

CABINET – 21 February 2017

FINANCIAL & RESOURCE CONTRIBUTION TOWARDS THE SWAN FREE SCHOOL PROJECT IN OXFORD

Report by Director for Children's Services and Strategic Director for Communities

Introduction

1. Following significant growth in the size of the primary school age population in Oxford the same is now being observed in the secondary school phase as larger cohorts of children transfer between the two. As well as the impact of an increased birth rate in previous years, the growth in the number of secondary age pupils can in part be attributed to additional housing in the city. The new Barton Park development will be a significant contributor to this source of growth. Forecasts indicate that by September 2019 at least 100 more secondary school places per year group will be required, rising to 200 by September 2022.
2. The Council has a statutory duty to ensure that there are sufficient state funded school places and receives formulaic 'Basic Need' grants from central government to support this duty. However these are only sufficient to cover underlying demographic growth. The Council therefore seeks to secure financial contributions (and new school sites where the extent of housing justifies this) from housing developers. The Council has entered into an agreement (a 'Section 106 agreement') with the developer of Barton Park which has enabled it to fund an expansion of Cheney School which will help to meet some of the growth in demand for secondary school places. However, there remains a need to create further school places and a financial contribution toward these has been agreed.

The Swan Free School

3. The Department for Education (DfE) has approved a proposal to create a new secondary school in Oxford. This will be delivered as part of the DfE's Free School programme which consists of sponsors bringing forward proposals that will help to meet 'Basic Need' and unmet parental demand for high quality school places. The sponsor is the River Learning Trust which already operates three Oxfordshire secondary schools: The Cherwell School (in Oxford), Wheatley Park and Chipping Norton.
4. The capital costs of Free Schools delivered through this programme are met by the DfE as are the pre-opening and post-opening diseconomy of scale revenue costs. In contrast, all the capital costs associated with new schools delivered by the Council have to be met by the Council, whether from 'Basic Need' grant, developer contributions or Council resources. At present, with the

agreement of Schools Forum, a proportion of the Dedicated Schools Grant has been set aside to meet the revenue costs, although it is currently unclear whether this will be possible once a new national schools funding formula has been introduced. The Council has a stated policy of supporting all types of academy, including Free Schools (Cabinet, February 2012).

5. The Swan Free School will be an 11 - 18 comprehensive which will initially provide 120 places in Year 7 (September 2019) adding a year group each year until it covers Years 7 to 11. In line with the growth in the secondary age pupil population subsequent intakes to Year 7 will increase to 180, giving an eventual total of 900 places for 11 - 16 year olds. There will also be a sixth form which may share facilities and courses with The Cherwell School.
6. Following an extensive search for potential sites for The Swan School, the DfE has identified The Harlow Centre site in Marston as its preferred and, indeed, only viable location for a September 2019 opening. The site was previously occupied by the Marston Middle School but now houses Meadowbrook College (formerly a Council maintained pupil referral unit, also known as 'Alternative Provision'), the Oxfordshire Hospital School and a Council children's disability team. The Council owns the freehold of the site and buildings, the majority of which is leased to the Radcliffe Academy Trust (a 125 year peppercorn), with part of one of the buildings sub-leased back to the Council for the two other users. In due course the Oxfordshire Hospital School will become a sponsored academy.
7. In order for The Swan School to be constructed in time for a September 2019 opening (by when there will be a need for additional secondary school places) the DfE requires 'vacant possession' of all the buildings and the majority of the Harlow Centre site by the end of the current, 2016-17, academic year. It will therefore need to provide interim temporary accommodation for Meadowbrook College whilst new permanent accommodation is re-provided on the site. The Council is seeking to identify a temporary location for the Oxfordshire Hospital School whilst a new permanent location for it is also provided. The Council will need to provide alternative office accommodation for the children's disability team staff.

Financial and Staff Implications

8. The need to provide new accommodation for both Meadowbrook College and the Oxfordshire Hospital School mean that the costs of the project far exceed the standard DfE funding rates for comparably sized Free Schools. An exceptional case will therefore need to be made to ministers to release additional funding. The DfE officials with which Council officers have been working closely on the project have identified 'adding value' to the project (from a DfE perspective) as vital, and believe the securing of the freehold of the site, for a notional sum, to be the way to do this.
9. Although the Council currently owns the freehold, it is currently leased to the Radcliffe Academy Trust at a peppercorn rent for 125 years, and therefore has, for the foreseeable future, no realisable cash value for the Council.

However, if the Academy Trust re-provided the school elsewhere (as is happening with Meadowbrook College) then it can be assumed that the site (or majority of it) would be handed back to the Council. If this occurred OCC could seek to obtain planning permission for an alternative use and sell the freehold on the open market in order to obtain best value in accordance with Section 123 of the Local Government Act.

10. Planning advice confirms that (provided the school was relocated and thus satisfied the protection of “community facility” policy requirement) then the school buildings and hard play areas in the proximity of the buildings (approx. 2.2 acres) could be developed for residential, although local plan policies would most likely protect the playing fields (approximately 10.5 acres). On this basis the estimated capital receipt for the entire site is in the region of £4.6m (excluding the cost of a new access likely to be required from Marston Ferry Road). It should also be noted that if no public access to the remaining playing fields was facilitated then there may be a much longer term prospect for development of these and by transferring the freehold to the DfE this potential future value of approximately £21m would be lost.
11. Given that the DfE will be investing approx. £25m of capital costs for the construction of The Swan School and in excess of £4m for the re-provision of Meadowbrook College, it can be argued that by transferring the freehold to the DfE for a nominal £1 represents best value in terms of securing a new secondary school for the Council.
12. Even with exceptional funding agreed by ministers the project will still be financially challenging. It has been suggested that a cheaper option would be for The Swan School to offer fewer places (600 for 11 - 16 year olds) and/or not operate an independent sixth form. Both would also have the benefit of making it easier (and cheaper) to develop a design solution which would fit onto the constrained Harlow Centre site. However, fewer than 900 places would leave a shortfall of 300 places which the Council would need to provide through expansions of other existing schools in Oxford (subject to the agreement of their academy trusts).
13. The alternative to meeting the growth in demand for additional secondary school places in Oxford City would be expansions of the existing schools which are all academies. Expansions would require the explicit agreement of the relevant academy trust and on conditions, including levels of funding, over which they would have a high degree of influence. Other planned secondary school expansions have costs of in excess of £3 million to add 30 places per year group (a 'Form of Entry') i.e. 150 11 - 16 year old places. Therefore the cost of providing the 900 11-16 year old places by multiple expansions of existing schools would cost in the region of £18m (excluding the cost of additional sixth form places). All of the costs of expansions of existing schools would have to be met by the Council. By way of comparison, the new Aureus secondary school in Didcot will provide 1200 11-16 places at a cost of c. £20 million to the Council.

14. The Council made a contribution towards the construction costs of the University Technical College in Didcot as the additional secondary school capacity it delivered represented a very cost effective way for the Council to discharge its statutory duty to ensure sufficient school places. It would therefore be appropriate for the Council to make an equivalent capital contribution of £2 million towards The Swan School. On current forecasts the additional capacity brought by The Swan School should obviate the need for further Council funded school expansions in Oxford until the mid-2020s. A £2 million contribution from the Council would require an element of 'forward funding' pending the securing of the full amount of S.106 contributions from the Barton West development. Whilst this can be absorbed within the capital programme cash flow over the period of the current plan period, there is a risk that capital resources will need to be reprioritised if there are major delays in the delivery of the Barton West housing.
15. Apart from the £2 million contribution from the Council, the Education Funding Agency will meet all the other capital costs of delivering The Swan Free School, re-providing Meadowbrook College and relocating the Oxfordshire Hospital School. The Council will be financially responsible for the relocation of the Children's Disability Team that currently occupies The Harlow Centre.
16. The Swan School's construction is contingent upon the Secretary of State entering into a Funding Agreement with its sponsors. No Council resources or assets will be transferred to the DfE until such time as there is absolute certainty about the Swan School project in order that the Council is able to retain both site freehold and S.106 contributions sufficient to ensure the provision of sufficient school places. In the event that the Secretary of State declines to sign a Funding Agreement, the Council will need to reconsider its options for expanding secondary school education in Oxford although this would be challenging given that there is a need for additional school places by September 2019.

RECOMMENDATION

17. **The Cabinet is RECOMMENDED to**
- (a) **Approve the sale of the Harlow Centre site and buildings to the Department of Education for £1.00; and**
 - (b) **Make a contribution of up to £2 million towards the construction costs of The Swan School.**

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Background papers: None
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