


Cabinet 5 November 2014	 TOWER HAMLETS
Report of: Robert McCulloch-Graham, Corporate Director, Education, Social Care & Wellbeing	Classification: Unrestricted
Expansion of Olga Primary School – Adoption of revised capital estimate	

Lead Member	Councillor Gulam Robbani, Cabinet Member for Education and Children’s Services
Wards affected	Bow West
Community Plan Theme	A Prosperous Community
Key Decision?	Yes

Executive Summary

- 1.1 Cabinet has previously agreed the expansion of Olga School and has adopted a capital estimate for the scheme to rebuild the school.
- 1.2 The capital budget previously adopted does not meet the costs that have now been provided for the works. The report seeks approval to revise the capital estimate in order to proceed with the scheme.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the adoption of a revised capital estimate of £11.8m for the expansion of Olga Primary School.

1. REASONS FOR THE DECISIONS

- 1.1 In September 2013 Cabinet adopted a capital estimate of £10.7m for the expansion of Olga School. The proposed expansion of the school has been subject to consultation. Following a decision by Cabinet in February 2014, statutory proposals to implement the expansion from September 2016 were published. The proposals were determined for implementation following the statutory consultation.
- 1.2 The school will expand from 1FE to 3FE and this is to be implemented by rebuilding the existing school within its own site. This project contributes to the overall programme to meet the need for additional school places for the rising school age population. As set out below, the estimated cost of the

project has increased and approval is sought to increase the capital budget in order to implement the scheme. A decision is required in order to enter into the contract for the works to ensure availability of the extra school places for September 2016 school year.

2. ALTERNATIVE OPTIONS

- 2.1 The LA has a statutory duty to provide sufficient school places. The expansion of Olga School ensures that the need for places in 2016 can be met. If the scheme does not proceed or is deferred, alternative provision will be required. This is likely to mean temporary provision of accommodation (bulge classes). Due to the lead-in time for development of a permanent expansion, there is not another sufficiently well-developed project which could be substituted.
- 2.2 Where statutory proposals for the expansion of a school have been determined, the LA has a duty to implement the proposals as published (in this case for the extra places to be available from September 2016). Where the LA cannot implement as published, a separate consultation and decision-making process must be followed to vary the original proposal.

3. DETAILS OF REPORT

- 3.1 In September 2013, Cabinet agreed to adopt a capital estimate of £10.7m for the expansion of Olga Primary School by 2 forms of entry (420 places). This includes re-providing the Children's Centre and two additional nursery classes. The estimated cost was provided by the initial feasibility based on the market square metre rate at that time, but further development of the scheme was required. As the school is being rebuilt on its existing site, there is a need for a substantial amount of decant accommodation to be brought onto site to allow the school to continue to operate during construction works.
- 3.2 As previously reported, the school is part of the Grouped Schools PFI contract. The contractor, Tower Hamlets School Limited (THSL) has been commissioned as the Council's agent to develop the scheme as a design and build contract. The scheme was competitively tendered on a 2 stage basis in the spring of 2014, with the winning contractor appointed in May 2014 to develop the detailed scheme and provide a final cost as part of the second stage.
- 3.3 The cost submitted at the end of the second stage was £11.0m. This is substantially lower than the second tender that was received as part of the first stage tender. The cost is subject to an independent value for money review for the Council. To this construction budget needs to be added the cost for the furniture and equipment, ICT and contingency, making a revised total cost of £12m.
- 3.4 The increase in the overall cost is partly due to the more detailed design work carried out in stage 2, but the main reason for the increase is due to

the increasing in costs in the construction industry in the past year and the expectation that this is likely to continue during the course of this project's implementation.

- 3.5 Following a satisfactory independent scrutiny of the contract sum, the Council will enter into a contract variation to the Grouped Schools PFI contract for the construction of the new school. This is based on precedents for other variation that have been completed.
- 3.6 It is recommended that a revised capital estimate of £11.8m is adopted for the project, to be funded from the Basic Need capital grant from the DfE.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1. The LA has a statutory duty to provide sufficient school places. This report highlights the contribution the expansion of the Olga primary School (from 1 FE to 3FE) will make in meeting these duties.
- 4.2. An initial capital estimate of £10.7m for the expansion of Olga School was reported to and adopted at the September 2013 Cabinet. Following the second stage detailed review of the scheme the estimated costs for this programme have increased to £11.8m to reflect, primarily increased costs of raw materials.
- 4.3. The Basic Needs Grant is a formula based grant. The current allocation covers the period 2014/15-2016/17. Further allocations from the DfE are anticipated in accordance with the national formula, which reflects the continuing rise in need for school places. The additional capital estimate therefore can be funded through the Basic Need Capital Grant.
- 4.4. The adoption of this revised capital estimate would represent better value for money when compared to the alternatives available to the LA. For example, Bulge Classes would still require additional funding provisions, whilst only providing a short term solution.
- 4.5. The Schools Expansion Programme can subsequently be amended to reflect the amended estimate. The profile of spend is expected to still remain the same for the planned use by September 2016. This project will be closely monitored over the life of the project to ensure that costs remain within the allocated budget.

5. LEGAL COMMENTS

- 5.1. The Financial Regulations set a threshold of £250,000, above which Executive approval is required for a capital estimate. The Financial Procedures supplement this requirement. In accordance with Financial Procedure FP 3.3, senior managers are required to proceed with projects only when there is a capital estimate adopted and adequate capital resources have

been identified. Where the estimate is over £250,000 the approval of the adoption of that capital estimate must be sought from the Executive.

5.2. A capital estimate for the Olga School expansion was agreed by the Mayor in Cabinet on 11 September 2013. In February 2014, the Mayor in Cabinet agreed the publication of statutory proposals for the school expansion. The previous reports identify that the expansion may be carried out within the Council's statutory powers and set out the steps which need to be followed in order to carry out the prescribed alterations.

5.3. In deciding whether the revised capital estimate should be adopted, the Council should have regard to its best value duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Regard should be had to the information provided in the report as to the financial implications of the increased capital estimate.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The expansion of schools under the capital programme is necessary to ensure the Council meets its legal obligation to secure sufficient schools for Tower Hamlets, but will also promote equality of opportunity for children and young people (including within the meaning of the Equality Act 2010).

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

7.1 Sustainability considerations are applied as far as possible to design and materials used. Major projects are expected to obtain a minimum rating of Very Good in the BREEAM Assessment.

8. RISK MANAGEMENT IMPLICATIONS

8.1 The project will be closely monitored to ensure completion on time and within the budget provision.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

9.1 There are no implications arising from the recommendations of this report.

10. EFFICIENCY STATEMENT

10.1 There are no implications arising from the recommendations of this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

Officer contact details for documents:

- Pat Watson, Building Development, ESCW extension 4328