

# Appraisal Report

Date: 12th June 2018  
 To: Cabinet  
 From: Strategic Finance  
 Subject: Schools Capital Programme 2018/19 - 2020/21

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

Children's Services, School Organisation and Development are seeking approval for an allocation of £2.008m from the Schools Capital Programme.

The Schools Capital Programme supports the Council's Pupil Place Planning Strategy in creating new school places and maintaining existing school buildings.

Strategic Finance has been asked to carry out an appraisal of the programme, which has been evaluated against HM Treasury Green Book Guidance. The Capital Project Appraisal Form has been used to undertake the appraisal.

The appraisal process recorded a score of 72%, with some areas of risk identified.

The appraisal covered the following areas:

### **Strategic Case**

The impact of a rise in birth rate and inward migration since 2010 has resulted in the need for the School's Capital Programme to provide sufficient school places in both primary and secondary schools across Sandwell to keep pace with demand.

Since 2010, the Local Authority has provided 1004 new reception places at primary schools across the borough to meet the increase in demand. There is now a need to increase the number of secondary school places for children born in 2007/8 onwards, as they enter the secondary school system.

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The School's Capital programme 2018/19 to 2020/21 therefore includes proposals to deliver additional secondary school places and a request for further funding for a previously approved school expansion project.

The following funding allocations are proposed:

## New funding allocations

- Bristnall Hall Academy, Oldbury  
Funding of £0.083m is requested for design fees for the expansion of the school to provide 150 additional secondary school places (1 form of entry) by August 2020. The full project cost of the expansion is currently estimated to be in the region of £5.117m.
- St. Michael's C.E. High School, Rowley Regis  
Funding of £0.053m is requested for the conversion of existing space into 2 new classrooms. Additional space will allow a 'bulge' class for an extra 30 pupils in September 2019, as a one-off admission. The school's admission number will revert to its previous allowance of 240 from September 2020.
- Feasibility studies for further secondary provision  
Funding of £0.2m is requested to undertake feasibility studies on future potential secondary school place expansion.

## Existing project requiring additional funding allocation

- Lightwoods Primary School  
In June 2014, the Cabinet Member for Strategic Resources gave approval for funding of £0.200m from the Schools Capital Programme to provide an additional form of entry within the Oldbury area. However, as no free school provider could be found, Lightwoods Primary School offered to provide the required places on the nearby Our Lady and St. Hubert's site.

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In June 2016, an additional allocation of £0.350m was approved to refurbish the accommodation and meet Stamp Duty Land Tax and a further £0.200m was allocated to the project in May 2017.

A further £0.161m is now requested to complete the 2-form entry to accommodate the growth of Key Stage 2 pupils from 120 to 240. The Appraisal Panel were advised that the additional request for funding will be used for the second phase of expansion. Works are required on the upper site of the school, following the relocation of its Nursery, Reception and Key Stage 1 groups to the lower site. The second and final phase for expansion will be completed by September 2019.

The School's Capital Programme will also provide funding of £1.5m to support cyclical maintenance/replacement and improvements to schools across the borough.

The Appraisal Panel were informed that the proposals have been based on pupil numbers/future projections within each area, with consideration given to where capacity could be increased at minimal cost.

At the time of appraisal there were no project programmes available to support the individual schemes and therefore it is not possible to confirm whether project delivery within the proposed timescales are reasonable.

The delivery of the Schools Capital Programme will contribute to Sandwell's 2030 vision by providing high quality education.

## **Economic Case**

The Appraisal Panel were advised that the decision concerning which schools to expand is based on a number of key drivers but ultimately depends on each individual school's willingness to increase pupil numbers. Basic information was provided to evidence the option analysis undertaken but there was no

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detailed evidence to support evaluations based on qualitative or quantitative criteria.

It is unclear what further option analysis is undertaken on projects which cannot be completed within the initial funding allocations.

Spend from the Schools Repair Account for cyclical maintenance will be prioritised based on individual school's needs.

Corporate risk registers have been provided for St. Michael's C.E. High School and Lightwoods Primary but did not contain the level of detail expected for these types of projects. Concern was also raised as to whether all risks had been identified.

Corporate Risk Registers for Bristnall Hall Academy, the proposed feasibility studies and the maintenance/improvements programme were not provided.

Estimated project costs are at an early stage for a number of the schemes and therefore value for money cannot be established as these figures are expected to change when projects are further developed and contractors appointed.

The Schools Capital Programme will improve the local supply of school places to meet parental preferences and reduce the administrative burden of admission appeals.

The freehold interest in the school sites is held by Sandwell Land & Property Ltd (SLaP). The Appraisal Panel were advised that title investigations undertaken have not identified any restrictions that would prohibit redevelopment of the sites.

## Commercial Case

It is understood that individual schemes within the programme, with a capital value exceeding £0.100m, are procured through the Council's strategic partnership with Sandwell Futures Ltd. However, as St Michael's C.E. High School is part of the Rowley Campus PFI Scheme, works will be procured via the existing PFI Project Agreement.

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It is advised that projects with a capital value below the threshold will be procured separately in accordance with the Councils Procurement and Contract Procedure Rules.

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

## Financial Case

The estimated cost of the programme is £2.008m and will be resourced from allocated Department for Education funding as follows:

Basic Need	£0.508m
School Condition	<u>£1.500m</u>
TOTAL	£2.008m

The costs of the programme have been allocated as follows:

Project	Contractor £'000	Design £'000	F&E £'000	Total £'000
Bristnall Hall Academy	0	83	0	83
St. Michael's C.E. High School	26	12	15	53
Lightwoods Primary School	71	36	54	161
Programme contingency 5%	5	2	4	11
Feasibility studies – secondary sector	0	200	0	200
School Condition – repair & maintenance	1,275	225	0	1,500
<b>Total</b>	<b>1,377</b>	<b>558</b>	<b>73</b>	<b>2,008</b>

A breakdown of estimated project costs for Bristnall Hall Academy have been provided by Urban Design & Building Services as part of a high-level expansion study. However, no breakdown of costs for the design/investigation fees were

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provided. The Appraisal Panel were advised that these costs have been produced based on previous schemes.

Sandwell Futures have provided a breakdown of estimated costs for the conversion project at St. Michael's High School and Urban Design & Building Services have produced costings for the work required at Lightwoods Primary School.

However, a breakdown of costs has not been provided for either the feasibility studies or the School's Capital repair and maintenance programme. The Appraisal Panel were advised that due to contractual costs within the Building Schools for the Future/Private Finance Initiative framework, the Council's Quantity Surveyors could not provide cost estimates at this stage.

A contingency provision for inflation of 5% has been provided for St. Michaels High School and Lightwoods Primary School projects. This is in addition to contingencies provided within individual estimates for abnormal ground conditions and onerous planning conditions etc. The level of contingency therefore allows flexibility in project costs.

Financial monitoring of the programme will be assisted by the Senior Accountant – Capital.

## VAT Implications

The Council's Tax Accountant has advised that there should be no VAT implications with the programme, provided none of the schools are voluntary aided.

Future maintenance of the assets will be the responsibility of each school.

## **Management Case**

The Schools Capital Programme will be delivered by the School Organisation & Development Team, with technical support from Sandwell Futures Ltd and Urban Design & Building Services.

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Basic project outputs have been provided but no project programmes have been provided for any of the schemes.

School Organisation and Development Team will be responsible for post implementation evaluation of the Schools Capital Programme which will assess the success of the scheme and its impact on teaching and learning. However, no specific outcomes have been included within the appraisal application and it is therefore unclear how effective the programme evaluation will be without predetermined outcomes to monitor against.

## Action Points

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

- Ensure value for money checks are undertaken once estimated costs have been provided by Sandwell Futures Ltd.
- Produce project programmes for each scheme within the Schools Capital Programme to ensure that effective project monitoring can be undertaken to aid the timely delivery of each project.
- Ensure that corporate Risk Registers are produced for all projects and ensure all risks are identified and can be adequately mitigated.
- Provide regular financial monitoring updates on individual projects to the Cabinet Member for Strategic Resources, highlighting variations of spend against original estimated costs. Remaining funds should be returned to the unallocated Schools Capital Programme.
- Ensure that the Council enters into such form of legal agreements as required to allow extension works on all proposed sites.

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- Ensure post project evaluation include specific outcomes, along with benchmarking of final costs to ensure value for money is achieved.

## **Conclusion**

From the information provided and with the full implementation of the above action points, it is concluded that the proposals do not present a major risk to the Council's resources.

External Funding Team  
12th June 2018