

# North Tyneside Council

## Report to Council

Date: 14 March 2013

### ITEM 8

Title: Education Capital Investment – Longbenton Voluntary Aided Schools: Addendum report

<b>Portfolio(s):</b> Children, Young People and Learning	<b>Cabinet Member(s):</b> Councillor David Lilly
<b>Report from Directorate:</b> Children, Young People and Learning	
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<b>Wards affected:</b> All	

## PART 1

### 1.1 Purpose:

The purpose of the report is to provide additional information in relation to agenda item 14 from the Council meeting held on 24 January 2013 (reconvened to 30 January 2013) which was deferred to be reconsidered at this Council meeting and to provide updated information in respect of the capital funding allocations announced on 1 March 2013 by the Secretary of State for Education.

### 1.2 Recommendation(s):

It is recommended that Council:

- (1) Note the further information contained in this addendum report;
- (2) (a) Note the unsupported borrowing of up to £2.2m to bridge the identified affordability gap, in advance of securing capital receipts, to assist with the delivery of the new schools project, as agreed by Council on 5 March 2013; and  
  
(b) In view of the overall level of borrowing associated with the project, approve additional unsupported borrowing of up to £0.970m to bridge the affordability gap due to the potential reduced levels of voluntary aided capital funding contribution towards the project (£0.770m) (referred to at (3) below), and to take into account the potential cost of replacing or providing the additional furniture and equipment for the new schools (£0.200m).
- (3) Note the voluntary aided capital contribution of £0.230m for 2013/14 as the initial contribution from the Diocesan Authorities towards the delivery of the overall project.

### **1.3 Forward Plan:**

This addendum report does not appear on the Forward Plan as it arises from a Council decision taken on 24 January 2013 (reconvened to 30 January 2013).

### **1.4 Council Plan and Policy Framework**

This report relates to Council Strategic Plan 2012-2015 – Priority 2: Maintaining excellent education, training and employment opportunities including apprenticeships and working in collaboration with partners.

### **1.5 Information:**

#### **1.5.1 Background**

Council, at the meeting held on 24 January 2013 (reconvened to 30 January 2013), received a report on the proposals to establish the new build St Stephen's Roman Catholic and St Bartholomew's Church of England Primary Schools on the former Goathland Primary School site in Longbenton and to seek Council's approval of unsupported borrowing of up to £2.2m to support the delivery of the project.

Following detailed discussions surrounding the delivery of the project, and whilst Council fully supported the project, the report was deferred pending confirmation of the funding contribution from the Diocesan Authorities and details of costs of furnishings and equipment for the new building. Council also agreed that a letter be sent to the two head teachers expressing the Council's full support for the project.

The new build cost plan, as outlined in the original Council report dated 24 January 2013, identified an estimated total figure of £6.457m (including provisional sums for fees, site surveys, planning and other statutory undertakings) required to deliver the school project. It was proposed the project be funded by the residual balance of the legacy Primary Capital Programme funding (£3.156m), £3.200m contribution from the Diocesan Authorities with the balance of £0.101m funded by the Local Authority Capital Maintenance Programme.

#### **1.5.2 Current Position**

##### **1.5.2.1 Diocesan Funding Locally Controlled Voluntary Aided Programme (LCVAP)**

The Secretary of State for Education announced on the 1 March 2013, details of the capital funding allocations for 2013/14. This announcement was in relation to the allocations for basic need, condition maintenance and devolved formula capital (including LCVAP funding for the voluntary aided sector). The information received has, in respect of condition maintenance and LCVAP funding, only provided Local Authorities and Diocesan Authorities with a further one year allocation without any detailed information for future years' funding. Previous agreements with the Diocesan Authorities confirmed that the £1m LCVAP contribution would be funded over a 2/3 year period subject to confirmation of future funding allocations. However, following recent discussions with the respective Diocesan Directors, it has been agreed that the Diocesan Authorities will contribute 50% of the 2013/14 LCVAP allocation of £0.460m (£0.230m) and that we plan for further contributions of 50% from future years allocations up to the £1m contribution. However, should future years funding be significantly reduced or indeed removed, we would need to take a further report back to Cabinet/Council as appropriate to further consider on how the shortfall would be managed.

### 1.5.2.2 Furniture and Equipment

The budget identified for the provision of new accommodation for St Stephen's RC and St Bartholomews C of E Primary Schools did not include for replacement furniture and equipment for either school. This approach is consistent with the arrangements with other schools where remodel and refurbishment projects are undertaken across the school estate and is also consistent with the Government's current approach under the Priority Schools Building Programme, where new accommodation would be provided but all equipment, furniture and resources would be transferred to the new site. Although both schools are fully equipped in their existing settings and have access to revenue and devolved capital funding to secure a phased replacement of any outdated or broken furniture, it is now proposed to ensure that we provide appropriate levels of furniture and equipment for the new schools, that officers will work with the individual schools to review the requirements needed linked to the new building and seek to make an allowance within the overall project of up to £0.200m.

### 1.5.2.3 Letters to Headteachers

At the request of Council, a letter was issued to the respective Headteachers of both St Stephen's Roman Catholic and St Bartholomew's Church of England Primary Schools dated 13 February 2013. The letter issued by the Strategic Director of Children, Young People and Learning, confirmed that although the new school project has the Council's full support, further discussions regarding the financing arrangements for the project would be held at the 14 March 2013 Council meeting.

### 1.5.2.4 Capital Receipts

The local land market is volatile and cannot be easily projected beyond the immediate future. The valuations of the land have been assessed by the council's strategic property and an independent valuation which suggests total receipts of up to a maximum of £2.2m for the two schools (St Stephen's RC Primary and St Bartholomew's CE Primary Schools). These are Market assessments only and cannot be guaranteed. The Diocesan Authorities have both made commitments to the Council that, upon confirmation of contract award for the new build premises, their existing sites will be introduced to the market. It is not possible to dispose of the sites until they are vacated and therefore capital receipts cannot be materialised until after September 2014. Offers can be sought and sale transactions to exchange of contracts stage can be arranged. In addition the Diocesan Authorities have also indicated that should the land values exceed the suggested £2.2m, the additional receipt would be used to off set the contribution to the construction contract which would help reduce the overall LCVAP contribution.

## 1.6 **Decision options:**

The following decision options are available for consideration by Council:

### Option 1

To note the additional financial information provided in this addendum report and agree the recommendations as set out at paragraph 1.2.

### Option 2

Decline to agree with its recommendation.

Option 1 is the recommended option.

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

This option will enable the Authority to progress with the appointment of a preferred bidder and appoint a developer to deliver the new build school accommodation for the two schools. In addition, if this option is not approved it is likely that the key delivery dates for the school project will be delayed and it will unlikely that the new school buildings will be available for the planned September 2014 occupation date.

## **1.8 Appendices:**

None.

## **1.9 Contact officers:**

Mark Longstaff, Head of Commissioning and Fair Access, tel. (0191) 643 8089  
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Rachael Coyne, Manager - Capital Programme and Asset Planning, tel. (0191) 643 8074  
Anthony Gollings, Finance Business Manager supporting Children, Young People and Learning and Finance and Resources, tel. (0191) 643 8071

## **1.10 Background information:**

The following background paper/information has been used in the compilation of this report and is available at the office of the author:

- (1) Report to Cabinet 13 June 2011 – Investing in the School Estate (not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)
- (2) Report to Cabinet 10 October 2011 – Education Capital Investment.  
[http://october.northtyneside.gov.uk:7778/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=540556](http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540556)
- (3) Report to Council 24 January 2013 - Education Capital Investment – Longbenton Voluntary aided Schools (not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The revised new build cost plan now gives an estimated total figure of £6.657m (including provisional sums for fees, site surveys, planning, other statutory undertakings and furniture and equipment) which will be required to deliver the school project. It is proposed that this will be funded by the residual balance of the legacy Primary Capital Programme funding (£3.156m), £3.200m contribution from the Diocesan Authorities (as set out in the main report) with the balance of £0.301m funded by the Local Authority Capital Maintenance Programme and additional unsupported borrowing.

- 2.1.2 Following the recent announcement by the Secretary of State for Education on 1 March 2013, the Diocesan Authorities have now received the funding allocations for 2013/14 without any guarantee of future years funding. This means that the Diocesan Authorities are no longer able to formally commit to the £1m LCVAP contribution over a 2/3 year period as previously indicated.
- 2.1.3 Funding secure at the time of award of contract will be expended by March 2014 and therefore unsupported borrowing or other forms of financing will be required to fund the period of works from this time until the capital receipts are realised and future years capital allocations are confirmed with the respective Diocesan Authorities.

Based on the considerations set out above and detailed in the main report, a temporary shortfall, due to the anticipated timing of the capital receipts and recent confirmation of LCVAP funding allocations for only the 2013/14 financial year and additional resource to support the provision of furniture and equipment, means that potentially up to a maximum of £3.170m towards the total project costs will now need to be met from unsupported borrowing. This is summarised as follows:

### Unsupported Borrowing Requirements

As agreed by Council – 5 March 2013	2,200,000	
Funding required to bridge affordability gap in advance of securing Voluntary Aided Contribution – from 2014/15 onwards		770,000
Funding required to address furniture and equipment needs – from 2014/15		200,000
Total Additional Borrowing	2,200,000	970,000
<b>Total</b>		<b>3,170,000</b>

However, as with all land disposals there is a risk to the Authority that the market values may fluctuate up to the date of completion of the project. If this was the case, and a lower land receipt was achieved, the difference would need to be met from the Local Authority Capital Maintenance Programme or other funding opportunities.

Members should be aware that as this asset will not belong to the Council it will therefore not be recorded on the Council's Balance Sheet.

There are revenue costs associated with the additional borrowing of up to £0.970m. These will be up to £0.099m per annum for the first five years and £0.050m for the remaining 45 years being the assumed life of the school. This additional revenue implication will be funded from within existing CYPL revenue funding streams.

2.1.4 Original Funding Summary Table as per Cabinet Report 14 January 2013

<b>Funding body</b>	<b>Estimated contribution</b>	<b>Total estimated contribution</b>
(1) North Tyneside Council	3,257,143	3,257,143
(2) Diocese of Hexham and Newcastle - LCVAP	500,000	
RC Diocese of Hexham and Newcastle – Est. Capital Receipt (maximum amount based on valuation but subject to fluctuation))	<u>1,050,000</u>	<u>1,550,000</u>
(3) CofE Diocesan Board of Durham and Newcastle - LCVAP	500,000	
CofE Diocesan Board of Durham and Newcastle – Est. Capital Receipt (maximum amount based on valuation but subject to fluctuation))	<u>1,150,000</u>	<u>1,650,000</u>
	<b><u>6,457,143</u></b>	<b><u>6,457,143</u></b>

## 2.1.5 Revised Funding Summary Table

Funding body	Estimated contribution with Capital Receipts and VA Funding	Estimated contribution with Capital Receipts and without future VA Funding
(1) North Tyneside Council		
- Primary Capital Funding	3,156,143	3,156,143
- Capital Maintenance	101,000	101,000
- Unsupported Borrowing	200,000	970,000
	3,457,143	4,227,143
(2) Diocese of Hexham and Newcastle - LCVAP 2013/14	115,000	115,000
Diocese of Hexham and Newcastle - LCVAP future years contribution	385,000	0
RC Diocese of Hexham and Newcastle – Est. Capital Receipt (maximum amount based on valuation but subject to fluctuation))	1,050,000	1,050,000
	1,550,000	1,165,000
(3) CofE Diocesan Board of Durham and Newcastle – LCVAP 2013/14	115,000	115,000
CofE Diocesan Board of Durham Newcastle - LCVAP future years contribution	385,000	0
CofE Diocesan Board of Durham and Newcastle – Est. Capital Receipt (maximum amount based on valuation but subject to fluctuation))	1,150,000	1,150,000
	1,650,000	1,265,000
<b>Total</b>	<b>6,657,143</b>	<b>6,657,143</b>

## 2.2 Legal

There are no additional legal implications directly arising from this addendum report.

## 2.3 Consultation/community engagement

### 2.3.1 Internal Consultation

Details of the consultation undertaken on the scheme overall has been detailed in the main report.

### 2.3.2 External Consultation/Engagement

Details of the consultation undertaken on the scheme overall has been detailed in the main report.

### 2.4 **Human rights**

There are no human rights implications directly arising from this report.

### 2.5 **Equalities and diversity**

Details of the Equalities and diversity issues on the scheme overall has been detailed in the main report.

### 2.6 **Risk management**

Details of the risk management issues on the scheme overall has been detailed in the main report.

### 2.7 **Crime and disorder**

There are no relevant crime and disorder implications arising from this report.

### 2.8 **Environment and sustainability**

Details of the environment and sustainability issues on the scheme overall has been detailed in the main report.

## **PART 3 - SIGN OFF**

- Strategic Director(s)  X
- Chief Executive  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager for Policy and Partnerships  X