HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Children's Services & Deputy Leader
Date of Decision:	18 January 2017
Decision Title:	Children's Services Capital Programme 2017/18 to 2019/20
Decision Reference:	7917
Report From:	Director of Children's Services and Director of Corporate Resources – Corporate Services

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1. Executive Summary

1.1 This report seeks approval for submission to the Leader and Cabinet of the proposed Children's Services capital programme for 2017/18 to 2019/20 and the revised capital programme for 2016/17. The proposals contained within this report continue the most significant schools construction activity the County Council has embarked on for over 30 years. The investment represents a significant and exciting investment for Hampshire children that will not only help raise educational standards but, also create many additional local employment opportunities within its delivery.

1.2 The report has been prepared in consultation with the Executive Lead Member for Children's Services (ELMCS) and will be reviewed by the Children and Young People Select Committee on 18 January 2017. It will be reported to the Leader and Cabinet on 3 February 2017 to make final recommendations to County Council on 16 February 2017.

1.3 In contrast to the majority of local authorities across the country, the Children's Services capital programme has reached a balanced position between income and expenditure in recent years. However, the ongoing primary pressure and secondary impact indicates a deficit of resources over a five year period beyond the scope of this report. Further work is being undertaken with potential funders, including the Government, Local Planning Authorities, Developers and Local Education Partnerships (LEPs) to maximise contributions from sources other than the County Council. The aim being to reach a balanced position with calls on the County Council's resources being kept to a minimum.

1.4 The Secretary of State announced details of individual local authority basic need capital allocations on 17 March 2016 for the three years 2016/17 to 2018/19. The Department for Education (DfE) also confirmed the School

Condition Allocation (formerly Capital Maintenance) for 2016/17 and indicated that 2017/18 would be equal to the 2016/17 allocation. Devolved Formula Capital (DFC) has also been confirmed for 2016/17 and that 2017/18 will be allocated on the same formula basis as the 2016/17 allocation.

1.5 The proposals contained in this report are derived from the departmental service plan(s) which have been developed to support the priorities of the Corporate Strategy.

2. Background

2.1 Executive Members have been asked to prepare proposals for:

- a locally-resourced capital programme for the three-year period from 2017/18 to 2019/20 within the guidelines used for the current capital programme including an assumption for 2019/20. The 2018/19 onwards programme is indicative and subject to change.
- a programme of capital schemes in 2017/18 to 2019/20 supported by Government grants as announced by the Government.

2.2 The medium term financial and efficiency strategy is closely linked to the Corporate Strategy and the Corporate Business Plan to ensure that priorities are affordable and provide value for money and that resources follow priorities.

2.3 The County Council's capital programme has been maintained and expanded over recent years, continuing the trend of ensuring that the Council invests wisely in maintaining its existing assets, while also delivering a programme of new ones.

Locally resourced capital programme

2.4 The cash limit guidelines for the locally resourced capital programme for Children's Services as set by Cabinet are shown in Table 1.

Table 1 - Locally resourced capital programme

	Annual allocation
Year	**£m**
2017/18	0.100
2018/19	0.100
2019/20	0.100

3. Finance – Capital programme supported by Government allocations

3.1 The Government has allocated all of its future support for the capital programme in the form of capital grants, and not as borrowing allocations.

3.2 The Secretary of State has previously announced details of individual local authority capital allocations for 2017/18 and 2018/19 for Basic Need and for 2017/18 indicative allocations for the School Condition Allowance (formerly Capital Maintenance) and the formula allocation for Devolved Formula Capital.

3.3 The focus of the current spending round continues along the lines of previous years by reducing the number of hypothecated grants, thus allowing local authorities to determine their own local priorities, with a focus on basic need, School Condition Allocation and a reduced allocation for schools' Devolved Formula Capital.

3.4 The Children's Services capital programme is based on government capital grants, developers' contributions, capital receipts and local resources. The expected availability of government grants, together with developers' contributions and capital receipts is set out in Table 3.

4. Proposed capital programme 2017/18 to 2019/20 – schemes supported by Government allocations

4.1 Table 2 sets out the capital allocations for Basic Need and the School Condition Allocation together with the assumed level of funding for 2019/20.

Table 2 – Allocation of capital grant to the County Council (excluding schools' devolved capital)

Year	Basic Need New pupil places	School Condition Allocation	Totals
	£m	£m	£m
2017/18	34.479	17.812	52.291
2018/19	28.377	17.812	46.189
2019/20 (assumed)	15.000	17.812	32.812

4.2 In line with the 2016/17 programme it is proposed that this funding continues to cover County Council capital investment priorities, such as Access Improvements in Schools (AIS) and Health and Safety.

4.3 The capital programme report of 20 January 2016 recommended that the School Condition Allocation funding, which is targeted towards major capital repairs, be received in full by Policy and Resources from 2016/17. Officers from Children's Services and Culture Community & Business Services (CCBS) will continue to work together to ensure that this funding is used to address strategic Children's Services and Policy and Resources priorities within the education estate.

4.4 On the basis of the anticipated position outlined in Table 2, the resources available for each of the three forward years up to 2019/20 are set out in Table 3. To address the need to fund a number of major projects in 2019/20, the funding available for starts in 2017/18 has been reduced, and resources carried forward to 2019/20.

Table 3 – Three year capital resources summary

	2017/18 (assumed)	2018/19 (assumed)	2019/20 (assumed)	Total
	£m	£m	£m	£m
Basic Need - new pupil places	34.479	28.377	15.000	77.856
Schools' Devolved Capital	3.353	3.353	3.353	10.059
Developers' contributions anticipated	35.632	16.679	29.692	82.003
Capital receipts anticipated	6.100	3.570	1.000	10.670
Corporate capital resources	0.100	0.100	0.100	0.300
Other Contributions	7.863	0	0	7.863
Carry forward resources to 2017/18 (Table 10)	20.210	0	0	20.210
Carry forward resources to 2017/18	25.000	0	0	25.000
Carry forward resources to 2018/19	-7.000	19.000	0	12.000
Carry forward resources to 2018/19	-19.000	19.000		0
Carry forward resources to 2019/20	0	-46.000	46.000	0
Resources to be identified	0	0	-13.000	-13.000
Totals	**106.737**	**44.079**	**82.145**	**232.961**

4.5 Resources totalling £20.210m are proposed to be carried forward to 2017/18, this relates to projects being started in 2017/18.

In addition, and in order to strategically manage the three year programme to deliver the planned new school places:

- £19m proposed to be carried forward from 2017/18 to 2018/19
- £46m proposed to be carried forward from 2018/19 to 2019/20

5. Three year capital allocations 2017/18 – 2019/20 – overview

5.1 The Secretary of State for Education has yet to announce details of individual local authority Basic Need, School Condition Allocation and Devolved Formula Capital beyond 2018/19. The 2018/19 onwards programme is indicative and subject to change.

5.2 The focus of capital investment continues as with the previous spending rounds to minimise the number of hypothecated grants, thus allowing local authorities to determine their own local priorities, with a focus on basic need and School Condition Allocation.

5.3 During the period 2013 to 2016 the County Council will have delivered over 7,360 new school places. Projects contained within this report, which are currently planned to start on site by 2020, total a further 10,915 primary and secondary places.

New pupil places

5.4 A revised School Places Plan 2017 - 2021 is appended to this report at Appendix 6. The document refers to the fact that Hampshire, in keeping with the national picture, has experienced a significant rise in births over the past 15 years. This, together with housing development and some in-migration from other areas (within the county and other LAs) has increased the pressure on primary school places. However, this impact is not uniform across the county due to its complex demography. The Plan sets out strategy to manage school places over a five year period taking in to account birth rates, housing development and inward and outward migration trends.

5.5 To date, the majority of the capital programme has focussed on the pressure of primary school numbers. The three year planning period of this report continues to show a rise in primary number until at least 2020. The secondary impact of these pupils also starts to impact on the programme and is set out further in this section.

5.6 The current presumption (by the DfE) is that every new school will be an academy/free school. This means that once built, the County Council hands over the building to the Academy on a 125 year lease but still retains the freehold of the sites.

5.7 The achievement of these new school places will need to be considered in the context of an evolving local authority role in relation to schools and the considerable capital costs to deliver the new accommodation. Further work is being undertaken with potential funders, including the Government's Free School programme, Local Planning Authorities, Developers and LEPs to maximise contributions from sources other than the County Council. The aim being to reach a balanced position with calls on the County Council's resources being kept to a minimum.

5.8 It is most likely that the planned extensions and new schools will be delivered by the County Council irrespective of school governance.

Secondary strategy 2015 - 2025

5.9 The planned increase in secondary numbers over the period 2015 to 2025 was reported to Cabinet on 5 October 2015. The report set out the potential options, solutions and likely costs to meet the projected growth in secondary numbers across Hampshire. The report put forward proposals for the future shape of secondary school provision representing a strategy designed to expand and improve the school estate whilst ensuring the best use of resources. The increase in demand will be met first by filling existing surplus places and then through both extensions and new schools.

5.10 Feasibility work has started on some of the proposed new schools, particularly where negotiations are taking place with local planners about new sites and developer contributions are being sought. The lead in time to establish a new secondary school will be around four years, two years in design and statutory consultation and two years to build. The timing of the new provision to serve new housing will be dependent upon the timing of the new housing. The planned forecast numbers are predicated on current planned housing timing and completions. Experience suggests that often housing completions take longer than first indicated with the secondary pupil yield taking longer to have impact on the school system.

5.11 Each new school will need to be considered individually but adopting a standardised approach to design will be key to ensuring limited resources are most efficiently used and savings achieved.

Free Schools

5.12 Detailed work is being undertaken with the DfE to explore the potential of opening a number of new free schools in Hampshire. Following the government's manifesto commitment to open a further 500 new free schools during this Parliament, local authorities have been asked to assist in the process by supporting applications, particularly, where there is a need for additional school places. It is understood that the target of 500 schools is close to being reached and await confirmation as to whether the programme will continue.

5.12 Early indications from the DfE are that capital funding will be available for new free schools to cover the shortfall between the DfE estimated cost of construction and income sources such as developer contributions. There is a disparity between DfE estimated costs and the current local authority detailed costs for these projects which are currently being reviewed. Resources from DfE for these new schools will help to reduce the forecast shortfall across the future years programme.

5.13 Approval has recently been granted by the DfE for a new 4-16 free school to serve Hedge End and Horton Heath with other free school applications awaiting determination as shown in Table 4.

Table 4 – Potential Free Schools in Hampshire

Area / School	**Size & Type of Free School**	**Proposed Opening Date**	**Free School Application Status**
East Anton	2fe Primary (future 3fe)	Sept 2017	Submitted
Horton Heath / Hedge End	4-16 School	Sept 2019	Approved
Boorley Green	2fe Primary (future 3fe)	Sept 2019	Submitted
Chestnut Avenue	1½fe Primary	Sept 2020	March 2017
Hounsome Fields	1fe Primary (future 2fe)	Sept 2020	tbc
Manydown	1fe Primary (future 2fe)	Sept 2020	
Whiteley	7-9fe Secondary	Sept 2021	

5.14 Free School applications are made direct to the DfE by Academy Trusts. The local authority can support such applications and is asked to comment on submission. To date, Hampshire County Council has worked alongside the Trusts making free school applications to provide additional school places.

Special Educational Needs (SEN) Strategy

5.15 The DfE have recently announced that funding of £215m will be made available nationally to support SEN projects at existing schools. Funding has also been identified within the free school programme to support new SEN free school proposals. Whilst the detail of the £215m funding is awaited, Local Authorities have been asked to submit an Expression of Interest (EoI) for one new free school per local authority. However, due to the size of Hampshire and identified demand three free school EoI submissions were made for:

- 125 place 4-16 Social Communication Needs/Autistic Spectrum Disorder (SCN/ASD) School at the former Chineham Park Primary site, Shakespeare Road, Basingstoke. This is proposed to meet the needs of the growing number of children who are presenting with social communication needs, often but not exclusively linked to autistic spectrum disorders or conditions.
- 50 place 4-11 Social Emotional and Mental Health (SEMH) Primary School at the former Rookwood Infant School site, Penshurst Way, Eastleigh.
- 75 place 11-16 Social Emotional and Mental Health (SEMH) secondary school at Shooters Way, Basingstoke.

5.16 To access this funding the DfE expect local authorities to have a strategic plan for SEN in place. A strategic review of Hampshire's SEN provision is currently being undertaken by officers that includes SEN school representatives. The strategy assesses the county wide need for SEN places against current provision and will consider this alongside new school and resourced provision. Hampshire special schools have a good reputation for the quality of educational provision they offer to pupils, some of whom have the most severe long term and complex educational needs. The educational offer to children with SEN also includes resourced provision within mainstream schools.

5.17 As part of the SEN strategy, a decision has been taken to remove the Social Language and Communication Needs (SLCN) resourced provision at the new primary school serving the Aldershot Urban Extension. A more suitable location for this new provision is being considered and will be brought to a future Decision Day.

Early Years

5.18 In April 2016 the Department for Education (DfE) called for Expressions of Interest (EoI) from local authorities who wished to work with local childcare providers to bid for capital funding to support the creation of new 30-hour places to complement the existing 15-hour entitlement.

5.19 Hampshire submitted the maximum of 6 bids in August 2016 and in late December 2016 approval was given in principle by the DfE for five of these projects, with a total grant value of up to £2.4m. Authority is sought for officers to proceed with detailed feasibility work in order to meet the current timeframes for delivery set by the DfE of August 2017. Terms and conditions are awaited from DfE. Further details will be brought to a future Decision Day.

Schools Programme

5.20 The scale of the programme is significant and has required the Director of CCBS to draw further on private sector partner resource to compliment in-house capacity. The number and scale of projects also requires a more structured programme-wide approach with a team geared to meet the future challenges of fewer resources.

5.21 Table 11 in section 15 lists the potential school expansion and new school projects through to 2019/20, although these will not be exhaustive. A large proportion of these schemes are planned to be funded with significant developers' contributions. Developer contributions are dependant upon housing completions which will continue to influence the timing of the need for additional school places. The identified project costs are feasibility costings only and not school project allocations with a target to reduce costs further.

5.22 The introduction of the Community Infrastructure Levy (CIL) makes this funding source even more uncertain than before as reported in section 7. Detailed discussions will continue to take place with district councils and developers to keep abreast of the situation. Any shortfall in funding will need to be found from alternate capital programme resources or, if resources are not available the use of reduced specification in the finished form and modular accommodation will have to be considered.

5.23 A key factor for schools when considering expansion are the infrastructure (ancillary spaces) requirements linked to the additional classrooms. Whilst the provision of new school places is a DfE capital issue, capital grants are likely to be limited. The County Council will therefore need to keep under review its plans and proposals to ensure a sufficiency of school places within the combination of available government grants, developers' contributions and locally resourced capital funding.

5.24 Recognising the need to progress these schemes it is recommended that the Director of Culture, Communities and Business Services (CCBS) undertake costed feasibility studies for each of the projects listed in Table 11. A more detailed cost appraisal will be brought to a future decision day once the financial position is known.

6. Other formulaic allocations

6.1 In addition to the funding for new pupil places, funding is also identified for other priorities within the education estate:

- Improvements and modernisation of Special Education Needs (SEN) accommodation and other Children's Services establishments;
- Essential Health and Safety work

The proposed allocations are listed in Table 5

Table 5 – Proposed allocations for three year programme

	2017/18 (Assumed)	2018/19 (Assumed)	2019/20 (Assumed)	Totals
	£m	£m	£m	£m
New schools and extensions	86.758	26.871	59.500	**173.129**
New Modular Classrooms	2.000	2.000	2.000	**6.000**
Other special school and SEN improvements	1.000	1.000	1.000	**3.000**
Other improvement projects	2.000	2.000	2.000	**6.000**
Access improvements in schools	0.500	0.500	0.500	**1.500**
Children's Homes projects	1.243	0	0	**1.243**
Social Care projects	0.350	0.350	0.350	**1.050**
Health and Safety	0.400	0.400	0.400	**1.200**
Schools' devolved formula capital	3.353	3.353	3.353	**10.059**
Furniture and equipment and ICT	0.750	0.750	0.750	**2.250**
Contingency	8.383	6.855	12.292	**27.530**
Totals	**106.737**	**44.079**	**82.145**	**232.961**

Note: costs are based on 4th Quarter 2016 with an estimate for inflation included within contingency.

Priority Schools Building Programme (PSBP2)

6.2 Following the submission for funding to the Education Funding Agency (EFA) under the PSBP2 initiative, four Hampshire LA schools and Mill Chase Academy have been advised that they have been successful for significant maintenance investment by the EFA. The four LA schools are, Overton CE Primary, Talavera Infant, Wootey Junior and Olivers Battery Primary School.

6.3 The total awarded to the four Hampshire maintained schools is £9.8m. This funding has been added to the Executive Member for Policy and Resources capital programme. Feasibility work is currently being undertaken by the Director of Culture Community & Business Services with the individual schools in conjunction with the EFA. Further details of these projects will be reported to a future Decision Day.

Other improvement and modernisation projects

Access improvements in schools

6.4 As in previous years, funding has been made available to fund access improvements to mainstream schools, both at a pupil-led and strategic level. Therefore, it is proposed that £0.5m is included in each year's capital programme to finance specific access improvement projects in schools.

6.5 It is recommended that the projects listed at Appendix 5 are approved for 2017/18.

Improvements and modernisation of SEN accommodation

6.6 A county wide review of SEN has being undertaken that has looked at forecast pupil numbers and available places. Future proposals will need to be aligned to the free school proposals referred to in paragraph 5.11. Further details will follow, once the outcome of our expressions of interest in the free school programme is known.

6.7 It is recommended that £1m is allocated in 2017/18, 2018/19 and 2019/20 capital programmes for special school improvement projects with a list of priority projects to be brought to a future Decision Day.

Strategic Review of Children's Homes

6.8 A programme has been agreed and is in delivery for the construction of six new Children's Homes. The new properties will offer a homely environment for the small number of Children Looked After for which foster care or other provision is not suitable. While the group is small in number their needs are great, therefore, the unit cost of the service is high. The retention of a viable in-house service is critical to avoid dependency on a far more expensive and volatile external market.

6.9 The first five projects located in Chandlers Ford, Havant, Andover, Waterside and Fareham will be complete and ready for occupation during Spring 2017. The final project located in Winchester will be complete and ready for occupation during early 2018.

Foster Care

6.10 Provision of £0.1m each year is proposed within the programme to fund adaptations to foster carers' properties.

Adaptation Equipment

6.11 Funding has been identified within the programme from 2017/18 to provide equipment and adaptations for disabled children and young people to support their independence at home. This is a statutory duty on the local authority and without this support and intervention, many of these children and young people would not be able to remain at home resulting in a significant demand on the revenue budget.

6.12 As previously reported, an allocation of £825,000 to support short breaks for disabled children was agreed by ELMCS on 23 January 2013 with the balance of funding agreed for aids and equipment. This funding will have been fully spent by the end of 2016/17. Therefore, it is proposed to allocate

£0.25m per year from the programme for 2017/18 onwards to support this essential work.

Schools' Devolved Formula Capital

6.13 Government grant allocations for schools' devolved formula allocations were substantially reduced in April 2011. The assumption is that the allocation for 2017/18 will remain at the 2016/17 level and exclude Academies. The allocation per school will be according to the DfE formula set out in Table 6 and is intended to fund high priority projects identified through schools' Asset Management Plans.

Table 6 – Schools' Devolved Formula Capital allocation

2017/18 Formula (assumed)	Allocation per school £ p.a.
Per nursery/primary pupil	11.25
Per secondary pupil	16.88
Per special school or education centre pupil	33.75
Lump sum (all schools)	4,000.00

6.14 Officers continue to work closely with schools to ensure that devolved formula capital allocations are spent appropriately on Asset Management Plan priorities. There is particular emphasis on ensuring that they are used in conjunction with County Council and other capital resources so that the maximum number of schools benefit and that resulting projects make optimum use of available resources. However, the reduced allocations continue to limit individual schools' opportunities to fund capital projects.

7. Developers' contributions

7.1 Developers' contributions are a vital source of resources to the Children's Services capital programme. For the period 2017- 2020 an estimated £82m is expected to contribute towards the total cost of the programme. However, such funds only cover costs incurred and their availability depends on the rate of house building.

7.2 The Community Infrastructure Levy (CIL) was introduced to ensure that all development contributes towards the provision of infrastructure, and provides transparency to developers in respect of planning obligations by making it clear what would need to be paid for at an early stage. The current policy for contributions was approved by the Executive Member for Children's Services on 24 July 2008, updated in December 2016. Contributions fall into three categories:

- where funding for a project has been allocated from the capital programme in advance of the contribution being received. The receipt is therefore repaying past expenditure and is available to add to the current year's cash limit;

- where funding has been borrowed through the School Balances Loan Scheme or the Prudential Code to enable a project to begin in advance of the contribution being received. The receipt is used to repay borrowing;
- where funding is available for a specific project, to be identified, within the area of the housing development to which the contribution relates.

7.3 The introduction of the Community Infrastructure Levy (CIL) is having a significant financial impact on the County Council. CIL restricts the County Council's ability to directly secure infrastructure contributions from new developments. Only the district and unitary authorities are designated as 'charging authorities' and permitted to implement a CIL and, as of April 2015, the regulations have required that the use of agreements under Section 106 of the Town and Country Planning Act be scaled back. To date Section 106 agreements have proved to be a successful model to deliver the essential infrastructure. Although Section 106 agreements will continue alongside CIL they will be on a much stricter and limited basis. In those areas that do not have an adopted district local plan, the opportunity arises for speculative development proposals. In such areas the true impact of CIL has yet to be fully tested.

7.4 The new regulations also limit the pooling of contributions taken under Section 106 to a maximum of five agreements, backdated to April 2010. This includes agreements that were entered into in relation to planning permissions that have not been implemented. The restriction was introduced in order to encourage authorities to introduce and operate CIL, and ensure that this is the primary mechanism for collecting funding to deal with the cumulative impact of development. This will have a significant impact on those projects that are required to serve more than five developments and for districts where the majority of schemes are required to meet the cumulative needs of development.

7.5 There is a significant risk that the current levels of funding raised through Section 106 Agreements for the provision of additional school places will not be achieved through CIL. Where larger sites would usually be expected to provide land and funding for the construction of a new school, the land value would be included in the CIL calculation which means that the County Council may have a significant funding gap to bridge. The full implications on education contributions from CIL have yet to be clarified. The worst case scenario is that CIL will offer significantly reduced amounts of developer contributions for all infrastructure provision. Officers from the County Council are currently working with a number of Government Offices looking at this specific issue.

7.6 Regular meetings take place with the District Planning Officers to ensure a collective understanding of the school places strategy for individual areas and need for developer contributions to meet the cost of the additional school provision.

8. Capital programme summary 2017/18 to 2019/20

8.1 The total amount available to fund starts in 2017/18 is £106.737m. Table 3 in paragraph 4.4 illustrates how this sum is arrived at.

8.2 On the basis of the position outlined above, the total value of the capital programmes submitted for consideration for the three years to 2019/20 is shown in Table 7.

Table 7 – Capital programmes 2017/18 to 2019/20

	Schemes within locally resourced guidelines	Schemes funded with developers contributions and capital receipts	Schemes supported by Government grants and borrowing	Total
	£m	£m	£m	£m
2017/18	0.100	68.805	37.832	106.737
2018/19	0.100	12.249	31.730	44.079
2019/20	0.100	63.692	18.353	82.145
Totals	**0.300**	**144.746**	**87.915**	**232.961**

8.3 The proposed three year capital programme is attached as Appendix 1. It should be noted that there are a number of planned developer contributions due in 2019/20 that will increase the resources shown in table 7. However, such resources are not brought into the programme until the related project is due to start.

9. 2018/19 to 2019/20 programmes

9.1 As indicated above, it is possible to fund those schemes where starts need to be made in 2017/18. The indicative resources available in 2018/19 total £44.079m and are summarised in Table 8.

Table 8 – Resources for 2018/19

	2018/19
	£m
Basic Need	28.377
Developers' contributions	16.679
Schools' Devolved Capital grant	3.353
Capital Receipts anticipated	3.570
Corporate Resources	0.100
Resources carried forward to 2019/20	-8.000
Totals	**44.079**

10. Pressures on the capital programme

10.1 In contrast to the majority of local authorities across the country, the Children's Services capital programme has reached a balanced position between income and expenditure in recent years. However, the ongoing primary pressure and secondary impact indicates pressures on resources over a five year period which is beyond the scope of this report. Some of the financial challenges reported last year have reduced due to the strategy to pursue free schools and a higher than expected basic need allocation. However, it should be noted that a number of the planned future free schools are still subject to approval as shown in Table 4.

10.2 The achievement of these new school places will need to be considered in the context of an evolving local authority role in relation to schools and the considerable capital costs to deliver accommodation to cover the total anticipated growth in pupil numbers. There are sufficient resources available to fund all the schemes that need to be started in 2017/18.

10.3 Further work is being undertaken with potential funders, including the Government, Local Planning Authorities, Developers and LEPs to maximise contributions from sources other than the County Council. The aim being to reach a balanced position with calls on the County Council's resources being kept to a minimum.

10.4 The building programme outlined in this report will be some of the most significant schools construction activity the County Council has embarked on for over 30 years. It is essential that officers design and deliver at the most economic cost while ensuring there is not a detrimental effect on the teaching spaces and environment. Future capital programme reports will cover this in more detail through individual project appraisals.

10.5 The estimated cost of the new school places where starts are likely to be required in 2017/18, 2018/19 and 2019/20 is around £173m. This figure includes several potential free school applications. If the resources for these projects are approved by the DfE, this would improve the current deficit position of the three year programme.

10.6 Individual projects have been increased to 4th Quarter 2016 prices.

11. School Building Delivery

11.1 The County Council has a local and national reputation for the quality of its school buildings and our aim must be to maintain high standards but recognise the need to work within the current financial climate ensuring that:

- There is appropriate and sufficient space to accommodate learning and provide flexibility.
- Robust and good quality materials are used to ensure low maintenance and longevity.
- There is a focus on value for money and that early judgements on projects are the right ones.

11.2 Lower cost schools have been delivered over the past 5 years and further work is on-going to maximise value. The cost reductions to date have been delivered with no significant reduction in quality or scope.

11.3 This report has set out the continuing major investment planned in school buildings across Hampshire with a particular emphasis on the need to provide additional places. It is essential that the County Council recognises the context for the public sector and the need to maximise value for the resources available.

11.4 The Director of Children's Services and the Director of Culture, Communities and Business Services have been working closely together to ensure that good quality school buildings are delivered but at still lower costs. Projects are batched into programmes where possible to achieve economies of scale and a shared design approach (but not one size fits all) is being adopted. If resources are not sufficient, modular accommodation may need to be considered as an option.

12. Emerging construction inflation and resource capacity issues

12.1 Given the scale of the County Council's Capital Programmes (including Children's Services), early and robust design judgements, together with cost controls, are imperative.

12.2 There is uncertainty in the construction sector following the vote in the Referendum to leave the EU. Over the quarter following the Referendum the Royal Institution of Chartered Surveyors (RICS) recorded that overall activity in the sector had declined by 1.1% and the falling value of Sterling has lead to imported material costs increasing. Commentary from the RICS Building Cost Information Service (BCIS) describes that the extent of this slowdown will be dependent upon political discussions and outcomes as a result of the Brexit negotiations. As a result of the uncertainty the BCIS has produced a look forward based upon a number of scenarios with maximum inflation rate of 1.5% for 2017 and a rise of 20% over the next four years. A more pessimistic outlook points towards a more dramatic slowdown and some deflation.

12.3 In this context of uncertainty, local market conditions continue to prove challenging with contractors being selective about pursuing tender opportunities. The latest location study information from BCIS shows that both south east regional and Hampshire tender prices have risen at a greater rate than national averages by a factor of about 3% and follows the trend in London which has also seen similar price trends occurring. This is reflected in the supply chain resource capacity currently being experienced at local level. There is further evidence of local volatility and scarcity of capacity in key trades and with main contractors. Due to the market uncertainty, 3.5% of the cost of new buildings and extensions within the overall programme has been included in the contingency for inflation.

12.4 The County Council uses a broad range of procurement types and has developed a suite of managed frameworks, two stage tendering and more traditional single stage tendering that enable it to respond well to the evolving market and the uncertainty in the construction sector and to best manage the impacts of inflation and secure the capacity it needs.

12.5 The County Council continues to have regular dialogue with the Department for Education (DfE) and the Education Funding Agency (EFA) and it has led a new national study to benchmark school costs. This information is providing invaluable data on the ‘true’ cost of providing school places. This evidence is being used to benchmark value for money for Hampshire schools and to inform negotiations with Government, local planning authorities and developers to maximise funding for the provision of the much needed additional pupil places across Hampshire.

13. Revenue Implications

13.1 The revenue implications of the proposed capital programme are shown in Table 9.

Table 9 Revenue implications of capital programme

Schemes within the guidelines	Full Year Cost	
	Current expenditure £m	**Capital Charges £m**
2017/18	0	2.223
2018/19	0	0.969
2019/20	0	1.729
Totals	**0**	**4.921**

13.2 The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 0.5% over the 2016/17 original budget of this service.

14. Amendments to the 2016/17 capital programme

Swanwick Lodge Children’s Home

14.1 A grant of £0.170m has been awarded by the Department for Education (DfE) for security enhancements to the main building. This award has been granted on the basis that the works will be completed by 31 March 2017.

14.2 Therefore, it is recommended that the resources of £0.170m (including fees) are added to the 2016/17 programme.

Feasibility and Design – Additional Resource Costs

14.3 As a result of the size and scope of the current programme, additional fees of £0.65m have been incurred by the Director of Culture Community and Business Services. The additional professional time and resources have been required to maximise developer’s contributions and secure the necessary land to deliver the new schools’ programme. There has also been significant additional professional design resource committed to reduce the capital costs of projects, secure acceptable tender returns and maintain programme delivery.

14.4 Therefore, it is recommended that the additional fees of £0.65m are met from the 2016/17 capital programme contingency.

Resources for the 2016/17 programme

14.5 The revised capital programme for 2016/17 reflecting the adjustments made during the year is shown at Appendix 2. This lists all the schemes in the current programme, which where appropriate, have been inflated to 4Q16 prices together with a reconciliation of resources.

14.6 A number of decisions have been taken under delegated officer powers since the last meeting in September 2016. These are all under the officer delegated amount of £0.25m and have been funded from the block vote allocations reported on 22 September 2016 when the current programme was approved.

14.7 Details of decisions taken since the last report in September 2016 are recorded for information in Appendix 4.

Resources and projects proposed to be carried forward to 2017/18

14.8 It will not be possible to start the schemes listed in Table 10 during 2016/17. In many cases this is due to the need to obtain the necessary statutory approvals and sometimes as a result of changes in the scope, brief or programming of projects. Therefore, it is proposed to defer these projects, with their resources, to 2017/18.

Table 10 – Resources and projects to be carried forward from 2016/17 to 2017/18

Project	Cost of Projects & Resources carried forward
Named projects	**£m**
AUE Western Primary, Aldershot	10.367
Barton Farm Primary, Winchester	8.600
Children's Homes, Winchester	1.243
Total carry forward	**20.210**

14.9 It is proposed to carry forward resources of £20.210m as shown in Table 3 and Table 10.

14.10 Updates relating to individual projects proposed to be carried forward are set out in the following paragraphs.

2016/17 Carry Forward Schemes - Basic Need Projects

<u>AUE Western Primary, Aldershot</u>

14.11 This project was reported to ELMCS on 20 January 2016 at a cost of £9.4m (including fees). The scheme is due to start in May 2017 and complete in July 2018.

14.12 A detailed costed project appraisal for this scheme will be brought to a future Decision Day.

Barton Farm Primary, Winchester

14.13 This project was reported to ELMCS on 20 January 2016 at a cost of £8.6m (including fees). The scheme is due to start in May 2017 and complete in August 2018.

14.14 A detailed costed project appraisal for this scheme will be brought to a future Decision Day.

2016/17 carry forward schemes – Other Projects

Children's Homes

14.15 The investment strategy is reported in paragraphs 6.5 to 6.6. The new homes in phase one of the programme will be ready for occupation in the Spring of 2017.

14.16 It is proposed to carry forward the resources for the remaining home that is due to start on site in the summer of 2017.

15. Potential Basic Need Projects 2017 – 2020

15.1 Table 11 lists all the potential Basic Need projects for the years 2017 – 2020.

Table 11 – Potential Basic Need projects 2017 - 2020

Projects Starting in 2017/18	Planned Expansion (additional places)	Estimated Cost £'000	Expected Date Places Available
AUE Western Primary, Aldershot	2fe New School	10,367	Sept 2018
Barton Farm Primary, Winchester	2fe New School	9,495	Sept 2018
Bishops Waltham Infant & Junior, Winchester	Expansion to 3fe	3,376	Sept 2018
The Butts Primary, Alton	Expansion to 2fe	4,000	Sept 2018
Emsworth Primary, Havant	Expansion to 2fe	1,851	Sept 2018
North Baddesley Infant & Junior	Expansion to 3fe	4,160	Sept 2018
Oakridge Infant & Junior, Basingstoke	Expansion to 3fe	3,883	Sept 2018
Romsey Primary	Expansion to 2fe	2,799	Sept 2018
Rownham St Johns CE Primary,	Expansion to 1.5fe	551	Sept 2018
Trosnant Infant & Junior, Havant	Expansion to 3fe	4,511	Sept 2018
Horton Heath Secondary, Eastleigh	7fe New School	0	Sept 2019
Mill Chase Academy (Relocation)	6fe New School	29,490	Sept 2019
Robert May's School (Secondary)	Expansion to 9fe	7,600	Sept 2018
Projects Starting in 2018/19	**Planned Expansion (additional places)**	**Cost £'000**	**Expected Date Places Available**
Boorley Green Primary, Fair Oak	2fe New School	0	Sept 2019
Bordon Infant & Junior, East Hants	Expansion to 3fe	3,583	Sept 2019
Castle Hill Primary, Basingstoke	Expansion to 2fe	3,593	Sept 2019
Church Crookham Junior, Fleet	Expansion to 5fe	1,740	Sept 2019
Cornerstone CE (Aided) Primary, Whiteley	3fe New School	12,200	Sept 2019
Horton Heath Primary, Eastleigh	2fe New School	0	Sept 2019
Kings Copse Primary, Hedge End	Expansion to 1.5fe	2,024	Sept 2019
Northern Junior, Portchester	2 classroom expansion	400	Sept 2019
Pilgrims Cross CE (VA) Primary, Andover	Expansion to 2fe	1,331	Sept 2019
Whitchurch CE Primary, Basingstoke	Expansion to 2.5fe	2,000	Sept 2019
Projects Starting in 2019/20	**Planned Expansion (additional places)**	**Cost £'000**	**Expected Date Places Available**
Bursledon Infant and Junior, West End	Expansion to 4fe	3,997	Sept 2020
Colden Common Primary, Winchester	Expansion to 2fe	1,902	Sept 2020
Eastleigh Town (Chestnut Avenue)	1.5fe New School	6,852	Sept 2020
Fleet Primary Places, Hart	Expansion or New School	3,997	Sept 2020
Four Marks CE Primary, Alton	Expansion to 2fe	1,902	Sept 2020
Hounsome Fields, Basingstoke	1fe New School	5,424	Sept 2020
Manydown Primary, Basingstoke	1fe New School	5,424	Sept 2020
Overton CE Primary, Basingstoke	Expansion to 2.5fe	1,902	Sept 2020
Petersgate Infant, Clanfield	Expansion to 3fe	1,714	Sept 2020
Sun Hill Infant & Junior, Winchester	Expansion to 3fe	3,997	Sept 2020
Calthorpe Park, Fleet	Expansion to 11fe	9,589	Sept 2021
Henry Beaufort, Winchester	Expansion to 7fe	3,800	Sept 2021
Whiteley Secondary School	Up to 9fe New School	9,000	Sept 2021

16. Modular Classrooms

16.1 Due to pressures on the programme, consideration will need to be given to the use of modular classrooms. For some schools, modular classrooms may be the only expansion solution, whilst others may find a mixture of both permanent and modular accommodation.

16.2 The current modular classroom is a much higher quality building than those of the past, meeting the most recent building regulations.

16.3 Details of the location of modular buildings required for September 2017 are listed in Appendix 3. In some cases the units will be rented due to the shorter term requirement, whilst others will be purchased recognising a longer term pressure in those locations. Therefore, it is recommended that approval be given for the application of planning for modular buildings listed at Appendix 3.

16.4 It is also recommended that authority be delegated to the Director of Children’s Services to revise and if necessary add to sites for the modular buildings listed in Appendix 3 following receipt of updated information on pupil numbers early in the spring term.

17. Action taken by the Director of Children’s Services

17.1 Under delegated powers, and following consultation with the Executive Member for Children’s Services, the actions set out in Appendix 4 have been taken and it is recommended that these approvals are noted.

18. Recommendations

18.1 To approve submission to the Leader and Cabinet the capital programme for 2017/18 to 2019/20 as set out in Appendix 1 and the revised capital programme for 2016/17 as set out in Appendix 2 and including the transfers between years as set out in Table 3.

18.2 That the deferral of resources of £20.210m relating to schemes of £20.210m be approved for submission to Cabinet as shown in Table 10 of this report.

18.3 That the following variations to the 2016/17 capital programme be approved:

- It is recommended that the additional grants for projects at Swanwick Lodge Childrens Home of £0.170m are added to the 2016/17 programme

18.4 It is recommended that approval be given for the application of planning permission for modular buildings to be located on the sites listed at Appendix 3.

18.5 It is recommended that authority be delegated to the Director of Children's Services to revise and if necessary add to sites for the modular buildings listed in Appendix 3 following receipt of updated information on pupil numbers early in the spring term.

18.6 The projects approved under delegated powers by the Director of Children's Services in Appendix 4 are noted.

18.7 That the projects listed at Appendix 5 for Access Improvements in Schools for 2017/18 are approved.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	Yes
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Business plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:	

Other Significant Links

Links to previous Member decisions:		
Title	Reference	Date
Children's Services Capital Programme 2014/15 to 2016/17	5444	22 January 2014
Children's Services Capital Programme 2014/15 to 2016/17	5583	26 March 2014
Children's Services capital programme update	5800	25 July 2014
Direct links to specific legislation or Government Directives		
Title		Date

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

Equality and diversity objectives are not considered to be adversely affected by the proposals of this report.

2. Impact on Crime and Disorder:

Crime and disorder objectives are not considered to be adversely affected by the proposals of this report.

3. Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption?

> When the Children's Services Capital Programme invests in new build, replacement or refurbishment works, Property Services colleagues include an assessment of reductions in energy consumption (carbon use) in the design. In all new buildings and in the majority of refurbishment type investments, the latest technologies and materials are specified in order to maximise the impact on reducing carbon consumption. Many projects are also able to employ passive design approaches including natural ventilation and improved insulation to actively reduce consumption in summer and winter conditions.

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

> The proposals seek to provide compact and energy-efficient building envelopes. Any new build or extensions will meet current building regulations standards for thermal performance. Where possible appropriate sustainable materials will be employed to reduce the environmental impact of the proposals.