

Leicester  
City Council

**WARDS AFFECTED**  
**All Wards (Corporate Issue)**

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**CABINET**

**13 OCTOBER 2003**

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**TRANSFORMING CITY SCHOOLS**

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**Report of the CORPORATE DIRECTOR of EDUCATION AND LIFELONG LEARNING**

**1. Purpose of the Report**

- 1.1 This report sets out the current position regarding the Secondary School Transformation debate, the Building Schools for the Future programme, the review of Special Education, the proposed City Academy School, the Islamic Academy, and the issues facing the primary school sector. All of these need to be seen within the context of the School Organisation Plan 2003-08 (SOP) that is shortly to be issued for statutory consultation. The need for a review of secondary priority areas is also raised.
- 1.2 Members are asked to note that the Corporate Director of Education and Lifelong Learning will be submitting a bid, without commitment at this stage, to the DfES for BSF funding by 31 October 2003 with the project management support of consultants. Also, agreement is sought to endorsing the Leicester Islamic Academy's capital bid to the DfES; for making available, in principle, the site of the former Mary Linwood School and the capital receipts for the Newry and Southfields sites for the City Academy School; for consulting further on special education provision for the City; and to agree to a capital funding bid to the DfES for Queensmead Infants and Junior Schools, and Bendbow Rise and Crescent Junior.
- 1.3 The above present a major, unique and exciting set of opportunities to enable the City to address its aims of raising standards of education and promoting social inclusion.

**2. Summary**

- 2.1 The mission of the new Education department from 2000 onwards with respect to school standards has been to remove school failure from the city and the causes of failure and make all schools good and good schools better. Failure has all but been removed. However, the challenge of making all

schools good schools still remains and whilst school performance indicators are trending upwards variations of performance between and within schools is too varied to be acceptable. The intention of the emerging strategy for Transforming City Schools is to create schools of character and distinction and of the right size and remit to better meet the needs of the communities they serve. And where community need is identified, but with no reasonably close school for parents to choose, new schools are proposed such as the Islamic Academy and City Academy. New special schools may also be required and new amalgamated primary schools too.

- 2.2 These opportunities are new opportunities and exist largely because of DfES policy. This has resulted in a number of new initiatives with the aim of promoting better learning outcomes for boys and girls in urban and disadvantaged areas. Most importantly it allows the possible accessing of capital funding in ways that have only recently become available. For example the City Academy initiative was not available prior to 2001. The LEA is now able to consider, therefore, the possibility of new schools and the remodelling of existing schools. This will not only address the need for schools and classrooms of the future but it will also allow a consideration of right-sized schools better able to meet the needs of the community and in appropriate priority areas. Parental choice and satisfaction with that choice could be greatly increased. Such an opportunity builds directly upon the concentrated drive to raise standards over the last 3 years. But this new DfES policy and funding framework also allows the addressing of conditions and realities that are relatively recent to the city. These include schools that are ever more confident about their ability to meet the needs of the community they serve, and work in collaboration for the good of all; a 2% growth in children from abroad; a shortfall in the projected number of school places; a regeneration master plan for the inner city which will require additional school places and possibly new schools; the reprovision of special education places in new schools more harnessed to the special needs of the city; partnerships for learning in new and different ways between the years 14-19; and greater community based services and extended schools.
- 2.3 Officers are currently drawing up a bid to the DfES for the Building Schools for the Future programme. This could generate up to £150 million of capital funding, specifically for secondary schools, and significantly help the City to modernise its Secondary Schools, to address the Transformation agenda and to meet the projected need for school places. This bid will not result in any formal commitment on the part of the Authority to accepting an invitation to participate or to a specific future pattern of school provision. If the bid is successful there is an expectation from the DfES that construction would commence early in 2005/06.
- 2.4 If the bid is successful, and members support the proposals, there would be substantial changes in our schools. This is likely to result in a mixed economy of City Schools, some of which are academies, some of which are PFI, and some of which are substantially re-modelled following major investment. None of this, however, requires a commitment at this time.
- 2.5 The City's Secondary priority areas have not been changed since before the secondary review. Members are advised that a review will be needed to address this and also to reflect any changes needed in the context of the

above agenda.

- 2.6 The LIA is about to go to statutory consultation. Authorisation of a Targetted Capital bid which would significantly contribute to the funds for necessary building works for the LIA is sought.
- 2.7 Authorisation is also sought, in principle, for the Mary Linwood site being released for the CA, and for the capital receipts for Newry Junior and Southfields Infants being used as a contribution to the CA as required by the DfES. Receipts would normally be contributed to the costs of an amalgamation proposal. A DfES decision on the Academy school is expected shortly.
- 2.8 The need to review special school provision also needs to be seen within the context of Transforming Secondary Schools as well as the School Organisation Plan.
- 2.9 The School Organisation Plan (SOP) is currently being completed with a view to issuing it for statutory consultation. The SOP is a statutory requirement. It assesses the current and projected availability of school places across the City and sets out areas of surplus or shortfall. The School Organisation Committee is an independent body on which the Council is represented. It approves the SOP and other statutory proposals put to it. If the SOC is unable to reach a unanimous agreement on the Plan or a proposal it has to be referred to the DfES appointed Schools Adjudicator.
- 2.10 The plan shows a shortfall in secondary provision over the next few years given the extensive housing gains that are projected, and given assumptions about parental choice. This is a key issue when looking at the future pattern of school provision across the City.
- 2.11 The School Organisation Plan also sets out the current position regarding the significant number of surplus places in the primary sector. This has already led to this issue being a CPA target for addressing. A more detailed report will be brought forward at a later stage.

### **3. Recommendations**

- 3.1 Cabinet is recommended to:
  - a) Note that the Corporate Director of Education and Lifelong Learning has taken Director's Action in consultation with the Cabinet Link for Education to appoint consultants to project manage a bid to the DfES for Building Schools for the Future funding by the deadline of 31<sup>st</sup> October with an opportunity for further negotiation if the bid is successful;
  - b) Agree to the LEA endorsing the Leicester Islamic Academy's Voluntary Aided Targeted Capital bid for approximately £15-16 million;
  - c) Agree in principle that, subject to final Cabinet approval for the City Academy School, the site of the former Mary Linwood school be made

available for the CA, and that the capital receipts for the Newry Junior and Southfields Infants sites be released as a contribution to the costs of the CA;

- d) Agree to consult further on the proposals for realigning special education provision for pupils with moderate, severe and profound and multiple learning disabilities (MLD/SLD/PMLD) contained within the report;
- e) Agree to a Targeted Capital bid being submitted to the DfES for Queensmead Infants and Junior Schools and Bendbow Rise Infants and Crescent Junior.

#### **4. Headline Financial and Legal Implications**

Financial implications (Mark Noble, Chief Financial Officer/David Wilkin, Head of Education Finance)

- 4.1 There are major capital and revenue implications arising from this report. These are detailed in the supporting information. Whilst there is an opportunity to generate huge capital investment in the City, there remain risks and unknown factors which require further discussion with the DfES. An initial assessment of these plus details of the short-term costs are set out in the Supporting Information.

Legal implications (Guy Goodman)

- 4.2 There are significant legal implications arising from the various proposals set out in the Report:

- a) Building Schools for the Future

As the Supporting Information suggests this programme is likely to have a PFI element to it which will require the Council to enter into contractual arrangements with the provider(s) of new school buildings to ensure that the risk in constructing and operating such buildings is shared appropriately and that the range of services to be provided are clearly identified. There will be consequences for services (whether in-house or contracted) currently being provided to affected schools.

Any significant change in the size of schools may require compliance with the statutory process set out in the School Standards and Framework Act 1998.

- b) City Academy

The establishment of a City Academy is a matter within the powers of the Secretary of State. Any consequent closure of LEA maintained schools will be by the statutory process set out in the 1998 Act. Consideration will need to be given as to whether existing staff in closing schools will be protected by the Transfer of Undertakings (Protection for Employment) Regulations 1981.

There is no statutory bar preventing the Mary Linwood site being used for the establishment of an Academy.

c) SEN Review

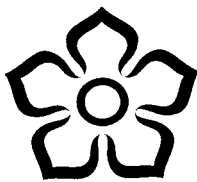
The realignment as suggested will require the use of the statutory process set out in the 1998 Act.

**5. Report Author/Officer to contact:**

5.1 Steven Andrews  
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**DECISION STATUS**

<b>Key Decision</b>	<b>Yes</b>
<b>Reason</b>	<b>Part of Budget and Policy Framework</b>
<b>Appeared in Forward Plan</b>	<b>Yes</b>
<b>Executive or Council Decision</b>	<b>Executive (Cabinet) / Council</b>



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### **TRANSFORMING CITY SCHOOLS**

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## **SUPPORTING INFORMATION**

### **1. Report**

#### **Transforming Secondary Education**

- 1.1 Leicester secondary schools, with support from the LEA, have worked towards greater collaboration and individuality. The ambition therefore has been to promote schools with character but within a partnership which adds value to all. A diversity of provision in a very diverse city. Recent government initiatives have also emphasised diversity of school provision, a focus on the 14-19 phase, the possibility of federations between schools, and closer collaboration between schools, FE colleges and other providers, and employers. All secondary schools are being encouraged to seek specialist school status; potential sponsors of new schools that add to the diversity of local provision are being encouraged; and Councils are expected to work with the local Learning and Skills Council to ensure coherent provision for all 14-19 year olds.
- 1.2 These developments all involve an expectation from the government that the education system should continue to evolve to meet new challenges. It is an agenda that has a close fit with the City's direction of travel but it is for the City Council to decide to what further extent it wants to engage with that agenda.
- 1.3 This evolving agenda was a major item for consideration at the Leicester Secondary Heads Conference on 18/19 September 2003 and links significantly to the item below. The Learning and Skills Council (LSC) has been closely involved as part of the process.
- 1.4 Gateway College has approached the Council about a possible re-location to the Rushey Mead/Soar Valley site. This presents a major opportunity for 14-19 collaboration, shared facilities, community use and individual character

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insofar as it promotes and accelerates diversity of provision. Further investigation is taking place in the context of the above agenda.

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

- 1.5 This Government programme involves targeting geographical areas to receive substantial capital injections and, therefore to increase the pace of reform and bring about a step change in secondary education provision. Aspirations for secondary schools can, it is believed by the government, be raised beyond any level that it has hitherto been possible to contemplate. The Government's aim is for all secondary school students to have access to a school "fit for the 21<sup>st</sup> Century" within the next 10-15 years.
- 1.6 If the City was successful in bidding for the funding, £150 million could, for example, be used to replace some, or substantially modernise all secondary schools in the City. Funding would be provided through grants, credit approvals and PFI credits. A full bid needs to be submitted by 31 October if the LEA wishes to be considered for the first round of approvals. The Corporate Director of Education and Lifelong Learning has commissioned the necessary work to enable the bid to be submitted. He has also commissioned work from external consultants to give project management support for creation of the bid document, and work on the property portfolio from Resources, Access and Diversity Department.
- 1.7 Members are asked to note that a final decision to go ahead, if the bid is approved, would be a matter for Council. Members are also asked to note Government's expectation that a successful bid would result in alternative approaches to schools, such as PFI, as well as traditional LEA schools.

### **Priority Area Review**

- 1.8 The City's secondary priority areas have not been changed since before the secondary review. A review is needed to address this and also to reflect any changes needed in the context of the above agenda. A report will be brought forward at a later date on this matter.

### **Special Schools**

- 1.9 There is a need to examine provision for pupils with MLD/SLD/PMLD in 6 of the City's special schools as a consequence of:
  - i) increasing numbers of parents requesting support for their children in mainstream schools;
  - ii) a decrease in the numbers on roll (NOR) in special schools with a consequent reduction in funding; and
  - iii) the imperative of addressing Ofsted recommendations.
- 1.10 The reduction in numbers has already presented funding difficulties for some schools in the current financial year and suggests that the viability of schools with primary – aged pupils will reach a critical level from the next financial year (2004/05).

- 1.11 A strategy for meeting the individual needs of children in their mainstream schools has been discussed with members over the past two years. Schools with resources that are stretched by the need to achieve challenging targets will not be best placed to make provision for pupils with SEN. To do so successfully they will require additional resources. Schools with Additional Resources (SARs) are those funded over and above their delegated budgets in order to meet the Special Educational Needs of a wider range of pupils than those normally on roll.
- 1.12 The funding for each SAR will be contingent upon the number of places bought by the LEA and the place factor designated for each level of Special Educational Need as determined by the Local Management of Special Schools (LMSS) formula. This means simply, that fewer places will be bought for the following year in special schools – with subsequent effects on individual school budgets.
- 1.13 Rather than allowing such special schools to simply ‘wither on the vine’, the budgetary pressures likely to be experienced by special schools have been seen as offering an opportunity to engage in a debate with the educational community as a whole as to the best way to address this issue.
- 1.14 A Working Group of officers and Headteacher representatives has examined the NOR trends in special schools and has proposed the realignment of the existing 6 special schools for MLD/SLD/PMLD pupils to allow the development of new schools:
- One generic primary special school, offering provision for Key Stage 2.
  - The creation of two new KS3/4 secondary schools, with one school making provision for pupils with higher dependency needs, each of an approximate capacity of 175; or the creation of one large KS 3/4 *generic* special school with a capacity of 350 (possibly across two sites).
- 1.15 It is considered that these proposals should be the subject of broader consultation, with a further more detailed report being submitted for members’ consideration in due course. Any subsequent proposals for the opening or closure of schools would then be the subject of further formal consultation governed by statutory timescales.

### **Leicester Islamic Academy**

- 1.16 The Leicester Islamic Academy was established in 1982 as an independent Muslim school. Currently it provides education for almost 600 pupils aged 3 to 18. LIA is now seeking to apply for VA status for its secondary school.
- 1.17 An appropriate site has been identified on Evington Valley Road. It is estimated that the new school will cost £15-16 million. The revenue and capital issues are set out in the financial section.
- 1.18 The Academy is putting forward a case that the impact on neighbouring schools will be minimal initially, with an estimated 100 pupils transferring from other City schools once at full capacity in 2010.
- 1.19 The LIA will be carrying out a statutory consultation this term. Following that,



the proposal will need to go to the School Organisation Committee for approval. If the proposal is not unanimously agreed it would have to go DfES' Schools Adjudicator.

1.20 The target date for opening the school is September 2006.

### **City Academy School**

1.21 The Church of England, in partnership with a local business sponsor, has submitted an Expression of Interest to the Department for Education and Skills to set up a CA. It has been advised that a decision will be made shortly. If a positive decision by the Secretary of State is forthcoming the proposal would move to a feasibility stage.

1.22 The Church of England has instigated a process of public consultation. Four public meetings were held during September – at Eyres Monsell Community Centre (2), Southfields Drive Community Centre (1) and at the Linwood Centre (1). Also schools were asked to issue a parental survey.

1.23 Officers will bring forward a report to a future meeting to seek Cabinet approval to the Academy should it receive DfES support. In the meantime, Cabinet's in principle approval is sought for the release of the Mary Linwood site and contributing the capital receipts for Newry and Southfields to the project. These sites are valued at £3.9 million which is clearly an opportunity cost for the Council.

### **The School Organisation Plan**

a) Secondary Schools

1.24 The current and projected position is as follows:

	<b>2003/04</b>	<b>2007/08</b>
<b>1.School Capacity</b>	18946	18946
<b>2.NOR/Projected</b>	18308	17767
<b>3.Surplus</b>	638	1179

<b>4.Housing gains</b>	3	567
<b>5.Margin for Choice 5% (Provisional)</b>	900	900
<b>6.SAR estimate</b>	0	200

<b>7.Additional places needed (4+ 5+ 6)</b>	903	1667
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<b>8.Shortfall (3-7)</b>	(265)	(488)
<b>9.County Shortfall/Attract Back</b>	-	(1210)
<b>10.Revised Shortfall (8-9)</b>	(265)	(1698)

1.25 The current capacity of our secondary schools is 18946 places (1). The projected number on roll is declining (2) leading to an increasing 'surplus' of places (3). However, there are significant projected housing gains across the city, and in particular in the north of the City (4). A conservative assumption has been taken of these gains. Given the need for a margin for parental choice across our schools, proposed at a level of 5% (particularly given the level of turbulence and in migration during the year) and a need for up to 200 places in Schools with Additional Resources, it is projected that there will be a shortfall of places. This would be compounded by the objective of resisting and reversing migration, and also by the fact that the County SOP shows a shortfall of 1210 places in schools bordering the City. (Discussions will take place with the County regarding their School Organisation Plan.) This overall analysis points to a shortfall in the order of 1700 secondary places in 2007/08. The proposals set out elsewhere in the report, are available to address this, while any proposals for re-sizing schools will need to be mindful of the impact on the overall requirement for places.

b) Primary Schools

1.26 The current capacity of our primary schools is 29,610 places. Primary school numbers are continuing to decline because of a fall in the birth rate. However, due to the proposed change to the Council's admissions policy in 2004 more primary school pupils are to be admitted over the period. The consequence of this is that the current surplus places of 4800 in 2003 will reduce to 4141 in 2007. Furthermore, when accumulated housing gains for the period 2003-2007 are taken into account the surplus is reduced further to 3279.

1.27 There are 16 primary schools which have a surplus capacity of 25% or more. This places the LEA in the bottom quartile for performance which has led to it becoming a CPA action priority. The primary sector faces a number of other issues, which point to the need to give members options for addressing this. The issues include

- I. The increasing pressures being placed on primary schools with less than 240 pupils to deliver the National Curriculum with classes of an appropriate size – currently 28 schools

- II. An increasing number of schools qualifying for Small School Protection funding (SSP) – currently 20 schools
  
- III. With changing demands on primary schools it is likely that the basis for funding through the formula will require re-examination.
  
- IV. A policy presumption in favour of all-through primary schools, which are considered to have the following advantages for children:
  - Experience suggests that a child's learning may be interrupted on transfer to a new school.
  - An all-through primary school can achieve more flexibility in how it spends its money.
  - An all-through primary school potentially provides more learning opportunities for both staff and pupils.
  - It is easier for teachers and classroom staff to develop an understanding of pupils outside the age-range they would normally teach.
  - Older pupils can develop a sense of responsibility by spending time with, and helping younger children.
  - Parents and children can have a stronger sense of belonging to one school and one Headteacher, which makes it easier to build longer-term relationships within the school.
  - A common approach to learning and teaching can be facilitated in order to maximise a child's progress.
  
- V. Very poor quality accommodation for some schools
  
- VI. A capital investment challenge to address the above issues.

1.28 There are currently 16 stand-alone infant schools and 15 stand-alone junior schools. The current position is that the Council will consider requests for amalgamation that come forward from governing bodies.

1.29 Following a Cabinet decision on 22<sup>nd</sup> April, it was noted that officers would continue to assess the available options for Queensmead Infants and Juniors and for Braunstone Frith Infants and Juniors, their governors having submitted amalgamation requests. However, the lack of available capital funds meant that this could not be taken forward at that stage.

1.30 Given the key concerns about achievement in West Leicester it is now proposed to submit a Targeted capital funding bid to address the major issues facing Queensmead Infant and Juniors, and Bendbow Rise Infants and Crescent Juniors – falling rolls, funding pressures, and building issues. Members are asked to agree to this bid being submitted. This will contribute to addressing the primary surplus places issues identified elsewhere in the report.

- 1.31 At the same Cabinet meeting it was agreed that the future of Southfields Infants and Newry Junior schools should be seen within the context of a decision on the City Academy School and that no further action should be taken on the governors request to progress an amalgamation; and that statutory consultation should be progressed at Rolleston Infant and Junior Schools. Consultation in respect of the latter produced no objections and the amalgamation implementation process is now under way and the new school will start in September 2004.

## 2. Financial Implications

### Building Schools for the Future

#### Capital

- 2.1 A successful BSF bid could result in the Council being awarded up to £150m, which would be a very major injection of funding, and should considerably reduce the backlog and ongoing liabilities for maintaining school buildings as well as improving educational provision. It would also draw in funding from the LSC, as well as the resources potentially available for the City Academy School, the LIA, and the Gateway proposal.
- 2.2 The DfES has invited submissions or expressions of interest for schemes up to £150 million in value. The LEA is currently preparing such a bid. The initial indications are that the condition and suitability of our existing Secondary School buildings are such that a bid in the order of £150 million would be justified. The full financial implications of this initiative cannot be calculated at present as no detailed proposals are yet available. However, the following areas will need full investigation and costing.
- 2.3 PFI – The DfES expects that a proportion of the project is financed through PFI. Nationally, the expectation is that £1.2bn out of £2.2bn programme should be funded through PFI credits, and the remainder through traditional procurement. Any new school or a major rebuild would almost certainly require PFI funding. This is a totally new area for the LEA and would require a full review and evaluation of the implications. The authority has, however, successfully contracted for new waste management facilities through PFI.
- 2.4 A PFI contract would be on the basis of the provision of an output specification, and it would be expected that most, if not all of the facilities management functions of the school (e.g. cleaning, catering, caretaking, grounds maintenance) would be provided by the contractor not the Council or the school. The resulting outsourcing would result in significant staffing implications for the Council, which would need discussion with trade unions. It will also reduce the scope governing bodies have to manage their budgets, given elements are pre-committed by virtue of a long-term contract.
- 2.5 The PFI contract would also affect the LEA's ability to institute future reorganisations within the term of the contract. Contracts are typically over 25-30 years and termination by the LEA before the end of the contract is likely to be prohibitively expensive.
- 2.6 City Academy – the BSF bid will take into account the revised profile of school places needed as a consequence of a successful academy bid.
- 2.7 Transitional issues – participation in round 1 of BSF requires delivery within very tight timescales, which will itself require significant investment in project management. Timescales indicate that professional fees of £15m to £20m would need to be incurred in 2004/05; and project management/consultancy/ financial and legal support could easily amount to £1m - these figures have not been costed, but give an order of magnitude. Discussions with DfES

would be needed regarding the ability to claim and the timing of this funding. It might be that the DfES would not meet the entire cost but this will be the subject of further discussion.

- 2.8 SEN Review – There is a strong link between the BSF programme and the SEN Review. Further discussion is needed with the DfES on the ability to bid for funding for new special schools and for schools with additional resources.
- 2.9 NOF 3 PE & Sports – The LEA is currently using a NOF 3 grant to build sports facilities in Secondary schools. Again there is a strong link between this project and BSF, and the LEA would wish to ensure that recently built sports facilities remained viable and are protected.

## **Revenue**

- 2.10 Overall Number and Size of the Schools – The current exercise is seeking to ensure appropriate provision to reflect the projected demand for places across the City with a 5% contingency for choice, at the same time as transforming the City's secondary provision. This necessarily requires a judgement about pupil forecasts, county provision, migration and school popularity. Given that education funding is pupil-led, the assumptions made will have a significant impact on the future financial health of City schools, which will need to be modelled.
- 2.11 VAT – Depending on the detailed proposals for each school, there is a risk that the BSF programme would cause the Council to exceed its VAT Partial Exemption limit, which would cost a minimum of £1.35m per year for each year it occurs. There is currently no budgetary provision for this and a full analysis is needed before any approval is given. This, however, will be a problem for all participants in BSF and will need discussions with the DfES.
- 2.12 Maintenance – Any schools included in a PFI scheme could represent a reduction in maintenance liabilities for the Council if maintenance was included in the PFI contract. This would result in fewer pressures on the Central Maintenance Fund. The maintenance costs associated with all new buildings are likely to be reduced, but PFI contracts typically provide services to a higher specification than the Council is able. This may increase costs for schools, but the exact impact on schools' budgets cannot be established until the contract specification is known.

## **Other Issues**

- 2.13 The LEA has to incur costs in preparing the BSF bid itself. Given the need to progress this proposal as a matter of urgency, the Corporate Director of Education and Lifelong Learning has taken Director's Action in consultation with the Cabinet Link to appoint consultants, Tribal, to give project management support to enable a bid to be submitted by 31<sup>st</sup> October. This was necessary because there was not time to go through the normal tendering requirements, and Tribal were selected because of their known skills and experience and previous knowledge of working with the City Council. A sum of £50,000 is being funded from the Department's budget for this purpose. Also works have been commissioned from Resources Access and Diversity - the provisional fee of £71,000 will need to be found from

department resources. Before this fee is taken into account, the Department is forecast at Period 4 to overspend in 2003/04 by £600,000. As a result, meeting this cost may mean other services are reduced to stay within budget and/or a drawing on departmental reserves. It is not clear how far the LEA needs to go at its own expense before the DfES will consider providing support.

### **Re-aligning Special Education**

- 2.14 The proposals are in outline form at present and are subject to wider consultation if that is agreed by members. As such, the full financial implications of this report cannot be calculated at present.
- 2.15 The revenue consequences of creating “Schools with Additional Resources (SARs) flow from a change in the schools funding formula which is a pre-requisite. This will alter the basis of funding from one based on “places” to one based on “pupils” (i.e. special schools will not be paid for empty places). This will, in effect, reduce the funding available to special schools in direct proportion to the success of the policy of creating SARs (i.e. a mainstream school gaining a pupil will do so at the expense of the special school relinquishing a pupil). This is a real driver for the change envisaged in this report.
- 2.16 In addition, there will be an impact on the costs of transporting pupils to school. The impact may be positive or negative and cannot be assessed until detailed proposals are available.
- 2.17 The ring-fenced revenue funding currently available for the development of SARs is £106,000. This reserve is created from savings on places that no longer need to be funded in special schools. However, additional resources would be required if it were to be proposed to create a SAR system to run alongside that of special schools – i.e. to establish additional places in mainstream, whilst continuing to fund ‘headroom’ in special schools. No such financial provision currently exists.
- 2.18 The capital funding costs for any new schools have not been identified at this stage for the reasons outlined above. Similarly it is not possible to identify the capital contribution that can be made from the disposal of sites at closed schools as specific sites have not yet been identified. This proposal is also being considered, at present, as part of the BSF bid.

### **Financial Implications - City Academy**

#### **Capital**

- 2.20 The proposal would result in capital spend estimated to be £20m, of which 90% comes from the DfES, and 10% from private sponsors. This represents a significant capital investment in the City, which the Council could not otherwise afford, and is additional to any funding which might be received through BSF.
- 2.21 It is understood that the risks of any overspending rest with the DfES, and not the Council.

- 2.22 The proposals do, however, require the Council to donate the site of the Mary Linwood School, which could otherwise have been sold for an estimated £3.0m (subject to planning etc). Also, the DfES has requested that the potential receipts from the sites of the Southfields Infant School and Newry Junior School, estimated to raise £0.9m (on a prudent forecast) are added to the LEA contribution. If a primary amalgamation took place it would be expected that capital receipts would be used with Supplementary Credit Approval to pay for a resulting building project. At present, the £3.0m is not included in any capital receipts disposal programme (pending the resolution of the Academy issue). It does, nonetheless, represent a real opportunity cost. Members are now asked to agree, in principle, to the above. Members will be asked at a later date to consider whether they wish to support the Academy once the DfES has responded to the Expression of Interest.

### **Revenue**

- 2.23 The revenue costs of running the new school would be met entirely by the DfES, with funding per pupil possibly at a level higher than for City schools.
- 2.24 The key issue, however, is loss of revenue resources to the Council. The majority of the Council's education funding is "pupil led" i.e. it depends on the number of pupils educated in LEA schools. Pupils at the City Academy will not be treated as LEA pupils for funding purposes, and this will result in a resource transfer from the Council to the DfES. The overall impact will depend on the success or otherwise of the BSF bid and any subsequent decisions to re-size schools. That bid will take into account the expected impact of the academies.

### **Transitional Costs**

- 2.25 We need to discuss with DfES how a transition would operate - i.e. if the school opened in September 2006, what happens in respect of funding for the 2005/06 and 2006/07 academic year? Normal RSG rules operate such that the City Council would continue to receive funding based on out of date pupil counts.

### **Financial Implications - Islamic Academy**

#### **Capital**

- 2.26 The governors must make a minimum 10% statutory contribution and the bid for funding also requires a further 10% contribution to be found. The remaining 80% would be funded by the DfES. No City Council contribution is expected. The LCVAP allocation for VA Schools is a possible source of funding. The Leicester and Nottingham Dioceses are very supportive of the LIA's application for VA status and have agreed, in principle, that the LIA should receive an allocation of £100,000 in 2004/05 and a further £100,000 in 2005/06. If the LIA is successful in its approach for VA status, it will also receive a share of delegated capital funds. The DfES has indicated that a bid with less than the full 20% matured funding would still be considered. The LIA bid would not be in competition with other LEA or VA bids for Targeted Capital



Funds as the Government allow an additional bid to be made for a new VA school.

## **Revenue**

- 2.27 If the proposal is implemented, the Academy will be funded through the RSG mechanism, and will become entitled to a funding share (as with other City schools), school standards grant, and standards fund grants.
- 2.28 The Academy currently has 260 pupils, although this is expected to increase to 600 over a period of 4 years, after the new school has opened.
- 2.29 There are 2 key issues for the Council's finances:
- (a) whether the Islamic Academy costs more or less to run than the Council will receive in grant from the Government;
  - (b) whether places at the Islamic Academy are filled with pupils who would otherwise have been in other City schools; or whether they are filled with pupils who would otherwise have been educated out of the City.
- 2.30 In respect of the first issue, much depends on whether or not the Council permits the school to receive small school protection (to which it would be entitled under the current rules, even after 4 years). Estimates of the Academy's funding share under the LEA formula are difficult to make, and different calculations would need to be made for each year building up to the fourth year of operation. However, the likelihood is that the school would cost the Authority more than it receives in grant if it is permitted to receive small school protection. The difference is likely to be significant in the early years but may not be when the school teaches full size.
- 2.31 The overall impact on City schools will be reflected in the BSF bid and any subsequent decisions to re-size schools.

## **Transitional Issues**

- 2.32 It would be necessary to discuss with the DfES how any transition would operate - i.e. if the school became part of the system in the middle of the financial year, would there be a windfall gain or loss to the Council, or would a part year adjustment be made to our funding?

## **3. Legal Implications**

### **Legal**

- 3.1 The legal implications are dealt with in paragraph 4.2 of the report.

#### 4. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within this report
Raising Standards	Yes	Throughout report
Equal Opportunities	Yes	Throughout report
Policy	Yes	Throughout report
Sustainable and Environmental	Yes	Throughout report
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	

#### 5. Background Papers – Local Government Act 1972

None

#### 6. Consultation

Scrutiny has held a seminar on the BSF proposals.  
Secondary headteachers.  
Special School Headteachers.  
City-wide consultation in Summer 2002 on Transforming Secondary Schools.

#### 7. Report Author

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