

SURREY COUNTY COUNCIL**CABINET****DATE: 19 DECEMBER 2023****REPORT OF CABINET MEMBERS: CLARE CURRAN, CABINET MEMBER FOR CHILDREN, FAMILIES AND LIFELONG LEARNING****NATALIE BRAMHALL, CABINET MEMBER FOR PROPERTY, WASTE AND INFRASTRUCTURE****LEAD OFFICER: RACHAEL WARDELL, EXECUTIVE DIRECTOR- CHILDREN, FAMILIES & LIFELONG LEARNING****LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES****SUBJECT: SCHOOL BASIC NEED****ORGANISATION STRATEGY PRIORITY AREA: NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / HIGH PERFORMING COUNCIL****Purpose of the Report:**

This is a Part 1 paper to update members on the provision of mainstream school places through the capital programme, the demand for mainstream school places, sources of income, increased construction costs and linked capital funding issues.

Recommendations:

It is recommended that Cabinet:

1. Acknowledges the approved Mid Term Financial Strategy (MTFS) 2023/24 funding for School Basic Need (SBN) programme, as identified in Part 2 of this report.
2. Approves the delegation of authority to allocate resources from the approved budget required for individual projects to the Cabinet Members for Children, Families and Lifelong Learning, and for Property, Waste and Infrastructure following Capital Programme Panel endorsement.
3. Notes cost pressures arising from schemes for the purpose of meeting the requirements for schools safeguarding; disability access; and sustainability.
4. Endorses the expenditure of Basic Need funding for safeguarding, disability access and sustainability where required.
5. Notes the impact of increased construction costs.
6. Approves delegated authority to the Director or Assistant Director(s) of Land & Property to authorise the Council to enter into all associated licences and agreements required to facilitate the capital works.

Reason for Recommendations:

The recommendations ensure relevant delegated authority and acknowledgement of revised benchmark costs to efficiently deliver basic need places. The paper outlines the strategy for the provision of additional mainstream school places within the Medium-Term Financial

Strategy 2023/24 for school basic need. This takes account of the latest cost estimates and forecast needs for pupil places.

This paper reconciles the Basic Need grant spend to date, at year end 2023/34, and forecasts the next five-year projected capital spend for education project delivery. The delegations of authority allow for individual project level approvals within the programme funding envelope, as well as necessary legal authority to enter into agreements for the works.

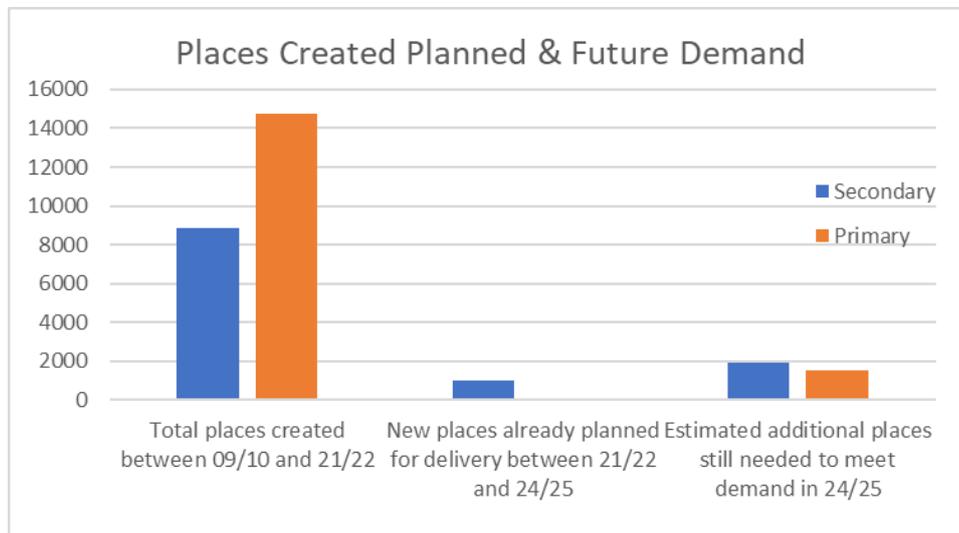
Executive Summary:

Context

1. The School Basic Need Capital Programme is aligned with Surrey's Community Vision 2030, which seeks to realise the local area's ambition that everyone benefits from education, skills and employment opportunities that help them to succeed in life.
2. The local authority (LA) has a duty to provide sufficient school places to meet demand as set out in the Education Act 1996 as subsequently amended. This duty applies to any status of publicly funded schools be that community, voluntary controlled, foundation, voluntary aided, academy, and academies in multi-academy trusts. The current forecast of mainstream school places indicates the need for additional places across a ten-year period. Forecasts are made using planning areas and these are groups of schools that reflect the local geography, reasonable travel distances and existing pupil movement patterns. These may include schools in different boroughs or districts. Birth data underpins all forecasts and is collected by the Office for National Statistics (ONS) by electoral ward.
3. The need for additional school places is either provided directly via Government (Department for Education), Developer contribution, School direct delivery or through Local Authority (LA) delivery.
4. Each year the LA completes a School Capacity survey known as SCAP, for the Department for Education (DfE), and this examines the primary and secondary school places available in planning areas against the forecast demand of places in the relevant areas. Where there is a demonstrable deficit of places the DfE allocate Basic Need grant funding to the LA by primary and or secondary against the shortfall. The amount of grant funding each year from 2011/12 to 2025/26 is shown at **Annex 1** and this shows £445,086,022 of Basic Need grant allocated to Surrey CC during this period.
5. Basic need funding is intended to support the creation of mainstream places for pupils aged 5 to 16. Local authorities can use this funding to create places in whole new schools (via the 'free school presumption' process) or through the expansion or remodelling of existing schools. The DfE expect that local authorities will work with any school in their local area in doing so, including academies and free schools.
6. Between 2009/10 and 2021/22 Surrey provided 14,758 new primary and 8,874 new secondary places meeting the demand for places across the planning areas. Already planned for delivery between 2021/22 and 2024/25 are 990 secondary

school places. Estimated additional places still needed to meet demand in 2024/25 are 1,520 places for primary and 1,910 places for secondary schools¹. Illustrated in **Figure 1**.

Figure 1



7. The DfE collect annually a Capital Spend Survey that monitors how funding is spent and is linked to the conditions of the grant. This is covered in the Financial and Value for Money Implications Section of this report.
8. The current projects, future projects, and potential schemes in the MTFs providing pupil places are detailed in the Part 2 paper of this Cabinet approval.

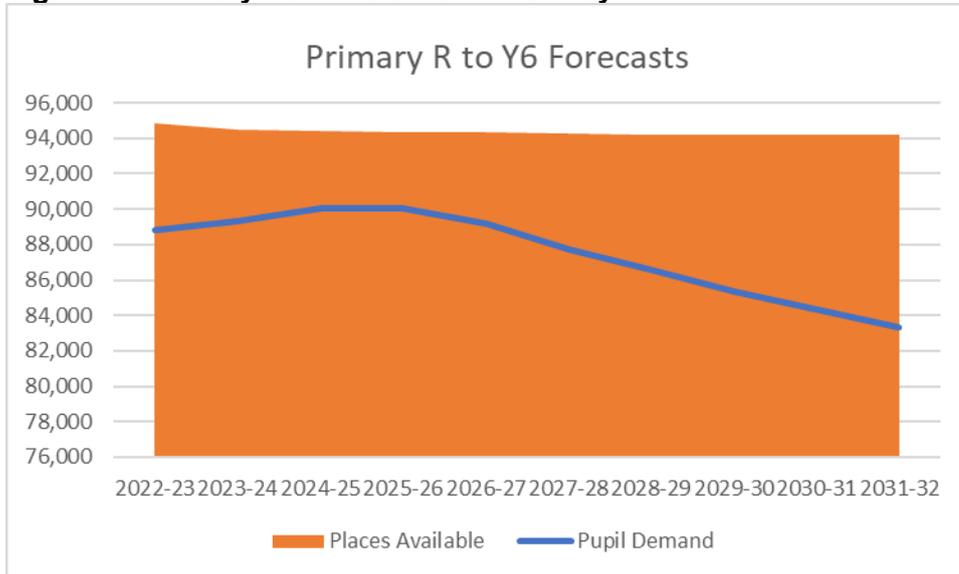
Forecasting

9. In mainstream school forecasting, in addition to birth data, underlying demographic trends are considered using mid-year population estimates from the ONS, as well as fertility rates. Data on current pupils from the School Census and pupil movement patterns between schools, allows our forecasting model to establish pupil movement trends, which are then applied to population numbers going forward. Housing permissions and trajectories, received from the District and Borough councils, are then combined with birth and pupil movement trends in specialist demographic forecasting software called 'Edge-ucate', which creates pupil projections, in a variety of different formats. These pupil projections allow the council to ensure that every Surrey child who requires one is offered a school place. The School Organisation Plan 2022-2032 reflects the forecasts across the County. [School Organisation Plan, Sustainability Strategy and Federation Policy | Surrey Education Services \(surreycc.gov.uk\)](#)
10. The pattern of demand for pupil places has largely been reflective of the birth rate. Surrey had a period of sustained lower births around the millennium, followed by significant increases to a peak in 2012. In Surrey, there was an increase of births in this period by over 22% in a decade. Following a nationwide trend, 2013 saw a dramatic decline in births, Surrey has experienced year on

¹ DfE School Places Scorecard [Local Authority School Places Scorecards \(shinyapps.io\)](#)

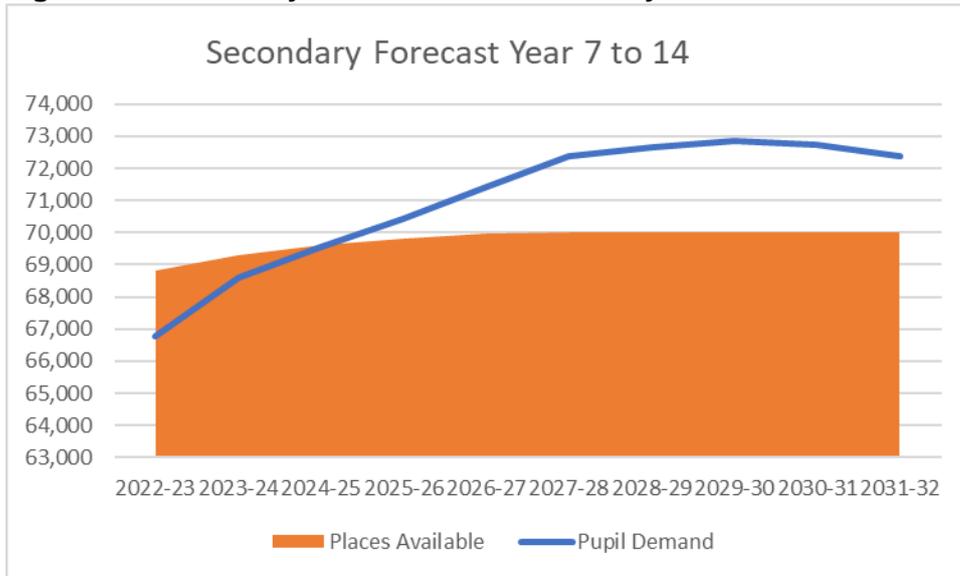
year falls in the birth rate, meaning that the number of pupils needing primary places has fallen dramatically introducing a sustainability issue for some schools or areas. Across the County the current primary forecasts for 2031/32 suggest a need for 83,334 against the places available at 94,180, a surplus of 10,846 places. Illustrated in **Figure 2**.

Figure 2 - Primary Forecasts Across Surrey



11. The forecasts are influenced heavily by residential developments and the pupil product (number of pupil places generated by new housing development) used along with migration factors generally gives the maximum demand over the forecast period. Coupled with higher numbers coming through from the primary sector the forecasts show a deficit of places in the secondary sector across the County. The current secondary forecasts for 2029/30 suggest 72,837 against the places available at 70,005, a deficit of 2,832 places. Illustrated in **Figure 3**. However, in preparing the MTFs allocations and identifying Basic Need requirements, Officers review the forecasts and make reasonable adjustments to reflect current demand. For example, in many secondary planning areas this higher figure has not yet been realised and caution is needed, as the additional pupils from new homes have not materialised in the volumes previously anticipated. There appears to be two reasons for this:
- an overestimate of the number of anticipated development completions provided by the district and borough councils; and or
 - the rate of build, possibly due to economic factors e.g., material availability, cost impacts, staff shortages, mortgage rates etc.

Figure 3 – Secondary Forecasts Across Surrey



- 12. The overestimate of demand leads to an increased need identified through SCAP and associated Basic Need grant and this may be reflected in future grant allocations. Historically, the MTFs has also shown a greater need into the future. This report outlines a realistic allocation for school places within the MTFs and based on forecast adjustments that show a decreased demand for places, to the end of the forecast period.
- 13. This paper supersedes the Capital Programme 2023/24 to 2027/28 as reported to Cabinet on 31st January 2023, following reconciliation of the Basic Need grant expenditure to date and re-forecasting of the projected five-year pupil place demand.
 - a. The need for school places varies considerably year on year and there is a need to provide, within the capital programme, sufficient budget to meet additional needs as they arise. This may be through permanent expansions or bulge classes, the latter is to provide additional space for one or two years rather than a permanent expansion, that could lead to an over provision of places.

Finance/Sources of Income

- 14. As outlined in paragraph 4, Basic Need (BN) grant from DfE is the main source of income although as can be seen in **Annex 1** this is not a consistent with some years where no grant is received. The BN grant is not ringfenced and may be applied across different financial years and could be spent on other capital needs. However, the grant conditions **Annex 2** outlines the need for this to be spent on school places and this is monitored through the capital spend survey. If the Council were to use funding for other needs the Secretary of State could require the Council to payback the funding.
- 15. Other sources of income come through Section 106 contributions for developments in Guildford and for strategic sites in other Local Planning Authorities (LPAs). All other LPAs use Community Infrastructure Levy (CIL) in

varying degrees and contributions are not certain as with S106. The infrastructure need for additional places is calculated using a factor for the number of pupils a development may produce, known as pupil product. A further report will shortly be made to Cabinet to update the education sectors receiving developer contributions, to include specialist places for pupils with additional needs, and post-16 settings.

16. The Department for Education expects local authorities to seek developer contributions towards school places to meet the demand from new housing. Where these are known developer contributions are identified in the SCAP return and thereby reducing the overall BN grant received.
17. The Basic Need rate per place for 2023/24 calculated by DfE uses the base rate per place used in the 2017-18 allocations, inflated according to the independent Building Cost Information Service (BCIS) All-in Tender Price Index (TPI), to reflect forecast changes in construction inflation between Q3-2017 and Q3-2023. The rate per place is weighted by BCIS regional location factors. This then gives the 2023-24 pure primary rate per place. The secondary rate is then set to be 30% higher than the primary rate to reflect the higher costs associated with creating secondary school places. The funding rates have then been uplifted by around 10% to support costs associated with achieving improved sustainability standards. For Surrey the primary per place rate was updated to £18,585.41 and the secondary to £23,880.10 per place. Details of the BN rates for 2022/23 to 2024/25 are shown in **Annex 3**. These rates have been reflected in the amounts for Section 106 contributions through an officer's delegated decision on 6 January 2023, effective from 14 January 2023.

Cost of Construction

18. A cost benchmarking exercise was undertaken using a sample of school projects in Surrey to look at the average cost per pupil place and the average cost per square metre. The DfE in the recent scorecard on analysis from the Capital Spend Data (SCAP18), updated to current prices, gives a figure for permanent expansions in the South-East and in England. These are set out in **Annex 4**. The costs vary although this may be as a result of full project costs from the cost analysis of Surrey schemes, including items like temporary classrooms for decant purposes or delays, whereas a separate figure for temporary accommodation is given by DfE.
19. The lower rate for permanent expansions given in DfE analysis for the South-East is £21,950 for primary and £30,190 for secondary. This is a variance of £3,365 and £6,310 respectively when compared to the rate of grant per place outlined in paragraph 18. This shows that the cost per place is often not in line with the BN grant rates and developer contributions rates. This could lead to an increase in costs for the Council and will need to be monitored carefully when setting budgets.
20. As a result, a cost benchmarking exercise was carried out in July 2023 of both Surrey and other Local Authority school projects to establish a revised project cost per pupil place in Surrey. The recommended average project cost per pupil

place has been updated to £27,111 for Primary and £39,728 for Secondary. See **Annex 4 – Project Cost Analysis**.

Budget Pressures

21. The increased costs associated with construction and the improved energy efficiency also means that the cost of expansion of places is increasing. Cabinet should note that these figures do not account for Net Zero Carbon or forthcoming Biodiversity Net Gain requirements, which will create additional programme financial pressures.
22. Additional infrastructure works arising from school expansions for example increased traffic calming, highways safety improvements and supporting sustainable modes of transport, creates a significant budgetary pressure, particularly in trying to achieve latest design standards and guides i.e., [Local Transport Plan 4](#). In addition, the need for necessary ancillary facilities, such as an all-weather sports area and other specialist curriculum costs can make the overall cost of an extension or new school greater than the costs per place.
23. Where schemes are expanding school places this may also lead to the need for additional early years or post-16 places within the schools, resulting in additional cost. A large extension scheme may also give the opportunity for addressing suitability issues and this too may add to the cost per place and overall scheme.
24. Where appropriate modular buildings can be used to meet a temporary need, although these may be subject to a limited time through planning restrictions. Ideally these should be retained to provide additional long-term resources for the schools and provide future bulge classes when needed. Where these are not needed, purchased modular unit(s) could be sited elsewhere to meet need.
25. The falling numbers on roll at schools means their budgets are directly affected. This can impact on the number of staff, experience, and senior management appointments that schools can afford. This could impact on the organisation of classes and have a direct impact on teaching and learning. The School Organisation Plan includes a Sustainability Strategy as referenced in paragraph 10. The sustainability of schools does not get any direct funding. Where a conversion of an infant or junior school to a primary school takes place, this will add places to the area and provides resilience to the places available. By providing this type of expansion it can increase the long term sustainability of the converted school.
26. Safeguarding of pupils is a very high priority for the Council and schools. In some circumstances works to schools are needed to improve the safety of pupils, this may include, security, boundary fencing, separated facilities for visitors, etc. Generally, schools have addressed a number of these matters although occasionally this is a matter that needs addressing and requires works. The responsibility generally sits with the school through their revenue funding. This includes devolved formula capital although where there is an imperative and or a major scheme the Council may be called upon to provide the works. The level of works and the cost would determine if this would be a revenue or capital expenditure. Members are asked to note there is not a specific capital allocation

for this within the Council's capital budget. Inclusion of such works within Capital Projects could place additional pressure on Basic Need funding.

27. The requirement for schools to be fully accessible and compliant with the Equality Act 2010 (formerly Disability Discrimination Act 1995) is similar to that for safeguarding as this does not have any identified capital funding for existing buildings. Ensuring schools are fully accessible and pupils and staff are able to access a school is a legal requirement and would ensure that individuals have equal opportunity and are not excluded. Members are asked to note there is not a specific capital allocation for this within the Council's capital schools budget. Inclusion of such works within Capital Projects could place additional pressure on Basic Need funding.

Delegated Decisions

28. Business cases will be taken to Capital Programme Panel to seek approval for scheme budgets. Subsequent decisions about resource allocation for approved schemes will be expedited through delegated authority to Lead Cabinet Members for Education & Learning and Property & Waste.

Consultation:

29. Consultation has taken place with:

- Carrie Traill - Head of Education
- Liz Mills – Director of Education and Lifelong Learning
- Rachael Wardell - Executive Director for Children, Families and Lifelong Learning
- Simon Crowther - Director Land & Property
- Jon Morris – Assistant Director Capital Projects
- Asha Jani – Business Delivery Team Leader
- Louise Lawson – Strategic Finance Business Partner
- Matt Marsden – Strategic Finance Business Partner
- Anders Lundh – Business & Commercial Delivery Manager

30. Member engagement with the Cabinet Member for Children, Families and Lifelong Learning, and the Cabinet Member for Property, Waste and Infrastructure.

Risk Management and Implications:

31. Sufficiency data requires close monitoring and frequent ratification to ensure projected demand for places is up to date and accurate. This is mitigated by triangulation with local intelligence which ensures appropriate projections of supply of school places by planning area, which are aligned with need as well as agreed capital projections for the Council.
32. Specific timescale risks associated with the statutory process including Making Significant Changes to Schools, planning and procurement could mean that permanent expansion projects are not delivered in readiness for the beginning of an academic year. This risk has been mitigated by forward planning statutory Education processes alongside and Land & Property processes.

33. The SBN Capital Programme's delivery will continue to be monitored by Surrey's Children, Families & Learning Capital Board and jointly planned by Education and Land & Property partners in regard to continued business justification, financial viability, progress, risks, and issues as appropriate.
34. All building and refurbishment projects are required to include risk and issue registers. At a programme level estimated costs include allowances for design development and construction risk and are based on current costs. (i.e., exclude inflation) Estimated costs exclude uplifts for meeting the Operationally Carbon Net Zero target. These will be subject to approval from the CFL Capital Programme Board and reported by exception for decision-making.
35. Early discussions and Pre-Application consultation with the Planning Authority and Procurement ensure that potential contentious planning conditions and routes through procurement frameworks are mitigated early.

Financial and Value for Money Implications:

36. Each individual project will be required to demonstrate value for money at cost per pupil place and benefits realisation is achieved, in addition to being subject to robust cost challenge and scrutiny to drive optimum value as it progresses.
37. The recent cost benchmarking exercise reviewed against the latest DfE grant and southeast regional cost dashboard data provides a realistic picture of the anticipated delivery costs of the programme. Therefore, enabling confidence in future pipeline programming.
38. The Department for Education provides basic need allocations under section 31 of the Local Government Act 2003. The funding is not ringfenced, nor is it time bound, meaning local authorities are free to use this funding to best meet their local priorities. However, it can only be used for capital purposes and therefore cannot be used for revenue expenditure of any kind, such as training or staff costs. Reference: Basic need allocations 2022-23: Guidance (March 2022) [Basic need allocations 2022 to 2023: Guidance \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/107111/basic-need-allocations-2022-23-guidance-march-2022.pdf)

Section 151 Officer Commentary:

39. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation 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 be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
40. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 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.

41. As such, the Section 151 Officer supports the recommendations of this report.

Legal Implications – Monitoring Officer:

- 42. This paper seeks to update Cabinet regarding the capital programme for mainstream school places, including associated financial pressures and funding requirements.
- 43. The recommendations relate to the approval of funding in connection with the School Basic Need programme, delegation of decision making for individual projects, and the linked costs/pressures of the scheme. Cabinet is under fiduciary duties to local residents in utilising public monies and in considering this report Cabinet Members, will want to satisfy themselves that it represents an appropriate use of the Council’s resources when approving recommendations 1-5.
- 44. With regard to recommendation 6, legal advice should be sought on the terms of any licences and/or other agreements as and when they arise, to ensure that all statutory obligations and any other legal requirements are met.

Equalities and Diversity:

45. A copy of the Equality Impact Assessment (EIA) has been completed and is included at **Annex 5**.

Other Implications:

46. 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 2020. Increasing the sufficiency of education provision in Surrey for children and young people who are looked after and 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. The creation of additional capacity closer to home supports highly effective joint agency

	monitoring to safeguard children, to reduce placement breakdown.
Environmental sustainability	The provision of school places closer to home will reduce the average journey times for all learners. These benefits also involve maximising local business opportunities and the social value they create across the county, including how local communities can be best supported and enhancing communications both internally and externally.
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.
Public Health	No significant implications arising from this report.

What Happens Next:

47. Next steps:
- a. 19 December 2023 – Cabinet approval of SBN Strategy paper.
 - b. Continuation of SBN Capital programme delivery targets for 2023/24.
 - c. Annual MTFs refresh following revised pupil need data analysis.
48. Future decisions about future year projects and resource allocation will be expedited through delegated authority to Lead Cabinet Members for Children, Families & Learning, Property, Waste & Infrastructure.
49. Issues/ Risks/ Outcomes will be communicated via the CFL Capital Board, alongside Property Panel and Capital Programme Panel, where necessary.

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Consulted:

Property Panel members

Capital Programme Panel members

Annexes:

Annex 1 – SBN Allocations

Annex 2 – Conditions of Grant

Annex 3 – Basic Need Rates

Annex 4 – Project Cost Analysis

Annex 5 – Equality Impact Assessment (EIA)

Part 2 Report

Sources/background papers:

Final Hansom Barron Smith Cost Benchmarking Summary – July 2023
