

SUMMARY OF RESEARCH ON RESOURCE IMPLICATIONS

Introduction

1. This section sets out the findings of the research into the use of resources.
2. The work has been necessarily done at a high level, and will need to be refined and reviewed once specific changes are being planned at a local level. By then the detailed information will be available to produce robust and detailed costing; for example, we will know the sites of planned schools and their catchment areas allowing us to calculate transport costs in detail, and we will have a good understanding of the number of pupils on the roll of each school so we can cost out in detail capital requirements for changing buildings.
3. However, what this research does is to give an indication of the scale of the costs of each option. It therefore allows comparisons to be made between them to assess the overall affordability of each model of school organisation. For each option the assumptions and possible sources of uncertainty are discussed, and where possible a range of values is given, so an informed view can be taken of the accuracy of these costs.
4. When considering school organisational structures, five options are being considered:
 - The status quo

Keep and improve the mix of two and three tier schools as now
 - All two-tier schools across the county

Base the system on the national curriculum key stages:
 - Primary age 4-11 (Key Stages 1 and 2)
 - Secondary age 11-16 or 11-18
 - Develop options for students after the age of 16 in line with our new 14-19 strategy
 - All three-tier schools across the county

Base the system on first, middle and upper high for the whole county
 - Primary age 4-9
 - Middle age 9-13
 - Upper high age 13-19
 - A **new** 2 tier system across the county

Base the system on two new tiered arrangements
 - First tier for ages 4-14 (Key Stages 1 to 3 inclusive)
 - Second tier for ages 14-19 (Key Stage 4 and Post-16)
 - All-through Schools

Establish a system which caters for all ages in one school, possibly including early years education and sixth form; this could be a single-site establishment or clusters of federated schools with one governing body and management team

Assumptions

1. The following underlying assumptions have been used in costing all options. Further expansion and details of these is given in the section for each option where appropriate.

Capital

2. All capital costs are based on the following assumptions
 - All capital receipts are available for reinvestment
 - All legal requirements will be met (planning, etc)
 - Building costs per square metre are at current levels and so ignore forecast increases, the “Olympic effect”.
 - Current average sale valuations are maintained
3. No consideration has been given here to the source of capital funding. It has been assumed that all capital will be sourced from capital receipts, the Building Schools for the Future programme (BSF), the Primary Capital Programme (PCP), Devolved Formula Capital, and prudential borrowing funded from the Dedicated School Grant (DSG). The ability of the DSG to support borrowing costs is discussed for each option as not all options allow for this.
4. Building Schools for the Future is the most significant of these funding streams. It will provide between £500 million - £600 million of capital over a fifteen-year period for replacement and refurbishment of secondary schools. This money can be spent whatever pattern of school organisation the authority has, but can only be used on pupils in year 7 and above, so can only part fund the costs of middle school development. The funding is limited to geographical areas, starting with those with highest levels of disadvantage and lowest attainment.
5. In the March 2005 Budget the Chancellor announced new funding to support the rebuilding of primary schools (the Primary Capital Programme). He said that £150 million would be available nationally in 2008/9 rising to £500 million in 2009/10 and continuing thereafter. The exact details relating to the strategy for allocation is yet to be determined and no guidance is available.

School Revenue Budgets

6. School revenue budgets are funded from the Dedicated Schools Grant (DSG). This is a ring fenced grant which supports schools and closely aligned school support services, such as behaviour support and early education. This grant is ring fenced for approved uses, and cannot be used for other purposes. Any consideration of savings or costs is therefore a zero sum exercise, as these will need to be managed within the total DSG.
7. For 2006/07 the level of the DSG is £324 million, of which 90% is delegated to schools and forms their individual budgets. This delegation is based on the Local Management of Schools (LMS) formula, which takes account of the schools pupil numbers, measures of deprivation, prevalence of SEN, and fixed cost elements such as floor area. The current LMS formula has been in existence for some time and is under review. This review will be carried out over the next eighteen months and will come into operation for the start of the 2008/09 financial year subject to Schools Forum approval. At the same time the DfES is reviewing school funding

arrangements and regulations with changes to be implemented on the same timetable.

8. All costings however have been constructed on the current national arrangements and current LMS formula, as it is impossible to pre-judge the outcomes of the reviews. Also, as will become clear, the main changes result from having more or fewer schools which impacts on the fixed costs element of the LMS formula. This component is likely to remain in any revised formula as schools will still need to be funded for their building costs.
9. It must also be noted that any savings within DSG can be used to fund the costs of prudential borrowing to fund capital expenditure and to fund redundancy costs, but cannot be used to meet any additional transport costs arising from the re-organisation.

Statutory Home to School Transport

10. As with the schools revenue funding the area of home to school transport is facing significant financial changes, with new statutory responsibilities for local authorities under the Education & Inspection Bill and the possibility of new funding streams to meet these. Again, these have not been included in the costing as the details are not yet available and it is impossible to forecast them.
11. All costings are also based on no change in catchment areas, current contracting rates, and no change in pupil numbers.
12. Special needs transport is not included. It is highly pupil-specific and expensive. Impact of proposals can only be modelled at Stage 2, but many of the above principles may apply.
13. The total annual cost of home to school transport is currently £15.9 million. This is funded from base budget, meaning that additional costs and savings will have an impact on the council's overall budget and ultimately on the level of council tax.
14. All costing models have at this point been constructed to show the additional costs or savings compared to current levels of expenditure. This helps to show more clearly the financial impact of each option. However, costings are also being constructed on a 'whole life' basis which shows the impact over the whole life of the project, in this case thirty years. These costs have not been completed but the baseline for whole life costing, continuing with the current pattern of school organisation is shown below.

Table 1: Baseline for Whole Life Costing

	£ Million
Capital – base budgets	900
Capital - BSF	600
Schools Revenue	9,000
Home to School Transport	480
Total	10,980

Considerations of Options

15. The cost of each of the options is set out below in Tables 2-6, with comment:

Table 2: Option One – No Change

Option – Status Quo		Cost to Change £m
Capital Expenditure	Current annual spending of around £30m likely to continue to be needed to meet the costs of structural maintenance, minor works, upgrading and new accommodation in areas of population growth. No additional spend required above this.	0
School Revenue Budgets	No change – current costs of approx. £300 million will continue	0
Home to School Transport	No change – current costs of £16 million will continue	0

16. This shows that as expected there would be no new or additional costs should the pattern of school organisation not be changed. However, it must be noted that there is still a considerable level of capital expenditure, as the current estate will need to be maintained and upgraded. A decision to continue with the existing pattern of school organisation would lead to the resource available to rebuild and refurbish secondary schools under BSF being used with schools as currently organised. The increased costs inevitably arising out of BSF are not shown as these are not a consequence of the review.

Table 3: Option Two – Two Tier schools

Expenditure	Issues	Cost of Change £m
Capital Expenditure	<p>Would require additional accommodation to be added to existing primary schools for Years 5 and 6. 21 Middle school sites more suitable for extended primary schools than existing land-locked primary sites. Building costs – primary Secondary school extensions for Years 7 & 8</p> <p>Capital receipts from sites no longer required</p> <p>Most of capital current budgets of £30 million for maintenance/minor works still needed</p>	<p>25-33 33-37 (58-70)</p> <p>50-55</p>

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Expenditure	Issues	Cost of Change £m
School Revenue Budgets	<p>Reduced number of schools, hence reduced fixed sum allowances</p> <p>Fewer, larger schools, resulting in lower levels of protection for small school curriculum delivery. These represent “economies of scale” savings</p> <p>Assumed additional primary floor space, rates etc offset by savings from loss of middle school sites</p>	(4.4)
School Transport – Statutory Home to School Only	<p>Large numbers of pupils currently in Years 7 & 8 in middle schools would have to travel longer distances, generating an increase in numbers of contract routes. The numbers of Year 5 & 6 pupils in middle schools no longer requiring transport is smaller, and in many areas would not release any savings as buses “double up” on the primary and secondary routes.</p> <p>Costings based on sample routes only, although these account for 70% of the figure shown here and so the methodology is robust</p>	0.87

17. This model is relatively well defined and robust costings are available for each type of expenditure covered here. The key conclusions are as follows:

18. Whilst the level of capital expenditure is considerable, it is broadly balanced by the level of receipts, with some limited additional expenditure in the region of £5-20m. The level of receipts would reduce, however, if middle school sites were required and this would add to the costs. There may also be some timing differences as the expenditure may need to be incurred before the receipts are available but this could reasonably easily be managed by short-term borrowing.

19. The saving on schools revenue budgets would need to be re-invested in the DSG as it is part of a ring-fenced grant. However, some of this could fund the revenue costs of short term borrowing before capital receipts are available. The reinvestment of this saving in DSG means that overall there would not be any reduction in teacher numbers, so in principle no provision for redundancy costs would be required. However there are a number of reasons why redundancy costs may be incurred. These are:

- a reduction in the number of headteachers and other school leadership staff as school numbers reduce
- A large number of secondary trained teachers in middle schools who may not have suitable skills and experiences for new post in primary schools
- Unwillingness on the part of individual governing bodies to agree to redeployment.

Should the change go ahead, a human resources strategy to manage these issues will need to be developed, in close collaboration with the trade unions, including a staff protocol, procedures that would allow for the appointment of staff on a ring-fenced basis and additional training. Any redundancy costs would be a legitimate charge to the DSG.

20. The increase in travel costs is significant in terms of the overall budget, about 5%. The bulk of this increase is incurred in one school pyramid, Thurston, which is located in an extremely rural community. It has a large number of pupils travelling significant distances and currently also has staggered opening times of primary, middle and upper schools to allow for the most efficient use of the existing bus fleet. This cluster alone would account for £450k of the £870k identified here. Any moves to reduce this additional cost will therefore need to be focussed on this cluster.
21. This model would also result in an overall reduction in surplus places as the number of schools reduces.

Table 4: Option Three – All Three-tier

Expenditure		Cost to Change £
Capital Expenditure	<p>Would require 29 new middle schools, mainly via new build. Some possible change in use of existing high schools where otherwise there would be very significant surplus accommodation in an area</p> <p>Assumed new build cost</p> <p>Land acquisition costs (potentially very difficult)</p> <p>Most of capital current budgets of £30 million for maintenance/minor works still needed</p>	<p>190-230</p> <p>300-350</p>
School Revenue Budgets	<p>More schools, hence increased fixed sum costs. More small schools (around 23 more primaries below 50 on roll) requiring added curriculum protection. Increase in overall floor areas and rates budgets</p>	<p>4.8</p>
School Transport – Statutory Home to School Only	<p>Much depends on the location of the new middle schools. If close to the existing high schools, then there are some increased costs arising from transporting pupils in Years 5 and 6 who previously attended local primaries. It is unlikely there would be any significant savings, even if new middles were more local than the high school. Many two-tier pupils are in urban areas where there are not likely to be any significant implications from the change</p>	<p>Up to 1.0</p>

22. As with the previous option this is well defined and the costings are robust enough to allow for a meaningful comparison with the other options.
23. The key feature to note here is the extremely high capital costs, due to the need to acquire sites and develop almost thirty new middle schools in the existing two tier areas. This would require a net capital investment of around £500 million, which may prove to be prohibitive.
24. The school revenue budget would see an increase in costs of £4.8 million, due to the increased number of sites that would need to be supported. This would need to be contained within the ring-fence of the DSG and so would result in a reduction in the values the formula places on each pupil, and so a reduction in funding to most schools. This may have a knock on effect on the distribution of teaching posts and require additional funding for redundancy costs. There would

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be no free resource within the DSG to support prudential borrowing against capital costs.

25. The transport costs are harder to quantify in this option, as they will depend to a large part on the location of the new middle schools. The increase is likely to be more than in moving from three to two tier but only marginally as most of the pupils in the existing two tier system are in an urban area, Ipswich, and so likely to live close enough to their school not to require home to school transport however the schools are arranged.
26. There would be a big increase in surplus places in the current two tier areas as pupils would move out of existing primary and secondary schools into the new middle schools.

Table 5: Option Four – New Two Tier

Expenditure		Costs to Change £m
Capital Expenditure	<p>Most existing primary sites unsuitable for expansion to 5-13, so assumed new build on 82 sites</p> <p>New build costs Land acquisition costs (could be difficult) Capital receipt from sale of primary sites Possible disposal of some secondary sites where rationalisation possible locally (especially in urban 2 tier areas)</p>	<p>656-820 26-52 (120-130) (25-40)</p>
School Revenue Budgets	Formula implications similar to All 2 tier	(4.4)
School Transport – Statutory Home to School Only	If the number of primary schools offering 5-13 education remained at 256 there would be transport savings as all current two tier pupils in Years 7, 8 and 9 would have more local provision, and so would middle school pupils in Years 5, 6, 7 & 8. But assuming a smaller number of new build primary schools, this would add to transport costs for the 5-12 age range, offset by only a small saving on age 13 pupils	0.7 - 1.1

27. This option is slightly more complex to cost than the previous ones as the model of provision is less well developed. This has led to a number of assumptions being made, and the costs produced as a result are less reliable. However they are still robust enough to be used to compare with the other four options.

28. Capital costs are likely to be even higher than moving to three tier, due to the need to provide a large number of 5-13 schools. Most primary sites are too small to be expanded to this size so over eighty new schools would need to be built

and the land for this acquired. These costs would be offset by considerable capital receipts as a number of primary schools could be disposed of but the net capital requirement would be in the order of £512 million to £727 million, which could prove to be prohibitive.

29. There may be different models of developing new two tier schools with lower capital costs, such as basing these on expanded middle schools in the existing three tier areas, or federating primary schools with expanded middle schools to provide education from 5 – 13. However these options are complex, and not applicable across the county so have not been used in this costing.
30. As with the first two-tier model fewer schools would result in some revenue savings within the DSG, which could be reinvested, or used to support prudential borrowing against the capital costs. Even if all the saving was used to support borrowing this would only cover in the region of £70 million.
31. As with the first two-tier option there will be in principle no redundancy costs as teacher numbers will not reduce. The potential cost of reducing number of headteachers as school numbers reduce remains.
32. Transport costs are difficult to quantify here as they will depend on where the new schools are built and so how many pupils need to be transported and how far. As a general principle the fewer schools there are the greater the increase in transport costs. The increase in costs is estimated to be between £0.7 and £1.1m.

Table 6: Option Five – All through Schools

Expenditure		Cost to Change £m
Capital Expenditure	Model assumes “federated” schools using existing sites and buildings existing sites, followed by progressive rationalisation through BSF funding and prudential borrowing funded from DSG savings. The only cost in the short term is therefore the current £30 million spent on maintenance of existing stock	0
School Revenue Budgets	Assumes current sites all grouped into 50 new school “federations”. Assumed there will only be one fixed cost allowance for the new all-age school, and no schools considered “small” This is the ultimate economy of scale model – formula savings Some split-site operating costs will need to be factored into formula that might reduce over time as sites rationalised through BSF. Net saving	(7.3)
School Transport – Statutory Home to School Only	No change initially, possibly some modest increased costs if some sites are rationalised, but some potential savings if rationalisation takes into account pupil locations and travel distances.	0

33. This option has also been difficult to cost robustly as within the overall concept of all through schools there are a range of different approaches that would only be

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firmed up as detailed work was done in local areas. However, for the purpose of this calculation we have assumed that all through schools develop in an evolutionary fashion rather than through a 'big bang' approach and are built on federations of existing schools.

34. This means that there would be no immediate demand for capital, beyond the current level of spend, as existing sites would continue to be used. Site rationalisation and development would take place over time and be linked to the availability of BSF funding and prudential borrowing.
35. Similarly, operating initially from existing sites means there will be no additional transport cost, although as site rationalisation proceeds there will be additional cost if pupils have to be transported greater distances.
36. The current LMS formula does not fully take account of all through schools as so far these have not existed in Suffolk. However by reducing the number of schools there will be considerable savings on the DSG, some of which will need to be reinvested in changes to the formula which recognise that a school operating on split sites will have additional costs to a single site school.
37. This saving on DSG is ring-fenced, and could be reinvested in increasing the funding per pupil within the formula, meeting the costs of prudential borrowing for capital developments not funded by existing spend or BSF, and funding any redundancy costs of head teachers and other senior staff if required by the reduction in school numbers. As all savings would be reinvested within the DSG there would be no significant reduction in teacher numbers overall and so no need for a large redundancy provision.

Overall Resource Summary

38. The indicative costs of all five options are summarised in the table below.

Table 7: Summary of Indicative Costs

	No change	Two tier	Three Tier	New Tier	Two	All Through
Capital	No change - current spend of approx. £30 million continues	£8 - £20 million extra	Approximately £490 - £580 million extra	Approximately £512 - £727 million extra		No additional spend above current £30 million in short term
Schools Revenue Budgets	No change – current send of approx. £300 million continues	£4.4 million saving to be reinvested within DSG	£4.8 million pressure on DSG, to come from reducing schools' budgets	£4.4 million saving to be reinvested within DSG		Savings of up to £7.3 million to be reinvested in DSG
Transport	No change – current spend of approx. £16 million continues	£0.9 million extra	Approximately £1 million extra	£0.7m - £1.1m extra		No change in short term, possible increased costs later

39. There are no additional costs from a **status quo** option, although annual capital spend of £30 million on the existing estate will continue and BSF resource will be used to modernise the existing estate when made available. Schools revenue budgets of approximately £300 million funded from the ring-fenced DSG will continue, as will the £16m cost of home to school transport funded from base budgets.
40. The **all two-tier** option is cheapest in capital terms, other than no change or the “split site” variant of the all through model and, depending on the range of costs and capital receipts, may require additional investment of £5-20m (which might increase if some middle school sites and buildings were still required). It would free up £4.4 million from within DSG which could be reinvested in schools, fund any prudential borrowing required, or fund any redundancy costs although these are not expected to be significant as there would be no overall reduction in teacher numbers. There would, however, be a pressure on base budgets from increased home to school transport costs (approximately £0.9m), over half of which would be in one school pyramid, Thurston.
41. The **all three-tier** option has a significantly higher capital cost of approximately £490-580 million, and created a £4.8 million pressure which will need to be managed within DSG, reducing school budgets and possibly leading to reduced teacher numbers and redundancy costs. It also has a slightly higher level of increase in home to school transport costs, of approximately £1 million.
42. A **new two tier** option would also be expensive in capital terms, estimated at £512 - £727 million due to the need to provide over eighty new 5-13 schools where existing sites do not have the potential to be expanded. In terms of school budgets this is similar to the all two-tier option with £4.4 million of DSG being made available for reinvestment. Transport costs would increase by between £0.7 - 1.1m, as there would be fewer schools with pupils having to travel greater distances.
43. The **all through** option is somewhat different to the others as it would allow for evolutionary development using existing sites. This means that there would be no additional capital or transport costs in the short term. A programme of site rationalisation would eventually be required and this could be significant; it could be funded by BSF and prudential borrowing and so be phased in as resources allow. The current LMS formula is not designed for all through schools and so some of the immediate saving on fixed cost would need to be returned to reflect the additional costs of running split site schools. However, there would be an overall saving of around £7.3 million to be reinvested in DSG.