

CABINET

Date of Meeting	Tuesday, 19 th November 2019
Report Subject	21 st Century Schools Capital Programme
Cabinet Member	Leader of the Council & Cabinet Member for Education Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Education and Youth) Chief Officer (Housing and Assets)
Type of Report	Strategic

EXECUTIVE SUMMARY

The report provides the background to the Council's medium term strategic plan for the management and improvement of the school estate and the Council's Strategic Outline Programme (SOP) Submission to Welsh Government for the 21st Century Schools funding programme.

It seeks to provide a rationale for how the Council will manage its school estate in the near to medium term and outline changes to the SOP, providing a summary of the projects and their risks and benefits.

RECOMMENDATIONS

1	<p>To consider the contents of the report and approve the following;</p> <ol style="list-style-type: none"> 1. The revised financial Band B programme and submission to WG to formally request a monetary variation to the SOP. 2. Extending the review of secondary education provision in Saltney to include Broughton. 3. Give consideration to amending the number of MIM projects within the programme and provide a mandate to Officers for further dialogue with Welsh Government.
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REPORT DETAILS

1.00	BACKGROUND
1.01	<p>21st Century Schools Band B Programme</p> <p>The WG 21st Century School Programme is a long term strategic investment in the educational estate throughout Wales. It is a unique collaboration between Welsh Government, the Welsh Local Government Association (WLGA), councils, colleges and dioceses.</p>
1.02	<p>Within Flintshire we still have a pressing case for continuation of the School Modernisation programme. Key issues include:</p> <ul style="list-style-type: none">• continuing to raise educational standards;• creating the conditions for school leaders to succeed;• ensuring that school buildings are attractive learning and working environments capable of supporting the delivery the revised national curriculum for Wales;• managing the condition of the school estate;• reducing the number of surplus places and the inequity of variation in cost per pupil; and• providing resilience against falling revenue funding. <p>As a reminder key drivers for Schools Modernisation are as follows:</p> <ul style="list-style-type: none">• Educational improvement• Resilient School Leadership• Suitable Buildings• Unfilled places• Diminishing Resources
1.03	<p>In January 2018, Cabinet received a paper outlining the Council's strategic intent for the 21st Century Schools Band B investment programme which runs from 2019 to 2024.</p>
1.04	<p>Nationally, WG have made available £500 million of capital funding and a new revenue based model that will enable an additional investment with a maximum capital value of an additional £500 million. This revenue model is called the Mutual Investment Model (MIM).</p>
1.05	<p>MIM is a new form of Public Private Partnership (PPP). It enables WG to deliver infrastructure projects beyond that set by present UK Government borrowing limits. If WG do not use MIM, £500 million pounds of investment in the education estate will not be available to councils within Wales and this would have implications on the Council's proposed programme locally.</p> <p>A private sector contractor is appointed via a new WG framework and the contractor finances, constructs and provides a 25 year life cycled building product. Responsibility for funding and constructing the building, and then repairing and maintaining the building for 25 years once built, remains with</p>

	<p>the contractor. This results in buildings funded by MIM being maintained at a consistently high level for 25 years.</p> <p>The Council pays an annual charge which is funded from revenue similar to a rental payment called the 'service payment'. Through this programme councils will receive intervention rate funding from WG for a period of 25 years, thereafter the building is handed over to the Council. The funding from WG will be received in the form of a specific grant.</p>
1.06	<p>The total Band B funding envelope request by the Council as outlined in the Strategic Outline Programme (SOP) submission to WG was £85,420,000. The SOP included an expression of interest in one project that would be suitable for MIM. The original programme is noted in Appendix 1.</p>
1.07	<p>Subsequently, WG have approved the Council's SOP and the funding envelope in principle. However, the individual projects contained within the SOP would be subject to both Council and WG approval through their business case process before capital is released.</p>
1.08	<p>The WG intervention rates for the programme at the time the SOP was submitted were as follows:</p> <ul style="list-style-type: none"> • Capital – 50% WG / 50% LA • MIM – 75% WG / 25% LA (through revenue budgets of both organisations)
1.09	<p>National funding strategy (Capital and MIM) influences programmes locally and as a consequence, the anticipated programme and particularly its timing would potentially need to be reviewed. In any event, a complex investment programme over a 5/6 year period will always require a degree of flexibility. To this end, councils can request to amend their SOP's should Cabinet determine there is a need to make changes to the programme in order to reflect any local changes in circumstance. The ability to amend programmes accordingly is regarded as a position of strength by auditing bodies' e.g. Welsh Audit Office.</p>
1.10	<p>Projects already approved in the Band B Programme</p> <p>In November 2018, councils received positive news from WG regarding the intervention rates for the onward investment programme. The new intervention rates are as follows:</p> <ul style="list-style-type: none"> • Capital – Schools : 65% WG / 35% LA • Capital – PRU / ALN Schools : 75% WG / 25% LA • MIM – 81% WG / 19% LA (through revenue budgets of both organisations).
1.11	<p>Our Band B Programme has already started with projects at Connah's Quay High School (Phase 2) and Queensferry Campus (Plas Derwen PPRU and Queensferry CP) being approved by Cabinet and Council.</p>
1.12	<p>Additionally, on 24th September Cabinet approved two further projects. One at Ysgol Croes Atti (Shotton site) which will be funded by WG</p>

	<p>Childcare Grant (100% intervention rate) and WG 21st Century schools funding (65% WG/35% FCC) and the second at Ysgol Brynfordd, also funded by a combination of Council Capital and WG Childcare Grant. The associated borrowing costs of both projects have been reflected in the Council's current Medium Term Financial Strategy (MTFS).</p>
1.13	<p><u>Proposed changes to the 21st Century Band B Programme</u></p> <p>As stated earlier in the report, Cabinet have previously agreed to proceed with two projects in the Band B programme. Connah's Quay High School (Phase 2) which completes in November 2019 and the Queensferry Campus project which includes modernisation of Queensferry C.P and the provision of new PPRU facilities to be called Plas Derwen. This project is in design development stage.</p>
1.14	<p>There have been a number of factors which have resulted in review and potential changes to the Council's original Band B SOP, as follows:</p> <ul style="list-style-type: none"> • Cabinet decisions – Brynford and Lixwm Area. • Additional options resulting from availability of detailed technical feasibilities. • Additional external grants from WG becoming available post SOP submission. • Changing demographics • Proposed large scale housing development through the LDP in other areas • Affordability of programme (current and future).
1.15	<p>In June 2018, Cabinet determined not to proceed with the proposed statutory amalgamation of the Brynford and Lixwm CP. On that basis the proposed £2.7m project was no longer viable, as release of capital relied on successful transition through statutory proposals and therefore needs to be removed from the SOP.</p>
1.16	<p>A feasibility report has been conducted by technical professionals into the Buckley and Mynydd Isa Area. This has resulted in option A, a combined primary and secondary provision on the Argoed school site being feasible. Estimated costs of such a provision in Mynydd Isa would be in the region of £31m.</p>
1.17	<p>The feasibility report also has produced a range of cost options for the modernisation of Elfed High School, Buckley. However, to manage the programme within the realms of the original funding envelope there would need to be a ceiling of £9m investment for this site.</p>
1.18	<p>The Council was successful in gaining a £3m grant through the WG Welsh Medium Grant for Ysgol Glanrafon, Mold (100% funded). This has released £750k highlighted for the Mold Area Welsh Medium review to be spent at Ysgol Croes Atti, Shotton Feasibility estimates for the proposed scheme are above the funding available. Therefore, a supplementary business case for the additional funding has been submitted to WG. At the time of writing we await official confirmation of the additional funding from WG.</p>

1.19	<p>The cost estimates for Ysgol Croes Atti, Flint, have been reviewed and need to be uplifted from £4m as indicated in the original SOP to £5.5m. The new estimate is based on actual costs from a recent school construction project.</p>
1.20	<p>Several years ago the Council consulted key stakeholders in the Saltney area on a number of school organisational change models and at the time there was strong opposition to a 3-16 model in the area. The Council did not pursue change at that time but made commitments to revisit and review education within the area in the future.</p> <p>A 3-16 model was re-proposed in the Council's original Band B Programme because, based on information available at the time, this model was seen as the best sustainable solution for education provision in Saltney and would provide much needed investment.</p> <p>However shifting demography, particularly in the secondary sector in Saltney and large scale housing developments linked to the proposed Local Development Plan, indicate that a full review of primary and secondary education provision should be undertaken to encompass the wider areas of Saltney and Broughton to ensure sufficiency of future places and a sustainable model which would provide greater certainty for major capital investment.</p> <p>The SOP will continue reflect a monetary amount for the Saltney area, however, more detailed work is required and it is envisaged that this will be brought back to Cabinet at a date to be determined.</p>
1.21	<p>The costs associated with considering a single campus option in the Mynydd Isa area does have implications on the wider programme. Proceeding with this proposed project along with all other identified in the programme would require an increase to the funding envelope requirement beyond what is currently agreed.</p> <p>There are two possible solutions identified in the options below:</p> <ol style="list-style-type: none"> 1) Reduction in the number of projects within the programme to match available funding. 2) Increase the funding envelope to accommodate all the projects.
1.22	<p>The consequence of option 1 would be that proposed investment projects placed in the latter part of the programme would need to be removed from Band B. This would directly impact on proposed projects at Flint High School, Hawarden High School and Mold Alun High School.</p>
1.23	<p>The financial consequence of option 2 would require the high level funding envelope to be increased from £85m to £103m. This option would require approval in principle from WG nationally and Cabinet locally. Based on the current intervention rate the additional financial liability would be as follows:</p> <ul style="list-style-type: none"> • WG £11.7m • FCC £6.30m <p>There is compelling evidence to support the rationale that option 2 would be the recommended option as outlined in the paragraphs below.</p>

1.24	<p>The Council needs to consider a whole programme of priorities as part of its strategic plan for the ongoing management and improvement of the school estate in the medium term. The Council seeks to maximise investment through funding streams such as 21st Century schools which is welcomed but limited.</p> <p>It is incumbent on the Council to consider aligning its programme to larger scale programmes where appropriate, particularly where there is clear evidence of sustained local need. Advice is that the overall programme is affordable in the medium term based on borrowing costs and the current assumptions that the forecast for improved public funding is more positive.</p>
1.25	<p>Asset management data held on our school estate has identified the worse areas of suitability to be present in the secondary school estate, with the schools noted above as having the greatest need. The current infrastructure within those schools is impairing their ability to deliver the curriculum effectively.</p>
1.26	<p>In addition, a long term, high level modelling exercise has been completed around pupil demography. This has identified long term that both Hawarden High School and Flint High School may have potential capacity pressures as a result of potential new strategic housing developments in the local area.</p> <p>Whilst it would be the intention to seek S106 contributions should the appropriate SPG23 policy triggers are met, it is important to note that any S016 contribution would only cover partial costs of school improvement.</p>
1.27	<p>The benefits of the programme are set in Appendix 3, which supports the rationale of maximising investment within the school estate.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>Decisions to commit to capital expenditure investing in assets to deliver high quality services efficiently have long term implications for future revenue budgets. Consideration must be given to schemes to ensure that they are affordable, sustainable and therefore prudent.</p>
2.02	<p>The estimated capital and associated debt revenue costs arising from the schemes proposed within this report are set out on a scheme by scheme basis in Appendix 4.</p>
2.03	<p>The total Capital costs of the proposed onward programme is £89.664m with the Council funding £22.632m and Welsh Government funding £67.032m from grants and through the MIM. The programme would run from 2019/20 to 2024/25.</p> <p>The Council's share of the Capital costs at this stage in the approval process would need to be funded from prudential borrowing. The only alternative source of funding would be capital receipts which may be forthcoming over the life of the programme but cannot be relied upon as any capital receipts generated would need to be considered in the context of the wider Capital programme.</p>

2.04	The first half of the programme would see activity concentrated on projects already approved at Connah's Quay High School, Queensferry campus, Ysgol Croes Atti, Shotton and Brynford CP School to maximise the availability of the childcare grant funding available from WG. It would also include consideration of any MIM schemes which will have a longer lead in time for procurement of a strategic partner to include capital finance before construction can commence. This results in the majority of revenue pressures from the costs of debt financing being incurred after the current MTFS which ends in 2022/23, in the years from 2023/24 to 2026/27 and thereafter.																								
2.05	<p>The estimated associated debt revenue costs arising from the schemes proposed within this report are set out in the table below:</p> <table><tr><th colspan="8">MTFS - Total Profiled Estimated Revenue Pressures (£)</th></tr><tr><th>2019/20</th><th>2020/21</th><th>2021/2022</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th></tr><tr><td>0</td><td>5,723</td><td>42,368</td><td>102,113</td><td>364,792</td><td>1,284,167</td><td>1,613,466</td><td>1,683,084</td></tr></table>	MTFS - Total Profiled Estimated Revenue Pressures (£)								2019/20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26	2026/27	0	5,723	42,368	102,113	364,792	1,284,167	1,613,466	1,683,084
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2.06	<p>For Capital schemes revenue costs are incurred once the project commences. Borrowing is undertaken to fund the capital scheme and interest becomes payable on the borrowing funded from revenue.</p> <p>The repayment of borrowing is an accounting charge to the revenue account called the Minimum Revenue Provision (MRP). The Council's MRP policy is to spread the charge over the life of the asset on an annuity basis, which results in an increasing charge over time to reflect the diminishing value of money over time. Charges begin the year after assets become operational.</p>																								
2.07	<p>In estimating the revenue costs associated with debt financing the following assumptions have been made:</p> <ul style="list-style-type: none">• The ability to borrow at 3 – 3.5% over the duration of the programme as currently forecast by the Council's Treasury Management Advisors which covers the period up until March 2022.• No inflation has been factored on future Capital costs• 10% of total capital costs are incurred during the pre-construction phase, and 90% during construction.																								

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	All projects are managed using a risk register. Risks are managed accordingly, and financial risks are managed through a project contingency. Any high level risk which cannot be managed with the projects/programme will be incorporated into the risk register for the Education and Youth Portfolio.
3.02	Under the five delivery principles of the Well-being of Future Generations

	Act this report will have the following impacts:	
	Ways of Working Principle	Impact
	Long-term	Positive – assists in securing the future of schools in their local communities
	Prevention	Positive – appropriate capital investment provide better facilities and elongates the life of the building/s
	Integration	No Change
	Collaboration	No change- effective collaboration is already in existence
	Involvement	Positive – The proposed projects will help promote greater community integration/use/involvement.
3.03	Against the seven well-being goals of the Act, the potential impact of the report and its recommendations would be evaluated as follows:-	
	Well-being Principle	Impact
	Prosperous Wales	Positive impact - Capital investment directly benefits local supply chain/economy. A percentage of local expenditure is a requirement of the grant funding.
	Resilient Wales	Positive impact - Use of sustainable and recycled materials during construction, more energy efficient, potential reduction in carbon emissions.
	Healthier Wales	Positive Impact – Improved physical infrastructure and facilities which positively impact on the wellbeing of the school and its community.
	More Equal Wales	Neutral Impact – Equalities Impact Assessments are already embedded in school culture.
	Cohesive Wales	Positive Impact – Potential that the school could become a community hub through its better accommodation offer.
	Vibrant Wales	Positive Impact – Enables new facilities to improve, both curricular, extra-curricular and community use of school buildings.

	Globally Responsible Wales	Positive - Capital investment, delivers a more sustainable product, local spend and added benefits for apprenticeships, work experience in construction.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Reports on the SOP for 21 st Century school have previously been to E&Y Overview and Scrutiny Committee and Cabinet.
4.02	Where a project or area require school organisational change, consultation will be carried out in accordance with the School Organisation code.
4.03	Consultation will be required through the planning application process at the appropriate stage of development.

5.00	APPENDICES
5.01	Appendix 1 – Original SOP Appendix 2 – Revised SOP Appendix 3 - Summary of Project Benefits Appendix 4 – Financial information

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	N/A.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Damian Hughes Telephone: 01352 704135 Email: damian.hughes@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	21st Century Schools - Is a collaboration between the Welsh Government (WG), the Welsh Local Government Association (WLGA) and local authorities. It is a major, long-term and strategic capital investment programme with the aim of creating a generation of 21 st century schools in Wales.

Capital Funding - Capital funding is usually linked to acquiring or improving a long-term asset such as equipment or buildings.

Revenue Funding - Is linked to items that will be used within a year. Examples include salaries, heating, lighting, services and small items of equipment. Routine repairs are revenue expenditures and can include significant repairs that do not extend the life of the asset or do not improve the asset (the repairs merely return the asset to its previous condition).

Local Development Plan (LDP) - Covers the 15 year period 2015 to 2030 and when adopted this will replace the adopted Unitary Development Plan (UDP). The LDP will contain policies and proposals which together will provide for the development needs of the County over the Plan period as well as protecting the social and environmental assets of the County.

SPG23 – Supplementary Planning Guidance – Is the guidance which through the planning process, enables the Council to seek S106 contributions for schools as a result of new housing development, where the triggers indemnified in the guidance are met.