



## Transforming Learning in Walsall

**Report to:** Schools Forum

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**Subject:** Transforming Learning in Walsall – Financial Update

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**Purpose of the report:** This report was requested at Schools Forum in October. This gives a more detailed breakdown of the finances behind Transforming Learning. This builds on the information in the October report.

**Recommendations:** Schools Forum notes the progress that Primary Capital Programme and Building Schools for the Future are making.

## 1. General Information

### 1.1

Building Schools for the Future (BSF) is a long-term programme of investment and change in England that will help transform education for secondary age students by providing 21<sup>st</sup> century learning environments that engage and inspire young people, their teachers and the wider community. In line with “Every Child Matters” agenda every BSF school will be an extended school offering additional or dual use facilities such as sports halls, libraries nurseries, and ICT resources. BSF offers a great opportunity to integrate schools into wider regeneration projects, repositioning our schools at the heart of the community

### 1.2

Walsall joins the programme in Wave 6a, following a successful bid by Walsall Children’s Services in summer 2008. The council now has to comply with an extremely complex and rigorous approvals process in order to secure the initial investment of around £100 million investment in Walsall secondary schools. Significant work to date has been on developing our Strategy for Change documents. Strategy for Change part 1 sets out what is to be done to achieve educational transformation across our secondary estate while part 2 sets out how this transformation will be achieved.

### 1.3

Formal entry into the BSF programme is through a successful Remit Meeting with Partnership for Schools. This meeting agrees the remit conditions which the Council must address through its Strategy for Change documents. Walsall successfully passed through the Remit gateway on 17 November and has agreed to a set timetable for the delivery of the programme. The first two key milestones in the programme are:

- Finalisation of our Strategy for Change 1 and submitted to Partnership for Schools no later than 13 January 2010
- Submission of Strategy for Change 2 to Partnership for Schools no later than 2 June 2010.

### 1.4

The programme is initially focused on secondary provision, although it is envisaged that the LEP’s remit will also deliver future schools projects (including secondary and primary) and other service delivery assets. In Walsall the programme will cover an initial six secondary schools:

- Alumwell Business & Enterprise College
- Frank F Harrison Engineering College
- Joseph Leckie Community Technology College
- Pool Hayes Arts and Community
- Shire Oaks - A Science College
- The Streetly School – A Specialist Sports College

There have, however, been opportunities for all secondary schools to be involved in the transformation journey through attendance at the five day National College Building Schools for the Future (BSF) Leadership Programme and other workshops which support the development of our Strategy for Change.

Commitment around transforming learning through the delivery of the Local Education Partnership (LEP) will benefit all schools in Walsall.

## 1.5

The Primary Capital Programme (PCP) has already benefited the following schools:

- Croft Primary
- Christ Church CE JMI
- Birchills Primary
- Chuckery Primary
- Leighswood Primary
- The Radleys Primary
- Woodlands Primary

## 2. Financial Overview

### 2.1

From a purely financial view, a standard BSF programme has the following features:

- Financing the period of time from project inception, through the 'official start' of Remit and then onto Financial Close and the formation of the Local Education Partnership (LEP). Based on Walsall's Remit date of 17 November 2009, the LEP should be formed March – May 2012
- Construction phase. This is where the LEP delivers on the work agreed as part of Wave 6A of BSF. This is where Partnership for Schools (PFS) provide c£100m of funding to develop 6 schools and Walsall Council will be asked to fund any gap between funding and total cost. Based on Walsall's Remit date this could take place between c2012 and 2014.
- Occupy new/re-modelled schools. This should commence c2014. This will be the culmination of Wave 6A of BSF. From a financial view, maintenance on these schools will have moved from being 'reactive' to 'preventative' and this will potentially mean 'ring fencing' of schools budgets for maintenance.
- There could be significant other financial issues involved in the programme. If as part of Transforming Learning Walsall Council look at 'co-locating facilities' e.g. building leisure, library or other services at a new or re-modelled school site then Walsall Council will have to find further funds outside of the funding from PFS as that is ring fenced for schools. There could also be further waves of investment from either PCP or BSF and these could also exploit the skills of the LEP.

### 3. Financing of Transforming Learning from Inception, through Remit and into Financial Close (Local Education Partnership)

#### 3.1

While PFS are willing to contribute significant amount of funds to building and re-modelling schools, an anticipated c£100m, they look for contributions from participants in the period up to formation of a LEP. The figures in the tables below profile the total expenditure based on latest forecast to achieve a LEP and a breakdown of the anticipated income streams to achieve this.

**Table 1 – Expenditure**

Type of Expenditure	Forecast for Walsall Project £'m	Expenditure to End of October 2009 £'m
Programme Management, Finance Contingency	1.544	0.495
ICT, &		
Communications	0.141	0.018
Regeneration	0.236	
Procurement	0.132	
Building Design & Development	0.391	0.002
Planning & Engineering	0.245	
Sports & Leisure	0.018	
Education	0.764	0.227
Professional Services (Technical, Legal, Financial, Commercial & ICT)	2.544	0.027
Materials, travel, incidental,	0.109	0.054
<b>Total</b>	<b>6.124</b>	<b>0.823</b>

- Professional services relates to several contracts that have been signed to support the project. These costs have been included together due to commercial sensitivity.

- Programme Management, ICT, Finance and Contingency have been included together so individuals salaries are not stated and due to commercial sensitivity around contingency.
- The forecast will change during the project. Wherever possible best values shall be sought.
- As previously stated, Coventry City Council reported a planned spend of c£7.1m in a previous cabinet report. However each programme will be different, so direct comparison might not be appropriate.

**Table 2 – Income**

	2008/09	2009/10	2010/11	2011/12	Total
	£'m	£'m	£'m	£'m	£'m
Walsall Council Mainstream resources	0.539	1.153	1.182		2.874
Dedicated Schools Grant, Extended Schools Funding & Interest		1.242	1.219		2.461
Deferred Formula Capital		0.358	0.381		0.739
BSF Government funding			0.050		0.050
<b>Total</b>	<b>0.539</b>	<b>2.753</b>	<b>2.832</b>	<b>0</b>	<b>6.124</b>

- This table shows that anticipated income from all sources will cover the budgeted expenditure
- Based on this expenditure profile no income will be required in 2011/12.
- With the addition of a sixth school, the precise breakdown of Deferred Formula Capital (DFC) will need to be re-examined.

**Table 3 – Timing**

	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Actual Costs	0.509	0.314				0.823
Forecasted Costs		1.481	2.738	1.082		5.301
<b>Total</b>	<b>0.509</b>	<b>1.795</b>	<b>2.738</b>	<b>1.082</b>		<b>6.124</b>

### 3.2

During the Schools Forum in October, several questions were raised and answers to these questions are detailed below:

- Schools have made a contribution where is it?

Schools have made a contribution through Dedicated Schools Grant (DSG), Devolved Formula Capital (DFC) and Extended Schools Grant (ESG). This money has been received by Walsall Council through normal changes and is currently recorded in 2 places within the accounts. Due to the nature of the accounts there will be a split between capital and revenue.

There will be a forecast interest calculation that will be done in sufficient time to alter schools contributions for 2010/11. However it must be noted that interest rates within the economy are low.

- What prevents Walsall Council spending this money on something else?

There are many different reasons why this cannot happen:

- Dedicated Schools Grant is a ring fenced grant and can only be spent as advised by Schools Forum.
- The Section 151 officer of Walsall Council has to sign a return which goes to DCSF to confirm that DSG has been spent appropriately
- Officers receive accountability memorandums every year dictating what financial resources they are responsible for and that they must be spent appropriately
- Continued reports to BSF Programme Board and Schools Forum

There are many more requirements but these key controls will ensure accountability.

- If the project is running behind, how does this affect schools contributions?

Schools contributions can only be spent on the Transforming Learning Programme. Any monies not spent at the end of the financial year will be rolled through into next year. This process has to be signed off by the Deputy Chief Finance Officer. A copy of these returns can be submitted to Forum when confirmed and audited in September 2010 if required. Walsall Council will make no financial gain from this as interest (as stated above) will be calculated and used to reduce schools contribution.

- How much money was raised by the BSF bond scheme?

This still needs to be calculated but as only 2 schools were involved the funds will not make a significant difference to the overall costs.

- What is Schools contribution being spent on?

The Schools contribution is being used to support the total programme. There is not a part of the programme specifically funded by schools.

### **3. Building Schools (2012-2014)**

At approximately March 2012 a LEP will have been formed and financial close achieved. At this point building the schools will commence. It is anticipated there will be costs associated with running the LEP. Walsall Council will need to make contribution to the LEP in terms of buying 10% of the capital and potentially injecting working capital.

The LEP will be established to deal with Wave 6A of BSF, however it will have the capability to deal with other projects, with particular focus on both Primary Capital Programme and Building Schools for the Future.

### **4. Running Schools 2014**

At this point in the process it is difficult to give exact guidance on what will change from a financial point of view once the school projects are completed. A LEP when formed usually includes facilities management and a managed ICT service but it can also involve a range of partnering services. Maintenance budgets will change in line with the new service. The move will be to a more preventive maintenance approach rather than reactive. The service will be more in line with that received by St. Thomas More now.

### **5. Appetite for Financing**

Questions were asked at the last Schools Forum as regards the appetite for PFI schemes and the availability of finance. It is difficult to predict as the situation could vary significantly at the point financing is sort. HM Treasury issued a note on 28 August 2009 entitled Application Note – PPP Projects In Current Market Conditions. This document gives advice and guidance on what to do in the current market conditions and how finance can still be obtained. It also mentions The Infrastructure Finance Unit which can support schemes if they have reached Preferred Bidder stage and funding is not available. However the document does state that it is designed to address current market conditions and will expire 10 August 2010.

The national review of education funding is due to report in Spring 2010. The review is all embracing and is looking at the funding framework and the distribution formulae at local authority level. Changes will be introduced for the next multi-year budget period 2011-14. Future funding strategies will be dependant upon the impact of the new funding methodology on Walsall Council.