

NORTH LINCOLNSHIRE COUNCIL

**ADULT AND CHILDREN SERVICES
CABINET MEMBER**

**EDUCATIONAL CAPITAL PRIORITY SCHOOLS
BUILDING PROGRAMME**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek approval to submit individual applications in respect of schools for funding from the Priority Schools Building Programme for 6 schools.
- 1.2 To outline the details of the Priority Schools.
- 1.3 The decision is urgent in order to meet the closing date for applications which is 14 October 2011.

2. BACKGROUND INFORMATION

- 2.1 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.
- 2.2 The Department for Education (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.
- 2.3 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
- 2.4 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 14 October 2011.

2.5 For schools to be included within the programme, applications will need to demonstrate the severity of their condition and need as the key factor. A summary of factors being considered is shown in Appendix 1.

2.6 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.

3. OPTIONS FOR CONSIDERATION

3.1 Submit an application for inclusion in the programme for the following schools:

Baysgarth School
Crosby Primary School
Henderson Avenue Primary School
Brumby Junior School
Grange Lane Junior and Grange Lane Infants School
Burton-On-Stather Primary School

3.2 Do not submit an application for the schools identified

4. ANALYSIS OF OPTIONS

4.1 There were 15 schools which met the criteria outlined in Appendix 1.

4.2 The schools listed understand the commitment and conditions of the bid. The other schools did not want to bid.

4.3 The current schools maintenance programme in the Capital Programme is not sufficient to address the condition issues of these schools to this level.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

Financial Implications

5.1 The PSBP offers the opportunity to secure PFI funding. Under a PFI scheme the Council/school 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 schools revenue budgets

- 5.2 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.
- 5.3 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, and be committed to funding them
- 5.4 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.
- 5.5 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 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

Legal Implications

- 5.6 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. 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.
- 5.7 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.

- 5.8 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 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.
- 5.9 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 Member in January 2012, reporting the outcome of the applications.
- 5.10 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 (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 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.
- 6.2 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 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 The construction of new schools under the PSBP will contribute to our priority aims of improving the attainment of different groups of children and young people, including boys and girls, different minority ethnic groups, transient students, Looked After Children, children living in poverty and students with Special Educational Needs. All schools proposed for rebuilding under the programme will be Disability Discrimination Act (DDA) compliant.

- 6.5 PSBP would support the reduction of the carbon footprint 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.
- 6.6 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.

7. OUTCOMES OF CONSULTATION

- 7.1 All schools that meet the criteria of PSBP have been consulted and discussions held with Headteachers, Chairs and Governors.
- 7.2 The proposed bids reflect those schools who have indicated their acceptance of the conditions outlined in Appendix 1.
- 7.3 Further consultation will take place once further guidance is issued.

8. RECOMMENDATIONS

- 8.1 Approve the submission of applications to the Priority Schools Building Programme on behalf of the schools identified on the basis of the key conditions outlined
- 8.2 Delegate authority to the Director of Children's Services in consultation with the Cabinet Member to finalise the contents of each application
- 8.3 Agree to receive a further report on the outcome of the application process in January 2012 or earlier if further information becomes available.

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Background Papers used in the preparation of this report: None

Appendix 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.

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

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. 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, North Lincolnshire 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 North Lincolnshire schools compares with those in other authorities.

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.

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?

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 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 understand their commitment to meet the revenue implications of PFI delivery

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.