

**Bristol City Council**  
**Business Change and Resources Scrutiny Commission**  
**15 September 2014**

**Report of:** Service Director, Finance

**Title:** Pupil Places Capital Investment Need

**Ward:** Citywide

**Officer presenting report:** Peter Gillett

**Contact telephone number:** 0117 922 2419

**Recommendation**

That Business Change and Resources Scrutiny Commission consider the capital investment implications arising from the School Organisation Strategy.

**Summary**

Through statute, local authorities, in their role as commissioners, must plan and secure sufficient schools for their area. This includes making appropriate provision for pupils with special education needs.

The Bristol City School Organisation Strategy has been produced to address the implications of the City's growth. Pupil numbers continue to increase and the rate of growth is amongst the fastest in the country. The Council has seen a 30% rise in the number of pupils entering the Reception Year in the last 5 years. This growth requires the Council to provide additional early years, primary and special school places to 2017 and beyond. The Strategy was considered by Cabinet on 31 October 2013 and will be reviewed annually with specific schemes agreed in the context of available funding and changing demographic trends.

Current forecasts indicate a total capital investment need of £253m over the period 2011/12 – 2016/17.

Confirmed funding totals £189m from the following sources:

- Government funding for new pupil places - £139m
- Grant funding from other sources - £30m
- Prudential Borrowing - £20m

This leaves a funding gap £64m to deliver the number of primary school places forecast to be required by 2017.

The Local Government Association (LGA) has recently undertaken research (press release 27 August 2014 – Appendix 1) which shows more than three-quarters of councils who responded to an LGA survey did not receive enough Government money to create the extra school places needed in their area between 2011/12 and 2016/17. The report is due to be published in September.

## Roles and Responsibilities

The Department for Education is responsible setting the policy framework and overall funding to support the creation of new places.

Local authorities have a statutory responsibility for ensuring there are sufficient school places. To meet this responsibility they need to:

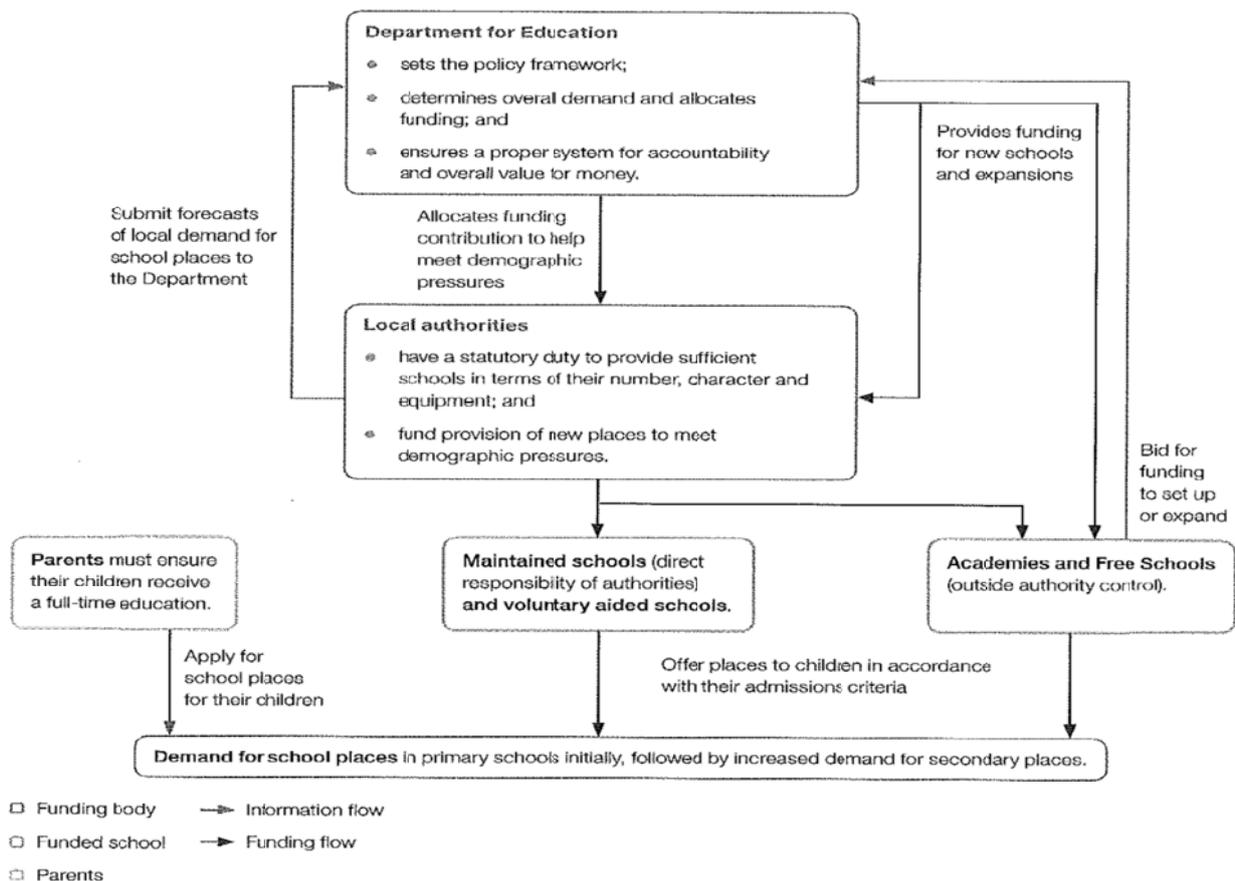
- Understand demographic patterns
- Determine and implement solutions to provide the places required

The respective roles and responsibilities for providing school places is indicated in the table below:

**Figure 1**

Roles and responsibilities in providing school places

The Department is responsible for the policy framework and overall value for money. Local authorities are responsible for delivering sufficient schools



Source: National Audit Office analysis of Department for Education documents and legislation

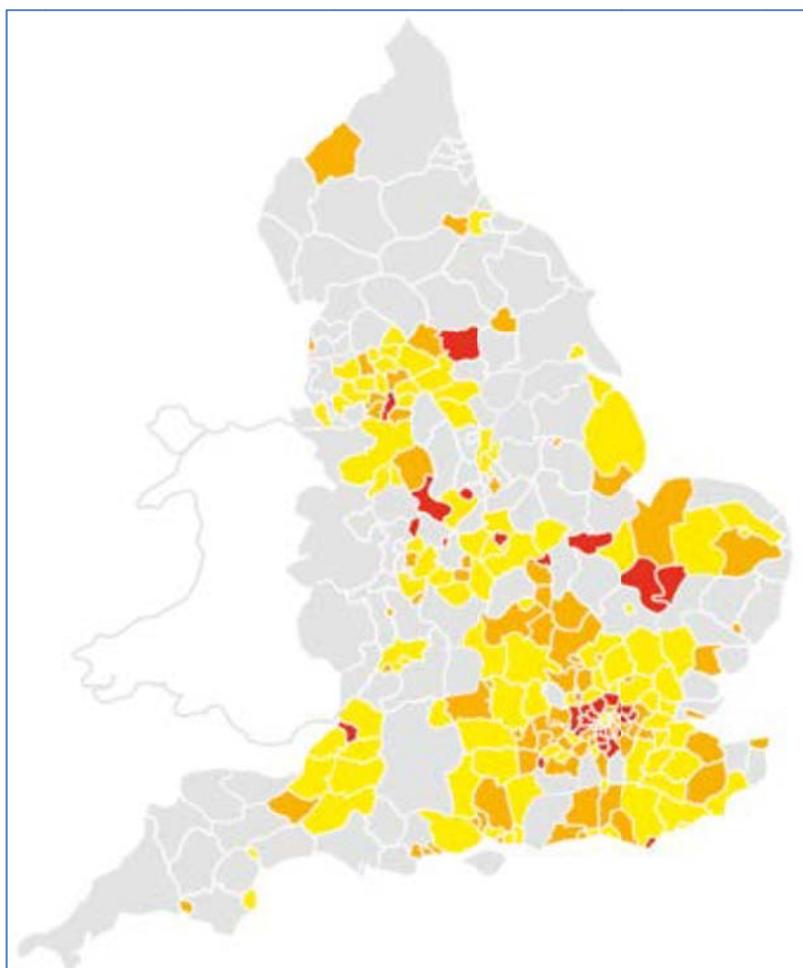
## Demography and Demand for New School Places

The need for school places has increased in recent years, reversing previous trends. The number of children starting primary school is directly linked to the number of children born five years earlier. Throughout the 1990's the birth rate declined, however between 2001 and 2011, the population of England and Wales showed the largest ten-year growth since the census began in 1801. Reasons for this include an increase of 6% in the number of

childbearing women since 2003 and women who postponed having children in their twenties in the 1990's having children in the 2000's. Nationally the effect of the increased births has been a 16% increase in the number of children starting reception class since 2006. In Bristol the figure is almost twice the national average at over 30%.

The challenge for local authorities prior to 2009 was to remove excess capacity. The challenge since is making sure there are sufficient places.

In forecasting pupil places, the Government assumes that each authority needs a minimum surplus of 5% to ensure some parental choice and to allow operational flexibility. The following heat map produced by the NAO in 2012 shows (the dark shaded areas) those areas with a projected shortfall of greater than 5%:



To meet their responsibilities the DfE and local authorities need accurate forecasts of expected pupil numbers. Authorities make annual returns, the school capacity survey, to the DfE which include forecasts of expected pupil numbers in primary schools for the next five years and the next seven years in secondary schools. This detailed and complex forecasting and modelling is undertaken by the Pupil Place Manager within the People Directorate.

## Investment Need

The Bristol City School Organisation Strategy has been produced to address the implications of the City's growth. The following table summarises the investment need identified in the October 2013 School Organisation Strategy. This data is currently being updated:

<b>Early Years</b>	<ul style="list-style-type: none"><li>• The provision of an additional 1,245 part time places for 2 year olds from September 2014</li><li>• The provision of a minimum of 370 additional places for 3 and 4 year olds from September 2014</li></ul>
<b>SEN</b>	<ul style="list-style-type: none"><li>• Autistic Spectrum Disorder – 70 additional places in the South and East Central areas of the City</li><li>• Behavioural, Emotional and Social Disorder – 30 additional places in relation to special school provision, as well as an improved range and availability of alternative provision for permanently excluded pupils. Predominantly in the East and Central areas</li><li>• Capital improvements to a number of existing premises to ensure significant suitability issues are addressed and that these schools can continue to maintain current places in the light of pupils with increasingly complex needs.</li></ul>
<b>Primary</b>	<p>The provision of an additional 23 forms of entry at the primary age range (4,830 places in total) by September 2017, phased as follows:</p> <ul style="list-style-type: none"><li>• 2014 - 8 Forms of Entry</li><li>• 2015 - 12 Forms of Entry</li><li>• 2016 - 20 Forms of Entry</li><li>• 2017 - 23 Forms of Entry</li></ul>
<b>Secondary</b>	<p>Although there are sufficient secondary school places across the City to 2017, the primary pupil numbers which will move through the year groups are significantly greater than the numbers currently available in secondary schools. For example, there are approximately 4,000 places in Year 7 (the first year of entry to secondary school) and there are more than 5,000 pupils in the Reception Year (the first year of entry to primary school). An action during the next 12 months is, therefore, to start discussions with secondary schools and education providers to ensure that there is a long term strategic plan to meet needs which will arise beyond 2017.</p>

## Funding New School Places

The Government provides funding for new pupil places through an annual Basic Need allocation. Basic need funding allocations are based on data provided by local authorities through the Schools Capacity (SCAP) survey. This is a statutory collection of school-level data on school capacity and local authority pupil forecasts. The data collected allows the Education Funding Agency and the department to identify those areas where there are pressures on school places and where significant shortfalls of places are anticipated. The projections of pupil numbers are used to calculate the amount of basic need funding local authorities should receive, enabling them to provide enough school places to meet future demand.

In 2013 the DfE provided additional funding for school places in areas where they are most needed, the Targeted Basic Needs funding. The Council was successful in securing £29m from this allocation.

Total DfE funding for new pupil places (Basic Need plus Targeted Basic Need) for the period 2011 – 2016 totals £139m. The investment need identified over the same period is £253m.

The DfE assumes that local authorities will meet the difference between the actual costs and the funding it provides. Local authorities required contribution therefore varies depending on the level of DfE funding and the actual costs of providing places. The DfE planning assumption is that local authorities would contribute 20% towards the cost of new places.

BCC has committed £30m of maintenance funding together with £20m of prudential borrowing to finance new places. This represents 26% of the secured funding.

In the short to medium term, this means that the Council can progress with a number of schemes. However, the funding profile is such that there would, based upon current estimates, be a capital funding shortfall from 2016.

The following table illustrates the position reflects the latest spend forecast:

	Prior Yr £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Spend Profile	65	65	93	30	253
Funding:					
Basic Need Grant	44	62	29	4	139
Other Grants	21	3	3	3	30
Borrowing	0	0	20	0	20
Total Funding	65	65	52	7	189
<b>Funding Gap</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>23</b>	<b>64</b>

The Prudential Code for capital investment is the statutory framework within which capital investment decisions are made. As part of the capital programme development, an affordable borrowing limit was agreed which set the funding envelope available for capital investment. With regard to self-funding the options are:

- (i) Re-prioritise current capital programme investment
- (ii) Generate additional capital receipts over and above those already taken into account in setting the existing programme (challenging capital receipt targets are already taken into account)
- (iii) Identify opportunities for securing additional grants (limited) or look at Section 106/Community Infrastructure Levy (CIL). The Government has retained £300m centrally to allocate in 2015-17 to support local authorities facing significant and unexpected increases in pupil numbers.
- (iv) Create additional headroom within the revenue budget for additional borrowing. Annual debt financing costs are around £70,000 for every additional £1m of borrowing.

With regard to capital receipts, in accordance with the Council policy, these are treated as a corporate resource unless specifically earmarked by legislation (e.g. school playing fields) or Council decision. Receipts generated from disposals prior to 2009 were reinvested in pupil places. This may have involved the demolition of buildings in order to maximise receipts from cleared sites or to create the space for new build where this demonstrated value for money. Part of the reason for the relatively high cost of pupil places in Bristol is the availability of space for new build in what are often constrained sites.

Local authority planning decisions are affected by the certainty they have over funding levels as some solutions have long lead times.

The revenue implications of additional school places in relation to Local Authority maintained schools impact upon the Dedicated Schools Grant. As a consequence, such matters are referred to the local Schools Forum. In the case of Academies, the Education Funding Agency is responsible for agreeing revenue funding.

In relation to SEN provision, there is a correlation between special school places and home-to-school transport. Having more special school places closer to where students live has the potential to reduce transport costs. £14m of the funding gap relates to SEN. The data underpinning these estimates is less robust than other pupil forecasts and is currently being fundamentally reviewed.

The risks involved in not funding the deficit include not meeting the Councils statutory responsibilities and not being able to satisfy parental choice. A further complication is Free Schools and Academies and future decisions on their capacity and growth.

### **Progress to date**

In April 2014 the DfE published scorecards to show the progress each local authority in England has made in providing new primary school places between the academic year 2009 to 2010 and the academic year 2012 to 2013. The scorecards also show local authorities plans to meet demand for new school places by September 2015, along with details of the quality and cost of new places created to date. The Council's scorecard is attached at Appendix 2.

Key points:

Quantity – the Council has plans to meet school place demand in 2015/16 (but does not indicate that this will be only achieved if additional funding identified).

Quality – 80% of new pupil places are in schools that are good or outstanding (slightly above national average)

Cost – the vast majority of new pupil places are in permanent buildings in existing schools. However the data indicates that the cost of these places (based on projects delivered between 2010/11 and 2012/13) was over 80% higher than the all England average.

In September 2013, the following actions were identified to start to address the funding gap:

- To reduce project costs

The Council is now working through the LEP framework to ensure costs are minimised. In addition a consultant has been employed to explore opportunities to drive costs down further. The LEP arrangement also mitigate and minimises risk, e.g. from unexpected costs such as asbestos or site contamination

- To maximise external grant funding

Opportunities to secure more grant funding are limited unless the DfE provide additional funding for basic need. The Council continues to redirect maintenance grant towards new pupil places (reducing the gap by a further £7m from that reported last year)

- How the Council uses its wider asset base

The Council continues to consider existing surplus land and assets for school provision, e.g. surplus residential homes. There is of course an opportunity cost for that asset or a real cost if the income from the sale of those assets has already been committed to fund re-provision elsewhere in the capital programme.

#### **Consultation and scrutiny input:**

##### **a. Internal consultation:**

Strategic Directors, Service Directors and the finance team.

##### **b. External consultation:**

Not applicable

#### **Other options considered:**

No other options are considered prudent at the present time.

#### **Public sector equality duties:**

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

#### **Environmental checklist / eco impact assessment**

Not applicable.

#### **Resource and legal implications:**

##### ***Finance***

##### **a. Financial (revenue) implications – Service Director - Finance:**

As set out in the Report.

##### **b. Financial (capital) implications:**

Set out within the report.

##### **c. Legal implications:**

Not applicable for this report

**d. Land / property implications:**

Not required for this report

**e. Human resources implications:**

Not applicable for this report

**Appendices:**

Appendix 1 LGA funding for school places research;

Appendix 2 Primary School Places, Bristol

**Background Papers**

School Organisation Strategy, Cabinet Report 31 October 2013

[https://www.bristol.gov.uk/committee/2013/ua/agenda/1031\\_1800\\_ua000.html](https://www.bristol.gov.uk/committee/2013/ua/agenda/1031_1800_ua000.html)

Resources Scrutiny Commission Report September 2013

National Audit Office Report, Capital Funding for New School Places, March 2013

### **Councils warn of £1bn shortfall in funding for new school places LGA media release 27 August 2014**

Council budgets are plugging a national 'black hole' of at least £1 billion in school places funding, town hall leaders are warning today. Research reveals councils have abandoned building projects, cut back on school maintenance and borrowed money in order to pay for a school place for every child.

New LGA research released today shows more than three-quarters of councils who responded to an LGA survey did not receive enough Government money to create the extra school places needed in their area between 2011/12 and 2016/17. To make sure no child has been left without a place, councils borrowed money, used cash earmarked for other building programmes or created places with money intended to be spent on renovating crumbling school buildings and classrooms.

The LGA research lays bare the scale of the problem in funding for school places, which council leaders say is too big to be effectively funded at a local level. Instead, councils are calling for Government to fully fund this national black hole. The LGA is also calling for the Government to hand back the full set of powers needed to fulfil this statutory duty.

In some areas of England, particularly in London and the Southeast, changing demographics and an increased birth rate have led to particular pressures on school places.

Last year, councils created an additional 90,000 primary places, but LGA analysis revealed a further 130,000 would still be needed by 2017/18, while 80,716 new secondary places will be needed by 2019/2020.

Going to extraordinary lengths to ensure there is a place for every child, councils have added extra classes, using temporary buildings and in one case even put a playground on a roof.

Through collaboration with all schools in the area councils have created thousands of school places, but more are still needed.

The LGA asked councils if cash provided by the Department for Education had met the full cost of providing school places between 2011/12 and 2016/17. Some 77 per cent of respondents said the money had not been enough. These councils got money from a range of sources including:

- 38 per cent borrowed money
- 67 per cent used money from developers
- 22 per cent took money from other building programmes
- 50 per cent used cash from other school capital programmes, such as school building maintenance.

Individual authority breakdowns include:

- The London Borough of Ealing has added £129 million to its Government funding for school places. This includes £114 million from prudential borrowing, £11 million of funding from other capital budgets and £4 million from partnership, Section 106 and revenue funding.
- The London Borough of Hillingdon has added £114 million to its government funding for school places: £92.9 million from prudential borrowing and £21.7 million from developers.
- The London Borough of Barnet has added £70.87 million to its Government funding for school places.
- One council has added £125 million to its Government funding for school places, with additional funding from capital receipts, prudential borrowing, developers, diverting capital from other capital programmes and from the revenue account.
- One local authority in the north has added £81.5 million to its Government funding for school places.

Cllr David Simmonds, Chairman of the LGA's Children and Young People's Board, said:

*"Mums and dads expect their child to be able to get a place at a good local school and this research shows councils are delivering, but at a cost. Since the pressure on places first emerged, councils have been getting on with the job of creating more, and welcome though Government funding is, it is nothing like the full cost.*

*"This research lays bare the financial impact on councils of providing school places, which stands at more than £1 billion over a five-year period.*

*"The scale of this black hole is such that the cost of the creation of new school places cannot be met by council taxpayers. The underfunding of free school meals pales in comparison to this but both show that Government's rhetoric must be matched by its cheque-book, rather than leaving local authorities to pick up the tab.*

*"The lack of school places is no longer confined to primary schools but is spreading to secondary schools, and across the country we estimate more than 200,000 places will be needed.*

*"Councils face a challenge to create places on time and in the right areas, in a climate where they are also short of money to do so. Additionally, much of the decision making about new school places rests in the hands of the Government, whose funding for school places came too late. As a consequence, councils are carrying a billion pounds worth of costs which has come from other areas.*

*"The Government should budget for enough money to ensure something as vitally important as providing school places is not funded from other areas. This is an investment in the future which will benefit us all."*

The LGA is also calling for councils to be given a single capital 'pot', with an indicative five-year allocation to mirror the next Parliament, to enable councils to plan creating school places effectively; councils to be given the powers to create new schools and work locally

to find the best academy provider, if this is the preferred choice, and to be given a greater role in judging and approving free school proposals.

In December, the Government committed £2.35 billion to provide places up to 2017, but local authorities still face problems because there is not enough money to fund them or not enough space available to build. Government figures estimate the cost of providing a single place is £15,430.

As well as having to pay for new school places, councils have to pick up the cost of additional work, such as removal of asbestos, when the Education Funding Agency pays for new buildings under the Priority Schools Building Programme, which does not cover the full cost of works.

The shortfall in money provided for school places comes as the Government has pledged more than £1 billion in funding for free school meals for infant children. Last week, LGA research found capital funded from government to build kitchens was at least £25 million short.

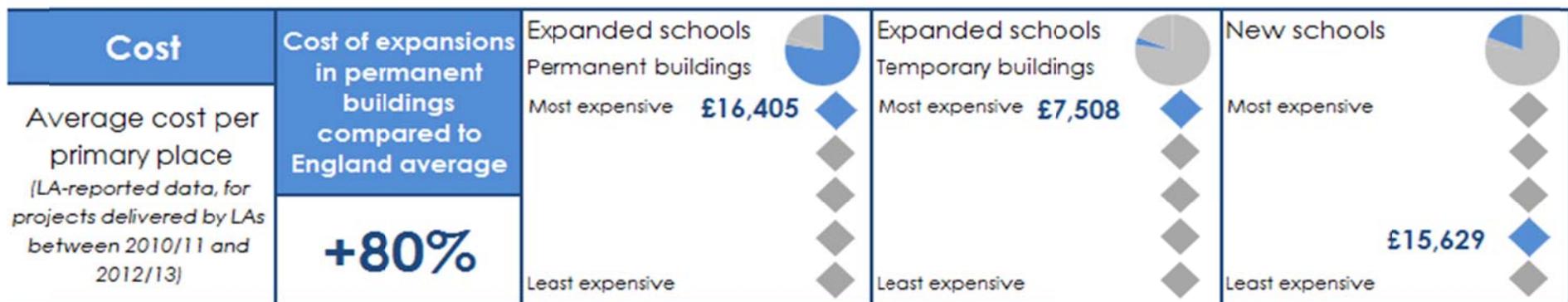
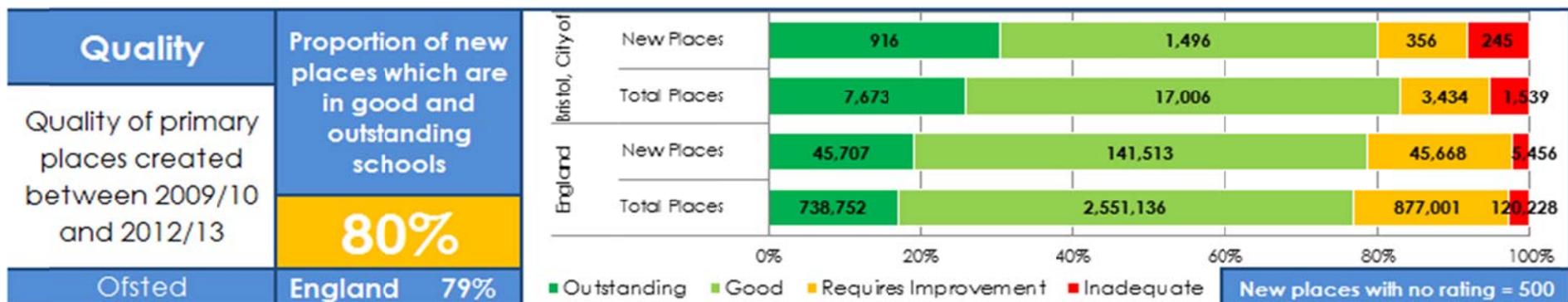
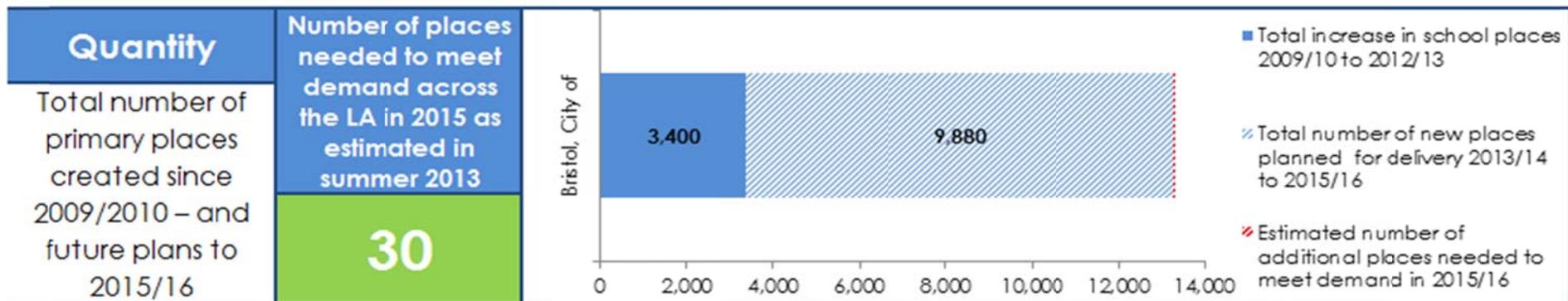
### **Notes to editors**

The LGA conducted an online survey of chief finance officers in the 150 single and upper-tier English councils in LGA membership. The survey was open between 20 June 2014 and 6 August 2014, achieving an overall response rate of 53 per cent. A full report will be published in September. - See more at: [http://www.local.gov.uk/web/guest/media-releases/-/journal\\_content/56/10180/6467602/NEWS#sthash.eEaoY94Z.dpuf](http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6467602/NEWS#sthash.eEaoY94Z.dpuf)

The LGA's survey found:

- 77 per cent of respondents have not received from the Department for Education the full cost of providing the new school places needed in their authority area between 2011/12 and 2016/17.
- The total amount of money survey respondents reported they were short by was £1,062,086,377. The total shortfall across England is likely to be higher.

Primary places	Local authority	Bristol, City of	Increase in pupil numbers 2009/10 to 2015/16 (see notes)	30%	Total basic need allocation 2011-12 to 2016-17	£139m
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The data was collected in summer 2013 and reflects the position at the time. This is the first time that LAs have provided data on the cost of new places and their future plans to create places. As with any new data collection, there may be inconsistencies in the data. See the technical annex for methodology and assumptions used for each measure.