

CHILDREN AND YOUNG PEOPLE'S CAPITAL BUSINESS PLAN PROPOSALS

To: Children and Young People Committee

Meeting Date: 16 September 2014

From: Adrian Loades, Executive Director: Children, Families and Adults Services
Chris Malyon, Chief Finance Officer

Electoral division(s): All

Forward Plan ref: 2014/023 **Key decision:** Yes

Purpose: To seek Members' approval of the planned programme of capital investment in educational provision for children and young people aged 0-19 over the period 2015-16 to 2019-20.

Recommendation: Members are asked to:

a) note the up-to-date position with regard to Cambridgeshire's Basic Need capital allocation for the two year period 2015-16 and 2016-17 and the changes made to the Children and Young People's rolling programme of capital investment in the light of this allocation.

b) approve the revised planned programme of capital investment for the period 2015-16 to 2023-24.

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1.0 BACKGROUND – CAPITAL STRATEGY

- 1.1 The Council achieves its vision through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long term assets (often referred to as ‘fixed assets’), which are defined as those that have an economic life of more than one year. Expenditure on these long term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Authority.
- 1.2 Each year the Council adopts a ten year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council.
- 1.3 This report forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes are developed by Services and all existing schemes are reviewed and updated as required before being presented to Service Committees for further review and development.
- 1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken / revised, which allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its priorities.
- 1.5 The prioritisation of schemes will be reviewed across the whole programme by General Purposes Committee (GPC) in October, before firm spending plans are considered by Service Committees in November. GPC will review the final overall programme in December, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

2.0 REVENUE IMPLICATIONS

- 2.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport.
- 2.2 The Council is required by the Chartered Institute of Public Finance

and Accountability's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2011 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, Full Council has agreed that GPC will recommend an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changing the phasing of the limit is allowed within any three-year block (starting from 2015-16), so long as the aggregate limit remains unchanged.

- 2.3 For the 2015-16 Business Plan, Council has agreed that this should equate to the level of revenue debt charges as set out in the 2014-15 Business Plan for the next five years, and limited to £45m annually from 2019-20 onwards. As such, any new or additional borrowing required as a result of revision to the overall programme would need to be offset by reductions in borrowing elsewhere in order to remain within the advisory levels.

3.0 SUMMARY OF THE COUNCIL'S DRAFT CAPITAL PROGRAMME

- 3.1 The revised draft Capital Programme is as follows:

Service Block	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Later Years £000
Children, Families and Adults	88,711	50,904	53,677	43,833	39,644	204,924
Economy, Transport and Environment	100,328	56,999	52,609	47,724	40,456	47,678
Public Health	-	-	-	-	-	-
Corporate and Managed Services	20,012	10,678	6,460	6,460	5,460	3,260
LGSS Operational	-	-	-	-	-	-
Total	209,051	118,581	112,746	98,017	85,560	255,862

- 3.2 This is anticipated to be funded by the following resources:

Service Block	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Later Years £000
Grants	58,246	48,753	50,954	50,904	50,431	101,220
Contributions	62,597	27,616	35,873	23,489	10,384	71,611
Capital Receipts	5,729	29,432	8,401	7,354	3,442	7,114
Borrowing	62,495	32,538	29,451	12,034	20,658	92,197
Borrowing (Repayable)	19,984	-19,758	-11,933	4,236	645	-16,280
Total	209,051	118,581	112,746	98,017	85,560	255,862

3.3 The following table shows how each Service's borrowing position has changed since the 2014-15 Capital Programme was set. A minus sign indicates a reduced level of borrowing:

Service Block	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Later Years £000
Children, Families and Adults	-703	12,392	12,287	-9,941	-543	2,203
Economy, Transport and Environment	-13,908	-25,605	-23,132	4,181	6,832	8,631
Public Health	-	-	-	-	-	-
Corporate and Managed Services	-4,321	1,506	-112	1,996	-690	-40
Corporate and Managed Services – relating to general capital receipts	-	-2,088	-833	-2,851	-2,639	-731
LGSS Operational	-	-	-	-	-	-
Total	-18,932	-13,795	-11,790	-6,615	2,960	10,063

3.4 The table below categorises the reasons for these changes:

Reasons for Change in Borrowing	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Later Years £000
New	-	320	20	20	20	20
Removed/Ended	-6,174	-1,751	-3,161	-582	-168	-549
Minor Changes/Rephasing*	-1,860	-2,396	-20,946	471	8,373	8,730
Increased Cost (includes rephasing)	776	-3,929	7,042	4,196	800	150
Reduced Cost (includes rephasing)	-1	2,700	-1,800	-6,326	-417	143
Remaining Gap related to Basic Need Funding Shortfall	-	-	11,490	-	-	-
Change to other funding (includes rephasing)**	-11,568	-8,739	-4,435	-4,394	-5,648	1,569
Other	-105	-	-	-	-	-
Total	-18,932	-13,795	-11,790	-6,615	2,960	10,063

*This does not off-set to zero across the years because the re-phasing also relates to both pre-2014-15 and later years.

**This includes an increase in the level of general capital receipts expected to be available to fund the overall programme.

- 3.5 The revised levels of borrowing result in the following levels of financing costs. The figures take account of borrowing taken out in previous years:

Financing Costs	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Later Years £000
2015-16 draft BP	37,605	41,654	41,458	41,811	41,943	
2014-15 agreed BP	39,227	43,577	44,382	44,870	-	
CHANGE	-1,622	-1,923	-2,924	-3,059		

NB Both sets of figures include a £1m allowance for slippage, agreed as part of the 2014-15 Business Plan.

- 3.6 Some of the key issues to be taken into account:

- Children's, Families and Adults have been working to absorb as much of the £32m Department for Education (DfE) Basic Need funding shortfall into their programme as possible, without adversely impacting upon the Council's financing costs. So far, the £32m gap has been reduced to £11.4m, currently included as additional borrowing in 2016-17. Due to the reductions and rephasing elsewhere in the programme, this has not had an adverse impact on the levels of financing costs. The remainder of this report provides the background to the shortfall and the action taken to date to review and revise the programme in response.
- Removal, reduction or delay in return of some Invest to Save schemes has resulted in delayed, or additional revenue pressures

4.0 CHILDREN AND YOUNG PEOPLE'S CAPITAL PROGRAMME

- 4.1 The Council, as the local Children's Services Authority, has a statutory duty to provide a school place for every child living in its area of responsibility who is of school age and whose parents want them educated in the state funded sector. To achieve this, the Council has to keep the number of places under review and to take appropriate steps to manage the position where necessary. This includes maintaining a rolling programme of capital investment for the provision of educational facilities for Cambridgeshire's children and young people (CYP).
- 4.2 The following criteria were adopted in 2009 to inform decisions on the relative priority for capital funding.
1. Investment, where required on the grounds of health and safety, where it would avoid the closure of a school or the loss of school capacity in an area where such places are required.
 2. The statutory duty to provide sufficient school places (basic need).
 3. The implementation of statutory changes, for example, an increase in the age range which a school serves.
 4. Investment to support the implementation of recommendations

resulting from a review of educational provision, for example the amalgamation of an infant and junior school to create an all-through primary school.

5. Implementation of new statutory duties or education policy for which there are no other sources of funding available, for example, the need to increase capacity to enable the Council to provide sufficient and suitable free early years and childcare places for children aged 3 and 4 in line with the requirements of the 2006 Childcare Act.
6. Investment to support a reduction in schools' life-cycle maintenance costs, with priority being given to schools which score 10 in terms of overall condition deficiencies, followed by those scoring 8 etc.
7. Investment to support a reduction in schools' carbon emissions, energy and water usage by tackling the most inefficient first, using available consumption data.

- 4.3 The vast majority of schemes within the capital programme meet criterion 2.
- 4.4 Government funding for the basic need provision of school places together with Section 106 (S106) receipts secured from housing developers and prudential borrowing provide the main funding sources for the programme. In addition, the government provides funding for maintenance to address school condition and suitability needs, which cannot be met from schools' devolved formula capital (DFC), and for specific initiatives such as the Priority Schools Building programme. The table in section 3.2 provides an overview of the funding components for the whole of the Council's capital programme.
- 4.5 The DfE determine individual authorities' Basic Need capital allocations using data collected and collated annually each July from their School Capacity (SCAP) returns.
- 4.6 In 2011-12 and again in 2012-13, Cambridgeshire was awarded additional basic need funding in recognition of the demographic pressures resulting from a combination of rising birth rates, housing growth and inward migration. In 2013-14 it secured Targeted Basic Need funding towards the cost of seven projects to increase primary and secondary school capacity in the County. Even with this extra funding the Council has found it necessary to enter into prudential borrowing commitments in order to meet the costs of its identified priorities for capital investment in early years and childcare and school provision.
- 4.7 S106 negotiations are undertaken with developers on the basis of securing both the land on which to establish new schools and the funding to build them.

5.0 MAIN ISSUES

- 5.1 The Council's expectation, based on the preceding two years and its

success in securing additional targeted Basic Need, had been that it would receive a Basic Need allocation of around £36m for the two-year period 2015-2017. However, the Council received notification immediately prior to the Christmas and New Year holiday period that its allocation would just £4.4m, creating a shortfall of around £32m. Despite presenting robust arguments, supported by detailed documentary evidence of impact, the Council has only succeeded in securing an additional £3.06m. This results from the correction of an error made by the DfE in categorising Cambourne Village College as a Free School funded by them rather than, as was the case, one fully funded by the Council from its Basic Need allocation.

- 5.2 A wholesale review of the CYP capital programme has been undertaken to take account of the revised basic need allocation for 2015-2017 of £7.46m, an anticipated basic need allocation of £20m for 2017-2019 based on the 2014 SCAP return and the overall borrowing limit agreed in the 2014-15 Business Plan.
- 5.3 Schemes have been prioritised on the basis that they need to progress because they meet one or more of the following criteria:
- Work has either started on site or is due to commence.
 - Contracts have been let.
 - S106 funding has been secured and would be lost if the project does not proceed.
 - Targeted basic need funding has been secured and would be lost if the project does not proceed.
- 5.4 The second order of priority has been given to those schemes where no suitable alternative options exist or where there would be a long-term revenue consequence as a result of the need to transport children to a school or schools further away. This has necessitated changes to the capital programme agreed by Council in February as described below.
- 5.5 It is proposed to replace the planned expansion of All Saint's Aided School in March with an expansion of places at the town's Maple Grove Infant School and, subsequently, at its partner junior school, Westwood. This has the benefit of providing a better match between catchment demand and places and also of spreading the cost of investment over a longer period.
- 5.6 Four schemes have been removed from the programme. Three were to establish new schools or expand an existing school in response to planned housing growth as follows:
- A primary school to serve the Ermine Street (Northbridge) development in Huntingdon scheduled for 2016-17
 - Expansion of either Upwood or Bury Primary school in response to proposed development at RAF Upwood in Huntingdonshire scheduled for 2016-17
 - A primary school to serve the proposed Wintringham Park development on the eastern edge of St Neots, Huntingdonshire

to be built in two phases, the first phase was scheduled for 2017-18 and the second for 2019-20

In all three cases the development proposals are not sufficiently advanced to justify retention of these schemes in the programme at the current time. The Council's prudential borrowing commitment has reduced by £3.831m as a result of excluding these schemes.

The fourth scheme was for the relocation of what is known as the Blue School in Cambourne at an estimated cost of £1m. Officers are in discussion with Cambourne Parish Council over retention of this facility on its current site for community use.

- 5.7 To date, the effect of these revisions has been to reduce the funding gap to £11.49m in 2016-17.
- 5.8 Two schemes have been identified for review and further option appraisal work. These are the proposals to increase capacity at Fordham Primary School and at Burwell Primary School to meet existing and forecast catchment need. In both cases the current plan is to provide a three classroom extension to meet in-catchment demand for places. However, the governors of Fordham Primary School are seeking a far greater level of investment than the £925,000 included in the programme in 2015-16 in order to rectify deficiencies in the existing school accommodation. Whilst in the case of Burwell Primary, an alternative proposal to increase the size of the school by 210 places (1 form of entry (FE)) to 630 places which would require a total of seven new classrooms and investment in improvements to ancillary accommodation is now being considered in response to meet forecast in-catchment need from planned housing development. This could cost in the order of £6m an increase of £5m on the amount identified in the programme for 2016-17.
- 5.9 Officers are hopeful that the residual funding gap will be further reduced as a result of the applications for condition and maintenance funding which have been submitted for numerous schools across Cambridgeshire in response to an initiative launched by the DfE in May 2014. Those applications total around £6m. Even if only some of the applications are approved, this will enable the Council to reduce its planned spend on condition and maintenance projects over the course of the next five years with an associated reduction in prudential borrowing and debt charges. Included within these plans is a scheme to build a replacement for Wyton Primary School in Huntingdonshire at a cost of £5.75m as this 210 place (1FE) school has a limited life due to the nature of its construction.
- 5.10 A further influence on the final cost of the programme will be the outcome of Brooke Weston Trust's application to establish a 420 place (2FE) primary school on the site of Thomas Clarkson Academy in Wisbech as a Free School. A new primary school is required to meet the basic need for places in the town. A sum of £2.709m is included in draft CYP capital programme for 2015-16. Should the Brooke Weston

Trust's application be approved, it is expected that the DfE would fund either all or the majority of the capital costs. However, if it is unsuccessful, the Council would expect to need to increase the level of funding identified for the provision of additional primary school places in the Town. If this proves to be the case, the associated additional borrowing requirement could be paid back over a relatively short timeframe subject to the Council receiving the anticipated level of Basic Need funding for the period 2017-2019. The Committee will consider a separate detailed report on this project at its meeting on 16 September 2014.

- 5.11 The programme is set out in detail in **Appendix 1**. As will be evident, the majority of the primary school schemes include provision for early years. Other costs result from requirements for:
- Site acquisition
 - Measures to address existing condition and maintenance needs
 - Highway improvements
 - Community facilities
 - Children's centre facilities

6.0 ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

- 6.1.1 The following bullet points set out details of implications identified by officers:
- The Council's investment plans create employment as schools, early years and childcare providers are employers in their own right.
 - A number of the schemes in the CYP capital programme provide school places to meet predicted demand from planned housing development. This policy is aimed at directly supporting the establishment and development of new communities.
 - Availability and access to high quality childcare enables parents to take up employment or training that may lead to employment, thus supporting families to be less reliant on Welfare Benefits.

6.2 Helping people live healthy and independent lives

- 6.2.1 The following bullet points set out details of implications identified by officers:
- Early education and childcare provides a good start in the early years and will support future health and wellbeing.
 - Provision of safe walking and cycling routes minimises the need for children to be transported to and from their early years' or childcare setting or school.
 - Expansion of settings and schools to meet identified demand in their local or catchment areas minimises the need for children to be transported to and from more distant schools.

6.3 Supporting and protecting vulnerable people

- 6.3.1 The Council is committed to ensuring that children with special educational needs and/or disabilities (SEND) are able to attend their

local mainstream school where possible, with only those with the most complex and challenging needs requiring places at specialist provision.

7.0 SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

7.1.1 The following bullet points set out details of significant implications identified by officers, these are additional to those set out in Section 2:

The release of S106 funds is based upon the number of occupied dwellings. These funds are typically released as 10% on commencement of the development and 90% after the occupation of the first 100 houses. In cases where more than one school is required and/or larger schools are to be provided, the trigger points will be agreed to reflect this. To achieve opening a new school to coincide with the requirement for places from the first families moving in, the Council has usually found it necessary to bridge the gap in funding between commencement of the enabling works for the school building and release of the first tranche of S106 funding.

Work has been undertaken to determine the average cost per place, taking account of all known or anticipated project costs, for example, archaeological investigations, protection of local biodiversity, provision of public art and improvements to the highway network using data from projects that have or will provide additional school places over the period 2011-12 to 2015-16. The cost of £17,529 per place for new build schools in Cambridgeshire compares favourably with the national average of £18,209. Members are asked to note that Cambridgeshire's cost per place assumes inflation and the adoption of new building regulations from 2016.

Should the Council not be able to proceed with its planned programme of capital investment, the only alternatives available to it would be:

- Provision of mobiles in place of permanent accommodation; although it must be recognised that planning applications for mobiles are subject to the same rigorous process as permanent build applications and are usually only granted for between 3 to 5 years. In addition, the Council would be unable to secure Basic Need funding from the government to replace the mobiles with permanent accommodation as it would deem that the Council had already met the Basic Need requirement for places.
- Provision of free transport to alternative, more distant schools whilst those children remain of statutory school age.
- Phasing of projects to spread expenditure over a number of years. Although it must be recognised that this has cost implications in that inflation is increasing. By 2017-18 it is anticipated to be 5.1% compared to 3.5% currently.

7.2 Statutory, Risk and Legal Implications

7.2.1 The following bullet points set out details of significant implications identified by officers:

- Local authorities have a statutory duty to provide a place for every child whose parents want them educated in a state-funded school, including academies.
- Local authorities have a statutory duty to secure sufficient childcare places including free early education for all three and four year olds and the most vulnerable two year olds.
- The Council's policy established in 2007 is that, where possible, primary schools should be sited so that the maximum journey distance for a child is less than 2 miles, the statutory walking distance for children of this age and that, where possible, secondary schools should be sited so that the maximum journey distance for a young person is less than 3 miles, the statutory walking distance for children of this age.
- It is Council policy, agreed by Cabinet in September 2007, to provide primary school places in new communities for the first families moving into the development. The school is seen as a focal point for the emerging new community, without which children and families are potentially dispersed across a number of neighbouring schools.

The vast majority of the schemes within the CYP capital programme are focused on creating additional capacity to provide for the identified need for new places for Cambridgeshire's children and young people in response to demographic need and housing growth. A reduced level of capital funding would place at risk the Council's ability to provide those places in line with its established policies.

7.3 Equality and Diversity Implications

7.3.1 The following bullet points set out details of significant implications identified by officers:

- Take up of free early education for 2, 3 and 4 year olds supports school readiness on entry to statutory education (Reception) and contributes to improved outcomes for children. Free early education for two year olds is targeted at families on low incomes, Looked After Children and Forces children.
- All accommodation, both mobile and permanent has to be compliant with the provisions of the Public Sector Equality Duty and current Council standards.

7.4 Engagement and Consultation Implications

7.4.1 The following bullet points set out details of significant implications identified by officers:

- Significant levels of engagement and consultation take place with all schools and early years settings identified for potential expansion to meet the need for places in their local areas over the development and finalisation of those plans. Schemes are also presented to local communities for comment and feedback in advance of seeking planning permission.

- Any decision to change the scale or scope of those plans in order to reduce capital costs would need to be communicated to the affected schools individually as a matter of urgency in order to avoid the potential of them hearing about this from third parties.
- It is proposed to write to all schools before the Committee meeting to advise them of the significant financial constraints faced by the Council and of the particular impact of the 2015-17 basic need allocation on the Council's future investment plans.

7.5 Public Health Implications

7.5.1 The following bullet points set out details of significant implications identified by officers:

- The further children and young people have to travel to access their education and/or childcare the greater the likelihood that they will be transported by car or bus and will not gain the health benefits of being able to walk or cycle to their setting or school.

7.6 Localism and Local Member Involvement

7.6.2 The following bullet points set out details of significant implications identified by officers:

- Through its commissioning role, the Council ensures that:
 - those private, voluntary and independent providers who tender to establish and run new early years and childcare provision understand the local context in which they will operate, should they be successful in being awarded contracts by the Council;
 - those academy sponsors who apply to establish and run new schools understand the local context in which they will operate, should their applications be approved for implementation by the Secretary of State for Education;
- Local Members are:
 - kept informed of planned changes to provision in their wards and their views sought on emerging issues and actions to be taken to address these;
 - invited to participate in the assessment of potential academy sponsors' proposals to establish and run new schools in the county.

Source Documents	Location
Business Plan 2014/15 Letters to and from the Executive Director: Children, Families and Adults and the Director for Education Funding Group at the DfE in respect of the Council's Basic Need allocation for 2015/16 and 2016/17 School Capacity return for 2013 and 2014 District Councils' local plans Forecast data	Room B208 Castle Court Shire Hall