

The Cabinet – 29 October 2008

Report of the Director of Children's Services

Transforming Secondary Education – Building Schools for the Future and Academies

Purpose of Report

1. This report informs the Cabinet of progress with proposals for Building Schools for the Future (BSF) and Academies and seeks a decision on the way forward.

Building Schools for the Future

2. In 2003 the then-Department for Education and Skills (DfES) announced Building Schools for the Future, the largest-ever capital investment programme, intended to transform the outcomes of secondary education for children and young people through the creation of 'world-class' schools fit for 21st Century learning. All local authorities were invited to submit Expressions of Interest in this 15-year national programme. Dudley submitted an Expression of Interest which set out its vision for the future of secondary education within the Borough. However, the DfES prioritised local authorities with:

- low standards of attainment at GCSE;
- high levels of deprivation;
- intervention following a very poor inspection report; and
- a large number of secondary schools.

Dudley's prospects of inclusion in the early waves of BSF were therefore not high given the criteria set by the DfES.

3. Early in 2008, the DCSF invited further proposals for local authorities to join the BSF programme in the so-called Wave 6a. This was an interim assessment round for local authorities which, like Dudley, were well down the priority order but were considered to have the capacity to enter the programme at short notice. Dudley then submitted a Readiness to Deliver Statement in April 2008 with a view to joining Wave 6a. However, that submission also was unsuccessful.

4. The uncertainty around when Dudley might be included in the programme has presented major challenges for strategic and financial planning. However, although the management of expectations has been difficult, schools have continued to improve provision and plan for transformation.
5. The DCSF has now consulted on the management of BSF for Waves 7-15 and new guidance was issued to local authorities at the end of September 2008. There is a clear shift in emphasis towards so-called National Challenge schools (those which, in 2007, were below the floor targets of 30% 5A*-C GCSE passes including English and mathematics) and the establishment of strong schools based on strong governance with an external element (so-called 'structural solutions'). Dudley would be unlikely to be included in the BSF programme unless structural solutions had been identified for the four schools identified in the National Challenge.
6. The four schools identified are Castle High School, Pensnett School of Technology, Coseley School and Wordsley School. It is proposed that Castle High School will be replaced by a new academy on its existing site, and that Pensnett School of Technology and Crestwood High School will be replaced with a new academy. The move to Trust status is being actively followed through by Coseley School and Wordsley School.
7. The Office of the Schools Commissioner (OSC) is one of a number of government departments that has to approve an Authority's BSF proposals. At a meeting with the Office of the Schools Commissioner (OSC) in September these proposals were agreed as being sufficient to secure the necessary improvements.
8. Work is now underway on a revised Expression of Interest with a view to Dudley being included in BSF Wave 7, that is, from April 2009. A project manager has been appointed and a secondary headteacher has been seconded to support the development process. The intention to date has been to submit the revised Expression of Interest by the deadline of 30 November 2008.
9. The new guidance issued by DCSF has stated the submission should be for projects up to a capital value of £80 million and should include no more than five schools in the first phase; other schools will be included at later stages in the programme. Criteria to enable local authorities to prioritise their schools have been set as:
 - social and educational need, including:
 - National Challenge schools
 - less well-performing schools
 - areas of deprivation

- building need (suitability and/or condition);
- contribution to local or regional regeneration, including opportunities for collocation with other public services;
- school reorganisation;
- contribution to sustainable communities, and new housing and population growth.

BSF revenue funding

10. The DCSF requires that local authorities should identify 2% of the total projected capital cost as an up-front one-off allocation. This equates to £1.6m for the first phase of BSF. Further allocations would be needed to support future phases of BSF development. These costs are required to fund external consultancy in addition to staffing and other internal expenditure.
11. The capital receipts resulting from the sale of Cradley High School have been reserved for supporting the BSF programme. Should this prove inadequate, further one-off resources will need to be identified.

BSF capital funding

12. If successful, we expect the overall BSF capital programme, excluding academies, to be in excess of £200 million, based on the DCSF formulaic funding allocation model. BSF capital funding made available by the DCSF will be a combination of Private Finance Initiative (PFI) and capital grant.
13. The proposed BSF programme is required to include a mix of complete new schools (which will be funded through PFI) and major refurbishments (which will be funded through capital grant).
14. PFI programmes are funded through an allocation of 'PFI Credits'; however there is typically a revenue 'affordability gap'; for the Summerhill and Colley Lane PFI scheme the affordability gap was around £0.5m which was allocated from growth in the overall schools' budget; that option is no longer available and, should there be an affordability gap, it would need to be met from revenue budgets.
15. The funding of academies is through a different route and is not included in the figures above.

Governance

16. The governance arrangements for the BSF programme have been set out in previous reports and encompass, in summary:

- a cross-party Member Reference Group;
- a BSF Programme Board comprising:
 - the Director of Children's Services
 - the Director of Finance
 - the Director of Law and Property
- a cross-Directorate Officer Support Group

In addition regular reports will be made to the Select Committee on Children's Services.

17. Progress will be reported to the Cabinet on a regular basis.

Proposals

18. The proposals for the schools to be included in the first phase of BSF will be finalised shortly but would be likely to include two full rebuilds and three major refurbishments.

19. Based on development rates in other local authorities, we could expect the rebuilds to be completed between 2012 and 2014, and the refurbishments to be completed between 2011 and 2012. However, the early phases of BSF have been subject to severe delays, and these completion dates can only be tentative.

Academies

20. Following a selection process which included the DCSF, Oasis Community Learning have been selected as the sponsors for the two proposed academies. Oasis Community Learning have nine academies open across the country and were selected for their commitment to work with local communities and schools.

21. An Expression of Interest (EOI) for a proposed new academy was submitted to DCSF during August for Castle High School. The EOI was approved and that project has entered feasibility stage. Subject to consultation, and the conclusion of a Funding Agreement, the school will close at the end of August 2009 and open as a new academy, initially in its existing buildings, from September 2009. The buildings would then be subject to major redevelopment by September 2012.

22. The EOI for a proposed new academy to replace Crestwood School and Pensnett School of Technology is to be submitted to DCSF during October 2008. Should the submission be approved, and subject to consultation and the

conclusion of a Funding Agreement, both schools will close from the end of August 2009 and a new Academy will open from September 2009 in the existing buildings on both sites. A local consultation is presently being undertaken on the site for the proposed academy, with a stated preference of the Crestwood site. The new buildings would be scheduled to open in September 2012.

Academy revenue costs

23. The DCSF requires the local authority to contribute towards the costs associated with TUPE transfers and any restructuring upon creation of an academy. The DCSF criteria identify when the local authority will be expected to meet all severance, restructuring and associated pension costs in respect of the formation on an academy. These are:

- an academy inheriting staff from more than one school;
- an academy operating on fewer sites than predecessor school(s);
- an academy offering fewer places than at the predecessor school(s);
- the predecessor school(s) being overstaffed; or
- the predecessor school(s) running at a deficit.

It is expected that the above criteria would apply in respect of the academy proposed for Pensnett / Crestwood Schools and possibly Castle High School.

24. The DCSF expects the local authority to meet 50% of any other severance and associated costs incurred by an academy not covered by the criteria set out above.

25. Until the staffing structures have been reviewed and agreed with the sponsor of the two proposed academies, which could be around March 2009, we will not be in a position to quantify the costs associated with the TUPE transfers and restructuring. In the nine academies they have opened to date, Oasis Community Learning have secured employment in the academy for between 86% and 96% of the staff from the predecessor schools. However, particularly in the case of Pensnett and Crestwood schools, this could be a significant cost.

26. Arrangements have been made to ensure that no further appointments are made to the three schools concerned, while supporting the staffing structure for the present year through short-term arrangements.

Local Authority Central Spend Equivalent Grant (LACSEG)

27. Each academy will be entitled to LACSEG. Whilst this is payable to the academy by the DCSF, this is funded from a top slice of the local authority's Dedicated Schools Grant (DSG); the LACSEG relates directly to central functions provided

by the local authority, such as admissions and special education needs, and is a grant to the academy in order that it can fulfil these obligations.

28. It is estimated that for two academies the LACSEG will cost Dudley £70,000 in a full year; this will need to be found from within existing resources within the centrally-held element of the DSG.

Academy capital funding

29. The capital build programme in respect of academies is managed by the local authority; the local authority therefore carries the risk associated with the building programme.
30. The delivery of the capital build for academies is via the PfS (Partnership for Schools) national framework. The DCSF provides capital grant funding based on their formulaic funding allocation model. Any shortfall in affordability is the responsibility of the local authority. The Council will therefore need to exercise tight control over design and development in order to avoid cost over-runs.
31. If an academy needs to take up occupation prior to the exchange of the development agreement, it will do so through a short term lease. The short term lease is to be developed by the local authority and agreed with the academy trust. In the case where two schools are moved onto one site then the capital receipts resulting from the sale of the redundant school site are required to be re-invested in the academy project.

Finance

32. The funding and associated costs of academies and BSF are detailed within the main body of this report and until detailed plans are drawn up then the full financial implications cannot be quantified. However, the current DCSF guidance advises that:
- the severance, restructuring and associated pension costs in respect of the formation of an academy are the responsibility of the Council; this could be significant in the case of Pensnett and Crestwood schools;
 - the Local Authority Central Spend Equivalent Grant will be payable to the academies by the Council from the centrally-held element of the Dedicated Schools Grant at an estimated annual cost of £70,000;
 - any shortfall in affordability for the building programmes will be the responsibility of the local authority.

33. The one-off and set-up costs for the BSF and academies programme are estimated at around £2m, which will be financed from the capital receipts from the previous Cradley High School site.
34. The Cabinet will need to consider the following factors in determining how to proceed with the academies programme and the BSF programme:
- the long-term benefits to learners of the re-provision and refurbishment of secondary schools; and
 - the short-term and long-term costs of the programmes.
35. The Cabinet will need to consider the costs of the programmes in light of: the overall financial position of the Council; the expectation over the last year that RSG settlements for 2009/10 and following years will be difficult; recent international and national financial turbulence; and the recent sharp reduction in land values, which will impact on the capital receipt from the sale of the former Cradley High School site.

Law

36. As the projects develop there will be significant implications covering school organisation, land, employment and finance. The Council's statutory powers relating to the building of schools and the provision of education are set out in the relevant Education Acts.

Equality Impact

37. The report takes into account the Council's Equality and Diversity Policy.
38. Children and young people will be fully consulted during the development of detailed proposals for the BSF and academies programme, directly and through school councils.

Recommendation

39. In the light of the educational and financial arguments set out in the report, the Cabinet has to determine whether or not to proceed with the academies programme as set out at paragraphs 20 to 31. The options are to proceed or to withdraw.
40. In the light of the educational and financial arguments set out in the report, the Cabinet has to determine whether or not to proceed with the proposals for the BSF programme set out at paragraphs 2 to 19. The options are to proceed with

an Expression of Interest for Wave 7 (April 2009) or to defer consideration for Wave 8 or a later stage.

It is recommended that:

41. the Cabinet notes progress to date on Building Schools for the Future and academies;
42. the Cabinet determines whether or not to proceed with the academies programme;
43. the Cabinet determines whether to progress the Expression of Interest for BSF Wave 7 or to defer consideration until a later stage.



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John Freeman
Director of Children's Services

Contact Officer: John Freeman, Director of Children's Services
Telephone: 01384 814200
Email: john.freeman@dudley.gov.uk

List of Background Papers

15 June 2005

Cabinet Report Learning for the Future – Proposals for Governance Arrangements

13 December 2006

Cabinet Report Investing in the Future – Transforming Secondary Education

13 June 2007

Cabinet Report Investing in the Future – Transforming Secondary Education