



21st Century Schools and Education Programme

Band B – Strategic Outline Case

2 February 2017

Executive Summary

The 21st Century Schools and Education Programme represents the largest strategic investment in our educational infrastructure since the 1960s. This Strategic Outline Case is to support the development of the second wave of investment for the 21st Century Schools and Education Programme, which is due to begin in April 2019 and run until March 2024.

The aims of the Programme are to:

- reduce the number of poor condition schools and colleges;
- ensure that we have the right size schools and colleges, in the right location that:
 - provide enough places to deliver Welsh and English medium education; and
 - ensure the effective and efficient use of the educational estate.

The Programme is designed to end the piecemeal ‘patch and mend’ approach to investment in educational infrastructure that has characterised earlier funding packages. Under the 21st Century Schools and Education Programme, Local Authorities and Further Education Institutions provide strategic plans for their respective areas that reflect a national desire for a suitable, streamlined, and cost effective educational estate. The Programme also addresses local needs such as surplus capacity and provision of places in Faith and Welsh medium education.

Current demand for investment is high, with around 450 schools and college campuses in Wales identified as suffering from serious deterioration or being life expired.

The options considered in this case have been tested for strategic alignment; value for money; affordability; achievability and deliverability.

Strategic Case

The Strategic Case examines the alignment of this proposal with national, regional and local strategies, such as: Taking Wales Forward; the Wellbeing of Future Generations Act; the Wales Infrastructure Investment Plan; and Qualified for Life.

The Strategic Case identifies the two Investment Objectives of the Programme:

Investment Objective One - To provide efficient and effective educational infrastructure that will meet current and future demand for places by 2024.

- Backlog maintenance costs for the schools and colleges selected for Band B are reduced by at least 50% (based on the assumption that approximately 50% of the projects in the Programme will be replacements for existing assets).
- No category D buildings in the estate.
- c25% of Category C condition buildings are improved to Category A or B.

Investment Objective Two - Optimise the use of infrastructure and resources, to deliver public services for our communities by 2024. This will include flexibility of our assets so that space and facilities available for our stakeholders are maximised.

- Our aspiration is for all facilities that receive investment commit to making assets available for community use if local demand exists.
- 10% of schools / colleges that receive funding from the Programme have co-located public services on site if local demand exists.

Economic Case

The options explored in the Economic Case reflect the aspirations of the Programme to optimise value for money and refine our approach to encourage more collaborative working, a greater emphasis on standardisation and exploration of both opportunities for flexible use of assets and co-location.

The case looks at options in respect of scope, service solution; service delivery; implementation and funding.

The shortlisted options to be taken forward in the project business cases are listed below:

Option One Reference Project / Preferred Option:

Scope:

Provision of assets that provide sufficient places for 3-19 year olds (and including post 19 year olds in the case of Further Education Institutions) and where opportunities for co-location of public services / additional community spaces and leisure facilities are encouraged/proactively sought. This will be reflected in the Business Case Guidance, where it will be made a required consideration as part of the Business Case development process.

Service solution:

The investment is appropriate with refurbishment, remodelling, and rebuild all considered. Greater emphasis is made on Local Authority and Further Education use of standardisation for new build projects. This will be reflected in Business Case Guidance and will be made a required consideration as part of the Business Case development process.

Service delivery:

The Welsh Government works in partnership with Local Authorities/Further Education Institutions.

Implementation:

Procurement is grouped, with revenue projects batched on a regional basis but with central support; and capital projects will be encouraged to batch projects either within Local Authority boundaries / Further Education Institution estate boundaries or regionally. This will be a key consideration for applicants within the Business Case Guidance.

Funding:

Funding will be through capital and revenue sources, from Welsh Government, Local Authorities and Further Education Institutions and will include the revenue allocated by Welsh Government through the Mutual Investment Model.

In the preferred option we see the following elements:

- Our Business Case Guidance will reflect the need for Local Authorities and Further Education Institutions to actively consider whether there is scope for community use of assets and/or co-location;
- We will encourage standardisation of design and construction and our Business Case Guidance will require applicants to consider this as part of any bid for funding; and
- Procurement is grouped. For revenue projects this will mean that a regional model will be used to procure a batch of projects. For capital projects, we will require applicants to consider batching, and our Business Case Guidance will make this consideration mandatory. This is both within Local Authority / Further Education Institution estate boundaries or regionally, as part of any bid for funding.

Option Two Reference Project More Ambitious:

Scope:

Provision of assets that provide sufficient places for 3-19 year olds (and post 19 year olds for the Further Education sector) and where opportunities for co-location of public services / additional community spaces and leisure facilities are proactively sought.

Service solution:

The investment is appropriate with refurbishment, remodelling, and rebuild all considered. Standardisation by Local Authorities and Further Education Institutions is the assumed position, with consideration only given to bespoke builds where a compelling case is made.

Service delivery:

The Welsh Government works in partnership with Local Authorities / Further Education Institutions.

Implementation:

Grouped procurement is the assumed position for both capital and revenue projects, with consideration given to single procurements only when a compelling case is made. Central support will be provided for revenue projects procurement activities.

Funding:

Funding will be through capital and revenue sources, from Welsh Government, Local Authorities and Further Education Institutions and will include the revenue allocated by Welsh Government through the Mutual Investment Model.

In the more ambitious option we see the following elements:

- Our Business Case Guidance will reflect the need for Local Authorities and Further Education Institutions to actively consider whether there is scope for community use of assets and/or co-location;
- Standardisation of design and construction is the assumed position. Bespoke design will only be considered where a compelling case is made;
- Grouped procurement is the assumed position. Individual procurement will only be considered where a compelling case is made.
- **Option Three Reference Project Less Ambitious / Do Minimum:**

Scope:

Provision of assets that provide sufficient places for 3-19 year olds (and post-19 year olds for the Further Education sector) where opportunities for co-location of public services / additional community spaces and leisure facilities are proactively sought.

Service solution:

The investment is appropriate with refurbishment, remodelling, and rebuild all considered. Design is largely bespoke.

Service Delivery:

Welsh Government in partnership with a combination of regional groups for revenue-funded projects and individual Local Authority / Further Education Institutions for schemes that use traditional capital.

Service delivery:

Procurement is grouped in the case of the revenue-funded projects only, and opportunities for batching capital projects will be sought proactively.

Funding:

Funding will be through capital and revenue sources, from Welsh Government, Local Authorities and Further Education Institutions and will include the revenue funded by Welsh Government through the Mutual Investment Model.

In the less ambitious option we see the following elements:

- Our Business Case Guidance will reflect the need for Local Authorities and Further Education Institutions to actively consider whether there is scope for community use of assets and/or co-location;
- Design will remain largely bespoke, although standardisation will be encouraged;

- Revenue funded projects will be grouped into regional batches with central technical support provided. Capital projects will be procured individually in most cases, although batching will be encouraged.

Financial Case

Funding for educational infrastructure has historically been provided through capital. For the duration of the Band B Programme, we have been offered the opportunity to use both capital funding and to secure additional revenue funding using the Mutual Investment Model, which is a form of Public Private Partnership. It is therefore proposed that the Band B Programme is funded through both capital and revenue funding sources.

Capital funding for the first two years of the Band B Programme has been set out in the draft budget published in 2016. This indicates a continuation of the current baseline budget of £100.8 million per annum, adjusted to reflect inflation. If this is continued over the five year period of Band B, this would potentially mean Welsh Government capital funding of approximately £638 million. For the purposes of this Strategic Outline Case, this position has been used as an assumption for planning purposes only.

Revenue funding to support a build cost of £500 million for Band B of the 21st Century Schools and Education Programme has agreement from Cabinet. This funding comprises one part of a £1 billion proposition that also sees the dualling of sections five and six of the A465 and redevelopment of the Velindre Cancer Centre. The Mutual Investment Model has been created to deliver these projects with a view to boost investment in public infrastructure whilst protecting public interest.

This method of financing represents a whole of life cost solution for the facilities, which includes design, build, finance and maintenance. An indicative financial model has been developed to assess the potential revenue cost of those schools and colleges funded through this model within the Programme. These costs will be further refined during the development of project Outline Business Cases.

Commercial Case

Band B provides the opportunity to improve on the procurement of Band A schemes, and adapt delivery to drive greater value for money from the Programme. This includes the adoption of a standard size and cost per square metre for Welsh Government funding of new buildings in Band B. This business case advocates a more efficient procurement by grouping individual procurements together where appropriate.

The frameworks which have been used for Band A will continue to be used to procure Band B capital funded projects. The projects to be procured using the Mutual Investment Model will be procured using the competitive dialogue process. These projects will be for the design, build, financing and the provision of a lifecycle and maintenance service to the facilities. This investment will ensure that the facilities remain in good condition for use by future generations.

Management Case

A robust resourcing and reporting structure comprising Programme Delivery, Project Delivery and Programme Development teams has been developed to ensure that the Welsh Government is resourced appropriately to respond to the needs of the Programme, recognising that the involvement of schools and local authorities in external management are required to successfully implement this strategy.

We have an experienced delivery team in place to deliver this Programme, with members of the Band A team working to develop Band B and the capital funded elements. We have specialists with experience of Private Public Partnership schemes to help us with the Mutual Investment Model and the delivery of the schemes which will best fit this type of approach. In 2017, following this Business Case, this delivery team will be working with authorities to put together the first tranche of projects.

The Band A Programme is nearing the end of its third year. The Band B Business Case incorporates lessons learned from Band A of the 21st Century Schools and Education Programme. These include work undertaken by Constructing Excellence in Wales, who were tasked with identification of optimal procurement, design and delivery of the Programme. The Wales Audit Office has also undertaken a value for money audit on the Programme and it is anticipated that any recommendations will be implemented immediately.

A formal evaluation is planned for the end of Band A in 2019.