

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

**Date:** 26 November 2018

**Reporting Officer:** David Moore – Interim Director of Growth

**Subject:** EDUCATION CAPITAL PROGRAMME UPDATE

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

**Recommendations:**

1. That the contents of the report and the updates on the Basic Need Funding and School Condition Allocation Funding schemes be noted.
2. That approval of the proposed changes to the Education Capital Programme as outlined in **Appendix 1** (Basic Need Funding Schemes) and **Appendix 2** (School Condition Allocation Funding Schemes) be recommended to Executive Cabinet.

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

**Policy Implications:** In line with approved policy.

**Financial Implications:** **Basic Need Grant**  
(Authorised by the section 151 Officer) The Council has £11,352,574 of Basic Need Funding available to spend in 2018/19. This is a balance of unspent grant from previous years - the Council did not receive any allocation in 2018/19. Notification has been received of an additional allocation of £4,800,000 for 2019/20 and nil for 2020/21.

**Appendix 1** of this report identifies that grant has been earmarked for schemes totalling £9,444,000, which have previously been reported to Strategic Planning and Capital Monitoring Panel and are included on the Council's capital programme. **Appendix 1** identifies proposed changes of £42,169. These changes will bring a total amount of earmarked to £9,401,831. The period 6 Capital Monitoring Report includes re-profiling requests totalling £4,451,000. There is a balance of unallocated basic need funding shown in 2.3 of £1,950,743 and plans are being developed with schools to utilise these funds to provide the additional capacity requirement from September 2019 onwards.

#### **School Condition Grant**

The Council has £2,558,849 of School Condition funding available to be spent during the 2018/19 financial year, to improve and maintain the school estate. **Appendix 2** identifies amounts previously approved and earmarked of £2,601,985 and proposed changes of £73,075, bringing the total value of earmarked schemes to £2,675,060. Schemes earmarked against this funding exceed available funding by £116,211. **Appendix 2** identifies that £360,000 will slip into 2019/20 and

will be funded from that year's allocation. It is anticipated that further schemes will slip into 2019/20 when the next Capital Monitoring is completed.

A detailed review of all earmarked schemes in 2018/19 continues to be undertaken and it is anticipated that resource will be identified from other earmarked schemes where costs are now expected to be less than budgeted. 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.

It is really important that the Council produces a strategic estates strategy for its schools and there is a clear understanding where places are to demonstrate we are meeting our statutory 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.

Going forward working with STAR there must be clear Governance where alternative arrangements are used (para 3.2) to ensure that officers do not fall foul of the inevitable accountability as there can be no justification in light of the new contracts being in place.

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 Andrea Wright, Capital Projects Lead:



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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 primary and secondary schools in its area.
- 1.3 The government allocates funding for school buildings under a number of categories, the three main ones are described in Section 2 of this report.
- 1.4 Strategic Planning and Capital Monitoring Panel (SPCMP) is requested to note the content of the report and the updates on the Basic Need Funding and School Condition Allocation Funding schemes as outlined in the report and at **Appendix 1** and **2**.

## 2. FUNDING AND FINANCIAL POSITION

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

### **Basic Need Funding**

- 2.2 Basic Need Funding is allocated to each local authority to create new places in schools.
- 2.3 The table below sets out the amount of Basic Need Funding held by the Council, allocated in prior years, which is available to spend in 2018/19.

<b>Basic Need Funding</b>	<b>Amount £</b>
Basic Need funding available to spend in 2018/19	£11,352,574
Earmarked for schemes as at 31 September 2018	£9,401,831
Unallocated as at 31 September 2018	£1,950,743
Re-profiling requested to 2019/20	£4,451,000
Revised 2018/19 budget after re-profiling	£4,950,831

- 2.4 On 5 October 2017, the Government announced that the 2019/20 allocation of Basic Need Funding for Tameside Council would be £4,800,000.
- 2.5 On 29 May 2018, the Government announced the 2020/21 allocation of Basic Need Funding and Tameside Council received no further allocation.
- 2.6 The balance of the Basic Need funding is profiled to be spent during the next year in order to deliver the required additional school places by September 2019.

### **School Condition Allocation (SCA) Funding**

- 2.7 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 (ESFA).
- 2.8 The table below sets out the amount of School Condition Allocation available to spend in 2018/19 and current allocations. Schemes earmarked against this funding currently exceed available funding by £116,211. It is anticipated however that some schemes will slip into

2019/20, due to the delays with the delivery of the 2018/19 programme. The schemes carried forward will then be funded from next year's allocation.

<b>School Condition Allocation (SCA) Funding</b>	<b>Amount £</b>
SCA funding available to spend in 2018/19	£2,558,849
Earmarked for schemes as at 31 September 2018	£2,675,060
Over-allocated as at 31 September 2018	-116,211
Re-profiling requested to 2019/20	360,000
Revised 2018/19 budget after re-profiling	£2,315,060

### **Devolved Formula Capital (DFC) Funding**

- 2.9 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, and schools make their own individual arrangements for schemes. DFC funding available in Tameside in 2018/19 is £373,073 for Maintained Local Authority and £187,670 for Voluntary Aided schools.

## **3. PROGRAMME UPDATE**

### **Programme Delays**

- 3.1 The majority of the Council's Education Capital Programme is procured through the Tameside Investment Partnership (LEP). The LEP engaged Carillion as their main sub-contractor. There have been inevitable delays to the programme following the liquidation of Carillion on 15 January 2018. Robertson was subsequently appointed as a replacement on 30 July 2018. This meant there was little time to tender, mobilise and carry out schemes over the summer school holidays.
- 3.2 Alternative delivery options have been progressed where appropriate for a limited number of schemes especially where they relate to urgent health and safety works and to provide necessary places required for September 2018. These were procured through the Council's Engineering and Disabled Adaptations teams and other third-party arrangements.
- 3.3 Contingency plans have also been developed, in partnership with schools, to ensure there is minimal disruption to learning where it is evident that schemes cannot be delivered within the timescales we had available. Schools have been particularly understanding in these instances to engage in identifying and agreeing pragmatic contingency measures.
- 3.4 There were several planned schemes to replace school heating systems that were unable to start over the 2018 summer holidays. These schemes are hugely intrusive and cannot be carried out at weekends / after school as the heating systems need to be drained. The next opportunity to carry out these works is either at Easter and Whit 2019 (which will likely mean providing additional temporary heating) or over summer 2019. Discussions are continuing with the schools involved but all these schemes will, of necessity, slip into the 2019/20 financial year.
- ### **Basic Need Funded 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 Work is currently on-going to ensure that sufficient places are available in both Primary and High Schools for September 2019 following previous Council decisions. A summary of the major schemes in the programme is set out below.

**a) 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. An additional temporary modular classroom has been provided to accommodate additional pupils from September 2018 while the LEP, through its new delivery partner Robertson, finalises arrangements to complete the scheme by September 2019. Limited works to relocate the Hawthorns staffroom and so create an additional classroom were carried out over the summer break.

The final costs for the project have now been received from Robertson and the LEP. The total cost is now £2,653,880 compared with Carillion's historical costs submitted almost three years ago of £2,363,692.

Strategic Planning and Capital Monitoring Panel is asked to approve the new budget and allocate an additional £290,188 from Basic Need to fund this scheme. The new amount includes £100,000 client contingency which would be returned to the budget if unspent but provides some measure of insurance against unforeseen risks.

Some initial works to divert services took place two years ago. If we are to ensure the new buildings are completed ready for September 2019 an urgent start is required in order to complete the foundations and substructure before winter sets in. In order to do this it is proposed to let an early works contract to the value of £436,238 to carry out the works to ground level. This sum is included in the overall costs shown above.

RAG Status: **AMBER**

**b) St John's CE Dukinfield**

The scheme provides a two-classroom extension, increasing the school's intake from 30 to 45. Agreement has now been reached with the school on a contingency plan to reconfigure the use of the existing facilities to accommodate the September 2019 intake.

The LEP, through Robertson are working to pull together a tender package for the scheme and finalise arrangements for completing the scheme for September 2019.

RAG Status: **AMBER**

**c) Alder Community High School**

The works will increase pupil intake from 155 to 180 and are being procured through Pyramid Schools, a PFI Special Purpose Vehicle. Significant internal alterations were carried out over the summer break and completed by September 2018.

Final costs have now been identified to construct a four-classroom extension. This was ordered from the SPV on 30 August 2018.

Previous costs submitted to the SPCMP failed to include provision for a client contingency. It would be prudent to include a contingency of £100,000 to cover any unforeseen circumstances and this will of course be returned to the budget if not required. Works to create additional play areas are also required given that a large portion of the school's existing playground will be lost under the new extension.

On the positive side the internal alterations have been completed under budget and the net effect of these changes is a need to allocate an additional £107,015 to the scheme, which includes the additional contingency.

At the time of writing this report the SPV notified the Council of an emerging risk as their technical adviser is unhappy about issuing a JCT Contract to Interserve Construction Limited. This may mean the scheme is further delayed while this issue is resolved.

Members should note that the Interserve Construction price for carrying out the works is guaranteed only to the end of October 2018. Further legal and financial advice is currently being obtained given that the work has already been formally ordered from the SPV.

RAG Status: **RED**

**d) Hyde Community College**

The scheme increases the school's intake from 210 to 240 and is being delivered by Amber Infrastructure, a PFI Special Purpose Vehicle. Work on the internal alterations only commenced in August, following the delay in the FM contract transfer. It should be noted that the new FM contractor, Robertson, went above and beyond to ensure the new rooms were available for the start of the new term. Other internal alterations originally planned for over the summer holidays will now be carried out at half term.

Discussions have now started with Robertson, the school and the SPV to agree a scope and programme of works to convert the former construction shed into classrooms.

One of the serious issues for the school is the provision of lunches for eventually 150 extra pupils. Existing space is at a premium and an external grassed area was tarmacked over summer. As part of the lunchtime strategy it is hoped, subject to planning permission, to add a canopy and seating to this area to provide additional covered space at lunchtimes.

RAG Status: **GREEN**

**e) Mossley Hollins High School**

The scheme increases the school's intake from 156 to 180 and a new four-classroom modular building was erected over the summer break and ready for occupation in time for the new school year.

SPCMP originally approved an estimate of around £1.5 million for the works at Mossley Hollins. This was a high-level estimate provided by Carillion in respect of a larger scheme that encompassed a range of internal alterations as well as the additional modular classrooms. Discussions with the school resulted in an agreement not to proceed with the internal alterations. Costs for the works over summer are being finalised but there will be a reduction of at least £500,000 on the budget previously approved which will be returned to the overall Basic Need budget.

RAG Status: **COMPLETED**

**f) Rayner Stephens High School**

The scheme aims to increase the school's intake from 150 to 180 places and is due to be delivered by the LEP through the new delivery partner. A further review of the proposed works is required due to additional complexities recently discovered including significant asbestos removal. It is therefore unlikely that the majority of work will commence before summer 2019. A further report will be presented at the next meeting.

RAG Status: **AMBER**

**g) Laurus Ryecroft (Free School)**

Although Laurus Ryecroft is being funded directly by the government and does not form part of the Council's capital programme, the new places being provided at the free school are part of the Council's overall plan to meet the demand for new high school places. Phase 1 of the construction works, which involved the construction of a temporary school for 150 pupils, opened for pupils in September 2018. Phase 2 will be the construction of the new main school alongside the temporary school and is currently the subject of a planning application.

RAG Status: **GREEN**

**h) Audenshaw School**

Initial discussions are taking place with Audenshaw School to carry out internal remodelling so the school can offer additional places from September 2019. The school formerly operated a sixth form and it may be that this area becomes the focus of any works although discussions are at an early stage. As part of these discussions a full survey of the school is needed (£10,628) and these costs are included in **Appendix 1**.

RAG Status: **GREEN**

**i) Denton Community College**

Similarly early discussions are underway to provide additional temporary accommodation at Denton Community College from September 2019. A further report will be presented at the next meeting.

RAG Status: **GREEN**

3.7 Virements and approval within approved budgets under £100,000 are approved under delegated authority in accordance with the Council's Constitution.

3.8 **Appendix 1** provides a financial update with details of Basic Need funding projects over £100k, previously approved, including proposed changes to scheme funding.

**School Condition Allocation (SCA) Schemes 2018/19**

3.9 SCA schemes have been adversely affected by the delays caused by Carillion's liquidation as most would have been carried out over summer 2018. Most of the works are particularly intrusive on heating systems which makes it very difficult to carry out while the school is in session.

3.10 Discussions are on-going with the LEP and the new delivery partner to identify opportunities for some of the schemes to be carried out during the remainder of the school year.

3.11 The Condition Survey of all schools is now being progressed with the LEP to provide accurate and up-to-date information on school condition and inform better targeting of increasingly scarce capital resources in an open and transparent manner.

3.12 A contingency budget of £150,000 has previously been approved for urgent work required given the age and condition of the Council's schools estate.

3.13 **Appendix 2** provides a financial update with details of School Condition Allocation funded projects over £100k, previously approved, including proposed changes to scheme funding. The amounts earmarked against available funding currently exceed the funding available by £116,211 although it is anticipated that some of these schemes will slip into 2019/20, due to the delays with the delivery of the 2018/19 programme, and will be funded from next year's allocation.

3.14 A further update will be provided to the next meeting of the Panel.

#### **4. PROCUREMENT AND ADDED VALUE**

- 4.1 In accordance with Council policy, most capital projects are 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. 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 Following the Council's Executive Cabinet decision on 20 June 2018 to review the current arrangements with the LEP by 31 July 2019, there will be a need to ensure that a longer term sustainable solution for the delivery of the Education Capital Programme forms part of the consideration of the review.
- 4.4 Some smaller schemes are procured directly through the Council's Engineering Design & Delivery and Disabled Adaptation teams or through the Tameside Works First initiative for local businesses.
- 4.5 Capital projects at voluntary aided schools are generally procured directly by the relevant diocese as they own the buildings.

#### **5. RISK MANAGEMENT**

- 5.1 The Council has a statutory duty under the Education Act 1996, to secure sufficient places for pupils in primary and secondary schools across the borough, and to ensure that school buildings meet minimum standards.
- 5.2 The liquidation of Carillion has crystallised a major risk to the timely delivery of the current year's Education Capital Programme. Officers have explored and proposed alternative delivery options and agreed contingency arrangements with schools where possible to ensure learning in schools is not adversely affected. However, the LEP and the new delivery partner were not in a position to fully mobilise for all planned projects over the 2018 summer school holidays and some of the schemes that were programmed will now need to be delayed until summer 2019.
- 5.3 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 Delays have materialised with the delivery of this year's Education Capital Programme and a comprehensive range of measures are being taken to address these.



6.3 Following the Council's Executive Cabinet decision on 20 June 2018 to review the current arrangements with the LEP by 31 July 2019, there will be a need to ensure that a longer term sustainable solution for the delivery of the Education Capital Programme forms part of the consideration of the review.

6.4 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 funded projects, previously approved, including requirements for additional funding.

<b>BASIC NEED SCHEMES</b>	<b>Existing Scheme Budget</b>	<b>Proposed Scheme Changes</b>	<b>Revised Scheme Budget</b>	<b>Reprofiling requested at P6</b>	<b>2018/19 Budget following re-profile</b>
Aldwyn Primary Additional Accommodation	2,363,000	340,188	2,703,188	(1,228,000)	1,475,188
Alder Community High School	1,807,000	107,015	1,914,015	(746,000)	1,168,015
Hyde Community College	1,746,000	0	1,746,000	(721,000)	1,025,000
Mossley Hollins	1,581,000	(500,000)	1,081,000		1,081,000
St John's CE Dukinfield	791,000	0	791,000	(791,000)	0
Alder Buy Out Fitness Centre	495,000	0	495,000	(495,000)	0
Rayner Stephens Community High School	475,000	0	475,000	(470,000)	5,000
Other Schemes Individually below £100k	186,000	10,628	196,628		196,628
<b>Total</b>	<b>9,444,000</b>	<b>(42,169)</b>	<b>9,401,831</b>	<b>(4,451,000)</b>	<b>4,950,831</b>

## APPENDIX 2

### School Condition Allocation Schemes - Financial Update

The table below provides details of School Condition Allocation funded projects over £100k, previously approved, including requirements for additional funding. The amounts earmarked against available funding currently exceed the funding available by £116,211 although it is anticipated that some of these schemes will need to slip into 2019/20 and will be funded from next year's allocation.

SCHOOL CONDITION SCHEMES	Existing Scheme Budget	Proposed Scheme Changes	Revised Scheme Budget	Reprofiling requested at P6	Budget following re-profile
St Anne's Primary School Denton Roof Replacement Phase 1	546,981	0	546,981		546,981
Russell Scott Primary Capital Programme	264,075	0	264,075		264,075
Russell Scott Primary- External Works	0	110,075	110,075		110,075
St Thomas Moore Roper Block Extension	200,000	0	200,000		200,000
Gorse Hall Heat Emitters	178,000	0	178,000	(178,000)	0
1819 Contingency	150,000	(55,477)	94,523		94,523
Greenside Heat emitter	117,000	(117,000)	0		0
Millbrook heating system failure	63,000	53,000	116,000		116,000
1819 Condition Surveys	100,000	0	100,000		100,000
Other Schemes Individually below £100k	982,930	82,477	1,065,407	(182,000)	883,407
<b>Total</b>	<b>2,601,985</b>	<b>73,075</b>	<b>2,675,060</b>	<b>(360,000)</b>	<b>2,315,060</b>

Please note: The figures shown in Appendix 2 of the Education Capital paper submitted to the Strategic Planning and Capital Monitoring panel in September 2018 were incorrect. We have shown the correct budget here in the existing budget column for the purpose of Q2 monitoring.