



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 28 September 2010

Subject: Transforming Learning Programme and return of funds

Contact: Dan Mortiboys (mortiboysd@walsall.gov.uk)

Purpose of the report: To update the Schools Forum on the Transforming Learning Programme

Recommendation: To allow Walsall council to retain the funds that Schools Forum contributed to the Transforming Learning Programme until the outcome of the Comprehensive Spending review on 20 October 2010 is known and details of the Government's proposed investment strategy for schools are released. A further report would be brought to Schools Forum on 9 November 2010 to update Forum

1. Background

- 1.1 On 5 July 2010 Secretary of State for Education, Michael Gove cancelled large parts of the Building Schools for the Future (BSF) programme. Walsall council had 6 schools in Wave 6a of the BSF programme at this time. These projects were ceased.
- 1.2 In March 2009 Schools Forum authorised a contribution from all schools to help fund the Transforming Learning programme. With BSF ceasing and all costs accounted for, this report looks at how much of the funding remains and what options there are for that funding going forwards.

2. Summary of the Financial position

- 2.1 **Table 1** below summarises the contributions made by respective partners and how funds would be returned:

Type	Contributor	Funding (£'000)	Unspent (£'000)	% of funds returned
Revenue	Council	500	158	31.6%
	All Schools	2,461	779	31.6%
Revenue Total		2,961	938	31.6%
Capital	Council	1,800	1,800	100%
	Wave 6 A Schools Deferred Formula Capital	739	739	100%
Capital Total		2,539	2,539	100%
Total		5,500	3,477	63.2%

- There was a further £50,000 of grant income received to be spent on a project director. For the purpose of this table that has been treated as a 100% spent.

Why is only a percentage of revenue funding being returned, rather than equal proportions of revenue and capital?

There are strict accounting rules which local authorities and schools (and indeed every organisation in the UK) must follow in relation to how costs are treated within their financial statements. There must be a distinction between revenue and capital spend. The Statement of Recommended Practice would advise that any abortive project costs are charged to revenue, not capital. BSF is potentially a unique issue and Grant Thornton our external auditors have been involved in how we should treat these costs.

Paragraph E8 (page 523) of the SORP guidance notes for practitioners 2009 indicates that costs associated with abortive capital projects should be written off to revenue.

The *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: Based on International Financial Reporting Standards* does not make specific reference to abortive capital projects. However, the costs of aborted BSF projects do not result in property assets which are:

- (a) held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) expected to be used during more than one period.

Therefore these costs do not meet the definition of IAS 16: *Property, Plant and Equipment*, and should not be capitalised.

Table 2 reports expenditure of the project:

Type of Expenditure	Spend (£m)
Programme Management, ICT & Finance	0.635
Communications	0.02
Regeneration	0.
Procurement	0.
Building Design & Development	0.165
Planning & Engineering	0.
Sports & Leisure	0.
Education	0.545
Professional Services (Technical, Legal, Financial, Commercial & ICT)	0.606
Materials, travel, incidental costs	0.052
Total	2.023

Further breakdowns of these costs can be received by Schools Forum. Previously detailed reports have been received in private session.

3. Potential for Future Capital Investment

3.1 The Secretary of State for Education Michael Gove announced on the 5th of July 2010 not only the closure of the Building Schools for the Future (BSF) programme but also the setting up of a review team to consider the likely direction of future capital spending on schools in England. The aim of the national review is to ensure that future capital investment is better value-for-money; less bureaucratic and more cost-efficient. Its priority is to ensure that every school place is fit for purpose and that rising numbers, especially in primary education, are addressed.

3.2 The Government has been clear that the end of BSF programme does not signal the end of new school buildings. BSF accounted for just a third of all the money spent on education capital investments. The Government is committed to ensuring there will be a fairer, more effective and more efficient system for allocating capital money to schools, to best meet the need of the schools system during the next spending period.

3.3 The DfE also set up a call for Evidence process and took views on the above proposals by the 17th of September 2010. These views will be fed into the Capital Review process and used to inform the Comprehensive Spending Review (CSR) on the 20th October and will be reported in full by the end of 2010.

Whilst the final outcomes of the review are not yet clear there have been indications of the direction of travel as follows:

- The new process for allocating capital will start April 2011
- All capital investment will be reduced by 50% and consolidated into one funding stream
- Priorities will be basic need and condition of the existing estate. With a policy priority link to academies and free schools.
- ICT will have a much lower priority with less funding
- Education transformation no longer a key driver with focus on buildings being fit for purpose. (Suitability, Sufficiency within affordability constraints)
- Reduced engagement with schools and stakeholders to accelerate the design process
- Simpler and shorter business cases
- Greater emphasis on speed of delivery and building more for less money
- Focus on delivering more standard buildings e.g. modular design
- Mechanism for funding allocation based on national algorithm/formulae

- Setting up of local panels to decide on allocation of funds (Local Panel to consist of all providers – Local Education Authority, Academies, Free Schools and Voluntary Aided Schools)
- Use of local, regional, national frameworks and strategic partnering arrangements to deliver value for money projects
- Reduce statutory requirements for scope, building size and standards to deliver fit for purpose environments within affordability limitations.

The procuring body for any new programme is most likely to be the Local Authority but this could change during the coming months. What is clear is that there will be a significant reduction in the amount of capital that will be invested in schools, delivered via a simpler design and procurement route and set against a new set of funding criteria.

4. Future schools building in Walsall

- 4.1 With the removal of BSF, Walsall council would like to look at all potential avenues of school re-building. Any such scheme or schemes will require further funding from both the council and potentially schools. Until the CSR is published it will be unclear what opportunities are available.
- 4.2 If any future opportunities do exist, Walsall council would like to be able to move quickly. Plans are being developed on what action would need to be taken to move a scheme forward if an opportunity presented itself. Walsall council would therefore like to retain the funds that schools contributed towards Transforming Learning until the CSR is clear. The risk of returning funds before the opportunities are known could adversely affect Walsall council's chance of making the most of these.

To reassure members of the Schools Forum, the funding will be protected for the purpose it was originally allocated and will not be re-allocated to future projects without further consultation with Schools Forum. The retention of the funding is suggested as a holding position until the position with regards future school investment is clarified.