

Item No. 8.	Classification: Open	Date: 18 October 2011	Meeting Name: Cabinet
Report title:		Southwark Schools for the Future (SSF): Update to Cabinet and delegation of award of phase 3b contracts	
Ward(s) or groups affected:		Camberwell Green	
Cabinet member:		Councillor Catherine McDonald, Children's Services	

FOREWORD – COUNCILLOR CATHERINE MCDONALD, CABINET MEMBER FOR CHILDREN'S SERVICES

This report seeks to update Cabinet on the status of the Building Schools for the Future programme following the financial close of Phase 3a of the programme. Phase 3a involved a new school at Bredinghurst and investment at St Saviour's and St Olave's, The Charter and Notre Dame.

This report also seeks delegation from the Leader to the Cabinet Member for Children's Services to enter into contracts for the delivery of Phase 3b of the Building Schools for the Future programme – a new school at St Michael's and All Angel's in Camberwell and the co-location of Highshore Special School - subject to confirmation of funding from Partnerships for Schools and affordability.

The Cabinet and Leader are requested, after consideration of the officer's report, to note and approve the recommendations below.

RECOMMENDATIONS

Recommendation for the Cabinet

1. Cabinet note that Phase 3a of Southwark's SSF programme - investment at Bredinghurst, St Saviour's and St Olave's, The Charter and Notre Dame - has reached financial close within the affordability parameters previously approved by Cabinet.
2. Cabinet note the current status of the BSF programme.

Recommendations for the Leader of the Council

3. That the Leader delegates authority to the Cabinet Member for Children's Services in consultation with the Strategic Director of Children's Services to approve contract award for the contracts set out in Table 1, relating to the financial close of Phase 3b – a new Academy at St Michael's and All Angel's in Camberwell and the co-location of Highshore Special School, subject to:
 - confirmation of funding from Partnerships for Schools;
 - the council's financial contribution being within the parameters set out in Table 3.
4. That the Leader delegates authority to the Cabinet Member for Children's

Services in consultation with the Strategic Director of Children's Services to enter into the school interface agreements with the school counterparties set out in Table 2.

BACKGROUND INFORMATION

5. On 2 May 2007, Southwark Executive approved the Southwark Schools for the Future Outline Business Case (OBC). This OBC outlined a programme of investment in Southwark's secondary school estate enabled by funding from Partnerships for Schools (PfS) of £179m.
6. On 28 November 2006, Southwark Executive made available £20m in Southwark's capital programme for 2007 to 2016 for Southwark Schools for the Future. This was subsequently reduced to £17.5m in the Capital Refresh report in July 2011.
7. In May 2009 Southwark entered into a Strategic Partnering Agreement with 4 Futures to deliver the Building Schools for the Future (BSF) programme.
8. The BSF programme was to be procured in three phases. The £179m funding allocation is based at 1 Quarter 2008 and excludes VAT. It is subject to inflation and deflation over the life of the programme and to formal approval by PfS ahead of project development and financial close of individual schemes.

KEY ISSUES FOR CONSIDERATION

Phase 1

9. Phase 1 projects are Tuke Special School and St Michael's Catholic College. Tuke School was a design and build project and opened in September 2010. St Michael's Catholic College is a PFI project and opened in January 2011. Works for the second Phase of demolition and landscaping were completed in Summer 2011.
10. Both schools are now receiving facilities management and ICT services through 4 Futures.

Phase 2

11. Phase 2 projects (St Thomas the Apostle College, Sacred Heart and New School Aylesbury and Spa) reached financial close on August 17 2010.
12. The Spa and New School Aylesbury design & build contracts were fully funded by the BSF capital grant allocation and the PFI schemes at St Thomas the Apostle College and Sacred Heart were fully funded through agreed grant and school contributions.
13. An allocation has been made within the SSF Contingency against ongoing risks through the construction period.
14. Spa School completed in September 2011 and is now in the operational phase. The first phase of St Thomas the Apostle College is due to complete in January 2012 with New School Aylesbury due to complete in Summer 2012. Works at Sacred Heart are due to start in Autumn 2012.

Phase 3a

15. Phase 3a consists of projects at St Saviour's and St Olave's, Notre Dame, The Charter School and Bredinghurst schools. The contract for the delivery of works, ICT equipment and FM services, where relevant, and associated agreements between the Governing Bodies and the Council were entered into on 26th July 2011 following Cabinet consideration and Leader delegation in June 2011.
16. The liabilities arising from the contracts are fully funded from PfS grant, school contributions and the allocations made from within the SSF contingency to support the capital cost of St Saviour's and St Olave's and Notre Dame by Executive in March 2010.

Phase 3b

17. St Michael and All Angels (SMAAA) and the co-located Highshore were originally programmed to reach financial close in August 2010. This was deferred as a result of concerns over the viability of the proposed expansion of SMAAA considering evidence of falling rolls. A reduction in the size of the proposed school and alternative sponsorship arrangements have now been agreed between the Academy and the Department for Education and this project is now progressing to enable financial close in December 2011. The Academy is to be sponsored by ARK Schools.
18. The project is being redeveloped in line with the new sponsor's requirements and the reduced pupil cohort and to reflect changing requirements associated with the spectrum of need to which the facilities at Highshore are to respond.
19. The implications of the closure of SMAAA alongside its reopening with a reduced cohort have been factored into Pupil Place Planning.
20. Works at SMAAA are to include the replacement of the existing church, funded by the church and diocese.
21. Some enabling works have taken place over the summer holiday of 2011 ahead of construction starting in January 2012. This was progressed in order to minimise the disruption felt by the school at the point that construction starts. These works were delivered by 4 Futures and funded through the SSF Contingency. At contract close these funds will be reimbursed through PfS grant.
22. Highshore is to be granted a lease of that part of the site it will occupy for a term up to 125 years. In May 2007 Executive authorised the acquisition of a long term interest on or adjacent to the SMAAA site subject to a maximum value of £1.2m to be funded through the SSF Contingency.
23. The terms of lease are being negotiated and an agreement with the freeholder is being sought based on a revised valuation, the offsetting of council costs to date against the total lease premium and commute the remaining lease premium to an annual lease charge. Any annual lease charge would be funded from revenue which, by agreement, is expected to be met from the dedicated schools grant.

New School Rotherhithe

24. In April 2011 Southwark was invited by PfS to submit revised and current Pupil Place Planning data. This submission was made on the 18 April 2011 and it reiterated the need for investment to create new places in Rotherhithe.
25. This Pupil Place Planning submission concluded that new Year 7 places will be required boroughwide from September 2016, with 5 FE required by 2019/20. It is considered by the Council that these places should be provided in Rotherhithe to respond to and support the ongoing regeneration in the area.
26. No confirmation has yet been received from Partnerships for Schools or the Department of Education in regard to funding that will be made available to deliver the places required. Confirmation continues to be actively sought in order that the delivery of additional places can be progressed.

Key Stage 3 and 4 Southwark Inclusive Learning Services

27. In June 2011 Cabinet were advised that contractual close for KS3 Southwark Inclusive Learning Services (KS3 SILS) was to be deferred until that of SMAAA in consideration of the interlinked property and contractual issues. The proposals for KS3 SILS involve the refurbishment of the current Highshore site following completion and decant of Highshore School to the site of SMAAA. As such it is not appropriate to enter into a contract for the delivery of SILS 3 until after or simultaneously with that for Highshore.
28. In March 2010 the Executive approved a proposal to locate KS4 SILS in a refurbished element of Southwark College's Camberwell Site. The College now has alternative plans for the site and this proposal is no longer viable.
29. Consideration is now being given to the co-location of KS3 and KS4 SILS services. It is anticipated that any such co-location would result in improved value for money being achieved from the capital investment, the funding for which is a mixture of PfS grant and council's own funding.
30. Any revised proposal that is progressed would be on the basis of delivering the best outcomes for children and would require the approval of PfS. Subject to any necessary approvals these projects are anticipated to reach financial close in spring 2012. Works are not due to commence until 2013/14 on the conclusion of works at SMAAA and the decant of the existing Highshore to its new premises.

Phase 3b Financial Close – St Michael's and All Angels/Highshore

31. Approval is sought to delegate authority to the Cabinet Member for Children's Services to enter into the contracts and agreements outlined below. This delegation is required due to the short timescales from submission of costed proposals from 4 Futures, the review of Southwark's Final Business Case and confirmation of funding by Partnerships for Schools and the need to award the contract to enable the delivery of the works for the start of the school year in September 2013.
32. The contracts form a suite of inter-related agreements which are based on national standard form documentation. The contracts will be entered into concurrently, but have different initial terms and extensions. This documentation

will be subject to detailed review by Southwark Legal Services, with advice from external legal advisors (Trowers and Hamlins).

33. In order to secure agreement by the school counterparties (governing bodies, Academy sponsor, Church and diocese authority) to the obligations and financial contributions they will make towards the cost of the contracts, the Council will also enter into a series of school interface agreements (see table 2). These agreements:
- Allow the construction to take place on each school site (which are not in Council ownership);
 - Allow ICT equipment and a Facilities Management service to be delivered at the school sites;
 - Give warranties to the Council for property and human resources information that has been provided by the school; and
 - Secure agreement to the financial contributions they will make towards the costs in the contracts.
34. Table 1 summarises the contracts that are to be entered into at Financial Close of Phase 3b.

Table 1: Contracts to be signed simultaneously at Phase 3b contract award

Contract	Contract purpose	Parties	Initial term	Extension
Design & Build Contract – SMAAA/Highshore	Detailed design work & build of St Michael and All Angels and Highshore Special School	London Borough of Southwark and 4 Futures Limited	No term – dependent on completion of build and defects period (approx 3 years)	N/A
Phase 3b ICT Contract	ICT services including infrastructure work where applicable for St Michael and All Angels and Highshore Special School .	London Borough of Southwark and 4 Futures Limited	5 years	5 years
Deeds of variation relating to the Facilities Management Agreement	To join the umbrella contract for Facilities Management Services for the schools.	London Borough of Southwark and 4 Futures Limited	10 years	5+5+5 years
Agreement for lease for Highshore School	To agree a long term interest for the site of Highshore School following completion of the works	London Borough of Southwark, Academy Trust, Southwark Diocesan Board of Education	Term of lease shall be up to 125 years	N/A
Lease or underlease for Highshore School	The lease/underlease of Highshore School to be executed following completion of the works	The ARK Academy and/or the Diocesan Board of Education and the London Borough of Southwark	Underlease/Lease for a term up to 125 years	N/A

Contract	Contract purpose	Parties	Initial term	Extension
Associated documents and agreements	Other linked and associated documents and agreements relating to the headline contracts, e.g. collateral warranties	Various parties	Various	Various

35. Table 2 summarises the governing body agreements to be entered into with each school:

Table 2: School interface and other documents

School interface agreements for each school and counterparties		
Agreement	School counterparties	Agreement purpose
Governing Body Agreement – Development Agreement	Governing Body of each school and Diocesan Authority and Archbishop of Southwark where applicable	Agreement covering the construction period, given school is in possession of the site
Governing Body Agreement – FM services agreements	Governing Body of each non-PFI school and Diocesan Authority and Archbishop of Southwark where applicable	Agreement governing the FM services for each school taking the FM service
Governing Body Agreement – ICT services agreements	Governing Body of each non-PFI school and Diocesan Authority and Archbishop of Southwark where applicable	Agreement governing the ICT services for the phase 3a schools.
Associated documents and agreements	Other linked and associated documents and agreements relating to the headline contracts	Various

Financial implications

36. The funding associated with these contracts and agreements will come from:
- PfS – who will confirm their funding commitment following approval of an FBC, to be submitted to them and approved by both themselves and the Department for Education immediately prior to contract award. This is expected to be £31,246,720; and
 - Diocesan Board of Education – are committing £500,000 for the cost of the provision of a new church on the site; and
 - Schools – who will commit to any necessary revenue contributions in back-to-back governing body agreements to be signed prior to contract award.
37. For Design & Build community schools a commitment was made by Executive in May 2007 to meet an affordability gap for lifecycle and FM services across all D&B community schools in the programme estimated at £200,000 pa. In Phase 1 a subsidy for Tuke School of £40,000 in the first year of operation and reducing to £10,000 was committed to by the Council. No such subsidy was required at Phase 2.
38. There is not envisaged to be any call on this commitment for lifecycle and FM services for Phase 3b. Any liabilities arising from these contracts will be funded by the schools and this arrangement will be formalised between the Council and the schools in the governing body agreements.
39. For community schools the contribution to meeting these costs is expressed as a percentage of School Budget Share, which is roll driven funding. The Council bears a risk for community schools that should rolls drop and funding decline, it

will cover the amount by which the FM and lifecycle costs exceed the school contribution agreed. Highshore School is the only community school in Phase 3b. For Academies and Voluntary Aided schools the Council will require an absolute commitment to meet the cost of any FM service and the council does not bear the risk associated with falling rolls.

40. The overall anticipated contribution to Phase 3b by the Council is expressed in Table 3:

Table 3: Anticipated Council Investment in BSF Phase 3b

	Amount
Capital investment in construction	Nil
Revenue investment in ongoing services	Nil

Financial Status of BSF Programme

41. Capital commitments and identified liabilities relating to Phase 1, 2, 3a and 3b of the programme can currently be met from within BSF grant funding supplemented from within the SSF Capital Contingency. Further allowances have been made within this contingency for identified risks. Southwark's own funding to be made available to support unconfirmed projects will need to be considered in light of these commitments, risks and other priorities.
42. A full capital position statement will be reported to Cabinet following the closure of 3b to inform decision making in regard to options for the delivery of unconfirmed projects.
43. Ongoing revenue liabilities remain within the project office budgets for the delivery of the programme agreed in February 2009.
44. Value for money continues to be a priority and has been assessed at key stages through the development of Phase 3b using agreed protocols. A full value for money assessment will be carried out on the Phase 3b proposals prior to the award of the contracts.

Community impact statement

45. The community impact statement and equalities impact assessment were completed for the entire Southwark schools for the future project and approved by the Executive on May 2 2007. In summary, this project will have a significant impact upon the communities of Southwark. In particular:
- All schemes will ensure higher quality learning and teaching environments for young people.
 - All schemes are to be designed to facilitate community access to the buildings as part of the extended schools agenda.
 - All schemes are to be designed to provide a range of flexible spaces appropriate for the provision of integrated children's services.
46. The SSF programme has a robust performance management process in place to ensure that the outputs of the programme are effectively monitored and action taken where necessary to ensure that the wider benefits of the programme are

realised.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director (CS0182)

47. This report provides an update to Cabinet on the SSF programme, specifically noting that phase 3a reached financial close on 26th July 2011 and that phase 3b financial close is anticipated in December 2011. The report also seeks delegated authority from the Leader to the Cabinet Member for Children's Services in consultation with the Strategic Director of Children's Services for two activities. The first being to approve contract award for the contracts relating to the financial close of Phase 3b subject to confirmation of funding from Partnerships for Schools and the council's financial contribution being within the parameters set out in Table 3. The second being to enter into the school interface agreements with the school counterparties set out in Table 2.
48. Paragraph 36 confirms that the funding for the phase 3b schools construction and refurbishment works contracts is due to be met from BSF grants of £31.2m and a commitment of £500k from the Diocesan Board of Education to cover the full cost of the new church on the site. Table 3 in paragraph 40 shows that there is no anticipated council contribution to fund either construction or ongoing revenue costs within the 3b programme. Paragraph 38 confirms that facilities management contracts for the schools will be funded from contributions from the schools at nil cost to the council at financial close. Paragraph 39 explains that the council will retain an ongoing financial risk to fund any shortfall due to a reduction in school budget share at Highshore.
49. Paragraph 41 confirms that it is considered that the capital commitments and identified liabilities relating to phase 1, 2, 3a and 3b of the programme can currently be met from within BSF grant funding supplemented from within the SSF capital contingency. Paragraph 43 confirms that all revenue liabilities can be met from the project office budgets for the delivery of the programme agreed in February 2009.
50. Paragraph 42 notes that a full capital position statement will be reported to Cabinet following the closure of Phase 3b to inform decision making in regard to options for the delivery of unconfirmed projects.

Strategic Director of Communities, Law & Governance

51. This report is an update report and a report seeking the approval of the Leader to delegate the approval of the SSF Phase 3b contracts to the Cabinet Member for Children's Services following consultation with the Strategic Director for Children's Services.
52. Pursuant to section 14 of the Local Government Act 2000 (as amended) the Leader may discharge this function and may delegate this function to a member of the cabinet. This requires a decision from the leader, prior to the decision in this report being made and in accordance with Article 6 of the constitution circulated to all members.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Report to Executive: SSF Outline Business Case	160 Tooley Street, SE1 2QH	Rebecca Ashton 0207 525 4808

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Romi Bowen, Strategic Director of Children’s Services		
Report Author	Sam Fowler – SSF Project Director		
Version	Final		
Dated	6 October 2011		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Strategic Director of Children’s Services		Yes	Yes
Strategic Director for Communities, Law and Governance		Yes	Yes
Finance Director		Yes	Yes
Head of Procurement		No	No
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			6 October 2011