

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny **DATE:** 10th April 2008
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PART I **FOR DECISION**

FUNDING OPTIONS FOR LEA NURSERY AND CHILDREN'S CENTRE

1 Purpose of Report

Following receipt of higher than expected tenders for the new Lea Nursery and Children's Centre, members are asked to consider the options for taking the scheme forward.

2 Recommendation

The Overview and Scrutiny Committee is requested to consider the report and make any comments or recommendation to Cabinet as appropriate.

The Cabinet is requested to resolve that either:

- a) Construction of the Lea Nursery and Children's Centre go ahead as previously agreed and methods for bridging the funding gap are explored by Andrew Blake-Herbert and Clair Pyper who are authorised to negotiate with the preferred bidder to amend the scheme and the outcome of these negotiations and the identification of funding are reported back to Cabinet,

Or

- b) Construction of the Nursery and Children's Centre is postponed and this part of the project is re-tendered following completion of the Slough Islamic School in September 2009,

Or

- c) The Lea Nursery remains as at present and Children's Centre is not built; the 'do nothing' option.

3 Key Priorities – Taking Pride in Slough and Making a Difference to Communities and our Environment

Priority 3 – Improving life chance for children and young people

Aims

- 3.1 *Keep every child safe.*
- 3.2 *Improve outcomes for vulnerable children.*
- 3.3 *Help every child achieve.*
- 3.4 *Improve provision and outcomes for young people*

4 Other Implications

(a) Financial

- 4.1 The Slough Islamic School has appointed a preferred bidder to build a new school on the Lea Campus site. At the same time as tenders were invited for this contract they also were invited for the Nursery and Children's Centre for Slough Borough Council. Of the tenders received on 25th January 2008 the construction costs are between £3m and £3.9m for the Nursery and Children's Centre. The 'preferred bidder' for the Slough Islamic School submitted a tender price for the Nursery and Children's Centre in the top quartile of this range. Capital funding set aside by the Local Authority for this work is only £2.2m. This represents a potential funding gap of between £0.8m and £1.7m looking at all tenders.
- 4.2 Within the preferred bidder's tender is the cost of the road and roundabout required through a section 278 agreement; these works are due to be paid by Slough Borough Council from the £1.5m paid by SISP for the land transfer, as agreed at Cabinet on 14th August 2007. The estimated value of this work within the preferred bidder's tender is not known but is likely to be of the order of £125K. Value engineering is being undertaken with the preferred bidder to remove non-essential costs – this may reduce the cost of their tender by an estimated £350K. Removing these two costs would leave a funding gap of £1m.
- 4.3 Members will be aware at the Council Tax setting meeting that the 5 year Capital Programme has been fully allocated. Funding this gap will therefore require decisions to be made around one of three options:
- Identify an amendment to the Council's Capital Programme to accommodate the extra costs of the Nursery & Children's centre
 - Short term borrowing to fund the immediate need, but members must also consider the impact on the minimum revenue position or
 - Identify additional capital receipts above those currently assumed in the programme,
- 4.4 The former two options will both result in funding needing to be allocated in later years to ensure either slipped schemes can be concluded or that there is no long term impact on the Council's borrowing ability. The latter would provide the most stability, but in current market conditions it is unlikely this will be achieved from a windfall from existing sites earmarked for disposal. New sites will therefore need to be considered. Officers are currently reviewing the impact of these options and will present further information to members for consideration on the night.
- 4.5 The tender price is valid for 13 weeks from the date of submission which means it is held until 25th April 2008. After this date they may choose to review their prices and this would be expected to further inflate the funding gap. Any option that cancels elements of the scheme such as not building the Nursery or Children's Centre would require a variation to the approved drawings from the Planning Department which could take up to 13 weeks. This would have an implication for the tender prices. However, building the Nursery and Children's Centre after the School is completed would give 16 months to obtain a variation to planning approval if it is required.
- 4.6 To date the Council has spent £100K on architect's fees which would be lost in the event that the project was cancelled.
- 4.7 Not re-providing the Lea Nursery would mean that it would remain on its current footprint and this would affect the planned sale of the surplus land at the front of the Lea Campus site. A planning application has not yet been submitted in respect of

any redevelopment of the surplus site but based on the provisional scheme design, a number of dwellings proposed for this part of the site could not be constructed. Despite the uncertainties in the housing market, the value of the land occupied by Nursery is estimated to be in the region of £1m.

(b) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(c) Workforce

Should the Lea Nursery re-provision be delayed or cancelled then the staff at the facility would need to continue working in unsuitable and poor condition temporary buildings until new funding can be found.

5 **Supporting Information**

- 5.1 A significant proportion of the Lea Campus was transferred to the ownership of the Trustees of the Slough Islamic School (SISP) on 30th October 2007 following payment of a £1.5m transfer fee.
- 5.2 Once this transfer was completed tender reports were able to be issued for the construction stage. The works were tendered as one complete project but with two clients and two contracts; Slough Borough Council and SISP. These were sent out 5th November 2007 and 5 tenders were received 25th January 2008. Costs received from all tenderers were far higher than anticipated and exceed the budget available to the Local Authority for construction of the Lea Nursery and Children's Centre.
- 5.3 Since January work has been carried out with the preferred bidder to reduce costs on non-essential parts of the project. It is not possible to reduce costs sufficiently to make the project affordable and funding gap of approximately £1m still remains.
- 5.4 The options outlined will not stop the Slough Islamic School being built but there may be implications for the start of construction if SISP have to change elements of the school build to take into account a delay in the construction of the Nursey and Children's Centre by the Council. In those circumstance planning permission may be required and there may be additional costs if the 13 week period to secure the tender price is missed. In addition there will be some additional costs for SISP if costs that were planned to be split between the different elements of the building need to be borne solely by SISP.
- 5.5 There are three main options for moving forward and these are described below and their associated benefits and risks are listed.
- 5.6 **Progress as planned** – There is a funding gap and this option will require that the Council allocate capital up to £1m. Further value engineering would be carried out to reduce costs to the minimum level without affecting the quality of the new buildings or the appropriate level of education/childcare. Education and Children's Services would also carry out an exercise to explore ways of securing additional funding to bridge some of the potential £1m funding gap. This would involve reducing the future capital investment available for planned programmes or deferring planned schemes to later years.
- 5.7 This proposal would ensure that the poor condition Lea Nursery building is replaced at the earliest opportunity. This building would otherwise require significant investment to patch and repair and would still require replacement in the near future.

- 5.8 It would free up the surplus land, giving the Council the freedom to sell the site when the market rate is more buoyant.
- 5.9 The full service Children's Centre would be provided meeting already agreed government targets for Slough. This is one of Slough's most deprived areas and the parents in this area deserve these new facilities which are being offered in many other areas of Slough.
- 5.10 **Delay construction until Islamic School is complete** – This would require a redesign of the current scheme to bring the construction costs in line with the available budget, which would be worth less in 16 months time than at today's rate accounting for inflation. This would require a building with a lower specification than that planned at present but could be permanent construction. Any redesign would require additional architect's fees and planning application fees. The single building linking the Slough Islamic School to a community Nursery and Children's Centre would probably need to be scaled back to reduce costs. The Nursery and Children's Centre may need to be a separate building built to a more angular design rather than the curved structure planned at present.
- 5.11 The sale of the surplus land would be delayed by a year and could not be sold until 2010 at the earliest. It is not possible to predict the value of land in the meantime and it may be that an earlier sale would provide a better financial return.
- 5.12 Government set target dates for providing a certain number of Children's Centres in Slough would be missed, although Slough would still be on target to provide 10 centres by 2010.
- 5.13 **The Lea Nursery remains as at present and the Children's Centre is not built; the 'do nothing' option** – This option would leave the staff and pupils in poor condition buildings still needing urgent replacement. The Children's Centre would need to be run from the Lea Nursery and Lea Play Centre, an inadequate arrangement that would mean the Council does not meet its targets for providing new full service Children's Centres. This area of Slough was identified as one of the highest priorities in Slough's submission to the DCSF for provision of a full service Centre.
- 5.14 The surplus land that would then be available for sale would be reduced in size and might be expected to return £1m less than previously anticipated. This could be compensated from the £2.4m remaining in the Capital Programme that was set aside to build the Nursery and Children's Centre. However, this should not be separated from the urgent need for significant investment in the Lea Nursery building.

6 **Comments of Other Committees**

This report will be considered at the Cabinet meeting on 14th April 2008 and the comments of the committee will be circulated to the Cabinet.

7 **Conclusion**

In order to deliver overall best value for Slough, it is requested that Overview and Scrutiny Members consider one of the two options that would see a new Lea Nursery and Children's Centre built.

8 **Appendices Attached**

None