

MEETING:	SCHOOLS FORUM
DATE:	8 DECEMBER 2011
TITLE OF REPORT:	SCHOOLS CAPITAL INVESTMENT PROGRAMME
OFFICER:	HEAD OF SUFFICIENCY & CAPITAL COMMISSIONING

CLASSIFICATION: Open

Wards Affected

County-wide – All schools

Purpose

To report on the investment programme for Herefordshire schools in 2011/12 and to provide an update on the Government review of schools capital and possible implications for Herefordshire.

Recommendations

THAT SCHOOLS FORUM:

- (a) **Note and comment upon the 2011/12 capital investment process and programme.**
- (b) **Note the update on the Government review of schools capital and possible implications for Herefordshire.**

Key Points Summary

- Reduction £1.423m in schools capital between 2010/11 and 2011/12.
- Shift of funding from devolved to Local Authority
- Given the shift of funding a process has been developed and implemented with the Capital Strategy Consultative Group to provide an objective and transparent allocation of the funding available.
- 2012/13 funding allocations are due to be announced as part of the Local Government settlement in December.
- The Government's proposals for the allocation of Capital Maintenance and Basic Need funding in future years may lead to reduced capital funding for Herefordshire due to the comparatively good condition of the school stock in the County and the relatively low increase in birth rate in the County, coupled with overall surplus capacity to meet increased demand for places.

Alternative Options

- 1 This paper provides an update and invites comment. There are no alternative options.

Reasons for Recommendations

- 2 To provide sufficient information and opportunity for Schools Forum to comment and advise upon the schools' capital investment programme, process and outcomes for 2011/2012 and to understand the possible implications for Herefordshire of the Government review of schools capital.

Introduction and Background

- 3 This is a report on the key areas of progress, achievement and challenge within the capital programme for 2011/12.
- 4 The Government commissioned Sebastian James to undertake a major review of schools' capital. The 'James Review' reported to Government in April 2011 with a number of recommendations which were broadly accepted by the Secretary of State who consulted on the recommendations over the summer and early autumn 2011.

Key Considerations

5 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)
Total	6,436	7,859	(1,423)

- 6 There are three significant changes to the Government grant allocations for Herefordshire between last financial year and this financial year. The first is a significant reduction of £1.423m in the total capital grant as part of the Government's austerity measures. The second is the removal of specific grants for Schools Access Initiative and Harnessing Technology. The former was aimed at improving access to buildings and the provision of specialist equipment and curriculum resources for children with disabilities and the latter supported the development of ICT in schools. The third significant change is an average 80% reduction in schools' devolved formula capital budgets and an increase in Local Authority capital maintenance and basic needs capital grants. This shift was prompted by an Audit Commission report which concluded that devolved capital spend was not addressing the highest asset management priorities across a local authority's area. The Audit Commission recommended that local authorities were best placed to co-ordinate and provide a strategic overview of capital investment priorities.
- 7 Capital Maintenance Grant, to address building condition issues, is for Local Authority maintained Community, Voluntary Controlled, Foundation and Trust schools only. Academies capital maintenance funds are provided to each academy directly by the Department for Education. Although reduced from the 2010/2011 funding level, the Government has retained a separate grant allocation for Voluntary Aided schools through the Locally Co-ordinated Voluntary Aided Programme (LCVAP). LCVAP has always been 'badged' as capital maintenance funding by Government. Herefordshire has traditionally used the funding to meet priority capital maintenance needs, but has also used the funding to provide new and improved facilities on the basis that such investment would reduce future capital maintenance liabilities.
- 8 Basic Need capital grant is provided to the Local Authority as the strategic commissioner of school places. It is available to provide and improve school places and provision across all categories of schools, including Academies and Voluntary Aided schools. Given this, Herefordshire Council will wish to explore with the Hereford Diocese, Archdiocese of Cardiff, Herefordshire's one secular Voluntary Aided school and the People's Services Directorate Capital Strategy Consultative Group the future use of LCVAP (assuming it remains a separate grant in future). Its continued use to fund new and improved facilities, rather than being used for capital maintenance, may be seen as unfair as Voluntary Aided schools would have access to two funding streams. The consequence would be that LCVAP would be used solely to address priority capital maintenance needs at Voluntary Aided schools, just as the Capital Maintenance grant is used to address priority needs at Community, Voluntary Controlled, Foundation and Trust schools.

The 2011/12 Capital Maintenance budget for Community, Voluntary Controlled, Foundation and Trust schools has been committed in the following areas:

	<u>£000</u>
Roof repairs/replacement	758
Fire precautions	21
Electrics/Lighting upgrades	314
Replacement doors/windows/curtain walls	263
Boiler replacement/heating	180
Damp proofing	35
Insulation	75
Asbestos removal	170
Oil tank replacement	30
LPG Tank safety	30
Legionella	60
Lift upgrades	80
Energy Trend System	50
Condition surveys	80
Contribution to insurance	300
Emergency contingency	<u>250</u>
	2,696

- 10 The 2011/12 Locally Co-ordinated Voluntary Aided Programme has been committed in the following areas:

	<u>£ 000</u>
Roof repairs	10
Boiler replacement	80
Curtain walls	100
Drainage	60
Toilet refurbishment	55
Electrical rewiring	140
Pupil mobility/access alterations	50
Remodelling teaching/PPA area	110
Provision of covered link between blocks	<u>90</u>
	905

- 11 All schools were invited to submit bids for Basic Needs capital funding in the summer term. Bids were invited for building schemes to improve provision and also for ICT bids where schools had an urgent and planned ICT need which was at risk because of the severe reduction in devolved formula capital. 52 schools submitted bids, some submitting more than one. A total of 55 bids were received for building improvements funding, totalling £6.6m and 29 bids for ICT funding, totalling £250k.
- 12 Prior to the invitation to submit bids for Basic Needs funding, the People's Services Capital Strategy Consultative Group, which includes school phase and diocesan representation, considered and recommended improvements to a capital scheme scoring matrix to be used to bring objectivity to the assessment of bids and help in determining the funding priorities in line with the Capital Strategy.
- 13 Over the summer and early autumn, the People's Services Sufficiency and Capital Investment

team assessed the bids against the scoring matrix and against a number of 'gateways' to determine the quality and deliverability of schemes. This process identified a number of priority schemes for funding from the 2011/12 Basic Need capital grant and these were shared with the People's Services Capital Strategy Consultative Group on 21 November for scrutiny and comment, including the process that had been followed.

- 14 The People's Services Capital Strategy Consultative Group approved the recommended schemes. Director and Cabinet Member approval will now be sought and details of the bids approved for funding will be tabled at the Schools Forum meeting on 8 December.
- 15 The Consultative Group was pleased with the approach taken by officers to develop an objective and transparent capital funding allocation system and was content that the recommended schemes for funding represented the highest deliverable priorities with the funding available. However, it was accepted that further refinement of the assessment process is required and officers will work on this and consult further with the group to improve the process further.
- 16 The Government's consultation on the recommendations of the James Review of schools capital closed on 11 October 2011. Civil servants and Ministers are still considering the responses. Broadly, the consultation focused on two key areas – the best model for allocating funding nationally and a more centralised approach to procurement and project management of larger capital schemes for new or replacement school builds.
- 17 The James Review recommended priority investment for those areas experiencing shortages of school places. The national rise in the birth rate has created a shortage of places in mainly urban conurbations. The other priority identified for investment is building condition. Generally, the move is away from transformational investment to maintaining current stock and investing in new provision to address shortage of places.
- 18 75% of responders to the consultation favoured the principle that there should be Local Investment Plans, hosted by Local Authorities, but working with 'responsible bodies' such as the diocese, academies etc to establish a locally developed and agreed investment plan. Herefordshire is well placed to adopt such a system and to some extent has pre-empted this proposal through the establishment of the Capital Strategy Consultative Group which is well placed to develop to provide this model.
- 19 An area where Ministers have already acted following the consultation is to develop a system for gathering high level condition data on all schools across the country in order to inform the allocation of capital maintenance funds to Local Authorities and academies. Whilst national funding allocations will be based on this high level data, allocation of such funds would be determined locally, which is where the Local Investment Plans are likely to feature. There will still be an expectation that Local Authorities and academies collect more detailed condition data to inform investment decisions at the Local Authority or individual academy level.
- 20 Reaction to a more centralised approach to procurement and project management of major capital schemes, perhaps 'packaging' major capital schemes nationally, received a more mixed reception with just over 50% in favour, but many questioning the anticipated efficiencies over regional procurement models already in place, such as the West Midlands Contractor Framework and the impact on local economies. The centralised approach also consulted on the proposal to develop a set of standardised designs for all new schools. Again, opinion was split fairly equally on this.
- 21 Over the summer, the Government announced two further capital funding streams. The first was the Priority School Building Programme which is aimed at rebuilding approximately 100 – 300 schools in the worst condition throughout the country, via a Private Finance Initiative over

a 26 year period. By comparison to many other local authority areas, Herefordshire schools are generally well maintained and consequently no Herefordshire school met the criteria for replacement through this scheme. Had any school met the criteria, the Local Authority would have wished to consider very carefully the benefits and obligations imposed through a long term PFI commitment.

- 22 The other funding announced was an additional £500m of Basic Need. Ministers targeted this money at Local Authorities that are experiencing shortages of school places. Herefordshire, along with about 40 other Local Authorities did not receive any of this additional Basic Need funding because, overall, Herefordshire has sufficient school places to meet demand and, in fact, significant surplus places.
- 23 The Government is considering the basis for Basic Need grant allocations to Local Authorities for 2012/13. Through the Association of Directors of Children's Services, with whom the Government has consulted, Herefordshire has commented on a proposed funding model that allocates 50% of available Basic Need funding across Local Authorities based on increasing pupil numbers and 50% based on capacity to accommodate increased pupil numbers. Specifically, Herefordshire has commented that on an individual school basis the government expects that there is a presumption of approval to enable popular schools to expand. How is this taken into account in relation to basic need, particularly in rural authorities where the overall pupil numbers might be static or declining? Also, in some counties there is a community/geographic/accessibility need to keep schools open even though they may have a surplus of places. The calculation proposed by the DfE would not take such issues into account and in summary act adversely against some areas that do require funding to meet basic need within their overall area. On a quick calculation Herefordshire by way of example would lose a quarter of its Basic Need funding due to the crude methodology proposed. We have stressed that we are sure that this is not the Minister's intention.

Community Impact

- 24 The capital investment programme of the People's Services Directorate, including schools, has wide ranging community impacts, benefiting children, young people and their families across Herefordshire.

Financial Implications

- 25 These are contained in the body of the report.

Legal Implications

- 26 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

- 27 The risks are set out in the body of the report, in terms of project delays and the actions planned to mitigate the impact of these.

Appendices None

Background Papers None