

# HERTFORDSHIRE COUNTY COUNCIL

CABINET  
MONDAY 22 APRIL 2002 AT 2.00 P.M.

Agenda Item No  
Supplement  
to item

2

Supplementary Report of the Director of Children, Schools And Families

## NORTON SECONDARY SCHOOL, LETCHWORTH – PROPOSAL TO CLOSE FINANCIAL IMPLICATIONS

This supplementary report forms section 5 of the main report.

### 5. Financial implications

#### 5.1 Capital Implications

5.2 The following table summarises the costs of the building project and potential sources of funding.

	Minimum Cost £million	Maximum Cost £million
Cost of Project	7.4	8.7
Sources of Income		
Capital Receipt	(2.7)	(2.7)
Schools Devolved Capital	(0.25)	(0.25)
Modernisation Funding (*1)	(1.00)	(1.00)
Supplementary Credit Approval	(2.00)	(2.00)
Repairs & Maintenance Funding (*2)	(0.25)	(0.25)
Resource Requirement	1.20	2.50

#### Notes

- (\*1) This figure is a provisional estimate of the element of Modernisation Funding which will be allocated to these three schools.
- (\*2) Both the minimum and maximum cost figures include provision for items relating to utility provision which would normally be charged to Repairs and Maintenance.

5.3 The cost estimates are currently Category B status estimates, and therefore, it is considered appropriate to express these as a range of figures. The precise position within the range will depend on the work which is being undertaken to produce Category C estimates and will be known when further work has been undertaken regarding a furniture audit and investigating design layout options. The cost estimates are based on a scheme specification which has been tightly defined to secure the additional forms of entry required. Any other accommodation needs at the schools will need to be assessed in the context of the Asset Management Plan and subsequent capital spending rounds. The minimum cost figure includes some very competitive price inflation assumptions, and it should be noted that both sets of capital cost figures include a 15% contingency provision – in line with industry standards.

#### 5.4 Cash Flow Forecast

5.5 The following table summarises the expected cash flow arising from the two sets of estimates presented above.

	2002/03 £millions	2003/04 £millions	2004/05 £millions	2005/06 £millions
Minimum Cost Figures - Net Position	-0.14	1.51	-0.08	-0.09
Maximum Cost Figure - Net Position	0.30	2.37	-0.08	-0.09

5.6. As there is no provision for this project within the current capital programme, this analysis indicates both a funding shortfall and a possible short-term cash-flow management issue. If the project proceeds, it requires capital programme provision of between £1.2 million and £2.5 million, the bulk of which is required in 2003/04. This means the project becomes a first call on the CSF element of the 2003/04 capital programme resources. There are some risks in this approach that must be recognised; the possibility that the Norton school disposal assumed in 2003/04 is delayed and that there are insufficient additional capital resources available in 2003/04. In such a case there would be a need for temporary funding of the cash flow. December 2002 will be a key date for funding consideration and there are several cash flow funding options which will need to be worked up by that stage, including further development of the schools loan scheme.

#### 5.7 Revenue Implications

5.8 There would be implications for school budget shares, the cost of staffing adjustments, support to parents for uniforms and potentially, additional transport costs.

5.9 Norton's pupil related funding would transfer to the successor schools. Three other known factors would affect budget shares. Knights Templar School would receive split site funding until the Norton site ceases to be used. As usual for reorganisations,

a rationalisation fund would be made available, over a three year period, to which all three remaining schools would have access. The lump sum allocation payable to Norton would cease on closure. The net impact of these factors on school budget shares would be:

	<b>2002/03 £000s</b>	<b>2003/04 £000s</b>	<b>2004/05 £000s</b>	<b>Long Term £000s</b>
Split site	86	62	0	0
Rationalisation	141	117	69	0
Lump Sum	(142)	(244)	(244)	(244)
	85	(65)	(175)	(244)

- 5.10 Some adjustment would also need to be made to site related funding when the Norton premises cease to be used and building works at the remaining three schools is complete. The shortfall in the first year would be funded by the existing Norton school budget balances (currently estimated at £100,000) and/or the schools contingency.
- 5.11 In addition, the remaining Standards Fund allocation to Norton School in 2002/3 would be redistributed to the three other schools, but it would not be possible to reallocate its Standards Grant. In future years schools would attract these funds under DfES rules applying at the time.
- 5.12 Additional costs would be incurred in respect of uniform provision (estimated at £21,000 over two years) and in respect of staff packages and the cost of transporting pupils. These costs will be either contained within existing budgets, or if in future years an additional resource is required, an element of the school budget share savings identified in the table above will be earmarked for this purpose when the 2003/04 budget is set.