

The Cabinet – 18 March 2009

Joint Report of the Interim Chief Executive and the Interim 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 academies and Building Schools for the Future (BSF) and seeks approval for the next steps in the development process.

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 as indicated by the percentage of pupils receiving free school meals; and
 - building need

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

3. During February 2008, the now Department for Children, Schools and Families (DCSF) invited further proposals from local authorities to join the BSF programme in Wave 6a. This was an interim assessment round for local authorities which, like Dudley, were further 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. Following consultation by DCSF on the management of BSF for Waves 7-15, new guidance was issued to local authorities at the end of September 2008 inviting all authorities not yet in the programme to submit a revised Expression of Interest by 30 November 2008 which Dudley complied with.
5. The guidance issued by DCSF stated the submission should be the first phase projects up to a capital value of £80 million and should include no more than five schools in this first phase; other follow on phases 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.

On 3 March 2009 the DCSF published the prioritised list of all authorities yet to join the BSF programme, Dudley were ranked in fifth place on this list. This means that subject to approval by DCSF of our Readiness to Deliver we shall be invited to join the programme in late wave 7 or early wave 8.

BSF revenue funding

6. Initial analysis suggests a one-off revenue cost of around £3m for project management and consultancy to get this project off the ground. However, DCSF guidance suggests that councils should provide for one off revenue costs of up to 2-3% of the total projected capital costs and therefore the actual figure could be significantly higher.
7. The capital receipts resulting from the sale of the former Cradley High School site are the only resources reserved for supporting the BSF programme. The site will

be sold when an acceptable price can be achieved, so there is no guarantee at this time as to what that figure might be.

BSF capital funding

8. The overall BSF capital programme for Dudley, excluding academies, should the whole programme be realised will be in the region of £290 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.
9. The 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).
10. The funding of academies is through a different route and is not included in the figures above.

Proposals

11. The report to the Cabinet held during October 2008 informed the Cabinet of progress with proposals for Building Schools for the Future (BSF) and academies and sought approval for the preparation of a revised Expression of Interest for BSF to the Department for Children, Schools and Families (DCSF) by the deadline of 30 November 2008 ready for inclusion in the programme from late wave 7 or early wave 8.
12. Subsequently, the DCSF have issued a revised indicative prioritised schedule of all local authorities yet to enter the programme and Dudley are ranked in 5th position on this list.
13. The proposals for the first phase of BSF now needs further work undertaken to enable a sound secondary education strategy to be developed for Dudley. The next step is to submit a new 'Readiness to Deliver' document to the DCSF.
14. The feasibility work for academies has continued since last October, with an update on progress made up to that point in time having been outlined in the report presented to the Cabinet meeting held during October 2008.

Academies

15. Following developmental work on the feasibility of the academies being undertaken by officers over the past 4 months we have now reached a point whereby a decision needs to be made. Taking feasibility evidence into account, we now need to confirm the programme or to end work on the programme.

16. Originally for an authority to be included in the BSF programme academies had to be part of the diverse choice of education provision on offer. This is no longer the case and to be included in the BSF programme does not require an authority to have an academy programme.

Academy revenue costs

17. The local authority has to identify revenue funding to enable the set up costs for the two academies to be met. This would include internal staffing costs to build a small team along with external consultancy and survey costs. This cost cannot be determined with any precision at this point, but having regard to examples from other Councils suggest that this might be in the region of £1m to £1.5m for the two proposed academies in Dudley. The actual figure could therefore be higher or indeed lower than our assumptions. The DCSF would provide £0.4m of revenue funding to proceed with two academies. The local authority however would have the responsibility of funding any costs above the amount allocated and currently we have not identified any source of funding for this other than potentially using the same capital receipt from Cradley High School, which clearly we could use only once.
18. The DCSF criteria identifies when the local authority will be expected to meet all severance, restructuring and associated pension costs in respect of the formation of 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.

These criteria would apply in respect of the academy proposals for Dudley.

Local Authority Central Spend Equivalent Grant (LACSEG)

19. Each academy would 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.
20. 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 DSG.

Academy capital funding

21. The capital build programme in respect of academies is managed by the local authority; the local authority therefore carries all of the risk associated with the building programme.
22. The delivery of the capital build is via the PfS (Partnership for Schools) national framework. The DCSF will provide capital grant funding based on their formulaic funding allocation model. Any shortfall in affordability will be the responsibility of the local authority. The indicative capital funding allocations for the two Dudley proposals were less than £20 million per academy. Any capital cost above this figure would have to be met by the authorities' own resources.
23. In the case where two schools are moved onto one site following re-development of a 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

24. The funding and associated costs of academies and BSF are detailed elsewhere within this report. Full implications cannot be quantified until detailed plans are drawn up but the position, as we understand it at this stage, can be summarised as follows:
 - Academies. There would be a one-off cost in the region of £1m to £1.5m for project management, consultancy and survey work of which £0.4m would be met by the DCSF and the remainder would be a cost to the Council's General Fund. There would be severance, restructuring and associated costs that could be met from the DSG, as well as ongoing costs to the LACSEG of £70,000 per year. The project would aim to enhance education provision in respect of three existing schools.
 - BSF. These costs are harder to quantify given the scale and duration of the project, but would be at least £3m to fund start up costs and could be significantly higher over the full life of the project. The project would aim to enhance provision in respect of all of our existing secondary schools.
25. The capital receipts resulting from the sale of the former Cradley High School site have been reserved to support the transformation of secondary education. The site will be sold when an acceptable price can be achieved, but there can be no guarantee that the receipt will be adequate to fund either of the projects discussed in this report.
26. Secondary school headteachers have broadly agreed to attempt to raise funding (minimum of £500k) to support the set up costs for BSF. This would have to be formalised through Governing bodies at the respective schools in due course.

Law

27. As the project develops 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 contained in the relevant Education Acts.

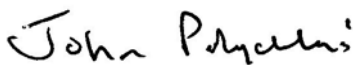
Equality Impact

28. The report takes into account the Council's Equality and Diversity Policy.
29. Children and young people will be fully consulted during the development of detailed proposals for any programme.

Recommendation

It is recommended that:

30. Cabinet approves the cessation of the academy programme with immediate effect in Dudley;
31. Cabinet notes progress to date on BSF;
32. Cabinet approves the start of preparation work for 'Readiness to Deliver' for the next stage in the BSF process.



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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

29 October 2008

Cabinet Report Investing in the Future – Transforming Secondary Education