



## Walsall Children's Services

**Report to:** Schools Forum

**Date:** 20 January 2009

**Subject:** Start up costs for Primary Capital Programme and Building Schools of the Future

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**Purpose of the report:** To provide Schools Forum with a number of funding models that will deliver a total contribution of £4m towards the set-up costs required for the delivery of the major capital investment secured for Walsall schools

**Decision:** The Schools Forum to agree a preferred option to provide £4m start-up costs to facilitate the BSF and PCP programmes

### **Implications**

**Financial:** A temporary reduction in the total resource available to schools of approximately £2m per year for the 2009-10 and 2010-11 financial years.

## 1. Introduction

- 1.1 At the Schools Forum, 9 December 2008, a decision was taken to make a contribution from schools' resources towards the initial set-up costs essential to the delivery of the significant capital investment in Walsall schools, via the Primary Capital Programme (PCP) and Building Schools for the Future (BSF).
- 1.2 It is estimated that up to £600 – £700m of capital investment could be available to the Council over a number of years. A project of such significance, is a once in a lifetime opportunity, and it is essential that it is managed in an effective manner. As discussed previously there are major economies to be achieved from rolling out PCP/ BSF as a single procurement programme.
- 1.3 The PCP and BSF programmes will bring huge benefits to the children and young people of the borough
- > better learning environments that allow for the transformation of learning
  - > significant investment in ICT across all schools
  - > buildings that will promote the Every Child Matters agenda through different learning spaces and opportunities, as well as integrated community facilities
  - > a clear link to the regeneration of Walsall – offering improved economic prosperity for all of our young people
- 1.4 It is estimated that the PCP and BSF start up costs will be in the region of £6 - £7m, which is similar to other local authorities.

## 2. Funding options

- 2.1 A number of financial models have been explored. The aim of the exercise has been to identify options that are manageable at a school level and also have the least impact on the cost of the per pupil, Minimum Funding Guarantee.
- 2.2 All school related funding sources and areas of expenditure have been explored. This has been a technically challenging exercise due to the rigidity of the school funding regulations.
- 2.3 The funding sources below have been identified to provide the agreed contributions.
- 2.3.1 *Devolved Formula Capital (DFC)*  
It is recommended that the five secondary schools to benefit from wave 6a of BSF make a contribution of £40k per annum, from their 2009-10 and 2010-11 DFC allocation. All schools receive in excess of £100k per annum, therefore, the majority of this funding would remain with the schools to maintain their ICT infrastructure and fund essential repairs.
- Any primary schools with significant capital investment should also make a contribution from their DFC. However, this will only be in the region of £10k per primary school.
- 2.3.2 *Extended Schools Grant Funding*  
Grant funding for the development and sustainability of extended schools activities has increased during the 2008-11 multi year budget period. The total funding available from the Standards Fund and Area Based Grant during this period is
- |           |              |
|-----------|--------------|
| 2008 – 09 | £1, 369, 285 |
| 2009 – 10 | £1, 784, 247 |
| 2010 – 11 | £1, 527, 513 |

It is recommended that £200k is taken from the 2009-10 and 2010-11 grant allocations, thereby allowing some increase in funding in 2009-10, but then reducing the funding back to almost 2008-09 levels in 2010-11.

The reduction in funding would be applied to the grant elements to be devolved to schools.

### 2.3.3 *Individual Schools Budget (ISB)*

Despite every attempt to secure alternative funding, the bulk of the PCP/ BSF contribution can only be found from the ISB. As you are aware, the per pupil MFG has a major impact on any formula or resource changes. Therefore, a number of formula options have been explored that will minimise the number of schools on MFG, and the associated costs.

A query has been raised with DCSF regarding the potential removal of the temporary formula adjustment from the MFG for the next two years. At the time of writing this report, no response has been received.

There are options for the recovery of money from the ISB. Table 1 is based upon a reduction of £1.6m per year, and Table 2 is based upon a reduction of £2.0m per year.

In the attached tables, the funding models assume that all schools will remain at MFG, or above. However, the MFG largely excludes the nursery and primary schools from this exercise. If Schools Forum agreed to the exception of these schools from MFG, for this two year period, then the overall contribution from primary and secondary schools would be reduced.

2.3.4 The contribution has been recovered from all school sectors, where possible, as all Walsall pupils and their families and wider communities will benefit from the new facilities over time.

2.3.5 Although £2m is a significant sum, it equates to 1.25% of the ISB or £50 per pupil. However, on average the amount of per pupil funding held in balances is:

	<b>Actual 2007-08 (£)</b>	<b>Estimated 2008-09 (£)</b>
Nursery	943	758
Primary	322	182
Secondary (exc post 16)	272	141
Special	4,825	2,115
Average – all schools	327	178

Therefore, for the majority of schools, it is expected that the reductions exemplified in Table 1 are affordable. The estimated 2008-09 balances figures will be updated at the end of the financial year.

Over the past four years there has been a steady increase in school balances. In 2003-04 the total of schools balances were £7.5 million, and as at 31 March 2008, this sum had increased to £15 million.

### **3. Recommendations and Decisions**

- 3.1 The Forum is asked to agree their preferred funding options. It is recommended that the DFC and Extended Schools grant income is taken, along with the most transparent and cost effective option, that is option 2 (or option 3 subject to DCSF approval), as detailed in Table 1.
- 3.2 The Forum is requested to approve a two year temporary increase in Central Expenditure Limit (CEL) to accommodate the PCP and BSF start up costs being added to the current CEL. The actual value of the CEL breach will be notified to the Forum once the Schools Budget is calculated using the January 2009 School Census data.
- 3.3 Subject to the formal agreement of Schools Forum to the temporary, two year increase in CEL, to fund PCP/BSF start up costs, Forum is recommended to exempt the nursery and special schools from the MFG for this period, if Option2 using a new, negative lump sum factor is agreed. This measure would reduce the financial contribution required from the primary and secondary schools, and support the principle that the investment will benefit the whole of the borough.

### **4. Council Ratification**

- 4.1 The decisions of the Schools Forum will be formally approved by the Council as soon as practically possible.

### **5. Communication with Schools**

- 5.1 Immediately following this meeting, a letter will be sent to schools informing them of the decision, along with a copy of this report.

**Table 1 – Exemplification of Total ISB reductions of £1.6m over the 2009-10 and 2010-11 financial years**

Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
1	<p><b>2009-10</b></p> <ul style="list-style-type: none"> <li>AWPU increase limited to 1.6%</li> <li>Zero inflation on premises factor</li> <li>Personalisation factor reduced by G+T element, core pupil funding reduced and reduction to prior attainment element in secondary schools only</li> </ul> <p><b>2010-11</b></p> <ul style="list-style-type: none"> <li>AWPU increase to 2.0% on reduced 2009-10 base</li> <li>Personalised learning, G+T funding reduced in primaries and secondaries. Secondaries only reduction in core pupil funding and prior attainment.</li> </ul> <p>This funding model is complex and is not transparent. Difficult for schools to see their PCP/BSF contribution. MFG makes it difficult to recover contributions from nursery and special schools.</p>	372	25,761	48,046	118,842	0	0	0	1,645	<p><b>2009-10</b></p> <p>47</p> <p><b>2010-11</b></p> <p>13</p>	<p><b>2009-10 and 2010-11</b></p> <p>427,523</p>

Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
2	<p><b>2009-10</b></p> <ul style="list-style-type: none"> <li>A lump sum of up to £11,000 per primary school, subject to MFG limit.</li> <li>A lump sum of up to £46,000 per secondary school, subject to MFG.</li> <li>A lump sum of £2,000 per nursery school.</li> <li>Special schools are mostly on MFG, therefore no contribution.</li> </ul> <p><b>2010-11</b></p> <ul style="list-style-type: none"> <li>A lump sum of up to £11,500 per primary school, subject to MFG limit.</li> <li>A lump sum of up to £50,000 per secondary school, subject to MFG.</li> <li>A lump sum of £2,042 per nursery school.</li> <li>Special schools are mostly on MFG, therefore no contribution.</li> </ul> <p>This is a simple and transparent methodology. A separate, negative formula factor would be created. This would simply be removed at the end of the two year period.</p>	372	22,500	58,504	96,000	0	0	0	4,042	<p><b>2009-10</b></p> <p>38</p> <p><b>2010-11</b></p> <p>20</p>	<p><b>2009-10 and 2010-11</b></p> <p>343,138</p>

Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
3	<b>2009-10</b> <ul style="list-style-type: none"> <li>A lump sum of £11,000 per primary school, exempted from MFG limit.</li> <li>A lump sum of £46,000 per secondary school, exempted from MFG.</li> <li>A lump sum of £2,000 per nursery school, exempt from MFG.</li> <li>A lump sum of £8,000 per special school, outside of MFG.</li> </ul>										
	<b>2010-11</b> <ul style="list-style-type: none"> <li>A lump sum of £11,500 per primary school, exempted from MFG limit.</li> <li>A lump sum of £50,000 per secondary school, subject to MFG.</li> <li>A lump sum of £2,042 per nursery school, exempt from MFG.</li> <li>A lump sum of £8,000 per special school, outside of MFG.</li> </ul> <p>This is a simple and transparent methodology. A separate, negative formula factor would be created. This would simply be removed at the end of the two year period.</p> <p><b>At the time of writing the report, we are still awaiting a response from the DCSF regarding the exemption of the new formula factor from MFG.</b></p>	22,500	22,500	96,000	96,000	16,000	16,000	4,042	4,042	0	0

**Table 2 – Exemplification of £2m Total ISB reductions over the 2009-10 and 2010-11 financial years**

Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
1	<p><b>2009-10</b></p> <ul style="list-style-type: none"> <li>• AWPUP increase limited to 1.1%</li> <li>• Zero inflation on premises factor</li> <li>• Personalisation factor reduced by G+T element, core pupil funding reduced and reduction to prior attainment element in secondary schools only</li> </ul> <p><b>2010-11</b></p> <ul style="list-style-type: none"> <li>• AWPUP increase to 2.1% on reduced 2009-10 base</li> <li>• Personalised learning, G+T funding reduced in primaries and secondaries. Secondaries only reduction in core pupil funding and prior attainment.</li> <li>• The variation in options over the two years achieves an equal split across primary and secondary over the 2 year period.</li> </ul> <p>This funding model is complex and is not transparent. Difficult for schools to see their PCP/BSF contribution. MFG makes it difficult to recover contributions from nursery and special schools.</p>	372	33,987	48,046	157.065	0	0	0	1,645	<p><b>2009-10</b></p> <p>55</p> <p><b>2010-11</b></p> <p>21</p>	<p><b>2009-10 and 2010-11</b></p> <p>709,444</p>



Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
2	<b>2009-10</b> <ul style="list-style-type: none"> <li>A lump sum of up to £15,000 per primary school, subject to MFG limit.</li> <li>A lump sum of up to £50,000 per secondary school, subject to MFG limit.</li> <li>A lump sum of £5,000 per nursery school.</li> <li>Special schools are mostly on MFG, therefore no contribution.</li> </ul>										
	<b>2010-11</b> <ul style="list-style-type: none"> <li>A lump sum of up to £15,000 per primary school, subject to MFG limit.</li> <li>A lump sum of up to £60,000 per secondary school, subject to MFG limit.</li> <li>No contribution from nursery school due to MFGI.</li> <li>Special schools are mostly on MFG, therefore no contribution.</li> </ul> <p>This is a simple and transparent methodology. A separate, negative formula factor would be created. This would simply be removed at the end of the two year period.</p>	372	30,000	58,504	110,000	0	0	5,000	5,000	<b>2009-10</b> 50  <b>2010-11</b> 25	<b>2009-10 and 2010-11</b>  596,943

Option	Formula adjustments	Primary		Secondary		Special		Nursery		Impact of MFG	
		Min £	Max £	Min £	Max £	Min £	Max £	Min £	Max £	No. Schools	Cost £
3	<b>2009-10</b> <ul style="list-style-type: none"> <li>A lump sum of £15,000 per primary school, exempted from MFG limit.</li> <li>A lump sum of £50,000 per secondary school, exempted MFG.</li> <li>A lump sum of £5,000 per nursery school, MFG exempt.</li> <li>Special schools contribute £10,000, outside of MFG.</li> </ul>										
	<b>2010-11</b> <ul style="list-style-type: none"> <li>A lump sum of £15,000 per primary school, exempted from MFG limit.</li> <li>A lump sum of £60,000 per secondary school, exempted from MFG.</li> <li>A lump sum of £5,000 per nursery school, MFG exempt.</li> <li>Special schools contribute £10,000, outside of MFG.</li> </ul> <p>This is a simple and transparent methodology. A separate, negative formula factor would be created. This would simply be removed at the end of the two year period.</p> <p><b>At the time of writing the report, we are still awaiting a response from the DCSF regarding the exemption of the new formula factor from MFG.</b></p>	30,000	30,000	110,000	110,000	20,000	20,000	10,000	10,000	0	0