

Report To: **STRATEGIC PLANNING AND CAPITAL MONITORING PANEL**

Date: 9 July 2018

Reporting Officer: David Moore – Director of Growth

Subject: **EDUCATION CAPITAL INVESTMENT**

Report Summary: This report advises members of the Panel on the latest position with the Council's Education Capital Programme and seeks the recommendation of various approvals as set out in the report.

The report also highlights the risks associated with the timely delivery of School Condition and Basic Need projects due to the delay in appointing a new Facilities Management provider under the Additional Services Contract following the collapse of Carillion Construction Limited.

Recommendations: That the Panel notes the contents of the report and recommends approval for the following amendments to the Education Capital Programme to Executive Cabinet:

1. The allocation of Basic Need funding to schemes as outlined in Section 3 and **Appendix 1** of the report.
2. The allocation of School Condition Allocation funding to schemes as outlined in Section 3 and **Appendix 2** of the report.
3. The allocation of the £211,254 available from the Special Provision Fund for 2018/19 towards the cost of expanding Hawthorns Special School.
4. Note the risks associated with the timely delivery of School Condition and Basic Need projects due to the delay in appointing a new Facilities Management provider under the Additional Services Contract following the collapse of Carillion Construction Limited.

Links to Community Strategy: The proposals contained in this report will support the delivery of the community strategy

Policy Implications: In line with current policy.

Financial Implications: **Basic Need Grant**

(Authorised by the section 151 Officer)

The council has £6,337,873 of Basic Need Funding available to spend in 2018/19. This is a balance of unspent grant from 2016/17 and 2017/18 – the Council did not receive any allocation in 2018/19. Notification has been received of an allocation of £4,800,000 for 2019/20 and nil for 2020/21.

Section 2 of this report identifies that grant has been earmarked for schemes totalling £5,989,038 which have previously been reported to the Strategic Planning and Capital Monitoring Panel. Appendix 2 identifies an additional amount of £505,093 is required for Alder Community High School. This additional request exceeds the available unallocated funding. A detailed review of all earmarked schemes is currently being undertaken and it is anticipated that resource will be identified from other earmarked

schemes where costs are now expected to be less than budget or where the scheme will not take place until 2019/20. The outcome of this review will be reported to the next meeting of the Strategic Planning and Capital Monitoring Panel.

School Condition Grant

The Council has £1,260,709 of School Condition funding available to be spent during the 2018/19 financial year, to improve and maintain the school estate. Most of this has been earmarked for identified schemes as summarised in paragraph 2.7.

This report proposes a further net allocation of £350,000 which is detailed in **Appendix 2**. This additional allocation exceeds the available unallocated funding. A detailed review of all earmarked schemes in 2018/19 and 2017/18 is being undertaken and it is anticipated that resource will be identified from other earmarked schemes where costs are now expected to be less than budget. The outcome of this review will be reported to the next meeting of the Strategic Planning and Capital Monitoring Panel.

The allocation of 2018-19 School Condition funding must be spent within the financial year to which it relates otherwise there is a risk that the amount will need to be returned to government.

Legal Implications: (Authorised by the Borough Solicitor)

It is a statutory requirement for the Council to set a balanced budget. It is important that the capital expenditure position is regularly monitored to ensure we are maintaining a balanced budget and to ensure that the priorities of the Council are being delivered and achieving value for money.

The Council has clear duties under the education legislation to ensure its schools are properly maintained and fit for purpose to ensure the best possible environment within which to study and develop. This includes ensuring allocated monies are spent appropriately where and when required to avoid a possible challenge to these duties.

The council has a strategic procurement arrangement in place with the LEP and in the first instance must go through the schedule 3 arrangements or any other appropriate mechanism under the contract to secure delivery of the projects to ensure building and price risk properly managed by the LEP who are required to secure a vfm judgment on each project. Should the LEP not be able to deliver the projects and advise the Council in accordance with the tight timescales set out under the contract then the Council will need to seek alternative arrangements in line with procurement rules and the Council's own financial arrangements.

The schedule appended at 1 needs to have clarity as to who doing the work so that they can be held accountable through the contracts.

Risk Management:

Risk management is addressed within the body of the report.

Access to Information:

The background papers can be obtained from the author of the report, Ade Alao, Head of Investment and Development, by:



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1. INTRODUCTION

- 1.1 This report provides an update on the latest position with the Council's Education Capital Programme 2018/19 and seeks recommendation for approval of various proposals in line with Council priorities.
- 1.2 The Council's powers to provide and maintain educational facilities are set out in the Education Act 1996. The Council also has a statutory duty under Section 14 of the Education Act 1996, to secure sufficient and suitable places for pupils in its area in primary and secondary schools across the borough.
- 1.3 The government allocates funding for school buildings under number categories which are described in Section 2 of this report.
- 1.4 Strategic Planning and Capital Monitoring Panel (SPCMP) is requested to note the contents of the report and recommend approval for the following amendments to the Education Capital Programme to Executive Cabinet:
- a) The allocation of Basic Need funding to schemes as outlined in Section 2 and **Appendix 1** of the report.
 - b) The allocation of School Condition Allocation funding to schemes as outlined in Section 2 and **Appendix 2** of the report.
 - c) The allocation of the £211,254 available from the Special Provision Fund for 2018/19 towards the cost of expanding Hawthorns Special School.
 - d) The allocation of an additional £505k, from the Basic Need budget, as set out in **Appendix 1**, to allow works to be progressed.
 - e) Note the risks associated with the timely delivery of School Condition and Basic Need projects due to the delay in appointing a new Facilities Management provider under the Additional Services Contract following the collapse of Carillion Construction Limited.

2. FUNDING AND FINANCIAL POSITION

- 2.1 The government allocates ring fenced grant funding for school buildings under the following categories:

Basic Need Funding

- 2.2 This funding is allocated to support the development of new pupil places and the table below sets out the current Basic Need Funding allocation:

Funding	Amount £
Basic Need Allocation for 2017/2018	£4,883,289
Unallocated Basic Need funding carried forward from 2016/2017	£13,584
Insurance claim returned to Basic Need Fund (Cromwell urgent rebuild)	£1,441,000
Total Basic Need funding available in 2018/19	£6,337,873
Spent as at 31 May 2018	£0
Earmarked as at 31 May 2018	£5,989,038
Unallocated as at 31 May 2018	348,835

- 2.3 The Council has not been allocated any Basic Need Funding for 2018/19. On 5 October 2017, the Government announced the 2019/20 allocations for Basic Need funding with Tameside being allocated £4,800,000.
- 2.4 On 29 May 2018, the Government announced the 2020/21 allocations for Basic Need funding with Tameside receiving no allocation. This is due to no reported shortfall in the predicted new number pupil places required for 2020/21 based on current plans.
- 2.5 The majority of the Basic Need funding currently available is profiled to be spent during this financial year in order to deliver the required additional school places by September 2018. Other schemes are in development to deliver the additional school places required by September 2019.

School Condition Allocation (SCA) Funding

- 2.6 This grant is allocated for the maintenance of school buildings. The funding is part formulaic (based on pupil numbers) and part reflecting recent condition surveys conducted by the Education and Skills Funding Agency.
- 2.7 The table below sets out the current School Condition Allocation:

Funding	Amount £
SCA Allocation 2017/2018	£1,399,805
Deduction of over allocation for 2017/2018	-£139,096
Total SCA funding available in 2018/19	£1,260,709
Spent as at 31 May 2018	£26,065
Earmarked as at 31 May 2018	£1,230,950
Unallocated as at 31 May 2018	£3,694

Devolved Formula Capital (DFC) Funding

- 2.8 Devolved Formula Capital is direct funding for individual schools to maintain their buildings and fund small scale capital projects. It is calculated on a formulaic basis using the school census dataset. The 2018/2019 grant for Tameside is £382,532 and schools make individual arrangements for schemes.

Healthy Pupils Capital Fund (HPCF)

- 2.9 The Healthy Pupils Capital Fund is a new allocation designed to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions. Funding is provided from the Soft Drinks Industry Levy for 2018/2019 only. The allocation can be used for a wide variety of purposes including modifications to improve accessibility for pupils with disabilities. Further information will be provided on the allocation of these funds in a future report.

Special Provision Fund

- 2.10 This is a new fund to support local authorities in improving the quality and range of provision for children and young people with SEN and disabilities aged 0-25. It is intended for children and young people with education, health and care plans for whom the local authority is responsible.
- 2.11 It is proposed to allocate the £211,254 available in the Special Provision Fund for Tameside towards the expansion of Hawthorns Special School. The school is significantly over capacity and it is planned to extend the school by creating two additional classrooms.

3. PROGRAMME UPDATE

Liquidation of Carillion

- 3.1 On 15 January 2018, the High Court appointed the Official Receiver as liquidator of Carillion Plc, Carillion Construction Limited and some 5 other associated companies on the petition of the company's directors. The Court also appointed PWC as special managers to support the Official Receiver in the managing the affairs, business and property of the companies.
- 3.2 Carillion Construction Limited was the LEP's principal delivery partner for the Council's Education Capital Programme. They were appointed under the Additional Services Contract.
- 3.3 Following the collapse of Carillion a significant number of the Council's School Condition and Basic Need projects have stalled.
- 3.4 Alternative delivery options have been considered and progressed, where appropriate, to ensure that urgent works, especially those related to Health and Safety, are undertaken and that the Council continues to deliver its statutory duty to provide the necessary school places needed from September 2018. Where a permanent solution cannot be provided within the timescales we now have available, contingency plans are being developed, in partnership with the schools.

Basic Need Schemes 2018/19

- 3.5 The current focus of the Council's Basic Need programme is to create additional places in secondary schools where forecasts have indicated a requirement.
- 3.6 A significant amount of work is currently on-going to ensure that sufficient places are available in both Primary and High Schools from September 2018.

i. Aldwyn and Hawthorns

This scheme increases capacity at Aldwyn School from a 45-pupil intake to 60 and includes a two-classroom extension at Hawthorns School. The Council sealed the formal contract documentation in September 2017 but the LEP had not signed the contract with Carillion at the time the contractor entered into liquidation. Alternative delivery options are currently being considered to reduce the risk of further significant delays. This is likely to result in increased costs due to inflation since the original tenders in summer 2016. Additional pupils continue to be admitted to Aldwyn and, because of the further delay to starting this scheme a second temporary classroom will be required from September 2018, as well as the extension of the hire period of the first temporary classroom, which was provided from September 2017. The budget costs for these temporary classrooms have previously been approved by Cabinet.

ii. St. John's CE Dukinfield

The final two-classroom extension to enable the school to increase pupil numbers from 30 to 45 for the September 2018 intake. The scheme was due to be tendered by Carillion, in January 2018 but is now inevitably delayed. Contingency planning is underway with the school. A budget cost of £750,000 from the Basic Need Fund has previously been approved and we await the LEP's submission of a project programme and final cost.

iii. Alder Community High School

Agreement has been reached with the school to increase pupil numbers from the present 155 to an intake of 180 which involves some significant internal remodelling as well as a four-classroom extension. The works will be delivered by Pyramid Schools - the PFI Special Purpose Vehicle (SPV).

Tenders for this work were returned from four contractors on 26 March 2018 and all exceeded the budget previously allocated. Following an extensive commercial review and value engineering exercise, led by Interserve Facility Management (on behalf of the SPV), the Council received a recommendation that Interserve Construction Ltd should be awarded the contract based on quality and cost.

The SPCMP is asked to recommend to Cabinet, the allocation of an additional £505k, from the Basic Need budget, as set out in **Appendix 1**, to allow works to be progressed.

iv. Hyde Community College

Agreement has been reached with the school to increase its capacity from 210 to 240 places. The works will be delivered by Amber Infrastructure, the PFI SPV. A budget of £1,720,554 has previously been approved from Basic Need Funding. Final costs will be available once a replacement Facility Management Company has been appointed. Part of the work involves the conversion of the existing construction shed into classrooms. This will take longer than the summer holidays and so a temporary double classroom will be required while the works are completed. A further report with confirmed costs and programme will be brought to a future meeting.

v. Mossley Hollins High School

Agreement has been reached with the school to increase its capacity from 156 to 180 places. The works will be delivered by Amber Infrastructure the PFI SPV. A budget cost of £1,580,000 from Basic Need Funding has previously been approved. Because the scope of works has been reduced, with agreement from the school, it is anticipated that savings will be generated. A waiver report was approved in May 2018 which allowed the works to be procured through the LHC framework. Planning permission has been granted and works are on target to be complete by the critical date of September 2018.

vi. Rayner Stephens High School

A scheme to increase capacity from 150 to 180 places has now been agreed with the school. The Council is currently considering a number of delivery options as initial investigations have revealed that some of the works are more complex than first thought. It has been agreed with the school to carry out a further review of their requirements which will involve postponing some of the works until summer 2019. Internal alterations will take place over summer 2018. An estimated budget of £450,000 has previously been approved.

vii. Laurus Trust (Free School) - The Council's proposals to meet the demand for high school places from September 2018 includes the provision of new places at the proposed Free School to be operated by the Laurus Trust. The funding agreement between the Trust and the DfE has now been completed and the new school is due to open in temporary accommodation in Droylsden from September 2018.

3.8 **Appendix 1** provides details of the 2018/2019 Basic Need projects, previously approved, which require approval for additional funding above £100,000.

School Condition Allocation (SCA) Schemes 2017/2018 and 2018/2019

3.9 A significant part of the 2017/2018 school building works were carried out over summer 2017 but many other schemes were due to start during February and Easter 2018 school holidays. This programme would have ensured efficient delivery of an agreed programme of works to fully spend the 2017/18 SCA allocation.

- 3.10 Due to the collapse of Carillion the Education Capital programme is now under review and the programme and costs will be confirmed once there is greater clarity on when a new FM provider will be appointed.
- 3.11 It is proposed, however, that the 2018/2019 SCA funded programme continues to be targeted at primary schools. Appendix 2 identifies the School Condition Allocation projects, previously approved, which require additional funding above £100,000
- 3.12 Spending decisions have to date been based on surveys carried out a number of years ago supported by more recent mechanical and engineering services. These surveys have helped the Council identify spending priorities but there is now a need to update building condition surveys on maintained schools. The surveys will include asbestos management surveys for schools built before 2000 as those built after 2000 will not have asbestos present.
- 3.13 The re-surveying of schools will provide accurate and up-to-date information on school condition and will inform better targeting of increasingly scarce capital resources in an open and transparent manner.
- 3.14 The surveys were planned to be undertaken in January 2018 to allow a programme of works to be established for the start of the new financial year. The project brief is currently with the LEP and surveys will take place when a new contractor is appointed. A budget of £150,000 has previously been approved for this essential work.
- 3.15 A contingency budget of £100,000 is included for urgent works given the age and condition of the Council's schools estate.

4. PROCUREMENT AND VALUE ADDED

- 4.1 In accordance with Council policy, most capital projects have previously been procured through the Tameside Investment Partnership (LEP) subject to a price for un-costed risks being agreed prior to the contract being let or work agreed. Where the risk of price increase is taken on by the LEP, rather than being retained by the Council, it is reflected in the cost of the associated works. Alterations to PFI schools are procured through the PFI contracts.
- 4.2 In addition to a fixed price and scope being provided, the LEP has a responsibility to confirm to the Council that value for money is being delivered, either through tendering or benchmarking using independent review on the larger projects. The LEP has also committed to delivering added value in the form of using local supply chains, and providing apprenticeships and work experience opportunities.
- 4.3 Some smaller schemes are procured directly through the Council's Engineering Design and Delivery Team or the Tameside Works First initiative for local businesses.
- 4.4 Work at voluntary aided schools is generally procured directly by the relevant diocese, as they own the buildings and not the Council.

5. RISK MANAGEMENT

- 5.1 The Council has a statutory duty under the Education Act 2011, to secure sufficient and suitable places for pupils in its area in primary and secondary schools across the borough. It also has the responsibility for the maintenance of community and voluntary aided school buildings, even though it does not own voluntary aided school buildings.

- 5.2 The liquidation of Carillion has created a significant risk to the timely delivery of Education capital projects. Officers have been exploring and implementing alternative delivery options to ensure the programme is not further adversely affected. However, the delivery of most schemes remains reliant on the successful appointment of a new contractor under the Additional Services Contract.
- 5.3 To avoid disrupting education delivery, generally the most intrusive work is best carried out over the summer break, which means that plans for new projects need to be well-developed before the summer. The situation this year means that significant delays are inevitable. Liaison will continue with individual schools to seek to mitigate any adverse effects of the delays.
- 5.4 Inflation in the building industry is also a more significant risk than previously experienced and larger schemes will be most affected. Early scoping and pricing of the works will mitigate against this and enable projects to be delivered in a timely and cost-effective manner.

6. CONCLUSION

- 6.1 There has been significant capital investment in schools over the recent past to support the Council's delivery of its statutory responsibilities connected with the provision of sufficient and suitable places.
- 6.2 The proposals identified in this report will enable the Council to meet its statutory duties.

7. RECOMMENDATIONS

- 7.1 As set out at the front of the report.

APPENDIX 1

Basic Need Funding Schemes - Financial Update

The table below provides details of Basic Need funding projects, previously approved, which require approval for additional funding above £100,000.

Section 2.2 of this report identifies an unallocated balance of Basic Need Grant of £348,835. This request for additional funding exceeds the balance of available funding based on amounts earmarked for schemes. However, all earmarked allocations are currently being reviewed and it is anticipated that funding will be released from the earmarked allocations.

Scheme	Budget Estimate Approved March 2018	Costs following Tender Submission June 2018	Proposed Change in Funding
Alder Community High School – 4 class extension and entrance remodelling	640,633	1,145,726	+505,093

APPENDIX 2

School Condition Allocation Schemes – Financial Update

The table below provides details of the School Condition Allocation funding projects, previously approved, which require additional funding above £100,000.

Section 2.8 of this report identifies unallocated School Condition Allocation of £3,694. This request for additional funding exceeds the balance of available funding based on amounts earmarked for schemes. However, all earmarked allocations are currently being reviewed and it is anticipated that funding will be released from the earmarked allocations.

Scheme	Approved March 2018	Proposed June 2018	Proposed Change in Funding	Latest Position
Russell Scott/ Primary Capital Programme	266,000	366,000	+100,000	Additional drainage works required
St Anne's Primary roof replacement	300,000	550,000	+ 250,000	Additional costs for Phase 2 roof, new entrances and playground replacement
St Thomas Moore	0	200,000	+200,000	Contribution towards a larger scheme being funded from LCVAP