

## CABINET ITEM COVERING SHEET PROFORMA

### **AGENDA ITEM**

### **REPORT TO CABINET**

**16 JUNE 2011**

### **REPORT OF CORPORATE MANAGEMENT TEAM**

## **CABINET DECISION**

### **Children & Young People – Councillor Mrs McCoy**

#### **CAPITAL INVESTMENT IN SCHOOLS**

##### 1. Summary

This report updates Cabinet on the current position in respect of school capital funding. Members will be aware from the report to Cabinet on 14 October 2010, there was an anticipated reduction in national funding available for investment in schools and a national review of funding methodology underway (the James Review).

The James Review has recently been published and details are covered in this report. The review recommends a fundamental change in how Schools Capital is administered with significant implications for Local Authorities as well as DfE, Partnerships for Schools, Diocese and Schools. If implemented, the Local Authority will be responsible for developing an investment strategy for all schools (including Diocesan, Academies etc) which would focus on building condition issues and pupil capacity. Funding for routine maintenance would be issued to Councils to manage with major schemes delivered by a National agency.

The Government has yet to formally respond to the James Review report and recommendations and there has been no indication of the level of funding to be allocated.

It had been anticipated that funding announcements would have been made earlier in the year which would have enabled the Council's school capital strategy to be developed and finalised. Once the funding position and the Government's response to the James Review are known, the Council will finalise the investment strategy and report the position to Cabinet.

Funding allocations have been notified to the Academies in the Borough and an update is provided along with the current status of the free school application.

##### 2. Recommendations

1. That the Borough-wide strategy for Capital Investment in Schools be developed in line with the outcome of the Government's response to the James Review and to reflect the outcome of the free school application in Ingleby Barwick.
2. That Cabinet approve the Council as lead organisation on the procurement of the Academy developments in the Borough, in line with funding allocations received.

3. Reasons for the Recommendations/Decision(s)

A review of the Council's capital investment strategy in schools is required following the withdrawal of Building Schools for the Future and the Primary Capital Programme funding. The Government is reviewing school capital allocation process and has recently published the James Review report, although the Government's response is still awaited.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**RECOMMENDATIONS**

1. That the Borough-wide strategy for Capital Investment in Schools be developed in line with the outcome of the Government's response to the James Review and to reflect the outcome of the free school application in Ingleby Barwick.
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## **DETAIL**

### **JAMES REVIEW ANALYSIS**

#### **Analysis of the Current System**

1. The James Review outlined a number of criticisms of the current school capital arrangements, and in particular Building Schools for the Future.
2. It claimed the current system of school capital was fragmented, bureaucratic for all concerned and that this has resulted in poor use of resources. There were criticisms of both the allocation of capital and the delivery of schemes.
3. Capital allocation and funding decisions were not always based on objective criteria, with the review particularly critical of Building Schools for the Future. This was based on educational transformation, driven by funding and did not necessarily direct resources to buildings most in need of investment.
4. There are a significant number of funding streams for general school capital/maintenance. Devolved funding processes (to schools) did not always achieve objectives.
5. Schemes have taken a long time to complete and have not delivered value for money, particular issues raised being:
  - Designs have been too bespoke, leading to increased costs
  - Lack of expertise on the client side
  - Regulatory and planning processes are too complex and hostile for building schools. Maintenance is critical to controlling lifetime costs for schools.
  - The quality of data was identified as critical and was very variable and often poor.

#### **Proposed Future System**

6. The emphasis of future capital investment is to provide fit for purpose facilities and secure additional pupil places where they are needed. This approach seems to be based on condition and pupil place projections. There is recognition that this requires a strategic approach both nationally and locally and that it relies on good quality data.
7. Sixteen recommendations have been made (see attached) and the future proposals are centred around:
  - Strategy development and planning
  - Delivery and management of schemes.
8. The report introduces the concept of a “Responsible Body”. Examples would be Local Authorities, Dioceses and Academy Trusts. It suggests Local Authorities will have a co-ordinating role, developing an investment strategy for all schools in the Borough (including those where we are not responsible body). It is not clear what this will contain (i.e. major investment or all maintenance) but the focus will be on condition and need.
9. There is recognition of issues around data quality and there is an ultimate aim that there is a national database on condition issues. This will be extremely challenging to deliver.

10. There are significant implications surrounding funding, procurement and delivery. The report indicates that the current arrangements of local procurement and delivery do not deliver best value. The aim in future is:
  - Large projects (new build and major refurbishment) identified from Local Investment Plans, funded, procured and delivered by a National Body on behalf of Local Authorities. New buildings should be based on a clear set of standardised drawings and specifications. There is however a caveat which may allow high performing Authorities to deliver some schemes.
  - Funding for smaller works and maintenance will be issued to the local level, co-ordinated by a 'responsible body' with local procurement making use of national contracts.
11. There is a view that a cost saving 30% saving could be achieved – quoting the example of the pilot scheme at Doncaster.
12. Responsible bodies should be accountable for the maintenance of the facilities they own and manage. They should also work together in their area to make sure that the education needs of local children are met. Capital allocations to support small capital works and ICT infrastructure should be aggregated to responsible body level (e.g. Local Authority, Academy Trusts) and not delegated to schools.

### **Areas of Uncertainty**

13. There is no guarantee that the recommendations from the report will be implemented. Government will consider the report and issue their response and we will then understand which recommendations are supported and timescales.
14. There is no information on future funding levels/allocations, nor information on the timescales on which we could expect clarity on these issues. This includes the amount to be allocated for routine maintenance and also the amount for major schemes.
15. There is no information on prioritisation of investment plans at a national level, particularly given that there is likely to be a resource shortfall to meet national backlogs.

### **ACADEMY DEVELOPMENTS**

16. The Academy sponsors have been notified of the funding allocations for redevelopment or refurbishment of the facilities. The Northshore allocation is £13.4m and Thornaby £5.5m.
17. Partnerships for Schools are managing the Academy developments at a National level on behalf of Department of Education, and discussions to date have indicated that the preferred delivery option is for the schemes to be procured via the Local Authority. Officers have been in discussion with Sponsors and PfS but we are still awaiting formal clarification of the delivery mechanism and their formal approval for the schemes to commence procurement. Whilst this delivery mechanism will allow the Academies to benefit from Council expertise, we need to be mindful that this could transfer financial risk to the Council as we would be responsible for the schemes. Discussions will be held with sponsors and PfS to mitigate or transfer this risk.
18. The preferred solution for the Northshore Academy is a 900-place new build school on the Tilery site, which is the same as previously planned under BSF. The level of funding allocated however is much reduced and this makes this extremely challenging and work is ongoing to design an affordable scheme. The scheme at Thornaby Academy will now be a major refurbishment of the existing school site.

19. As part of the development work with Sponsors of the Northshore Academy, the possibility of co-locating the MyPlace facility with the school has been suggested. This would entail integrating it with the school and procuring and building this facility as part of the one facility has been explored. This has been supported by the Sponsors and this would result in an exciting scheme which would:
- a. Support the regeneration aspirations of the Council for the Northern Gateway area
  - b. Co-locate a range of services and create a vibrant community facility
  - c. Support the training and development of young people within the Borough
  - d. Reduce the revenue commitment for the facility, as the Academy would manage the Youth Services in MyPlace.
  - e. Create an opportunity to combine the two funding streams to ensure that the capital allocation for the two projects achieves an efficient building programme.
20. Given the timescales around the MyPlace funding, discussions are ongoing with DfE and PfS around the integration of this facility within the scheme. A formal submission on the merits of the integration of the MyPlace scheme into the Academy has been made to DfE during May 2011.

## **PUPIL NUMBERS**

21. Members will be aware from the report to Cabinet in June 2010 of the emerging pressures surrounding Primary School places across the Borough.
22. The projections for Stockton on Tees show increasing numbers of children and this is reflected in the numbers of applications for school places in reception. In 2010 we had 2382 applications and were able to give 95% of parents one of their preferred schools compared with 2011 where we could only give 92% of parents one of their preference.
23. There are particular pressures across North and Central Stockton, Thornaby and Ingleby Barwick. If the recommendations of the James review are implemented, school places will be a key criteria in funding allocations. Options are being explored for increasing capacity in these areas both for the short term, through reviewing pupil admission numbers, and in the long term to inform the Council's investment strategy and to enable the Council to benefit from any funding available.
24. The Council's BSF strategy for change documents included some reconfiguration of schools and changes to school capacities and this will also be incorporated into the strategy.

## **FREE SCHOOL AND ACADEMY DEVELOPMENTS**

25. The proposer group of 'The Free School Proposal: BARWICK'S OWN SECOND SECONDARY SCHOOL' were given approval to progress to business case stage in January 2011. The Department for Education notified the Corporate Director of Children, Education and Social Care of this requesting the assistance of the local authority in terms of compliance with the Schools Admissions Code and a response to the proposal by 25 March 2011.
26. The response included, as requested, contextual information as well as a statement of the Council's position. The October 2010 Cabinet Report and the views of key stakeholders were appended to the response.
27. Whilst the original deadline for this stage was June 2011, the Department for Education brought the deadline forward to 15 April. This proposer group submitted the proposal by the required date, the response to which required the group to resubmit with additional detail as part of the new round of applications. The deadline for this submission is 15 June 2011.

28. The Governing Body of All Saints Church of England VA School has informed the Council of their intention to consult on a move to Academy status, having reached this decision in June 2011.

### **DEVELOPMENT OF CAPITAL STRATEGY FOR SCHOOLS**

29. Work is ongoing assessing the priorities for Capital investment in schools across the Borough. Assuming the principals of the James review are adopted, this will focus on investing to deal with school capacity issues and priority maintenance work. The report to Cabinet in October 2010 was clear that the strategy would need to take into account the outcome of the Government Spending Review and the implications of a free school. Given there is still uncertainty surrounding the level of funding available, how it will be distributed and also the free school application, the completion of this strategy will be delayed and presented to Cabinet once these issues are clarified which is anticipated to be in the autumn.

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### **FINANCIAL IMPLICATIONS**

30. There are no financial implications in developing the strategy. There will be financial implications of implementing the strategy and a further report will be presented once the funding position is known.

### **LEGAL IMPLICATIONS**

31. No implications at this stage

### **RISK ASSESSMENT**

32. Developing the investment strategy is categorised as low to medium risk, which will be managed by existing management systems. The procurement and development of the Academy schemes are considered medium risk to the Council and will be closely managed in line with the Council's programme management arrangements.

### **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

33. Investment in school buildings will contribute positively to economic regeneration and improve services for children and young people.

### **EQUALITIES IMPACT ASSESSMENT**

34. The Equality impact assessments prepared for BSF and Primary Capital Programme will be reviewed as part of the development of the investment strategy.

### **CORPORATE PARENTING**

35. There are no issues at this stage.