SUBJECT: Building Schools for the Future - Phase 3 Stage Business Case

1. Synopsis

1.1 This report sets out details of the Business Case for Phase 3 of the Building School for the Future Project in Islington which has been submitted to Partnership for Schools (PfS) for review in line with the BSF programme timetable. The Business case follows a standard template from PfS. Two schools are involved in Phase 3 of Islington BSF Highbury Fields School and Mount Carmel R.C Technology School for Girls.

1.2 Before final approval can be given to the Business Case by Partnerships for Schools (PfS) approval from Executive is required in respect of the funding commitments; which are in line with previous Executive decisions. A further (Final) Business Case will be required at the point the 2 schemes envisaged under Phase 3 are designed, have planning consent and are ready to reach Contract Close.

1.3 Approval is sought from Executive to the Phase 3 Stage 0 Business case and funding assumptions.

2. Recommendation

2.1 To agree the Phase 3 Stage 0 Business Case and funding assumptions.
3. **Background**

3.1 Building Schools for the Future (BSF) is a national government programme to rebuild secondary schools. Islington is a Wave 2 BSF Authority, with 7 out of 10 secondary schools, the Pupil Referral Unit (PRU) and one special school included. The 2 Academies are not included in the programme, whilst the Governing Body of Central Foundation Boys School has recently notified the Authority that they wish to withdraw from Islington BSF. The Authority selected Transform Schools (a Consortia lead by Balfour Beatty Capital) as its Local Education Partner in May 2007 following a procurement exercise conducted in line with EU procurement regulations.

3.2 Islington’s BSF programme is divided into 3 phases. Phase 1 is nearing completion with three out of four schools completed. Construction work has begun at both Elizabeth Garrett Anderson School and Islington Arts and Media School under an Early Works Agreement from the Authority as part of Phase 2, whilst the third scheme in Phase 2 is the Pupil Referral Unit at Lough Road. Financial Close for Phase 2 is scheduled for November 2010 and a report on the Final Business Case for these schemes is scheduled for October Executive.

3.3 Phase 3 includes 2 schools, Highbury Fields School and Mount Carmel R. C. Technology College for Girls.

CFBS was moved into Phase 3 in 2009 as a result of not being able to reach agreement on a scheme that could be recommended for planning approval. However, the Governing Body of Central Foundation Boys School has since informed the Local Authority of its decision to withdraw from BSF. This changes the funding allocation to Islington for Phase 3 as noted in paragraph 3.8

3.4 **Business Case Content**

As a national programme there is a standard form contract approach and governance arrangements. Partnership for Schools (PfS) is the government agency responsible for BSF. The scope and composition of Islington BSF was determined in 2006 with the approval by PfS of the Outline Business Case. This also agreed funding for Phase 1 of Islington BSF and indicative funding allocations for Phases 2 and 3. A further Business Case is required to confirm the Phase 3 funding allocation.

3.5 The Business Case prepared for Phase 3 covers :-

- the education vision i.e School Strategy for Change
- Islington Local Education Partnership and Governance Arrangements
- the scope of Phase 3 and changes in scope since OBC approval in 2006
- risk profile
- affordability position and S 151 officer letter, benchmarking
- planning and legal requirements e.g. title to land
- governing body approvals
- design and build, lifecycle and facilities management costs
- ICT strategy and affordability
- readiness to proceed to develop scheme proposals with the LEP
- programme to financial close and indicative construction programmes

3.6 Both Schools have been actively involved in the preparation of the Business Case and have worked with Cambridge Education and the Local Authority to revise their school visions and
link development proposals with curriculum analysis whilst recognising the constraints of tight sites and a fixed affordability envelope. Both Governing Bodies have provided a written commitment in principle to BSF and recognition of their own funding contribution to Phase 3.

3.7 The Local Planning Authority has provided a letter identifying Planning Guidelines for Development Control on each site.

An indication of the type of development that could be provided on each site has been prepared by the Authority’s technical advisers to demonstrate how the school education vision can be delivered within site and affordability constraints. This acts as a reference scheme and so it is not the scheme that the Local Education Partnership will prepare and submit to the LPA in 2011.

3.8 *Islington’s indicative funding allocation from PfS*

The table below shows Islington’s indicative funding allocation from PfS for Phase 3 following the withdrawal of CFBS from Islington BSF.

<table>
<thead>
<tr>
<th></th>
<th>Design and Build (£)</th>
<th>ICT (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 3 (Highbury Fields and Mount Carmel Schools) Indicative funding</td>
<td>12,910,943</td>
<td>2,030,000</td>
</tr>
</tbody>
</table>

Under current policy the Phase 3 funding envelope will not be confirmed until Stage 0 approval has been granted by PfS for these schemes and as such the funding shown in the table above is indicative only. The design and build funding has been adjusted to reflect inflation using the September 2009 PUBSEC index. This should reflect the changing building costs in the market (ICT funding is not subject to indexation adjustments). This has reduced the level of funding for Phase 3 by £4.2m. Unless the LEP’s build costs fall by a similar proportion this change will result in affordability pressures on the project. The LEP will be given a clear funding envelope for Phase 3 and will be expected to return schemes within this.

3.9 *Project costs and funding*

The Authority has assessed affordability for its BSF projects using a 25 year whole life cost model for both PFI and D&B projects. For Phase 3 the estimated capital costs (excluding ICT) within the Stage 0 submission are £17.5m of which £12.9m is funded by BSF Capital Grant shown above. The remaining gap and the associated FM and lifecycle costs over a 25 year period has been accounted for within the overall BSF shortfall for the 3 phases as approved by Executive.

This approach is similar to that adopted on other BSF projects.

3.10 ICT funding is provided by PfS (for capital at £1450 per pupil) and schools for ICT services. The underlying base case principle has been that this should be financially neutral for the Schools Budget. ICT capital funding has been received as supported borrowing which is managed at corporate level with the capital value of the approved borrowing support applied to the BSF programme.
Indicative Programme for Phase 3 Development

3.11 The table below shows the current high level programme for Phase 3.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
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<tbody>
<tr>
<td>6 May</td>
<td>Review education brief with schools for submission to PfS.</td>
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<tr>
<td>13 May</td>
<td>Meet with PfS on education aspects of Phase 3.</td>
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<tr>
<td>May - 8 July</td>
<td>Preparation of Stage 0 (reference schemes, specifications, affordability,</td>
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<tr>
<td>19 July</td>
<td>Stage 0 submission to PfS</td>
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<tr>
<td>16 Sept</td>
<td>Executive Approval for Stage 0 Business Case</td>
</tr>
<tr>
<td>1 Sept – 24 Dec</td>
<td>Stage 1 Letter and response from LEP</td>
</tr>
<tr>
<td>- 3 Jan 2011 – 11 Feb</td>
<td>Consideration of Stage 1 submission and approval to move to Stage 2</td>
</tr>
<tr>
<td>30 March – 29 June</td>
<td>Detailed Planning Applications submitted by LEP and approved by Planning Committees</td>
</tr>
<tr>
<td>14 Feb – 19 July 2011</td>
<td>Preparation of Stage 2 submission</td>
</tr>
<tr>
<td>July – Oct 2011</td>
<td>Approval of GBA, preparation of FBC and submission to PfS</td>
</tr>
<tr>
<td>Oct011</td>
<td>Approval of Stage 2 LEP submission</td>
</tr>
<tr>
<td>Mid Oct 2011</td>
<td>Judicial Review expires and completion of FC process</td>
</tr>
</tbody>
</table>

When the original OBC for Islington BSF was submitted by the Authority in 2006 it had been intended that Phase 3 reached Financial Close July 2011 and construction was planned to start immediately taking a year to complete. Experience on Phases 1 and 2 with the LEP have shown that more time is required to develop schemes and submit for planning approval, whilst construction periods have similarly been longer. The programme above reflects this experience.

PfS are anxious that the original Phase 3 school opening dates are held to, but understand that realistically this is unlikely to occur. The above programme forms part of the Stage 0 submission to PfS. PfS will be kept informed of any further changes to these school opening dates as design and construction proposals are developed with the LEP for each Phase 3 school.

Feedback From PfS on the Phase 3 Stage O Business Case.

3.12 The draft Stage O Business Case for Phase 3 has been submitted to PfS and comments received back. The comments were very few. Reassurance was sought over school vision, transformation, planning approach, benchmarking and funding. This additional information and reassurance has been provided; save for the reaffirmation by Executive of Council funding commitment for Phase 3. This reaffirmation is now sought through this report. PfS approval of the Stage 0 will make reference to the programme above.

4. Implications

4.1 Finance Implications

The Authority has adopted a whole wave funding approach to Islington BSF rather than a phase by phase.
Contributions are identified in paragraph 3.9 above for the whole wave and remain within the funding envelope agreed by Executive at the inception of the BSF programme in Islington.

4.2 **Legal Implications:**
The Council has the power to enter into the BSF scheme by virtue of the Local Authority (Contracts) Act 1997 in furtherance of its duties under sections 13, 14 and 16 of the Education Act 1996 to provide sufficient and suitable schools for its area. There are no specific legal implications in respect of the submission by the Authority of the Stage O Business Case for Phase 3 schemes to PfS.

4.3 **Environmental Implications:**
As part of the procurement process leading to the appointment of the Local Education Partner sustainability criteria was included in the evaluation process. The report now being considered is concerned with the submission of a Business Case on Phase 3 to PfS and as such there are no actual development proposals at this stage to comment upon. Sustainability requirements will however form part of the technical specification for each of the Phase 3 schools that the LEP will need to respond to.

4.4 **Equality Impact Assessment & Social Impact:**
The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975.)

An Equalities Impact Assessment has been undertaken for Islington BSF as a whole. It identifies two major opportunities in the programme:

a) to transform the quality of educational provision for children from disadvantaged backgrounds;

b) to address access and disability issues.

It also identifies the need for a balance between faith and community schools in the allocation of resources and indicates that there are slightly higher proportions of Black and Minority Ethnic pupils and pupils whose first language is not English in community schools.

Both schools within Phase 3 serve a multi cultural community. The refurbished schools will provide high quality facilities for all members of the community and allow the schools to act as social hubs in the locality by improving community access and opportunities with dedicated spaces. It will also allow the schools to extend and enhance their extended school agenda, thereby benefitting those areas of the community most in need.

The works will enable the schools to better meet national guidelines for space standards and make significant improvements to the working environment for pupils and staff. Pupils will benefit from improvements to heating and lighting systems, and acoustic improvements, whilst improvements will be made to provide disabled access to all areas of the school.
5. Conclusion and reasons for recommendations

5.1 Islington BSF has already delivered high quality schools in Phase 1. The Stage 0 Business Case is a key point in the process for Phase 3 schools in seeking to deliver transformation for these schools through BSF. PfS are seeking confirmation from Executive of continued support for this Phase and the transformational nature of BSF in Islington.

Background papers: (available online or on request)

Previous reports on BSF have also been submitted to the following Executive meetings; May 2005, September 2005, November 2005, July 2006, April 2007, May 2007, November 2007, June 2008

Final report clearance:

Signed by:

Executive Member for Children and Young People

Date

Received by:

Head of Democratic Services

Date

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