Appendix B – Capital Funding Annex

1.1 Key Facts

- By 2030 Staffordshire is expected to see significant growth with a minimum of 59,457 new homes planned to be built.
- We project that demand for mainstream school places will require another 12,500 more primary places and 8,000 secondary places.
- Although more schools will be enlarged rather than created, the extra demand forecast is equivalent to 29 new 420-place primary schools and six new 1,400 place secondary schools.
- Investment in new infrastructure to create the required mainstream school places will cost in the region of £350m over the next 15 years. This figure excludes any associated land, highways and other costs and does not include the need for additional special school, early years and other provision.
- Of the new 59,457 new homes, approximately half will be constructed at strategic sites that are identified in the local plans. The remaining homes will be built at smaller sites (many are yet to be identified and allocated), or as 'windfall' sites from brownfield or small scale 'infill' development.
- The planned distribution of new homes across the County involves strategic urban extensions to each of the 13 major urban areas (towns) and complemented by appropriate scale village expansion.

1.2 Challenges

- Provide opportunities and choice for pupils to access education.
- Ensure that the right number of school places is provided in the right location at the right time.
- Secure an attractive, diverse and sustainable network of provision that forms an efficient and effective local offer.
- Ensuring sufficient contributions from central government and - in partnership with district and borough councils - from housing developers.
- Cashflow implications for the county council as the receipt of funding typically lags behind the need for capital spend.
- Manage the cost of extending existing schools and building new schools
- Ensure that the land needed to create new schools (or to extend existing schools) is allocated in the district and borough councils' Local Plan.
- To provide new school places at locations that enable sustainable travel choices and behaviours (walking, cycling and public transport).
- Identify implications for special schools, specialist and alternative provision and early years and childcare.
- Manage the uncertainty and complexity in terms of the housing market in each area of the county, the receipt of capital funding from government and developers, changes in parental preference and school performance, births and inward and outward migration, new government legislation and policy, building costs, the increasing number of autonomous academies, introduction of Community Infrastructure Levy, etc.

1.3 Introduction

Local authorities are statutorily responsible for ensuring that there are sufficient schools, and therefore school places

Local authorities assess demographic changes and plan and finance new school places, including using funding provided by the Department for Education (the Department), from housing developers and other resources. Figure 8 (Section 1.9) summarises the respective roles and responsibilities in providing school places

There is a range of possible solutions to provide new places, mainly:

• building new schools;
• permanent or temporary extensions; or
• using or converting existing spaces for use as classrooms

Local authorities rely on cooperation from individual schools to expand existing provision. An authority can technically direct the expansion of community and voluntary controlled schools, but not others. There are legal limits on the size of infant classes, and space on existing school sites may be constrained. For children required to travel more than either two or three miles, depending on their age, to school, authorities must arrange transport at no charge to parents.

1.4 Population Growth

The rise in children born in England between 2001 and 2011 was the largest 10 year increase since the 1950s and increased demand for primary school places. Between 2006/07 and 2011/12, the number of children starting in reception classes in primary school increased by 16% to 606,000. By 2023, the number of pupils in state funded primary schools will increase to 4.661 million, 9% higher than in 2014.

The increases in primary pupil numbers will start to flow through into secondary schools from 2016. By 2023, the number of state-funded secondary pupils aged up to and including 15 is projected to be 17% higher compared to 2014.

Over the last five years in Staffordshire, around 2,200 new primary school places and over 200 secondary school places have been created through schools maximising use of existing accommodation but also through capital investment of £33m.

We project that demand for mainstream school places will require another 12,500 more primary places and 8,000 secondary places. There will also be increased demand for places in special schools, specialist provision and early years and childcare.

1.5 Funding of school places

The Local Government Association (LGA) estimates a £12bn cost to create 900,000 extra school places over the next ten years. Recent research search from EC Harris indicates a cost of £18bn. Whatever the figure the sums involved are significant.

Whilst the Department makes a substantial financial contribution to schools' and local authorities' costs to maintain and expand places (around £5bn over the life of the current parliament), it assumes that authorities meet any difference between actual costs and the funding. On average, local authorities reported making an average contribution in 2012-13 of 34 per cent. Staffordshire, like two-thirds of all local authorities, has drawn on other sources of funding to finance new places, including contributions from housing developers. Many local authorities have had to use maintenance funding provided separately by the Department, potentially storing up future costs by deferring repair work.

As well as having to pay for new school places, councils have to pick up the costs of associated work, such as highway and access improvements, acquisition of additional land, satisfying Sport England requirements, removal of asbestos, upgrading ICT, electrical and heating systems, etc.
The Coalition Government policy relevant to this plan period from 2014 includes the 2014 to 2017 'Basic Need' allocations. The grant formula is complex but essentially is based on a three year settlement determined by the relative demand for places across all the upper tier local authority areas in England. A sum of £21m was allocated to Staffordshire for this three year period. Figure 1 provides details.

Included within the totals in Figure 1 are two allocations totalling £6m across 2013/14 and 2014/15 made under the 'Targeted Basic Need Programme' where additional funding for school places was provided in areas where they are most needed. Local authorities were invited to bid for funding for new schools, or to expand existing outstanding and good schools. The level of need was the main factor taken into account within the Targeted Basic Need Programme assessment, but other factors included how readily the project could be delivered, and how the local authority had used other capital funding to address basic need. Applications to expand existing schools were only considered for outstanding or good schools. It is not known whether this programme will be repeated.

Figure 1: Total Basic Need allocations from central government

Settlement Year (financial)	Amount
2011/12	£16,987,346
2012/13	£27,845,479
2013/14	£8,743,649
2014/15	£11,249,587
2015/16	£8,120,689
2016/17	£8,526,723
2017/18	£4,378,573
Seven Year Total	**£85,852,046**
Seven Year Average p.a.	£12,264,578
Three Year Total	**£21,025,985**
Three Year Average p.a.	£7,008,662

Central government funding for Basic Need is provided through the Education Funding Agency (EFA) (an executive agency, sponsored by the Department for Education). When assessing the level of Basic Need required the EFA assume that additional funding for places created as a result of new housing will be received from housing developers in the form of planning obligations.

Planning obligations (or "section 106 (s106) agreements") are an established and valuable mechanism for securing planning matters arising from a development proposal. Developer payments contribute to the provision of infrastructure or refurbishment of existing provision to support the additional burden new development makes on both local and strategic infrastructure. Figure 2 provides details of Section 106 payments received by the county council over the last seven years.

Figure 2: Planning obligations received from developers

Settlement Year (financial)	Amount
2008/09	£719,362
2009/10	£241,353
2010/11	£830,911
2011/12	£759,618
2012/13	£541,731
2013/14	£1,052,868
2014/15	£1,356,144
Seven Year Total	**£5,501,987**
Seven Year Average p.a.	£785,998
Three Year Total	**£2,950,743**
Three Year Average p.a.	£983,581

Planning obligations have, however, been criticised by some for delaying the planning process and for reducing its transparency, certainty and accountability. The Community Infrastructure Levy (CIL) regulations have changed the developer payment landscape by introducing the levy and also by changing when councils can seek s106 obligations. In theory, money for infrastructure through charging nearly all new development from CIL - a little from almost everyone, is supposed to be fairer. CIL is set out in a schedule based on evidence (so more transparent) and developers have certainty.

However, in practice, CIL rates per new home are often two to three times lower in value than the equivalent s106 payments. New education provision can typically cost between £8,000 to £15,000 per new home (depending on land value and other variances in development cost) and the viability of development from many strategic greenfield type sites can bear this amount and secured by way of a s106 agreement. CIL is based on £ per square metre on net additional (internal) floorspace. For a typical three bed room home of $85m^2$ and a CIL rate of £50/m^2, this would generate a developer contribution of £4,250 per home.

Furthermore, whilst s106 contributions are negotiated and secured through the Local Planning Authority (LPA) with payments passed directly from the developer to the County Council, CIL receipts are paid directly to the LPA and a proportion (25%) is passed to areas that have an adopted Neighbourhood Plan (often the Town and Parish Councils).

It is envisaged that as each of the LPAs adopt a CIL Charging Schedule from 2015, it will form part of a mixed s106/CIL infrastructure funding strategy, with limited pooling of s106 applicable to large strategic sites and CIL contributions taken from the small to medium sized sites.

Funding required for new education infrastructure via CIL is determined by the LPA (and Town/Parish Council where relevant) who have to make judgements on how best to allocate spending against a number of competing priorities. These might include the need for a new doctor's surgery, village hall, transport or public realm improvements and sports facilities such as leisure centre and playing field provision.

Neither the Department for Education (DfE), Department for Communities and Local Government (DCLG) or the Education Funding Agency (EFA) have provided any guidance to Local Authorities around expectations for CIL specifically in relation to education infrastructure and the LPA will have competing priorities for funding new infrastructure.

1.6 Housing growth to 2030

The published Local Plan for eight LPA in Staffordshire will set out the development needs for the area over the next 15 to 20 years. By 2030 Staffordshire is expected to see significant growth with 59,457 new houses planned to be built. The local plans set out a strategy for the quantum and distribution for the provision of new homes.

The planned distribution of new homes across Staffordshire involves strategic urban extensions to each of the 13 major urban areas (towns) and complemented by appropriate scale village expansion. Of the new 59,457 new homes required, approximately half will be constructed at strategic sites that are identified in the local plans.

The remaining homes will be built at smaller sites (many are yet to be identified and allocated), or as 'windfall' sites from brownfield or small scale 'infill' development.

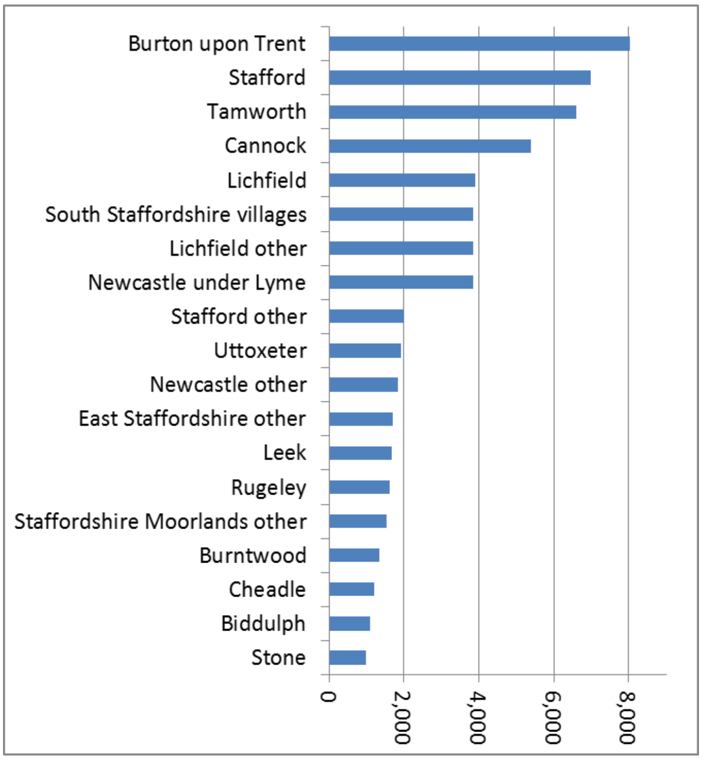
Figure 3 details the distribution of new homes by each LPA area (i.e. by District/Borough) and Figure 4 provides a breakdown by each of the 13 towns along with a balancing total for the other settlements.

Figure 3: New home requirements in Local Plans

Local Planning Authority	Total Housing Allocations
Cannock Chase	5,895
East Staffordshire	11,648
Lichfield	10,244
Newcastle	5,700
South Staffordshire	3,863
Stafford	10,000
Staffordshire Moorlands	5,510
Tamworth	6,597
Staffordshire Total	**59,457**

There are 35 large (@200+ homes) strategic development allocations (SDAs) identified within the Local Plans that account for 25,685 (43%) of the 59,457 of the new housing requirements identified in the Local Plans.

Figure 4: Distribution of homes by Town & Village



The Size and Location of the SDAs are presented in Figure 5a alongside the quantity of new homes that will be built at Non-SDA sites by each LPA area in Figure 5b.

Figure 5a: SDAs & Non-SDAs homes by LPA area

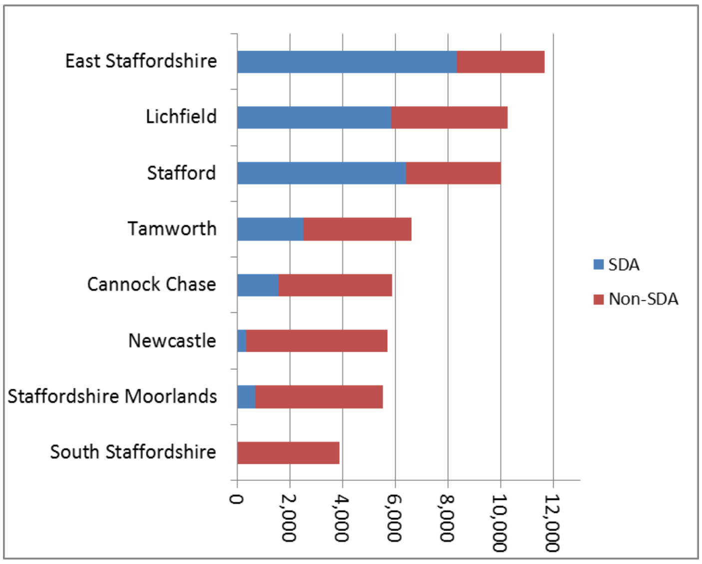


Figure 5b: Location and number of homes on Strategic Development Allocation sites (SDAs)

LPA	Strategic Housing Development Allocation > 250 Hhlds	No.	Rank
Cannock Chase	Pye Green SDA	900	9
	Norton Canes SDA	670	13
East Staffordshire	BoT - Branston Depot	483	
	BoT - Bargates / Coors High St	350	
	BoT - Coors Hawkins Lane	300	
	BoT - Derby Road	250	
	BoT - Pirelli	300	
	BoT - Land South of Branston	660	14
	BoT - Branston Locks SDA	2,580	2
	BoT - Tutbury Road/Harehedge	500	
	BoT - Beamhill	950	8
	BoT - Forest Road	300	
	BoT - Redhouse Farm	250	
	Uxr - JCB	257	
	Uxr - West of Uttoxter SUE SDA	750	10
	Uxr - Hazelwalls	400	
Lichfield	South of Lichfield SDA - Shortbutts Lane	450	
	South of Lichfield SDA - Cricket Lane	450	
	South of Lichfield SDA - Deans Slade Farm	450	
	East of Lichfield SDA - Streethay	750	10
	East of Burntwood Bypass SDA	375	
	East of Rugeley SDA	1130	5
	North of Tamworth BDL	1000	7
	Fradley SDA	1250	4
Newcastle	Apedale South, Chesterton, (NUC)	350	
South Staffordshire	N/A	-	
	N/A	-	
Stafford	Stafford - West SDA	2,200	3
	Stafford - East SDA	600	15
	Stafford - North SDA	3100	1
	Stone - West SDA	500	
Staffordshire Moorlands	Biddulph - West of Bypass SDA	280	
	Cheadle - North & NE SDA	400	
Tamworth	Anker Valley	510	
	Golf Course	1100	6
	Dunstall Lane	700	12
	Coton Lane	190	
	Staffordshire SDA Sub-total	**25,685**	
	Staffordshire Total	59,457	
	Proportion of SDA:Total Hhlds	**43%**	

It is anticipated that the SDAs, as necessary, will provide sufficient land where a new school is needed and significant financial contributions towards the provision of additional school places related to the housing development.

1.7 Funding Scenario

An investment of around £350m is forecast to be required over the next 15 years from 2015 to 2030 for mainstream school places alone. See Figure 7 in Section 1.8 for an illustrative breakdown for mainstream schools in each of the district and borough council areas. (Reviews of the impact of population growth on special school, specialist places and early years and childcare provision will identify demand for additional capacity.)

The Capital Investment Scenario in Figure 6 comes with significant caveats: other then the capital reserves held (totalling £51M) by the county council, it is difficult to estimate the amount of funding over the next 15 years from central government or from planning obligations with any certainty . The Figure, therefore, provides an illustration of the funding challenge and gap to be managed for the provision of more mainstream school places:

- With the County Council's Basic Need reserves of £51M and Section 106 reserves of almost £2M, the funding gap reduces from £350M to £299M.
- Assuming Section 106 contributions totalling £162M from SDAs – towards the actual cost of necessary provision – the balance falls to £137M.
- An annual basic need settlement from central government over the next 15 years ranging between £4.3M p.a. (i.e., the latest allocation for 2016/17) and £7M p.a. (i.e. the current 3-year average in Figure 1) would reduce the balance to between £32M and £72.5M.
- Spread over the next 15 years, a £32M funding gap is equivalent to £2.1m p.a. and for £72.5M is £4.8M p.a.

Figure 6: Capital Investment Scenario

Funding Source	Capital In	Cost
Staffordshire mainstream total		£350M
Basic Need reserves 2014/15	£49M	
S106 reserves 2014/15	£2M	
Sub-total		£299M
S106 from SDAs 2016-2020	£54M	
S106 from SDAs 2021-2025	£54M	
S106 from SDAs 2026-2030	£54M	
Sub-total		£137M
Basic Need 2016-2020	£21.5M to £35M	
Basic Need 2021-2025	£21.5M to £35M	
Basic Need 2026-2030	£21.5M to £35M	
Capital funding gap based upon above assumptions		**£32M to £72.5M**

With the above assumptions and caveats, the county council would need to fund a capital gap of between £32M and £72.5M from its own resources, from larger contributions from central government and from planning obligations from smaller housing developments.

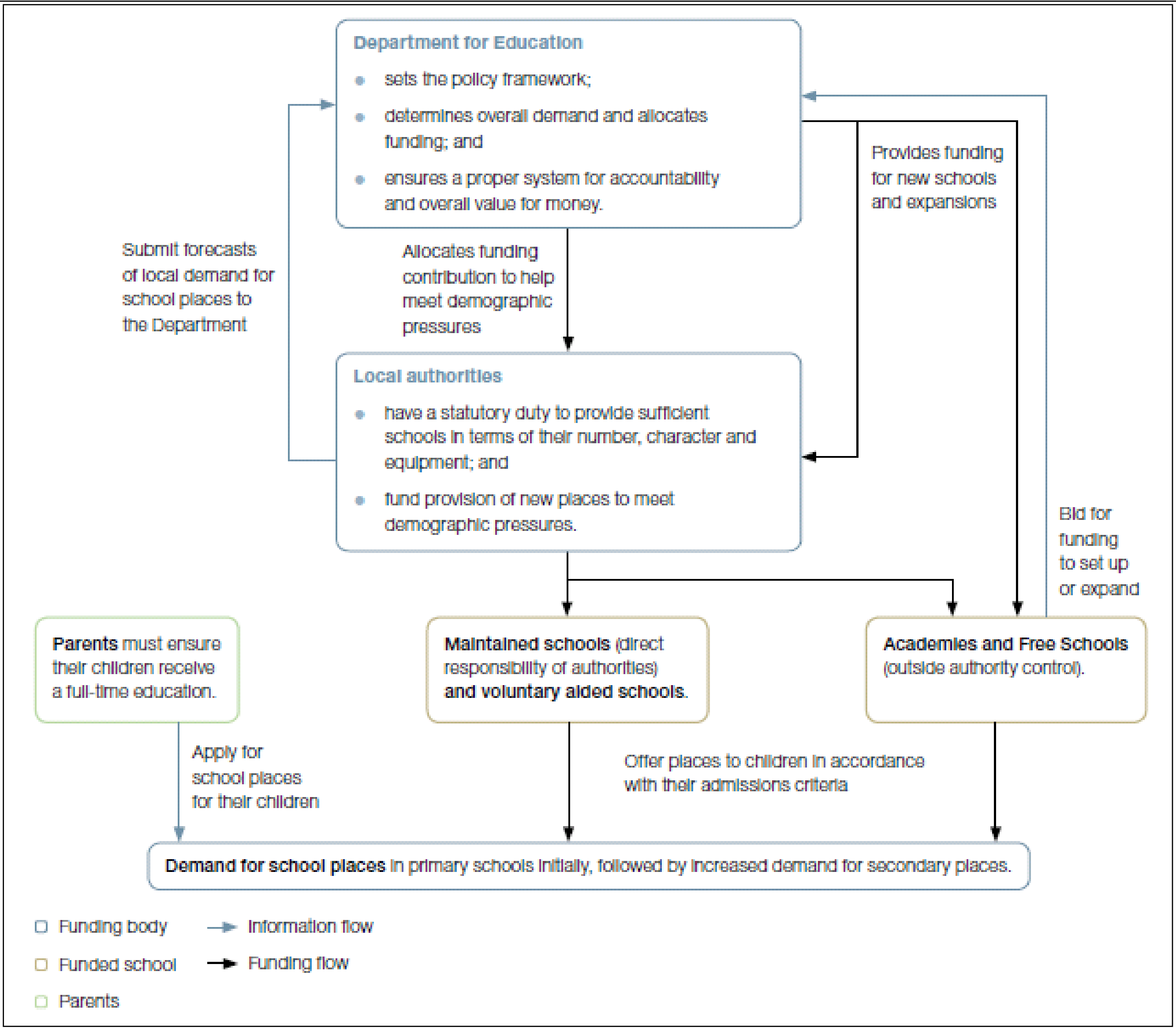
1.8 New Mainstream School Places

Figure 7: Projected number of additional mainstream school places required together with indicative capital costs (excluding any land, highways and other costs)

PLACES ADDED IN THE PAST 5YEARS		POTENTIAL GROWTH REQUIRED IN NEXT 15 YEARS
Cannock Chase District		
40	Primary Mainstream Education	1,080
0	Secondary Mainstream Education	0
£0.4M	Capital invested in new school places	£17M
East Staffordshire Borough		
1,198	Primary Mainstream Education	3,258
225	Secondary Mainstream Education	3,323
£29.5M	Capital invested in new school places	£132.5M
Lichfield District		
210	Primary Mainstream Education	1,680
0	Secondary Mainstream Education	1,260
£0.1M	Capital invested in new school places	£49.5M
Newcastle Borough		
135	Primary Mainstream Education	988
0	Secondary Mainstream Education	270
£1M	Capital invested in new school places	£14.5M
South Staffordshire District		
15	Primary Mainstream Education	345
0	Secondary Mainstream Education	90
0	Capital invested in new school places	£5.5M
Stafford Borough		
377	Primary Mainstream Education	2,389
0	Secondary Mainstream Education	1,320
£1.3M	Capital invested in new school places	£66M
Staffordshire Moorlands		
35	Primary Mainstream Education	700
0	Secondary Mainstream Education	660
£0	Capital invested in new school places	£26.5M
Tamworth		
167	Primary Mainstream Education	2,117
0	Secondary Mainstream Education	1,080
£0.7M	Capital invested in new school places	£42M
Staffordshire Total		
2,177	Primary Mainstream Education	**12,557**
225	Secondary Mainstream Education	**8,003**
£33.10M	Capital invested in new school places	**£353.5M**

1.9 Roles and Responsibilities in providing school places.

Figure 8: Roles and responsibilities in providing school places.



Source NAO, Capital funding for new school places, March 2013 http://www.nao.org.uk/wp-content/uploads/2013/03/10089-001_Capital-funding-for-new-school-places.pdf

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