

SURREY COUNTY COUNCIL**CABINET****DATE:** TUESDAY 4 JUNE 2024**REPORT OF CABINET MEMBER:** CLARE CURRAN, CABINET MEMBER FOR CHILDREN AND FAMILIES**LEAD OFFICER:** RACHAEL WARDELL, EXECUTIVE DIRECTOR CHILDREN, FAMILIES AND LIFELONG LEARNING**SUBJECT:** SEND CAPITAL PROGRAMME BUDGETS**ORGANISATION STRATEGY PRIORITY AREA:** Growing A Sustainable Economy So Everyone Can Benefit/
Tackling Health Inequality/Enabling A Greener Future/
Empowering Communities**Purpose of the Report:**

Cabinet Member approval is sought for use of £19.4m approved SEND Capital Funding for committed projects at Freemantles School's temporary Satellite Site, Pond Meadow School and Philip Southcote School.

The capital investment is for three projects committed under the Special Educational Needs and Disabilities (SEND) Capital Programme where viable schemes, locations, planning approval and costs have been confirmed. This is to create permanent accommodation for 132 additional state-maintained specialist school places and to re-provide 24 existing specialist school places where accommodation is no longer fit for purpose in order to facilitate expansion of Surrey's state-maintained specialist education estate from September 2024 onwards.

Expansion of Good or Outstanding specialist educational provision ensures Surrey resident children with additional needs and disabilities who require specialist school placements can be educated closer to home, rooted in their local communities.

Recommendations: *(list recommendations in number bullet point format)*

It is recommended that the Cabinet Member:

1. Agrees the use of £19.4m of the total approved existing SEND Capital budget of £140.4m for 2024/25 to 2027/28 for confirmed final expansion schemes at Freemantles School, Pond Meadow School and Philip Southcote School.
2. Agrees the use of £0.99m of the £19.4m for the confirmed refurbishment project budget for Freemantles School temporary satellite site on the former Ripley Church of England Primary School site. This figure represents no change from previous assumptions as per the project's capped budget.

3. Agrees the use of £7.34m of the £19.4m for the confirmed refurbishment, adaption and new build extension project budget at Pond Meadow School. This figure represents a £1.46m increase from previous assumptions as per the project's capped budget of £5.88m.
4. Agrees the use of £11.05m of the £19.4m for the confirmed new build extension and hydrotherapy pool project budget at Philip Southcote School. This figure represents a £0.88m increase from £10.17m approved by Cabinet on 28 March 2023.
5. Delegates authority to the Section 151 officer in consultation with the Director of Land and Property to finalise and approve the terms of all associated legal contracts and agreements to facilitate the recommendations in this paper for project delivery at Freemantles School temporary Satellite Site, Pond Meadow School and Philip Southcote School.

Reason for Recommendations:

- Investing in Freemantles School temporary Satellite Site, Pond Meadow School and Philip Southcote School's capital projects will generate a positive impact on outcomes for children with complex additional needs and disabilities, as well as improving the Council's financial sustainability.
- The committed expansion projects are business critical to ensure Surrey County Council (the Council) discharges its statutory duties under Section 3 of the Local Government Act 1999, Sections 13 and 14 of the Education Act 1996 and Part 27 Section 3 of the Children and Families Act 2014.
- The confirmed budgets for all three projects are above the threshold for Capital Programme Panel (CPP) approval. Cabinet's authority to allocate resources from the approved SEND and AP Capital budgets is required for individual projects, and agreement to enter any associated legal documentation to facilitate the contract award and project delivery is delegated to the Cabinet Member for Children, Families and Lifelong Learning, following CPP's financial scrutiny and endorsement. This is in line with Full Council approved amended Financial Regulations from March 2023.
- To that end, agreement is sought to use defined resources to enable project progression against the Procurement Forward Plan, so that contracts can be awarded from early summer 2024 in time to facilitate target delivery timescales 2024 and 2025.

Executive Summary:

Business Case

1. Refer to Annex 1 Section 1: Strategic Business Cases

Consultation:

2. Public consultation was undertaken in line with Department for Education statutory processes for Making Significant Changes to Maintained Schools or an Open Academy by Mutual Agreement processes between November 2022 and May 2023. This public-facing work has demonstrated that fair and open local consultation has been undertaken with all stakeholders who could be affected by the proposed change, and that the Local Authority or Academy Trust has considered all responses received.

3. The Lead Cabinet Member for Children, Families and Lifelong Learning and the Regional Director approvals for the statutory significant changes on behalf the Secretary of State for Education have been secured where necessary.
4. Public consultation has also been carried out for each approved project in line with statutory Planning Consultations and Judicial Review periods for Land and Property developments.

Risk Management and Implications:

5. Refer to Annex 1 Section 4: Commercial Case
6. All Council building and refurbishment projects are required to include risk, issue, and quality registers. Identified risks and planned mitigations are outlined below:

	Risk description	Mitigation action/strategy
a.	Change of scope/ technical approach and impact on project costs.	The projects have been through detailed feasibility and have progressed to RIBA (Royal Institute of British Architects) stage 4 boundaries. Capital delivery has rigorous change control procedures in place. Final costs have been determined for all three schemes. These include construction costs, professional fees, inflation, client costs, and appropriate contingencies and costs associated with improved sustainability standards, including considerations relating to buildings that are net zero carbon in operation and with additional climate resilience measures.
b.	Current volatile construction industry market conditions	Appropriate contingency provision has been determined prior to progression to RIBA stage 5 Construction. The technical approach and scope for individual schemes is defined and risks that may arise during the builds have been managed out.
c.	Planning Approval and adherence to statutory determination timescales.	Planning approval has been secured.

7. CPP's endorsement provides assurances of consistency with the Council's Corporate Strategy, Capital and Investment Strategy, Asset and Place Strategy, Highways & Transportation Asset Management Plan and Directorate Strategies.

Financial and Value for Money Implications:

8. The Medium-Term Financial Strategy (MTFS) includes the following approved capital budgets for SEND, this excludes 2023/24 carry forwards:

Programme	2024/25	2025/26	2026/27	2027/28	TOTAL
SEND CAPITAL (£M)	£50.8	50.3	39.3	0	140.4

9. The recommendation is to approve the use of £10.17m of grant and £9.21m of SCC (Surrey County Council) funding to deliver the three schemes, from the approved SEND capital budget in the MTFs for 2024/25-2027/28. This is £2.34m more than originally estimated to deliver the number of places and reduces the available funding for future schemes under current budget approvals. The profile of capital spend and the annual revenue impacts, including borrowing costs, are shown in the table below with further detail in Annex 1.

Capital cost profile and funding - combined for all three schemes.

Capex and Funding Profile	2022/23 £'m	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
Total cost of schemes	0.69	3.66	14.78	0.26	-	-	19.38
Funded by:							
Government Grant	(0.69)	(3.23)	(6.25)	-	-	-	(10.16)
SCC Funding	-	(0.43)	(8.53)	(0.26)	-	-	(9.21)
Total Funding	(0.69)	(3.65)	(14.78)	(0.26)	-	-	(19.38)

10. Despite the £2.34m uplifted capital investment required for two of the three schemes (Philip Southcote School and Pond Meadow School expansions), the project costs still represent good value for money against cost benchmarking per m2 and per pupil place at a rate that SCC's appointed cost consultants have advised on.

Efficiency savings / Value for Money / Revenue implications - combined for all three schemes

Income and expenditure	2022/23 £'m	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	Total £'m
Savings	-	(0.19)	(1.10)	(2.30)	(3.31)	(3.89)	(1.78)	(12.58)
Borrowing Costs	-	0.01	0.71	0.88	0.88	0.88	0.05	3.42
Net Cost / (efficiency)	-	(0.18)	(0.39)	(1.43)	(2.43)	(3.01)	(1.73)	(9.16)

11. Equivalent annual independent sector placement costs for the 132 places would be a minimum of £7m per year, compared to £3m per year for state-maintained specialist school placements. This is based on the difference between the average costs of independent school places at c£53k and equivalent state-maintained school places at c£23k. Provision of the additional state-maintained specialist school places would generate an approximate saving from 2024-2028 of £30k per pupil place per year.
12. Placement costs differ according to individual children's specific additional needs and disabilities. The figures for independent and state-maintained specialist provision represents an overall average, which we believe to be a fair reflection of the cost containment to be achieved per pupil place per year through increasing state-maintained specialist provision in Surrey.
13. The projects indicate a payback period of less than 1 year for Freemantles School's temporary satellite site, and around 4 to 6.5 years for the two existing special school expansions, whilst the cost containment and ongoing cost avoidance against Surrey's Safety Valve agreement targets is still higher than the annual cost of borrowing to fund the increased capital investment.
14. The future of the DSG High Needs Block achieving the planned Safety Valve trajectory is a significant factor in the Council's medium term financial position. Expanding local state-maintained specialist provision and reducing reliance on the NMI sector is the single biggest contributor to returning the DSG High Needs Block to financial sustainability.
15. CPP endorsed the financial business cases for Freemantles School's temporary Satellite Site, Pond Meadow School, and Philip Southcote School on Tuesday 16 April 2024. This ensures the Cabinet Member that each capital project has been assessed for both financial and service risk, the timescales for delivery are realistic and that all associated capital and revenue implications are fully covered in the current and future years.

Section 151 Officer Commentary:

16. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.

17. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
18. The recommendation to approve the use of £19.4m of the SEND capital budget is an increase to original estimates of £2.3m. This increase reduces the funding for future SEND capital schemes in the current MTFS. The cost containment from creating the additional places is higher than the cost of borrowing to fund these costs and the cost of borrowing is included in the MTFS. As such, the Section 151 Officer supports the recommendation.

Legal Implications – Monitoring Officer:

19. This is an updating paper to the Cabinet Member following Cabinet’s previous approval of the strategies and capital investment for four phases of the Special Educational Needs and Disabilities (SEND) Capital Programme. Cabinet has previously approved SEND capital funding of £140.4m in the MTFS 2024/25 to 2027/28.
20. Financial business cases have been scrutinised and endorsed by CPP. This paper seeks approval to utilise £19.4m of the approved funding towards three SEND projects which have been confirmed as being viable and where the necessary legal permissions have been secured for Education Significant Changes and Land and Property developments.
21. The Council has powers under legislation to facilitate the proposals set out in this paper. Under Section 2(1) of the Local Authorities (Land) Act 1963 a local authority has extensive development powers and may, for the benefit or improvement of its area, erect, extend, alter or re-erect any building and construct or carry out works on land.
22. As to recommendation 5, site specific legal advice has been obtained for each project. Officers must ensure that all procurements related to the delivery of the projects are carried out in accordance with the requirements of the Public Contracts Regulations 2015 (as amended, and any superseding legislation) and the Council’s Procurement and Contract Standing Orders. Legal Services will provide support during any procurement process, where requested and will assist with the finalisation of all associated legal agreements and sealing where appropriate.
23. Cabinet is under fiduciary duties to residents when utilising public monies. In considering this business case, the Cabinet Member will want to satisfy herself that the recommendations represent an appropriate use of the Council’s resource.

Equalities and Diversity:

24. Surrey’s SEND Capital Programme is expected to have a positive impact on Equalities and Diversity, because of increasing the number of Surrey children and young people who will have their additional needs better met by local schools in their local area.
25. Individual Equalities Impact Assessments have been undertaken in line with the Department for Education statutory processes for Making Significant Changes to Maintained Schools or an Open Academy by Mutual Agreement.

Other Implications:

26. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/ Looked After Children	The programme of capital investment directly supports the Surrey Corporate Parenting Strategy 2023-2025. Increasing the sufficiency of provision in Surrey for children and young people who require specialist school places and/or who are looked after will enable better long-term outcomes, with children closer to home and more connected to local communities and support services. Local capital investment improves value for money through the strengthening of collaboration with local providers, as well as other local authorities to manage the market more effectively.
Safeguarding responsibilities for vulnerable children and adults	The Council has a duty to promote and improve safeguarding in education as well as educational outcomes for all children and young people who are vulnerable or disadvantaged. The creation of additional specialist capacity closer to home supports highly effective joint agency monitoring to safeguard children and reduced demand on care services.
Environmental sustainability	The provision of additional state-maintained specialist places closer to home will reduce the average journey times for learners. This also supports the development of sustainable and independent travel skills for pupils with alternative learning needs, which is aligned with Preparation for Adulthood outcomes.
Compliance against net-zero emissions target and future climate compatibility/resilience	Design philosophy that has been adopted to create new or refurbish and extend existing buildings will support low energy consumption, reduce solar gain, and promote natural ventilation. Any proposals will be in line with this policy and any new building will be to the standards in the local planning authority's adopted core planning strategy. Commitment to drive forward the transition to a zero-carbon built environment, through the pursuit of lower operational energy use, increased supply of renewable energy to Surrey's buildings and reduced embodied carbon – the GHG emissions associated with non-operational phases like construction.

What Happens Next:

27. Refer to Annex 1 Section 5: Management Cases

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Consulted: Internal

- Cabinet Member for Children, Families and Lifelong Learning, **Clare Curran**
- Cabinet Member for Property and Waste, **Natalie Bramhall**
- Cabinet Member for Finance and Resources, **David Lewis**
- Executive Director Children, Families and Learning, **Rachael Wardell**
- Executive Director Environment, Infrastructure and Growth, **Katie Stewart**
- Director Finance Insights and Performance, **Rachel Wigley**
- Director Education and Learning, **Julia Katherine**
- Director Commissioning for Transformation, **Suzanne Smith**
- Interim Director Land and Property, **Simon Crowther**
- Interim Director Law and Governance, **Asmat Hussain**
- Principal Lawyer Legal Property, **Kate Patel**
- Principal Lawyer Legal Contracts and Special Projects, **Greta O'Shea**
- Director Corporate Finance and Commercial, **Anna D'Alessandro**
- Strategic Finance Business Partner Corporate Finance, **Nicola O'Connor**
- Strategic Capital Accountant, **Joe Stockwell**
- Strategic Finance Business Partner Improvement & PPG, **Louise Lawson**
- Strategic Finance Business Partner CFLL, **Kay Goodacre**
- Senior Finance Business Partner Improvement & PPG, **Vena Kaur Bhakar**
- Assistant Director AND Transformation, **Suzi Stern**
- Assistant Director Capital Delivery, **Elaine McKenna**
- Head of Education, **Carrie Traill**
- Assistant Director Commissioning AN&D and Social Care, **Eamonn Gilbert**

Consulted: External

- In line with Statutory Significant Changes for Education: Parents, Carers, School Staff, School Governors, local schools, Department for Education, Local Voluntary and Charitable Organisations for children with additional needs and disabilities, Parent Carer Forum, District, Borough & County Councillors, Trusts, Unions, and other Local Authorities.
- In line with statutory Planning Consultation for Land and Property development: General Public, Neighbours, Key Consultees and Surrey Regulatory and Planning Committee.

Annexes:

Annex 1: SEND Capital Programme Combined Paper (3) Capital Programme Panel Outline Business Case

Sources/background papers:**SEND and AP Capital Strategies**

[SEND Capital Programme Phase 1 Cabinet Reports 24/09/2019](#)

[SEND Capital Programme Phase 2 Cabinet Report 29/09/2020](#)

[SEND Capital Programme Phase 3 Cabinet Report 26/01/2021](#)

[SEND Capital Programme Phase 4 Cabinet Report 25/01/2022](#)

[SEND Capital Programme 2023 2024 Delivery Tranche Report 28/03/2023](#)

Cabinet Decisions

[SEND Capital Programme Phase 1 Cabinet Decision 24-Sep-2019](#)

[SEND Capital Programme Phase 2 Cabinet Decision 29-Sep-2020](#)

[SEND Capital Programme Phase 3 Cabinet Decision 26-Jan-2021](#)

[SEND Capital Programme Phase 4 Cabinet Decision 25-Jan-2022](#)

[SEND Capital Programme 2023 2024 Delivery Tranche Cabinet Decision 28-Mar-2023](#)

Surrey County Council Safety Valve Agreement (Mar 2022) [Surrey SV agreement \(publishing.service.gov.uk\)](#)

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