



City of Westminster

Report for Committee of Cabinet

Date:	23 May 2006
Classification:	For General Release
Title of Report:	Submission of Building Schools for the Future Outline Business Case
Report of:	Interim Director Building Schools for the Future
Wards involved:	All Wards
Policy context:	Building Schools for the Future One City Education Guarantee Local Area Agreement
Financial summary:	If the BSF Outline Business Case is accepted by the DfES, approximately £141.6 million will be available for capital investment in Westminster secondary and special schools. The way in which this funding will be given to the Council is yet to be finalised.
Report Author:	Paul Doherty, Interim Director Building Schools for the Future
Contact details	Telephone: 020 7641 6036 Email: pdoherty@westminster.gov.uk Fax: 020 7641 3406

Summary of this report

- 1.1 This report provides Members with the next stage of the business case for the Westminster Building Schools for the Future (BSF) programme.
- 1.2 The Outline Business Case (OBC) is the second of three business cases required before the DfES and Partnerships for Schools (PfS) release funding for the capital investment in Westminster secondary and special schools.
- 1.3 The Outline Business Case follows on from the earlier Strategic Business Case (SBC) agreed on 16th January 2006 by Cabinet. In the OBC each section is developed in more detail. However there are no fundamental changes to the SBC proposals agreed by Cabinet on 16th January meeting.
- 1.4 Issues dealt with in this report include: the need to confirm a decision in relation to other Council services that might be delivered on the Pimlico School site; the government funding allocation arrangements; the investigation into decant options, particularly for Pimlico School, further developments relating to the Local Education Partnership and confirmation of proposals in relation to the two special schools.
- 1.5 The possible link of the Building Schools for the Future to the DfES proposals for Primary Capital Programme is also highlighted.

2. Recommendations

- 2.1 The Committee of the Cabinet is invited to
 - approve the BSF Outline Business Case attached at Appendix 1 for submission to Partnerships for Schools and the DfES, noting that a further and Final Business Case will be required after the procurement exercise.
 - authorise the Chief Executive, in consultation with the Cabinet Member for Children's Services, to make any necessary changes to the Outline Business Case suggested by Partnerships for Schools and the DfES.
 - support the proposal that the incorporation of any other Council services on BSF sites will be agreed by Cabinet within BSF procurement timescales as part of the procurement documentation.

3. Background to this report

- 3.1 Westminster is a Wave 3 BSF authority, receiving funding from 1 April 2007. An accelerated timescale has been adopted, in order to ensure that schools obtain maximum benefit from this once-in-a-lifetime investment. This is estimated to be some £141.6m to support the capital investment in all seven secondary schools and the two special schools as part of a wider programme to raise standards in Westminster schools.

- 3.2 Approval to procure the capital works will be given by PfS and DfES on acceptance of this OBC. However, the capital allocation will not be released until the DfES and Partnerships for Schools are satisfied that the Final Business Case (which follows the attached Outline Business Case and is due in mid 2007) meets all their requirements.

4. Detail

- 4.1 The attached Outline Business Case develops the options appraisal set out in the Strategic Business Case agreed at the 16th January Cabinet meeting.
- 4.2 The main area of further development relates to the three schools chosen as 'sample schools' for the procurement process. These three schools, (Pimlico, St Marylebone CE Girls' and Westminster City Boys') have had substantial further technical options appraisals with some outline drawings illustrating what might be possible when a design team is appointed. Further detailed technical work has also been undertaken on the six other schools showing a broadly similar level of detail and illustrative drawings.

Special school proposals

- 4.3 At the Strategic Business Case stage Members will recall that our proposals were at an early stage for the two all age special schools. In the attached OBC we are now able to confirm proposals for both special schools at the same level of detail as set out for the secondary schools. Special school detailed education visions have been developed to a broadly similar format as for secondary schools. They are set out in the OBC in Section 13.

Other Westminster City Council Services and BSF

- 4.4 Members are invited to note that an extensive amount of work has been undertaken by the Officers' sub-group of the Corporate Management Board to investigate the feasibility of procuring other Council services alongside the BSF schools programme.
- 4.5 It is considered that there is a realistic and affordable opportunity to relocate Pimlico Library and an Adult Education facility to the Pimlico School site and to incorporate these proposals as part of the BSF procurement arrangements.
- 4.6 A report on this issue is being prepared for consideration by the full Cabinet but the BSF Committee of the Cabinet is invited to support the general principle of *linking any such procurement agreed into the BSF process and timescales.*

Pimlico School Decant Options

- 4.7 A confidential appendix to this report sets out the actions taken to investigate a decant option for Pimlico School.

Future Programme and Timescales

- 4.8 Members should note that the practice of Partnerships for Schools and the DfES is to discuss the business case in detail with each project before agreeing to proceed to the next stage. In this discussion stage PfS are likely to ask for clarifications and possibly additions to some sections if they believe this strengthens the case. Members are asked to authorise the Chief Executive, in consultation with the Cabinet Member for Children's Services, to make any necessary amendments. This will allow the project to proceed without delay.
- 4.9 Once the OBC is finalised and agreed by PfS and the DfES, the next stage of the process is to procure a bidder to undertake the work. So far all bidders for BSF work in waves one and two have been consortia of companies, typically including a design team, project management, construction and building, ICT and, if PFI is involved, a bank or other lender.
- 4.10 BSF staff have been involved in some 'soft market testing' exercises to date to generate market interest in the Westminster project. Following on from these early contacts, we will be organising a Market Consultation Day on the 12th June at the Landmark Hotel. The aim will be to inform the market about the scale and scope of our work and allow each bidding team to hear presentations covering key aspects of our proposals. All schools will be available to discuss their proposals with bidders and the Council will have a full team of officers, including planners, who will support the day. Copies of the promotional leaflet will be available at the Cabinet Committee meeting.
- 4.11 The procurement stage is planned to conclude around the middle of summer 2007 and, following this stage, a further Business Case will be brought back to Cabinet for approval. This will be the Final Business Case and, if agreed by PfS and the DfES, it will enable the Council to move to conclude a contract for the capital works.
- 4.12 The DfES have recently announced the Primary Capital Programme which sits alongside the BSF programme for secondary schools. Pilot bids for the programme have been invited from all local authorities. Westminster will bid for a primary pilot and this work is being co-ordinated through the Director for Schools. A separate report on this will be prepared for Members' consideration. The DfES expectation is that all of the primary capital programme for each authority will be procured through a BSF Local Education Partnership (the "LEP") if one is in place. This will link the primary capital programme to the BSF scheme.

5. Consultation procedure

- 5.1 The BSF Strategic Board has involved all stakeholders in the construction of the OBC. Alongside that, each Governing Body has held discussions with the Director of Schools and the Director for BSF on the proposals. Consultations

have also involved meetings between education officers and Headteachers on a range of issues including 14- 19 curriculum and the ICT arrangements.

- 5.2 The Board established an ICT sub group involving the Deputy Headteachers from each school plus some governors and trustees to progress the ICT arrangements. The ICT sub group sought to maximise involvement from all parties and has been very successful in that task. Study visits and seminars formed part of their work.
- 5.3 Following discussions with the trade unions at the JCC, a separate *ad hoc* sub group of the JCC was established to encourage a response to the proposals from the trade unions. At the time of writing this report, no written response has been received from trade unions.

6. Financial Implications

- 6.1 The Acting Director of Finance, as S151 officer, has endorsed the OBC on behalf of the Council and her letter to PfS is attached as an Appendix 3 to this report. The proposals for capital spend currently show a contingency of some £6.9M out of an overall capital spend of £131M. The proposals for ICT involving a £10.6M investment show a reduction in spend per pupil if the new managed service is successfully procured. All costings at this stage are of course provisional and Members will wish to note that after the procurement exercise a further Business Case will be brought back to Cabinet. This will be the Final Business Case and will include the proposed contract prices and arrangements.
- 6.2 Members should note that although we are currently showing clear affordability on the capital with a £6.9M contingency, this is based on assumptions on “abnormal” build costs that might prove to be an underestimate. We remain in close discussions with PfS on this issue and we believe the recent experience of “abnormals” costs for Academies suggest that the notional 17% PfS allow for this factor may be an underestimate. As we move towards procurement and the Final Business Case, more work on this area should produce a clearer picture which will be reported back to Members.
- 6.3 A copy of the four resolutions each governing body has been asked to support is attached to this report at Appendix 4. Members should note that the resolutions on affordability confirm governors’ responsibilities.
- 6.4 Sections 18-24 of the Outline Business Case discuss in some detail the financial impact of the programme.

Government Funding Allocations

- 6.5 Substantial discussions have taken place at the highest level with the DfES and with Partnerships for Schools on the government funding mechanism for the Westminster BSF programme.

- 6.6 This OBC confirms that Westminster has chosen not to seek any PFI credits for the programme since an options review of funding identified that the PFI route was not likely to be cost effective.
- 6.7 Westminster City Council has requested that all its funding (£141.6M) be allocated as direct grant (cash) rather than as supported borrowing. The reason for this is the continued uncertainty relating to the ODPM's annual Council grant funding mechanism which could potentially remove some, or all, of the central grant which supports any approved borrowing.
- 6.8 Members should note that the Outline Business Case makes clear that Westminster City Council will not proceed with BSF unless the potential problem with supported borrowing is removed.
- 6.9 Members should also note that this issue remains unresolved at this stage and we have made Ministers aware of the need for a satisfactory government response to our concerns. However, notwithstanding this issue, there is no reason why this should delay the submission of the Outline Business Case. Officers are now in discussions with the DfES and PfS as a matter of urgency seeking to reach a satisfactory solution before the tender process begins.
- 6.10 At the time of writing this report, it appears that the Council might be allocated £131M as direct grant (cash) leaving the ICT investment of £10.6M as 'supported' borrowing. This is not yet confirmed by Partnerships for Schools or the DfES but greater certainty may follow after the Council's OBC has been submitted.

7. Staffing Implications/ Staff Consultation/ TUPE Implications

- 7.1 The proposed changes in school sizes will lead to additional posts in three schools (St. George's, St. Marylebone and St. Augustine's) and a reduction in staffing at Pimlico School. All these staffing changes will be phased in over a five year period and should allow Governing Bodies a reasonable time to manage the changes.
- 7.2 The ICT proposals may lead to the transfer of up to 15 ICT technical staff to an external provider. The details of this arrangement will not become clear until the procurement process is underway.
- 7.3 One member of staff at a Special School will be affected by the redevelopment proposals. Discussions and consultations with this member of staff are in hand and the Council's HR advisers are supporting the governing body.

8. Business Plan Implications

- 8.1 The BSF programme assists in delivering the education guarantee and the local area agreement as part of the overall Council One City programme.
- 8.2 The core base budget for the BSF team (currently £528k) has been supplemented by the "one off" contribution from contingency of £1.1M agreed

by Members last summer. Proposals for future revenue budgets will form part of the Council's Star Chamber process starting in the summer of this year.

9. Legal Implications

- 9.1 There are substantial legal implications for the Council when we move to the Final Business Case stage. The Council has engaged Nabarro Nathanson as its legal advisers and they are working alongside the Council's own legal team throughout this process.
- 9.2 The voluntary school Trustees have engaged their own legal advisers to act on their behalf. Discussions are taking place with the voluntary trustees about the payment of legal costs.

10. Property Implications

- 10.1 The land occupied by the four community schools involved is owned by the Council, (Pimlico, Quintin Kynaston, College Park and QE11). In addition St. Marylebone and St. George's hold some school accommodation on Lease from the Council.

11. Impact on Health and Well-being/Equalities

- 11.1 The BSF programme will provide substantial improvements to buildings and to teaching and learning spaces. These improvements should lead to a better work and learning environment for staff and students.
- 11.2 The overall plans for BSF are focussed on raising standards for all students. If we are successful in this aim, there will be a significant benefit to categories of students who currently underachieve.

12. Ward Members' Comments

- 12.1 Ward members' comments have not been sought on this report. Ward members will be consulted in detail at the next stage in relation to the specific proposals for each school including the proposed planning applications when that stage is reached.

13. Conclusion and Reasons for Decision

- 13.1 The attached Outline Business Case shows that the plans for capital investment are currently affordable within the allocation of DfES funds.
- 13.2 The business case needs to be submitted to Partnerships for Schools and the DfES by the 27th May for their consideration and approval so that the project can move to the procurement stage.

If you have any queries about this report or wish to inspect one of the background papers please contact Paul Doherty on 020-7641 6036.

(E-mail: pdoherty@westminster.gov.uk)

Background Papers

The documents referred to in compiling this report are:

- 1 The Strategic Business Case for BSF

Appendices

1 Draft Outline Business Case (to follow)

2 Confidential appendix relating to Pimlico Decant Options

3 Letter from the Acting Director of Finance to Partnerships for Schools

4 Resolutions which Governing Bodies are required to support for the OBC

Appendix 3

Caroline Holland
Acting Director of Finance
Direct line: **0207 641 2326**
Fax No: **0207 641 3324**

Richard Bowker
Chief Executive
Partnerships for Schools
Great George St
London
SW1P 3AE

7th April 2006

Dear Richard

**Westminster City Council: Building Schools for the Future
Letter of commitment from S151 officer**

As required by PfS, I am writing in my role as Westminster City Council's S151 officer to confirm the City's commitment to the Building Schools for the Future project.

The BSF project is a very high priority for the Council. It forms a key element of Westminster's One City programme - the council's five-year strategic plan agreed with the City Partnership earlier this year. This commitment is underlined by the role of the Chief Executive as sponsor, or champion, to the Building Schools for the Future project.

In terms of financial commitment, the Council's position has been clearly stated at the BSF Strategic Board meeting in March of this year and in the Chief Executive's response to the recent Gateway Review of the BSF project. The council acknowledges that it is currently forecast to receive £142.0m of funding from the DfES. The Council is content that, together with its on-going work to deliver schools improvement via its Children's Services Department, this sum is sufficient to deliver all of the aspirations of the Building Schools for the Future programme. When working with its chosen Private Sector Partner and the project's many stakeholders, the Council will use its considerable financial expertise to ensure that the project does not exceed this designated capital budget.

In the unlikely event that the funding is not sufficient, the Council will work with PfS and all stakeholders to develop a strategy for fulfilling the BSF programme in Westminster within the overall funding made available for this by the DfES.

For the avoidance of doubt, the Council will meet its liabilities as a 10% shareholder in the Local Education Partnership (LEP).

Yours sincerely



Caroline Holland Director of Finance and S151 Officer

Appendix 4

Westminster Building Schools for the Future Outline Business Case Resolutions for Governing Bodies and Voluntary Trustees

Each governing body will need to consider the issues raised in the four areas set out below. Resolutions should be considered alongside the details of the ICT output specification, and the revenue costs and capital affordability circulated with this note.

The intention would be for each governing body to confirm their support no later than 19 May 2006.

ICT Managed Service

The governing body accepts the outline specification for the BSF ICT managed service as a draft for submission to the Westminster BSF Outline Business Case noting that the revenue cost of the service will be funded from the school's delegated budget.

Capital Affordability

The governing body notes that, at this stage, and on the basis of technical advice given, the Westminster programme can be contained within the overall BSF capital funding allocation. The governing body notes that Outline Business Case capital costings for each aspect of the programme are drafts and are not allocations to governing bodies.

Revenue Affordability

The governing body understands the draft "lifecycle costings" for the new buildings investment prepared for the Westminster Outline Business Case are the best estimates at this stage for the revenue implications for the school's delegated budget.

Governors accept their responsibility for establishing a medium term repairs and maintenance programme for the school, so that all new capital investment is maintained to a good standard. Governors agree to work in partnership with (the foundation trustees and) local authority in deciding the priorities for allocation of all future capital funding from the DfES.

Governors are aware that there is a four year period following the new investment where the government capital allocations will not be available for schools as set out below:

Devolved Formula Capital	Not available for any school from 2008/9 to 2011/12
LACVAP	Not available for any school from 2007/8 to 2010/11
Modernisation Funding	Ceases with effect from 2007/8 to 2010/11

Changes in Secondary School Size

The governing body endorses the Westminster BSF proposals to use some of the capital investment to change the sizes of four secondary schools as set out in the Westminster consultation document.