

Leicester  
City Council

**WARDS AFFECTED**  
All Wards

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**  
CYP Scrutiny  
Cabinet

31<sup>st</sup> January 2011  
7<sup>th</sup> February 2011

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**RUSHEY MEAD SPORTS AND SCIENCE SCHOOL - REQUEST FOR APPROVAL  
TO SUBMIT THE BSF FINAL BUSINESS CASE TO PARTNERSHIPS FOR SCHOOLS**

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**Report of the Strategic Director, Children**

**1. Purpose of Report**

1.1 The purpose of this report is to:

- a) Secure Cabinet approval to submit to Partnerships for Schools (PfS) the Final Business Case (FBC) for the Council's Building Schools for the Future, Rushey Mead School project and to obtain the necessary authority to progress the project.
- b) Update Members following the detailed report received by Cabinet on 6th September 2010. The report presented the Council's outline Final Business Case, provided significant supporting information and was approved as the 'Direction of Travel' for the Rushey Mead BSF project.

**2. Recommendations**

2.1 **The Children and Young People Scrutiny Committee** is recommended to consider the report and make any observations to Cabinet.

2.2 **Cabinet** is recommended to:

- a) Approve the submission of the Final Business Case as presented in this paper;
- b) Release the capital funds of up to £19.607m made available by Council;
- c) Authorise the Strategic Director Children, in consultation with the Cabinet Lead, to take such decisions as she thinks fit to implement the scheme within the scope of the FBC; and
- d) Authorise the Chief Finance Officer to submit a Section 151 Officer letter of support for release with the FBC, reflecting these contract proposals, in a form suitable for Partnerships for Schools approval purposes.

### **3. Summary**

- 3.1 The BSF project for Rushey Mead School is now sufficiently well advanced in terms of the detailed design and preparation to proceed to conclusion and signing of contracts. It is anticipated that construction will start on site during March 2011 with a construction period of 108 weeks. The most recent designs for the new school are appended to this report.
- 3.2 The current project proposal falls within the maximum capital expenditure of £19.607 million approved by Cabinet and Council when the Final Business Case (FBC) Direction of Travel report was considered on 6<sup>th</sup> and 16<sup>th</sup> September 2010 respectively.
- 3.3 DfE has subsequently required the Council to undertake an efficiencies review resulting in savings being applied to the project. As a consequence the total available Government funding for the core construction elements of the project has been reduced by 3.46% (expected to be £440k, subject to confirmation). The total external capital funding now expected to be available, inclusive of all funding sources, is £18.146m. The planned capital expenditure is £19.167m. The balance of £1.021m will be met from capital receipts or prudential borrowing.
- 3.4 The on-going revenue costs of Facilities Management (FM) and ICT service provision have been significantly improved (compared to phase 1) to the advantage of both the Council and the school. They will be well within the overall BSF revenue affordability parameters previously agreed in the Strategy for Change. The final programme affordability position will be achieved as the contract for the last project in the programme is signed; however ever-increasing certainty will be gained as more projects are closed.

### **4. Report**

#### Project Status

- 4.1. The design and development of the project is now at an advanced stage after considerable consultation and negotiation involving Council officers, the Leicester Miller Education Partnership (LMEC - formerly known as the LEP) and its supply chain (principally Miller Construction, Northgate and G4S), PfS and the school. Planning approval has been granted and work can commence on site within weeks of contract signature. Planned funding and expenditure are nearing finalisation and are within previously agreed capital and revenue affordability parameters, as set out in this report.

#### Capital Funding

- 4.2. Subsequent to the Outline Business Case (OBC) submission, and in the light of the national economic position and the priorities of the new Government, the DfE required a full review of the overall BSF programme funding. This was with a view to securing efficiencies and savings on a project by project basis.
- 4.3. For Rushey Mead, the Government's capital funding for the core construction aspect of the project has been reduced by 3.46%. PfS have yet to confirm the actual revised allocation, although it is expected this will equate to a reduction in the order of £440k. The Secretary of State has approved the percentage reduction. Although it is a relatively small reduction in comparison to other schools (as the project was at an advanced stage of design when the Government announced that funding reductions were to be sought) it has nonetheless been difficult to achieve.

- 4.4. Some increases to the PfS core construction funding are also expected, particularly to reflect the potential higher costs arising from the later commencement and completion dates than anticipated in the September report. It is estimated that these may equate to around £340k, resulting in a net reduction of approximately £100k. The assumed PfS funding of £13.432m shown below reflects this expected net reduction compared to the £13.535m shown in the September report.
- 4.5. With regards to ICT, the capital funding to be received from PfS for infrastructure remains at £255 per pupil, and is included in the PfS construction funding. The implementation grant has been reduced from £1,450 pupil by 4.2% to £1,388 per pupil. It should be noted it is now for 1,500 pupils, compared to 1,516 assumed in the September report (the 16 being “shadow pupils” for the purposes of breakout areas, etc). The implementation grant needs to cover the pre-commitment to contribute to the Data Centre built at Phase 1, the implementation funding allocated to the school and any contribution to maintaining parity of investment across all future BSF schools. Any provision for the latter will need to come from the schools implementation funding and will be the subject of on-going discussion and development.
- 4.6. Other changes to the funding for the capital costs include a significantly increased contribution from the school (drawing on capital and revenue funds), the removal of the co-location funding of £150,000 (following the Summer 2010 reductions by the Government) and an increased application of Kitchen Grant funding (subject to separate Cabinet approval).
- 4.7. It had been planned to use £500,000 of s106 developers’ contributions. However, due to the current economic conditions, this has been reduced to £300,000.
- 4.8. The Council has previously approved funding of £1.374m from projected future capital receipts from land sales across the wider school estate. In the current economic climate, these are not expected to be realised in the foreseeable future. The balance of funding now required for the scheme to proceed is currently £1.022m, using the funding and cost assumptions in this report. This will be met by Council Prudential Borrowing from within the programme wide contingency fund. Should the receipts materialise in the future, the Prudential Borrowing can be repaid more quickly.
- 4.9. The funding now available for the capital construction and fitting out of Rushey Mead totals £19.167m and is set out below:

**Available Funding for the Capital Project**

D&B Capital funding – estimated (Government)	£ 13,432,111
Sustainability Grant (Government)	£ 1,000,000
Kitchen and Dining Grant (Government)	£ 683,000
ICT Implementation Grant @ £1,388 per pupil (Govt)	£ 2,082,000
s106 Developer Contributions (Council)	£ 300,000
School Contributions	£ 649,102
<b>Total External Funding</b>	<b>£ 18,146,213</b>

Required Prudential Borrowing (Council) £ 1,021,287

**Total Funding (Equivalent to Planned Expenditure) £ 19,167,500**

### Expenditure

- 4.8 Robust negotiations with LMEC have resulted in cost reductions across all aspects of the project, both capital and revenue. These reductions apply to the Design and Build (D&B) capital price and the on-going costs of ICT and FM managed services plus the lifecycle components.
- 4.9 The capital cost reductions have been achieved by a number of cost savings. These include not seeking a formal BREEAM rating and moving from the standard of Excellent to Very Good; achieving a swifter handover of the completed buildings; a reduction in Miller Construction's overhead & profit; and a revised cost model for ICT from Northgate. Officers in Children's Services are working closely with corporate colleagues to ensure that the Council's commitment to Climate Change priorities is assured.
- 4.10 In addition, it is proposed that the Council should bear some construction cost risks (notably asbestos removal) to avoid paying a risk premium to LMEC, for which a provision is set aside.
- 4.11 The Council also retains certain risks as part of the standard arrangements for BSF, for example site contamination. As aspects of the detailed design are yet to be completed, the contract with LMEC will include a number of provisional sums and a Council provision of 3% of the contract sum (£475,000) for any cost increases is therefore proposed.
- 4.12 The proposed capital expenditure is set out below.

### Proposed Capital Expenditure

D&B Construction	£ 15,783,000
ICT - Implementation	£ 1,895,000
LMEC Project Fees	<u>£ 507,000</u>
<b>Proposed Contracted Expenditure with LMEC</b>	<b>£ 18,185,000</b>
Data Centre Contribution	£ 187,500 *
Asbestos Removal Provision (held by LCC)	£ 250,000
Construction Contingency (held by LCC)	£ 475,000
Infrastructure outside of BSF	<u>£ 70,000</u> (para 4.13)
<b>Total Planned Capital Expenditure</b>	<b><u>£ 19,167,500</u></b>

\* Note: This was not itemised in the September report as the Data Centre was constructed in Phase 1 and the ICT funding for subsequent phase schools is adjusted accordingly to ensure that all schools contribute to the investment.

### Buildings outside the scope of BSF

- 4.13 The Council is required to rectify defects within certain existing buildings on the Rushey Mead school site which are to be retained and which fall outside of the standard BSF contract. These include the “G block” and “Science Lab” buildings. Remedial works of £190k have been identified for “landlord” repairs to the building fabric, together with up to £70k for the installation of ICT infrastructure and data cabling. This work is planned to be carried out by the LMEC supply chain.
- 4.14 The landlord costs of £190k will be met from the Central Maintenance Fund. Provision of £70k is included in the proposed capital expenditure above and will essentially be funded by the Council’s Prudential Borrowing / capital receipts as set out in the Funding Table.

### On-Going Facilities Management and Lifecycle

- 4.15 With regards to the on-going Facilities Management and Lifecycle once the school is operational, the initial FM services solution as provided for the first four schools is, in this latest economic climate, considered unaffordable in the longer term. A full review has been carried out, drawing upon the experience of operating the phase 1 schools. Cost savings have been achieved, including:
- Reducing the hours for which the school is required to be available – the planned occupancy hours are reduced from 4,695 per year to 3,360, the planned additional school periods from 1,330 per year to 885, and planned flexible use from 1,220 to 630 hours;
  - Allowing longer for non-urgent faults to be rectified and amendments to contract service failure deductions; and
  - Enabling the school to arrange its own utilities supplies.
- 4.16 The implications of these FM and ICT savings on the operation and funding of the BSF programme going forward are being considered. Further information will be included in a programme update report once the Government has definitively confirmed the capital funding available and further work on potential FM and ICT operating models has been undertaken with the LMEC supply chain and the school.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1. Financial Implications**

This report is concerned with financial implications throughout. It is important that the agreements are concluded as soon as possible (and in any event before the end of March) due to time restrictions on accessing some of the grant funding.

Colin Sharpe, Head of Finance, Investing in our Children, ext. 29 7750.

## **5.2. Legal Implications**

- 5.2.1 The legal implications supplied with previous reports and in particular the “Direction of Travel” report of 6<sup>th</sup> September apply. This report deals mainly with the cost out-turn of the re-negotiated scheme.
- 5.2.2 The original BSF procurement allows for a process for further BSF projects and the Rushey Mead school project is within the scope of this. The required process leading to the entering into of contracts for a new BSF project (of which this is one) is set out in the Strategic Partnering Agreement between the Council and Leicester Miller Education Company Ltd of 19 December 2007 (“the SPA”). There are outstanding approvals required under that process in particular the Council has to consider LMEC’s detailed project submission against submission requirements set out in the SPA. To my knowledge some of these requirements have yet to be demonstrated, in particular the compliant submission of the contractor’s proposed changes to standard legal documents.
- 5.2.3 The ICT contract and the FM contract will result in a TUPE transfer of the relevant employees. Work is still required to verify the proposal in this regard.
- 5.2.4 The standard form of construction contract is a “payment by milestones” contract and therefore the position on contingency is sometimes misunderstood. Any contingency element in the agreed lump sum cost will be subsumed in the agreed milestone payment for the agreed works, and is therefore not available for things like variations.
- 5.2.5 I would expect to see the out-turn of the prescribed benchmarking process to demonstrate both value for money and that the contracted for price improvements to be delivered.
- 5.2.6 A Governing Body Agreement is required. A first draft of this is already available but further work will be needed to reflect the agreed FM solution.

Joanna Bunting, Head of Commercial and Property Law, ext. 29 6450

## **5.3. Climate Change Implications**

Providing more energy efficient school buildings should help to reduce the Council's carbon emissions however, this is reliant on energy efficiency measures being implemented as planned and staff and pupils being given the necessary understanding of the energy saving features of the new buildings to be able to use these to the greatest benefit. The additional sustainability grant of £1,000,000 provided by Central Government for this project should considerably reduce the carbon dioxide emissions of the school. The Rushey Mead project is now seeking to achieve BREEAM 'Very Good' instead of 'Excellent' and this will not be carried out as a formal BREEAM rating; this approach does not comply with current council policy on the adoption of BREEAM. Work is currently taking place to develop a revised policy which will adopt the best elements of BREEAM for adoption by the BSF programme but this work is still in progress and has not been formally adopted by the council.

Helen Lansdown, Senior Environmental Consultant (Sustainable Procurement) ext. 29 6770

**6. Other Implications**

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References Within the Report</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	Yes	See paragraph 5.3
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

**7. Risk Assessment Matrix**

7.1 A full risk register for this project is maintained and is available on request.

**8. Background Papers – Local Government Act 1972**

8.1. Rushey Mead School – FBC Direction of Travel, Cabinet 6<sup>th</sup> September 2010, Council 16<sup>th</sup> September 2010.

**9. Consultations**

9.1. None specific

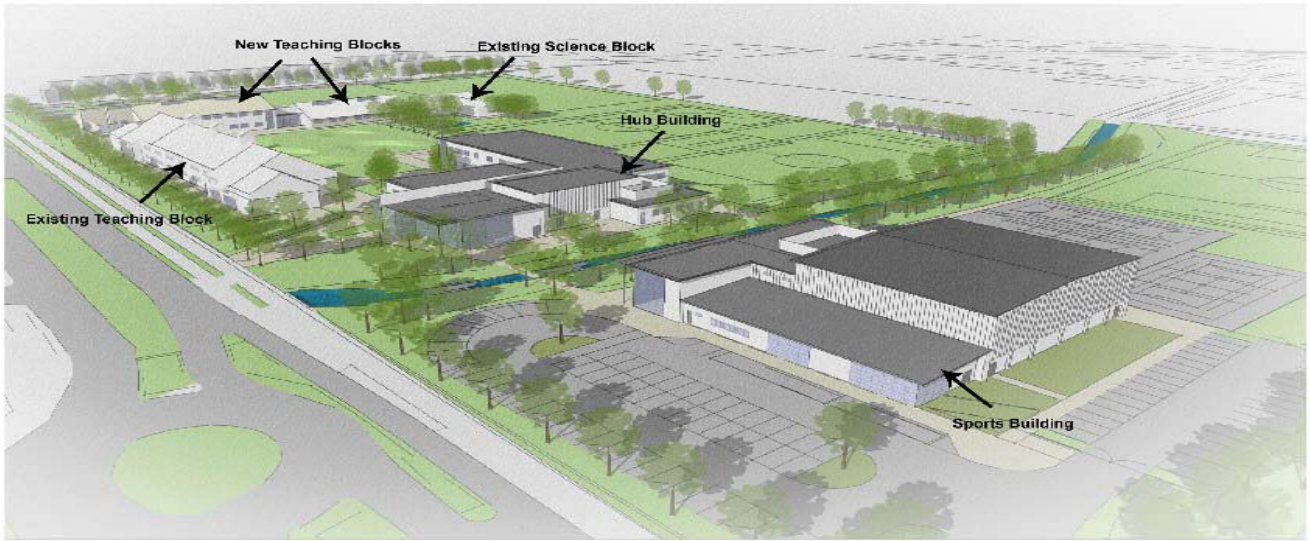
**10. Report Author**

10.1. Helen Ryan, Divisional Director TLE, ext 29 8791

<b>Key Decision</b>	Yes
<b>Reason</b>	Is significant in terms of its effect on communities living or working in an area comprising more than one ward
<b>Appeared in Forward Plan</b>	Yes
<b>Executive or Council Decision</b>	Executive (Cabinet)

# APPENDIX A

## RECENT DESIGNS



Miller Rushey Mead School  
Tuesday, 10th January 2010

View From Melton Road, at Junction with Laneborough Road

BBLB architects llp



Miller Rushey Mead School  
Tuesday, 10th January 2010

View From Melton Road, Rushey Close End.

BBLB architects llp





Miller Rushey Mead School  
Tuesday, 19th January 2010

Main Entrance to Hub Building

BBLB architects llp