



Name of meeting: Cabinet
Date: 28th July 2015

Title of report: Implications arising from the Education Funding Agency proposals for the Mount Pleasant Primary School site.

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes, this report could involve expenditure significantly in excess of £250K and could impact on two or more wards.
Is it in the Council's Forward Plan?	Yes – June 2015
Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Director and name	Jacqui Gedman - 17.07.15
Is it signed off by the Director of Resources?	David Smith - 20/07/2015
Is it signed off by the Assistant Director – Legal, Governance and Monitoring?	Julie Muscroft – 20/07/2015
Cabinet Member Portfolio	Resources - Cllr Graham Turner. Children's Services - Cllr Shabir Pandor.

Electoral wards affected: Newsome, Crosland Moor and Netherpton
Ward councillors consulted: No
Public or private: Public report with a private appendix

Appendix B to this report is recommended to be taken in Private because the information contained in it is considered to be exempt information under Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that it would not be in the public interest to disclose the information contained in this appendix as disclosure could potentially adversely affect overall value for money and could compromise the commercial confidentiality of the bidding organisations and may disclose the contractual terms, which is considered to outweigh the public interest in disclosing information including, greater accountability, transparency in spending public money and openness in council decision making.

1. Purpose of this report

- 1.1 To update Members on the current position regarding the new build school for Mount Pleasant Primary and the associated decant of the whole school into temporary accommodation at Yews Hill Road Huddersfield, particularly in relation to the financial implications for the Council, and to seek direction from Members as to how they wish officers to proceed.

2. Key points

(a) Background

- 2.1 Mount Pleasant is a primary school for pupils aged 3-11, which draws the majority of its intake from the Huddersfield South West area. The school serves an area of significant economic disadvantage, with a higher than average proportion of pupils who speak English as an additional language and who are eligible for Free School Meals. Over 95% of pupils are from Minority Ethnic backgrounds.
- 2.2 In 2011 Kirklees bid to the Government's Priority Schools Building Programme 1 (PSBP1) for the replacement of Mount Pleasant Primary with a new build school. The school was selected by the Council as:
 - It had the highest backlog of condition needs in the primary sector;
 - there was an urgent need to add an additional 140 school places at the school (taking the school's Published Admission Number from 70 to 90) to address a significant increase in pupil numbers in the area;
 - and the existing mish-mash of Victorian, 1970s and 1980s buildings had significant suitability issues.

By being selected by the Government for inclusion in PSBP1, the school was recognised as being one of the 250 worst condition schools in the country.

- 2.3 The Education Funding Agency (EFA) and the Council have been working for the past two years to develop an agreed project. In June 2014 a Section 151 letter was agreed between the Council and the EFA which committed the EFA to the clearance of the existing site and its replacement with a new build school with an estimated investment value of £8-10m. In return, the Local Authority accepted responsibility for funding and delivering the decant of the whole school offsite for a sufficient period to enable the new build to occur.
- 2.4 The estimated cost of the decant reported to Cabinet in June 2014 was £2m though it was noted that at this point in the process no site surveys of the chosen site (the recreation ground off Yews Hill Road / Rashcliffe Hill, Huddersfield) had occurred due to the timing of the EFA's approval programme and the modular supply market had yet to be engaged in the project therefore these remained significant risks.
- 2.5 Cabinet supported a proposal to provide revenue funding from Council contingencies initially for the decant pending a 2013/14 rollover bid to Council.

At the 16th July 2014 Council, revenue rollover of £2m to cover “*the costs of decanting pupils at Mount Pleasant School pending site refurbishment. Details provided to Cabinet on 17th June in a private report on Education Funding Agency proposals for the Mount Pleasant School site*” was approved.

(b) Current situation

The Education Funding Agency

- 2.6 The EFA appointed Kier Construction in Autumn 2014 to deliver the new build school and revamped external layout. Due to the site constraints and complexities around ground levels and existing buildings, the contractor has encountered difficulties in producing a compliant design within the funding envelope provided by the EFA. As a consequence, the start on site date has moved from summer 2015 to early 2016.
- 2.7 The EFA have provided the following timeline for implementation of the new build over the coming months:

Activity	Target Date
Kier submission regarding design/cost to EFA	10 th July 2015
Confirmation from the EFA to the Council that the scheme will progress (subject to planning approval)	17 th July 2015
Submission of planning application for new build school	15 th September 2015
Strategic Planning Committee*1	17 th December 2015
Contract Award	11 th January 2016
Start on site	15 th February 2016
Completion on all works on site	May 2017

Note 1: Should the planning application miss the Strategic Planning Committee on 17th December 2015, it will be considered at the next meeting on 14th January 2016. This will lead to the start on site date moving to around Easter 2016.

- 2.8 Members will note that the EFA undertook to provide the Council by 17th July 2015 with written confirmation that an acceptable and affordable new build project had been submitted by Kier Construction and accepted by the EFA and therefore the project would be implemented in accordance with the above timetable, subject only to the granting of planning permission. This confirmation was received on 9th July 2015 and is attached as part of Appendix B.

The Local Authority

- 2.9 The proposed decant is complex and challenging, with 485 pupils aged 4-11 , 78 nursery aged children and 118 staff needing to be decanted to a recreation area at Yews Hill Road, on which will be provided three or four major temporary accommodation blocks. Prior to this, extensive groundwork preparations will be required as the chosen site is a former infill quarry. The size and complexity of the proposed decant significantly exceeds previous

decant projects at Rowley Lane J I & N School and Moldgreen Community Primary School.

- 2.10 The project was originally tendered in late 2014 though this did not produce an affordable or compliant project. In Spring 2015, following an exercise to identify potential measures to reduce costs and risks, two contractors were asked to retender with a view to significantly reducing the cost to the Council of the project and address issues relating to risks and exclusions. The tender process is explained in more detail in Appendix B.
- 2.11 Based on the revised submissions, the estimated project cost has fallen significantly, though there remains a substantial affordability gap for which additional financial support would need to be identified in order for the project to progress. Without additional financial support the decant will not be able to occur and the new build school will be lost. This is explained further in section 3 of this report.
- 2.12 Members should note that in order to reduce costs the bidders have rethought their proposed modular solutions and they now differ significantly from the original planning permission granted for the modular accommodation. A revised planning application will be submitted in due course though this will not impact on the start on site date for the modular accommodation should Members wish to proceed with the project.
- 2.13 The proposed new build school requires the demolition of the Lockwood Community Centre and associated Clock Tower, which was built in 1875 and forms part of the school site. The existing building occupies the prime location for the new build school and its demolition will facilitate the construction of a new school building that will meet the needs of future generations of pupils, whilst also enabling the full utilisation of the rest of the constrained site for external play and access.
- 2.14 It may be possible to retain the clock tower as a free standing monument but this would be out of context as all other Victorian buildings on the site would have been removed and it would represent an ongoing liability on the Council's limited revenue and capital budgets. It is therefore proposed that the whole of the building is removed.
- 2.15 It is recommended that an Application for Prior Notification of Proposed Demolition for the demolition of the Lockwood Community Centre and its associated Clock Tower is submitted to the Planning Service by the Council in early August 2015 for determination in mid-September 2015. This will facilitate the submission of the planning application for the new build school by Kier Construction in mid-September 2015 once the demolition notice is determined. Should the date for approval of the demolition notice slip from mid-September, this would have a consequential delay on the submission of the new build replacement school planning application and therefore the new build start on site date.

- 2.16 A certificate of Immunity application has already been submitted by the Council to Historic England for the Lockwood Community Centre and its associated Clock Tower, which, if approved, would provide protection against the listing of the building for 5 years. It is anticipated that this will be determined by Historic England during September / October 2015 in accordance with their standard timeline for such applications.
- 2.17 Members should note that the Lockwood Community Centre and associated Clock Tower building is a non-designated heritage asset of local interest and concerns regarding proposals to demolish the building have already been raised by members of the local community and the Huddersfield Civic Society.
- 2.18 If Members were minded to approve the funding package to enable the project to proceed, consideration would then need to be given to the timing of the contract for the decant. Signature of the modular accommodation contract in early August 2015 would enable the vacated existing school site to be handed over to the EFA broadly in line with their anticipated start on site date of February 2016 (which is subject to the contractor receiving a timely planning approval).
- 2.19 However, it would mean that the Council had contractually committed to the new modular school in advance of the new build replacement school receiving planning permission (expected 17th December 2015 or 14th January 2016) and EFA financial close (expected January/February 2016 – around 3-4 weeks after planning permission is achieved). There is also the possibility of delay relating to the proposed demolition of Lockwood Community Centre and its associated Clock Tower, as outlined above.
- 2.20 Should either planning permission for the replacement new school be refused (low risk) or should the EFA be unable to reach financial close (low risk – see their letter at Appendix B) then the Council would be facing a significant compensation bill to the successful modular contractor plus very significant abortive costs as of the date of cancellation.
- 2.21 A more probable risk relates to the potential for planning permission to be delayed pending resolution of issues relating to the proposed demolition of the Lockwood Community Centre and associated Clock Tower. This would extend the hire contract period and would incur additional costs. Further details of these risks and the financial implications are provided in Appendix B.
- 2.22 Should the Council decide to delay contract signature for the modular school until January/February 2016 to enable planning permission for the new build replacement school and EFA financial close to be achieved (January / February 2016), the decant of the school would be delayed until summer 2016, which in turn would delay the opening of the new build school until autumn 2017. In these circumstances, a payment to the EFA would be required to cover inflation costs in relation to each quarter period (i.e. 3 months) of delay caused. Details of the costs plus the requirement for a Section 151 letter are explained in Appendix B.

- 2.23 Members should note that there is the potential for some capital costs to be incurred by the Council in relation to the new build school, particularly in relation to any EFA delay costs incurred after 1st January 2016 as a result of any Council inaction and to some items which fall outside the EFA's remit. The AD Strategic Investment Group, using delegated powers from Cabinet, has identified two Section 106 capital receipts that can be used to fund any capital requirements should they arise.

3. Options for the Council

(a) Increase the level of revenue funding

- 3.1 Based on the lowest tender received and following the addition of historical and current Council costs, significant additional funding is required over and above the £2m revenue allocated by Council in July 2014. The total project cost is expected to out-turn at £3.85m. A breakdown of this figure is shown in Appendix B.
- 3.2 It is not possible to capitalise the project from the Council's perspective as national CIPFA's Capital guidance states that:

“Costs of renting alternative accommodation.....during building works – Revenue. All costs incurred in carrying out the authority's regular business while construction is under way (no matter how great the cost of the inconvenience caused) will be revenue as they are not directly attributable to bringing the asset to the condition necessary for it to be capable of operating)”..

- 3.3 On 30th June 2015, Cabinet considered a report entitled “Revenue Financial Outturn & Rollover Report 2014-15”. This contained at Appendix 3 a number of corporate revenue rollover bids including the provision of an additional £1.85m revenue to support the Mount Pleasant Primary decant. Members recommended that the report be passed to full Council for approval on 15th July 2015 (now being held on 29th July 2015).
- 3.4 Should Council approve the rollover bid this would set aside the funding required for the implementation of the proposed decant. However, this would be subject to the approval of the project itself which would still be required under the Council's Financial Procedure Rules, hence this report seeking Member direction as to whether to proceed with the letting of the contract for the procurement of the temporary accommodation or to seek an alternative course of action as outlined in paragraphs 3.5 to 3.8 below. Members should note the risks referred to in Section 2 above relating to potential delays and costs as well as the detailed information provided in Appendix B.

(b) Walk away from the new build PSBP1 school project

- 3.5 The Council could decide that it cannot justify the expenditure of £3.85m on the whole school decant and therefore decline to fund the temporary school. The EFA have stated that should this situation arise, the EFA will not fund the

decant and therefore Mount Pleasant Primary will be removed from the PSBP1, leading to the loss of the new build replacement school.

3.6 The EFA and Council Officers have explored at length, together and separately, over the past two years alternative solutions to the whole school decant. Extensive consideration has been given to:

- a partial school decant with half the school remaining on site during the construction period, with the other half decanted to a new location. However, given the constraints of the existing site and the number of pupils involved, it has not been possible to devise a solution that would enable a partially decanted school to operate safely alongside the major construction site required for the new build;
- a range of alternative sites within three miles of the existing school. Both the EFA and the Council conducted separate site searches to identify a site large enough to accommodate the decanted school whilst being within a reasonable distance. Neither party was able to identify a suitable site;
- whether, given the high cost of the temporary decant, there would be a suitable site within a reasonable range of the existing school to allow a new build replacement school on the alternative site to be investigated as an option. The officer advice would be that given the very locally based nature of the existing pupils and the difficulties in transport links to the nearest potential alternative site that this is not an option to be pursued. Attached at Appendix A is a map illustrating the location of pupils attending Mount Pleasant Primary School.

Both the EFA and Council Officers have concluded that there are no alternative solutions to the proposed whole school decant.

3.7 Should the new build replacement not occur as a result of the Council not funding the required decant, the Council would be faced with an ongoing financial liability of £4m-£5m relating to existing needs at this school. Due to the complexity of works required and the constrained size of the site, any works undertaken by the Council would require a partial decant into temporary accommodation. Capital funding from the existing Children's Services capital budgets, which are already challenged due to recent government grant reductions and the pressure of providing new pupil places across Huddersfield, or Council prudential borrowing would be required to fund the works.

3.8 Members should note that approximately £230K has been incurred to date by the Council (which is included in the £3.85m budget requirement) and these costs would be abortive if the project was not to continue. In addition, it is possible that external parties to the Council may seek recompense for abortive costs. These risks are outlined in detail in Appendix B.

4. Implications for the Council

- 4.1 Mount Pleasant Primary has been identified as one of the 250 worst condition schools in the country and in addition has a shortfall of school places that are urgently needed to meet the basic need for additional school places in the Huddersfield South West area due to increased pupil numbers. The Council is therefore faced with a need to undertake works to meet these issues but set against the context of many other competing priorities for funds across the Council given the significant fall in the availability of revenue and capital funds from the Government.
- 4.2 The potential remains for the Council to remove its existing condition, suitability and basic need liabilities in relation to Mount Pleasant Primary and to secure a new build school with an investment value of between £8-10m to serve future generations of pupils in Huddersfield. However, this will require the further revenue contribution as described in paragraphs 3.1 to 3.3.
- 4.3 Given the difficult revenue position faced by the Council and the decisions that have already been made and will need to be made in future years relating to Council Services, it is acknowledged that committing further revenue funds to this project requires careful consideration and thought given to the many competing pressures for funding across the whole of the Council's core business.
- 4.4 As indicated in paragraph 3.7, should the new build school not be progressed, the Council would need to identify funding to address the existing condition and basic need issues at the school and implement a phased approach to dealing with these needs over a number of years. This would enable the school to continue in its existing accommodation but the school would be subject to disruption for a number of years and a generational opportunity to achieve a step change in the quality of accommodation that a new build school would provide would be lost.
- 4.5 Withdrawal from the project could have a significant reputational impact on the Council nationally as the Priority Schools Building Programme is a flagship government initiative and the EFA has spent a considerable amount of funds developing the project. Locally, the loss of a new build school would generate significant negative publicity and a strong backlash from the school, governing body and the local community, who would expect a credible alternative action plan from the Council to address the urgent needs of the school.
- 4.6 However, it must be acknowledged that some residents from across Kirklees may feel that the revenue funding required for this project may be better spent on other services / buildings on which Members will be asked to make difficult decisions in the coming months.

5. Consultees and their Opinions

- 5.1 The AD Strategic Investment Group has considered this matter at a number of meetings during 2015.

The Group has acknowledged the significant benefits that would accrue from the new build school (removal of our existing liabilities; the provision of £8-10m of new build investment from the Government; once in a generation opportunity to create a new school).

- 5.2 However, it is also conscious about the significant revenue cost to the Council of the project and the difficult decisions that have to be taken in relation to many other competing corporate priorities for revenue funding. However, on balance, the commitment of £3.85m is considered to be value for money given that it will lead to an investment of between £8-10m by the Government that will provide a new school and remove the Council's liabilities in relation to the existing poor quality buildings.

6. Officer Recommendations and Reasons

6.1 Members are requested to:

- a) Give careful consideration to the issues raised in this report and decide whether they wish or not to proceed with the implementation of the decant programme for Mount Pleasant Primary School within a maximum revenue budget of £3.85m, subject to the approval by Council on 29th July 2015 of the revenue rollover bid referenced in paragraph 3.3 of this report ;
- b) If the project is approved, provide officers with authority to proceed to implement the project, and in particular provide direction as to whether the contract for the modular accommodation should be signed in advance of planning permission and EFA financial close for the new build school being achieved or whether signature should be delayed until planning permission and EFA financial close is achieved;
- c) If the project is approved but a decision is taken to delay signature of the modular accommodation contract, authorise the Director of Resources to provide an appropriate Section 151 letter to the Education Funding Agency regarding delay costs as referred to in Appendix B;
- d) If the project is approved, authorise officers to submit an Application for Prior Notification of Demolition seeking approval for the demolition of the Lockwood Community Centre and associated Clock Tower in its entirety; and
- e) If the project is not approved, authorise officers to take all appropriate and necessary action to inform relevant parties and such other steps necessary to withdraw from the project.

7. Portfolio Holder's Recommendation

That Cabinet debates the content of this report.

8. Contact Officer and Relevant Papers

David Martin - Capital Development and Delivery Manager – Physical Resources and Procurement - Email: david.martin@kirklees.gov.uk

9. Assistant Director Responsible

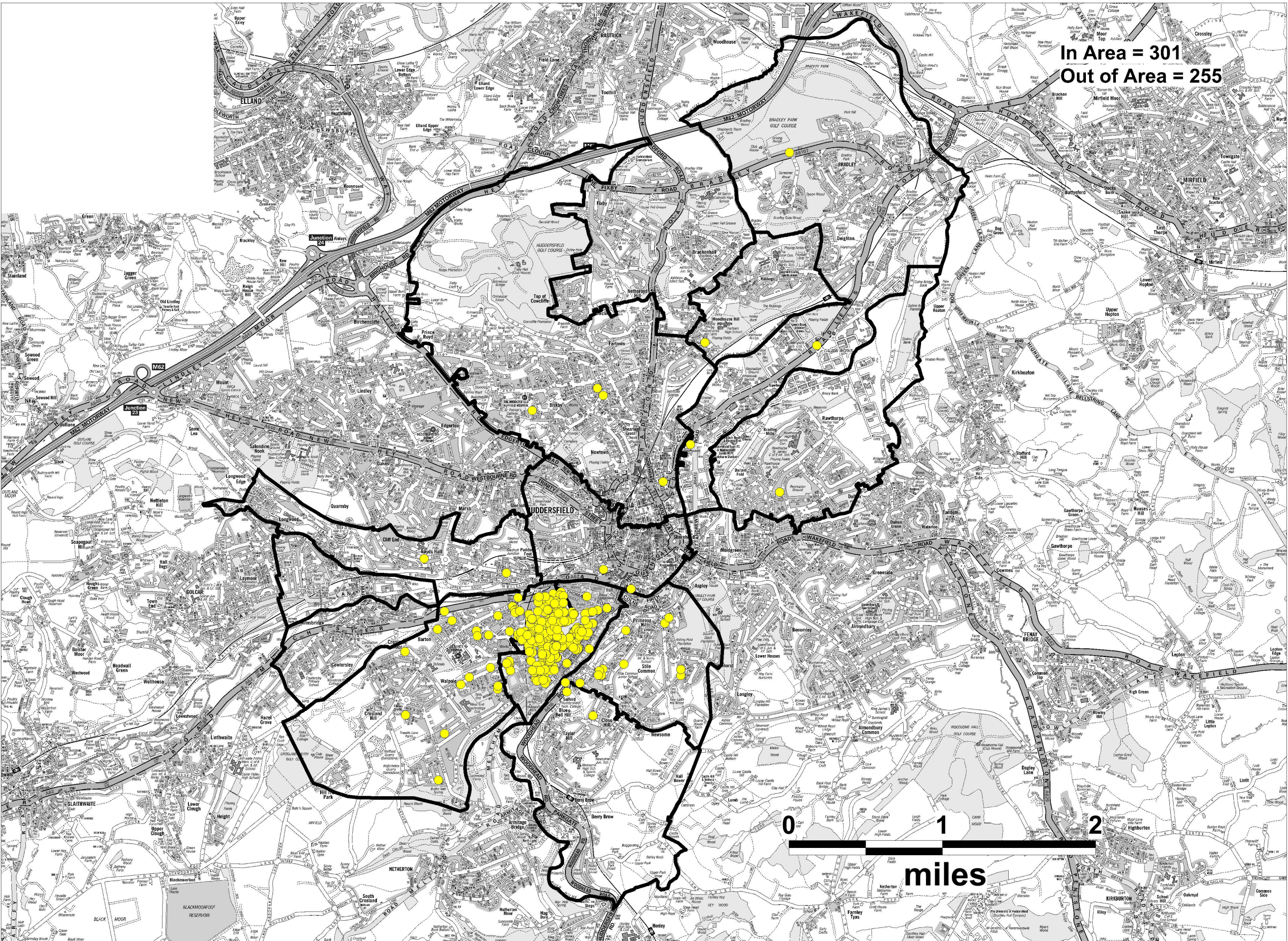
Joanne Bartholomew – Assistant Director – Physical Resources and Procurement – joanne.bartholomew@kirklees.gov.uk

10. Appendices

Appendix A – Public - Map showing the location of pupils attending Mount Pleasant Primary;

Appendix B – Private – Financial information.

Mount Pleasant Primary School



In Area = 301
Out of Area = 255

Based on
School Census
Spring 2015



School
Organisation
and
Planning
Team

Tel:
01484 221000

Date produced:
July 2015

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