

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	27 September 2010
Title:	Building Schools for the Future - Havant Academy
Reference:	2065
Report From:	Director of Children's Services Director of Property, Business and Regulatory Services

Contact name: Bob Eardley, Project Director – Building Schools for the Future

Tel: 01962 846275

Email: bob.eardley@hants.gov.uk

1. Executive Summary

- 1.1. A report to Cabinet on 26 July 2010 (Building Schools for the Future – Update report) noted that, following the decision to stop a number of Building Schools for the Future (BSF) projects, the Department for Education (DfE) would be undertaking an assessment of the eligibility of academy projects for continuation in the programme. On 06 August, formal confirmation was received from the DfE that BSF investment in Hampshire's Havant Academy project would proceed.
- 1.2. The purpose of this report is to update Cabinet on the submission of the Outline Business Case (OBC) for the Havant Academy to Partnerships for Schools (PfS), and to seek agreement to address the immediate financial implications for the County Council.

2. Contextual Information

- 2.1. On 5 July 2010, the Secretary of State for Education announced that a number of projects within the Building Schools for the Future programme would be stopped (including Hampshire's project), with a strategic review of the future priorities for school capital investment being undertaken by the DfE over the autumn. The amount of capital funding available will be determined through the spending review process, the outcome of which will be announced on 20 October 2010.
- 2.2. The only exceptions to the stopped projects were academies where funding agreements had already been approved by the Secretary of State. The eligibility of these projects for continued BSF investment was assessed by the DfE against a set of criteria which included a requirement

to provide additional pupil places and/or where continued use of existing accommodation would present educational problems. The Havant Academy has passed this assessment.

3. Havant Academy Outline Business Case

- 3.1. The BSF programme is highly structured and regulated and the process of securing investment requires a number of key processes to be completed by local authorities and schools. Following approval of the Strategy for Change (SfC) by PfS, the next significant milestone is the Outline Business Case (OBC). This needs to be approved by PfS before the procurement stage can begin.
- 3.2. The OBC is a detailed document which sets out how the County Council proposes, within a business planning framework, to implement the aspirations set out in the SfC. It is, therefore, a technical document which focuses on the practical aspects of delivery, including procurement and financial strategies. For the two key areas of capital investment, building design and ICT provision, proposals demonstrate how the specific ambitions in the SfC will be realised at the establishment.
- 3.3. PfS has agreed that, for the Havant Academy, procurement can proceed through the Improvement and Efficiency South East (IESE) construction framework. This preferred procurement approach was reported to the Executive Lead Member for Children's Services on 11 March 2010 and has been referred to in several reports to the Buildings, Land and Procurement Panel.

4. Financial Implications

- 4.1. Capital funding for the Havant Academy is based on the PfS Funding Allocation Model (FAM), calculated at £10.085m. This incorporates both the estimated construction costs (including site costs, abnormals, fees, fixtures furniture and equipment, as well as ICT infrastructure), and ICT hardware. Additional funding will also be provided (as calculated by the FAM) direct to the academy to cover the cost of VAT against the ICT hardware, which is not reclaimable by the academy or the County Council (£192,850 based on a VAT rate of 20%).
- 4.2. The estimated construction and ICT costs for the academy will be contained within the overall allocated FAM envelope as outlined within the OBC. The agreed funding will be paid to the County Council in accordance with a payment schedule, which will be agreed with PfS. However, this will not begin to be received until the project reaches Financial Close, currently anticipated to be April 2011, at the earliest. To enable preparatory work to proceed for the project it will be necessary for the County Council to meet any costs incurred on an interim basis, until funding is forthcoming. Cash flow between approval of OBC by PfS and financial close of the project is currently estimated to be in the region of £1m and includes professional fees that reflect the contractor's

involvement in the collaborative two stage D&B approach and the costs of the County Council's design team in developing designs to RIBA stage D.

- 4.3. The Children's Service Department is able to meet this interim cost through its capital programme budget, which includes £2.5m in 2010/11, originally approved as a contribution toward the affordability gap anticipated against the original wider BSF programme. Although this is not without risk, as the County Council will be incurring costs prior to final confirmation of the funding being received, in practice, this risk is very much diminished after the OBC is approved – anticipated to be about two weeks after its planned submission on 17 September.
- 4.4. In addition, the County Council will also bear the risk of any overspends against the programme, unless these result from a direct decision taken by the academy to alter the design following Financial Close.
- 4.5. The risk of any overspend emerging will be mitigated through a strict process of gateway reviews, as are identified in the County Council's corporate procurement strategy for major contracts. These reviews will be carried out at key decision points, on a fully informed basis, to provide assurance that the project can progress to the next stage, whilst ensuring that the project remains in budget and affordable. Details of this process are provided in the OBC. In the unlikely event that an overspend should emerge, this will be mitigated through revisions to the design specifications to enable the project to be delivered within the available financial constraints.
- 4.6. As part of the Havant Academy works, the County Council will need to meet the cost of relocating the third party nursery currently on the former school site. These costs are still being determined, but will be met from within the Children's Services current available capital budget, within the financial delegation authority level for officer approval (less than £250,000).

5. Section 151 Officer letter

- 5.1. The OBC is accompanied by a Section 151 Officer letter, the aim of which is to demonstrate:
 - local authority ownership and understanding of the contents of the OBC;
 - confidence in the affordability of the proposed project;
 - proof of the value for money offered by the proposed procurement routes; and
 - deliverability of the proposed project.
- 5.2. A copy of the submitted letter is attached at Appendix 1 for information.

6. Other Approvals

- 6.1. In order to meet a demanding programme, it is necessary to appoint a contractor by the end of October. A report has been prepared for the 12 October Buildings, Land and Procurement Panel. to obtain approval to the selection and appointment of a contractor through the Improvement and Efficiency South East (IESE) Tier 1 Framework to provide pre-construction services for the project.
- 6.2. A Project Appraisal report will be tabled at the 11 January 2011 Buildings, Land and Procurement Panel to request a recommendation for approval of the detailed project to the 20 January Executive Member Policy & Resources Decision Day.

7. Recommendations

- 7.1. That Cabinet notes the submission of the Outline Business Case for the Havant Academy capital scheme and the inclusion of this project within the Children's Services Capital programme.
- 7.2. That Cabinet agrees the commitments contained within the S151 letter attached to this report
- 7.3. That Cabinet agrees to the proposal to meet initial capital costs incurred in respect of the Havant Academy from the Children's Services Capital programme prior to capital grant funding being received following financial close of the project (currently estimated to be in the region of £1m following approval of the Outline Business Case).

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> Building Schools for the Future – Update Report	<u>Reference</u> 1661	<u>Date</u> 26 July 2010
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality and diversity objectives are not considered to be adversely affected by the proposals of this report.

2. Impact on Crime and Disorder:

- 2.1. Crime and disorder objectives are not considered to be adversely affected by the proposals of this report.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The proposed works at Havant academy are intended to meet a BREEAM "Very Good" target. Amongst other areas of good practice, reduction of carbon emissions through enhancement of the building fabric is being considered and an allowance has also been made in the cost plan for renewable fuel sources, solar thermal or p.v. provision.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The proposals seek to provide compact and energy-efficient building envelopes. Any new build or extensions will meet current building regulations standards for thermal performance. Where possible, appropriate sustainable materials will be employed to reduce the environmental impact of the proposals.