

# Appraisal Report

Date: 13th August 2018  
To: Cabinet  
From: Strategic Finance  
Subject: Q3 Langley Academy – Phase 2 Construction

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## **Content: Appraisal Report undertaken by Strategic Finance.**

Children's Services are seeking approval to undertake the second phase of construction on Q3 Academy in Langley.

Cabinet approval was given to establish secondary school provision on the former Langley High School site in November 2013. Following completion of Phase 1 of the school, Q3 Langley Academy opened to pupils in September 2016. Site preparation work is currently underway to enable the construction of Phase 2 to commence in September 2018.

Strategic Finance has been asked to carry out an appraisal of the design and build of the project, which has been evaluated against HM Treasury Green Book Guidance. The Capital Project Appraisal Form and supporting papers have been used to undertake the appraisal.

The appraisal process recorded a score of 67%, with some areas of risk identified.

The appraisal covered the following areas:

## **Strategic Case**

The future need for additional secondary school places has been identified and is due to an increase in the birth rate since 2006. It is projected that an additional 4,800 new secondary school places will be required across Sandwell by September 2025.

The Appraisal Panel were informed that the Published Admission Numbers (PAN) for September 2019 is currently 2,480 in the

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Oldbury, Smethwick and West Bromwich areas, with demand estimated to be 2,672.

Previously approved expansion schemes at the George Salter and Shireland Academies will not provide sufficient additional places to meet demand and it is advised that even with the new proposed secondary school in West Bromwich, there will still be a shortage of school places which will require addressing.

The completion of Q3 Academy Langley will ultimately provide 1,200 school places for 11-16 year olds by September 2021, along with 300 post 16 places. Phase 1 of the project provided 150 pupil places in September 2016, with a further 240 in September 2017.

The final phase of construction was initially scheduled for completion by September 2019, but following a recent announcement from the Education and Skills Funding Agency (ESFA) that Sandwell MBC will not qualify for Basic Need capital funding in 2020/21, Phase 2 of the programme has been revised to reflect the reduction in funding.

It is now proposed that the second phase of the project will deliver a further 480 places to allow a total 1,110 places by September 2019.

A further phase of works will therefore be required in the future to provide the remaining 90 places for Year 7 and 300 post 16 places. It is unclear at this stage how and when the final phase will be delivered.

Phase 2 will deliver an additional 2,220 square metres of new build, comprising of a three storey teaching block, external sports facilities/recreational areas & car parking facilities.

Demand for school places will ultimately depend on parent preference.

The construction of Phase 2 will commence in September 2018, with completion by August 2019.

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The project will contribute to Sandwell's Vision 2030, through children receiving a high-quality education throughout their school careers, with outstanding support from their teachers and families.

## **Economic Case**

Alternative options for the provision of school places at Langley Academy were considered prior to approval of the design and build of Phase 1 of the new school. It was considered that the delivery of a new secondary school would provide the most cost effective option.

Risks associated with the project have been recognised by Urban Design & Building Services. A corporate Risk Register for the project, completed by the School Organisation Team identifies only one risk and lacks sufficient detail for a project of this size.

The freehold interest of the site is held by Sandwell Land & Property Ltd (SLaP). The academy sponsor will be granted an under-lease for 125 years.

Once constructed, the management and operation of the school will be the responsibility of the sponsors, who will be funded directly from the Education Funding Agency.

## **Commercial Case**

The design and build solution will be procured via the Council's strategic partnership agreement with Sandwell Futures Ltd. The partnership was formed as a delivery vehicle to construct and manage schemes delivered through the 'Building Schools for the Future' programme.

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Following Cabinet approval, the Secretary of State accepted Q3 Multi Academy Trust as the proposed sponsors for the new school in December 2014.

## State Aid

There should be no State Aid implications for the Council, providing proper procurement processes are followed.

## Financial Case

The total cost to deliver the new secondary school in Langley was previously estimated to be £30.488m. However, this has now been revised to £31.2m due to re-mobilisation costs, further design development and additional planning conditions.

In August 2015, Cabinet approved £11.065m of funding from unallocated resources within the Schools Capital Programme and the Council's Basic Need allocation for Phase 1 of the programme. A further £3.3m was approved in June 2016 for the completion of Phase 1.

The total cost of Phase 1 was £13.553m, leaving remaining funds of £0.812m. The remaining funding was used to support the enabling works of Phase 2, along with a further allocation in January 2018 of £1.7m.

The estimated cost of construction works for Phase 2 is £6.5m and will be funded from the Council's Basic Need allocation.

It was noted that whilst there are sufficient funds to meet the project costs, funding from the Basic Need allocation will also be required for other school capital projects in 2019/20. The delay by the Education & Skills Funding Agency in identifying a sponsor for another new secondary school in the borough will lead to further pressure in providing adequate school places in 2019. Current available resources will therefore need to be managed accordingly.

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A breakdown of costs has been provided by Urban Design & Building Services. It is understood that the costs have not yet been confirmed by Sandwell Future's main contractor, Interserve Construction Ltd. Until the costs have been agreed, the reasonableness of the delivery of Phase2 within the estimated budget cannot be confirmed. Contingency of 5% has been allowed for within the estimated costs.

The Appraisal Panel were informed that match funding of £1million has been agreed with the academy sponsor against the overall costs of the project. It was advised that a revised legal agreement was currently being drafted which will cover the whole scheme. However, no further information was provided for the purposes of the appraisal and it is therefore not possible to determine whether there are any legal or financial risks to the Council.

The Council is required to support the sponsor's diseconomies of scale during the pre-and post-opening stage of the school. Funding of £0.634m has been paid to Q3 Multi Academy Trust since 2014. It is estimated that further revenue funding of up to £0.075m may be required for the remainder of the project. It is advised that funding will be provided from the Council's Pupil Number Growth Contingency Fund, which has an allocation of £2.269m for 2018/19.

No financial sensitivity analysis has been undertaken on the project and it was therefore not possible to determine the effect on the overall cost of the programme should there be fluctuations in the cost drivers of the project, e.g. construction costs.

The Appraisal Panel were informed that Q3 Multi Academy Trust will be responsible for future management and maintenance of the facility. There will not be any future financial implications for the Council.

Financial monitoring of the capital project will be supported by Strategic Finance's Capital Team.

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## VAT Implications

The Council's Tax Accountant has advised that there are no VAT/tax implications with the proposed project.

## Management Case

A project steering group was established in January 2015 with representatives from the Department for Education, SMBC and Q3 Multi Academy Trust.

The overall project management, monitoring and post project evaluation will be undertaken by the Group Manager for Education Support Services.

A detailed project programme for the enabling works has been provided by Building Services. Detailed milestones have been provided however, no project specific outputs or outcomes relating to the enabling phase have been identified. Robust contract monitoring will be required to ensure project completion within the required timescales.

## Action Points

The following action points have been identified which should be managed in order to reduce any risk to the Council:

- Review cost estimates to ensure that they are reasonable and can be managed within the available funding.
- Review the corporate Risk Register for the project to ensure all risks, responsible officers and target dates for the mitigation of risks are appropriately identified.

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- Ensure rigorous financial monitoring is undertaken on the Council's Basic Need Allocations to ensure future funding needs can be met.
- Identify outputs and outcomes in relation to the construction works to assist with effective project management.

## Conclusion

From the information provided and with the full implementation of the above action points, it is concluded that the construction works for Phase 2 of the project does not present a major risk to the Council's resources.

Strategic Finance  
13th August 2018