

EXECUTIVE BOARD

18TH DECEMBER 2017

MODERNISING EDUCATION PROGRAMME (MEP) Strategic Outline Programme (SOP) - Band B Update

Purpose:

To consider the updated Strategic Outline Programme (SOP) of the MEP and to approve an updated prioritised programme for investment as part of Band B of the national 21st Century Schools Programme.

Recommendations / key decisions required:

1. That Executive Board approves the updated Strategic Outline Programme (SOP) of the MEP including an updated prioritised programme for investment as part of Band B of the national 21st Century Schools programme.
2. That Executive Board approves the selection of Band B projects for further exploration under the Mutual Investment Model (MIM).
3. That Executive Board approves funding arrangements for the Band B submission in order to confirm whether both capital and revenue elements are affordable.

Reasons:

To secure the approval of Executive Board for the updated Strategic Outline Programme (SOP) and the proposals detailed within the Band B Programme of Projects.

Relevant Scrutiny Committee consulted: YES - 27th November 2017:

Education and Children's Services Scrutiny Committee UNANIMOUSLY RESOLVED TO RECOMMEND TO THE EXECUTIVE BOARD:

- (1) That the updated Strategic Outline Programme of the MEP including an updated prioritised programme for investment as part of Band B of the National 21st Century Schools Programme be approved;
- (2) That the Band B projects selected for further exploration under the Mutual Investment Model be approved, however, the Committee's concerns regarding MIM be noted;
- (3) That funding arrangements for the Band B submission be approved in order to confirm whether both capital and revenue elements are affordable;
- (4) That the importance be stressed of consulting with the community, school and interested parties before projects proceed.

Exec Board Decision Required:

YES (in retrospect due to timing constrains in submission of the revised SOP)

Council Decision Required: NO

Executive Board Member Portfolio Holder:

Cllr. Glynog Davies (Education & Children Portfolio Holder)

Directorate:

Education and Children

Name of Director:

Gareth Morgans

Report Author:

Simon Davies

Designation:

Director of Education and
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EXECUTIVE SUMMARY
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MODERNISING EDUCATION PROGRAMME (MEP)
Strategic Outline Programme (SOP) - Band B Update

1. Background

- 1.1 Preparations for the national 21st Century Schools Programme commenced in 2010 through an invitation by the Welsh Government (WG) to local authorities to submit a Strategic Outline Programme (SOP) for the modernisation of their whole schools estate, placed within four bands for investment (A-D), in order of priority according to most urgent need.
- 1.2 During 2010 a major review of the MEP was completed as part of the process of developing the County Council's submission and the Authority's Strategic Outline Programme (SOP) identified the preferred option for programme delivery to implement on a local area basis.
- 1.3 As part of that review the County Council resolved that the MEP "*be reviewed and revised in the future every two years or otherwise as required to ensure consistency with the timeframe of the national 21st Century Schools Programme*". It has been a central feature of the MEP since its inception that it needs to retain flexibility at its core to ensure that the programme remains current and responsive to changes in the education policy framework and the needs of constantly developing society and communities.
- 1.4 Since that time Executive Board had approved an updated MEP three times in 2011, 2013 and most recently on the 20th June 2016.
- 1.5 The Band A programme was initially established to commence in April 2014 and extend for 6 years to 2020 but the Welsh Government subsequently announced its intention to bring forward the target date for the completion of Band A to 2019.
- 1.6 Through the initial submission process Carmarthenshire's Band A programme was approved at a value of £86.7 million (funded 50% by grant from WG and 50% from the Council's own resources). Welsh Government requires this funding to be spent by 2019.
- 1.7 In May 2017 the WG confirmed its intention to progress with the 21st Century Schools and Education Band B Programme. Band B is anticipated to start in April 2019 and run to March 2024.

2. Programme of Projects - Band A Progress to Date

- 2.1 Carmarthenshire's Band A commenced in 2014/15 following approval of Band A projects as part of the MEP update in 2013.
- 2.2 Band A was updated again in 2016 following a reassessment in line with the approved MEP investment criteria and the practicalities of delivery.
- 2.3 Currently, 69% (11 out of 16) of projects have WG Full Business Case (FBC) approval as

follows:

- Completed (4 projects) – Strade, Carreg Hirfaen, Burry Port & Llanelli Vocational Village
 - Approved and on site (6 projects) – Pen Rhos (Seaside), Trimsaran, Coedcae, Parc Y Tywyn, St John Lloyd and Pontyberem.
 - Approved with construction due to commence (1 Project) - Llangadog
- 2.4 Approximately 48% (£20.6m) of the Band A grant funding (£43.35m) has been claimed and spent by the end of the 2016/17 financial year.
- 2.5 The remaining £22.75m Band A grant is required to be spent and claimed by 31st March 2019. The following projects are currently in development:
- In development (5 projects) – Rhys Pritchard, Rhydygors, Dewi Sant, Laugharne, and Gorslas.
- 2.6 A couple of projects in development in Band A are causing concern as a result of some issues in relation to public objection to preferred sites and complex statutory processes.
- 2.7 WG's recent announcement to revise the School Organisation Code to include a presumption against closure for rural schools will make completing statutory processes more difficult and time consuming as local authorities will need to demonstrate they have explored all federation options before proposing to reorganise. Some schools identified as rural in the consultation on the new School Organisation Code are included in a project currently in Band A.
- 2.8 In order to mitigate the risk of delay, projects identified in Band B of the MEP programme are being developed early for acceleration should it be concluded that Band A projects are not be in a position to claim WG grant by March 2019.

3. Submission of Programme of Projects – Band B

- 3.1 In October 2016, the WG requested Authorities to provide information in respect of potential projects for Band B of the national 21st Century Schools and Education Programme. The data received was used to inform the development of the national Strategic Outline Case (SOC) for Band B of the Programme, and approved by the Cabinet Secretary in May 2017.
- 3.2 This approval paved the way for the next phase of development of the Band B Programme and as a result Authorities were asked to complete the following by 31st July 2017:
- Revised Strategic Outline Programme (SOP)
 - Projects to be included in Band B to be progressed between 2019 and 2024.
- 3.3 Unfortunately, due to the tight timescales imposed by the WG and the impact of the Local Authority elections, it was not possible to seek democratic approval prior to submission and is now being undertaken retrospectively.
- 3.4 The relevant documents for Carmarthenshire are attached in Appendix 1 and 2:
- Draft Revised Strategic Outline Programme – Appendix 1
 - Band B Proposed Schools Datasheet – Appendix 2
- 3.5 The priority order of projects are the same as those approved by Executive Board in 2016 with one exception. A strategic project to support the Behavioural Services Review has

been included towards the end of Band B. Should the recommendations of the review be approved by members, this project has been included in Band B to facilitate its delivery.

- 3.6 WG have advised that the budget for Band B of the Programme is fixed and prioritisation of projects will take place should applications for funding exceed the resources available.

4. Funding

4.1 The 21st Century Schools Programme has major financial implications for the County Council. The current estimate of the cost of the remaining investment to make all schools in Carmarthenshire to be retained for the long-term fit for purpose for the 21st Century is £276 million (from 2017/18). This is a planning figure and is certain to change over time as the detailed requirements of individual projects are developed. The planning figures do not include any allowance for inflation.

4.2 The delivery of the MEP to date has been made possible by the establishment of an innovative funding strategy for capital investment which has drawn upon and integrated a variety of funding sources:

- Welsh Government Grants.
- Capital Receipts – generated through the disposal of operationally redundant school assets. County Council has resolved that all receipts generated through the sale of former school premises are ring-fenced for reinvestment in the school modernisation programme.
- Prudential Borrowing – serviced by contributions from revenue generated through efficiency gains arising from the rationalisation of the schools network and through an adjustment in the delegated schools budget.
- General Capital – contributions from the Council's general capital allocation.
- S106 Agreements – contributions from developers of residential properties.

4.3 The Council has effectively exhausted its capacity to generate any further prudential borrowing from the operational schools budget as it has already done much in this area and there is now little scope for further revenue contributions. For example, education spend is by now slightly below the Indicative Budget Assessment (IBA) and with the prognosis for revenue budgets in future years there is unlikely to be further potential in this area. Further revenue gain to be secured by the continuing rationalisation of the schools network will be required to offset the effects of expected budget reductions in future years.

4.4 The overall expenditure for the 21st Century Schools programme Band A has been agreed at £86.7m with 50% of the funding provided by WG. WG has extended the Local Government Borrowing Initiative to the programme, allowing it to bring forward additional funding for its element of the programme and bringing forward the timeframe for completion of Band A to 2019.

4.5 The level of County Council funding is formalised each year through the annual budget setting process. It is inevitable that estimate of capital need will change in the future as the detailed requirements for individual projects are progressed through the stages of development.

4.6 WG have confirmed that Band B of the 21st Century Schools and Education Programme, will be funded by both capital and revenue budgets:

- A capital funding programme will continue for Band B at the current WG grant funding level of £100-120m per annum for all LAs in Wales (£600m for the 5 year

programme).

- £500m revenue funding is available via an optional Mutual Investment Model (MIM) approach for larger collaborative contractor led projects in Band B

4.7 WG have considered grant intervention rates for Band B and have recently indicated the following:

- The grant rate for capital will remain at 50%.
- The grant rate for Voluntary Aided schools will remain at 85%. (However, unlike the Band A arrangement, the 85% will not be subsumed within the overall 50% grant rate for a Local Authority).
- The grant rate for projects funded through the Mutual Investment Model (MIM) will be 75%.

4.8 The total amount of the projects identified in Carmarthenshire's Band B is currently £129.5m. The capital and revenue requirements to deliver the programme are as follows:

- WG - £52.25 Capital (2019-2024), £18.75m Revenue (MIM over 25 years)
- Carmarthenshire - £52.25m Capital (2019-2024), £6.25 Revenue (MIM over 25 years)

4.9 The Authority is required to provide details of funding arrangements for the Band B submission and confirm whether or not it is affordable for both capital and revenue elements.

4.10 There is currently £5.5m identified in the in the capital programme in 2020/21 as the Authority's contribution to Band B projects.

5. The Mutual Investment Model (MIM)

5.1 The revenue-funded Mutual Investment Model programme is intended to boost the amount of resource WG has available to support investment in new schools and colleges.

5.2 The MIM will be used for contracts whereby the successful contractor will design and build the new facilities and provide the finance to do so. The successful contractor will also provide maintenance and lifecycle services for the facilities in the long term. This approach of using a single contract has been used in Private Public Partnerships across the UK.

5.3 The Mutual Investment Model is the Welsh Government's form of Public Private Partnership, developed as a result of wider statistical issues to previous models. Key features of the Mutual Investment Model, in addition to the investment in the long term maintenance of the facilities, are:

- the Welsh Government will be able to invest in the company which will provide the design, build, finance and maintenance services. This will ensure that the public sector shares in the earnings of the project company;
- furthermore, the Welsh Government will appoint a director onto the Board of the company;
- the successful contractor will be required to provide community benefits as part of their bid proposals. There will be "core" benefits specified in the contract which have to be provided;
- payments will not start until the facilities are built and available for use, and will be paid for via a monthly revenue charge over a period of 25-years: the Service Payment;
- schools and colleges will remain responsible for their other non-educational services

e.g. cleaning; catering; grounds maintenance; updating and maintaining their furniture, fittings and equipment. The school caretaker will stay as part of the school staff;

- the Office of National Statistics has reviewed the Mutual Investment Model proposal and has classified this as not on the Welsh Government balance sheet.

5.4 Should the Authority enter into a MIM project then it will be responsible for managing the contract of the MIM for the 25 year period.

5.5 Local Authorities were asked to indicate an interest in applying for MIM funding and identify projects considered suitable as part of the Band B application. It was originally decided to propose Ammanford and Llandeilo projects as potential MIM projects (subject to further analysis and agreement) for Carmarthenshire's Band B application.

5.6 Since the Band B submission, Officers have had further discussions with colleagues from the WG and been advised that the projects identified may not be suitable in their entirety. Also, WG have advised that there is scope to change the projects identified for MIM. Officers are still in consultation with WG officials on this issue.

5.7 The projects that will lend themselves to the MIM approach are:

- New build (i.e. all the facilities are new build not just new build extension)
- Projects which will have completed their statutory consultations or are a good way through by June 2018;
- Projects where authorities / colleges are sure that there will be sustained demand for places;
- Projects without complicated land ownership issues.

5.8 In order to provide a financially viable proposition to the private sector market, the WG will be putting projects together into Band B MIM groups. Authorities need to be willing to work with other authorities/projects which are in their group. The number of projects in a group may not be very large, depending upon number of high value projects which are proposed.

5.9 Should local authorities not be interested in pursuing schemes through the Mutual Investment Model approach, they can still apply through the capital funding programme.

6. Recommendations

6.1 That Executive Board approves the updated Strategic Outline Programme (SOP) of the MEP including an updated prioritised programme for investment as part of Band B of the national 21st Century Schools programme.

6.2 That Executive Board approves the selection of Band B projects for further exploration under the Mutual Investment Model (MIM).

6.3 That Executive Board approves funding arrangements for the Band B submission in order to confirm whether both capital and revenue elements are affordable.

YES

DETAILED REPORT ATTACHED?

Appendix 1 - Draft Revised Strategic Outline Programme

Appendix 2 - Band B Proposed Schools Datasheet

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **E.D.G. Morgans** Director of Education and Children's Services
S. Davies Modernisation Services Manager

Policy and Crime & Disorder	Legal	Finance	ICT	Risk Management Issues	Organisational Development	Physical Assets
YES	YES	YES	YES	YES	YES	YES

1. Policy, Crime & Disorder and Equalities

The proposals set within the report are in line with published policy and strategic direction of the authority.

2. Legal

The County Council's constitution provides that responsibility for the Modernising Education Programme is an executive function.

Statutory procedures will need to be completed to institute constitutional change in the structure of schools where the rationalisation of provision is proposed.

Planning permission will need to be secured for the development of the infrastructure projects proposed.

Building regulations approval will need to be secured for premises developments and modernisation.

3. Finance

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The Council has effectively exhausted its capacity to generate any further prudential borrowing from the operational schools budget as it has already done much in this area and there is now little scope for further revenue contributions.

For example, education spend is by now slightly below the Indicative Budget Assessment (IBA) and with the prognosis for revenue budgets in future years there is unlikely to be further potential

in this area. Further revenue gain to be secured by the continuing rationalisation of the schools network will be required to offset the effects of expected budget reductions in future years.

The overall expenditure for the 21st Century Schools programme Band A has been agreed at £86.7m with 50% of the funding provided by WG. WG has extended the Local Government Borrowing Initiative to the programme, allowing it to bring forward additional funding for its element of the programme and bringing forward the timeframe for completion of Band A to 2019.

The level of County Council funding is formalised each year through the annual budget setting process. It is inevitable that estimate of capital need will change in the future as the detailed requirements for individual projects are progressed through the stages of development.

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The total amount of the projects identified in Band B is currently £129.5m. The capital and revenue requirements to deliver the programme are as follows:

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The Authority is required to provide details of funding arrangements for the Band B submission and confirm whether or not it is affordable for both capital and revenue elements.

There is currently £5.5m identified in the in the capital programme in 2020/21 as the Authority's contribution to Band B projects.

4. ICT

The use of ICT is of critical importance to the management and delivery of education in order to facilitate and implement the breadth of curricular choice necessary for all learners. The provision of new, adapted, or refurbished buildings will provide the opportunity for ICT to be integrated into modern infrastructure which is extremely reliable and easy to use.

The aspirations are to develop real and virtual workspaces which help to make effective, personalised learning a reality for all students; enable teachers and other professionals to focus on their core tasks and be more effective; and provide parents and carers with easy access to information about learners' achievements and progress. Also it will facilitate access to high quality learning materials in a wide range of settings through as wide a range of end-user devices as possible.

5. Risk Management Issues

Risk management will be fundamental to the effective delivery of the school modernisation programme and its individual projects.

Projects will be managed in line with recognised best practice for the construction sector, including the use of risk registers at all stages of planning and delivery.

Risks are managed by the Corporate Modernising Education and Communities Programme (MECP) Board.

6. Organisational Development

Proposals for the transformation of school structures will inevitably have significant staffing implications requiring workforce re-modelling. Specific issues cannot be forecast with accuracy at this early stage and issues will be dealt with and reported as individual projects or groups of projects develop in accordance with established human resource policies.

7. Physical Assets

Proposals for the transformation and modernisation of the schools network will have significant implications for the schools estate. This will involve the creation of new school premises and the refurbishment of some existing school premises. It will also result in some existing operational assets becoming redundant. When this situation arises assets will be managed in accordance with established policies and in the context of the Council's match funding for the programme being partly met from anticipated capital receipts from the sale of surplus assets.

Investment in new facilities will have regard to partnership working and will foster the co-location of services, including those managed by partner organisations, where practical and beneficial.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: E.D.G Morgans Director of Education and Children's Services
 S. Davies Modernisation Services Manager

1. Scrutiny Committee

Education and Children's Services Scrutiny Committee was consulted on 27th November 2017 and UNANIMOUSLY RESOLVED TO RECOMMEND TO THE EXECUTIVE BOARD:

- (1) That the updated Strategic Outline Programme of the MEP including an updated prioritised programme for investment as part of Band B of the National 21st Century Schools Programme be approved;
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- (3) That funding arrangements for the Band B submission be approved in order to confirm whether both capital and revenue elements are affordable;
- (4) That the importance be stressed of consulting with the community, school and interested parties before projects proceed.

2. Local Member(s)

Local Members will be consulted on individual school reorganisation proposals as they are taken forward.

3. Community / Town Council

Town and Community Councils have not been consulted at this stage as this is a strategic matter for the County Council.

Town and Community Councils will be consulted on individual school reorganisation proposals as they are taken forward.

4. Relevant Partners

Key partner organisations, including the Church in Wales, Roman Catholic Church and Coleg Sir Gar, are consulted on proposals that affect them.

Schools affected will be fully consulted on individual school reorganisation proposals as they are taken forward.

5. Staff Side Representatives and other Organisations

Not applicable at this stage as this is a strategic matter.

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Carmarthenshire 21 st Century Schools Modernising Education Programme BIENNIAL REVIEW 2016	MEP	http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=131&MId=350&Ver=4
21 st Century Schools Website		www.21stcenturyschools.org
21 st Century Schools: Information Document (May 2010)	MEP	www.wales.gsi.gov.uk
21 st Century Schools: Information Document (May 2010) - Summary	MEP	www.wales.gsi.gov.uk
21 st Century Schools Strategic Outline Programme Template	MEP	www.wales.gsi.gov.uk
Modernising Education Programme (May 2005)	MEP	Department for Education and Children Building 2, Parc Dewi, Carmarthen.