

Financial Appraisal Report – Schools Capital Programme 2019/20 -2021/22

Report to Cabinet

Date Issued: 15th July 2019

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1 Executive Summary

Introduction

Education Skills & Employment, Children’s Services are seeking approval for an allocation of £1.628m from the Schools Capital Programme, to create new school places and maintain existing school buildings.

Due to an increase in birth rates since 2006, it is projected that an additional 3,850 new secondary school places will be required across Sandwell by September 2025.

Whilst the Published Admission Numbers (PAN) across Sandwell for September 2019 of 4775 will be met through previously approved expansion schemes at George Salter, Q3 and Shireland Academies, there will not be sufficient additional places to meet future demand.

Demand for school places will ultimately depend on parental preference but the Council aims to provide a sufficient supply of school places at good and outstanding schools.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 65%, with some areas of risk identified.

Project Objectives

- To provide sufficient school places in ‘good’ schools.
- To support cyclical maintenance/replacement and improvements to schools across the borough
- To support the Council’s Vision 2030, where Sandwell “children benefit from a high-quality education throughout their school careers...”

Project Details

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The School's Capital programme 2019/20 to 2021/22 includes an allocation for design fees for a proposed expansion at Bristnall Hall Academy, Oldbury.

In July 2018, Cabinet approved the expansion of the school to provide 150 additional secondary school places. Funding of £0.083m was allocated from the Schools Capital Programme for initial design fees. Additional funding of £0.323m is now requested to enable a developed design to RIBA Stage 3 to be produced.

Design work for the expansion will include an indicative tender cost for the construction of a new teaching block, for which planning approval will be required. Design work will be complete by April 2020, with an expected completion date for the expansion of the school of August 2021. However, the Appraisal Panel have been advised that due to a lower than expected allocation of Basic Need funding from the Education & Skills Funding Agency in 2017 and a zero Basic Need allocation in 2018, the timeline for the construction stage will be dependent on future government allocations.

The total project cost of the expansion is currently estimated to be in the region of £5.412m.

The School's Capital Programme will also provide funding of £1.305m to include cyclical maintenance/replacement and improvements at Pennyhill Primary, Grace Mary Primary, Rowley Hall Primary and Tividale Community Primary schools.

Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u> Objective, need, demand and reasonableness	Insufficient justification for project/will not meet strategic objectives
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic
<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs

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LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL

Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

Overall Conclusion

The appraisal scored 65% and provides **limited assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

Fundamental

Action is imperative to ensure that the objectives of the project are met

Significant

Action is required to avoid exposure to significant risks in achieving objectives

Merits Attention

Action is advised to enhance operational efficiency

Summary of key issues identified

- The financial appraisal has identified NO ‘fundamental’ issues
- The financial appraisal has identified 3 ‘significant’ issues
- The financial appraisal has identified 3 ‘merits attention’ issues

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Action is required to avoid exposure to significant risks in achieving objectives
Significant

2.1 Economic Case – Option Analysis

It is advised that spend from the Schools Repair Account for cyclical maintenance is prioritised on the basis of individual school needs. However, no information was provided regarding the needs criteria or a list of schools currently requiring repair work.

Implication:

That maintenance/repair work on schools may not be undertaken based on pre-determined criteria and/or prioritised accordingly.

Recommended Action:

- Ensure that repair/maintenance work for schools is undertaken following an analysis of pre-determined criteria and that records are maintained to demonstrate the priority need of each school.

2.2 Economic Case – Future deliverability

The developed design and indicative cost for the expansion of Bristnall Hall will be produced on a design brief based on a completed construction date of August 2021. However, as the level of future funding cannot be ascertained at this point in time, the reasonableness of delivery within these timescales cannot be confirmed. It was unclear how the proposed Bristnall Hall expansion was being prioritised against other school capital expansion schemes and how they would be delivered with limited funding.

Implication:

If the developed design for the expansion of Bristnall Hall is impractical due to limited future funding levels or increased costs due to delays in construction, additional costs may be incurred in the re-design of the proposed expansion.

Recommended Action:

- That indicative tender costs for the expansion of Bristnall Hall are produced based on realistic construction dates and various design options to avoid the risk of additional design fees being required in the future.

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- That the expansion project at Bristnall Hall is assessed alongside other proposed school capital expansion projects to ensure the successful delivery within available funding.

2.3 Financial Case – Accuracy of Costs

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 detailed breakdown of the design costs were provided. It was also noted that no contingency had been included.

A detailed cost breakdown for the allocation of the School's Capital repair and maintenance programme was not provided, although the Appraisal Panel were advised that individual designs to confirm cost breakdowns have been commissioned.

Implication:

Without a detailed breakdown of costs, the reasonableness of the estimates cannot be confirmed and there is a risk that additional costs may be incurred, and further funding required.

Recommended Action:

- That cost estimates for design fees are reviewed to ensure that they can be managed within the allocated funding.

Action is advised to enhance operational efficiency
Merits Attention

2.4

Economic Case – Risks – No corporate risk registers were provided to support the design stage for Bristnall Hall or the individual projects within the Schools Repair Account.

Implication:

Risks to the projects may not be identified and mitigated sufficiently, resulting in non-delivery of the objectives and financial implications to the Council.

Recommended Action:

- That corporate risk registers are produced for all projects to ensure all risks are identified and can be adequately mitigated.

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2.5 Management Case – Project Plan – There were no project programmes provided to support the design stage for Bristnall Hall or the individual projects within the Schools Repair Account.

Implication:

The projects cannot be adequately monitored to ensure timely completion of the schemes within proposed timescales.

Recommended Action:

- That project programmes are produced 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.

2.6 Management Case – Project Evaluation (Outputs & Outcomes) – No specific outcomes have been included within the appraisal application.

Implication:

It may not be possible to undertake effective programme evaluation without pre-determined outcomes to monitor against.

Recommended Action:

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

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