

Item Number	Classification: Open	29 July 2009
To	Executive	
Report title	Primary Capital Programme 2009/11: Dining Pavilion at Surrey Square Infant and Junior Schools Revision to project profile under Financial Standing Orders	
Ward(s) or groups affected	East Walworth	
From	Strategic Director of Children's Services	

INTRODUCTION

1. The Governors of Surrey Square Infants School and Surrey Square Junior School, two foundation primary schools sharing a site in Surrey Square, have negotiated in June 2009, a grant of £0.94m from the Aylesbury NDC, also known as The Creation Trust, as a contribution towards a new dining pavilion and community facility to be built on their site. For this to be confirmed, the NDC has asked that the Council confirms its matched contribution at the earliest opportunity to ensure the grant is spent in this year, 2009-10.
2. The Council has been asked to contribute £50,000 which is the allocation available from the primary capital programme following our recent successful bid to the DCSF for additional funds under its programme of kitchen renewal. This will be matched by the same sum from the capital available to the two schools. This confirmation requires two variations to the primary capital programme and therefore Executive agreement must be sought as required by the revised Standing Orders.
3. The proposal is that the Council allocates £50,000 from the primary capital programme to this project. This in turn levers in a matching sum from the schools and will be approved by the governors and £0.94m from the NDC. Whilst this is below the threshold required by Standing Orders, it does require that we change the profile of expenditure relating to the £505,000 grant received by the Council for spending on dining facilities in our maintained schools.
4. We seek the agreement of Executive to add the £0.94m to the primary capital programme. Both these changes are detailed below.

RECOMMENDATION

5. The Executive agrees that a project for a new dining pavilion at the Surrey Square Infant and Juniors Schools be included in the plant, fabric and modernisation element of the Primary Capital Programme (PCP) 2009/11.
6. The Executive agrees a change in the profile of that element of the PCP to take account of an offer of grant aid of £0.94m from the Aylesbury NDC to secure this project and ring-fenced by the NDC to these schools.

BACKGROUND INFORMATION

7. Surrey Square Infants and Junior Schools are both 2FE Foundation schools co-located in Walworth. The schools share a main building, site and other facilities but are independent entities with separate staffing and access arrangements.
8. The governors of the two schools appointed Earle Architects directly to carry out a feasibility study and submit a planning application to construct a new shared dining facility and community space along with other entrance and internal remodelling works. Planning permission was granted in December 2007 but the scheme did not progress as funding could not be identified.
9. The proposed scheme incorporates dining and kitchen facilities in a building that is separate from the main school and can be managed independently. The structure is to be greened and form a grassy hill within the landscape upon which the pupils will be able to play. This will minimise the impact of the new building on the site. The new building will free up space in the main building that will be converted, in a future project to be managed by the school, into additional teaching and community spaces.
10. In the PCP report approved by the Executive in March 2009 it was noted that a bid had been made to the DCSF for additional funding to improve school dining and kitchen areas in order to support healthy eating. Some £505,000 was subsequently secured to supplement the PCP, and has allowed a number of projects to go forward. The DCSF funding is conditional on at least 50% match funding from the schools concerned.
11. In May 2009 the Aylesbury NDC reviewed the proposals and offered a grant of £940,000, which taken with funding from within the PCP enables the scheme to progress. The NDC grant was confirmed in June 2009, but the funding is time limited and can only be claimed up to March 31st 2010 with evidence of actual expenditure required. This time constraint is due to the NDC programme ceasing in March 2010. It has been confirmed by the NDC that any unspent resource at that time will be returned to central government.
12. It is proposed to allocate £50,000 from the Primary Capital Programme and the schools together have committed a further £50,000 of Devolved Formula Capital. This total budget of £1.094m would enable the scheme to be completed, including provision for known costs and risks. It has been agreed with the parties that a 10% contingency will be built-in to the financial planning.
13. The scheme in its present form would not be possible without the funding agreed by the Aylesbury NDC. A procurement approach has been developed to enable the scheme to progress to completion in March 2010 in order to expend the grant aid within the deadline.
14. This scheme will be of great benefit to the schools, resolving the significant access and management difficulties that the existing dining arrangements represent as well as enabling space freed up by the development to expand the offer to pupils and the community. The new pavilion will also provide a new facility available for community use outside of school hours. Without the time limited funding made available by the NDC this scheme would not be viable.

Consideration of Risk

15. The contractor appointed for the enabling works and the finalisation of the main works may either perform unsatisfactorily or demand an unreasonable and inconsistent price for Stage 2. Precise initial tender documentation should mitigate this risk as should the current construction market incentivising contractors to price appropriately.
16. Should this risk materialise, a full contractor tested design will have been developed that would allow for a traditional direct tender process. This would cause the project to be delayed until sufficient resources can be identified in 2010/11 and beyond to meet the costs incurred after the demise of the NDC.

17. There would be other implications of this hiatus after the completion of the enabling works. The site itself would be cordoned off, extending the period over which the schools' available play space would be reduced. There may be security issues as it would also need to be protected. A decision could be taken to terminate the scheme at this stage, however there would be costs associated with returning the school playground to a usable condition.
18. Many of the risks associated with new build construction become apparent through the initial below ground phase of the construction. The recommended approach will enable these to be identified prior to the letting of the main works contract enabling necessary value engineering of the main works to take place prior to contract award.
19. The key risk to this project is the constrained funding and associated programming challenges. It is considered that the recommended procurement approach best mitigates this risk.
20. As with any capital project there is some potential for delay on site which may extend significant contractual payments into 2010/11. Whilst there would be liquidated damages in the contract, these are very limited and may not apply in the circumstances. These payments therefore could fall to the Council in default.
21. There would be some mitigation by deferment of the DCSF kitchen grant and the schools' devolved capital, but that would only allow £100,000 to be carried forward. There is a possibility that small retention payments could be covered by the NDC. The school governing bodies have been advised of this risk and would be prepared to increase their contribution if necessary. It has been made clear at all stages that the Council contribution will be limited to the £50,000 and that any overrun will be at the governors' risk.

KEY ISSUES FOR CONSIDERATION

Policy implications

22. The project that this procurement supports, promotes and complements Southwark's Children and Young People's plan and the 10 year Community Strategy Southwark 2016 Plan, as well as the Every Child Matters – Change for Children Agenda.
23. Southwark policy is to provide high quality education places for all pupils. This procurement will facilitate education improvement through the design and provision of a high quality sustainable facility, and will secure provision of healthy eating which is a key government priority.
24. This project would provide a new dining and community facility at Surrey Square Primary Schools. The building will:

- Improve the educational environment
- Support the delivery of extended schools
- Improve access and opportunity for disabled users
- Enable and encourage community use of facilities
- Provide the best possible energy efficiency and sustainability

Sustainability Considerations

25. The construction team's approach to sustainability and their record of delivering sustainable solutions will be key selection criteria. Tender documentation will be prepared with consideration given to sustainability in relation to materials and methods of construction.

Consultation

26. This procurement strategy has been developed in consultation with school and community stakeholders and these stakeholders will be consulted throughout the tender development and selection process.

Financial implications

27. The anticipated cost of the proposed scheme at Surrey Square schools is to be funded from Aylesbury NDC grant, Southwark's Primary Capital Programme and the Schools' Devolved Formula Capital.

28. The revisions to the Council's Financial Standing Orders for 2009/10 require that changes to the profile of expenditure and resources must be notified to the strategic director by the finance director and cannot be actioned until they have been approved as follows:

Up to £250,000 by the strategic director
Over £250,000 by the relevant executive member and executive member for resources

29. There is provision in the confirmed part of the primary capital programme for some £5.1m for plant, fabric and modernisation to all schools, which includes expenditure to voluntary schools. Provision was also made for additional projects to be funded from anticipated incoming resources, amongst which was a grant from the DCSF for the improvement of kitchens. This has now been confirmed in the sum of £505,000. Given that the amount of funding was not known at the time, projects were not named at that stage.

30. This project would be carried out under the modernisation category. There was a requirement by the DCSF that schemes funded from the kitchen programme would be matched at least by the same amount from the school's own resources, confirmed in this case. However, the opportunity for the additional grant from the NDC means that the project value can be supplemented by some £0.94m. This had not been anticipated in the original report but can now be confirmed as additional incoming resources for the PCP.

31. Approval is now sought from the Executive for the change in the profile of expenditure of the plant, fabric and modernisation element of the 2009/11 primary capital programme as follows;

Confirmed resources as at 17 March 2009	£5,100,000
Plus:	
DCSF grant for kitchens and dining	£505,000
Devolved capital from Surrey Square schools	£50,000
Grant aid from NDC for Surrey Square project	£940,000
 Revised total, plant fabric and modernisation	 £6,595,000

32. The profile of expenditure for kitchen projects of this kind would have seen expenditure on the Surrey Square project committed from the programme in 2009/10 onwards. With the additional but time limited grant from NDC of £940,000 in 2009/10 the revised profile of expenditure in this case becomes:

2009/10	£994,000
2010/11	£100,000
Total	£1,094,000

33. The PCP report provided for the prioritisation of projects to be agreed between the Strategic Director and the Executive Member, with advice from Schools Forum, on the basis of initial proposals as set out in the report. This scheme has been agreed in principle by Schools

Forum and it is now proposed for inclusion in the PCP subject to the agreement of the additional resources secured from the NDC.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

34. This report recommends reprofiling the Primary Capital Programme in order to take advantage of funding available from the NDC. At the time the original PCP for 2009/10 was agreed it was not possible to identify individual projects. The Finance Director notes that this proposal will use £50,000 of the Primary Capital Programme to match the schools' contribution of £50,000.
35. As set out above, by far the greater proportion of the resources relating to this scheme are to be provided by the Aylesbury NDC being £940,000. The grant from the NDC is specific to this project and time limited. It would be lost were it not applied by 31st March 2010.
36. There is, however, a possibility that additional costs will be incurred by the scheme if there is slippage on the proposed programme. Paragraph 21 explains that the school governing bodies have been advised of this risk and would be prepared to increase their contribution if necessary. The Finance Director notes the comments that it has been made clear at all stages that the Council contribution will be limited to £50,000 and that any overrun will be at the governors' risk.

Strategic Director of Communities, Law & Governance

37. The Strategic Director of Communities, Law & Governance ("DCLG", acting through the Contracts Section) notes the recommendations contained within paragraphs 1 to 4 of this report and confirms that they concern matters relating to the monitoring and control of the capital programme which are required to be reported to the Executive under the Financial Standing Orders contained within Part 4 of the Council Constitution. The DCLG also notes the information contained within paragraphs 15 to 20 regarding the proposed procurement of the construction works for the new building and will provide advice and assistance to officers as required during the procurement process in connection with the contractual issues described.

REASON FOR URGENCY

38. The work with the Aylesbury NDC to secure this grant has helpfully brought together a number of programmes of activity around the Surrey Square schools. So that the NDC can meet its internal reporting requirements it has asked if this addition to our capital programme could be agreed at the earliest opportunity so that it can commit funds to the required development work at the school. It has also confirmed that should these funds not be spent in this financial year, they will be reclaimed by central government.

REASON FOR LATENESS

39. It was originally intended to request this decision as an IDM. However, because it requires an amendment to the Children's Services primary capital programme, and therefore is of interest to the lead member for Resources, it was felt appropriate to bring a paper urgently to Executive.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Aylesbury NDC Funding Approval Confirmation	Tooley Street	Cliff Robinson

AUDIT TRAIL

Lead Officer	Iain Johncock, Children's Services Strategy Manager – Property Infrastructure		
Report Author	Iain Johncock		
Version	Final		
Dated	24/7/09		
Key Decision?	no	If yes, date appeared on forward plan	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	yes	yes	
Finance Director	yes	yes	
Head of Procurement	no	no	
Executive Member	yes	no	
Date final report sent to Constitutional Support Services	July 29 2009		