
**Manchester City Council
Report for Resolution**

**Report To: Resources and Governance Scrutiny Committee -
4th February 2010**

Subject: Building Schools for the Future Programme

Report of: City Treasurer

Summary

The delivery of the Building Schools for the Future programme continues apace. To maintain momentum with the delivery of Wave 4 schemes it is essential to place advanced orders for works where this will result in minimising disruption to schools during construction periods, minimising VAT liability or reducing costs. If the optimum delivery timetable is to be achieved successfully, then it is essential for advanced orders to be placed as quickly as possible. This report informs members of the forthcoming request for key decision capital expenditure approval in excess of £500,000 and where the Chair of this Scrutiny Committee will be requested to authorise exemption from 'Call-in'.

Recommendations

The Committee is requested to note the contents of the report and that the Chair of the Scrutiny Committee will be requested to exempt capital expenditure approval requests outlined in this report from "Call In".

Wards Affected:

Various

Contact Officers:

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above. **None**

Background

The Building Schools for the Future (BSF) and Academies programme continues to deliver new and refurbished secondary schools in Manchester at a pace. Manchester benefits from BSF Wave 1 and Wave 4 funding streams. Most Wave 1 schools are either completed or being built on site. All of the Academies (with the exception of Creative & Media where there have been planning/legal issues to resolve) will be delivered by September 2010.

Wave 4 schools have secured Outline Business Case approval from the funders, Partnerships for Schools, Final Business Cases (FBC's) have been submitted and approvals are expected in late February / March immediately following the planning consents. In overall terms, the delivery programme is roughly half way through, with eleven schools completed and handed over, ten schools currently being built and nine schools in design development.

To maintain momentum with Wave 4 delivery, timescales for design development have been accelerated in order to secure approvals and commit schemes before May 2010. The key projects involved are:

- Abraham Moss High School (a delayed Wave 1 project)
- Loreto High School
- Whalley Range 11-18 High School
- Grange Special School
- St Peter's RC High School
- Barlow RC High School
- Trinity CE High School

These individual projects will be presented for capital expenditure approval in due course during the period March – June 2010. They have been included in the list of projects for which exemption from 'call-in' will be requested in a report to be presented to Scrutiny Committee in March, due to the 'hibernation' of the committee cycle during this period.

Advanced Works Orders

The design works necessary for the individual school projects are being treated as a programme in order to develop a consistent and cost effective approach. During the design development stage of the individual projects the Council will in turn be agreeing contracts and target costs with the framework partners. In parallel with this our construction partners will be establishing their construction teams to target commencement on site at the optimum points in time at term and half term breaks where disruption to the schools is minimized for phasing decanting and demolition works.

In addition, there is a change in VAT legislation (effective from 1st July 2010) if building works for these are not committed before the effective date. This relates to a change in the application of the 'zero-rate' to new buildings used for a relevant charitable use, and may result in additional VAT liability for the schools concerned.

It is therefore essential to place orders for some works in advance of the main contract. To achieve the optimum project delivery timetables these orders must be placed as soon as possible, and 'call in' for scrutiny would disrupt this tight set of deadlines. The benefits of placing advance work orders are summarised below:

- Disruption to the operation of the existing schools will be minimised by aligning certain works with holiday periods, eg demolitions
- The avoidance of additional VAT liability for VA schools if permanent works not committed by July 2010.
- Construction periods will be minimised and associated costs reduced by placing orders for service diversions (which have long lead-in periods), temporary classrooms and for site clearance where this involves tree-felling works prior to the bird nesting season.

For the schemes identified above, the total value of advanced works orders required is £3.118m. The breakdown of this is set out on the table below.

School	Estimated Cost of Advanced Works Order
Abraham Moss high School	£300,000
Loreto High School	£550,000
Whalley Range High School	£310,000
Grange Special School	£450,000
Trinity CE High School	£1,000,000
The Barlow RC High School	£350,000
St Peter's RC High School	£158,000
TOTAL VALUE	£3,118,000

Financial Consequences

The total funding envelope for Wave 4 is approximately £128m. This is made up of £120m DCSF funding and £8m MCC funding. The DCSF funding will not be drawn down until the approval of the Final Business Case's for each project. Therefore the cost of the advanced works orders will be met from MCC funds. Whilst the total value of the orders is £3.118m, the risk exposure to MCC prior to the anticipated approval of the FBC's is limited to £682k.

Conclusion

To maintain momentum with the delivery of BSF Wave 4 schemes it is essential to place advanced orders for works where this will result in minimising disruption to schools during construction periods, minimising VAT liability or reducing costs. If the optimum delivery timetable is to be achieved successfully, then it is essential for these orders to be placed as quickly as possible. For this reason the Chair of this Scrutiny Committee will be requested to approve an exemption from 'call-in' of key decision capital expenditure approvals.