

<b>Subject:</b>	<b>Education Capital Resources and Capital Investment Programme 2016/2017</b>		
<b>Date of Meeting:</b>	7 March 2016 – Children, Young People & Skills Committee <b>17 March 2016 – Policy &amp; Resources Committee</b>		
<b>Report of:</b>	<b>Executive Director for Children’s Services</b>		
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 In order to determine an overall Capital Programme for Brighton & Hove City Council, each service is asked to consider its capital investment requirements, within the level of allocated resources for 2016/17.
- 1.2 The purpose of the report is to inform the Committee of the level of available capital resources allocated to this service for 2016/17 and to recommend a Capital Investment Programme for 2016/17.
- 1.3 To allocate funding available in the capital programme under Structural Maintenance, Pupil Places and Condition investment for 2016/17.

**2. RECOMMENDATIONS:**

- 2.1 That the level of available capital resources totalling £30.778 million for investment relating to education buildings financed from capital grant and revenue contributions be noted.
- 2.2 That Committee approve the allocation of funding as shown in Appendices 2 and 3 for inclusion within the council’s Capital Investment Programme 2016/17.
- 2.3 That Committee grant delegated authority to the Assistant Director of Property & Design to procure the capital maintenance and basic need works and enter into contracts within these budgets, as required, in accordance with Contract Standing Orders in respect of the entire Education Capital Programme.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Education capital programme forms part of the Council’s full Capital Investment Programme which was presented to Policy & Resources Committee on 11 February 2016 and Budget Council on 25 February 2016.

## Capital Finance Settlement

- 3.2 In December 2013, the Government announced a two-year settlement for the education Basic Need capital allocations for 2015/16 and 2016/17. The settlement for Brighton & Hove amounts to £24.679 million over the two years.
- 3.3 On 12 February 2015 the Government announced a further one-year settlement for the education basic need capital allocation for the 2017/18 financial year of £11.445 million. This provides for Brighton & Hove a basic need capital allocation of £36.124 million over the three year period.
- 3.4 On 9<sup>th</sup> February 2015, the Government announced the capital maintenance settlement and Devolved Formula Capital Grant for 2015/16, with indicative allocations for 2016/17 and 2017/18. These figures were updated on February 12<sup>th</sup> 2016 which has resulted in a very slight increase (£828) in the allocation for capital maintenance and Devolved Formula Capital (£3,375).
- 3.5 Both basic need and capital maintenance allocations are funded entirely through capital grant.
- 3.6 The table below shows the allocations of capital grant funding announced for 2016/17 and 2015/16 grant re-profiled into 2016/17 as approved in the Targeted Budget Management 2015/16 Month9 report to Policy & Resources on 11 February 2016.

	<b>2015/16 carried forward £m</b>	<b>2016/17 Settlement £m</b>
Capital Maintenance Grant	0.609	4.910
Basic Need Funding	11.179	12.641
Devolved Formula Capital Grant*		0.539
Sub Totals	11.788	18.090
<b>Total</b>		<b>29.878</b>

This table only includes funding allocated for building related work. It does not include budgets managed by others.

\*Devolved Formula Capital is passed directly to schools and therefore is not available for the Local Authority to spend.

- 3.7 Additional grant funding may be made available throughout the forthcoming financial year and will be reported separately if necessary.

## Capital Resources

- 3.8 The level of projected resources must finance all capital payments in 2016/17 including existing approved schemes, new schemes and future year

commitments. A summary of the resources available to finance these payments is shown in the table below.

	<b>£m</b>
Capital Grants	29.878
Revenue Contributions	0.900
<b>Total Capital Resources</b>	<b>30.778</b>

- 3.9 In addition to the resources identified above, the Department for Education will allocate funding for expenditure at voluntary aided schools in Brighton & Hove under several programme headings.

### **Capital Investment Programme**

- 13.10 Funding is now allocated under three headings only: revenue contribution for structural maintenance (under which £0.900 million is available for expenditure on schools and other educational establishments); Capital Maintenance Grant (under which £4.910 million, is available for expenditure on improving the condition of the school estate); and Basic Need Funding (under which £12.641 million is available for providing additional pupil places in the 2016/17 financial year).
- 3.11 Capital re-profiling is shown in the table in para 3.6 above and any further slippage arising from the 2015/16 capital programme will be incorporated into the 2016/17 programme when the capital accounts are closed in May 2016 and will be funded from existing resources carried forward.
- 3.12 An overall summary of expenditure for 2016/17 and 2017/18 is attached at Appendix 3 and a more detailed explanation of each item is shown below.

### **Structural Maintenance and other property related priorities**

- 3.13 Funding for structural maintenance consists of £0.900 million from the transfer of revenue funding and £4.910 million from Capital Maintenance Grant from the government. The origin of the revenue funding is the Direct Schools Grant (DSG). The Schools Forum has for many years approved that £0.900 million from DSG should be pooled to support the schools capital maintenance budget.
- 3.14 Schools Forum considers the amounts retained by the LA each year. Following a member question regarding this £0.900 million allocation the LA suggested Schools Forum should discuss whether this funding was now devolved to schools. The view of Schools Forum was that the LA should retain this funding for the 2016/17 financial year but there would be further consideration of this matter at a future meeting of the Schools Forum.
- 3.15 This funding will be used to address the most urgent and important items highlighted by the condition surveys of school buildings as well as a number of programmes to address specific safety and improvement priorities as set out in paragraphs 3.22 – 3.25 below.

- 3.16 The Capital Maintenance Grant settlement this year is based on the figures published in February 2016.
- 3.17 A major priority of the Asset Management Plan is to reduce the amount of condition related works required in schools. A rolling programme of works has been prepared which currently shows a backlog of £30 million. It is recommended that £5.28 million from the total funding available is allocated to carry out structural maintenance works in the 2016/17 financial year.
- 3.18 The proposed programme is prioritised using the Department for Education (DfE) condition criteria. The highest level of priority is attached to the renewal or replacement of building elements which fall within Grade D (as being in bad condition, being life-expired and/or in serious risk of imminent failure) and within the 'Priority 1' or 'priority 2' definition:
- Priority 1 Urgent work, which will prevent immediate closure of premises and/or address an immediate high risk to the health & safety of occupants and/or remedy a serious breach of legislation
- Priority 2 Essential work, required within two years, which will prevent serious deterioration of the fabric or services and/or address a medium risk to the health & safety of occupants and/or remedy a less serious breach of legislation.
- 3.19 In the current year the total D1 priority work identified is approximately £2.9 million excluding fees (£3.195 million including fees). By allocating £4.38 million from the Capital Maintenance Grant together with the £0.9m from the revenue contribution we will be able to address all the D1 and a significant number of D2 priority works.
- 3.20 The extent of the work at each school will be determined by the condition survey and detailed investigation and scoping of the problem to be addressed. There will also be discussion with each school on the timing and scoping of the works.
- 3.21 A copy of the proposed structural maintenance programme is attached at Appendix 2 to this report.
- 3.22 Legislation on both the control of legionella and asbestos in buildings has given rise to the need to carry out works on a rolling programme to school buildings to achieve compliance with the new legislation. It is recommended that £0.150 million each be allocated to legionella and asbestos work.
- 3.23 It is recommended that £0.150 million is allocated for works identified by the Fire Risk Assessments that are the responsibility of the Local Authority.
- 3.24 Issues regarding compliance in relation to ventilation in school kitchens have been raised for a number of years. Inadequate ventilation in a kitchen environment leads to very hot and humid conditions which raise the risk of accidents, hygiene problems and potential poor health of staff. It is recommended that £0.150 million is allocated for this purpose.

- 3.25 It is also recommended that £0.100 million is allocated to carry on with the rolling programme of surveys of school premises, £0.150 million is allocated for advanced design of future projects, and £0.150 million is allocated for adaptations to schools to accommodate pupils with special mobility or sensory needs.
- 3.26 The above allocations identified in paragraphs 3.22 – 3.25 will leave approximately £0.139 million of the available resources for structural maintenance uncommitted this is considered prudent financial management at the start of the year.
- 3.27 In addition to the Local Authority responsibility for maintenance the schools also retain responsibility and funding for some maintenance items. This funding includes Devolved Formula Capital which the council receives from central government to pass on to schools according to a formula. There is also an element in schools' delegated budgets relating to building maintenance.

### **Basic Need Funding**

- 3.28 Basic need funding is provided to authorities who are experiencing increasing school rolls. The funding is provided to ensure that the Local Authority can meet its statutory obligation to secure a school place for every child that wants one.
- 3.29 At its meeting on 13 October 2014 the Children and Young People Committee agreed to the permanent expansion by one form of entry of Saltdean Primary School. In March 2015 the overall cost of the scheme was reported as being £2.9 million. This has unfortunately now risen to £3.21million.
- 3.30 At the time the anticipated scheme costs were reported in March 2015 the design process was not finalised and the reported costs were an estimate. As the design progressed it became apparent that the work was more extensive and complicated than previously thought and despite considerable value engineering the Agreed Maximum Price (AMP) for the scheme was higher than estimated.
- 3.31 The works are now substantially complete but there will be final payments to be made during the 2016 17 financial year.
- 3.32 At its meeting on 13 October 2014 the Children and Young People Committee agreed to the permanent expansion by one form of entry of St Andrew's CE Primary School. In March 2015 the overall cost of the scheme was reported as being £2.7 million. This has unfortunately now risen to £3.1 million.
- 3.33 At the time the anticipated scheme costs were reported in March 2015 the design process was not finalised and the reported costs were an estimate. As the design progressed it became apparent that the work was more extensive and complicated than previously thought and despite considerable value engineering the Agreed Maximum Price (AMP) for the scheme was higher than estimated.
- 3.34 This project is on track to be completed in October 2016.

- 3.35 Both of these projects have been procured using the councils Strategic Partnering contract and consequently have had a Best Value review undertaken. In both cases our independent cost consultant was able to certify best value had been achieved.
- 3.36 The increase in pupil numbers that has been affecting primary places is now starting to impact on secondary numbers. A strategy for meeting this need has been developed with the Cross Party School Organisation Working Group and the Secondary and Continuing Education Partnership consisting of the ten secondary schools, the three colleges and the two universities. Projects to fulfil this strategy are now being worked up through consultation with these groups and will be funded from basic need capital grant, subject to approval through further reports to this Committee and the Policy & Resources Committee.
- 3.37 Appendix 3 shows an indicative expenditure on secondary school places in 2016-17 of £5 million. Further options that arise during the year will be presented to this Committee and Policy & Resources Committee so that the financial implications can be considered.
- 3.38 A review of provision for children and young people with special educational needs and disability is currently underway which could result in changes to special school provision within the city. An allocation of £2.5 million has been included in 2016 / 17 to meet the cost of any proposed changes with a similar allocation indicated for 2017 18.
- 3.39 An allocation of £0.5 million has been included to allow the LA to meet any costs arising from projects procured by third parties.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 The only option available would be to not make use of this funding to improve or extend the education property portfolio. This is not recommended as it would limit our ability to maintain, modernise and improve our school buildings property portfolio and to secure sufficient school places.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 There has been no specific consultation regarding the content of this report. When an individual project is developed the necessary consultation is undertaken and reported to the relevant committee.

#### **6. CONCLUSION**

- 6.1 The proposed capital Investment programme will enable us to continue to ensure that we secure school places in areas of the city where they are required and to improve the condition of our education property portfolio.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The report sets out the allocation of capital resources included in the Capital Investment Programme 2016/17 as approved by Budget Council on 25 February 2016 that were announced as part of the capital finance settlement in December 2014 and February 2015. The report also includes re-profiled budgets that were approved at Policy & Resources Committee on 11 February 2016 as part of the Targeted Budget Management 2015/16 Month 9 report. The schedule of investment for basic need includes works associated with primary schools as well as additional secondary school provision of up to £5.0 million for 2016/17. Any uncommitted resources will be reported back to this Committee with detailed plans in due course. The revenue implications of any capital investment will be met from existing revenue budgets in 2016/17 and future years' budgets.

Finance Officer Consulted: Rob Allen

Date: 12/02/15

### Legal Implications:

- 7.2 There are no direct legal implications arising from this report. Individual projects may give rise to specific issues which will be covered by the individual reports referring to them.

Lawyer Consulted: Serena Kynaston

Date: 04 02 16

### Equalities Implications:

- 7.3 There are no equalities implications arising from this programme which would impact disproportionately on any defined groups. New and refurbished buildings will conform with all relevant regulations and be fully accessible.

### Sustainability Implications:

- 7.4 There are no direct environmental implications arising from this report. The environmental impacts of individual schemes are reported to Members when the detailed report is submitted to Policy & Resources Committee for final approval. The detailed planning of projects at educational establishments will take account of the implications of Brighton & Hove's policies in relation to sustainability issues generally.

### Any Other Significant Implications:

- 7.5 None

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Structural maintenance programme
2. Summary of allocation of funding streams in Section 3 of this report

### **Documents in Members' Rooms**

1. None

### **Background Documents**

1. None

Crime & Disorder Implications:

- 1.1 The detailed planning of projects will take account of security issues

Risk and Opportunity Management Implications:

- 1.2 There are no risk issues in terms of resources or risks to children as a result of this proposal

Public Health Implications:

- 1.3 There are no public health implications arising from this report

Corporate / Citywide Implications:

- 1.4 The Capital Maintenance Grant identified in this report is evidence of the government's continuing support for the Council's work as a Local Education Authority. The Basic Need Funding is indicative that the DfE understands the issues of primary and secondary places we face in the city.