
Cabinet

04 October 2011

Name of Cabinet Member:

Cabinet Member (Education) – Councillor Kelly

Director Approving Submission of the report:

Director of Children, Learning and Young People

Ward(s) affected: All

Title:

Education Capital: Priority Schools Building Programme

Is this a key decision?

Yes

The proposal to submit individual applications in respect of seven schools for funding from the Priority Schools Building Programme is a key decision because it would have a marked effect on communities living or working in an area of two wards or more.

Executive Summary:

On 19 July 2011, the Secretary of State announced the launch of a privately financed (PFI) Priority School Building Programme (PSBP) for schools in the worst condition.

The PSBP will involve the procurement of approximately 100 schools, rolled out 20% per year over a 5 year period. The precise details of the PFI finance and legal arrangements are as yet unknown. A priority list of schools has been identified based on the current Children, Learning and Young People (CLYP) Capital Programme, Primary Capital Programme; Strategy for Change and former Building Schools for the Future (BSF) Programme. Applications to the Priority Schools Building Programme are therefore proposed to be submitted on behalf of the following schools:

Primary	Secondary	Special
Richard Lee	President Kennedy*	Alice Stevens
Wyken Croft	Ernesford Grange*	
St. Thomas More Catholic		
Whitmore Park*		

* all proposed for on site co-location with SEN Broad Spectrum Special Schools which remains a key strategic priority for the City Council.

Applications will be prioritised on two main criteria: Condition and Basic Need. Other factors such as suitability of accommodation may also be taken into account but this will not carry the same weighting as condition and basic need. The Department for Education (DfE) will also consider deliverability issues in determining which schemes will constitute the first phase of the programme.

The level of detail currently available around how individual projects will be funded and associated contractual documentation is minimal and hence the report identifies potential risks based on the operation of existing PFI contracts. The potential impact of PFI funded schools becoming academies is also considered.

Applications will need to be submitted on-line by 14th October 2011.

Recommendations:

Cabinet is requested to approve the following recommendations:

1. Approve the submission of applications to the Priority Schools Building Programme on behalf of the schools identified in paragraph 2.7 of this report on the basis of the key conditions outlined in paragraph 2.4;
2. Delegate authority to the Director of Children's Services in consultation with the Cabinet Member (Education) to finalise the contents of each application; and
3. Agree to receive a further report on the outcome of the application process in January 2012 or earlier if further information becomes available.

List of Appendices included:

None.

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

The Chair of Scrutiny Co-ordinating Committee will be in attendance at the meeting.

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

Education Capital: Priority Schools Building Programme

1. Context (or background)

1.1 The Secretary of State announced on 19 July 2011, the launch of a Priority School Building Programme (PSBP) for schools. This will be a privately financed (PFI) national programme, with a value of capital investment estimated at £2billion. Local authorities, academies, and organisations with responsibility for schools are able to submit applications for inclusion in the programme. This represents an important opportunity for the Council to secure investment in school buildings, particularly following the cancellation of the City's BSF programme.

1.2 DfE is proposing that this new initiative will be able to benefit approximately 100 primary, secondary and special schools. It is expected that 20% of the programme will be delivered each year over a five year period, with the first schools opening in the academic year 2014-15. Those included in the initial tranche of projects are expected to commence procurement during the second quarter of 2012.

1.3 For schools to be included within the programme, applications will need to demonstrate the severity of their condition and need as the key factor. Although DfE will also take into account pressing cases of basic need (additional school places) - this will be in addition to the £500 million of Basic Need funding for 2011-12 also announced by the Government on 19 July. Details of how this will be allocated are not yet known.

1.4 Local Authorities will be responsible for co-ordinating and submitting applications from all maintained schools in their area. Voluntary Aided, Voluntary Controlled and Foundation Schools also have the option of submitting their own applications. The deadline for applications is 14th October 2011.

2. Options considered and recommended proposal

2.1 Applicants are required to provide a range of information/ data in support of their applications. There is no limit on the number of applications that may be made, however a separate application must be made for each school.

2.2 The key evidence that DfE will be seeking in support of any application for inclusion in the programme is:

2.2.1 **Condition:** Condition survey information will be required to support the application, and the information derived should be dated within two years of the application and include known site conditions. Condition rankings to determine the worst condition schools will be based on previous DfE Asset Management condition assessment guidance i.e.

- Priority 1 is urgent work;
- Priority 2 is work needed within two years; and
- Priority 3 is work needed within three to five years.

Some sufficiency, Health and Safety (H&S), suitability and environmental data will also be considered, but will carry less weighting less than the condition assessments. Condition surveys have been commissioned on behalf of those schools proposed to be included in the PSBP. These have been tailored to ensure that the condition information/data gathered, meets the

requirements of the application process and specifically the need to reflect the DfE Asset Management condition assessment guidance. The condition survey reports themselves will not be required as part of the application process but must be available upon request.

The online application form will ultimately calculate whether the cost of addressing the condition of the school will exceed a minimum threshold of 30% of the notional rebuilding cost. In order for any application to be successful it is likely that condition needs will need to be well above this 30% threshold.

As this is a national initiative, Coventry schools will be prioritised against schools in other Local Authority areas. As there is no national condition data publicly available, it is not possible at this stage to assess how the condition of Coventry schools compares with those in other authorities.

2.2.2 Demand: to evidence the demand, applicants are expected to provide school level pupil place projections for the same phase. Only schools which show sufficient long term pupil demand will be eligible for inclusion in the programme. Where pupil demand is expected to be sustained but at a lower level than the schools current capacity, a reduced capacity can be proposed for the rebuilt school. Conversely, where pupil forecasts shows long term demand for a higher number of places at a school, an increased capacity can be proposed.

2.3 In determining the phasing of the final prioritised list of schools, the DfE are also likely to take into account the deliverability of schemes i.e. Has outline planning consent for the scheme been obtained? Are there any site/ ground abnormalities which could cause delays? Have any organisational changes that require statutory approval been published and implemented?

2.4 In terms of eligibility for this programme, Local Authorities and Schools must accept the following key conditions:

- Agreement to adopt a long term private partner (typical 27 years) with hard (e.g. buildings maintenance) and soft (e.g. catering and cleaning) Facilities Management (FM) services;
- Acceptance of a centrally procured contract and that Coventry schemes may be batched together with other works packages (i.e. with other schools from within a wider geographical area);
- Willingness to accept standardised building designs;
- Schools willing to contribute revenue monies towards the payment of the unitary charge;
- For Voluntary Aided (VA) schools a willingness to contribute 10 % to capital costs (this proposal is under consideration).

2.5 Schools that have already received major investment within the last 15 years (50% of Gross Internal Floor Area (GIFA) or that have over 30% of their buildings classed as listed will not be eligible for funding.

2.6 In view of the limited capital funding available for schools during the current Spending Review period, and the significant condition backlog across the schools estate, the PSBP is currently the only available option to secure funding for school rebuilds.

2.7 An initial list of priority schools has been developed. The list reflects priority schools already within the current CLYP Capital Programme, the original Primary Capital Programme and the Building Schools for the Future Programme cancelled in July 2010. These projects are presently unfunded.

Primary	Secondary	Special
Richard Lee	President Kennedy*	Alice Stevens
Wyken Croft	Ernesford Grange*	
St. Thomas More Catholic		
Whitmore Park*		

* all proposed for on site co-location with SEN Broad Spectrum Special Schools which remains a key strategic priority for the City Council.

2.8 The rationale for the proposed inclusion of these schools is as follows:

2.8.1 **President Kennedy (with co-located Broad Spectrum Special School)**

This project was one of the two sample schemes being used to procure BSF. The project would include the rebuilding of the school and co-location of a 150 place Broad Spectrum Special School. The former BSF scheme also included provision for the Young Mothers Unit currently located on the site of Whitmore Park Primary School. The existing school was opened in 1965. The condition of the school is now very poor due to its age, poor maintenance over the years and its form of CLASP construction. The project has already been developed to an advanced stage through BSF. Outline planning permission has already been secured and at its meeting on 10th March 2009, Cabinet determined the statutory notices to make the necessary prescribed alteration to Alice Stevens Special School i.e. from a school currently providing support for children with moderate learning difficulties to a Broad Spectrum school co-located on the President Kennedy site.

2.8.2 **Ernesford Grange (with co-located Broad Spectrum Special School)**

Although this project was not one of the two BSF sample schemes it was developed to a similar extent as President Kennedy in order that it could be delivered at the same time. The proposal again includes a 150 place co-located Broad Spectrum Special School. Since the cancellation of BSF however, further work has been undertaken to establish alternative options to deliver the Broad Spectrum Co-location strategy, without the need to secure all of the provision at the same time through new build. The delivery of the secondary element of the SEN Broad Spectrum Strategy would therefore not be wholly contingent on the securing of resources through the PSBP for both President Kennedy and Ernesford Grange. Opened in the mid 1960's, the condition of Ernesford Grange is poor due to its age, poor maintenance over the years and its CLASP construction. Outline planning permission has already been secured and at its meeting on 10th March 2009, Cabinet determined the statutory notices to make the necessary prescribed alteration to Baginton Fields Special School i.e. from a school currently providing support for children with moderate learning difficulties to a Broad Spectrum school co-located on the President Kennedy site.

2.8.3 **Alice Stevens**

Under BSF, Alice Stevens together with Baginton Fields and Sherbourne Fields (secondary element only) were scheduled to be co-located with President Kennedy and Ernesford Grange as two new 150 place Broad Spectrum Special Schools. Of the three schools, Alice Stevens is by far in the worst condition and therefore in most need of replacement. The school buildings are in very poor condition, are not DDA compliant and site access is very constrained (shared with Whitley Abbey Primary).

2.8.4 **Richard Lee Primary School**

Richard Lee School was built as separate infant and junior schools in 1953 on a sloping site. The buildings are subject to annual inspections by structural engineers because of concern about the aging concrete panels and planks. A recent structural survey concluded that the concrete roof panels (Hills construction) are corroding and have a life expectancy of around 10 years (plus or minus two years) when they will fail to comply with Building Regulations Part A. To extend the life of the buildings would be expensive and would still require regular checks by structural engineers. It would still leave the building inadequately insulated and inappropriate access. There are many steps inside the buildings making access difficult for pupils with mobility problems. The buildings occupy a large proportion of the site and a substantial children's centre building was constructed on the school site in 2008. It was identified as a priority for a replacement school as part of Coventry's published Primary Capital Programme: Strategy for Change document in June 2008.

2.8.5 Wyken Croft Primary School

Wyken Croft School was built as separate infant and junior schools in 1951 on a large relatively flat site. A recent structural survey concluded that the concrete roof panels (Hills construction) are corroding and have a life expectancy of around 7 years (plus or minus two years) when they will fail to comply with Building Regulations Part A. The buildings are subject to an annual inspection. To extend the life of the buildings would be expensive and would still require regular checks by structural engineers. It would still leave the building inadequately insulated. The application would also seek an increase in the size of the school from the current 3fe to 4fe, to reflect additional demand for places from September 2014 onwards. This will require further consultation and the publication of statutory proposals if it is decided to proceed.

2.8.6 Whitmore Park Primary School (with co-located Broad Spectrum Special School)

Although the Whitmore Park Primary School buildings are in the main structurally sound, they are very energy inefficient due to their construction type. The application would also be linked to the establishment of a second 150 place primary co-located Broad Spectrum Special school on site to compliment the new Castlewood School.

2.8.7 St. Thomas More Primary School

In 2009, a structural survey concluded that there was a potential risk of a concrete ceiling unit in the Key Stage 1 building, failing and collapsing and recommended the building be vacated as soon as possible. As a consequence the building was closed and accommodation re-provided in temporary buildings, pending the identification of funding to provide a permanent replacement.

3. Results of consultation undertaken

Consultation has taken place with all the schools proposed for inclusion within the application process and the respective Diocesan Authorities. All schools have been made aware of the potential implications should their respective applications be approved. All priority schools support the inclusion of an application and have accepted the conditions set out in paragraph 2.4 of this report.

4. Timetable for implementing this decision

The timetable for the Priority Schools Building Programme is as follows:

Submission Window for applications starts	3 October 11
Deadline for registration on website	7 October 11
Submission window for applications closes	14 October 11
Target date for informing applicants of outcomes	December 11
Outline Business Case development	Q1 2012
Commence procurement for initial group of applicants	Q2 2012
Initial group of schools due to open in academic year	2014 /15

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

5.1.1 The PSPB offers the opportunity to secure PFI funding. Under a PFI scheme the Council makes an annual payment (the Unitary Charge) that will cover the costs of replacing and maintaining the schools over the period of the contract (usually 25 years). These costs are usually funded through a combination of:

- A revenue income stream generated by the PFI credits awarded by the Government;
- Contributions from school revenue budgets;
- Other contributions as required to bridge any affordability gap – these may include topsliced contributions from Dedicated Schools Grant (DSG).

5.1.2 The new PFI programme does not yet include any details on how much PFI grant will be received from the government or the likely costs of the Unitary Charge. Programme information suggests that the overall cost of PFI under the new PFI programme will be reduced as standard designs, smaller gross internal floor areas compared with current Building Bulletin guidance and centralised procurement are put in place. The extent of any reduction will be a crucial factor in determining what financial risks the Council and schools may be entering into at a later date. The actual affordability gaps will not be confirmed until financial close although more accurate figures based on project specific revenue cost projections would be estimated at Outline Business Case stage following a successful bid.

5.1.3 It is suggested in the information issued by Government that schools make a contribution to the Unitary Charge of c£55 per m² for hard and soft facilities management services and separately for utilities costs (£15 per m²) from their existing budgets. Schools will need to assess the affordability of these contributions.

5.1.4 If the PFI grant and the school budget contribution are insufficient to meet the costs of the Unitary Charge, then an affordability gap may exist that would need to be met by schools as corporate resources are constrained. In the current financial climate resources available to schools individually, or acting collectively is likely to be limited given there is significant uncertainty about how the development of a revised schools and education funding arrangement will impact on schools individually and on the resources available across the City for education services.

5.1.5 There are some significant financial issues associated with not bidding for PFI and therefore the bidding process is an important opportunity for the Council to secure investment in school buildings. The risks of not bidding for PFI include:

- The continuing decline in the condition of large secondary schools already in poor condition

- Very limited opportunities for attracting other forms of capital to repair or rebuild schools going forward
- For Community Schools ultimately the responsibility for capital maintenance lies with the authority - usually we discharge this via DfE funding but could fall on corporate resources in the absence of DfE grant as funding streams are reduced/eliminated

5.1.6 Condition surveys have been procured using the existing Council framework contract. The fees for this work are estimated to be £85,000. Comprehensive condition surveys have been commissioned for Ernesford Grange, President Kennedy and Alice Stevens as no condition data is available that meets the Government requirement that surveys should have been completed within the last two years. Under the BSF proposals all three schools were earmarked for replacement and therefore condition surveys were not required at that time. Condition data for the primary schools will also include information derived from recent structural surveys undertaken in relation to Hills construction type buildings. The costs of the surveys will be met from within existing budgets.

5.2 Legal implications

5.2.1 Applications for inclusion in the PSBP are to be submitted on the basis of Council's and schools agreement to the key conditions set out in the letter from PfS dated 19th July 2011, which are summarised at paragraph 2.4 of this report. Schools selected to be taken forward will however, once notified, be required to formally provide a signed statement by the headteacher, the Governing Body/ Trustees and the local authority that they accept these key conditions.

5.2.2 The programme information known at this stage and these conditions suggest that the contract with the PFI provider will be procured by a central body although it is not yet clear if the Council will be required to be a party to the PFI contract itself or if it will be between the PFI provider and central Government.

5.2.3 The new PFI programme does not yet include any details of the structure of this PFI arrangement or details of the PFI contract, therefore in addition to the issues surrounding any potential 'affordability gap' there are potentially issues regarding 'risks' carried by a party under the PFI contract. If the City Council is required under the new arrangements to be party to the new contract, there are certain risks that the public sector are likely to retain under the contract which could have potential financial implications, during the life of the contract (circa 25 years). These would typically include utilities, changes in law, indexation and variations to the contract.

5.2.4 At this stage the submission of an application to the PSBP does not legally commit the Council to subsequently enter into any PFI contract in the future. It is anticipated that fuller details of the structure of the new PFI arrangements will be available by the time a further report is brought to Cabinet in January 2012, reporting the outcome of the applications.

5.2.5 The Council can make the application pursuant to its powers contained in Section 2 of the Local Government Act 2000, Section 14 of the Education Act 1996 and Section 22 of the School Standards and Framework Act 1998 in order to enable investment in education services and facilities.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

New school facilities will make a significant contribution to improving outcomes for children and young people as set out in the Children & Young People's Plan. Securing resources for the co-located SEN schools will also enable the delivery of the City Council's SEN Broad Spectrum strategy.

6.2 How is risk being managed?

There are financial risks of not submitting a bid through this process which are detailed in section 5.1. There is no guarantee that schools within Council control and awarded PFI credits will not subsequently convert to academy status which may result in the Council, if it is required to be a party to a PFI contract, continuing to carry financial, contractual risks that relate to schools no longer within local authority control. These risks will be actively monitored and reported to Members as the outcome of the PFI bidding process progresses to inform decision making.

6.3 What is the impact on the organisation?

Inclusion in the PSBP may well impact on a number of colleagues providing support services to school sites. Under PFI, where the private sector is commissioned to provide certain ICT and facilities management services, colleagues currently undertaking those roles may well be subject to TUPE. Early liaison between Human Resources and Schools to identify colleagues potentially involved will be key, as will a well constructed consultation process.

6.4 Equalities / EIA

The construction of new schools under the PSBP will contribute to the Learning and Achievement Service aims of improving the attainment of different groups of students, including boys and girls, different minority ethnic groups, transient students, Looked After Children, children living in poverty and students with Special Educational Needs. Recent Equality Impact Assessments of the work of Birth-11 and 11-19 Learning and Achievement Service have both concluded that the Service continues to have a positive equalities impact. More specifically the proposals for the SEN Broad Spectrum co-located schools will provide greater equality and better access to resources for the children with a wide range of special needs. These children often experience greater discrimination and have fewer opportunities than children without such difficulties. All schools proposed for rebuilding under the programme will be Disability Discrimination Act (DDA) compliant.

6.5 Implications for (or impact on) the environment

6.5.1 Coventry's schools currently account for 28% of the City's carbon footprint and the PSBP would support the reduction of that level through replacing old school buildings with modern, energy efficient facilities. The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme as amended is a mandatory carbon emissions tax covering non-energy intensive users in both public and private sectors, and is a central part of the UK's strategy to deliver the emission reduction targets set in the Climate Change Act 2008. Emissions from schools (including PFI Schools) are to be included in the total reported carbon emissions for their participating local authority.

6.5.2 The DfE require all major new building and refurbishment projects valued at over £500,000 to achieve at least a 'very good' BREEAM rating (Building Research Establishment Environmental Assessment Method). Areas of measurement are management, energy use, health and wellbeing, pollution, transport, land use, ecology, materials and water.

6.6 Implications for partner organisations?

None identified at this stage.

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