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Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

**Children's Scrutiny
Cabinet**

**25th November 2009
30th November 2009**

Transforming the Learning Environment (TLE) programme structure and budget

Report of the Strategic Director, Children

1. Purpose of Report

- 1.1. To propose changes to the existing CYPS Property Services Team and Building Schools for the Future (BSF) Team to deliver the Council's capital programme for children and young people. Over the next five years the Council must deliver an educational transformation programme. This programme combines the Building Schools for the Future (Secondary transformation) Programme, the Primary Capital Programme (PCP) and all other capital funding projects that fall within the remit of the Investing in our Children Priority Board.
- 1.2. The report proposes re-structuring to establish a Transforming the Learning Environment Division within the Council thereby reflecting the One Leicester commitment to deliver a 0 – 19 integrated and inclusive education service by exploiting capital programmes estimated at £500m associated with early years, primary, secondary and youth projects including the My Place project as well as extended schools and integrated service hub developments.
- 1.3. The changes proposed will significantly reduce the Division's current reliance on consultants and agency staff and thereby help in the achievement of corporate efficiency targets. It is anticipated that the current economic climate will assist in the recruitment of high quality staff.

2. Summary

- 2.1. BSF, PCP and other capital programmes associated with Children and Young People's Services that make up the TLE programmes, represent an unprecedented £500 million funding opportunity over 14 years to help transform the learning environment across the city. Setting up a TLE Division as proposed here will enable the Council to effectively manage TLE programmes whilst maximising the strategic value to be gained from the large amounts of capital funding coming into the city.
- 2.2. The levels of revenue funding proposed to support this structure are necessary to ensure that this once in a lifetime opportunity is managed effectively and that the city reaps the maximum benefits from the funding that is available. These benefits include the opportunity to take a major step towards delivering the One Leicester priority to "invest in our children" by transforming the physical environment to improve education attainment and narrow the well-being gap. The strategy of bringing together planning for children and young people's services into an integrated 0-19 strategy will enable

added value to be gained from the programme as long as an adequate operational resource is put in place.

- 2.3. The current interim arrangements draw on significant levels of temporary consultant support to ensure that the Council is able to progress plans for future phases. The additional costs of these arrangements are unsustainable. In order to effectively develop the plan for Leicester, respond to very challenging deadlines and requirements set by the Department for Children Schools and Families (DCSF) and Partnerships for Schools (PfS) to deliver the programmes, and to provide the support that schools need, more robust arrangements are urgently required.
- 2.4. The timescale for delivery of the BSF capital programme is five years and the timescales for delivery of the PCP is 14 years. It is proposed to strengthen capacity (increasing posts) in the TLE Division over the next 5 years. That is the period during which time the city's programme to replace/refurbish secondary schools will be delivered and BSF funds spent. After five years the TLE Division will be reduced and a smaller team will remain in place to complete the delivery of the PCP, all other non BSF capital projects and the on-going contract management of the Private Finance Initiative estate, outsourced Facilities Management contracts and ICT facilities at BSF schools.
- 2.5. The DCSF through its agent PfS closely scrutinise the progress of all participating authorities in delivering capital projects. The latest assessment carried out by 4Ps earlier in the year gave the 'Delivery Confidence Assessment' an Amber rating. Increased interim TLE programme management capacity was identified as a critical success factor and assurances are now being sought that there will be sufficient capacity to deliver the TLE programme. The Audit Commission have also made comment on the Authority's response to BSF, concluding that the Council does not yet have sufficient 'in-house' resource to manage this complex and extensive programme of work. The proposed restructured and strengthened TLE Division will be an effective response to these assessments.

3. Recommendations

- 3.1 CYP Scrutiny is recommended to note the report and make any comments to Cabinet
- 3.2 Cabinet is recommended to;
 - a) Approve the proposed TLE Division structure as set out at Appendix A.
 - b) Approve the TLE Programme budgeted expenditure for 2009/10 and 2010/11 as set out at Appendix B.
 - c) Approve in principle the TLE Programme budgeted expenditure for 2011/12 to 2013/14 which will be subject to further Cabinet approval nearer the time (Appendix B).
 - d) Approve the application of the funding identified at Appendix B, subject to a review and further approval for 2011/12 onwards nearer the time.
 - e) Support the creation of a TLE earmarked reserve, to which the one-off funding would be credited and on which interest would be paid annually.
 - f) Approve the capitalisation and addition of £1,169,000 of BSF development costs to the 2009/10 capital programmes, funded by Dedicated Schools Grant.

4. **Context**

- 4.1 The restructured Division will bring together for the first time the pupil forecasting; admissions; school organisation and children and young people's service capital programme functions. This will result in a significant improvement in the ability of the Council to closely align the planning and delivery of school capital programmes with the analysis of the population projections (and the changes in those projections) for children and young people within the city.
- 4.2 The proposal provides an effective response to the recommendations of two external evaluations of the Council's capacity to deliver such a large capital programme. (The Audit Commission and 4Ps Gateway Review reports of October 2009 and February 2009 respectively.)
- 4.3 The proposal recommends the reallocation of existing resources to create the Division. The budget for the proposed changes is set out in the report.
- 4.4 Excluding the admissions service, there are around 36 posts in the division and only nine of these are filled by permanent staff. The 25 vacant posts have been covered by consultants and interim staff, and subject to successful recruitment it is expected that this would reduce to around 5-6 to handle workload peaks and specialist work. However, the implementation of the new structure will need to take into account the emerging requirements and direction of the Support Services review, in particular the Facilities Management/Property Services and Administration strands. It should be noted that if the general freeze on recruitment for support services leads to delays in recruiting to the posts identified in the proposed new structure, then the use of external consultants and internal interim arrangements would be prolonged.
- 4.5 It is recognised that the required staffing levels are likely to fall significantly in particular areas once the BSF programme is complete. Job Descriptions will be drafted in such a way as to maximise the potential redeployment opportunities within the Council at that time.
- 4.6 The Transforming the Learning Environment Division is not fit for purpose as it currently stands. The existing organisation, roles and numbers of staff within the Division are insufficient to deliver this extensive capital programme over the next five years. Delay in making the required adjustments to ensure that the Council has the capacity to deliver the programme will result in a risk to the whole scheme.
- 4.7 The ability of authorities to deliver their next stages of the Building Schools for the Future programme is currently being assessed. The Council must be judged to have the capacity to deliver in order to receive further capital funding. There is a national imperative to commit BSF capital funding without delay. This imperative has been brought more sharply into focus recently due to the global economic slow down and the Government's intention to fast track public spending on Capital Projects.
- 4.8 In the event that the Council is unable to attract capital funding for the BSF programme now an opportunity will be lost to significantly improve educational outcomes for Leicester children, young people and communities through development of state of the art learning and community facilities on school sites.
- 4.9 The Council has set out its ambition to raise aspiration and improve educational attainment. It is critical that every opportunity is taken to deliver this ambition. This is particularly the case as the Local Authority was issued with a notice to improve in June 2008. A further consequence of a halt or none delivery of the BSF programme is the potential of legal action from partners in the LEP.

4.10 The Cabinet is not being asked to identify any additional funding to support the new structure. All the funds required have been identified within existing Children's Services resources and contributions from schools.

5. Background

5.1 'One Leicester' sets out the council's ambitious plans for Transformation and Regeneration of the City. As a key component of this initiative, TLE seeks to transform and regenerate the city's learning environment for children and young people, their families and communities. The initiative is made possible by funding opportunities provided by the Department for Children, Schools and Families (DCSF) through their BSF programme and PCP. Together with anticipated post-16 capital funding projects these programmes present a funding envelope of approximately £500 million over a period of fourteen years.

5.2 The BSF funding programme is managed on behalf of the DCSF by Partnerships for Schools (PfS) who evaluate any final submissions for funding approval. The key control documents for securing this funding are the Strategy for Change documents, and the Outline Business Case. PCP is managed directly now by PfS. These control mechanisms are demanding and have to be adhered to for the funding to be released and it is imperative on the council to make sure that adequate resources are in place to enable the effective management of the programmes. PfS require evidence that this is the case before release of funds.

5.3 The controls put in place for BSF by both PfS and the DCSF are designed to ensure that all funding is targeted at capital building, additions, replacement or refurbishment only. Therefore, the council is required to find its own method of funding the establishment and management of the programmes if they are to have maximum impact. It should be noted that part of the funding package for BSF includes scheme development costs, and this funding is expected to be passed in full to the LEP in line with national practice and as applied at Phase 1. The position with the Primary Capital Programme is easier, as the funding is more traditional and usual accounting and charging arrangements apply.

5.4 The importance of all these capital initiatives has been recognised by the Council through the establishment of the Transforming the Learning Environment Partnership Board (TLEPB) and it is proposed to re-engineer the currently separate BSF Team, CYPS Property Services Team together with the Admissions and Appeals Team into one TLE Team in order to effectively manage the programme at an operational level and strategically plan the integration of the disparate funding streams. Currently the TLE team is configured in this way on an interim basis pending the completion of the organisational review. This team is governed by Investing in our Children Priority Board through the Divisional Director and is tasked with the effective management of BSF, PCP as well as all other capital funding programmes.

5.5 Development over time of the Investing in Children Priority Board will ensure strategic alignment of funding and focus delivery at the most critical areas of need. This action is consistent with the local policy shift to community-based infrastructure investment exemplified in Leicester by successful implementation and roll out of the ISH programme. Nationally the launch of The Children's Plan at the beginning of 2008 identified community-based infrastructure investment as a natural outcome of joining up services for children and families in localities and in this respect the TLE structural changes proposed put Leicester City Council significantly ahead of other councils across the country and form an important part of the Council's ambitions around new models of neighbourhood working.

- 5.6 The ultimate goal of the TLE Team is to ensure that funding resources are organised, co-ordinated and managed in such a way as to ensure that transformation of education services is maximised and all children's services are delivering a 'fit for purpose' offer to all stakeholders. It is also a key outcome of the work of the TLE Team that there will be alignment of funding from DCSF and all other sources. This alignment will bring together facilities and services commissioned by all partners including NHS Leicester, the Police Authority and private sector partners, ensuring best value for money and best outcomes for children, families and communities. Establishing a TLE Team along the lines proposed in this report is the best way of ensuring this goal and outcomes and this is recognised by the 4Ps Gateway Team in their recommendations; which can be found in their full report available to Cabinet Members

6. TLE Team Structure

- 6.1 The proposals offered for the TLE Team structure ensure that key resources are made available for the effective management of BSF and PCP and a significant number of additional projects which make up the existing Property and Planning capital programme. This enables the council to maximise the use of each resource across more than one programme and will also provide continuity of thinking, learning and strategic master-planning. Details of the proposed structure are set out at Appendix A.
- 6.2 The new structure includes posts and grades that are the same as posts and grades already within the established structure for the CYPS Property Team and a number of posts that are different. The new structure includes significantly more posts than the existing team. In particular the new structure includes increased capacity for project and programme management and strategic master-planning for community facilities on school sites – a key recommendation in the 4Ps Gateway Review:
- 6.3 There are also two posts proposed in the new structure to manage and drive the commercial elements of TLE business. These posts will ensure that procurement processes, negotiations with LEP partners and monitoring and performance-managing contract arrangements are robust and rigorous.
- 6.4 HR officers and Trades Unions are currently involved in a full Appendix R review. This organisational review is scheduled for completion in December 2009 with the aim of establishing a dedicated specialist team that will manage the projects and programmes of work that make up the TLE portfolio and ensure that;
- These projects and programmes are managed efficiently and effectively.
 - Value for money is ensured.
 - The projects and programmes are designed to deliver the priorities set out by the Council in 'One Leicester'.
 - The risk of losing the £500 million Capital due to 'claw back' by DCSF/PfS is minimised.
 - The current reliance on consultants and agency staff to manage these projects is much reduced.

7. Costs and Funding Proposals

7.1 Costs of the New Programme Structure

- i. The proposed staffing and external support arrangements to progress BSF, the PCP, other capital schemes and to support to the CYPS property portfolio generally are projected to cost an average of £2.9m per year over the five year period 2009/10 to 2013/14, a total of £14.4m.
- ii. The BSF programme is expected to be complete by December 2013. However, the potential costs of any slippage to March 2014 are included in the 2013/14 costs. If the programme were to slip beyond March 2014, the cost implications would need to be considered at that time.
- iii. Excluding any BSF slippage, the costs from 2014/15 onwards will be lower, as the TLE Division focuses on the PCP, on-going monitoring and management of the completed BSF schools and other on-going matters. The on-going structure has not been developed at this stage and therefore costs beyond 2014/15 cannot be estimated. The structure and costs will need to be reviewed in the light of circumstances nearer the time.
- iv. It should be noted that a number of key assumptions have been made, in addition to the expected programme timescales. The key additional assumption is that charges for BSF work by the Council's corporate Property Services have been included in full in 2009/10; however from 2010/11, integrated working is intended to be moving into place and therefore Property Services activities will be capitalised as part of the LEP's development costs. This is a key consideration in estimating future years' costs and a substantial reduction in the net cost to the Council from 2011/12 has been assumed in this report.
- v. It should also be noted that the costs and funding for the School Admissions team are excluded, as they are not directly affected by the proposals in this report and the existing costs and budget will be on-going.

The projected expenditure is shown in more detail at Appendix B.

7.2 Funding the Programme Structure

- i. Within Leicester, the starting point is that funding should be on the basis of a partnership between Children's Services, the wider Council and schools. Research amongst other councils with BSF programmes revealed a range of approaches to funding programme management and clientside costs, with varying degrees of relevance to the local circumstances in Leicester.
- ii. A package of funding is proposed which draws on current budgets and reserves and which should be sufficient to meet the programme costs over a five year period. This includes:
 - The annual revenue budget for BSF clientside, as approved by the Council at the start of the BSF programme in Leicester;
 - The annual revenue budget for the former Children's Services Property team;

- Annual funding from the Dedicated Schools Grant, which is supported by the Schools Forum and the Secondary Education Improvement Partnership;
 - Contributions from the former CYPS Departmental reserve and the Secondary Review Reserve;
 - Interest accrued on the BSF funding received by the Council in advance of the associated phases going ahead; and
 - Provision to support the Strategy for Change in the CYPS Capital Programme.
- iii. Cabinet has previously approved further Prudential Borrowing, which will be kept in reserve should there be any cost increases or reductions to the above funding streams.
- iv. Whilst the funding streams are believed to be secure, it should be noted that the contribution from the Dedicated Schools Grant is subject to annual approval by the Schools Forum, and could be affected by future changes to national arrangements for funding schools or the uses to which the grant may be applied.
- v. It should also be noted that the use of interest on BSF funds advanced by the Government could be subject to clawback in the event of BSF not progressing, and assuming that BSF does continue then the interest would not be available as a buffer against increased construction costs. These risks are mitigated to a certain extent by not bring the funds into account until 2011/12, by which time the future of BSF locally and nationally should be clearer.

The proposed funding is shown in more detail at Appendix C.

- vi. Further details on the costs and funding are available in a separate briefing for Members.

8. Financial Implications

This report sets out proposals for the new TLE programme structure and budget. The costs and funding are summarised in the report, set out at Appendices B and C. Funding sufficient to cover the projected costs has been identified, however the report refers to a number of key risks and assumptions and the situation will need to be monitored and updated on an on-going basis.

Colin Sharpe, Head of Finance and Efficiency, CYPS, ext. 29 7750.

9. Legal Implications

- 9.1 This report is about the budget and programme structure for the TLE programme which will include the BSF programme
- 9.2 The Council has entered into a Strategic Partnering Agreement with Leicester Miller Education Company Limited (the LEP) which governs the implementation of the BSF projects and grants exclusivity for the resulting constructions and hard FM contracts (with some exceptions)

- 9.3 Under this agreement the Strategic Partnering Board (SPB) for BSF has been established.
- 9.4 Whilst there is some flexibility about the projects that can use the SPB/LEP as a procurement route this flexibility is around projects relating to secondary schools. Therefore not all projects can be procured in this way.
- 9.5 The Strategic Partnering Agreement also requires the LEP to provide Partnering Services to the Council. The general objective of these services is to contribute to the development of the strategic business case for, and the implementation of, the BSF school projects so that those projects can deliver the local education vision and the BSF vision nationally.
- 9.6 Thought needs to be given as to how this is reflected in the alignment of programme structure. The purpose of “partnering” is not just to deliver new educational facilities but to deliver educational achievement and regeneration. At the moment this is not directly reflected in the workstreams and there is a risk that the project development within the Council will not reflect the interface with the LEP.
- 9.7 I have been asked to comment on two potential sources of funding, prudential borrowing and schools funds.
- 9.8 The Council has power to use “prudential borrowing”. At the moment there is no upper limit on this as long as the prudential rules are met but the legislation does contain provision for the Government to act in future to limit prudential borrowing.
- 9.9 Some schools have accumulated reserves. It would be possible (within the rules on financing for schools and what that money can be used for) to reach agreements with schools on the use of this money (and indeed any “buy back” arrangements for revenue funding) The current position is that BSF schools will pay a contribution back from their delegated funding to the Council in respect of the BSF Unitary Charge (PFI) or Monthly Payment (non PFI) once the new or refurbished/remodelled schools are handed over from the contractor. There could be an additional contribution towards the BSF “affordability gap”, which will be calculated periodically.
- 9.10 Joanna Bunting (Head of Commercial & Property Law) Tel. 252 (29) 6450

10. Background Papers

- 10.1 Supporting Documentation available in Cabinet member’s rooms:
- 4Ps Gateway Review (referenced in section 4.2 of this report)

11. Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity Impact	Control Actions (if necessary/appropriate)
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		L/M/H	
PfS withdraw their support for the Leicester BSF programme and Secondary schools remain in a poor state of repair with opportunity reduced for transformation of Learning. Consequent loss of new job opportunities and economic activity across the city.	M	H	<ul style="list-style-type: none"> • Sufficient capacity is planned within the “client side” structure • Budgets reflect the new more focussed work of TLE • Funding has all been identified

12. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	Yes	7.1.2(f)
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	

13. Report Authorship

Helen Ryan (Service Director – Transforming the Learning Environment), Tel. 29- 8791
Colin Sharpe (Head of Finance and Efficiency – Investing in Our Children), Tel. 29-7750

Key Decision	Yes
Reason	Is significant in terms of its effect on communities living or working in an area comprising more than one ward
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)

Appendix A

See attached Proposed Organisational Structure

APPENDIX B**PROJECTED EXPENDITURE APRIL 2009 – MARCH 2014**

	EXPENDITURE	1	2	3	4	5	6
		2009/10	2010/11	2011/12	2012/13	2013/14	Full Programme
		£	£	£	£	£	£
1	Organisation and Assets	473,900	473,900	473,900	473,900	473,900	2,369,500
2	0 - 11 Programme	460,900	460,900	460,900	460,900	460,900	2,304,500
3	11 - 19 Programme	627,500	627,500	627,500	627,500	627,500	3,137,500
4	TLE Strategy	276,300	276,300	276,300	276,300	276,300	1,381,500
5	TLE Office Manager	151,200	151,200	151,200	151,200	151,200	756,000
6	Contract Procurement Fees	0	775,200	474,700	515,100	424,200	2,189,200
7	Corporate Property Services (net cost to LCC)	549,400	426,200	101,000	101,000	101,000	1,278,600
8	Interim Project Management & Technical Consultancy	673,700	336,300	0	0	0	1,010,000
9	TOTAL FORECAST EXPENDITURE	3,212,900	3,527,500	2,565,500	2,605,900	2,515,000	14,426,800

APPENDIX C**PROJECTED FUNDING APRIL 2009 – MARCH 2014**

		1	2	3	4	5	6
	FUNDING	2009/10	2010/11	2011/12	2012/13	2013/14	Full Programme
		£	£	£	£	£	£
1	Annual Clientside Budget	323,000	323,000	323,000	323,000	323,000	1,615,000
2	Annual CYPS Property Services Budget	567,600	567,700	567,700	567,700	567,700	2,838,400
3	Capitalised Development Costs to be funded from Dedicated Schools Grant	1,169,000	1,169,000	1,020,000	720,000	540,000	4,618,000
4	CYPS Secondary Review Reserve	153,300	967,800	456,900	-	-	1,578,000
5	CYPS Departmental Reserve	500,000	-	-	-	-	500,000
6	Accumulated Interest on BSF Phase 2 funding (£2.9m had been accrued by March 2009)	-	-	197,900	995,200	1,084,300	2,277,400
7	CYPS Capital Programme : Strategy for Change	500,000	500,000	-	-	-	1,000,000
8	TOTAL PROPOSED FUNDING	3,212,900	3,527,500	2,565,500	2,605,900	2,515,000	14,426,800