

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Children's Services
Date of Decision:	20 January 2016
Decision Title:	Children's Services Capital Programme 2016/17 to 2018/19
Decision Reference:	6697
Report From:	Interim Director of Children's Services and Director of Corporate Resources – Corporate Services

Contact name: Peter Colenutt

Tel: 01962 846157 **Email:** peter.colenutt@hants.gov.uk

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 2016/17 to 2018/19 and the revised capital programme for 2015/16. The proposals contained within this report are 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 20 January 2016. It will be reported to the Leader and Cabinet on 5 February 2016 to make final recommendations to County Council on 18 February 2016.
- 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 in 2018/19. 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.
- 1.4 The Secretary of State announced details of individual local authority basic need capital allocations on 12 February 2015 for the three years 2015/16 to 2017/18. The Department for Education (DfE) also confirmed that School Condition Allocation (formerly Capital Maintenance) for 2016/17 and 2017/18 would be equal to the 2015/16 allocation. Devolved Formula

Capital (DFC) will be allocated for 2016/17 and 2017/18 on the same formula basis as the 2015/16 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 2016/17 to 2018/19 within the guidelines used for the current capital programme including an assumption for 2018/19.
 - a programme of capital schemes in 2016/17 to 2018/19 supported by Government grants as announced by the Government, subject to limits restricting the take up of Government supported borrowing approvals.
- 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
2016/17	0.100
2017/18	0.100
2018/19	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 2016/17 and 2017/18 for Basic Need, 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, capital receipts, developers' contributions and local resources. The expected availability of government grants, together with capital receipts and developers' contributions, is set out in Table 4.

4. Proposed capital programme 2016/17 to 2018/19 – 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 2018/19.

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
2016/17	33.145	17.809	50.954
2017/18	34.479	17.809	52.288
2018/19 (assumed)	20.000	17.809	37.809

- 4.2 In line with the 2015/16 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 As previously reported, in previous years, the overall allocation of School Condition Allocation has been split between Children's Services and Policy and Resources in the ratio of 54% to condition, and 46% to sufficiency/suitability issues. It is proposed that from 2016/17 all of this funding is received by Policy and Resources and is not brought into the Children's Services capital programme. However, 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 Table 3 shows the amount of School Condition Allocation grant allocated to Policy and Resources for 2016/17 and 2017/18 and the assumed amount for 2018/19.

Table 3 – Children’s Services share of capital grant

Year	Total Basic Need Grant	Total School Condition Allocation Grant	P&R share of SCA Grant	Children’s Services share of SCA Grant	Total Children’s Services share of grants
	£m	£m	£m	£m	£m
2016/17	33.145	17.809	17.809	0.000	33.145
2017/18	34.479	17.809	17.809	0.000	34.479
2018/19 (assumed)	20.000	17.809	17.809	0.000	20.000

4.5 On the basis of the anticipated position outlined in Table 3, resources available for each of the three forward years to 2018/19 are as set out in Table 4. To address the need to fund a number of major projects in 2018/19, the funding available for starts in 2016/17 has been reduced, and resources carried forward to assist with the planned deficit.

Table 4 – Three year capital resources summary

	2016/17 (assumed)	2017/18 (assumed)	2018/19 (assumed)	Total
	£m	£m	£m	£m
Basic Need - new pupil places	33.145	34.479	20.000	87.624
Schools’ Devolved Capital	3.343	3.343	3.343	10.029
Developers’ contributions anticipated	30.010	47.898	48.147	126.055
Capital receipts anticipated	0.500	3.000	3.570	7.070
Corporate capital resources	0.100	0.100	0.100	0.300
Priority Schools Building Programme (PSBP2)	0	6.600	0	6.600
M3 Local Enterprise Partnership Grant	3.700	0	0	3.700
Other Contributions	0.400	0.733	0	1.133
Carry forward resources to 2016/17 (Table 12)	8.119	0	0	8.119
Carry forward resources to 2016/17	30.000	0	0	30.000
Carry forward resources to 2017/18	-25.000	25.000	0	0
Carry forward resources to 2018/19	-12.000	-7.000	19.000	0
Resources to be identified	0	0	27.719	27.719
Totals	72.317	114.153	121.879	308.349

4.6 Resources totalling £8.119m are proposed to be carried forward to 2016/17, this relates to projects being started in 2016/17.

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

£12m proposed to be carried forward from 2016/17 to 2018/19.

£7m proposed to be carried forward from 2017/18 to 2018/19

5. Three year capital allocations 2016/17 – 2018/19 – 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 allocations beyond 2017/18.
- 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 (Formerly capital maintenance).
- 5.3 During the period 2013 to 2016 the County Council will have delivered over 6,300 new school places. Projects contained within this report, which are currently planned to start on site by 2019, total a further 11,000 primary and secondary places.

New pupil places

- 5.4 The School Places framework for 2013-18 was approved by ELMCS on 26 March 2014. The document refers to the fact that Hampshire, in keeping with the national picture, has experienced a significant rise in births over the past 14 years. This, together with housing development and in-migration in several parts of the county, has increased the pressure on primary school places. However, this impact is not uniform across the county due to its complex demography.
- 5.5 To date, the majority of the 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 numbers and this is likely to continue until at least 2018/19. The secondary impact of these pupils also starts to impact on the programme and is set out further in this section.
- 5.6 To date the County Council has procured and delivered our new school buildings. The current presumption (by the DfE) is that every new school will be an academy. This means that once built, the County Council would hand the building to the Academy on a 125 year lease but still retain 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 to existing 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 The provision of the school places on the scale envisaged for the secondary sector occurs rarely. The October report rehearsed the impact and the financial issues related to the secondary programme identifying that an estimated £400 million of funding would be required for new school places with a potential deficit of £155m.
- 5.11 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.
- 5.12 Each of the new schools will need to be considered individually as each one is different in its make up of funding. Differing educational delivery options will also need to be considered such as 4 to 16 schools, the timing of delivery and the size on opening (an approach of progressive development as pupil numbers increase is being explored). Design options are being developed for common approaches including templates for spaces and construction methods which can be used and adapted across a range of sites.

Free Schools

- 5.13 Detailed work is being undertaken with the DfE to explore the potential of opening at least one new free school 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.
- 5.14 Early indications from the DfE are that capital funding will be available to cover the shortfall between the cost of construction and income sources such as developer contributions. Should this be the case the estimated shortfall of resources would be significantly reduced.

- 5.15 The setting up of a free school requires a group outside of a local authority to lead the process. Mainstream free schools are state funded primary, secondary, middle or all through schools that are independent of local authorities and are academies in law. Each free school must be established on a solid legal footing and run by an academy trust (a charitable company limited by guarantee) formed specifically to establish and run a school.
- 5.16 It is the responsibility of the academy trust to submit an application to the DfE to establish a free school which can be supported by the local authority. Applications can be made in one of their application windows and the DfE will then assess the application and decide whether or not to invite the applicant to interview prior to any decision being made.
- 5.17 Current DfE guidance suggests that it takes a minimum of three months to develop a free school application. The next bidding round will be March 2016 for which the County Council is supporting an application for the proposed Horton Heath 4-16 new school as referred to in section 16. Further free school proposals will most likely be considered over the course of this programme.

Schools Programme

- 5.18 The scale of the programme is now significantly larger than that of previous years. This 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. This is paying dividends, but has meant a need for additional skills and leadership personnel to be recruited and seconded from partners to ensure continuing sound management of the current and future programme. The core capacity to lead and manage the Capital Programme in Property Services has been maintained for many years and this is proving to be essential in responding quickly to the current requirements. In line with the County Council's on-going support for Traded Services with other public sector bodies, targeted recruitment to refresh and, where appropriate, grow new skills and capacity is being undertaken.
- 5.19 Table 13 in section 15 lists the potential school expansion and new school projects through to 2018/19, 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 and not school project allocations.
- 5.20 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 modular accommodation will have to be considered.

- 5.21 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.
- 5.22 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 13. 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, as mentioned, formula allocations for the School Condition Allocation and Schools' Devolved Capital have been confirmed. For the purpose of this report, working assumptions have been made in Table 3. It is proposed to allocate the School Condition Allocation to strategic priorities as in previous years.
- Major maintenance and modernisation of Children's Services buildings (through Policy and Resources);
 - Improvements and modernisation of Special Education Needs (SEN) accommodation and other Children's Services establishments;

It is proposed that from 2016/17 all of this funding is received by Policy and Resources and is not brought into the Children's Services capital programme. However, 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. These proposed allocations are listed in Table 6, which also highlights major projects, which are set out in more detail in paragraphs 6.6 – 6.18.

Table 6 – Proposed allocations for three year programme

	2016/17 (Assumed)	2017/18 (Assumed)	2018/19 (Assumed)	Totals
	£m	£m	£m	£m
New schools and extensions	44.136	89.034	91.005	224.175
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	1.000	1.000	1.000	3.000
Access improvements in schools	0.750	0.750	0.750	2.250
Area Inclusion Projects	5.500	0	0	5.500
Children's Homes projects	2.369	0	0	2.369
Skills Centre Project	3.950	0	0	3.950
Social Care projects	0.100	0.350	0.350	0.800
Health and Safety	0.400	0.400	0.400	1.200
Schools' devolved formula capital	3.343	3.343	3.343	10.029
Furniture and equipment and ICT	0.750	0.750	0.750	2.250
Development costs	0.100	0.100	0.100	0.300
Contingency	6.919	15.426	21.181	43.526
Totals	72.317	114.153	121.879	308.349

Note: costs are based on 4th Quarter 2015 with an estimate for inflation included within contingency.

School Condition Allocation

- 6.2 The total allocation in 2016/17 for School Condition Allocation is £17.809m. Recognising that part of the 2016/17 capital allocation was likely to be targeted at major capital repairs, officers from Children's Services and Property Services have produced a detailed review of the Hampshire schools built estate. As referred to in paragraph 6.2 this review has sought to identify the highest priority strategic building condition issues along with the need for modernisation improvements. Specific projects will be brought to a future meeting.

Priority Schools Building Programme (PSBP2)

- 6.3 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.
- 6.4 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.

School improvements and modernisation

- 6.5 Three year funding allocations are proposed for school improvement and modernisation projects. Projects for consideration against this funding will be brought to a future Decision Day.

Other improvement and modernisation projects

Access improvements in schools

- 6.6 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 £0.750m is included in each year's capital programme to finance specific access improvement projects in schools.
- 6.7 It is recommended that the projects listed at Appendix 5 are approved for 2016/17.

Improvements and modernisation of SEN accommodation

- 6.8 A strategic review of SEN provision across the county is currently being undertaken working with the SEN team and headteacher colleagues. Once complete, the outcomes of the strategy will support the future prioritisation of resources.
- 6.9 It is recommended that £1m is allocated in 2016/17, 2017/18 and 2018/19 capital programmes for special school improvement projects with a list of priority projects to be brought to a future Decision Day following the outcome of the strategic review.

Area inclusion projects

- 6.10 For several years provision has been made for a rolling programme of capital improvements to Hampshire's Education Centres. Projects have been completed in Andover, Dibden Purlieu, Eastleigh, Gosport and Havant. A scheme is due to start in May 2016 and complete in April 2017 to replace the poor condition modular accommodation at the Linden Education Centre, Farnborough.
- 6.11 The sum of £5.5m (including fees) was previously approved by ELMCS on 21 January 2015 for this scheme. A detailed costed feasibility study will be undertaken by the Director of CCBS and brought to a future Decision Day.

Strategic Review of Children's Homes

- 6.12 A strategy has been agreed for the relocation and replacement of Hampshire's children's homes. The new homes will offer a homely environment for the small group of Children Looked After for which foster care or other provision is not suitable. The group is small in number but their needs are great, therefore, the unit cost of service is very high. The retention of a viable internal service is critical to avoid dependency on a much more expensive and volatile external market.

- 6.13 The latest information indicates that the cost of the six new homes will be in the order of £6.9m (including fees) with the potential of capital receipts totalling £3.2m. Funding was carried forward from 2014/15 to the 2015/16 for this strategy for which detailed scheme designs have been reported.
- 6.14 The phase one projects in Chandlers Ford, Havant, Andover and Waterside will be ready for occupation during the autumn 2016. Phase two of the programme which has been carried forward to 2016/17 includes two homes in Fareham and Winchester. Subject to planning and procurement, these projects are planned to be ready for occupation by early 2017.

Foster Care

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

Adaptation Equipment

- 6.16 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.
- 6.17 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

- 6.18 Government grant allocations for schools' devolved formula allocations were substantially reduced in April 2011. The assumption is that the allocation for 2016/17 will remain at the 2015/16 level and exclude Academies. The allocation per school will be according to the DfE formula set out in Table 7 and is intended to fund high priority projects identified through schools' Asset Management Plans.

Table 7 – Schools' Devolved Formula Capital allocation

2016/17 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

- 6.19 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 for the Children's Services capital programme, albeit they only cover costs incurred and their availability depends on the rate of house building. 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 2013 and further updated in October 2015. 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.
- 7.2 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.
- 7.3 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.

- 7.4 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 implications on education contributions from CIL are yet to be fully understood. 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.
- 7.5 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 2016/17 to 2018/19

- 8.1 The total amount available to fund starts in 2016/17 is £80.808m. Table 4 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 2017/18 is shown in Table 8.

Table 8 – Capital programmes 2016/17 to 2018/19

	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
2016/17	0.100	35.729	36.488	72.317
2017/18	0.100	76.231	37.822	114.153
2018/19	0.100	98.436	23.343	121.879

- 8.3 The proposed three year capital programme is attached as Appendix 1. The total value of the capital programmes submitted for consideration for the three years to 2018/19 is shown in Table 9. It should be noted that there are a number of planned developer contributions due in 2018/19 that will increase the resources shown in table 8. However, such resources are not brought into the programme until the related project is due to start.

Table 9 – Summary three year programme

	Children's Services £'m
2015/16 (current)	73.905
2016/17	72.317
2017/18	114.153
2018/19	121.879
Totals	308.349

9. 2017/18 to 2018/19 programmes

As indicated above, it is possible to fund those schemes where starts need to be made in 2016/17. The indicative resources available in 2017/18 total £114.153m and are summarised in Table 10. The School Condition Allowance has been removed from the table as this funding is now administered by Policy and Resources.

Table 10 – Resources for 2017/18

	2017/18 £m
Basic Need	34.479
Developers' contributions	47.898
Schools' Devolved Capital grant	3.343
PSBP2	6.600
Capital Receipts anticipated	3.000
Other Contributions	0.733
Corporate Resources	0.100
Resources carried forward	18.000
Totals	114.153

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 a deficit of resources in 2018/19.
- 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 2016/17. The position for 2018/19 is proposed to be partly managed by moving resources from 2016/17 and may also result in the use of prudential borrowing to manage the shortfall.

- 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 the most significant schools construction activity the Council has embarked on for over 30 years. It is essential that officers design and deliver a product at the lowest possible cost without any detrimental effect on the teaching spaces and environment, as well as the longevity of the building fabric. 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 2016/17, 2017/18 and 2018/19 is around £227m. This figure excludes the proposed Horton Heath School referred to in section 16. Should the free school application and resources not be approved by the DfE, this will add a further strain on the three year programme.
- 10.6 The national economy is now experiencing steady growth. The construction industry's limited capacity to meet increases in demand for new work are leading to inflationary pressures as national infrastructure and building projects increase in volume. This is covered in more detail in Section 12 and will add a further strain to the programme.

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 building costs have been progressively reduced putting the County Council in the best position to combat the effect of recent inflationary pressures. 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. 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 still delivered but at a lower cost. Where possible, implementation costs will be reduced by focusing on efficiencies in design, procurement and delivery of new school buildings, extensions and refurbishment projects. Options are being developed for better design templates, more off-site and standardisation of building construction and aggregation savings through supply chain management and through continued development of our joint cluster working arrangements with neighbouring authorities. 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 The pressure of significant inflation and capacity shortages in the construction market continues to drive the need to reduce the cost of buildings and to look at innovative ways to deliver the projects within the programme.
- 12.2 Tender price inflation has continued to rise over the last 12 months as output has increased across all sectors of the construction industry. The limited capacity to meet further increases in demand for new work is leading to this inflationary pressure. The Royal Institute of Chartered Surveyors (RICS) Building Cost Information Service (BCIS) has reported that tender prices increased by 5.4% from 3Q/2014 to 3Q/2015. The RICS predicts that tender prices will continue to rise by 5% to the 3Q/2016 primarily due to strong input costs, as oil and metals prices bounce back from significant global falls. Over the following years to 2019, the BCIS predicts that tender prices will rise between 5% and 6% per annum driven by improving demand and pressure from further rising input costs. Over the period from 2016 to the 3Q/2020, BCIS anticipates that tender prices are expected to rise by around 30%. 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.
- 12.3 The South East Construction Hub, which brings together Local Authorities across the South East, is developing pipeline information so that the extent of planned construction activity in the medium to long term can be communicated with the sector. Whilst public and private sector clients are both competing for resources in a rising market this work will enable us to best manage our resources and we can collectively secure the construction capacity needed.
- 12.4 Market intelligence obtained by the National Association of Construction Frameworks (NACF) from major contractors indicates that the pricing of key trades has increased in excess of the quoted tender price inflation levels. These increases are as a result of shortages of key materials, skilled labour plus rising raw material prices. If such trends continue there will be continued pressures on the industry that may impact further on major infrastructure projects, education programmes and housing.

- 12.5 The County Council continues to evolve and develop portfolio procurement arrangements with the capacity to deliver a broad range of projects and programmes of work. The Southern Construction Framework (SCF), which was launched in April 2015, is the successor to the highly successful South East and London major projects framework which delivered £2bn of construction work across the region. The new Framework has been procured in partnership with Devon County Council and Haringey Council with 8 national contractors appointed to the South East which the County Council will access for its capacity to deliver major projects. The majority of the County Council secondary and primary school projects will be procured through this arrangement
- 12.6 To complement the SCF an Intermediate Construction Framework (ICF) has been procured to cater for works from £1m to £4m which has attracted a number of local and regional contractors to deliver at this scale. This Framework is currently being used to deliver six projects within the 2016 Programme to provide new school places worth £12m.
- 12.7 These innovative Frameworks offer open and transparent working with the supply chain. By working closely with these contractors and their suppliers, the County Council is able to best manage the impacts of inflation and secure the capacity it needs.
- 12.8 The County Council continues to have regular dialogue with Government Departments – particularly the Department for Education (DfE) and the Education Funding Agency (EFA) over the visibility of future pipelines and areas of collaboration, particularly benchmark costs, to challenge funding levels. The Council has led a new national study of school costs in conjunction with the Education Building Development Officers’ Group (EBDOG), the Local Government Association (LGA) and the EFA. This information is providing invaluable data on the ‘true’ cost of providing school places that aids discussions with both Government and developers over the true cost of providing pupil places.
- 12.9 Both the Directors of Children’s Services and Culture, Communities and Business Services are putting in place a comprehensive response to the pressures now faced by the County Council in delivering additional primary and secondary schools places at a lower cost than previous generations of school buildings that include:
- Reducing building floor areas without a significant impact on space and flexibility – around 5% is being targeted and realised on new school projects.
 - Achieving economic, innovative and simple school plans (including some two storey options where appropriate) to maximise efficiency.
 - Securing savings through common design, methods of construction and specification across multiple projects.
 - Realising economies of scale through contracting projects as aggregated programmes of work.
 - Delivering ‘core’ landscape and external works proposals which can be developed over time by the school as further funding becomes available.

- Continued dialogue and working with Districts, Boroughs and developers to secure and maximise funding contributions for provision of additional school places.

12.10 The majority of projects in the current programme relate to primary schools. However, as this demand progresses to secondary schools there is a need to prepare a similar strategic approach. The secondary sector which, by its nature, will be more complex in terms of planning, infrastructure and specialist accommodation. Feasibility work has commenced and is ongoing to test options and confirm design proposals and resources required for this major programme.

13. Revenue Implications

13.1 The revenue implications of the proposed capital programme are shown in Table 11.

Table 11 Revenue implications of capital programme

Schemes within the guidelines	Full Year Cost	
	Current expenditure £m	Capital Charges £m
2016/17	72.317	1.533
2017/18	114.047	2.371
2018/19	121.879	2.526
Totals	308.561	6.430

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 2015/16 original budget of this service.

14. Amendments to the 2015/16 capital programme

Swanwick Lodge Children's Home

14.1 A grant of £0.025m has been awarded by the Department for Education (DfE) to replace the windows in the administration building. This award has been granted on the basis that the works will be completed by 31 March 2016. Funding had been identified for these works from local resources but the funding will now be used for acoustic improvements in the Swanwick games room.

14.2 A further grant of £0.052m has been awarded by the DfE to undertake works for a new drama studio for which the design will be submitted to the DfE in January 2016.

14.3 Both projects are due to complete in the required timeframe. Therefore, it is recommended that the resources of £0.077m (including fees) are added to the 2015/16 programme.

Hambledon Primary

14.4 Following a change of status from an infant school to a primary school there is a need to provide an additional teaching space at Hambledon Primary School for September 2016.

14.5 Therefore, it is recommended a sum of £0.200m (including fees) is included within the 2015/16 programme.

Osbourne School, Winchester

14.6 Proposals are put forward elsewhere on this agenda to close the residential provision at Osborne Special School and use the accommodation to increase the number of post 16 places the school can offer.

14.7 Subject to approval, it is recommended that £0.250m (including fees) be approved as part of the 2015/16 programme for the post 16 accommodation.

Resources for the 2015/16 programme

14.8 The revised capital programme for 2015/16 reflecting the adjustments made during the year is shown at Appendix 2. This lists all the schemes in the current programme together with a reconciliation of resources.

14.9 A number of decisions have been taken under delegated officer powers since the last meeting in September 2015. These are all under the officer delegated amount of £0.25m and have been funded from the block vote allocations reported on 16 September 2015 when the current programme was approved.

14.10 Details of decisions taken since the last report in September 2015 are recorded for information in Appendix 4.

Resources and projects proposed to be carried forward to 2016/17

14.11 It will not be possible to start the schemes listed in Table 12 during 2015/16. 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 2016/17.

Table 12 – Resources and projects to be carried forward from 2015/16 to 2016/17

Project	Cost of Projects & Resources carried forward
Named projects	£m
The Linden Centre, Farnborough	5.500
Childrens Homes	2.369
Borden/Whitehill Skills Centre	0.250
Total carry forward	8.119

- 14.12 It is proposed to carry forward resources of £8.119m as shown in Table 4 and Table 12.
- 14.13 Updates relating to individual projects proposed to be carried forward are set out in the following paragraphs.

2015/16 Carry Forward Schemes - Basic Need Projects

Linden Centre, Farnborough Green

- 14.14 This project was reported to the ELMCS on 21 January 2015 at a cost of £5.5m (including fees). The scheme is due to start in May 2016 and complete in May 2017. The project will replace existing poor condition modular accommodation on the site.
- 14.15 A detailed costed project appraisal for this scheme will be brought to a future Decision Day.

2015/16 carry forward schemes – Other Projects

Children’s Homes

- 14.16 The latest position on the investment strategy is reported in paragraphs 6.12 to 6.14. Phase one of the programme due will be ready for occupation in the autumn 2016 for which contractors are currently on site for two of the new homes.
- 14.17 It is proposed to carry forward the resources on the remaining two homes that are unlikely to start in 2015/16. A further update will be brought to a future Decision Day

15. Potential Basic Need Projects 2016 – 2019

- 15.1 Table 13 lists all the potential Basic Need projects for the years 2016 – 2019.

Table 13 – Potential Basic Need projects 2016 - 2019

Projects Starting in 2016/17	Planned Expansion (additional places)	Estimated Cost £'000	Expected Date Places Available
Barton Farm Primary, Winchester	2fe New School	8,600	Sept 2017
David Kirk Academy, Aldershot	2fe New School	9,400	Sept 2017
East Anton Primary, Andover	2fe New School	9,500	Sept 2017
Kings Furlong Infant & Junior, Basingstoke	Expansion to 3fe	4,828	Sept 2017
Park View Junior, Basingstoke	Expansion to 3fe	1,400	Sept 2017
Saint James C of E Primary, West End	Expansion to 3fe	4,358	Sept 2017
Shakespeare Infant & Junior, Eastleigh	Expansion to 4fe	3,850	Sept 2017
Tweseldown Infant, Fleet	Expansion to 4fe	1,700	Sept 2017
Projects Starting in 2017/18	Planned Expansion (additional places)	Cost £'000	Expected Date Places Available
Boorley Green Primary, Fair Oak	2fe New School	9,500	Sept 2018
Buryfields Infant, Odiham	Expansion to 3fe	1,150	Sept 2018
The Butts Primary, Alton	Expansion to 2fe	4,000	Sept 2018
Church Crookham Junior, Fleet	Expansion to 5fe	1,670	Sept 2018
Cornerstones CE (Aided) Primary, Whiteley	3fe New School	12,000	Sept 2018
Emsworth Primary, Havant	Expansion to 2fe	1,851	Sept 2018
Horndean/Clanfield Primary Places	1.5fe New School	8,500	Sept 2018
Kings Copse or Freegrounds Primary Places	0.5fe additional places	2,000	Sept 2018
North Baddesley Infant & Junior	Expansion to 3fe	3,831	Sept 2018
Oakridge Infant & Junior, Basingstoke	Expansion to 3fe	3,681	Sept 2018
Romsey Primary Places	1fe additional places	2,410	Sept 2018
Rownham St Johns CE Primary,	Expansion to 1.5fe	665	Sept 2018
St Lawrence CE Primary, Alton	Expansion to 1fe	500	Sept 2018
Trosnant Infant & Junior, Havant	Expansion to 3fe	4,276	Sept 2018
Horton Heath 4-16 Proposed Free School	9fe + 3fe New Schools	0	Sept 2019
Mill Chase Academy (Relocation)	6fe New School	31,900	Sept 2019
Projects Starting in 2018/19	Planned Expansion (additional places)	Cost £'000	Expected Date Places Available
Bishops Waltham Infant & Junior, Winchester	Expansion to 2fe	5,000	Sept 2019
Bordon Infant & Junior, East Hants	Expansion to 3fe	4,375	Sept 2019
Bramley CE Primary, Tadley	Expansion to 3fe	1,600	Sept 2019
Bursledon Infant and Junior, West End	Expansion to 4fe	4,600	Sept 2019
Castle Hill Primary, Basingstoke	Expansion to 2fe	4,600	Sept 2019
Eastleigh Town (Chestnut Avenue)	1.5fe New School	8,500	Sept 2019
Hamble Primary, Hamble	Expansion to 2fe	1,700	Sept 2019
Overton CE Primary, Basingstoke	Expansion to 2.5fe	2,000	Sept 2019
Pilgrims Cross CE (VA) Primary, Andover	Expansion to 2fe	1,200	Sept 2019
St Johns CE Primary, Waltham Chase	Expansion to 2fe	2,000	Sept 2019
Whitchurch CE Primary, Basingstoke	Expansion to 2.5fe	2,500	Sept 2019
Hamble Community Sports College	1.5fe additional places	2,040	Sept 2019
Robert May's School (Secondary)	1fe additional places	7,600	Sept 2019
Whiteley Secondary School	Up to 9fe New School	Up to 43,290	Sept 2020

16. Proposed New Secondary Schools

Horton Heath 4-16 Proposed Free School

- 16.1 A new 9fe secondary school and 3fe primary school is planned to be built on land currently owned by the developers in Horton Heath. The new school provision is required for September 2019 to serve a number of local housing developments and meet the increased demand from existing housing. This demand is already being experienced at the secondary level with temporary accommodation being provided at Wildern School from September 2015 in advance of the new school.
- 16.2 The County Council is currently working with Wildern School (Academy) to submit an application to establish a new 4-16 free school to serve the local demand for additional school places. Due to the tight timescale and continuing negotiations with the land owner the Director of CCBS is embarking on the detailed design of the new school. Early indications from the DfE are that they would allow the County Council to deliver this new school under EFA conditions. If approved as a free school the capital and land acquisition costs will be met by developer's contributions and the DfE.
- 16.3 Should capital funding not be forthcoming from the DfE, additional resources would need to be considered by the County Council.

Mill Chase Academy, Bordon (Relocation)

- 16.4 The Mill Chase Academy is sponsored by the Chichester University and is planned to be replaced as a new 6fe school (extendable to 8fe) for September 2019. It is planned that the new school will be built on the developers land serving the new Bordon/Whitehill housing development of some 3,400 new homes. The current capital strategy includes developer contributions, estimated funding from the EFA through Priority School Building Programme (PSBP2) and a contribution from the County Council.
- 16.5 This project is likely to be delivered by the County Council on behalf of Chichester University and the EFA due to a significant proportion of the funding being managed through the County Council.

Whiteley Secondary School, Fareham

- 16.6 This school is planned as a new 9fe secondary school to meet the existing school place demand from the Whiteley area as well as to serve the new housing. Subject to housing completions, the new school is currently planned for September 2020. There will be a developer contribution for 5fe of the development with the remaining 4fe a potential call on the County Council due to it meeting existing local demand for which some government grant would be expected. The Whiteley development is currently served to the south east of the M27 by Henry Cort School and other schools in the area.
- 16.7 There is a presumption that this new school will become an academy/free school. The new housing development will also be served by additional primary provision that may offer the opportunity to explore differing educational solutions that move beyond the typical distinct primary and secondary phase offer. Officers are also working with Winchester District

Council in respect of the timing and level of developer contributions from the new housing. An update on this position will be brought to a future Decision Day.

17. Modular Classrooms

- 17.1 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.
- 17.2 The current modular classroom is a much higher quality building than those of the past, meeting the most recent building regulations.
- 17.3 Details of the location of modular buildings required for September 2016 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.
- 17.4 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.

18. Action taken by the Director of Children's Services

- 18.1 Under delegated powers, and following consultation with the Executive Member for Children's Services, the action set out in Appendix 4 has been taken and it is recommended that these approvals are noted.

19. Recommendations

- 19.1 To approve submission to the Leader and Cabinet the capital programme for 2016/17 to 2018/19 as set out in Appendix 1 and the revised capital programme for 2015/16 as set out in Appendix 2 and including the transfers between years as set out in Table 4.
- 19.2 That the deferral of resources of £8.119m relating to schemes of £8.119m be approved for submission to Cabinet as shown in Table 12 of this report.
- 19.3 That the following variations to the 2015/16 capital programme be approved:
 - It is recommended that the additional grants for two projects at Swanwick Lodge Childrens Home of £0.077m are added to the 2015/16 programme
 - It is recommended that a new project at Osborne School, Winchester costing £0.250m is added to the 2015/16 capital programme

- 19.4 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.
- 19.5 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.
- 19.6 The projects approved under delegated powers by the Director of Children's Services in Appendix 4 are noted.
- 19.7 That the projects listed at Appendix 5 for Access Improvements in Schools for 2016/17 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:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
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		
<u>Title</u>	<u>Date</u>	

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.)

<u>Document</u>	<u>Location</u>
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.