

## **CABINET**

**20 APRIL 2010**

# **OUTLINE BUSINESS CASE FOR BISHOP OF ROCHESTER ACADEMY**

Portfolio Holder: Councillor Les Wicks, Children's Services  
Report from: Rose Collinson, Director of Children and Adults  
Author: Chris McKenzie, Head of School Organisation and Student Services

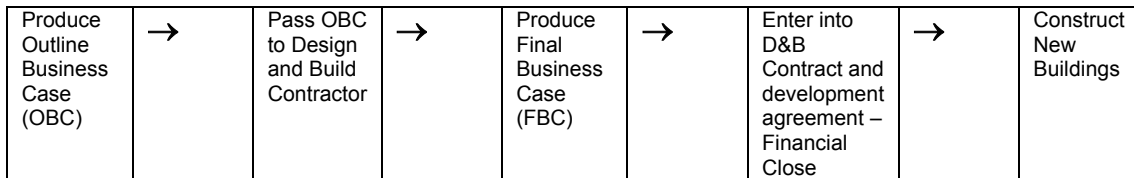
### **Summary**

To present the Outline Business Case for Bishop of Rochester Academy for Cabinet approval and onward submission to Partnerships for Schools to secure funding.

#### **1. Budget and Policy Framework**

- 1.1 This report is seeking Cabinet approval for the Bishop of Rochester Academy Outline Business Case (OBC).
- 1.2 Following Cabinet's approval of the OBC, the OBC will be submitted to Partnerships for Schools (PfS) for review and to seek approval. PfS approval of the OBC secures external funding for building the new Bishop of Rochester Academy.
- 1.3 The approved OBC is then passed to the Design and Build Contractor to further develop the design for the new academy.
- 1.4 Further milestones for the Bishop of Rochester Academy project are:
  - Approval of a Final Business Case (FBC)
  - Entering into the Design and Build Contract at Financial Close.

1.5 Depicted below is the standard PfS process:



1.6 Below is an indicative timetable:

Stage	Timeline
Cabinet Approve OBC	20 April 2010
PfS Approve OBC	June 2010
Submit FBC for Cabinet approval	November 2011
PfS Approve FBC	December 2011
Enter into Design and Build Contract	December 2011
Commence Construction	Jan 2012
Academy Building Opening	June 2013

## 2. Background

- 2.1 Medway's Academy programme is part of the wider transformation of Medway's portfolio of secondary schools and will be created by merging five existing schools into three, each with capacity for 1,500 students.
- 2.2 On the 16 December 2008 Cabinet agreed to establish a new academy to replace Medway Community College and Chatham South. The new academy which will be called Bishop of Rochester Academy will open in September 2010 in the existing school buildings. The OBC details the proposal to re-provide new buildings for Bishop of Rochester Academy located on the Medway Community College site. This academy is sponsored by the Rochester Diocesan Board of Education as lead sponsor and Canterbury Christ Church University and Medway Council as co-sponsors.
- 2.3 The procurement of a design and build contractor for Bishop of Rochester Academy will take place as a batched procurement process. This scheme is batched with Strood and Brompton Academies.
- 2.4 Strood Academy is the sample scheme for this batched procurement. An OBC for Strood Academy has been produced and received Cabinet approval 15 December 2009 (Cabinet Decision Number 224/2009).
- 2.5 The Cabinet also approved the procurement of a design and build contractor via the PfS Contractors Framework on the 15 December 2009 (Cabinet Decision Number 223/2009)
- 2.6 The procurement phase has commenced and once a Preferred Bidder (PB) is selected, the approved OBC for Bishop of Rochester Academy will be passed to the PB to further develop the design.

- 2.7 Medway Council will be required to produce a Final Business Case (FBC) prior to reaching Financial Close for Bishop of Rochester Academy. The FBC will require Cabinet and PfS approval. After Financial Close the contractor can then commence construction.
- 2.8 It is considered that the Outline Business Case, including appendices and associated documents, should be treated as exempt. This ensures there is no risk with commercially sensitive information becoming available to any third party and the associated risk of any party therefore obtaining an advantage through the procurement process. This has been circulated to the Cabinet separately together with the Group Rooms.

### **3. Options**

- 3.1 All procurement options have already been considered and Cabinet has approved the preferred procurement route as described in paragraph 2.5.

### **4. Advice and analysis**

- 4.1 The Outline Business Case will secure external funding from PfS for building the new Bishop of Rochester Academy. The executive summary of the OBC, as shown in Appendix A, to this report sets out the following:
- Overview and Commitment – describes the scheme and confirms the commitment of all parties to the procurement process
  - Procurement Strategy – describes the details of the scheme being put to the market.
  - Design and Construction – describes the site options appraisal undertaken for the building design and construction.
  - ICT – provides an overview of the ICT vision and the proposed delivery approach for the ICT provision.
  - Facilities Management – details the proposals for the provision of Life Cycle and Hard FM. The life cycle being the cost of replacing the various building elements over the life of the building and Hard FM being the cost of maintaining these building elements.
  - Affordability – describes the affordability position for the whole scheme.
  - Readiness to Deliver – sets out the LA's project management structure and identifies the roles and responsibilities of each part of the structure.
  - Moving Forward – the OBC provides a critical review of the options appraisal through completion of the DCSF checklist. Also included in this section is the benchmarking data collected at this OBC stage and confirmation that the document required for the procurement process have been developed.

#### **4.2 Indicative Funding Allocation**

The Local Authority Cost Estimate has been prepared to demonstrate the affordability of the design option contained in the OBC with reference to the PfS indicative funding allocation.

The design option is based on a gross floor area of 13,007m<sup>2</sup>. This comprises 12,754m<sup>2</sup> as the PfS indicative funding allocation together with 253m<sup>2</sup> for an additional SEN facility.

The total estimated construction cost is £27,059,466 (including Project Support Funding and ICT Hardware) at Quarter –4 - 2011 price levels.

This comprises:

- i) £25,904,420 PfS indicative funding allocation for the mainstream academy.
- ii) £577,125 carbon reduction funding.
- iii) £577,921 for the SEN facility funded directly by Medway Council.

The total estimated construction cost is consistent with the PfS indicative funding allocation together with Carbon Reduction Funding and agreed additional funding from Medway Council.

#### Scope of Works

The design option reflects the following provision:

##### New Build – 94.0%

This scope applies to both new stand alone buildings and new build extensions to existing buildings.

##### Refurbishment and remodeling – 6.0%

This scope involves a complete strip back of building to its frame, replacement of components and reconfiguration of internal spaces. For the non system buildings, this scope involves a partial strip back replacing of key components of the building fabric except the masonry external walls. It allows for alterations and reconfigurations of external and internal components of the building.

The additional SEN facility funded by Medway Council is excluded from the percentages above. Breakdown below:

<b>Item</b>	<b>SEN Provision</b>
Site Costs	£377,481
Abnormals	£18,874
Professional fees	£49,545
Furniture and Equipment	£87,072
ICT Infrastructure	£4,500
ICT hardware	£29,000
Carbon Reduction	£11,449
<b>Total</b>	<b>£577,921</b>

- 4.3 A Section 151 Officer's letter is included within the OBC, acknowledging this financial contribution and that Medway fully accepts the responsibility for the delivery of the academy buildings. Once the OBC has had Cabinet approval, this letter will be signed by the Chief Finance Officer within Medway Council.
- 4.4 The procurement of ICT hardware is subject to a separate procurement process led by the Sponsors.
- 4.5 Cost / Funding comparison as of base date quarter – 4 – 2011 price levels:

Item	PfS indicative funding allocation	Additional funding - SEN facility *	Indicative funding allocation	L.A. estimate	Variance	Comments
Construction	16,382,166	377,481	16,759,647	16,759,490	(157)	Balance of funding allocated to construction costs
Site Costs	1,939,828	N/A	1,939,828	1,940,000	172	Estimated cost b/fwd from Appendix 6B-1
Abnormals	845,141	18,874	864,015	864,000	(15)	Estimated cost b/fwd from Appendix 6C
Professional Fees (less any approved Project Support Funding)	2,364,928	49,545	2,414,473	2,414,473	-	
F&E	1,809,857	87,072	1,896,929	1,896,929	-	
ICT Infrastructure	337,500	4,500	342,000	342,000	-	
Carbon Reduction Funding	577,125	11,449	588,574	588,574	-	
<b>SUB TOTAL</b>	<b>£24,256,545</b>	<b>£548,921</b>	<b>£24,805,466</b>	<b>£24,805,466</b>	-	
Project Support Funding	50,000	N/A	50,000	50,000	-	
ICT Hardware	2,175,000	29,000	2,204,000	2,204,000	-	
<b>TOTAL</b>	<b>£26,481,545</b>	<b>£577,921</b>	<b>£27,059,466</b>	<b>£27,059,466</b>	-	

## 5. Risk Management

### 5.1 Residual Risk

Following PfS approval of the Outline Business Case (OBC), the capital allocation is confirmed and the financial risk passes from PfS to Medway Council.

Should any of the residual risk identified below result in additional cost to the project the project team will seek to manage these changes to remain cost neutral overall. Whilst substantial financial risk will pass from Medway Council to the constructor at Financial Close, limited residual risks will remain with the local authority and will potentially require remedial action by the project. Examples of these risks are detailed below:

- Discovery of asbestos within existing buildings in addition to that identified in the Type 2 survey.
- Discovery of ground obstructions requiring removal or bridging in addition to that identified in surveys.
- Potential requirement for upgrade of existing utilities infrastructure - electricity, water, gas and telecoms (letters of comfort will be obtained from the relevant statutory undertakers to minimise this risk).
- Discovery of existing services requiring diversion or protection in addition to that identified in surveys.
- Insolvency of main contractor leading to potential additional costs in re-procuring and completing the construction works over and above the value of the Guarantee Bond.

### 5.2 What if the builder goes bankrupt or fails to deliver?

Approving the OBC does not commit the Council contractually to any contractor or other party associated with the design and build of the academy. For the avoidance of doubt there will be three separate design and build contracts for each of the three projects and it is on execution of these individual contracts that Medway Council will be contractually committed to the delivery of each individual project.

Due diligence is carried out by Partnership for Schools on all of the Panel Providers prior to entry on to the framework and this is continually monitored by PfS to identify any changes or potential changes in financial standing.

At the request for Cabinet approval to select Preferred Bidder financial checks on the preferred bidders will be undertaken by the Council's technical advisors to supplement the due diligence being carried out by Partnership for Schools prior to any financial commitment by the Council.

Further steps will be undertaken to protect the Council's position with the preferred Contractor. The two main mechanisms being:

- Obtaining a Parent Company Guarantee: This ensures that where the preferred bidder is a subsidiary to a larger organisation (parent company) the parent company is obliged to deliver the project as set out in the contract for example failure to deliver to the agreed specification, programme and costs in the event of a breach of contract by the subsidiary and failure on the part of the subsidiary to rectify the breach.

Or

- Obtaining a Bond: This is an independent insurance policy which means that if the contractor goes bankrupt the Council can claim on this insurance to cover associated costs to the amount agreed in the bond. The cost of this bond would be met from within the total capital allocation from PfS.

The contract to be entered into by Medway and the contractor will set out the processes and procedures to be followed in the event that the contractor goes into receivership or is declared bankrupt and also the consequences of any such declaration.

A full risk register has been developed and has progressed with the delivery of the OBC.

## **6. Consultation**

### **6.1 Sponsors Consultation**

From the onset, Design User Groups and Design Working Groups were set up to distil the education vision into a design brief. The development of the Design Brief is an iterative process and involved continuous dialogue between the educational advisers, design advisers and other key stakeholders over several months.

The design is now at a feasible stage that demonstrates that the scheme is deliverable within the allocated funding, and that the design fits the education vision.

The development of the Design is overseen by the Design Group and has been approved by both the Design Group and the Project Steering Group prior to inclusion in the Outline Business Case.

### **6.2 Stakeholder engagement for the DQI workshop**

The stakeholders included; teachers, governors, the Principal Designate, Technical Advisor, Architect, non teaching staff and pupils.

Prior to the DQI workshop, pupils from Chatham South and Medway Community College were engaged with to share what they liked/disliked about the predecessor schools. This was shared with the DQI group by way of a PowerPoint presentation.

A tour by stakeholders and users was made of Leigh Technology Academy on the morning before the Briefing stage DQI workshop. The views collected during the tour are summarised in Appendix 3 of the design brief. Leigh Technology Academy was specifically chosen for this session, as its education vision is similar to that of Bishop of Rochester Academy.

### 6.3 Engagement with students

A Student Reference Group set up by the Academy Trust in May 2009 to consider and comment on all aspects of the academy project. This group has commented generally on the features of school design they wished to see in their new academy.

A group of six students, representing all age groups and both predecessor schools was drawn from the Reference Group to undertake a more detailed study of three sample schools: Bishop Justus School – a VA secondary school built five years ago; Leigh Academy, Dartford, built two years ago; Jo Richardson Community School, Dagenham – a new school completed in 2004. The students went on structured visits to these schools guided by a deputy head teacher and a former head teacher who explained the features of the schools and how they reflected the educational vision of those who set up the schools. The students recorded their ideas and the results were passed to the architects to inform the work of the Design Group.

The Student Reference Group will continue to meet and to discuss the developing plans after the appointment of the preferred bidder.

In addition to the visits above, sponsors, architects, project team and staff and governors from the two predecessor schools attended a series of visits to other academies chosen because they contain features relevant to the sponsors' vision for Bishop of Rochester Academy. There were lessons learned and common design aspirations discussed by the Design User Groups following a series of school visits to the following schools:

- Marlowe Academy, Ramsgate.
- Folkestone Academy, Kent.
- Bishop Justus, Bromley
- Harris Academy, South Norwood
- Leigh Academy, Dartford

The following meetings have been arranged with the stakeholders listed below to present the current control option design. Feedback from these groups can be passed to the Preferred Bidder when appointed.

- Present to the Teachers of Chatham South 20 April
- Present to Governors at Canterbury Christ Church University 21 April
- Drop in session for students / staff / parents dates to be confirmed



Following on from this OBC the Sponsors are keen to continue this flow of engagement with stakeholders. It is anticipated that the Preferred Bidder will continue to engage with stakeholders throughout the design development process. It is expected that regular briefing sessions will be had with the Principal, Governors, pupils, staff and teachers.

- 6.4 Whilst a Diversity Impact Assessment was undertaken on the proposals to amalgamate Chatham South School and Medway Community College (2008), a new Diversity Impact Assessment will be undertaken on this project, taking into account the ongoing consultation set out above and the emerging Schools Accessibility Strategy. This will be reported to Cabinet with the Final Business Case, later this year.

## **7. Financial and legal implications**

### **7.1 Chief Finance Officer Comments:**

PfS has provided an initial Funding Allocation Model for the overall academies programme in Medway of approximately £80 million. The Outline Business Case for the BORA Academy (section 4.6) analyses the scheme estimate of £27.059 million across the scheme components. This comprises indicative funding from PfS of £25.904 million, Carbon reduction funding of £0.577 million and a Medway Council contribution of £0.578 million for SEN facilities. As indicated in the OBC the Council has committed to establish additional SEN provision in each of the new academies as part of the SEN strategy. The SEN facility is to be funded from the Targeted Capital Fund, set aside to deliver the SEN Action Plan. The ongoing revenue costs will be met from efficiency savings, by diverting children from SEN independent sector placements.

### **7.2 Monitoring Officer or designated deputy comments:**

Cabinet has previously approved the use of the PfS Contractors' Framework for the procurement of the Strood Academy works. The proposal set out in the earlier report (Strood Academy OBC) envisaged a batched procurement activity for the works to be undertaken at each Academy. The contractors on the PfS framework have already been through a formal procurement process to ensure both their professional competence and their ability to carry out works that provide value for money. The proposal is for a process that is in accordance with both the relevant EU procurement rules and the Council's contract rules.

## **8. Recommendation**

- 8.1 Cabinet is recommended to approve the Outline Business Case for Bishop of Rochester Academy and give delegated authority to the Director of Children and Adults in consultation with the Portfolio Holder for Children's Services, Chief Finance Officer and Monitoring Officer to make minor changes to the OBC after it has been subjected to the PfS Peer Review for ratification on behalf of the Council.

## 9. Suggested reasons for decision(s)

- 9.1 The submission of a completed Outline Business Case is required by PfS, in order to secure funding for the scheme.

### Lead officer contact

Chris McKenzie, Head of School Organisation and Student Services, Children and Adult Services, 4<sup>th</sup> Floor Gun Wharf,  
T: 01634 334013  
E: [Chris.McKenzie@medway.gov.uk](mailto:Chris.McKenzie@medway.gov.uk)

### Background papers

Description of document	Location	Date
None		

## Appendix A

### EXECUTIVE SUMMARY

#### Introduction

The document outlines the options appraisal, cost estimates, affordability assessment and procurement strategy for the Bishop of Rochester Academy in sufficient detail to allow capital funding to be confirmed and gain approval to proceed with the scheme via the PfS Contractors Panel Members Framework. It is considered that the Outline Business Case, including appendices and associated documents, should be treated as exempt. This ensures there is no risk with commercially sensitive information becoming available to any third party and the associated risk of any party therefore obtaining an advantage through the procurement process

#### Overview and Commitment

**Section 1** and **Appendix 1** of this OBC describe the Scheme and confirm the commitment of all parties to the procurement process.

The Local Authority has confirmed that the Scheme fits with its local priorities.

The Scheme involves Medway Community College and Chatham South School

The Education Brief, including the curriculum model and accommodation schedule, has been developed and signed off by the Project Steering Group (PSG) and by the Department for Children, Schools and Families (DCSF). The accommodation schedule details a total area that is within the BB98 gross internal floor area stated in the Funding Allocation Model (FAM).

The Sponsor/Academy Trust and LA confirm their commitment to working together to procure the design and construction of the new Academy using the PfS National Framework and confirm that they will follow established PfS procedures and utilise the standard suite of documents for procurement.

The Sponsor/Academy Trust has signed the Funding Agreement and DCSF has endorsed the project to progress into procurement and engage with the National Framework Panel Members.

#### Procurement Strategy

**Section 2** and **Appendix 2** of this OBC describe the details of the Scheme being put to the market.

The Scheme is a Batched Scheme and includes design and construction projects for a mixture of both new build and refurbishment projects for Strood, Bishop of Rochester and Brompton Academies

In addition the following services are being procured for the Academy:

- Facilities Management (FM) services
- ICT services contract

A clear rationale has been followed to select the sample scheme.

A realistic programme of work has been put in place based on the guidance issued by PfS. Building Completion dates for each project within the Scheme are detailed below:

- |                        |                           |             |
|------------------------|---------------------------|-------------|
| • Strood:              | Building Completion Date: | August 2012 |
| • Bishop of Rochester: | Building Completion Date: | June 2013   |
| • Brompton:            | Building Completion Date: | June 2013   |

### **Design and Construction**

Section 3 and Appendix 3 of this OBC describe the site options appraisal undertaken for the building design and construction.

The LA can confirm that they own the land upon which the Academy will be built and that there are no encumbrances or restrictive covenants that would place the development and operation of the Academy at risk.

A robust and thorough options appraisal been carried out to determine the project proposals. The site options appraisals meet the requirements of Building Bulletin 98.

Surveys and investigations have been undertaken and the results evaluated. Collateral warranties are in place for these surveys, with the objective that the Framework Panel Members can rely on their factual accuracy.

An initial control option for the Scheme has been prepared which demonstrates that the Scheme is deliverable. This initial control option has been signed off by the Design Group and PSG as meeting the requirements of the Education brief and Design Brief and as acceptable to all parties.

An Initial DQI Workshop has been held and there is a commitment to using the DQI process throughout the design, construction and operation of the projects.

There is a commitment to implement the requirements of the Minimum Design Standard and an MDS Threshold Workshop has been programmed for fourth quarter 2010.

There is a commitment to achieving a BREEAM 'very good' rating.

The Design Brief has been developed. The Scheme will utilise the PfS Authority's Requirement document, amended to suit the local circumstances.

A construction phasing and decanting strategy has been developed.

The FAM for this project includes an allocation of £0.6M to deliver the carbon reduction targets required by the DCSF. The LA confirms that a requirement of the ITT submissions will be for the Panel Members to demonstrate that their proposals will achieve the 60% target within the funding allocation.

All existing and proposed third party users have been identified and discussions are being

held with the Trust as to whether it wishes to take over any of these users and if not, the LA proposes to terminate these arrangements as at 31 August 2010.

The Academy Trust has agreed to continue to run the courses of the Constructions Skills Centre up to 31<sup>st</sup> July 2011, once the academy opens in existing buildings September 2010.

## ICT

**Section 4** and **Appendix 4** of this OBC provide an overview of the ICT Vision and the proposed delivery approach for the ICT provision. It encapsulates the preferred delivery method and validates the rationale for that choice, including how the service is intended to integrate with the wider LA provision.

The Sponsor/Academy Trust has conducted a robust and thorough ICT options appraisal to determine the ICT approach.

Stakeholders been consulted in developing the ICT proposals.

The Sponsor/Academy Trust has confirmed that they will procure the ICT provision through the Becta Infrastructure Framework.

BECTA has reviewed the proposed delivery approach for the ICT provision and confirmed that it is acceptable.

A detailed risk register for the ICT project been developed and a clear strategy to manage / mitigate ICT risks has also been put in place.

The ICT Output Specification also been completed to a satisfactory level

## Facilities Management

Section 5 and Appendix 5 of this OBC detail the proposals for the provision of Life Cycle and Hard FM, the life cycle being the cost of replacing the various building elements over the life of the building and Hard FM being the cost of maintaining these building elements.

The Academy Trust has set out their strategy for delivering life cycle and hard FM services and confirmed that in the future, should a LEP be established that they would consider buying these services from the LEP.

The Sponsors/Academy Trust has confirmed that they will meet the expected costs for hard FM and lifecycle services from their available budgets.

## Affordability

**Section 6** and **Appendix 6** of this OBC describes the affordability position for the whole Scheme.

The OBC provides a separate cost estimate reconciled against the FAM for both the

design and build and ICT elements of the project.

The estimate indicates that the proposals are affordable within the funding allocation.

This section of the OBC confirms the Council's view that the construction Scheme represents value for money.

The LA has submitted their application for Project Support Funding and it has been approved by PfS.

The Sponsor and the LA accept that they have to deliver the Academy building within the agreed funding envelope and they will ensure that the scope of the development work fits within this envelope with due reference to the Framework rates. The Sponsor and the LA will work with the Framework Panel Members to optimise the scope and will undertake any project re-scoping necessary to ensure that the project fits within the funding envelope.

The following additional sources of funding have been secured for the project:

<b>Source:</b>	<b>Value:</b>	<b>Providing:</b>
Medway -----	£577,921 -----	SEN Provision

### **Design and Construction**

The initial design options for the Scheme have been fully costed. The cost estimate includes an assessment of likely abnormal costs resulting from the initial site investigations that have been carried out.

The capital costs fit within the Funding Allocation Model (FAM) agreed with PfS.

### **ICT**

The OBC sets out the cost per pupil in relation to a learning environment, managed service platform.

*Capital Costs* - The initial design options for the Academy have been fully costed and it has been identified what is to be delivered through the £1450/pupil funding.

We can confirm that the capital costs fit within the Funding Allocation Model (FAM) agreed with PfS.

*Ongoing Costs* - ICT costs have been estimated for a 25 year period. The estimated annual cost is £120 per pupil £118k in total per annum and the Sponsor/Academy Trust has confirmed its commitment to meeting these costs through the General Annual Grant (GAG).

### **Facilities Management**

Life Cycle and Hard FM costs have been estimated for a 25 year period. The Sponsor / Academy Trust has confirmed its commitment to investment in life cycle and hard facilities management costs based this estimate.

## **Readiness to Deliver**

**Section 7** and **Appendix 7** of the OBC sets out the LA's project management structure and identifies the roles and responsibilities of each part of the structure. The key members of the team and the external advisers are named and information is provided on their skills, experience and time commitment to the project. This section also sets out the approved budgets (including consultant advisory fees) and the delegated authorities given to a named senior officer within the key stakeholders.

The Academy Trust and Medway Council, in conjunction with the Department for Children, Schools and Families (DCSF), has followed the project structure and governance for PfS Contractor's Framework Academy projects established by PfS, which includes the creation of a Project Steering Group, a Design Group and the LA Project Team.

Medway Council has put in place resources for the duration of the project, including post contract, to monitor and maintain ongoing relations with the Framework Panel Members and ensure that performance is continually reviewed.

Medway Council hosted a Bidders Day for the Framework Panel Members. All 12 eligible Panel Members attended the Bidders Day and the LA can now establish that 10 Panel Members confirmed they intend to submit a PITT (Preliminary Invitation to Tender)

A risk register has been developed and is reviewed at each Design User Group and Medway's Education Programme Board meetings.

### **Moving Forward**

*Section 8* and *Appendix 8* of this OBC provide a critical review of the options appraisal through the completion of the DCSF Checklist. Also included in this section is the benchmarking data collected at this OBC stage and confirmation that the documents required for the procurement process have been developed.

A critical review of the options appraisal has been conducted and the benchmarking data needed by PfS has been provided.

The LA Project Team has developed the PITT (Preliminary Invitation to Tender) and draft ITT (Invitation to Tender), and have commenced the procurement process