



DERBY CITY COUNCIL

**CHILDREN AND YOUNG PEOPLE COMMISSION**  
23 January 2007

Report of the Corporate Director for Children and Young People

## **Children and Young People's Department Capital Programme 2007/08 – 2009/10**

### **RECOMMENDATION**

1. To recommend to Council Cabinet the proposed Children and Young People's department Capital Programme for 2007/08 to 2009/10.

### **SUPPORTING INFORMATION**

- 2.1 The Council will approve the capital programme for the 2007/08 financial year at its budget setting meeting on 1 March 2007 after consideration of the final proposals by Cabinet on 20 February 2007. The Children and Young People's Department Capital Programme will include schemes financed both from service-specific allocations and discretionary corporate funding. At its meeting on 19 December 2006, Council Cabinet agreed a new Capital Strategy. The principles agreed mean that government funding allocations for schools and children's services will not be top-sliced for other Council services, and in return the schools capital programme will not seek additional resources from the corporate capital programme. This report deals with the proposed uses of service-specific funding.
- 2.2 Most of the funding for the service's capital programme for the next three years comes from central government as grant or supported borrowing, linked to specific major school schemes. A relatively small proportion of the programme is available for prioritisation. The remainder of this report describes the principal projects and funding streams, and sets out proposals where the Council has discretion over which schemes can be funded. Appendices 2 and 3 set out the allocations based on previous years and a summary of schemes. Appendix 4 (to be circulated) will indicate proposed new schemes for 2007/08, prioritised in line with the Council's Asset Management Planning policy.
- 2.3 As is the case with other budget proposals, the Comprehensive Spending Review means that there is some uncertainty over funding after 2008, and some assumptions have had to be made over future allocations. However, it is clear that schools capital will remain a top government priority.

- 2.4 The element of the programme funded by supported borrowing has caused financial difficulties for the Council, as with many authorities. This is because it is no longer separately taken into account in the central government grant received by the Council; as grant increases have been scaled back to protect authorities losing out from formula changes, the full benefit of the allocation has not flowed through. DfES are working with the Treasury and it is hoped that allocations after 2008 will be wholly funded by grant.

### **Building Schools for the Future**

- 2.5 The DfES announced in December 2006 that Derby had been successful in its bid to be considered in wave 5 of Building Schools for the Future (BSF), a long-term national programme which will see all secondary schools rebuilt or refurbished. The allocation can be up to £150m, with preparatory work starting in early 2007 to full launch from September 2007, and building work actually taking place between 2009 and 2012. Schools which are rebuilt are likely to be funded through Private Finance Initiative (PFI) credits, while refurbishment costs are likely to be funded through grant or supported borrowing. As da Vinci Community College and Merrill College have already been rebuilt through PFI, and Sinfin Community School is being substantially rebuilt following last year's fire, BSF will cover the 10 remaining secondary schools. It is likely that the funding available will mean that two schools are completely rebuilt, with the others undergoing refurbishment. Special Schools (St Andrew's, St Clare's and St Martins) and Pupil Referral Units with secondary age pupils are part of the BSF programme; the Council's submission planned to co-locate the special schools with secondary age pupils.
- 2.6 Experience from other authorities in earlier waves is that BSF requires effective project management, with a full-time team of advisers from different disciplines and active involvement of the schools concerned. As with PFI, there will be substantial consultancy costs for external legal and financial advice. No revenue costs have been built into the budget proposals currently out for consultation. Up front preparation costs are currently being estimated and funding sources considered.
- 2.7 Sinfin Community School was partly destroyed by a fire in March 2006. The DfES has agreed to fund the total cost of rebuilding up to £19m, less the insurance settlement, and is treating this as a BSF Pathfinder project. Most of the expenditure will be incurred in the 2007/08 financial year, with the school ready for opening in September 2008.

### **Targeted capital schemes**

- 2.8 The DfES provides targeted capital funding for major schemes which could not otherwise be afforded from its formula allocations to local authorities. The Council has, in recent years, been successful with three bids to the Targeted Capital Fund.

- 2.9 A new Key Stage Three Pupil Referral Unit (PRU) is being built on the Kingsmead site and is scheduled to open in September 2007. The total cost of this scheme is estimated at £3.4m, with £1.7m incurred in the 2007/08 financial year. Within the revenue budget strategy, there are proposals to redesignate much of the Key Stage Three and Four provision at the PRU as a special school, with a service level agreement for the school to manage any remaining centrally-funded PRU provision. The proposals take into account the advantages of operating this provision through a delegated budget.
- 2.10 Targeted capital funding is also being used to build a new Normanton Primary School, opening in September 2008, and replacing Normanton Village Infant school, Normanton Junior School and Sunnyhill Infant school. The scheme requires 20% match funding, which is coming from the general capital allocation for schools. The costs have risen substantially above the initial estimate because of construction industry inflation and more rigorous design requirements. The latest estimated cost is £8.41m. It is intended that the shortfall is funded from a capital receipt from the sale of the playground area at the former Village School site (£0.3m) and from prudential borrowing (£1.12m) using school funding formula savings arising from the amalgamations. Schools Forum has already agreed this, but the proposal has not yet gone to Cabinet.
- 2.11 The final targeted capital funding stream relates to a rebuilding of Ivy House Special School. The proposal is for this to be co-located on the site of Derby Moor Community Sports College, and planning permission will be sought shortly. The total cost is estimated at £7.3m. As with the Normanton Primary School scheme, there is a requirement for 20% match funding (£1.4m) which again will be met from the general capital allocation for schools.

### **Sure Start**

- 2.12 Sure Start capital allocations are intended to meet the government's priorities in the Ten Year Strategy for Childcare. Authorities have discretion over whether funding is used for extended schools, children's centres or sustainable early years and childcare provision. In practice, nearly all the allocation is committed to delivering targets on children's centres. The aim is to have 14 designated by March 2008, of which 7 are funded from Phase Two funding (2006-08). The allocation for 2007/08 is £1.985m, and will be supplemented by any agreed underspend carried forward from 2006/07. The scale of the funding and the number of centres means that centres are now being built as extensions to existing premises rather than on new sites. The Council has discretion over where centres should be built but has to deliver on the target number agreed with DfES. Schemes have been approved in principle at Oakwood Infant School, Cavendish Close Infant school, Brookfield Primary School and Central Nursery School, subject to formal Sure Start approval, with further locations approved in Sinfin ward and Normanton/Pear Tree.
- 2.13 The Council has been successful in its bid for PFI credits relating to a Children's Centre at Lakeside Primary School. This will be an addition to an existing PFI school.

### **Formula-based school allocations**

- 2.14 The DfES allocates a sum to all authorities for capital expenditure on schools. This is to cover condition, modernisation and new pupil places. It is the only significant funding stream where there is discretion on how the capital allocation should be spent. The allocation for Derby in 2007/08, for community and foundation schools, is £4.453m. Capital funding for aided schools is dealt with differently and is channelled directly from DfES to dioceses and schools, though is shown on the programme for indicative purposes.
- 2.15 For the Targeted Capital projects detailed in paragraphs 2.10 and 2.11 there is a requirement for 20% match funding. It has been necessary to draw on this funding as a contribution towards the Normanton Primary and Ivy House schemes. This means that there is more limited funding available for other schemes than in previous years. Appendix 4 (to be circulated) will list those schemes, which are considered to be a top priority from this funding, and the Commission's support for this is requested. There will be a balance of funding to be prioritised later in the year. The projects have been prioritised in accordance with the School's Asset Management Plan in relation to work necessary on urgent health and safety grounds and to prevent potential school closures.
- 2.16 Schools also individually receive devolved formula capital, which is allocated by a national formula based on pupil numbers and not need. The only exceptions are new schools, while those which have been rebuilt under PFI receive a lower allocation to take into account their ICT needs. The total allocation for community and foundation schools in Derby for 2007/08 will be around £4.2m. When the Council is undertaking a major scheme at a school, there is an expectation that the school should contribute some of its devolved capital, and this makes the overall NDS funding stretch further.

### **Schemes funded from capital receipts**

- 2.17 As part of the capital strategy referred to in paragraph 2.1, the Council has changed its policy on the retention of capital receipts from school sites. Previously, the agreed split was that the school would retain 25%, the schools capital programme generally would retain 50% and the balance of 25% would be available to the corporate capital programme. In practice, there were very few occasions on which this was implemented.
- 2.18 The new policy is that 25% would still be retained by the school concerned, but the remaining 75% would revert to the corporate capital programme, though the DfES has expectations that school capital receipts, particularly from playing fields, will be recycled for other school schemes. The capital receipt split in the new policy may be reviewed following the outcome of consultation on the capital programme. If through other service proposals or legislative requirements a variation to the capital receipt split is proposed, Cabinet approval would be required. There are some cases where specific disposals have already been planned on the previous or another basis.
- 2.19 Council Cabinet has previously agreed that the whole of the receipt from the land in front of St Benedict Catholic School and Performing Arts College should be combined with that from the school's land to fund a Multi User Games Area and changing rooms at the school. After some delays in selling the land, progress is being made and the scheme is expected to commence in 2007/08.

2.20 Land at the Merrill College upper school site is being sold, following the consolidation of the school on to one site as a result of the PFI construction. As a Foundation School, Merrill Governors own the school land and buildings and, as part of the complex PFI arrangements, it was necessary to reach an agreement between the Council, Merrill governors and DfES on the split of the capital receipt. The first calls on the receipt will be for demolition and marketing costs, the provision of a new telephone system for the College and a repayment to the Council for the provision of a Behaviour Improvement Centre at the College as part of the PFI scheme. The balance up to the minimum sale price of £3.15m will be shared between the PFI schools on the basis of pupil numbers. Any amount over £3.15m will be shared between Merrill (30%), PFI schools excluding Merrill (30%), the Council (30%) and the three main Merrill feeder schools (10%). As capital receipts have to be spent on capital schemes, the use of this receipt may well extend beyond the period covered by this report. No amounts are included in these papers as discussions with developers are still taking place.

### **Non-school allocations**

- 2.21 Compared to the scale of allocations for schools, those for non-school services are modest. There is a youth capital fund of £130,000 and a fund for children's social care of just £40,000. The latter will continue to be managed by Corporate and Adult Social Services, who have retained the resources for managing children's social care premises issues.
- 2.22 There are some social care ICT projects which cut across both children's and adult services. The capital allocation for Integrated Children's Services is managed by Corporate and Adult Social Services.

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<b>Background papers:</b>	DfES correspondence on funding allocations
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Summary of funding Appendix 3 – Summary of schemes Appendix 4 (to follow) – Proposed new schemes from DfES formula funding

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 The revenue implications of capital schemes will be funded from the budgets of the schools and services concerned. In the case of schemes funded through PFI, there will be a long-term commitment to a facilities management charge.
- 1.2 The funding sources for the proposed programme are indicated in the report and appendices. There is a financial pressure for the Council as a whole in 2007/08 because of the way in which the funding for supported borrowing has been scaled back to protect other authorities.
- 1.3 Schools are allowed to fund capital projects from their revenue budgets, subject to compliance with the relevant requirements in the Scheme for Funding Schools.

**Legal**

2. There are no direct legal implications.

**Personnel**

3. The revenue budget consultation includes proposals for charging staffing costs in Asset Management and Finance to the capital programme, where these can be identified to specific schemes. BSF preparation will require a dedicated project team with expertise from various disciplines.

**Equalities impact**

4. Buildings are designed to comply with relevant legislation such as the Disability Discrimination Act.

**Corporate Priorities**

5. **Encourage lifelong learning and achievement**, by:
  - improving educational attainment at Key Stage and GCSE levels
  - raising skill levels to improve the chances of securing employment.
- Build healthy and independent communities**, by:
  - delivering joined up services for children and young people that meet the needs of the local community.
- Deliver excellent services, performance and value for money**, by:
  - minimising Council Tax levels and increasing value for money.

## APPENDIX 2 – SUMMARY OF FUNDING

The table below summarises all projected resources available for the three years 2007/08 to 2009/10, with supported capital expenditure for 2006/07 shown for comparison

<b>Supported Capital Expenditure (SCE)</b>	2006/07	2007/8	2008/09	2009/10
	£000	£000	£000	£000
SCE (Capital) Modernisation	1,470	1,118	1,118	1,118
SCE (Revenue) Modernisation	3,353	3,334	3,334	3,334
SCE (Revenue) Schools Access Initiative	433	433	433	433
SCE (Capital) Devolved Formula	4,012	4,236	4,236	4,236
SCE (Capital) Ivy House School	1,466	2,931	1,466	150
SCE (Capital) New Normanton School	1,396	2,792	1,396	0
SCE (Capital) New Sinfen School BSF	372	13,990	4,403	274
SCE (Capital) Youth Service	130	130	0	0
SCE (Capital) Children's Social Services	40	40	40	40
<b>Total Supported Capital Expenditure</b>	<b>12,672</b>	<b>29,004</b>	<b>16,426</b>	<b>9,585</b>
<b>Funding Specific to Service</b>				
Voluntary Aided Schools allocations		1,139	1,139	1,139
Capital receipts		2,548	0	0
LSC Capital Grant		746	23	0
Football Foundation		1,384	40	0
Surestart Phase 2 Children's Centres		1,985	0	0
NOF		310	16	0
Previous Years' Funding		6,633	2,281	18
		<b>43,749</b>	<b>19,925</b>	<b>10,742</b>

Scheme	Source of Funding	Cost				Detail
		2007/2008	2008/09	2009/10	Total Cost	
		£000	£000	£000	£000	
Devolved formula (funding source)	SCE C	595	595	595	1,785	Voluntary aided schools projects
Voluntary Aided Programme (funding source)	SCE C	544	544	544	1,632	Voluntary aided schools projects
New Schemes	SCE C	2,094	4,275	4,453	10,822	
Brackensdale Infant	SCE C	10	-	-	10	Structural Repair Window Lintels & Roof Beams
Lawn Primary	SCE C	10	-	-	10	Phse 1 Replace windows & roof covers to Davis Block & windows to Smedley Block
Ridgeway Infant	SCE C	15	-	-	15	Phase 1 Replace Structural columns & windows
Chaddesden Park Infant	SCE C	15	-	-	15	Propping, timer column & repairs to timber
Derby Moor Community	SCE C	40	-	-	40	Phase 3 - replacement of deteriorating external cladding/windows
St Martins	SCE C	5	-	-	5	Boiler replacement
Derby Moor Football Foundation	Football Foundn	625	13	-	638	3G artificial grass pitch and changing rooms
Lees Brook Football Foundation	Football Foundn	759	27	-	786	3G artificial grass pitch and changing rooms
Portway Junior	SCE C	11	-	-	11	New classroom extension
Darley Abbey - NOF PEA	NOF	310	16	-	326	Create outdoor pursuits centre
Devolved Funding	SCE C	4,236	4,236	4,236	12,708	Approved works
Kingsmead Pupil Referral Unit target funding	SCE R/C	1,666	82	-	1,748	New Key stage 3 building
Ivy House School	SCE C	2,434	4,431	150	7,015	Replacement PMLD special school
Normanton Primary School	SCE C	7,622	527	-	8,149	New school building
Youth Capital Fund	DfES	130	-	-	130	Youth based capital projects
Schools Access Initiative	SCE R	433	433	433	1,299	Approved works
Computers for Schools	STFD	381	-	-	381	Home access to ICT for disadvantaged pupils
Online learning space/email accessible anytime anywhere	STFD	140	-	-	140	Addl funding to develop & improve the National Digital Infrastructure for schools
Sinfin Community School	SCE C BSF	14,881	4,683	291	19,855	Replacement school building
Sure Start Brookfield Primary Phase 2	Sure Start	389	-	-	389	Childrens centre
Sure Start Cavendish Close Infant School Phase 2	Sure Start	430	-	-	430	Childrens centre
Sure Start Oakwood Infant/Junior Schools Phase 2	Sure Start	560	-	-	560	Childrens centre
Sure Start childrens centres Phase 2	Sure Start	1,985	-	-	1,985	Childrens centres
Becket Adult Learning Store	LSC/Various	746	23	-	769	Adult learning facility
St Benedict Catholic School	Capital receipts	2,548	-	-	2,548	Multi use games area and changing rooms
Brackensdale Junior	SCE R/C	22	-	-	22	Double classroom extension
Ravensdale Infant school	SCE R/C	13	-	-	13	Foundation Stage 1 unit
Grampian Primary	SCE R	60	-	-	60	SAI works - disabled toilet
Childrens social care grant	SCE R	40	40	40	120	
<b>Total</b>		<b>43,749</b>	<b>19,925</b>	<b>10,742</b>	<b>74,416</b>	

**Key:**  
LSC: Learning and Skills Council

SCE C: Supported capital expenditure (capital)  
SCE R: Supported capital expenditure (revenue)  
BSF: Building Schools for the Future  
STFD: Standards fund grant  
NOF: New Opportunities Fund  
DfES: Department for Education and Skills  
SAI: Schools Access Initiative