

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>10 JUNE 2011</b>
<b>TITLE OF REPORT:</b>	<b>SCHOOLS' CAPITAL INVESTMENT PROGRAMME</b>
<b>REPORT BY:</b>	<b>HEAD OF ACCESS &amp; CAPITAL,</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To receive information on capital funding arrangements for 2011/12 and a summary of the James Review of capital expenditure in schools.

### **Recommendation**

**THAT Committee note and comment on the report as part of its advisory function.**

### **Key Points Summary**

- The 2011/12 capital allocations for Herefordshire show an 80% decrease in schools' devolved formula capital allocations. Although, in part, this is due to the Government allocating the bulk of capital maintenance grant to the Local Authority, rather than to schools, the overall capital allocation for 2011/12 is about £1.4 million below the 2010/11 allocation.
- The James Review was commissioned by the Department of Education (DfE) to ensure that future capital investment will provide good value for money and will support the Government's ambitions to reduce the deficit, raise standards, tackle disadvantage, address building condition and meet the requirement for school places in areas experiencing an increase in the birth rate. The key recommendations include:
  - Determining capital allocation using objective information on the need for pupil places and on the condition of the local school estate.
  - Procuring and managing larger projects through a "central body" set up by the DfE.
  - The central body putting in place a small number of new national procurement contracts for building projects.
  - Developing a standardised suite of drawings and specifications that can be applied across a range of projects for new buildings.
  - Utilising a fast-track approach to procurement to reduce the time and cost burden for bidders and the client.

- Making responsible bodies (usually the local authority, diocesan bodies and academy trusts) accountable for maintenance of facilities with clear parameters set for the standard of maintenance required.
- The government is determining its response to the James Review which is expected later this summer. Herefordshire will implement any changes within the national context, but is well placed to involve schools through the Capital Strategy Consultative Group, which has school representation and has already influenced the use of the primary capital strategy grant for 2010/11.

## **Alternative Options**

- 1 This report is for information and therefore alternatives are not provided.

## **Reasons for Recommendations**

- 2 To provide sufficient information and opportunity for Schools Forum to comment on and to make recommendations on the 2011/12 capital programme arrangements for schools.

## **Introduction and Background**

- 3 This report is to provide information on the key areas of progress and challenge within the capital programme for 2011/12 and to provide a summary of the James Review of capital expenditure in schools.

## **Key Considerations**

### **Capital funding grants 2011/12**

- 4 On 13 December 2010, the Secretary of State announced details of allocation of over £2 billion of capital funding for 2011-12 to schools and local authorities.
- 5 The announcement included details of allocation of:
  - £800 million of basic need funding to local authorities to provide school places where needed in their area, in all categories of taxpayer-funded schools
  - £858 million of maintenance capital to local authorities to support the needs of the schools that they maintain and for the Sure Start children's centres in their area
  - £196 million of locally-coordinated Voluntary Aided schools programme capital to support the maintenance capital needs of voluntary-aided schools
  - £185 million of devolved formula capital for schools.
  - £800 million basic need funding has been allocated according to relative need for new places, based on forecast data provided by all authorities. All taxpayer-funded schools within each local authority will be eligible for this funding, including voluntary-aided schools, open academies, and new Free Schools where they address basic need pressures.
- 6 The proportion of the funding available for capital maintenance which has been allocated to each authority has been determined by school and weighted pupil numbers from the most recent data available. The voluntary-aided sector has been allocated a fair share based on pupil numbers, and reflecting the governors' 10 per cent contribution and eligibility for VAT.

Allocations have been abated where schools have been or are about to be modernized through Building Schools for the Future or PFI projects.

- 7 £185 million devolved formula capital funding has been allocated direct to all taxpayer-funded schools based on a national formula of £4,000 per school and a per pupil sum which is weighted for the type of pupil: £11.25 (primary), £16.875 (secondary), £33.75 (SEN). This is a much lower rate than previously. For most schools, devolved formula capital has reduced by 80% on previous years' funding levels. The Audit Commission criticised the allocation of large amounts of funding to schools that was not targeted to building need. Therefore, in view of the need to prioritise, the Government has balanced the bulk of maintenance funding to local authorities, to support local priorities and larger projects, with coordinated and efficient procurement.
- 8 All these programmes will be delivered as capital grant.
- 9 Allocations for 2012/13 until 2014/15 will be informed by the outcome of the James Review of Capital Expenditure in Schools. While the allocation and management for these programmes may change to reflect the recommendations of the review, it is expected that the funding available for basic need and capital maintenance of schools will be roughly in line with the funding for 2011/12.

#### Herefordshire Local Authority allocations – 2011/12

Grant	Indicative allocation 2011/12 (£000)	2010/11 allocation for comparison (£000)	Difference (£000)
Basic Need	2,154	458	1,696
Capital Maintenance – Local Authority Maintained Schools	2,696	1,949	747
Capital Maintenance – Locally Co- ordinated Voluntary Aided Schools Programme	907	1,032	(125)
Schools Access Initiative	0	286	(286)
Devolved Formula Capital	679	3,589	(2,910)
Harnessing Technology (Devolved to schools)	0	545	(545)
<b>Total</b>	<b>6,436</b>	<b>7,859</b>	<b>(1,423)</b>

- 10 The Local Authority is working with schools, through the Capital Strategy Consultative Group (established as part of Children & Young People's Capital Strategy) to allocate Basic Need and Capital Maintenance funding, using the CYPD Capital Strategy format and assessment tool. This approach was used successfully to allocate the 'match funding' element of the primary strategy capital money in 2010/11 and involves school phase representation and Archdiocese and Diocesan representatives.

### **James Review of capital expenditure in schools**

- 11 The James review was published in early April 2011. Led by Sebastian James (a director at electrical retailer Dixons) the review panel was tasked with considering the Department for Education's (DfE) existing capital expenditure and making recommendations for future delivery models for capital investment in schools.
- 12 The review of Building Schools for the Future (BSF) identified evidence of poorly defined goals, allocation of funds based on inappropriate criteria, weaknesses caused by the lack of an "expert client" and a cumbersome and bureaucratic procurement process. While it is important not to lose sight of the fact that there were some success stories in BSF, including Herefordshire's Earl Mortimer College and, through the Academies programme, The Hereford Academy, which will open its doors to students in September, the review's core sentiment is that reform is necessary to achieve value for money and fit-for-purpose school buildings in the new financial landscape.

### **Summary of recommendations**

- 13 The review's key recommendations include:
- Determining capital allocation using objective information on the need for pupil places and on the condition of the local school estate.
  - Procuring and managing larger projects through a "central body" set up by the DfE.
  - The central body putting in place a small number of new national procurement contracts for building projects.
  - Developing a standardised suite of drawings and specifications that can be applied across a range of projects for new buildings.
  - Utilising a fast-track approach to procurement to reduce the time and cost burden for bidders and the client.
  - Making responsible bodies (usually the local authority, diocesan bodies and academy trusts) accountable for maintenance of facilities with clear parameters set for the standard of maintenance required.
- 14 Some of the review's recommendations are likely to be subject to further consultation but there is a strong sense that they will largely be adopted by the government. Its initial response is expected later this school.
- 15 If adopted by Government, work will be required to turn the review's recommendations into a workable model. The success of the model is heavily dependent on the new central body, but its exact role and structure remain uncertain. The expectation is that Partnerships for Schools (PFS), the organisation responsible for delivery of BSF, will form the core of the new body.

- 16 Local authorities will see the biggest change, with their direct involvement in procurement and contract management of major schemes changing to one of engagement and local influence. Instead of the government providing money for new buildings, it will provide the building itself, procured through the new central body. The review believes that centrally procured national contracts will offer the best approach to achieving a streamlined procurement process.
- 17 The review envisages that local capital expenditure needs will be established through investment plans agreed locally and approved centrally. These are to be co-ordinated by local authorities. The review envisages these investment plans balancing the needs of all schools (including academies and free schools), not just local authority-maintained schools.
- 18 The detail is yet to be developed, but whatever criteria are set by Government to assess capital expenditure needs, they must be clear if they are to facilitate local agreement on priorities from competing interests.
- 19 Contractors will welcome moves to streamline the procurement process and larger contractors will feel confident of making it on to the new national contracts. However, if these contracts are procured on a national basis, this will cause concern for those (including the government) who want to ensure that small and medium enterprises are given a full opportunity to bid for and win public sector work.
- 20 The review makes clear that the procurement should be structured to allow small and medium enterprises to bid successfully but further detail is required to see how this would be achieved.
- 21 From an individual school and academy perspective, the centralised approach and increased standardisation will mean accepting less direct influence in the end design of their school. Ultimately a school or academy may consider that a basic building in good condition is better than a crumbling building or no building at all.
- 22 The review leaves the door open for some direct local procurement. Local authorities (and other responsible bodies, like academy trusts and charitable foundations) could “earn the ability to procure autonomously based on their proven delivery capability”. However, there is no detail at this stage on what criteria would be applied to earn this right.
- 23 The review refers to larger projects being procured centrally but does not recommend a threshold for deciding which projects fall into this category. Further detail is required on where the threshold will be set to strike the balance between the benefits of central procurement and the requirement for swift local action to meet a particular need.
- 24 Time will tell whether the changes that flow from this review will deliver what they seem to promise. Much depends on their implementation. At this stage, there are many more questions to be answered but the scale of the shift in culture and approach these recommendations herald should not be underestimated.
- 25 Herefordshire will take the Government’s response to the James Review to the Schools Strategic Group, and make the most of the new organisational arrangements of Herefordshire Public Services, including any proposals regarding the delivery of property functions as part of the organisation’s Rising to the Challenge programme.

## **Community Impact**

- 26 The capital investment programme of the People’s Directorate, including schools and early years settings, has wide ranging community impacts, benefiting children and young people and their families across Herefordshire.

## **Financial Implications**

27 These are contained in the body of the report

## **Legal Implications**

28 The use of capital funding including grants must comply with the legal requirements associated with each funding stream and the conditions of specific grants

## **Risk Management**

29 The risks are set out in the body of the report.

## **Consultees**

30 None applicable.

## **Appendices**

31 None.

## **Background Papers**

- None identified.