

Council

23 July 2024

Education Sufficiency Capital Funding Gap

Recommendation

That Council approves the allocation of £20.155 million from the Capital Investment Fund towards the provision of school places as outlined in this report and its addition to the capital programme for that purpose.

1. Executive Summary

- 1.1 This report seeks funding from the Capital Investment Fund to meet the shortfall in funding to deliver school place sufficiency requirements over the next five years. It is proposed that the approval to add specific projects and funding to the capital programme will be subject to further reports to Cabinet and Council.
- 1.2 Local Authorities are responsible under the Education Act 1996 (Section 14) for ensuring sufficient school places exist in an area to meet local demand.
- 1.3 Under this statutory duty Warwickshire County Council is expected to fund any required expansions at existing schools or the delivery of new schools to ensure sufficient school places continue to exist to meet expected pupil numbers.
- 1.4 The Council's constitution requires that Council approves the addition to the capital programme of projects with a value in excess of £2,000,000.

2. Financial Implications

- 2.1 The additional cost of delivering the required new school places over the next five years is currently estimated at £158.1 million. This report outlines the shortfall in funding, totalling circa £20.155 million, to deliver additional places over the medium term.
- 2.2 This report details the additional funding requirements and further proposed additions to the capital programme during 2024/25 to deliver the additional places for 2026/27.

2.3 Available resources and the investment required for school sufficiency is summarised in the following table:

Pipeline	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30 & Future Years	Total
	£m	£m	£m	£m	£m	£m	£m
Proposed further Expenditure Approvals 2024 to 2028	57.900	26.400	42.400	31.400	-	-	158.100
Funding:							
Basic Need - Received or Confirmed	-	-	-	-	-	-	-
Basic Need - Estimated	-	-	10.000	10.000	10.000	10.000	40.000
SCA	2.830	2.000	2.000	2.000	2.000	2.000	12.830
s.106 received and allocated	12.253	3.000		4.000			19.253
Basic Need Funding Swaps - Future Receipts	0.468	0.929	4.079	2.498	1.647	9.366	18.987
s.106 agreed but yet to be collected:	0.583	4.494	4.749	0.347	3.110	31.593	44.876
Earmarked Capital Receipts	-	-	2.000	-	-	-	2.000
Total Funding	16.134	10.423	22.828	18.845	16.757	52.959	137.946
Funding Gap	41.766	15.98	19.57	12.56	(16.757)	(52.959)	20.15

Grants

- 2.4 The Council receives Basic Need Grant and High Needs Capital funding from the Department for Education and seeks to secure financial contributions from housing developers (s106) to fund the education capital projects required as a result of the impact of new housing developments.
- 2.5 All of the Basic Need capital grant for 2024/25 was allocated to schemes as part of the report presented to County Council on 14 May 2024. The Department for Education has confirmed the Council will receive zero in 2025/26 and has not confirmed an allocation for 2026 onwards. In modelling the additional capital funding requirements, assumptions have been made about the future amounts of Basic Need the Council could receive. Based on historical averages this is estimated as £10 million annually from 2026/27. This presents a risk to the Council if the amount actually received is not as much as estimated and the funding gap increases as a consequence.
- 2.6 The High Needs Capital Grant allocation received for 2023/24 is £2.546 million, of which £0.982 million remains unallocated. The Department for Education (DfE) has recently announced that the Council has been allocated £7.015 in total for the 2023/24 (additional £4.987m) and 2024/25 (£2.028m) High Needs capital allocation. These funds are kept separate to exclusively fund High Needs projects, and therefore, are not available to contribute towards the sufficiency gap in the table above.

Developer Contributions

- 2.7 The S106 balance consists of funds the Council currently holds in cash as received from developers but is linked to over 200 separate S106 agreements and, therefore, flexibility of funding is limited to the conditions of the individual agreements. This means that not all education S106 balances can be used to fund the cost of new places. Work has been undertaken to allocate received S106 balances to the investment pipeline where possible and this totals circa £19.3 million.
- 2.8 The approach of using future S106 receipts in approval decisions, is a change from WCC's historical approach of only approving the use of S106 receipts once they have been received. This prudent approach mitigated the risk of non-payment. It should be noted that circa £63.9 million of the identified funding is due to be received by WCC as a future S106 receipt. This introduces a significant increase in financial risk for the authority. If developer contributions are delayed this could lead to cashflow issues. However, if any of these contributions are not received at all, due to developers not paying, then the £20.155 million funding gap will increase further and require a review of what can be delivered within the available funding.

Corporate Borrowing and the Capital Investment Fund

- 2.9 Analysis of projected grants, received developer contributions and future agreed but not yet received developer contributions, concludes that the only funding source for the £20.155 million gap is from the Council's Capital Investment Fund, which is financed from corporate borrowing.
- 2.10 The balance of the Capital Investment Fund approved by members as part of the 2024/25 capital budget setting was £104.9 million. The current balance in the fund is £103.7 million. Approval for the use of £20.155 million would reduce the CIF balance to £83.5 million. The education capital funding gap had previously been earmarked within the emerging CIF pipeline, therefore, the funding for £20.155 million is available. Additionally, the profile of expenditure for the education investment plans in this report will extend over several years, the use of this CIF allocation is not overly concentrated in one year and resulting borrowing costs can be accommodated within the existing budget held for this purpose in the MTFS.
- 2.11 In addition to the overall funding gap, due to the anticipated shortfall in funding between expenditure being incurred to deliver school places and future s.106 receipts being received, the 2024/25 Budget and 2024-29 Medium Term Financial Strategy, highlighted a change of approach within the Capital Strategy to the way the capital programme is financed whereby 'temporary borrowing' is used to forward fund developer contributions where the S106 agreements are in place and the funding has not yet been received.

- 2.12 In the 2024/25 Budget, a contribution to reserves to create a new 'Short Term Capital Financing Cost - School Sufficiency' reserve was agreed to manage the cost of this temporary borrowing between expenditure being incurred and future grants and S106 receipts being received. Based on analysis of the expenditure profile of proposed projects the reserve balance is sufficient to cover the temporary costs of this borrowing which is currently expected to be used in 2027/28 and 2028/29.
- 2.13 The timing and amount of the funding requirements are based on assumptions around the receipt of S106 and the amount of Basic Need that could be allocated to WCC. These inputs are subject to change which will impact on the profile of the overall funding gap. If the council receives less than the forecast estimated levels of Basic Need from the Department of Education which are based on an average of previous years allocations then the shortfall will be higher. Officers will continue to regularly review this profile against the receipt of S106 funding and confirmation of project costs as the schemes progress through design and development.
- 2.14 The schemes outlined in section 3 are still at early stages of development with lower levels of cost certainty and therefore are subject to cost movement. An increased amount of risk and contingency are included in cost estimates to help prevent further budget increases.

3. School place requirements

The capital schemes outlined below for approval during 2024/25 will deliver up to an additional 1380 school places towards meeting the need for places across the county from 2026.

Rugby Secondary School Places

- 3.1 Pupil forecasts indicate there to continue to be a shortfall in secondary school places across Rugby. In the last few years, 30-60 additional places have been provided each year across a number of Rugby secondary schools above their published admission number at coordination (year 7 entry) within their existing capacity. However, without sufficient accommodation this is not sustainable. With continued housing growth in Rugby permanent solutions are required to increase capacity across Rugby town to ensure sufficient places at year 7 and that sufficient places continue into years 8 through to 11 to accommodate in year movement into Rugby.
- 3.2 It is proposed to provide three forms of entry (450 places) over the next five years through the expansion of existing schools in the North and South of Rugby town.
- 3.3 It is anticipated that the first two schemes will be presented for member approval during 2024/2025 financial year with an estimated cost of £30 million. £5.4 million of S106 available to be allocated to the capital projects

and a further £25.000 million to be received over the next 10 years. Further design and development work is underway to increase cost certainty.

New primary provision in the Nuneaton North East Planning Area

- 3.4 There is a significant amount of housing development located to the North and East of Nuneaton corresponding to the reduced capacity in the respective planning area forecasts.
- 3.5 Lower Farm Academy opened in 2019, a 2FE primary school delivered by the DfE on land secured via S106 in the Weddington area of North Nuneaton. This primary school has recently increased their PAN from 30 to 60 at reception and opened up additional in year classes to meet demand within this Nuneaton North East planning area. Further key stage 2 classes are also due to be opened up at another existing primary school in this planning area from September 2024.
- 3.6 Over 4000 homes were allocated within the Nuneaton and Bedworth Borough Plan as HSG 1 'North of Nuneaton'. Around a quarter of this development has been building out in recent years with 2500 of the remaining allocation to be built over two larger sites – Top Farm and Callendar Farm.
- 3.7 Reception forecasts indicate a shortfall of places in this area of Nuneaton from September 2025. It is proposed to provide a new 2FE primary school (420 places) with early years and resourced provision places on land safeguarded for primary education on the Callendar Farm development. The development of a new primary school in this location will improve accessibility to primary education provision from housing developments in this area of Nuneaton and increase the sufficiency of school places to limit the transportation of pupils to school places circa four to five miles away.
- 3.8 The capital cost of delivering a new two form entry primary school, with early years provision and a 14 place resource provision is estimated at £16.5 million. Further design and development work is underway to increase cost certainty, therefore, this initial cost is still subject to change. It is proposed to deliver the new primary school for a September 2026 opening.
- 3.9 £3.690 million of developer contributions have been collected towards this project with a further £1.300 million to be received.

Increase in primary provision in the Nuneaton South East Planning Area

- 3.10 There are circa 1500 homes with planning consent proposed to be built in the Nuneaton South East primary planning area over the next 10 years. Reception forecasts indicate a shortfall of places in this area from September 2026.
- 3.11 With the neighbouring Nuneaton North East planning area also forecasting a shortfall in pupil places, the nearest available school places are likely to be circa 4 miles away. Therefore, it is proposed to expand existing provision in the planning area by 210 places.

- 3.12 The estimated capital cost of providing an additional 210 places through the expansion of existing provision is £7.000 million. Further design and development work is underway to increase cost certainty, therefore this initial cost is still subject to change.

Other medium-term areas of focus

- 3.13 The pipeline expenditure outlined in Section 2 has been estimated using the primary and secondary pupil forecasts produced for a 5 year and 7 year period, respectively.
- 3.14 Proposed schemes for 2025/26 approval onwards focus on four primary schools required as a result of approved housing development in the Central, South and Eastern areas of the County. Further secondary school expansions in Rugby, Kineton and North Warwickshire are also identified. Feasibilities for these schemes will be initiated in the next 12 to 24 months.

4. Environmental Implications

- 4.1 The County Council will look to use modern methods of construction to achieve efficiencies and benefits particularly in terms of time, cost, and the environment.
- 4.2 All future school capital projects will be developed in accordance with statutory regulations which include the revised Building Regulations 2021. These new building regulations include significant changes to the regulations around ventilation, energy efficiency and overheating, electric vehicle charging and a number of smaller supporting elements of the regulations. New school buildings will therefore be built to new standards that are expected to produce lower carbon dioxide omissions compared to previous standards.
- 4.3 As part of the feasibility work on capital projects, where feasible net zero options and associated costs have been explored and considered. With the need to address other education capital priorities within a tight financial envelope it is not proposed to deliver new schools as Net Carbon Zero. Based on current market data the budget uplift to achieve Net Carbon Zero on new build school projects is approximately 20%.
- 4.4 Extensions to existing buildings make environmental improvements a challenge. However, where possible new build elements will be fossil fuel free.
- 4.5 Proposed schemes aim to ensure the sufficiency of, and accessibility to, provision in local settings avoiding the need to travel further afield to access education or childcare provision. The provision and access to local education

provision supports the promotion of active travel and the health and well-being, economic and environmental benefits this can bring.

5. Supporting Information

- 5.1 The Warwickshire Education Sufficiency Strategy 2024 – 2029, also on today's agenda for Council, is a core strategy which sets out how the council will plan, develop and commission education provision and encompasses early years, school places, Post 16 and SEND. A key objective in the strategy is providing the right places at the right time.
- 5.2 All state funded schools are considered equally in the discharge of the LA sufficiency duties and Academies are expected to play an equal role in ensuring sufficient school places exist in their area as Local Authority maintained schools.
- 5.3 The 2021 census highlighted that Warwickshire's child-age population increased by almost 7% between 2011 and 2021, an increase of nearly 10,000 pupils. As such the county has seen significant education capital investment over recent years. To accommodate this growth Warwickshire County Council has delivered over 10,000 new permanent school places in the last ten years through numerous school expansions across the county and the opening of 12 new schools, comprising six Primary, two Secondary, one All-through and three special schools.
- 5.4 Over the next 5 years we expect a further increase in the total school age population (age 4-16) as a result of the housing developments that have received planning permission or are building out at present. This growth could require an estimated 2,000 additional school places.
- 5.5 Warwickshire has also experienced increased demand for specialist education provision year on year with the number of children with EHCPs increasing annually by 9% over the past 5 years. This trend for increased demand for specialist education provision is anticipated to continue. As part of the Delivering Better Value (DBV) programme of work, the Council is seeking to increase the number of resourced provision places commissioned over the next five years, from the current position of just under 200 places to over 500 places by 2028.
- 5.6 New primary schools will incorporate accommodation for early years provision and resourced provision.
- 5.7 The two primary sources of funding to deliver mainstream school places has been the Basic Need grant and developer funding.
- 5.8 Basic Need funding is the grant received by local authorities from Central Government each year to help them fulfil their statutory duty in ensuring there are enough school places for children in their local area. Basic Need allocations are calculated on a per pupil basis which does not always reflect

the reality of how a school operates and how additional school places are delivered. For example, the DfE may fund 22 additional places in a particular area for a particular year as shown in the LA submitted forecasts, however accommodation for 30 places, or 210 places if delivering a new school in anticipation of future need, will be delivered to match standard class organisation and DfE education buildings space requirements.

- 5.9 There is also an increasing disparity between the per pupil funding the Basic Need Grant allocation is based on and the cost of delivery in the current climate. For the 2024/25 allocation secondary school places were funded at £21,864, compared to the current costs of circa £50,000 per place experienced by WCC in delivering live projects. For new primary school places, the Basic Need allocation is based on £17,016 per place compared to current costs of £34,412 per place.
- 5.10 Similarly, the developer contributions received from S106 agreements are determined a number of years prior and will not always fully appreciate the rise in construction costs. The receipt of S106 funding will be staggered in accordance with trigger points which will also leave a shortfall in funding where provision needs to be built to provide places for families moving into the initial phases of development before the total need for places is realised and the total amount of funding from the development is received.
- 5.11 All capital projects are delivered in accordance with procurement regulations. They are procured either through WCC recognised/approved frameworks or via a competitive open market tender, with Overheads, Profits and Preliminaries and construction sub-contractor packages captured. The Strategic Property team manage the initial design process and appoint multidisciplinary consultants via recognised frameworks/open market and challenge consultant fee bids. The Property Delivery team appoint the contractor and provide project oversight alongside the professional team; challenging contractors package prices against budgets allocated and provide Value Management and Value Engineering.
- 5.12 With significant volatility in the construction marketplace Property Delivery has undertaken independent research using consultants analysing the output costs of capital projects in the Midlands over the last 2-3 years comparing those undertaken by Tier 1 Contractors and Tier 2 Contractors. Tier 1 Contractors tend to be national firms, undertaking larger scale projects with a higher turnover than Tier 2 Contractors who may have a more regional presence. There is a clear output benefit of £1000/m² in savings using the Tier 2 contractors. However, there is a trade off in terms of risk as the Tier 2 contractors are of a smaller size thus being more susceptible to economic trends and sub-contractor failures.

6. Timescales associated with the decision and next steps

- 6.1 Subject to Council approval, the allocation of the Capital Investment Funding

to individual education capital schemes and their addition to the capital programme will be subject to further reports to Cabinet and Council during 2024/25.

Appendices

None

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): Countywide report

Other members: Councillors Brown, M Humphreys, Roodhouse