Finance and Legal Services providing an update on discussions in relation to the establishment of Sidney Stringer Academy as part of the Swanswell Learning Quarter and seeking authority to submit an Outline Business Case (OBC) to Partnerships for Schools (PfS) and the Department for Children, Schools and Families (DCSF). DCSF are the government department leading the Academies Programme nationally. PfS is the vehicle responsible for managing the delivery of the Academies Programme.

The report also detailed changes from the original Expression of Interest (Eol), submitted in December 2006 and sets out the detail of the OBC and supporting documentation.

It indicated that, on 12 December 2006, the Cabinet approved the submission of the Eol to develop the Sidney Stringer Academy as part of the Swanswell Learning Quarter, to replace the current Sidney Stringer School.

This Eol was subsequently approved by the then-Department for Education and Skills and the feasibility stage of the project commenced.

In March 2008, following a period of extensive public consultation, the Cabinet Member (Children, Learning and Young People) authorised the publication of statutory notices to close the existing school, subject to the Secretary of State agreeing to open a new Sidney Stringer Academy, initially in the existing buildings, in September 2010.

One objection to the proposal was received, which was considered by the Cabinet Advisory Panel (School Organisation) on 4 June 2008, which recommended that the Cabinet approve the proposal.

At its meeting on 17 June 2008, the Cabinet agreed the closure of Sidney Stringer School, subject to the establishment of a new Sidney Stringer Academy.

Throughout the feasibility stage, a number of options for the location of the Academy have been discussed, with agreement reached amongst the Sponsors on a preferred option.

The Sponsors identified in the Eol (City College Coventry, Coventry City Council - Lead Sponsors, Coventry University and Jaguar Cars) remain committed to the project, although a change in the financial circumstances of the City College has meant that the financial nature of their sponsorship has been amended.

The Outline Business Case sets out the options appraisal, cost estimates, affordability assessment and procurement strategy for the Sidney Stringer Academy in sufficient detail to allow the Government to confirm capital funding and give approval to the Council to commence the procurement of a contractor to deliver the new buildings via the PfS National Framework. Employees, together with the Council's external advisors, and in consultation with the Sponsors, have developed a first draft of the OBC. This will be formally submitted to PfS following Council approval. The Executive Summary for the OBC was included at Appendix 1 to the report submitted, whilst a full hard copy of the OBC is available for viewing in Room 250, Civic Centre 1, and in electronic form in the Members' Lounges.

PfS have confirmed with the Council that the National Framework of suitably-qualified contractor-led teams is available to be used for this project. This process sees six teams invited to bid for the work; two teams are then selected to prepare scheme proposals prior to a preferred bidder being appointed.

The proposal is for a seven-form of entry Academy, with 300 post-16 places, to be built in the Swanswell Learning Quarter as a direct replacement for the existing Sidney Stringer School.

A number of options have been discussed during the feasibility stage. The preferred option is for the majority of the Academy to be situated on the site of the existing school, with a Vocational Centre located on the opposite side of Primrose Hill Street. This will allow good connectivity with both the Academy and the City College.

As a result of this preferred option, some amendments have been made to the area of land to be utilised by the Academy. The EoI suggested an approximate size of site to be transferred to the Trust of 36,422m² (9 acres). The final area to be transferred is 27,127m² (6.7 acres) to reflect the Sponsors' preferred design solution and educational vision. The amount to be transferred on the learning quarter site has been reduced and will release an area for future complementary development. The City Council and the Sponsors have satisfied themselves that sufficient land will be transferred on the learning quarter site to allow for appropriate social and informal spaces, servicing and access requirements.

A plan of the proposed Academy site was attached at Appendix 6 to the report submitted.

Further to public consultation, it has also been proposed that the Sponsors' choice of specialism, Design and Technology, be supplemented by the existing school's Mathematics specialism. This reflects the hard work of the school in improving standards in mathematics and the excellent results achieved. Sponsors support this work being built upon in the new Academy.

The final change made to the scheme since the EoI reflects the City College's financial circumstances, which preclude them from making the commitment previously suggested. Suitable alternative arrangements have been made, which have been agreed by the DCSF. The details of these arrangements were set out in paragraph 5.3.6 of the report submitted.

There were a number of financial implications which impact on the Council as the procuring authority and as Sponsor, and these were detailed in the report.

As regards Government funding, the report indicated that, unlike BSF, new Academies are funded by capital grant, not through the Private Finance Initiative. As part of the OBC approval process, PfS are expected to confirm the following through the Funding Allocation Model (FAM):

- Capital (grant) funding of £26.2m at construction start (including £0.68m carbon reduction funding).
- ICT hardware funding of £1.96m.

With regards to Academy Construction Costs, the Council's technical advisors are currently estimating the capital construction costs at £28m, which would generate a capital affordability gap of £1.8m. However, discussions with PfS to finalise the technical costings for OBC purposes are ongoing. Both PfS and the technical advisors are working to reduce the capital costs of the scheme to a more affordable level prior to OBC submission. These costings will then reflect the likely price that will be bid back once the procurement stage begins. PfS will not fund a project contingency and do not advise that a contingency is included in the costings. This is because the nature of the Design and Build contract includes transfer of risk to the successful bidder for a fixed price.

As regards funding the Capital Affordability Gap, employees have received in principle special dispensation from Ministers to explore a number of options to bridge a capital affordability gap should this remain once the technical costings have been finalised. These options include the ability for the Council to make its £1m sponsorship contribution in the form of a capital contribution rather than as a sponsorship contribution to the endowment fund. A second option is the application of an element (estimated at £0.4m) of the anticipated Sidney Stringer fire insurance settlement from Zurich towards the capital gap. PfS's view is that this allowance would usually be clawed back by PfS once received from the insurers, and employees are still negotiating on this point. If a capital gap remains after applying the £1m sponsorship contributions and the fire insurance settlement, then DCSF would consider allowing the Council to claw back the PfS share of capital receipts generated through the BSF programme. The PfS total share of capital receipts that could be clawed back is estimated at £4.4m. The final funding solution would need to be formally agreed with DCSF in advance of the Council submitting its OBC and well in advance of the Council signing the Design and Build contract (at which point the Council is committed to making construction payments). The table below illustrates the potential funding solution, based on the current estimated technical capital costs.

Table 1: Sidney Stringer Academy costs and funding

	£m
Capital costs	(28)
Funded by:	
PfS FAM funding	26.2
Council contributions (sponsorship and fire insurance)	1.4
PfS share of capital receipts	0.4

In the event that the final OBC technical costs can be met within the FAM allocation, the Council would be required to revert to making the £1m contribution in the form of an endowment and agreeing a schedule of payments with DCSF.

The Council intends to fund its £1m contribution (whether this be required as a capital contribution in the event that there is a capital gap, or as an endowment contribution in the event that no capital gap exists, or a combination of the two options) through future Section 106 receipts. The receipt of Section 106 monies is dependent on the timing and size of housing developments. In the current economic market, there is a risk that this funding may not be realised as quickly or at the level anticipated. The Council currently anticipate receiving this cash on a phased basis between 2011/12 and 2014/15. However, the Council will need to make its £1m contribution towards the gap, or towards the endowment fund, before all of the Section 106 receipts are realised. The Council would usually look to manage this cash flow requirement through the wider capital programme. However, this may not be possible due to wider financial constraints and the Council may need to Prudentially Borrow in order to fund the required Council contributions. On a worst-case scenario basis, the revenue cost of this Prudential Borrowing is around £0.4m in total. The Council are working with PfS to establish if there are any ways that they can assist with this issue, including the payment timings of the FAM funding allocation. However, the Council may need to exercise the use of Prudential Borrowing and fund the revenue impact of this should all other alternatives be exhausted.

The alternative to exercising the Prudential Borrowing requirement may mean that the scheme could not go ahead through the National Framework procurement route. Reverting to including the school within the BSF programme would reduce the capital funding available from PfS by £6m and create a significant, unfunded, affordability gap. In addition, the process of re-inclusion of the Sidney Stringer Academy within BSF may have additional timescale implications for the wider BSF programme, with associated delay and cost.

The draft Section 151 letter (Appendix 2 to the report submitted), which forms part of the OBC, confirms the Council's commitment to fund the capital costs within the affordability parameters detailed in the report.

The report indicated that the capital ICT costs could be accommodated within the funding made available through the FAM. The Sponsors will need to commit in principle at OBC stage to fund the revenue costs of the ICT Managed Service (Appendix 5 to the report submitted refers). These are anticipated at £120 per pupil per annum once the full ICT Managed Service contract is in place.

As regards Hard Facilities Management (FM) and Lifecycle costs, the Academy Trust will need to buy into suitably-procured lifecycle and hard FM services. The OBC identifies that the annual cost of delivering hard FM within the new school will be in the region of £133k per annum. The school currently spends less than this (£105k per annum assuming 2% of its Dedicated Schools Grant (DSG) allocation consistent with other BSF schools), but will need to incorporate the costs of hard FM into the budgeting process and achieve an affordable solution.

The Academy will be funded directly by DCSF on broadly the same basis as the City Council allocates funding to its secondary schools through the Fair Funding Formula. The City Council calculate what would have been the school's budget share had they continued to be local authority-funded and submit to the DCSF. The DCSF then reduce the City DSG allocation by this amount, and they also top-slice a further amount in relation to expenditure for education that is managed centrally. The Academy will be provided with revenue funding from the DCSF through a General Annual Grant (GAG).

It is anticipated that the Academy Trust will need to meet the costs of the hard FM services through its GAG.

Given affordability constraints, a pragmatic solution to lifecycle maintenance is proposed, which involves the establishment of a lifecycle sinking fund, to ensure that the new building is maintained going forward. The costs of lifecycle within the new school are anticipated to be £168k per annum, with a further requirement of £58k per annum should lifecycle of fixtures, fittings and equipment be included. The Academy Trust will need to set aside sufficient funding from the capital funding allocations it receives in order to make payments into the sinking fund. The school's forecast Devolved Formula Capital allocation, which is one of the funding sources that could be used to fund lifecycle costs, is £65k per annum.

As part of the sponsorship of Academies, Sponsors are typically expected to donate a total of £2m into an endowment fund. As noted earlier, the Council has provisionally received dispensation from Ministers to make its financial sponsorship commitment of £1m by way of a capital contribution (£1m) if a capital gap exists. The financial commitment of the remaining Sponsors towards the endowment fund is as follows:

- City College Coventry £100k
- Coventry University £75k
- Jaguar Cars £25k

The Donation to Trust letter (Appendix 3 to the report submitted) confirms these commitments.

The future operation and maintenance of the Academy will not be the financial responsibility of the Council. The financial contributions will be limited to its contribution as one of the consortium of Sponsors. The commitment letters and the OBC place obligations on the Academy Trust, which is a distinct and separate legal entity from the individual Sponsor organisations. The Directors of the Academy Trust will have to carry out these legal obligations and there are sanctions, particularly contained within the Funding Agreement, for non-performance of these obligations.

With regard to other financial implications, the Council has confirmed that DCSF will fund £0.3m of procurement costs in relation to the project through the FAM allocation. The outturn costs may exceed this funding level and the Council will be working with DCSF, the school and the Sponsors to fully fund the procurement of the scheme.

As part of the Swanswell Initiative, the Council is obligated to make a premium payment to Advantage West Midlands (AWM) upon disposal of sites within the Learning Quarter, which were originally purchased with AWM funds. The value of this premium will be calculated at the point at which the lease is assigned to the Academy Trust. The premium is currently estimated at £0.1m and is funded from the Council's existing Swanswell budget.

In terms of human resources, all staff (teaching and non-teaching) employed by the existing Sidney Stringer School at the point of transfer, with the exception of the head teacher, will be protected by TUPE Regulations and will transfer to the employment of the Academy on their current terms and conditions. Any subsequent changes to this would need to go through the normal processes of consultation and negotiation.

Secondary schools in Coventry operate within a series of federations between themselves, further education colleges, the universities and other education and training providers. Such partnerships are essential to the delivery of effective education and are encouraged by the DCSF. The Sponsors have committed that the Academy will be a full and active participant in these arrangements.

As regards legal Implications, as a Sponsor, Coventry City Council will have to sign a Funding Agreement and the Memorandum and Articles of Association of the Academy Trust (a summary of the content of these was attached at Appendix 7 to the report submitted), Lifecycle and Hard FM Management Letter (Appendix 4), and Provision of ICT Letter (Appendix 5).

As procuring authority, Coventry City Council will be required to sign the Section 151 Officer Letter confirming the affordability of the scheme.

In terms of property Implications, the Academy will be an independent school and a separate legal entity from the City Council. It will be necessary for the City Council to transfer the required land to the Academy Trust on a 125-year lease for a peppercorn rent. This includes land on both the Learning Quarter and existing Sidney Stringer site.

The learning quarter site remaining in the Council's ownership, after the Academy site has been created, is capable of independent development.

The Council operates a risk register for this project (detailed at Appendix 8 to the report submitted). There are a number of financial risks associated with this project that were detailed within the report and within the risk register.

Subject to the approval of the recommendations in the report submitted, the OBC will be submitted to PfS and the DCSF. Should the outcome be positive, the procurement process will commence to find a suitable Panel Member to construct the new facilities. It is proposed that the new facilities will be available for occupation during the 2011/12 academic year.

RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council:

- (1) To approve the changes made to the scheme since the original EoI, which are detailed in Section 4 of the report submitted.**
- (2) To authorise the submission of an Outline Business Case for the Sidney Stringer Academy to replace the current Sidney Stringer School on the basis outlined in the report submitted, an executive summary of the Outline Business Case having been attached as Appendix 1 to the report submitted and a copy of the full draft having been made available to members.**
- (3) With regard to the estimated capital costings detailed in Section 5.3 of the report submitted, to delegate authority to the Director of Finance and Legal Services, in consultation with the Deputy Leader, to agree any final changes to the funding arrangements within the parameters stated in the report.**
- (4) To approve the draft Section 151 Letter (Appendix 2 to the report submitted refers) and to delegate authority to the Director of Finance and Legal Services to sign this on behalf of the City Council within the financial principles stated within the report.**
- (5) To approve the use of Prudential Borrowing, if required, to fund the Council's capital or sponsorship contributions to the project, it being noted that this temporary borrowing will be repaid when capital receipts can be generated.**
- (6) To approve the draft funding agreement and to delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the City Council.**
- (7) To approve the draft Donation to Trust letter (Appendix 3 to the report submitted) and delegate authority to the Director of Finance and Legal Services to sign this on behalf of the City Council within the financial principles stated within the report.**
- (8) To approve the draft Lifecycle and Hard FM letter (Appendix 4 to the report submitted) and to delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the City Council.**
- (9) To approve the draft Provision of ICT letter (Appendix 5 to the report submitted) and to delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the City Council.**
- (10) To delegate authority to the Director of Children, Learning and Young People and the Director of Finance and Legal Services, in consultation with the Cabinet Member (Children, Learning and Young People) and the Deputy Leader, to agree any minor changes to the OBC and supporting documentation prior to its submission to PFS**

and the DCSF on behalf of the City Council.

- (11) To approve the commencement of the procurement of a major construction company for the new Academy from the PfS National Framework, once the OBC has been approved by PfS and DCSF.**
- (12) To delegate authority to the Director of Children, Learning and Young People to agree the evaluation criteria for procurement based on the BSF Academy Evaluation methodology, including the selection of the shortlist of two bidders following evaluation of the Preliminary Invitation to Tender, to whom the full Invitation to Tender will be issued.**
- (13) To delegate authority to the Director of Children, Learning and Young People to engage with the shortlisted bidders on aspects of the design and build programme.**
- (14) To note that there is no financial commitment on the City Council at this stage and that further reports will be brought to the Cabinet, seeking approval of the Full Business Case and appointment of preferred bidder, award of contract and contract management structure to implement the building of the Sidney Stringer Academy.**

Report to

Cabinet
Council

18 November 2008

9 December 2008

Report of

Director of Children, Learning and Young People and Director of Finance and Legal Services

Title

Authority to Submit an Outline Business Case for the Sidney Stringer Academy

1 Purpose of the Report

- 1.1 The purpose of this report is to update Cabinet on discussions in relation to the establishment of Sidney Stringer Academy as part of the Swanswell Learning Quarter, and to seek authority to submit an Outline Business Case (OBC) to Partnerships for Schools (PfS) and the Department for Children, Schools and Families (DCSF). DCSF are the government department leading the Academies Programme nationally. PfS is the vehicle responsible for managing the delivery of the Academies Programme.
- 1.2 The report also details changes from the original Expression of Interest (EoI), submitted in December 2006.
- 1.3 The report also informs members of the detail of the OBC and supporting documentation.

2 Recommendations

That Cabinet:

- 2.1 Recommend to Council the approval of recommendations 2.2 to 2.15.

That Council:

- 2.2 Approve the changes made to the scheme since the original EoI, which are detailed in section 4.
- 2.3 Authorise the submission of an Outline Business Case for the Sidney Stringer Academy to replace the current Sidney Stringer School on the basis outlined in the report. An executive summary of the Outline Business Case is attached as Appendix 1 and a copy of the full draft has been made available to members.
- 2.4 With regard to the estimated capital costings detailed in section 5.3, delegate authority to the Director of Finance and Legal Services, in consultation with the Deputy Leader, to

agree any final changes to the funding arrangements within the parameters stated in this report.

- 2.5 Approve the draft Section 151 Letter (Appendix 2) and delegate authority to the Director of Finance and Legal Services to sign this on behalf of the Council within the financial principles stated within this report.
- 2.6 Approve the use of Prudential Borrowing, if required, to fund the Council's capital or sponsorship contributions to the project. This temporary borrowing will be repaid when capital receipts can be generated.
- 2.7 Approve the draft funding agreement and delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the Council.
- 2.8 Approve the draft Donation to Trust letter (Appendix 3) and delegate authority to the Director of Finance and Legal Services to sign this on behalf of the Council within the financial principles stated within this report.
- 2.9 Approve the draft Lifecycle and Hard FM letter (Appendix 4) and delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the Council.
- 2.10 Approve the draft Provision of ICT letter (Appendix 5) and delegate authority to the Director of Children, Learning and Young People to sign this on behalf of the Council.
- 2.11 Delegate authority to the Director of Children, Learning and Young People and the Director of Finance and Legal Services, in consultation with the cabinet member (Children, Learning and Young People) and the Deputy Leader, to agree any minor changes to the OBC and supporting documentation prior to its submission to PfS and the DCSF on behalf of the City Council.
- 2.12 Approve the commencement of the procurement of a major construction company for the new Academy from the PfS National Framework, once the OBC has been approved by PfS and DCSF.
- 2.13 Delegate authority to the Director of Children, Learning and Young People to agree the evaluation criteria for procurement based on the BSF Academy Evaluation methodology including the selection of the shortlist of 2 bidders following evaluation of the Preliminary Invitation to Tender, to whom the full Invitation to Tender will be issued.
- 2.14 Delegate authority to the Director of Children, Learning and Young People to engage with the shortlisted bidders on aspects of the design and build programme.
- 2.15 Note that there is no financial commitment on the Council at this stage and that further reports will be brought to Cabinet, seeking approval of the Full Business Case and appointment of preferred bidder, award of contract and contract management structure to implement the building of the Sidney Stringer Academy.

3 Information/Background

- 3.1 On 12 December 2006, Cabinet approved the submission of the EoI to develop the Sidney Stringer Academy as part of the Swanswell Learning Quarter, to replace the current Sidney Stringer School.

- 3.2 This EoI was subsequently approved by the then Department for Education and Skills and the feasibility stage of the project commenced.
- 3.3 In March 2008, following a period of extensive public consultation, the Cabinet Member (Children, Learning and Young People) authorised the publication of statutory notices to close the existing school, subject to the Secretary of State agreeing to open a new Sidney Stringer Academy, initially in the existing buildings, in September 2010.
- 3.4 One objection to the proposal was received, which was considered by the Cabinet Advisory Panel (School Organisation) on 4 June 2008, which recommended that Cabinet approve the proposal.
- 3.5 At its meeting on 17 June 2008, Cabinet agreed the closure of Sidney Stringer School, subject to the establishment of a new Sidney Stringer Academy.
- 3.6 Throughout the feasibility stage, a number of options for the location of the Academy have been discussed, with agreement reached amongst the Sponsors on a preferred option.
- 3.7 The Sponsors identified in the EoI (City College Coventry, Coventry City Council – Lead Sponsors, Coventry University and Jaguar Cars) remain committed to the project, although a change in the financial circumstances of the City College has meant that the financial nature of their sponsorship has been amended.
- 3.8 The Outline Business Case sets out the options appraisal, cost estimates, affordability assessment and procurement strategy for the Sidney Stringer Academy in sufficient detail to allow the government to confirm capital funding and give approval to the Council to commence the procurement of a contractor to deliver the new buildings via the PfS National Framework. Officers, together with the Council's external advisors, and in consultation with the sponsors, have developed a first draft of the OBC. This will be formally submitted to PfS following Council approval. The Executive Summary for the OBC is included at Appendix 1, whilst a full hard copy of the OBC is available for viewing in room 250, Civic Centre 1, and in electronic form in Members' lounges.
- 3.9 PfS have confirmed with the Council that the National Framework of suitably qualified contractor-led teams is available to be used for this project. This process sees six teams invited to bid for the work; two teams are then selected to prepare scheme proposals prior to a preferred bidder being appointed.

4 Proposal and Other Option(s) to be Considered

- 4.1 The proposal is for a 7 form of entry Academy, with 300 post-16 places, to be built in the Swanswell Learning Quarter as a direct replacement for the existing Sidney Stringer School.
- 4.2 A number of options have been discussed during the feasibility stage. The preferred option is for the majority of the Academy to be situated on the site of the existing school, with a Vocational Centre located on the opposite side of Primrose Hill Street. This will allow good connectivity with both the Academy and the City College.
- 4.3 As a result of this preferred option, some amendments have been made to the area of land to be utilised by the Academy. The EoI suggested an approximate size of site to be transferred to the trust of 36,422m² (9 acres). The final area to be transferred is 27,127m² (6.7 acres) to reflect the sponsors' preferred design solution and educational vision. The amount to be transferred on the learning quarter site has been reduced and will release an area for future complementary development. Coventry City Council and the sponsors have satisfied themselves that sufficient land will be transferred on the learning quarter site to allow for appropriate social and informal spaces, servicing and access requirements.
- 4.4 A plan of the proposed Academy site is attached at Appendix 6.
- 4.5 Further to public consultation, it has also been proposed that the Sponsors' choice of specialism, Design and Technology, be supplemented by the existing school's Mathematics specialism. This reflects the hard work of the school in improving standards in mathematics and the excellent results achieved. Sponsors support this work being built upon in the new Academy.
- 4.6 The final change made to the scheme since the EoI reflects the City College's financial circumstances, which preclude them from making the commitment previously suggested. Suitable alternative arrangements have been made, which have been agreed by the DCSF. The details of these arrangements are set out in 5.3.6.

5 Other specific implications

	Implications (See below)	No Implications
Neighbourhood Management		✓
Best Value		✓
Children and Young People	✓	
Comparable Benchmark Data		✓
Corporate Parenting	✓	
Coventry Community Plan		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓

	Implications (See below)	No Implications
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations	✓	
Information and Communications Technology		✓
Legal Implications	✓	
Property Implications	✓	
Race Equality Scheme		✓
Risk Management	✓	
Climate Change & Sustainable Development	✓	
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

5.1 Children and Young People

The objective of this project is to secure the best possible outcomes for children and young people in the area served by Sidney Stringer School. The City Council will only proceed with the scheme if it continues to align with this objective. The Sponsors have committed that the Academy will be a full and active participant in the North West Federation.

5.2 Corporate Parenting

Looked After Children will have first priority in the Academy's Admissions Policy. This is a requirement from DCSF.

5.3 Finance

There are a number of financial implications which impact on the Council as the procuring authority and as Sponsor. These are detailed in the following sections.

5.3.1 Government funding

Unlike BSF, new Academies are funded by capital grant, not through the Private Finance Initiative.

As part of the OBC approval process, PFS are expected to confirm the following through the Funding Allocation Model (FAM):

- Capital (grant) funding of £26.2m at construction start (including £0.68m carbon reduction funding).
- ICT hardware funding of £1.96m.

5.3.2 Academy Construction Costs

Our technical advisors are currently estimating the capital construction costs at £28m, which would generate a capital affordability gap of £1.8m. However, discussions with PfS to finalise the technical costings for OBC purposes are ongoing. Both PfS and our technical advisors are working to reduce the capital costs of the scheme to a more affordable level prior to OBC submission. These costings will then reflect the likely price that will be bid back once the procurement stage begins. PfS will not fund a project contingency and do not advise that a contingency is included in the costings. This is because the nature of the Design and Build contract includes transfer of risk to the successful bidder for a fixed price.

5.3.3 Funding the Capital Affordability Gap

Officers have received in principle special dispensation from Ministers to explore a number of options to bridge a capital affordability gap should this remain once the technical costings have been finalised. These options include the ability for the Council to make its £1m sponsorship contribution in the form of a capital contribution rather than as a sponsorship contribution to the endowment fund. Secondly, the application of an element (estimated at £0.4m) of the anticipated Sidney Stringer fire insurance settlement from Zurich towards the capital gap. PfS' view is that this allowance would usually be clawed back by PfS once received from the insurers and officers are still negotiating on this point. If a capital gap remains after applying the £1m sponsorship contributions and the fire insurance settlement, then DCSF would consider allowing the Council to claw back the PfS share of capital receipts generated through the BSF programme. The PfS total share of capital receipts that could be clawed back is estimated at £4.4m. The final funding solution would need to be formally agreed with DCSF in advance of the Council submitting its OBC and well in advance of the Council signing the Design and Build contract (at which point the Council is committed to making construction payments). Table 1 illustrates the potential funding solution, based on the current estimated technical capital costs.

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In the event that the final OBC technical costs can be met within the FAM allocation, the Council would be required to revert to making the £1m contribution in the form of an endowment and agreeing a schedule of payments with DCSF.

The Council intends to fund its £1m contribution (whether this be required as a capital contribution in the event that there is a capital gap, or as an endowment contribution in the event that no capital gap exists, or a combination of the two options) through future section 106 receipts. The receipt of section 106 monies is dependent on the timing and size of housing developments. In the current economic market there is a risk that this funding may not be realised as quickly or at the level anticipated. We currently anticipate receiving this cash on a phased basis between 2011/12 and 2014/15. However, the Council will need to make its £1m contribution towards the gap, or towards the endowment fund, before all of

the section 106 receipts are realised. We would usually look to manage this cash flow requirement through the wider capital programme. However, this may not be possible due to wider financial constraints and the Council may need to Prudentially Borrow in order to fund the required Council contributions. On a worst case scenario basis the revenue cost of this Prudential Borrowing is c£0.4m in total. We are working with PfS to establish if there are any ways that they can assist with this issue, including the payment timings of the FAM funding allocation. However, the Council may need to exercise the use of Prudential Borrowing and fund the revenue impact of this should all other alternatives be exhausted.

The alternative to exercising the Prudential Borrowing requirement may mean that the scheme could not go ahead through the National Framework procurement route. Reverting to including the school within the BSF programme would reduce the capital funding available from PfS by £6m and create a significant, unfunded, affordability gap. In addition, the process of reinclusion of the Sidney Stringer Academy within BSF may have additional timescale implications for the wider BSF programme, with associated delay and cost.

The draft Section 151 letter (Appendix 2), which forms part of the OBC, confirms the Council's commitment to fund the capital costs within the affordability parameters detailed in this report.

5.3.4 ICT costs

The capital ICT costs can be accommodated within the funding made available through the FAM.

The Sponsors will need to commit in principle at OBC stage to fund the revenue costs of the ICT Managed Service (see Appendix 5). These are anticipated at £120 per pupil per annum once the full ICT Managed Service contract is in place.

5.3.5 Hard Facilities Management (FM) and Lifecycle costs

The Academy Trust will need to buy into suitably procured lifecycle and hard FM services. The OBC identifies that the annual cost of delivering hard FM within the new school will be in the region of £133k per annum. The school currently spends less than this (£105k per annum assuming 2% of its Dedicated Schools Grant (DSG) allocation consistent with other BSF schools), but will need to incorporate the costs of hard FM into the budgeting process and achieve an affordable solution.

The Academy will be funded directly by DCSF on broadly the same basis as the City Council allocates funding to its secondary schools through the Fair Funding Formula. The City Council calculate what would have been the school's budget share had they continued to be Local Authority funded and submit to the DCSF. The DCSF then reduce the City DSG allocation by this amount, and they also topslice a further amount in relation to expenditure for education that is managed centrally. The Academy will be provided with revenue funding from the DCSF through a General Annual Grant (GAG).

It is anticipated that the Academy Trust will need to meet the costs of the hard FM services through its GAG.

Given affordability constraints, a pragmatic solution to lifecycle maintenance is proposed, which involves the establishment of a lifecycle sinking fund, to ensure that the new building is maintained going forward. The costs of lifecycle within the new school are anticipated to be £168k per annum, with a further requirement of £58k per annum should lifecycle of fixtures, fittings and equipment be included. The Academy Trust will need to set aside

sufficient funding from the capital funding allocations it receives in order to make payments into the sinking fund. The school's forecast Devolved Formula Capital allocation, which is one of the funding sources that could be used to fund lifecycle costs, is £65k per annum.

5.3.6 Academy Sponsorship

As part of the sponsorship of Academies, Sponsors are typically expected to donate a total of £2m into an endowment fund. As noted in 5.3.3, the Council has provisionally received dispensation from Ministers to make its financial sponsorship commitment of £1m by way of a capital contribution (£1m) if a capital gap exists. The financial commitment of the remaining Sponsors towards the endowment fund is as follows:

- City College Coventry £100k
- Coventry University £75k
- Jaguar Cars £25k

The Donation to Trust letter (Appendix 3) confirms these commitments.

The future operation and maintenance of the Academy will not be the financial responsibility of the Council. The financial contributions will be limited to its contribution as one of the consortium of Sponsors. The commitment letters and the OBC place obligations on the Academy Trust, which is a distinct and separate legal entity from the individual Sponsor organisations. The Directors of the Academy Trust will have to carry out these legal obligations and there are sanctions, particularly contained within the Funding Agreement, for non-performance of these obligations.

5.3.7 Other financial implications

The Council has confirmed that DCSF will fund £0.3m of procurement costs in relation to the project through the FAM allocation. The outturn costs may exceed this funding level and the Council will be working with DCSF, the school and the Sponsors to fully fund the procurement of the scheme.

As part of the Swanswell initiative, the Council is obligated to make a premium payment to Advantage West Midlands (AWM) upon disposal of sites within the Learning Quarter, which were originally purchased with AWM funds. The value of this premium will be calculated at the point at which the lease is assigned to the Academy Trust. The premium is currently estimated at £0.1m and is funded from the Council's existing Swanswell budget.

5.4 Human Resources

All staff (teaching and non-teaching) employed by the existing Sidney Stringer School at the point of transfer, with the exception of the head teacher, will be protected by TUPE Regulations and will transfer to the employment of the Academy on their current terms and conditions. Any subsequent changes to this would need to go through the normal processes of consultation and negotiation.

5.5 Impact on Partner Organisations

Secondary schools in Coventry operate within a series of federations between themselves, Further Education colleges, the universities and other education and training providers. Such partnerships are essential to the delivery of effective education and are encouraged

by the DCSF. The Sponsors have committed that the Academy will be a full and active participant in these arrangements.

5.6 Legal Implications

As a Sponsor, Coventry City Council will have to sign a Funding Agreement and the Memorandum and Articles of Association of the Academy Trust (a summary of the content of these is attached as Appendix 7), Lifecycle and Hard FM Management Letter (Appendix 4), and Provision of ICT Letter (Appendix 5).

As procuring authority, Coventry City Council will be required to sign the Section 151 Officer Letter confirming the affordability of the scheme.

5.7 Property Implications

The Academy will be an independent school and a separate legal entity from the City Council. It will be necessary for the City Council to transfer the required land to the Academy Trust on a 125 year lease for a peppercorn rent. This includes land on both the Learning Quarter and existing Sidney Stringer site.

The learning quarter site remaining in the Council's ownership, after the Academy site has been created, is capable of independent development.

5.8 Risk Management

The Council operates a risk register for this project (detailed at Appendix 8).

There are a number of financial risks associated with this project that are detailed within the main body of the report and within the risk register.

5.9 Climate Change and Sustainable Development

The new Academy will replace old school buildings and is expected to meet BREEAM (Building Research Establishment Environmental Assessment Method) 'Very Good' and other government carbon reduction targets.

5.10 Trade Union Consultation

Public consultation, including meeting with Trade Unions, has been undertaken regarding the closure of the existing Sidney Stringer School and the opening of an Academy to replace it. Further consultation will take place as the project progresses.

6 Timescale and expected outcomes

- 6.1 Subject to the approval of this report, the OBC will be submitted to PFS and the DCSF. Should the outcome be positive, the procurement process will commence to find a suitable Panel Member to construct the new facilities. It is proposed that the new facilities will be available for occupation during the 2011/2 academic year.

	Yes	No
Key Decision	✓	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)		✓
Council Consideration (if yes, date of Council meeting)	✓ 9 December 2008	

List of background papers

Proper officer: Director of Children's, Learning & Young People's Service

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Papers open to Public Inspection

Description of paper	Location
None	

APPENDIX 1

Sidney Stringer Academy: Outline Business Case Executive Summary

Introduction

This document outlines the options appraisal, cost estimates, affordability assessment and procurement strategy for the Sidney Stringer School in sufficient detail to allow capital funding to be confirmed and gain approval to proceed with the delivery of the school via the Partnerships for Schools (PfS) National Framework Panel Members Framework.

Overview and Commitment

Section 1 and Appendix 1 of this Outline Business Case (OBC) describe the scheme and confirm the commitment of all parties to the procurement process.

Coventry City Council has confirmed that the scheme fits with its local priorities.

The scheme involves Sidney Stringer School.

The Education Brief, including the curriculum model and accommodation schedule, has been developed and signed off by the Project Steering Group (PSG) and by the Department for Children, Schools and Families (DCSF). The accommodation schedule details a total area that is within the BB98 gross internal floor area stated in the Funding Allocation Model (FAM).

The Sponsor/Academy Trust and Coventry City Council confirm their commitment to working together to procure the design and construction of the new Academy using the PfS National Framework and confirm that they will follow established PfS procedures and utilise the standard suite of documents for procurement.

[The Sponsor/Academy Trust has signed the Funding Agreement.]

Procurement Strategy

Section 2 and Appendix 2 of this OBC describe the details of the scheme being put to the market.

The scheme is a single school project and includes a design and construction project for the new build project for Sidney Stringer School.

In addition, the following services are being procured for the Academy:

- FM services
- ICT services contract

A realistic programme of work has been put in place based on the guidance issued by PfS. The building completion date for the project is 18 July 2011.

APPENDIX 1

Design and Construction

Section 3 and Appendix 3 of this OBC describe the site options appraisal undertaken for the building design and construction.

[Coventry City Council can confirm that they own the land upon which the Academy will be built and that there are no encumbrances or restrictive covenants that would place the development and operation of the Academy at risk.]

A robust and thorough options appraisal has been carried out to determine the project proposals. The site options appraisals meet the requirements of Building Bulletin 98.

Surveys and investigations have been undertaken and the results evaluated. Collateral warranties are in place for these surveys, with the objective that the Framework Panel Member can rely on their factual accuracy.

An initial control option has been prepared, which demonstrates that the scheme is deliverable. This initial control option has been signed off by the Design Group and PSG as meeting the requirements of the Education Brief and Design Brief and as acceptable to all parties.

An initial Design Quality Indicator (DQI) Workshop has been held and there is a commitment to using the DQI process throughout the design, construction and operation of the projects.

There is a commitment to achieving a BREEAM (Building Research Establishment Environmental Assessment Method) 'very good' rating, striving for 'excellent'.

The Design Brief has been developed. The scheme will utilise the PfS Authority's Requirement document, amended to suit the local circumstances.

A construction phasing and decanting strategy has been developed.

The FAM for this project includes an allocation of £689,766 to deliver the carbon reduction targets required by the DCSF. Coventry City Council confirms that a requirement of the ITT submissions will be for the Panel Members to demonstrate that their proposals will achieve the 60% target within the funding allocation.

All existing and proposed third party users have been identified and there is a strategy in place for providing accommodation for these users where necessary.

APPENDIX 1

Information and Communications Technology (ICT)

Section 4 and Appendix 4 of this OBC provide an overview of the ICT vision and the proposed delivery approach for the ICT provision. They encapsulate the preferred delivery method and validate the rationale for that choice, including how the service is intended to integrate with the wider LA provision.

The Sponsor/Academy Trust has conducted a robust and thorough ICT options appraisal to determine the ICT approach.

Stakeholders have been consulted in developing the ICT proposals.

The Sponsor/Academy Trust has confirmed that ICT provision will be procured through the LEP.

Becta has reviewed the proposed delivery approach for the ICT provision and confirmed that it is acceptable.

A detailed risk register for the ICT project has been developed and a clear strategy to manage/mitigate ICT risks has also been put in place.

The ICT output specification has been completed to a satisfactory level.

Facilities Management (FM)

Section 5 and Appendix 5 of this OBC detail the proposals for the provision of lifecycle and hard FM.

The Academy Trust have set out their strategy for delivering lifecycle and hard FM services and confirmed that, once the Building Schools for the Future (BSF) Local Education Partnership (LEP) has been established, they will consider buying these services from the LEP.

APPENDIX 1

Affordability

Section 6 and Appendix 6 of this OBC describe the affordability position for the whole scheme.

The OBC provides a separate cost estimate reconciled against the Funding Allocation Model (FAM) for both the design and build and ICT elements of the project.

The estimate indicates that there is a capital funding gap but also indicates how Coventry City Council intends to meet this gap.

This section of the OBC confirms the Council's view that the construction scheme represents value for money.

Coventry City Council has submitted its application for Project Support Funding and it has been approved by PfS.

The Sponsor and Coventry City Council accept that they have to deliver the Academy building within the agreed funding envelope and they will ensure that the scope of the development work fits within this envelope with due reference to the Framework rates. The Sponsor and Coventry City Council will work with the Framework Panel Members to optimise the scope and will undertake any project rescoping necessary to ensure that the project fits within the funding envelope.

Design and Construction

The initial design options for the scheme have been fully costed. The cost estimate includes an assessment of likely abnormal costs resulting from the initial site investigations that have been carried out.

The funding allocated does not match the capital costs. The variance has been explained and confirmation provided on how the funding gap will be met by Coventry City Council.

ICT

The OBC sets out the cost per pupil in relation to a learning environment, managed service platform.

Capital Costs – The initial design options for the Academy have been fully costed and identified what is to be delivered through the £1,450/pupil funding.

Coventry City Council can confirm that the capital costs fit within the Funding Allocation Model (FAM) agreed with PfS and the additional contributions from Coventry City Council.

Ongoing Costs – ICT costs have been estimated for a 25 year period. The estimated annual cost is £162,000 and the Sponsor/Academy Trust has confirmed their commitment to meeting these costs through the General Annual Grant (GAG).

Facilities Management

Lifecycle and hard FM costs have been estimated for a 25 year period. The Sponsor/Academy Trust have confirmed their commitment to meeting these costs through the GAG that will be received.

APPENDIX 1

Readiness to Deliver

Section 7 and Appendix 7 of the OBC sets out the LA's project management structure and identifies the roles and responsibilities of each part of the structure. The key members of the team and the external advisors are named and information is provided on their skills, experience and time commitment to the project. This section also sets out the approved budgets (including consultant advisory fees) and the delegated authorities given to a named senior officer within the key stakeholders.

The Sponsor/Academy Trust and Coventry City Council, in conjunction with DCSF, have followed the project structure and governance for National Framework Academy projects established by PfS, which includes the creation of a Project Steering Group, Design Group and LA Project Team.

[Coventry City Council has put in place resources for the duration of the project, including post contract, to monitor and maintain ongoing relations with the Framework Panel Member and ensure that performance is continually reviewed.]

A bidders' day will be held on 9th December 2008.

A risk workshop has been held and a risk strategy developed.

Moving Forward

Section 8 and Appendix 8 of this OBC provide a critical review of the options appraisal through the completion of the DCSF checklist. Also included in this section is the benchmarking data collected at this OBC stage and confirmation that the documents required for the procurement process have been developed.

A critical review of the options appraisal has been conducted and the benchmarking data needed by PfS has been provided.

Coventry City Council's Project Team has developed the PITT and draft ITT and is ready to engage with the Framework Panel Members.

[The evaluation team has been established and briefed.]

Kerrie Norman
Project Director
Partnerships for Schools
Fifth Floor
8-10 Great George Street
London
SW1P 3AE

****DRAFT****

Dear Kerrie

Affordability statement concerning Sidney Stringer Academy

As the nominated Section 151 Officer of Coventry City Council, I confirm that an affordability position has been established with which the Local Authority is comfortable, as the Contracting Authority for the Sidney Stringer Academy.

I can confirm that all key aspects of the procurement and affordability of the Academy building project have been reported to the Local Authority's Cabinet.

The Local Authority has approved the procurement strategy through the Partnerships for Schools (PfS) National Framework and authority has been delegated to Coventry City Council to complete the OBC submission to PfS and, upon approval, to commence procurement via the PfS National Framework.

The Local Authority has also agreed that it will manage the project within the funding cap of [£26.2m], set by PfS and the Department for Children, Schools and Families (DCSF). The Local Authority has conducted options appraisals for the site to demonstrate, as far as can be determined at this stage, that the scheme is affordable within this sum. The Sponsor/Academy Trust has been fully involved in the feasibility study and development of the Outline Business Case. The Local Authority will draw down £0.3m from the above sum for project support funding and this was taken into consideration as part of the options appraisal.

¹The Local Authority can confirm that it will provide [£ m] towards the capital funding for the Academy, [£1m] of this being provided instead of an endowment sum and [£ m] from its fire insurance receipts. The Local Authority also requires [£ m] of the PfS share of capital receipts arising from the sale of surplus sites under the BSF scheme to apply towards the capital costs of the Academy. The Local Authority expects the remaining balance of [£26.2m] FAM capital funding to be provided by DCSF.

¹ Paragraph to be tailored to reflect final capital technical costings funding strategy using DCSF funding options.

The Local Authority will use the Design and Build Contract. The Design and Build Contract works on the basis of payment for achievement of predefined milestones. The milestones (activities and associated sums) will be agreed before the contract is signed and the Contractor will be paid when the milestones are completed.

The Local Authority will agree with PfS the payments to be made for each financial year over which construction takes place. The Local Authority confirms that it will have sufficient funds to meet its contractual commitment to the Contractor at each of these milestones on the basis of OBC costings and within the Cabinet approval.

The Local Authority confirms that it will not seek further funding, save for matters pertaining to the contract beyond its control.

Yours sincerely,

Chris West
Director of Finance & Legal Services
Section 151 Officer

Neil Flint
Deputy Director and Head of New Academies Division
Department for Children Schools and Families
Sanctuary Buildings
Great Smith Street
SW1P 3BT

November 2008

Dear Neil,

Sidney Stringer Academy: Donation to Trust

In consideration for the payment of £2 million, the receipt of which is hereby acknowledged, and in consideration for the Secretary of State agreeing that we are not required to execute a "Deed of Gift" prior to the agreement for the establishment of the Sidney Stringer Academy being executed ("the Funding Agreement"), the sponsors City College Coventry, Coventry City Council, Coventry University and Jaguar Cars agree as follows:

- Coventry City Council to donate £1,000,000 towards the capital costs of the Academy building as required during the construction period following drawdown of all DCSF funding¹
- to donate £200,000 to a trust to support the educational aims of Sidney Stringer Academy ("the Trust"), this being provided in the following proportions:
 - ²City College: £100,000 over a ten year period
 - Coventry University £75,000 (schedule of payments yet to be agreed)
 - Jaguar Cars £25,000 (schedule of payments yet to be agreed)
- to establish the Trust in a form to be agreed by the Secretary of State for Children, Schools and Families and the Sidney Stringer Education Trust
- that if the Trust is not established by the time the Funding Agreement is signed, the initial payments of £XXXXXX will be paid into a designated bank account nominated by the Sidney Stringer Education Trust and held there until the Trust is established after which it will be immediately transferred to the Trust.

¹ To reflect final contribution method i.e. whether as capital contribution or endowment contribution

² PLACE to confirm schedule of payments

Signed:

Name:

Date:

On behalf of (list sponsors)

[]
[] Local Authority

[]
Academy Trust

Dear

Sidney Stringer Academy – Lifecycle and Hard Facilities Management

You will be aware that the funding for Academies using the Partnerships for Schools (PfS) Design and Build Framework Contract is predicated on the expectation that Academies will undertake lifecycle replacement and facilities management (FM) and maintain the school(s) to no lesser standard than other Building Schools for the Future (BSF) funded schools in the Authority's area.

The Academy will be required to buy into a suitably procured lifecycle and hard FM sinking fund so as to maintain the school to a no lesser standard than other BSF funded schools. Initial estimates indicate that the average annual expenditure on lifecycle will be £168k per annum. The Academy will need to budget for this sinking fund using Devolved Formula Capital or other direct funding streams.

Initial estimates indicate that the average annual expenditure on hard FM will be £133k per annum. The FM services included in this estimate are all hard FM services. The Academy will need to budget for these costs from within its GAG allocation.

The discussions regarding the nature of the lifecycle and hard FM provision will continue throughout the building procurement process. The costs and exact nature of the proposals will be determined before contract award to give full visibility to the Academy in budget planning. You will have a full opportunity to discuss the detail and make your full contribution to the outcome during the design consideration process,

We anticipate that you will be open in your discussions with the Authority on the approach and nature of the lifecycle and hard FM provision you will have for the Academy so that we can be satisfied the standard will be no less than that of other Design and Build BSF schools in the area.

I would be grateful if you would sign a copy of this letter to indicate your commitment in principle to this approach, and provide a declaration of your readiness to engage with the process. Please keep a copy for your own records.

If you have any comments or queries, please do not hesitate to contact [] in the Academies Project Team on [].

Yours sincerely

Academy Project Director

Countersigned:

.....
[]
Sponsor/Academy Trust

[]
[] Local Authority

[]
Academy Trust

Dear

Sidney Stringer Academy – Provision of ICT

Further to the development of the initial designs for this Academy project and the development of the ICT vision, ICT output specification, ICT draft costings, strategy and programme for ICT procurement we are now seeking your commitment to:

- Develop the fully Functional Output Specification detailing the Academy's ICT system and required outputs. The specification should be functionally referenced and defined by educationalists, managers and administrators;
- Develop the Technical Specification detailing a schedule of the technical equipment, infrastructure and services required;
- Provide ICT integration advice ensuring that the buildings and FF&E development support and embrace the use of ICT;
- Manage the procurement process for the ICT and ensure that the Academy's requirements are met by the technical solutions offered by suppliers. This will involve the evaluation of tender responses, creation of briefing documents and ensuring the highest standards of service from suppliers. You will also be responsible for ensuring that the process is conducted open and fairly and within the European legislation;
- Ensure a full understanding of all ICT interface matters and ensure that these are comprehensively addressed in the Output Specification that will go out in the ITT;
- Actively manage the interfaces between ICT, buildings and FF&E during ITT development and construction. We would expect a champion to be identified to work on behalf of the Sponsor;
- Make an annual index linked contribution to the service which your ICT Advisers have anticipated to be £16 per pupil during the initial period, rising to £120 per pupil once the full managed service is in place for the duration of the contract. This will need to be budgeted for from within the Academy's revenue resources; and

- Engage in the service for the first 5 years with level of service reviewed by the Governing body annually

We seek your commitment to deliver these elements in accordance with the Design and Build Programme detailed below:

Milestone	Date
Final OBC Approval	22/12/2008
Issue PITT to Framework Contractor	5/1/2009
Receive PITT bids	26/1/2009
Announce short listed bidders	16/2/2009
Issue Draft ITT	
Approve ITT	
Issue ITT to bidders	16/2/2009
Receive ITT bids	11/5/2009
Announce Preferred Bidder	6/7/2009
Award D&B contract for Sidney Stringer Academy	12/10/2009

We would be grateful if you would sign a copy of this letter to indicate your commitment in principle. Please keep a copy for your own records.

If you have any comments or queries, please do not hesitate to contact [] in the Academy Project Team on the [].

Yours sincerely

Academy Project Director
Coventry City Council Local Authority

Countersigned:

.....

[]
Sponsor/Academy Trust



CITY DEVELOPMENT DIRECTORATE
COMMERCIAL PROPERTY MANAGEMENT
FLOOR 11, CIVIC CENTRE 4
MUCH PARK STREET
COVENTRY CV1 2PY
024 7683 2748

Sidney Stringer Academy Proposed Transfer to Academy Trust

Scale 1: 1250
O.S. Ref. No: 3379 NE,SE

Drawn by : LPL
LPR- 653 - 2008

Date
28/10/2008

John McGuigan - Director of City Development Head of Property Management - Nigel Clews

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APPENDIX 7

SIDNEY STRINGER ACADEMY FUNDING AGREEMENT

Background Information

The Sidney Stringer Academy entered into the feasibility phase in September 2007, having had approval of the Expression of Interest by the Department for Children, Schools and Families (DCSF).

Throughout the feasibility phase, the plans for the Academy have been further developed by the Sponsors (the Sponsors being City College Coventry, Coventry City Council, Coventry University and Jaguar Cars). Plans include:

- The development of an Education Brief outlining the ethos and vision of the Academy, the delivery of the curriculum and its specialism
- Legal considerations, including the establishment of the Academy Trust and the drafting of the memorandum and articles of association and other annexes
- Liaison and consultation with local stakeholders to ensure that local views are taken into account
- School closure
- Land transfer
- Building design development in accordance with the requirements for the Outline Business Case

As the Sponsors have developed these plans, they have progressed through a series of approval processes with the Project Steering Group, which includes representation of each of the Sponsors, DCSF and Partnerships for Schools (PfS).

At the end of the feasibility stage, the Secretary of State will review the progress made and decide if the project can proceed to the next stage. This culminates in the signing of the Funding Agreement which is a binding agreement between the Academy Trust and the Secretary of State to open the Academy. The agreement also formalises the commitment from the Secretary of State to provide a range of funding for the Academy and a commitment from the Sponsors regarding their sponsorship contributions.

The Funding Agreement is made up of two parts:

- The main body of the agreement which sets out the characteristics of an Academy. This document follows a standard model agreement, which must be followed in all cases.
- Detailed annexes dealing with contractual responsibilities akin to the statutory responsibilities of a maintained school. Annexes A and B are modified from a standard model to match the individual needs of the Academy. Annexes C and D follow the standard model.

The Funding Agreement and the annexes are compliant with the relevant legislation and the Sponsors appoint Legal Advisors to ensure that this is the case. There is also a signing off requirement of the agreement and the annexes by the DCSF Policy Unit, which forms part of the recommendation to the Secretary of State to proceed with signing of the agreement.

In the case of the Sidney Stringer Funding Agreement and the annexes, it can be confirmed that Sponsors have sought the advice of their appointed Legal Advisors in developing the documents and have received sign off from the Project Steering Group and the DCSF Policy

APPENDIX 7

Unit. Sponsors have also reviewed the documents within their own internal organisations to gain an understanding of their level of commitment.

As a Sponsor, Coventry City Council is seeking Cabinet approval to sign the Funding Agreement. Below is a summary of the content of the agreement and the annexes.

Summary of the content of the main body of the agreement

Area of agreement	Summary of contents
Governance	The Academy will be governed by a governing body which consists of the directors of the Academy Trust, constituted as a Company Limited by Guarantee with charitable status, under the Memorandum and Articles of the Academy.
Conduct	The Academy will comply with the Memorandum and Articles. which cannot be changed without Secretary of State's approval.
Pupils	The Academy is an all-ability and inclusive school. Annexes set out the arrangements for admissions/SEN/exclusions.
Academy Development Plan	Academies will draw up a school development plan each year setting out plans for ensuring that all pupils are supported to reach their full potential and describing how it will work with other schools and with the wider community. The plan will also include set targets in areas which are prescribed for maintained schools.
Teachers and Other Staff	Teachers will be qualified (within the meanings of regulations made under section 132 of the Education Act 2002 and fully registered with the General Teaching Council) or otherwise eligible to do specified work under the Education Regulations 2003 (as if the Academy were a maintained school). The governing body will ensure that all teachers employed at the Academy have access to the Teachers Pension Scheme and that other members of staff shall have access to the local government pension scheme. They will agree levels of pay and conditions of service and determine and employ such numbers of staff as they think appropriate.
Curriculum, curriculum development, RE and collective worship	The curriculum provided by the Academy to pupils up to the age 16 will be broad and balanced with an emphasis on the specialism of Maths, Design and Technology. The core subjects of the national curriculum will be taught to all pupils. The Academy will participate with other schools in the shared delivery of 14 – 19 diplomas. The Academy will make provision for the teaching of religious education and for a daily act of collective worship and comply with relevant legislation for maintained schools. The Academy will have regard to the government guidance on sex and relationship education.
Assessment	The Academy shall ensure that its pupils take part in KS3 assessments in English, Maths, Science and ICT and in teacher assessments of pupil's performance in those subjects (so long as these are required). The Academy shall report to the NAA and its agencies on the assessments required. The Academy may not offer courses which lead to external qualifications unless the Secretary of State consents.
Crisis Management Plan	The Academy must have in place a Crisis Management Plan setting out steps to be taken in the event of an emergency.
School Meals	The Academy will provide school meals where requested and may charge for them, except where the pupil would be entitled to free school meals if they were pupils at a maintained school.
Charging	Academies are allowed to charge in the same way as maintained schools.
Provision of Information to Parents and Others	The Academy will publish a prospectus annually setting out specified information for parents. The prospectus must be published in the Academy Financial Year immediately preceding the Academy Financial Year to which it relates and shall be published at least six weeks before the closing date for applying for a place.

APPENDIX 7

<p>Grants to be paid by the Secretary of State</p>	<p>1. Capital Grant – paid in respect of capital expenditure. Providing funding to the LA in accordance with arrangements made under the BSF National Construction Contractors' Framework for Academies and Educational Facilities.</p> <p>2. Implementation Grant – payments towards recurrent expenditure incurred for the establishment of the Academy prior to it opening.</p> <p>3. General Annual Grant (GAG) – Recurrent funding which will be the total of funding equivalent to the LA's funding formula for maintained schools, the LA's central spend equivalent and the Specialist Schools Allowance equivalent to that of a maintained school with the Academy's characteristics. During the start up period of the Academy there will be an additional start up grant to cover the transitional costs of becoming established as an Academy.</p> <p>4. Earmarked Annual Grant (EAG) - An ad hoc grant for particular targeted payments or projects (both capital and recurrent) which the Academy can request from the Secretary of State and which are decided on a case by case basis.</p>
<p>Other funding</p>	<p>The Secretary of State will meet a proportion of the costs arising from the inclusion of Academies in the Schedule of Redundancy Payments (Continuity of Employment in Local Government) (Modification) Order 1999.</p> <p>The Secretary of State may also meet costs incurred by the Academy in connection with the transfer of employees from a predecessor school under the Transfer of Undertakings (Protection of Employment) Regulations 1981. Such costs will be agreed between the parties on a case by case basis as part of the process of establishing a new staffing structure</p>
<p>Financial Accounting Requirements</p>	<p>The principal of the Academy will be the Academy's accounting officer and will be responsible to the Academy Trust for ensuring regularity/propriety. The Academy will also comply with the financial regulations set down in the Academies Financial Handbook.</p>
<p>Borrowing Powers</p>	<p>The Academy Trust shall not borrow without specific approval of the Secretary of State, such approval may only be granted in limited circumstances. The Academy Trust shall not operate an overdraft except to cover irregularities in cash flow.</p>
<p>Disposal of Assets</p>	<p>The sale or disposal or reinvestment of proceeds from the disposal of a capital asset by the Academy will require the consent of the Secretary of State where:</p> <ul style="list-style-type: none"> a) the Secretary of State paid capital grant in excess of £20,000 for the asset; or b) the asset was transferred to the Academy Trust from a local education authority for no or nominal consideration.
<p>Termination</p>	<p>Either party can give 7 years written notice of its intention to terminate the agreement. If the Secretary of State is of the view that the Academy no longer has the characteristics set out in the funding agreement or any requirement under the funding agreement is not being met or otherwise the Academy is in breach of the agreement the Secretary of State may give notice of his provisional intention to terminate the agreement. In the event of the Academy being given a Special Measures Notice, the Secretary of State may ultimately appoint such Governors to the Academy Trust and/or may provide up to 12 months' notice in writing to terminate this agreement.</p>

APPENDIX 7

Summary of Annex A – Memorandum and Articles of Association

Memorandum of Association:

Area of agreement	Summary of contents
Objects of the Trust	To advance public education by establishing and developing a school that offers a broad curriculum with a strong emphasis on but in no way limited to maths, design and technology.
Powers of the Trust	Outlines a range of powers to enable the effective running of the Academy e.g. operating of bank accounts, to co-operate with other organisations in furtherance of the objects, to employ staff.
Trust's income and property	To be applied solely towards the promotion of the Objects, with no assets of the Trust being transferred to any member of the Trust.
Governor re-impbursements/benefits	Outlines the rules for Governor re-impbursement of reasonable expenses, allows for the benefit of indemnity insurance and outlines the limited conditions by which a Governor may receive benefits from the Trust.
Trust Liability	The liability of the members of the Trust is limited to £10.
Transfer of assets	In the event of the Trust being wound up or dissolved and after all its debts and liabilities have been satisfied, any remaining property shall be transferred to some other charity having similar Objects.

Articles of Association:

Area of agreement	Summary of contents
Members of the Trust	Sets out the members of the Trust allowing for representation by each of the Sponsors, the Secretary of State, the chair of the Governing Body and any such additional member as agreed by the members.
General meetings	Outlines the rules/proceedings to be followed when holding Annual General Meetings and Extraordinary General Meetings.
Members of the Governing Body	The Trust shall have the following governors: 3 College Governors, 2 LA Governors, 1 University Governor, 1 Jaguar Cars Governor, 2 Parent Governors, 1 Support Staff Governor, 1 Teaching Staff Governor and up to 2 co-opted Governors, with the Principal having ex officio status. Rules are provided for the appointment of such Governors, term of office, resignation/removal.
Powers of Governors	Governors exercise all powers of the Trust, subject to the Companies Act 2006 and the Companies Act 1985, the memorandum and the articles and to any direction given by special resolution.
Meetings of the Governing Body	Outlines the rules/proceedings to be followed when holding Governors' meetings, including avoiding conflict of interest and influenced company status.

Both the Memorandum and Articles of Association are compliant with the Companies Act and the requirements laid down by the Charity Commission.

Summary of Annex B – Admission of pupils to the Academy

Sponsors have been keen to ensure that the Admissions Policy reflects the vision for the Academy to be fully inclusive and that students of all abilities; backgrounds and faiths are catered for. As such the policy is non-selective, fully compliant with the Coventry City Council Standard Admissions Policy, the School Admissions Code and the law on admissions as applied to maintained schools.

The Academy Trust will participate in the co-ordinated admissions arrangements operated by Coventry City Council and the local in-year fair access protocol. Parents will have the right of appeal to an Independent Appeal Panel, which will be independent of the Academy Trust.

APPENDIX 7

The Academy will provide 1050 places for boys and girls aged 11 to 16 and will admit seven new forms (210 students) per year into Year 7. The sixth form will accommodate 300 students aged 16 to 19, giving an overall size of 1350 students. Those students attending the Sidney Stringer School at the time of closure will have automatic rights to transfer to the Academy.

Summary of Annex C – Arrangements for pupils with SEN and disabilities at the Academy

DCSF insist that the Academy adopts the model agreement which mirrors the responsibilities of maintained schools. Sponsors have willingly accepted this.

Summary of Annex D – Serious incidents of misbehaviour leading to fixed period or permanent exclusion

DCSF insist that the Academy adopts the model agreement which mirrors the responsibilities of maintained schools. Sponsors have willingly accepted this.

Academies Workstream

Risk Register for: Coventry City Council Sidney Stringer Academy											
RISK IDENTIFICATION		RISK ASSESSMENT							RISK ACTION		
No.	Risk Description	GROSS Risk Assessment (Prior to the influence of treatment)			RESIDUAL Risk Assessment (After the influence of treatment)			Action Owner	Target Date	Progress to date	
		Likelihood	Impact	Risk Score	Planned Risk Treatment	Likelihood	Impact				Risk Score
	What might occur and the impact if it does?	1=Remote, 2=Unlikely, 3=Possible, 4=Likely, 5=High	1=Low, 2=Limited, 3=Medium, 4=High, 5=Critical	Likelihood x Severity	What processes / controls are planned to manage the risk?	1=Remote, 2=Unlikely, 3=Possible, 4=Likely, 5=High	1=Low, 2=Limited, 3=Medium, 4=High, 5=Critical	Likelihood x Severity	Who is responsible for the action?	What is the target completion date for this action?	Action taken to address the risk so far.
AC14	Ongoing delays to the Sidney Stringer Academy mean the scheme is added back into the main BSF programme. This leads to further affordability issues and results in delays to the overall BSF construction programme.	3	5	15	Effective programme management of both procurements to ensure that good progress is made and OBC approval is achieved in line with the timetable.	3	4	12	M Fenton	end November 2008	11-08-08 - risk still remains a concern and acknowledge that this does remain a possibility the longer that current issues remain unresolved. 15-10-08 - OBC Cabinet report due 18 November. Subject to Pfs approval - if ok will go straight to procurement. If this happens then it will remain outside the main BSF programme.
AC15	The sponsors vision for the Academy (design) is not affordable, leaving the Council with an affordability gap to manage.	4	4	16	LA to undertake briefings with the design team to ensure the 'vision' is fully understood by them. Budget and Cost checks to be explicitly checked against the vision statement.	2	4	8	M Fenton/L Commane	OBC submission	Working to achieve an affordable capital solution. DCSF have provided funding options in the event that a capital gap emerges. No contractual commitment at OBC stage.
AC16	The budget available for abnormals is insufficient to deal with the site conditions.	4	3	12	A site survey is being carried out which can then be costed. If required additional abnormal site costs discussions can take place early on with Pfs.	2	3	6	M Fenton	OBC submission	Discussions between G&T and Pfs being held to ascertain abnormals levels and costings. No contractual commitment at OBC stage.
AC17	Due to market conditions and capacity issues there is a risk that Contractors are not attracted to the single scheme. This could lead to delays or inflated bid prices due to limited competition which could leave the Council with a capital affordability gap	3	4	12	Formal market testing is to be carried out with a dialogue maintained with the Contractors. Other projects likely to 'compete' with Swanswell to be identified.	2	5	10	M Fenton	Ongoing	Pfs conduct market sector briefings for all Academy projects and believe that there will be bidders for Coventry if we can get to the market early next year.
AC18	The Sponsors vision of ICT cannot be achieved within the capital budget.	1	3	3	Establish clear ICT requirements and understand the sponsors vision. Develop cost estimates for ICT based on these for review and approval by all parties.	1	2	2	M Fenton/L Commane	Ongoing	Current BSF ICT capital costings show that the ICT solution is achievable within budget.
AC19	Insufficient funding to meet programme management costs.	4	4	16	Work with DCSF, sponsors and the school to identify further funding sources.	4	4	16	M Fenton	Ongoing	Projected budget costs of £0.3m currently exceed the Pfs funding and need to be resourced.
AC20	The Council and s151 officer do not approve the financial implications associated with the OBC including the capital affordability strategy and s151 letter.	3	5	15	Develop a robust affordability strategy. Ensure that Members and s151 officer are fully briefed on the implications.	3	3	9	L Commane	OBC submission	Members and s151 briefed in advance of Cabinet Briefing. Affordability strategy still dependent on the final technical costings being prepared.

Academies Workstream

Risk Register for: Coventry City Council Sidney Stringer Academy											
RISK IDENTIFICATION		RISK ASSESSMENT							RISK ACTION		
No.	Risk Description	GROSS Risk Assessment (Prior to the influence of treatment)			RESIDUAL Risk Assessment (After the influence of treatment)			Action Owner	Target Date	Progress to date	
		Likelihood	Impact	Risk Score	Planned Risk Treatment	Likelihood	Impact				Risk Score
	What might occur and the impact if it does?	1=Remote, 2=Unlikely, 3=Possible, 4=Likely, 5=High	1=Low, 2=Limited, 3=Medium, 4=High, 5=Critical	Likelihood x Severity	What processes / controls are planned to manage the risk?	1=Remote, 2=Unlikely, 3=Possible, 4=Likely, 5=High	1=Low, 2=Limited, 3=Medium, 4=High, 5=Critical	Likelihood x Severity	Who is responsible for the action?	What is the target completion date for this action?	Action taken to address the risk so far.
AC21	The Council is unable to fund its £1m endowment/capital gap contribution due to delays in section 106 receipts on which this contribution is dependent.	3	5	15	Closely monitor s106 receipts forecasts and devise alternative funding strategies should timing be delayed or quantum reduced.	3	4	12	L Commane	Ongoing	Current projections based on advice received from Planning. Dependent on housing market. Prudent estimates used for OBC.
AC22	The Council does not achieve the anticipated levels of receipt from the Zurich fire insurance settlement and cannot fund elements of the project.	3	4	12	Conclude discussions with Zurich and achieve financially beneficial outcome.	2	3	6	B Hastie	Ongoing	Discussions with Zurich ongoing.
AC23	If the capital gap strategy is dependent on clawing back the PFS share of capital receipts, these future receipts may not be sufficient to fund the gap.	3	4	12	Regularly review capital receipts forecasts and valuation levels. Market sites effectively closer to point of sale (2014/15)	2	3	6	L Commane	Ongoing	Based on current estimates provided by Valuations team.
AC24	The Council is unable to fund the Prudential Borrowing costs associated with funding the capital gap/endowment contribution.	3	4	12	Request that PFS fund this cost through the funding relaxations agreed with DCSF. Manage the in year revenue impacts through treasury management process.	3	3	9	L Commane	Ongoing	PfS requested to fund this cost in paper prepared for Kerrie Norman 29.10.08. PFS have indicated this may not be possible, but alternatives being explored e.g. timing of FAM allocation funding.
AC25	The Academy Trust does not budget effectively for the ICT revenue implications and seeks contributions from the Council as sponsor.	3	4	12	Ensure Trust are aware of the financial implications early in the project and can build the costs into its budget.	3	3	9	L Commane	Ongoing	PLACE provided with details of financial implications to communicate to other sponsors in order to achieve sign up at OBC. Design Group 4.11.08 briefed sponsors.
AC26	The Academy Trust does not budget effectively for the hard FM/lifecycle revenue implications and seeks contributions from the Council as sponsor.	3	4	12	Ensure Trust are aware of the financial implications early in the project and can build the costs into its budget.	3	3	9	L Commane	Ongoing	PLACE provided with details of financial implications to communicate to other sponsors in order to achieve sign up at OBC. Design Group 4.11.08 briefed sponsors.