

**LONDON BOROUGH OF BRENT****EXECUTIVE 24 MAY 2004**

FROM THE DIRECTOR OF EDUCATION, ARTS AND LIBRARIES

**REPORT TITLE: CAPITAL INVESTMENT 2004/05: ALLOCATION OF EDUCATION, ARTS AND LIBRARIES CAPITAL FUNDING****1.0 SUMMARY**

- 1.1 This report advises the Executive of the capital funding allocated by Full Council to EAL for 2004/05, seeks agreement that monies from 2003/04 which are unallocated to schemes be utilised in 2004/05 and asks that the Executive agree the priority schemes for 2004/05. The Executive will note the reliance on the LEA's Asset Management Plan (AMP) – assessed by the DfES to be, overall, “satisfactory” - in establishing the proposed allocations. It also updates Members on the submission made to the DfES by the Director of Education, Arts and Libraries for resources under the Government's Building Schools for the Future (BSF) programme.

**2.0 RECOMMENDATIONS****Resources Unallocated from 2003/04 Capital Budget**

- 2.1 The Executive is asked to agree, in principle and subject to the final out-turn of the 2003/04 Capital Budget, to allocate the resources from 2003/04 hitherto unallocated to schemes in 2003/04 (estimated at £2,718,000) to schemes commencing in 2004/05 supported by new funding streams (“New Start schemes”).

**Resources Available for New Start Schemes in 2004/05 )**

- 2.2 The Executive is asked to note that the available resource for New Start Schemes in 2004/05 is £8,330,574 which is comprised of £5,612,574 (see calculation in financial implications) from the Full Council allocation for 2004/05 and £2,718,000 carried forward from 2003/04 (subject to members agreeing recommendation 2.1).
- 2.3 The Executive is asked to note that the figure of £5,612,574 referred to in recommendation 2.2 above excludes the sum of £2,000,000 which officers are seeking to source from the development of a new capital scheme for schools (“School Partnering Scheme”). A further report will be submitted to the Executive on the allocation of these resources, subject to further advice from the Borough Solicitor.

### Allocation of New Start Resources

- 2.4 The Executive is requested to agree that £8,330,574 be allocated for New Start Schemes in schools in accordance with the priority schemes detailed in Appendix 1 and the revised hut removal priorities in Appendix 2 to this Report.
- 2.5 That members note the levels of funding currently made available for schools based schemes (excluding the School Partnering Scheme) in future years as part of the Forecast Capital Programme 2004/05 & Future Years, approved by Full Council on 1 March 2004, of: £3,301,000 for 2005/06, £3,300,000 for 2006/2007 and £1,989,000 for 2007/08.
- 2.6 That should appropriate additional resources be identified, for example through Reviews of the Capital Budget or as a result of bidding for additional external capital funding, they be re-allocated, as per the prioritised list of schemes set out in Appendix 1 which could not be funded from existing resources.

### Update on BSF and Schools Contributions

- 2.7 The Executive is asked to note progress on the LEA's submission for resources under the Building Schools for the Future (BSF) as described in paragraphs 7.19 to 7.21, endorse the action taken so far aimed at enhancing the site at John Kelly (Boys and Girls) Schools so that may be better fit for the 21<sup>st</sup> Century and to note the proposed action in respect of contributions by schools as detailed in paragraph 7.23.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 As set out in recommendation 2.2 the funding for New Start schemes in 2004/05 is £8,330,574. This is calculated as follows:

Full Council Allocation for New Start Schemes in 2004/05 in EAL	£10,772,296.00
LESS	
Allocation for non-school based schemes	£ 668,000.00
Devolved Formula Capital	£ 2,491,722.00
Funding pursuant to Proposed Schools Partnering Scheme	£ 2,000,000.00
<b>SUB TOTAL</b>	<b>£ 5,612,574.00</b>
PLUS	
Funds carried forward from 2003/04	£ 2,718,000.00
<b>TOTAL</b>	<b>£ 8,330,574.00</b>

- 3.2 Subject to the closing of accounts for 2003/2004, the projected outturn has identified a sum of £2,718,000 of unallocated resources, which it is proposed will provide additional funding to new start schemes in 2004/05. This sum is derived as follows:-

Source of Funding	£
Wembley High Expansion	450,000
Expansion of Secondary School Places	385,000
S106 Monies	1,883,000
	<b>2,718,000</b>

The Section 106 funding, further detailed at Appendix 2, is presently available to Brent following the signing, earlier in the year or before, of S106 agreements with housing developers. Funds from such developments must be utilised in accordance with the provisions set out in the agreement.

- 3.3 The supported borrowing and grant income elements of the funding quantified in 3.1 above are subsumed in the figures at 3.1 above; they are made available via the Department for Education and Skills, and include the following sources:-
- New Deal for Schools – this is aimed at addressing the school maintenance backlog and school suitability issues (irregular sized classrooms, poor environment, suiting arrangements, ICT, etc).
  - Seed Challenge - is aimed at addressing both condition and suitability issues, but in partnership with schools, primary and special schools having to match the Council's funding on a 50:50 basis, secondary schools on 67:33 basis.
  - Schools Access Initiative - is aimed at making schools accessible to pupils and staff with disabilities.
  - New Pupil Places (Formulaic) - allocated by formula (based on actual pupil numbers on roll and the forecast growth in pupil numbers), replaces the old Basic Need process of bidding for support to fund new school places.
- 3.4 Members should note that the school funded unsupported borrowing (£2,000,000) referred to in paragraph 3.1 is provided specifically in relation to the proposed New Schools Partnering Scheme, the introduction of which is still subject to legal advice and DfES approval. As a result of this it is not felt prudent to allocate these funds at this time, and a further report will be brought to Executive when a final scheme has been developed.
- 3.5 Appendix 1 details those schemes which are recognised as priority requirements within EAL. It shows the forecast cashflow of the proposed 2004/2005 new start school schemes and the predicted expenditure on all new start school schemes for the following three years and makes comparison to the known funding forecast to be available in these years.
- 3.6 As can be seen from Appendix 1 there is currently a funding gap of £2,336,000 (including unsupported borrowing) over the financial years 2004/05 to 2007/08. Although £1,173,000 is expected to be available to carry forward from 2004/05, Members are also reminded that currently the 2005/06 and future years capital programmes are unbalanced and savings or further unsupported borrowing will have to be identified as part of the budget setting process.
- 3.7 The hut replacement schemes, listed at Appendix 2, gives priority to schools with greatest reliance on temporary accommodation for curriculum delivery and with the poorest condition grading, a list of which was reported to Executive in December 2003 and agreed by Executive (see Appendix 2). Members must be aware that if agreement is given to the budgetary allocation in 2004/2005 there will be a commitment to meeting the balance of the forecast costs in future years. However, in order to enable Members more flexibility in future years, the Wembley Manor hut replacement has been split between the Infant and Junior School elements creating two separate schemes which can be combined into two phases should resources permit.
- 3.8 Members are being requested to prioritise those schemes detailed in Appendix 1 within the allocations of budgetary resources currently available to EAL.

## **4.0 STAFFING IMPLICATIONS**

- 4.1 Staffing in the Asset Management Service needs to be strengthened. Measures are in hand to achieve this. The position will be kept under review. It is envisaged that, with this additional support, the management of the 2004-05 capital programme can better be contained within the recently enhanced staffing resources.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 Leading Counsel has advised that Governing Bodies would not have the power to enter into the proposed School Partnering Scheme unless it is included in the Fair Funding Scheme. He further advised that the proposal could only be included in the Scheme if the Council, in accordance with proper accounting principles, charges the payments to the contractors for the works to a revenue account and the approval of the Secretary of State is obtained. This is due to the requirement in the LEA Budget, Schools Budget and Individual Schools Budget (England) Regulations 2003 that individual schools' budgets must not include an element for capital expenditure unless it is capital that the Council expects to charge to a revenue account.
- 5.2 The effect of Counsel's advice is that the proposed scheme could only proceed if the Fair Funding Scheme is amended to include it and the amended Fair Funding Scheme is approved by the Secretary of State.
- 5.3 If it is intended to pursue this scheme, enquiries would need to be made with the DfES as to the parameters that they would expect to see for such a scheme, such parameters would include the time over which repayments may be made and the maximum amount of the schools' contributions.

## **6.0 DIVERSITY IMPLICATIONS**

- 6.1 The report proposes the allocation of the bulk of capital resources by using AMP criteria. Improved performance of school buildings will enhance the learning environment for all pupils a large number of whom come from diverse ethnic and socio-economic (as measured by the percentage of pupils on Free School Meals) backgrounds.
- 6.2 It is proposed that a specific budget, £367,141 in 2004/05 be allocated towards the Schools Access Initiative (SAI) aiming at enhancing physical and curricular access to schools.

## **7.0 DETAILS**

- 7.1 In 1999/2000 the condition of all schools in the borough was surveyed. A maintenance backlog of £34 million (at 1999/2000 prices) was identified with £2 million needing to be addressed immediately, £5 million needing to be addressed within two years and £27 million needing to be addressed within five years (i.e. by 2005). Although new priorities have emerged, to date, the majority of the original priority ones and approximately one third of the original priority two issues have been addressed. A rolling programme of surveys is in progress, aimed at keeping the AMP

up-to-date. Education Officers anticipate that if any new or unallocated resources arise they will be recommending that they be re-allocated towards projects that either address this school maintenance backlog or address the removal of hatted classroom accommodation with more permanent school buildings.

- 7.2 At their meeting of 8<sup>th</sup> December 2003, the Executive agreed a priority ranking for the removal of huts. Since then, the hut (with the most serious condition defects) at Mount Stewart Infants School has been replaced; asbestos surveys have also been in progress across Brent schools. Specialist advice indicates that whilst the asbestos at Preston Park School huts does not pose an immediate or imminent risk to children and staff, the presence of asbestos renders the huts incapable of benefiting from any major repairs and remedial works programme. The net effect of this new information is that the Executive is recommended to place the removal of huts at Preston Park as a higher priority, than it had been ranked in December 2003, and as shown in Appendix 2. These revised priorities are reflected in Appendix 1.

### **Near Final Out-Turn for 2003/04**

- 7.3 Against a Capital budget of £17,939,000 (reported to the Capital Board in February 2004) for 2003/04, a commitment of £15,321,000 (or about 85% of the available budget) is anticipated by 31 March 2004. A cash spend of approximately £9,600,000 is anticipated. This represents 63% of the committed budget and 54% (compared to 51% in 2002/03) of the available budget in 2003/04. Including £100,000 of additional S106 resources secured since the meeting of the Capital Board, £2,718,000 remains unallocated.
- 7.4 The Executive is requested to agree to add this unallocated resource of £2,718,000 (of which £1,883,000 results from S106 Agreements) to the Education Capital Budget 2004/05.
- 7.5 A report has been submitted to the Council's Capital Board setting out an analysis of the variance. As a result of the discussion, steps have been taken to strengthen the performance of the Asset Management Service in order to improve delivery of the Capital Budget 2004/2005.

### **Allocation of School Capital Resources**

- 7.6 Appendix 4 sets out a brief definition of the Capital schemes (listed in Appendix 1) proposed to be resourced from available 2004/05 Capital resources. The cost estimates are based on best available information at the time of drafting the report. As feasibility studies are completed, the cost information will be refined. Appendix 1 contains contingent provision of £500,000 for investment in school kitchens (outside the AMP process) should this investment become necessary.

### **Allocation of Non-Schools Resources**

- 7.7 The budgetary resource of £668,000 for non-schools capital schemes in 2004/2005 is as follows:

£ 100,000	To Grange Museum (Cost of Transfer)
£ 150,000	Libraries Health and safety Works

£ 18,000	Transforming Youth Work
£ 300,000	Youth Service improvements
£ 100,000	Renovation of Scrap Bank premises for BETS
<b>£ 668,000</b>	<b>TOTAL</b>

These schemes will be managed by Corporate Property and as such the detail of allocation will be subject of a separate report, where appropriate.

The Education Directorate has been successful at securing substantial external resources for investment in the service. Services that have benefited from those funds include, Early Years (eg SureStart, NNI, Evan Davies Nursery), the Libraries Service (eg. Grange Museum), Brent Adult and Community Education Service (eg. Granville, Gordon Brown and Welsh Harp).

### **Section 106 Agreement**

- 7.8 Since 2001 a number of Section 106 Agreements have been entered into with housing developers which make provision for contributions to educational schemes. In October 2001 Members agreed that these funds should be utilised in the following order of priority:
- (i) to facilitate an increase in the admission of primary/secondary/ special/ nursery schools where appropriate
  - (ii) to improve existing provision so it is better able to meet the demands of the increased intake within its standard number
- 7.9 Appendix 3 indicates the amounts available to Brent from various housing developments.
- 7.10 The problem of local pressures may be exacerbated by other smaller scale housing development in the north of the borough. In order to keep this under review, the Director of Education, Arts and Libraries has set up an officer level group (to include Environment Services).

### **Capital Bids Under the Targeted Capital Fund for 2004/05 Schemes**

- 7.11 The LEA made a submission for capital resources for 2004/05 schemes under the Targeted Capital Fund (TCF) regime administered by the DfES. The schemes for which the submission was made included: Wembley Manor Schools (Replacement of Temporary Accommodation), Chalkhill School Rebuild around the New Sports Hall; Replacement of St Mary Magdalen School on its existing site; Modernisation of North West London Jewish School; Newbuild for The Avenue (Islamic faith VA primary School) as part of the Voluntary Aided Status. Nationally the TCF bids amounted to £1.1bn against an available budget of £0.26bn.
- 7.12 Officers are pleased that the LEA was successful at securing £3,420,000 in capital resources for the scheme at The Avenue (Islamic Primary VA) school, under the TCF programme, but regret that other bids were unsuccessful. These resources are in addition to those previously discussed in this report. Officers will re-submit a bid, under the Targeted Capital Fund (TCF) or its replacement programme, for resources for schemes including the rebuild of Chalkhill Primary School.

## **Capital Spending Priorities**

- 7.13 The Statement of Priorities (which forms part of the Asset Management Plan) summarises the LEA's strategic priorities for the use of funds available to the authority and its schools for work on school buildings, which will deliver our educational objectives;
- to provide good quality premises which are suitable and sufficient for their required use and enable EAL customers to access service provision meeting the LEAs statutory duty in terms of providing sufficient school places;
  - ensuring that all schools are safe, secure, weather tight, and appropriately lit and heated; and, once this has been achieved;
  - where they will have the greatest impact on raising educational standards
  - national and local priorities which include BSF, SEN Best Value Review
- 7.14 The Statement argues that there should be a strategic and co-ordinated approach to the use of capital funds, thus avoiding "patch and mend" solutions to maintenance and other building problems. The LEA is developing projects using the LEA's Capital funds and schools, devolved formula funding, packaging schemes which deliver Value for Money for schools and the LEA.
- 7.15 Further, all types of school should receive equal priority on the basis of relative need – separate funding arrangements might apply to Voluntary Aided schools but the same principle of equality of treatment will apply.
- 7.16 To date, New Deal for Schools grants have been directed primarily towards addressing urgent building maintenance needs, as identified in the Asset Management Plan (AMP); a rolling programme of quinquennial reviews, of the building stock condition is currently under way.
- 7.17 Although the need to direct capital resources towards major maintenance projects at the borough's schools remains, officers consider it appropriate to commence a rolling programme of works which address suitability issues as well. The replacement of poor quality temporary teaching accommodation is considered to be a priority in this regard and is reflected throughout the report.

## **Voluntary Aided Schemes**

- 7.18 Members are reminded, that capital funding liabilities in respect of voluntary aided schools changed in April 2002, with the governors/aided bodies themselves now being responsible for virtually all capital investment at VA schools. To help VA schools address their capital needs an element of NDS Condition and Modernisation funding has combined into what is called the LEA Controlled Voluntary Aided Programme (LCVAP) and can only be spent at VA schools. The Head of Asset Management works with the relevant Diocesan Boards and other aided bodies to ensure that the LCVAP funding is distributed fairly and in accordance with AMP principles between Brent's VA schools. Consequently, work to replace temporary accommodation at VA schools needs to come from the LCVAP, and not from the funding streams identified above.

## **Building Schools for the Future**

- 7.19 At its meeting of 8 December 2003, the Executive received a report on the LEA's submission under the Building Schools for the Future programme. Since then, an Expression of Interest has been submitted, copies of which have been sent to all Members; a formal launch of Brent's outline scheme took place in January 2004; a project team (to include Headteachers, Governors and Officers, is being assembled with the view to developing the detail further. Additional professional help will be sought.
- 7.20 One of the proposals in the LEA's Expression of Interest is the rebuild of John Kelly (Girls and Boys) Schools. The current school has a substantial deficit of site area as compared with DfES guidelines. In order to better enable the rebuild to take place, and to ensure that the current site constraints are addressed, officers are of the preliminary view that, resources allowing, the site should be expanded to encompass the land adjacent to the East of the site and currently a site designated as an industrial estate.
- 7.21 Officers have had meetings with representatives of the owners of the site with the view to establishing the extent to which there might be an opportunity to develop the industrial estate site such that the site area for John Kelly Schools improves. Since then a joint Town Planning application, with Menorah High School, has been received for a mixed use development for Housing and Education (replacement Menorah High School) on the industrial estate site. The preliminary view of [education officers in response to consultation by the planning service](#) is that such a joint development would not be in the best interests of the John Kelly Schools; [education officers](#) have therefore [stated that in their opinion](#) the Town Planning application [should be refused](#) on the grounds that a comprehensive development of the adjacent industrial estate as proposed will mean that John Kelly schools will be unable to expand their site as necessary, there being no realistic alternative options for expanding the site.

## **Schools Partnering Scheme**

- 7.22 A draft scheme is at present being developed by officers which is aimed at increasing the ability of schools to finance and implement capital schemes. The intention is that the scheme would enable schools to finance approved schemes over several years, from their annual revenue budgets. The Borough Solicitor has sought Leading Counsel's opinion on the proposed scheme and a summary of this advice is set out in the legal implications to this report. Once a scheme has been developed addressing the issues raised by Leading Counsel a further report will be submitted to the Executive.

## **School Contributions**

- 7.23 For a number of years now it has been Council policy to require schools to contribute towards the cost of centrally funded capital projects, the school's contribution to be determined by the size of its carry forward balance. It is proposed to cease this scheme from 1 April 2004, now that we are pursuing the School Partnering Scheme (. As little additional resources are generated by schools' contribution, and in the context of Counsel's opinion that we cannot compel schools to contribute to AMP (high priority) driven capital schemes, we are proposing that the scheme ceases to operate from 1 April 2004 even though the Schools Partnering Scheme will not be in



operation immediately from that date. However if the Council cannot fully fund an AMP scheme within the available resources, officers can still negotiate with schools on an individual basis. Schools will be encouraged to deploy carry forward resources together with Devolved Formula capital to support development schemes not able to be funded by mainstream Capital budgets. This process could further evolve through the close working relationships currently in place with Headteachers.

## **8.0 BACKGROUND INFORMATION**

The following papers were used in the compilation of this report: -

- a) ACG File 2003/04
- b) Asset Management Plan
- c) DfES letter dated 19<sup>th</sup> December 2003 announcing allocations and providing guidance on allocations
- d) Copies of correspondence with schools, internal Council departments.

Any person wishing to inspect the above papers should contact :

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