

Pecyn Dogfennau Cyhoeddus

Pwyllgor Archwilio

Man Cyfarfod
**Ystafell Bwyllgor A - Neuadd y Sir,
Llandrindod, Powys**

Dyddiad y Cyfarfod
Dydd Gwener, 5 Tachwedd 2021

Amser y Cyfarfod
10.00 am

I gael rhagor o wybodaeth cysylltwch â
Lisa Richards
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Neuadd Y Sir
Llandrindod
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Dyddiad Cyhoeddi

Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddau ddiwrnod cyn y cyfarfod

AGENDA

1.	YMDDIHEURIADAU
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Derbyn ymddiheuriadau am absenoldeb.

2.	DATGANIADAU O FUDD
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Derbyn datganiadau o fudd gan Aelodau.

3.	COFNODION
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod blaenorol.
(Tudalennau 1 - 6)

4.	TWYLL CORFFORAETHOL
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Ystyried adroddiad gan y Pennaeth Cyllid.
(Tudalennau 7 - 14)

5.	ADOLYGIAD DILYNOL GAN ARCHWILIO CYMRU O DREFNIADAU CRAFFU 2021
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Ystyried adroddiad yr Aelod Portffolio – Llywodraethu Corfforaethol, Ymgysylltu a Gwasanaethau Rheoleiddiol.
(Tudalennau 15 - 38)

6.	PWYLLGOR LLYWODRAETHU AC ARCHWILIO
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Ystyried adroddiad y Pennaeth Gwasanaethau Cyfreithiol a Democrataidd.
(Tudalennau 39 - 50)

7.	DIWEDDARIAD ARCHWILIO MEWNOL CH2 Q2
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Ystyried y Diweddariad Archwilio Mewnol ar ddiwedd yr ail chwarter.

(Tudalennau 51 - 62)

8.	RHEOLI'R TRYSORLYS CH 2 Q2
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Ystyried adroddiad gan yr Aelod Portffolio – Cyllid.
(Tudalennau 63 - 82)

9.	CAU'R CYFRIFON
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Ystyried adroddiad gan y Pennaeth Cyllid.
(Tudalennau 83 - 84)

10.	FFRWD WAITH CYFALAF
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10.1. **Fframwaith Llywodraethu Cyfalaf**

Ystyried adroddiad y Pennaeth Cyllid.
(Tudalennau 85 - 112)

10.2. **Gwerthuso ac Achosion Busnes Prosiectau Rhaglen Gyfalaf.**

Ystyried adroddiad y Pennaeth Cyllid.
(Tudalennau 113 - 244)

11.	RHAGLEN WAITH
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Ystyried y blaenraglen waith ac a ddylid ychwanegu unrhyw eitemau ychwanegol.
(Tudalennau 245 - 246)

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD BY TEAMS LIVE ON FRIDAY, 8 OCTOBER 2021

PRESENT

PRESENT

County Councillors JG Morris (Chair), M J Jones, K Lewis, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams and J M Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: County Councillors A W Davies, R Harris and R Powell

Officers: Nigel Brinn, Corporate Director, Economy and Environment, Jane Thomas Head of Finance and Clive Pinney, Head of Legal and Democratic Services

Other Officers In Attendance: Ian Halstead, Millie Jones and David Hill, SWAP, David Burridge, Audit Wales and Jim Swabey, HOWPS

1.	APOLOGIES
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Apologies for absence were received from County Councillors M Barnes, D R Jones and R Williams

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	Y GAER
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Documents:

- SWAP Project Review of Y Gaer (Lessons Learned)
- Service Response to SWAP report

Discussion:

- The Chair reminded the Committee that they were to consider the lessons learned from the Y Gaer project to ensure future projects such as 21 Century Schools, Mid Wales Growth Deal and GCRE were all subject to good governance and strict project and financial management. The role of the Committee was to seek assurance that the Action Plan was adequate for future projects. A key role was to scrutinize the financial affairs of the Council and ensure value for money particularly bearing in mind that the vast majority of spend on such projects was public money.
- The Assistant Director, SWAP, informed the Committee that this had been a difficult review which had taken considerable time. He wished to thank everyone involved particularly the Lead Auditor for undertaking the work during challenging times.
- The Assistant Director took the Committee through a timeline of events and highlighted that the review considered budgeting, capacity and capability, tendering and procurement, the construction phase and engagement with users and stakeholders.

- He confirmed that he had had unfettered access to people and available records but noted that a number of officers had changed over the lifetime of the project which had had an impact on accessing some records.
- **Project Initiation and Planning** - a number of options had been considered but the offer of a grant had been the key driver. Clear aims were in place which followed the Regeneration Strategy and became more focussed in the later stages. The project execution plan remained stagnant as the project rapidly evolved and was not live enough to enable a speedy response. The lack of continuity of officers was also of concern. Planning lacked formalisation which negatively impacted in the later stages. The absence of a business case contributed to unrealistic proposals and the Council demonstrated an unrealistic bias.
- **Funding** – this had been integral and influential. An application for a Heritage Lottery Fund Grant had not been successful in 2008 but the scope had been improved and £2.1 was awarded in 2010. £5.1M of the £8.4M project was to be provided by the Council with several options under consideration including a LABV, property sales etc. The LABV was not pursued. Consideration had also been given to not proceeding. Ultimately the Council committed to the grant in 2013 but was uncertain regarding the remaining funding. Finance Officers raised concerns. Prudential borrowing was identified if no other options were available. However there had been no indication of cost. It was considered that the Council was overly concerned with external funding.
- **Governance** – it was concluded that governance was in place initially but that roles and responsibilities were not clearly defined. There was a complex and lengthy chain of command. Information improved post 2016 but was very technical in nature. No delegated powers were defined. Visibility and transparency were not clear when elements of the project were failing. There had been no training for those with governance roles. In conclusion the governance process was variable making it difficult to address key challenges. There was a reliance on officers resulting in a lack of visibility. Too many silos were in operation, for example funding and construction – the project would have benefitted from single oversight.
- **Risk** – mitigation had been overly optimistic to downgrade risks
- **Staffing resource** – management skills were found to be lacking. External contractors were engaged but there was no internal capacity to monitor. The project was too reliant on agency staff. Project teams were also working in silos. Relationships were not clearly understood. Those responsible for oversight were not trained. Lottery rules resulted in elements being separated.
- **Contracts** – contracts were let in accordance with Council rules. A change was made to the fixed price contract during the project resulting in less risk but increased costs. The transfer to HOWPS further complicated the process and led to less oversight.
- **Conflicts of Interest** – no conflicts of interest were identified but the opportunity for them to arise was perceived
- **Performance, Control and Compliance** – there was heavy reliance on external project managers with a lack of reporting. The design of the building was identified as a key early failure eventually leading to delays and increased costs. The main contractor missed key deadlines and snagging was unnecessarily protracted. The complex chain of control did not aid agile decision making. The increased costs were attributed to

inflation, inadequate contingencies, and additional works all of which contributed to an increase in fees.

- **Stakeholder engagement** – better communication with stakeholders was identified. The level of influence they could have expected should also have been communicated.
- **Lessons Learned** - a number of scrutiny committees had identified significant issues, but these had little impact and valuable lessons were lost. Tracking of scrutiny recommendations should be in place. Post implementation reviews should take place throughout the project
- The Corporate Director, Economy and Environment acknowledged the volume of work and thanked those involved. The importance of Y Gaer should also be recognised, not only in Brecon but for the county as a whole. It was recognised that the project had been expensive but £4.5M of external support had been brought in from numerous services. The improvements in the project post 2016 were recognised as the project became better managed and better governed. HOWPS had been instructed to provide the client-side project management, but their role appeared to be causing confusion.
- The Vice Chair questioned whether project boards as they are currently constituted were a potential source of weakness. In December 2016 a Cabinet report highlighted the lack of political oversight but the capital allocation was still increased. The contract was amended in May 2018 to eliminate risk, but it appeared that the Council had paid for most of the risk before that date. The Vice Chair had questioned the reconciliation of the budget figures included in the report. An explanation had been provided prior to the meeting identifying an additional £600K from a Welsh Government grant that had not been mentioned in the report.
- The Vice Chair summarised that one of the main concerns was the lack of project management. The project only came in control with the appointment of an agency Project Manager. He was also of the opinion that it was perverse to appoint Jacobs on a sliding fee scale as it proved to be in their interests to increase costs. It was hoped this would be resolved when the function returned to Council control. The Vice Chair was not yet assured that other projects were under control with over expenditure occurring with Welshpool Schools. He awaited the review of another major project to assess whether improvements had been made to processes.
- Whilst the end product was something the Authority could be proud of, the report reflects the culture of the Council at that time. Audit Committee, Scrutiny Committees and Finance Panel had all expressed concerns. The LABV could have been considered to be over ambitious and the S151 Officer had noted that. Finance Panel have often expressed concern regarding transparency although Members were pleased to note this was improving with the current S151 Officer.
- The Committee questioned the total amount of borrowing for the project and what impact this had had on the MRP. The impact on the revenue budget had to be recognised. The Head of Finance responded that the Authority did not borrow for individual projects. However, the impact on the revenue account for this project can be estimated at £326K pa until 2054 and £68K thereafter.
- Project Management was a highly skilled, professional job and generic training for Council officers may not be sufficient. General project

management skills and awareness training had been carried out with 126 officers having taken part.

- Further concerns were raised that a grant had been applied for on a submitted scheme rather than an approved scheme. There was a need to understand the totality of the project. Offsite improvements had influenced the project.
- The project was based upon a listed building, and it was questioned whether the Authority had the skills in place to accommodate the additional requirements. The Corporate Director indicated that a third party could be engaged to provide specialist support if there was insufficient capacity in house.
- Conflicts of Interest had also been referred to, but it was emphasised that this was a perception of a conflict of interest and not an actual conflict. A separate internal audit had been conducted into officer conflicts of interest and the Monitoring Officer assured the Committee that recommendations made were being implemented.
- The Committee noted that no litigation or redress had been made against those agencies which were considered to have performed poorly. The Monitoring Officer noted that it would not be appropriate to discuss specific aspects during the Committee but agreed to reconsider. He stated that the reasons for increased costs were not related to contractual breaches.
- **Way forward** – Governance and Audit Committee have commissioned further work to provide assurance that current arrangements are effective. The first of these reports will be considered at the next meeting in November 2021.
- The Capital Governance framework has been introduced requiring a five-case business model for every project detailing roles and responsibilities.
- Project Management arrangements have not been sufficiently well explained and further information will be provided. This will include costs, arrangements for managing and approving cost changes and how risk is built in from the start of a project. The work commissioned by the Committee should provide this evidence.
- Asset Management and sales will be integral moving forward and the Property Review report has been awaited for some time. Once that has been received it may be possible to take a view on the feasibility of using capital receipts to support the Capital Programme. The Head of Finance reported that significant work on the review had been completed over the summer. It was necessary to understand the cost of assets, use of assets and ongoing maintenance costs and benefits from those assets. Where benefits are not being achieved or assets not used effectively, they could be considered for release.
- It was intended to implement Post Project Reviews for all capital and transformation projects.
- A Senior Reporting Officer should be identified for all projects to provide appropriate oversight
- External legal support is employed for contract work – recruitment for an internal resource has not yet proved successful
- The Chair concluded by saying that some assurances had been given but the lack of management of the Y Gaer project was a concern. Good management was essential to ensure value for money for council tax payers. The cost, including the prudential borrowing for the capital, was

£17m. The Committee had raised concerns regarding the affordability of the 21 Century Schools project and further assurances were needed regarding the affordability of projects in future. The Head of Finance emphasised the need for a robust business case from the outset. With regard to the school estate, she noted that there was a lack of transparency around the costs of retaining the existing estate against the costs of new projects, but this was being worked on. The Capital Programme as currently approved was affordable as demonstrated through prudential indicators. Future schemes and the level of ambition would have to be considered through the process in order to draw down external funding.

- A key element of the business case would be to recognise the revenue costs arising from a project
- SWAP indicated that further assurance could be obtained by additional work by SWAP. It was noted that all projects had their own risk registers and consideration should be given to the Committee considering any significant risks on individual projects in addition to their regular monitoring of the Strategic Risk Register.
- An independent review of the Bro Hyddgen project had been undertaken and it was expected that once this review has been released the Committee would gain assurance that improvements had been embedded
- The Integrated Business Planning process which is in place will ensure that the wider plans deliver both service and council objectives.

Outcomes:

- **The Committee gained partial assurance from the report and awaited the peer review into Bro Hyddgen to ascertain whether improvements have been embedded**

County Councillor JG Morris (Chair)

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CYNGOR SIR POWYS COUNTY COUNCIL.**GOVERNANCE AND AUDIT COMMITTEE****REPORT AUTHOR: Jane Thomas Head of Financial Services****REPORT TITLE: Corporate Fraud and Error Quarter 2 Report**

REPORT FOR: Information & Discussion

1. Purpose

- 1.1 To provide a quarterly update to the Governance and Audit Committee on current work activities and performance.
- 1.2 To advise Governance and Audit Committee from the Fraud teams work, any systems or process weaknesses of significance.
- 1.3 Seek Governance and Audit Committee's input on the Fraud Team's future work plans.
- 1.4 To provide a response to the recommendations raised in audit work by Audit Wales and SWAP and to advise the Governance and Audit Committee on the progress made against the actions identified.

2. Fraud and Money Laundering Policies

- 2.1 The policies set out below were approved in July 2020 and can be found in the HR policies areas of the corporate handbook.
 - Anti-Fraud Policy
 - Anti-Money Laundering Policy
 - Fraud, Sanctions and Prosecutions Policy
- 2.2 The policies have been considered and approved by the Senior Leadership Team and have been communicated across the Organisation. Further promotion and awareness raising is planned over the next year.
- 2.3 Fraud awareness training has now been made mandatory for the Council and the training package is now being reviewed to be rolled out across the Council.

3. Quarter 2 2021 Activity Report

- 3.1 The fraud and error team undertake a series of proactive review exercises that seek to verify eligibility to reliefs, discounts exemptions and awards across the Council in key areas and

identify any that warrant fraud investigation. The following table shows what has been considered in Quarter 2 and for the rest of 2021/22.

Area	Quarter	Review Volumes Low – (up to 250) Medium (Up to 1000) High (Up to 5000) Very High (over 5000)
Probate review for Council Tax Exemptions for Council Tax	1 (onwards)	Medium Medium
Council Tax Single Person Discount	2(onwards)	Very High
Sundry Debtors Probate Empty Council Tax Exemptions	3	Low
Business Rates Reliefs CTRS occupancy/Eligibility	4	High High

3.2 We are currently working on 9 joint working cases with the Dept of Work and Pensions Fraud team. All are on hold at the moment as they are not undertaking investigations in these areas.

3.3 The Fraud team have 82 investigations in 2021 so far.

At the end of Q2, the accumulative 2021/22 figures are:

Current Status	Number	Areas Investigated	Number
Current cases ongoing	31	Employee cases	3
		Council Tax	1
		Council Tax Exemptions	3
		Council Tax Discounts	4
		Council Tax Premiums	4
		Business Rates	2
		Small Business Rates Relief	1
		Council Tax Reduction Scheme	15
		Housing Benefit	2
No Further Action	21	Council Tax Reduction Scheme	10
		Blue Badge	2
		Covid Grant	1
		Council Tax	2
		Council Tax Exemptions	1
		Council Tax Discount	7
		Council Tax Premiums	1
		Tenancy	1
Insufficient or no evidence	8	Council Tax Reduction Scheme	4
		Blue Badge	1
		Council Tax Discount	3
		Housing Benefit	1
		Council Tax Premiums	1

Cases Closed but with Recommendations	6	Blue Badge Council Tax Discount Council Tax Premiums Social Care Employee	1 2 1 1 1
Closed with no overpayment	1	Council Tax Premiums	1
Fraud Proven	15	Covid Grant Council Tax Council Tax Exemption Council Tax Reduction Scheme Council Tax Discount Council Tax Premiums Housing Benefit Business Rates Sublet	2 4 1 1 2 4 1 1

4. **Gains and Outcomes to the end of Q2 (accumulative 2021/22 figures) are:**

Current Status	Number	Value
Prosecutions Administration Penalties Civil Penalties Other Sanctions: -	0	£
Overpayments Gains:- This is the value of recoverable overpayments for Powys Council from the work of the team		£320,567
Income Gains:- This is the value of potential income saved or potential revenue gained by Powys Council over the course of 52 weeks from the work of the team		£645,722

5. **System and Process Recommendations**

The following recommendations were made in Q2 following conclusion to the Fraud team's investigation and error work.

- 5.1 Recommendation on an employee case was to review in the service area, why the investigation request was raised in the first place.
- 5.2 Recommendation to the service area to take account of a property following the investigation found into the customer's social care financial assessment.

6. Response to the recommendations raised in audit work by Audit Wales and SWAP and the progress made against the actions identified

6.1 The table below sets out the current actions to address the shortfalls and the timetable to achieve them.

Action	Date	Completed	Notes	Issue
Net Consent sign off of all the policies for staff and Councillors	Q1		2180 staff/councillors have accepted. None refused. 650 left to sign.	1/3
All policies will now form part Powys HR policies	Q2			1/3
Work with service areas will be undertaken to have staff who don't sign in via Net Consent to understand the policies and agree to them	Q4			1/3
Promote amongst staff and Councillors, fraud awareness via structured communications campaign	Q1 Q3 Q4		Currently comms plan being worked on	1/3
Encourage take up of fraud e-learning module across staff and Councillors	Q3 Q4		Work is being done to improve module now it is mandatory and relaunch in Q4	6/8
Reintroduce reporting cycle with Governance and Audit Committee which stated purposes	Q1			2/12
Offer specific Fraud Training to service teams and Councillors	Q4			6/8
Develop regular review meetings with key service teams and stakeholders including Internal Audit	Q4			1/2/5
Create a fraud risk section in the IBP for service teams to consider fraud risks and mitigations	Q4		this work started early and has a simple review question in the risk section but will be developed again next year	1/4/5/7/ 9/11
Present to SLT around fraud awareness and the anti-fraud Policies roll out	Q1			1

Develop an intranet to notify all of fraud risk alerts from central agencies	Q4			1
Internal Audit to undertake fraud risk assessment for Powys	Q3			4/5/7/ 9/11
From the Internal Audit fraud risk assessment, this may highlight further fraud risk assessment and mitigation work to be done at a service area level	Q4			4/5/7/ 9/11
Align fraud resource to any issues identified in the Powys fraud risk assessment or the service area fraud risk assessment	Q1 (2022)			4/5/7/9
Following the fraud risk assessments, review policies and consider if a fraud risk plan or strategy needed.	Q2 (2022)			4/5/7/ 9/11
Introduce new Investigations Panel to ensure:- Appropriate route of new investigations Support of cases during investigation Discharge of prosecution or sanction at the end of the investigation	Q3			2
Build in key competency for Powys managers training for Financial Services around fraud awareness and ability to review systems and procedures.	Q4			1/5/6/8
Where appropriate publish in the media, cases investigated that have been thorough a fraud prosecution process	Q1			1
Review the external website to ensure its clear how to report fraud to the Council	Q4			1

Procure and use Fraud Hub software to create better opportunities for data matching and managing fraud risks	Q2		Currently going through contract issues and for signing	5/7/9
Once other fraud risk assessment actions above are complete, incorporate fraud and corruption risks into corporate risk management process which is then reviewed by the S151 Officer	Q1 (2022)			4/5/7/9/11
Review Portfolio Holder Member that should be responsible for counter-fraud.	Q3		The PFH for Finance is to be the member responsible for counter fraud	1
Review Whistleblowing Policy and ensure it has the correct contact details and is then made available to key stakeholders as appropriate	Q4			10
Update staff and Member codes of conduct to include direct anti-fraud references	Q4			10
Implement a process for vetting candidates in respect of fraud and financial fraud risk	Q1 2022			10
Report to Members on declarations of interest and gifts and hospitality	Q2 2022			10
Ensure relevant strategies and policies are subject to required ongoing scrutiny and review	Q1 2022			1/3/4/7/9/11

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Head of Service: Jane Thomas

Corporate Director:

Appendix 1 - Wales Audit Office Report and Internal Audit Report Issues

Powys Issues to resolve	Audit Wales Report Issue
Senior management indicated that that the Council demonstrates a commitment to counter-fraud and has a zero-tolerance to fraud but there was little evidence to confirm that this message is actively promoted across the Council on an on-going basis	1
The approach to counter fraud work and activity was uncoordinated and there was a lack of clarity in terms of the roles and responsibilities of staff involved in Counter Fraud work (e.g., Internal Audit & Income & Awards)	2
At the time of undertaking the work, key policies to support effective counter fraud arrangements were either out of date or could not be located. A number of these have since been updated (e.g. Anti-Fraud Policy, Anti Money Laundering Policy and Fraud Prosecutions and Sanctions Policy)	3
The Council did not have an appropriate fraud response plan in place	4
The Integrated Business Plans completed by services / directorates did not consistently consider any risk assessment on the potential for fraud to impact on the delivery of the service or cost of providing the service	5
The extent of any counter-fraud training undertaken across the Council has been very limited	6
	Internal Audit Report Issue
There is no agreed Anti-Fraud Strategy or Fraud Response Plan.	7
There has been no recent training delivered in relation to anti-fraud and corruption. Fraud training is not mandatory and there is little evidence that anti-fraud awareness is promoted across the Council.	8
The Council has not yet completed a formal assessment in relation to fraud and corruption risks.	9
The Whistleblowing Policy contact details are out of date. The Officer and Member Code of Conduct documents do not specifically include reference to fraud.	10
Fraud risk is not specifically reviewed by Senior Management and Members.	11

The programme of counter-fraud work was not provided and there is no evidence that this is agreed, and progress is monitored by Audit Committee.	12
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CYNGOR SIR POWYS COUNTY COUNCIL.

Scrutiny Chairs – 4th November 2021
Democratic Services Committee – 4th November 2021
Governance and Audit Committee – 5th November 2021

REPORT AUTHOR: County Councillor Beverley Baynham
Portfolio Holder for Corporate Governance, Engagement
and Regulatory Services

REPORT TITLE: Audit Wales Follow Up Review of Scrutiny
Arrangements 2021

REPORT FOR: Decision

1. Purpose

- 1.1 The report outlines the findings of the Audit Wales Review of Scrutiny in 2021 and requests the approval of an action plan to address the review findings.

2. Background

- 2.1 In 2018 Audit Wales undertook a review of the Council's Scrutiny arrangements and concluded that the Council had been slow to develop its scrutiny arrangements and that there were areas which needed addressing.
- 2.2 In 2021 Audit Wales undertook a follow up review and concluded that there had been limited progress by the Council in addressing the issues raised in 2018 in part due to the pandemic, and also raised a number of other areas which required addressing. A copy of the Audit Wales report is attached as Appendix A to the report.

3. The Scrutiny Report

Audit Wales made 10 recommendations across 6 Areas of concern and these are summarised as follows:

- 3.1 The Council has made limited progress in addressing the issues raised by Audit Wales in their 2018 report on the effectiveness of its scrutiny function, in part due to the COVID pandemic, and there is consensus across members and officers that scrutiny is not working as effectively as it could. The Council had reviewed its scrutiny function and amended its scrutiny structure in 2019 to include working groups to develop members' subject-specific knowledge and had introduced a formal process for feeding back Cabinet decisions.

More recently, the Council has been working to develop scrutiny's role in monitoring its service improvement and performance. And during the pandemic was able to reintroduce normal democratic arrangements via online meeting

technology. As such Scrutiny was able to meet more frequently over in 2020/21 and with increased attendance. Audit Wales recognised that 2020 was a challenging year due to COVID, especially with the Council operating on a business continuity model between May 2020 and May 2021.

Nevertheless, Audit Wales concluded that progress since their report in 2018 has been limited and most of the proposals for improvement in their report were yet to be fully addressed. Audit Wales recommended that the Council revisit the recommendations made in their 2018 scrutiny effectiveness report.

Recommendation 1: Revisit the PFIs set out in our 2018 scrutiny effectiveness report and fully address them.

- 3.2. Audit Wales found that many of the other issues hindering the Council's scrutiny function from operating effectively stemmed from lack of clarity and understanding of the roles and responsibilities of members, officers and cabinet members. In particular they had concerns about the makeup of the Finance Panel and recommended that there should be a clearer definition and understanding of the role and purpose of the Finance Panel, as well as the respective roles of scrutiny members and executive members

Recommendation 2 The Council should clarify the role of the finance panel and assure itself that it is lawfully constituted

- 3.3. Audit Wales raises concerns with scrutiny planning and in particular the lack of evidence of Council members leading and initiating their own scrutiny work programme or agenda items and the role of the Co-ordinating Committee in setting the work programme for each scrutiny committee. Audit Wales recognised that the pandemic had slowed progress in this area with scrutiny was able to consider reports that had already been produced for Cabinet or Council.

Recommendation 3 Reconsider the function, role and composition of the Coordinating Committee in order to ensure that the Council has a means of coordinating its scrutiny work that is distinct from the scrutiny committees' role in setting their own work programmes.

Recommendation 4 Clarify the process by which scrutiny members and chairs can propose topics to be included on the scrutiny work programme and considered by scrutiny.

Recommendation 5 Develop a methodology that will allow its scrutiny committees to plan their work programme over a longer time frame, eg for a year, whilst retaining enough flexibility to respond to additional issues should they arise unexpectedly.

Recommendation 6 Allow Scrutiny members more time to plan their activity properly.

Recommendation 7 Ensure that scrutiny considers what outcomes it wishes to achieve before it decides what and how it will undertake any scrutiny activity, and then plan its activity to ensure it aligns with the outcome it is seeking.

- 3.4. Audit Wales found that the Council does not have a formal mechanism for the public to get involved in its scrutiny activity and that Scrutiny activity was mainly

focused on traditional committee scrutiny of written reports. Audit Wales acknowledged that the pandemic would have had an impact on scrutiny's ability to consider and act on alternative or innovative methods of exploring topics, but they felt that the Council has resources and expertise available to it across the organisation. Scrutiny is not currently drawing upon that wide ranging expertise to inform and support their work by, for example, asking officers to provide additional data or research

Recommendation 8 The Council's scrutiny function should consider a range of methodologies for conducting scrutiny, beyond the traditional committee approach, and select the most appropriate methodology for the subject matter at hand

- 3.5. Audit Wales considered that Members need more support and guidance on the role and function of scrutiny, and the most effective way they contribute to making it effective and to have a clear and common understanding of scrutiny's role. In particular, Audit Wales felt that Scrutiny Members needed broader support with, understanding their role in contributing to scrutiny, what is good/bad practice, and in selecting and deciding on topics, wider evidence, or additional research/ data or information. Scrutiny Members service-specific training in order to help them build up their knowledge of a particular subject matter, but required a similar level of scrutiny-specific training and development on how to best scrutinise such key issues

Recommendation 9 Provide further training for all members and relevant officers on the roles and responsibilities involved in an effective scrutiny function, including specific training for scrutiny Chairs and Vice Chairs, and for those officers who provide support for scrutiny

- 3.6. Audit Wales found that the Council did not have a system in place specifically for evaluating the impact of its scrutiny work. The Council does collect quantitative data on the number of recommendations made to Cabinet and the number of recommendations accepted by Cabinet. However, Audit Wales felt that this data does not tell the Council anything about the quality of the recommendations made, how the Cabinet acted on them, or whether any improvements to the effectiveness of the Council's services and policies were achieved as a result

Recommendation 10 Review the nature and scope of the support available to the scrutiny function to ensure that members receive support to inform the planning and undertaking of their work programmes, as well as committee administration support.

4 Advice

- 4.1 A draft action plan has been developed and implementation has already commenced to address the issues raised, prior to the final review report being published.
- 4.2 A copy of the Action Plan is attached to the report as Appendix B, which the Cabinet is asked to approve for submission to Audit Wales as the Council's response to the review.

5. Resource Implications

- 5.1 The Council sought assistance from the Welsh Local Government Association (WLGA) in developing and implementing the action plan. As a result, some of the training identified in the action plan has been procured and paid for by the WLGA, for which the Council is very grateful. Assistance is also being provided by the WLGA in respect of the delivery of some elements of the training and the development of the current Scrutiny Chairs. The remaining training costs can be covered by the Member Development Budget.
- 5.2 The dates of the development sessions are in the process of being identified and integrated into the overall Member Development Programme.

6. Legal implications

- 6.1 Legal: The recommendation can be supported from a legal point of view
- 6.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

7. Data Protection

- 7.1 The proposal does not involve the processing of any personal data.

8. Comment from local member(s)

Not applicable

9. Impact Assessment

- 9.1 An Impact Assessment is not required as the proposal does not relate to a new or amended policy or operational service change.

10. Recommendation

- 10.1 RECOMMENDED that the draft action plan be approved for submission to Audit Wales as the Council's response to the review.**

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Corporate Director:	Dr Caroline Turner, Chief Executive.

Follow-up Review of Scrutiny Arrangements – Powys County Council

Audit year: 2020-21

Date issued: September 2021

Document reference: 2474A2021-22

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

Summary

What we reviewed and why

- 1 In 2018, Audit Wales undertook a review of scrutiny arrangements at Powys County Council (the Council). We concluded that the Council had been slow to develop its scrutiny arrangements and there were fundamental areas it needed to address if scrutiny was to operate effectively and have impact. We made a series of proposals for improvement:
 - be specific in the reports presented to overview and scrutiny why the committee is receiving the information and how this relates to the role of the scrutiny committee;
 - provide more training specifically for Chairs and Vice Chairs of overview and scrutiny committees to enable them to be more effective in their role;
 - make arrangements for further training for scrutiny committee members on the Well-Being of Future Generations (WFG) Act in order to help embed WFG considerations into the Council's decision-making processes;
 - strengthen arrangements for public and other stakeholder engagement in overview and scrutiny;
 - clarify the arrangements for feeding back overview and scrutiny committees' views to Cabinet and for Cabinet to respond to recommendations made; and
 - put in place arrangements for assessing the effectiveness and impact of overview and scrutiny.
- 2 In following up our previous work, we mainly focused on five key areas:
 - Role and aim of scrutiny
 - Planning
 - Scrutiny methods
 - Support arrangements
 - Evaluation
- 3 The five areas broadly reflect the themes set out in our 2019 discussion paper [Six themes to help make scrutiny 'Fit for the Future'](#), with some adjustments to reflect local priorities.
- 4 We undertook our review during the period February 2021 to May 2021.

What we found

- 5 Our review sought to answer the question: Has the Council acted on Audit Wales' previous proposals for improvement and identified further opportunities for improvement?

- 6 Overall, we found that: The Council has made limited progress in addressing the issues we raised in our 2018 report on the effectiveness of its scrutiny function, in part due to the COVID pandemic, and there is consensus across members and officers that scrutiny is not working as effectively as it could. We reached this conclusion because:
- the Council’s progress since our report in 2018 has been limited, in part due to the COVID pandemic, and most of our 2018 proposals for improvement are yet to be fully addressed;
 - a continued lack of clarity and understanding of the roles and responsibilities of members, officers and cabinet members is the key issue hindering effective scrutiny;
 - there continues to be significant scope to improve scrutiny planning;
 - scrutiny committees do not always consider the most appropriate and effective way to undertake scrutiny work;
 - the Council has not yet put in place effective arrangements to support its scrutiny function; and
 - the Council has not yet put in place arrangements to fully assess the impact of its scrutiny activity.

Recommendations

Exhibit 1: recommendations

The table below sets out the recommendations that we have identified following this review.

Recommendations	
2018 Proposals for improvement	
The Council should prioritise the following:	
R1	Revisit the PFIs set out in our 2018 scrutiny effectiveness report and fully address them.

Recommendations

To help the Council fully address our 2018 proposals for improvement, we have set out below some additional recommendations for it to address:

Roles and Responsibilities

- R2** The Council should clarify the role of the finance panel and assure itself that it is lawfully constituted.
-

Planning scrutiny activity

The Council should:

- R3** Reconsider the function, role and composition of the Coordinating Committee in order to ensure that the Council has a means of coordinating its scrutiny work that is distinct from the scrutiny committees' role in setting their own work programmes.
- R4** Clarify the process by which scrutiny members and chairs can propose topics to be included on the scrutiny work programme and considered by scrutiny.
- R5** Develop a methodology that will allow its scrutiny committees to plan their work programme over a longer time frame, eg for a year, whilst retaining enough flexibility to respond to additional issues should they arise unexpectedly.
- R6** Allow Scrutiny members more time to plan their activity properly.
- R7** Ensure that scrutiny considers what outcomes it wishes to achieve before it decides what and how it will undertake any scrutiny activity, and then plan its activity to ensure it aligns with the outcome it is seeking.
-

Scrutiny methods

- R8** The Council's scrutiny function should consider a range of methodologies for conducting scrutiny, beyond the traditional committee approach, and select the most appropriate methodology for the subject matter at hand.
-

Support for scrutiny

The Council should:

- R9** Provide further training for all members and relevant officers on the roles and responsibilities involved in an effective scrutiny function, including specific training for scrutiny Chairs and Vice Chairs, and for those officers who provide support for scrutiny.

Recommendations

R10 Review the nature and scope of the support available to the scrutiny function to ensure that members receive support to inform the planning and undertaking of their work programmes, as well as committee administration support.

Detailed report

The Council has made limited progress in addressing the issues we raised in our 2018 report on the effectiveness of its scrutiny function, in part due to the COVID pandemic, and there is consensus across members and officers that scrutiny is not working as effectively as it could

The Council's progress since our report in 2018 has been limited, in part due to the COVID pandemic, and most of our 2018 proposals for improvement are yet to be fully addressed

- 7 In 2018, we issued our report [Powys County Council – Overview and Scrutiny – Fit For the Future?](#) and made a series of proposals for improvement.
- 8 In 2019, the Council reviewed its scrutiny function with the help of external consultants. It made changes to its scrutiny structure in 2019, including establishing:
 - working groups to develop members' subject-specific knowledge; and
 - a formal process for feeding back Cabinet decisions.
- 9 More recently, the Council has been working to develop scrutiny's role in monitoring its service improvement and performance.
- 10 During the pandemic in 2020, Powys was quick to reintroduce normal democratic arrangements via online meeting technology, as set out in our July 2020 summary note on digital democracy at the Council. Scrutiny has therefore been able to meet more frequently over the last year, and we understand that attendance has also increased as a result of remote meetings.
- 11 We fully recognise that 2020 was a challenging year due to COVID and we accept that some elements of scrutiny development have slowed or stopped as a result. For example, between March 2020 and May 2021, the Council was operating on a business continuity model. This meant that during this time, scrutiny committees were not able to commission their own reports from officers and were restricted to considering reports that had already been produced for Cabinet.
- 12 Even when taking into account the added challenges caused by the pandemic, progress since our report in 2018 has been limited and most of the proposals for improvement in our report are yet to be fully addressed.

A continued lack of clarity and understanding of the roles and responsibilities of members, officers and cabinet members is the key issue hindering effective scrutiny

- 13 We found that there is no clear or shared understanding about the role of scrutiny across the Council, amongst officers or members, although the roles and responsibilities of scrutiny and cabinet members is set out in the arrangements. This fundamental issue is the root cause of many of the other issues hindering the Council's scrutiny function from operating effectively.
- 14 The role and composition of the Council's Finance Panel is also unclear. We understand that the way in which the Finance Panel operates has changed over time. This has resulted in a situation where the Panel is widely considered to be a tool for scrutiny, and is included in the Council's constitution in the same section as other scrutiny arrangements, yet it also has a Cabinet Member as a member of the Panel. The Local Government Act 2000 states that a council's scrutiny committee or sub-committee may not include any member of the authority's executive (Cabinet). A clearer definition and understanding of the role and purpose of the Panel, as well as the respective roles of scrutiny members and executive members, would help to assure the Council that the Panel is constituted lawfully, and ensure that the role and function it wishes such a Panel to contribute to the Council's scrutiny arrangements are clearer and more effective.
- 15 There is also limited understanding amongst members and officers of scrutiny's role and potential within the Council's wider governance arrangements. This includes the role of scrutiny in relation to the Council's internal improvement service boards, which is also unclear.
- 16 The Council has prepared written guidance for scrutiny members, as part of a report to Council on 30 July 2020 on its arrangements to replace the external Improvement and Assurance Boards, but the lack of common understanding of the role of scrutiny shows that it is not helping to provide clarity about how roles and responsibilities should best work in practice.

There continues to be significant scope to improve scrutiny planning

- 17 Evidence of Council members leading and initiating their own scrutiny work programme or agenda items is limited. We acknowledge that the pandemic has played a part in slowing progress in this area. For example, from March 2020 to May 2021, the Council was operating on a 'business critical' footing, which meant that scrutiny was able to consider reports that had already been produced for Cabinet or Council, but was not able to independently commission work of its own from officers.
- 18 As part of its scrutiny arrangements, the Council has put in place a Coordinating Committee, made up of scrutiny chairs and vice-chairs, the chair and vice chair of the Audit and Governance Committee, senior officers and two Cabinet Members.

We found that there is broad consensus across the Council that the Coordinating Committee is not working effectively.

- 19 There is a lack of clarity about the role of the Coordinating Committee. The Council's constitution says that the Coordinating Committee is responsible for setting the work programme for each scrutiny committee. During our fieldwork, the Coordinating Committee's role was described to us as sharing information and preventing duplication. If the role of the Coordinating Committee is in fact to set the work programme of each scrutiny committee, the role and function of the senior officers and Cabinet Members who sit on the Coordinating Committee need to be clarified, in order to prevent the perception that they are having an undue influence on the scrutiny committees' work. The role of each scrutiny committee in setting its own work programme, and the arrangements by which members can add items to the scrutiny committees' agendas also need to be clarified.
- 20 The [2006 statutory guidance on executive and alternative arrangements](#) states that, generally, the Chair of the committee should take the lead in planning the work programme, although they will need to take into account what plans the executive may have that will require input from scrutiny. The guidance also states that the Chair needs to take into account the views of other members of the committee in determining the work programme. [The Local Government Act 2000](#) states that the Council should have arrangements in place for any member of a scrutiny committee to refer to the committee any matter that is relevant to the functions of the committee. The arrangements should enable the Council to ensure that the matter is included in the agenda for, and discussed at, a meeting of the committee or sub-committee. It is not clear that the Council's present arrangements provide a reliable means of satisfying the requirements of the legislation and statutory guidance.
- 21 The Council has published a scrutiny work programme on the Council's website, but at the time of our fieldwork this was out of date. [The statutory guidance for the 2011 Local Government Measure](#) says that councils should publish this information. Not doing so also raises questions about how well the Council plans its scrutiny activity, as well as its transparency and public engagement arrangements.

Scrutiny Committees do not always consider the most appropriate and effective way to undertake scrutiny work

- 22 The Council does not have a formal mechanism for the public to get involved in its scrutiny activity, and there are limited examples of how scrutiny has involved the public. [The Local Government Wales Measure 2011](#) states that councils must make arrangements that enable all persons who live or work in the area to bring to the attention of the relevant scrutiny committee their views on any matter under consideration by the committee. It is not clear how a person would do this under the Council's current arrangements.

- 23 Scrutiny activity at the Council is mainly focused on traditional committee scrutiny of written reports. Whilst formal committee meetings and reports have an important role to play, there are many additional ways of undertaking scrutiny activity to make scrutiny more effective. We acknowledge that the pandemic will have had an impact on scrutiny's ability to consider and act on alternative or innovative methods of exploring topics. However, we did not find evidence of innovative scrutiny practices at the Council prior to the pandemic.
- 24 The Council has resources and expertise available to it across the organisation. Scrutiny is not currently drawing upon that wide ranging expertise to inform and support their work by, for example, asking officers to provide additional data or research. We acknowledge that the pandemic will have limited the opportunities to develop this style of working, due to the increased demands on officers' time, but we also note that this was an issue for the Council prior to the pandemic.

The Council has not yet put in place effective arrangements to support its scrutiny function

- 25 The Council's Members need more support and guidance on the role and function of scrutiny, and the most effective way they contribute to making it effective. As set out earlier in the report, members (and officers) do not currently have a clear and common understanding of scrutiny's role, and this is preventing the scrutiny function from working effectively. The support that members currently receive can be characterised as traditional clerking and committee administrative support. We did not find that members receive broader support with, for example, understanding their role in contributing to scrutiny, what is good/bad practice, and in selecting and deciding on topics, wider evidence, or additional research.
- 26 Linked to our earlier point about support from the wider organisation, scrutiny members do not always know what additional data or information could be available to them if they were to request it.
- 27 There is an opportunity for the Council to look again at the training and development it provides to members. Members and officers told us about the service-specific training members have received, in order to help them build up their knowledge of a particular subject matter, but we did not hear that they had received a similar level of scrutiny-specific training and development on how to best scrutinise such key issues. Members receive some training on scrutiny early on in the electoral cycle, but this is typically received alongside a lot of other information, at a time when Members may have limited experience of scrutiny in practice. Chairs of scrutiny committees told us that they had not received training specific to their role. If the Council were to undertake ongoing scrutiny-specific training and coaching, the service-specific training they are receiving would rest on a firmer foundation. It would also address some of the issues regarding helping to clarify roles and responsibilities.

The Council has not yet put in place arrangements to fully assess the impact of its scrutiny activity

- 28 The Council has done work to review the scrutiny function more broadly and make some changes to the way it works, but at the time of our fieldwork, the Council did not have a system in place specifically for evaluating the impact of its scrutiny work, which hinders its learning and improvement.
- 29 Scrutiny members also told us that they are not always clear about the impact of their work.
- 30 The Council collects some quantitative data such the number of recommendations made to Cabinet and the number of recommendations accepted by Cabinet, but the picture this provides about what impact it achieves is limited. For example, this data does not tell the Council anything about the quality of the recommendations made, how the Cabinet acted on them, or whether any improvements to the effectiveness of the Council's services and policies were achieved as a result.



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Council Response Form

Council action planned in response to the recommendations issued by Audit Wales

Tudalen 32

Council: Powys County Council
Report title: Scrutiny Follow Up
Issue date: September 2021
Document reference: 2474A2021-22

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
	2018 Proposals for improvement			
R1	The Council should prioritise the following: Revisit the PFIs set out in our 2018 scrutiny effectiveness report and fully address them.			
	2018 Proposals for Improvement			
a)	Be specific in the reports presented to	Pro-forma created and circulated to all Heads of	Completed	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
	overview and scrutiny why the committee is receiving the information.	Service for completion and inclusion with reports being submitted to scrutiny. Pro-forma to be evaluated	30-06-2021 31-12-2021	
b)	Provide more training specifically for Chairs and Vice Chairs to enable them to be more effective in their role.	<ul style="list-style-type: none"> External training provider engaged and date set. External provider (WLGA) engaged to undertake one to one sessions with chairs and provide feedback as well as observing meetings. Once these sessions are completed peer support for chairs to be considered as recommended by the WLGA. 	4th November 2021 Commenced July 2021 – ongoing. Q3 / 2021.	Scrutiny Manager
c)	Make arrangements for further training for scrutiny committee members on the Well-Being of Future Generations Act .	Dr Alan Netherwood, Cardiff University engaged and provided training to Scrutiny and other members.	Completed 03-09-2021	Scrutiny Manager
d)	Strengthen arrangements for public and other stakeholder engagement in scrutiny.	Forms created by ICT and made available on the Council's website – for suggestion of items for consideration by scrutiny and for comment on a forthcoming scrutiny item https://en.powys.gov.uk/article/11578/Scrutiny-Committees---Comment-on-an-agenda-item	Completed 30-08-2021	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
		https://en.powys.gov.uk/article/11579/Scrutiny-Committees---Suggest-a-discussion-topic		
e)	Clarify the arrangements for feeding back overview and scrutiny committees' views to Cabinet and for Cabinet to respond to recommendations made.	Template report provided for observations and recommendations of scrutiny to be reported to Cabinet. Also contains response boxes from Cabinet to scrutiny on whether recommendations accepted or rejected.	Completed – Being used prior to AW review in 2021.	Scrutiny Manager
f)	Put in place arrangements for assessing the effectiveness and impact of overview and scrutiny.	<ul style="list-style-type: none"> Blaenau Gwent Council presented to Co-ordinating Committee its approach to evaluation of scrutiny Committees undertaking a self-reflection exercise at the end of each meeting. More formal self-assessment measures to be established including an annual self-assessment by Chairs for their own scrutiny committees to feed into the Council's self-assessment. Evaluation pro-forma to be created for use by Chairs and Vice-Chairs following meeting. 	<ul style="list-style-type: none"> Completed 19-07-2021 Commenced August 2021 Q4 / 2021 Developed October, 2021 – been tested with ERC Committee. 	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
	Other 2021 Recommendations			
R2	<p>Roles and Responsibilities</p> <p>The Council should clarify the role of the finance panel and assure itself that it is lawfully constituted.</p>	Report taken to Council 23-09-2021 and role reviewed and Constitution Amended	Completed 23-09-2021	Head of Legal, Scrutiny and Democratic Services
R3	<p>Planning scrutiny activity</p> <p>The Council should:</p> <p>Reconsider the function, role and composition of the Coordinating Committee in order to ensure that the Council has a means of coordinating its scrutiny work that is distinct from the scrutiny committees' role in setting their own work programmes.</p>	Report taken to Council 15-07-2021 and Co-ordinating Committee removed from Constitution	Completed 15-07-2021	Head of Legal, Scrutiny and Democratic Services
R4	Clarify the process by which scrutiny members and chairs can propose topics to be included on the scrutiny work programme and considered by scrutiny.	<ul style="list-style-type: none"> Following the abolition of the Co-ordinating Committee, Members are clear that they should raise any topics for consideration at scrutiny with the Chair. Members also have the opportunity to raise any topics when the work programme is discussed during a meeting with future work programmes published on each scrutiny committee agenda. 	<p>Commenced September 2021 – ongoing</p> <p>Commenced September 2021 - ongoing</p>	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
R5	Develop a methodology that will allow its scrutiny committees to plan their work programme over a longer time frame, e.g. for a year, whilst retaining enough flexibility to respond to additional issues should they arise unexpectedly.	<ul style="list-style-type: none"> Torfaen Council attended meeting of Co-ordinating Committee to present their approach to work planning. Scrutiny Chairs have assumed the responsibility for planning and co-ordinating the Committee's work programme. This is currently short term as the Council nears the end of its current term and some services continue to be in business continuity. 	<p>Completed 19-07-2021</p> <p>Commenced September 2021 - ongoing</p>	Scrutiny Manager
R6	Allow Scrutiny members more time to plan their activity properly.	<ul style="list-style-type: none"> Briefing Meetings before Committee being used to consider reports and determine questioning strategies. <p>Or</p> <ul style="list-style-type: none"> Chair of L&S scrutiny committee emails Members prior to the meeting outlining possible lines of questioning and also format for meeting. 	<p>Commenced July 2021 – ERC Committee.</p> <p>Commenced June 2021 – LS Committee</p>	Scrutiny Manager
R7	Ensure that scrutiny considers what outcomes it wishes to achieve before it decides what and how it will undertake any scrutiny activity, and then plan its activity to ensure it aligns with the outcome it is seeking.	<ul style="list-style-type: none"> Briefing Meetings before Committee being used to consider reports and determine questioning strategies. <p>Or</p>	Commenced July 2021 – ERC Committee.	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
		<ul style="list-style-type: none"> Chair of L&S scrutiny committee emails Members prior to the meeting outlining possible lines of questioning and also format for meeting. 	Commenced June 2021 – LS Committee	
R8	<p>Scrutiny Methods</p> <p>The Council's scrutiny function should consider a range of methodologies for conducting scrutiny, beyond the traditional committee approach, and select the most appropriate methodology for the subject matter at hand.</p>	<ul style="list-style-type: none"> Committees have established Working Groups to consider issues in detail e.g. HOWPS, Childrens Services, Adults Services. In addition, Committees have tried to utilise other methods of undertaking scrutiny such as using Microsoft Teams channels, with limited success. Research and Analytics Officers working with scrutiny to identify items where established research and information can be used to assist the committee in considering specific matters e.g. ERC Scrutiny Committee and report on child poverty. 	<p>Commenced prior to AW review of scrutiny.</p> <p>Commenced September 2021</p>	Scrutiny Manager
R9	<p>Support for scrutiny</p> <p>The Council should:</p> <p>Provide further training for all members and relevant officers on the roles and responsibilities involved in an effective scrutiny function, including specific training for scrutiny Chairs and Vice Chairs, and for those officers who provide support for</p>	<ul style="list-style-type: none"> Workshop arranged for scrutiny Members, Cabinet and senior officers about the contribution of scrutiny to corporate governance, to be facilitated by the WLGA. (Arranged date cancelled due to IT issues) External facilitator engaged to provide training to scrutiny Members on effective questioning 	<p>Q3 / 2021</p> <p>Q3 / 2021</p>	Scrutiny Manager

Ref	Recommendation	Council action planned in response to recommendation issued by Audit Wales	Target date for completion of actions	Responsible officer
	scrutiny.	<p>skills to be facilitated by the WLGA (Date cancelled due to clash of other meetings)</p> <ul style="list-style-type: none"> • Specific training arranged with external facilitator for Chairs and Vice Chairs as set out in R1 above. • Section 7 of the Constitution (Scrutiny Committees) to be reviewed and clarified where required. • Training to be provided for Members on the scrutiny of finance and performance. Undertaken with ERC committee and finance crib sheet developed for members • Member Development sessions identified to support scrutiny knowledge e.g. Treasury management; Economy and Recovery ; Education 	<p>4th November 2021</p> <p>Q3 / 2021</p> <p>Commenced October 2021 – ongoing</p> <p>Commenced October 2021 and continuing</p>	
R10	Review the nature and scope of the support available to the scrutiny function to ensure that members receive support to inform the planning and undertaking of their work programmes, as well as committee administration support.	Review of the structure for the Democratic and Scrutiny Service being undertaken by the Head of Legal, Scrutiny and Democratic Services.	Q4 / 2021	Head of Legal, Scrutiny and Democratic Services

CYNGOR SIR POWYS COUNTY COUNCIL.**Governance and Audit Committee – 05-11-2021****REPORT AUTHOR: Head of Legal and Democratic Services****SUBJECT: Constitution**

REPORT FOR: Information

1. Purpose of Report

1.1 The Committee is asked to note an amendment to the Terms of Reference of Committee from May 2022 arising from the Local Government and Elections (Wales) Act 2021 (“the 2021 Act”).

2. Background

2.1 Sections 91, 92, 93, 95 and 96 of the 2021 Act provides additional responsibilities for Governance and Audit Committees from May 2022 in respect of the following:

- To consider the Council's draft annual Self Assessment Report on Performance and to make recommendations for changes to the conclusions and /or actions in the draft Self- assessment Report and (See proposed amendments to Rule 9.4.1 – Page 3 of section 9) ;
- To consider the once a Council Term Panel Performance Assessment Report of the Council and the Council’s response to the Panel Performance Assessment Report and to make recommendations for changes to the statements made in the draft response and (See proposed amendments to Rule 9.4.1 – Page 3 of section 9);
- To consider a report of the Auditor General for Wales following a special inspection of the Council’s performance and to consider the Council’s draft response and make recommendations for changes to the statement made in the draft response. (See proposed amendments to Rule 9.4.1 – Page 3 of section 9);

2.2 Whilst this change does not come into effect until 5th May 2022, it is necessary to amend the Constitution to take account of these changes as there will be few opportunities in 2022 to take any changes to the Council for approval. A copy of the relevant sections of the Constitution (Sections 9 and 13) are attached for information.

2.4 The intention is that these amendments to the Constitution will be considered by the Democratic Services Committee on 22nd November followed by Council on 9th December, 2021.

4. Recommendation:

Recommendation to the Audit Committee:	Reason for Recommendation:
<p>1. That the Committee notes and recommends to Full Council the amendments to the Terms of reference of the Governance and Audit Committee with effect from 5th May 2022 as set out in the draft amended Sections 9 and 13 attached to the report</p> <p>2. That the Monitoring Officer is authorised to make such other amendments to the Constitution as are required to implement recommendation 1 above.</p>	<p>To meet the requirement of the Local Government and Elections (Wales) Act 2021.</p>

Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	N/A
---------------------------	-----

Person(s) To Implement Decision:	Wyn Richards
Date By When Decision To Be Implemented:	

Contact Officer:	Wyn Richards, Scrutiny Manager and Head of Democratic Services.
Tel:	01597-826375
Email:	wyn.richards@powys.gov.uk

Background Papers used to prepare Report:

SECTION 9 – REGULATORY AND OTHER COMMITTEES

- 9.1 The Council will appoint the Committees to discharge the functions set out in Section 13 of this Constitution.

The Democratic Services Committee

- 9.2.1 The Council will appoint a Democratic Services Committee to discharge the functions described in Section 13 of this Constitution.¹
- 9.2.2 The Committee shall consist of 14 Members to achieve so far as reasonably practicable a political balance.
- 9.2.3 No more than one Member of the Cabinet may be a member of the Committee and that Cabinet Member cannot be the Leader.
- 9.2.4 The Chair of the Democratic Services Committee is appointed by Full Council at its Annual Meeting and the Chair may be removed from office by a motion to remove to Council which is put on the agenda pursuant to Rule 4.38.1. The Chair must not be a member of an Executive Group (meaning a political group some or all of whose members comprise, or are included in, the Cabinet of the Authority, unless there are no opposition groups [meaning a political group none of whose members are included in the Cabinet of the Authority] in which case the Chair may be a member of an Executive Group but must not be a member of the Cabinet).
- 9.2.5 The Committee may appoint one or more sub-committees and may arrange for the discharge of any of its functions by such a sub-committee.
- 9.2.6 The Committee is to appoint the Chair of any Sub-Committee.
- 9.2.7 The Vice-Chair of the Committee is appointed by the Committee and the Vice-Chair of any Sub-Committee is appointed by the Sub-Committee
- 9.2.8 The Vice-Chair of the Democratic Services Committee and the Chair and Vice-Chair of a Sub-Committee may be removed from office by a motion to remove which is put on the agenda of the Democratic Services Committee pursuant to Rule 4.38.1

Regulatory Committees and Sub-Committees

- 9.3.1 The Council will appoint such Regulatory Committees as it considers appropriate to the exercise of its functions. These will include a Planning, Taxi Licensing and Rights of Way Committee of 21 Members¹, a Licensing Act 2003 Committee of 14 Members, an Employment and Appeals Committee of 14 Members, a Governance and Audit Committee of 15 Members, and a Pensions and Investments Committee of 5 Members plus the Portfolio Holder for Finance together with a Staff and Employers Representative.
- 9.3.2 Any Regulatory Committee appointed by the Council may at any time appoint additional Sub-Committees and panels throughout the year. The terms of reference and delegation of powers to them shall be explicit and within the Regulatory Committee's terms of reference.
- 9.3.3 Subject to Rule 9.3.4 below, Cabinet Members cannot be members of Regulatory Committees and / or their Sub-Committees.
- 9.3.4 Cabinet Members may be members of the following Regulatory Committees and / or their Sub-Committees in the manner described below:
- 9.3.4.1 Pensions and Investment Committee;
 - 9.3.4.2 Employment and Appeals Committee where dealing with

¹ See Rule 11, of the Local Government (Wales) Measure 2011.

SECTION 9 – REGULATORY AND OTHER COMMITTEES

shortlisting and appointments in accordance with Rules 11.45, 11.52, and 11.56.

- 9.3.5 The quorum of any Sub-Committee of a Regulatory Committee will be 25% of the membership save that the quorum of the Taxi Licensing Sub-Committee shall be at least 3 Members and the quorum of the Licensing Sub-Committee of the Licensing Act 2003 Committee shall be at least 3 Members.
- 9.3.6 A Regulatory Committee and / or Sub-Committee will appoint a Chair and Vice-Chair at the first meeting of the Committee / Sub-Committee following the Council's Annual Meeting.
- 9.3.7 A Chair and Vice-Chair of a Regulatory Committee may be removed from office by a motion to remove which is put on the agenda pursuant to Rule 4.38.1

9.4 Governance and Audit Committee.

- 9.4.1 The role, scope and Membership of the Governance and Audit Committee is set out below:

<p>Governance and Audit Committee Membership: 14 Councillors plus 1 Independent / Lay Member</p>	<ul style="list-style-type: none"> • To approve authority's statement of accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be). • Ensure the risk management strategy guides the programme of internal and external work, to address the controls and risk related issues identified • Oversee the production of the annual governance statement, recommend its adoption to County Council and ensure appropriate action is taken to address the issues raised • To consider and approve the annual audit opinion on internal control and the level of assurance given to the corporate governance arrangements • Approve the annual audit plan, ensuring there is sufficient and appropriate coverage, with a strong emphasis on risk management and resources are available to implement the plan. <p>Receive and review internal audit reports and ensure officers respond promptly to the findings. Where necessary recommendations to other committees and portfolio holders will be made, to ensure action plans are implemented</p> <p>Consider and approve the annual letter, regulatory plan and specific reports as agreed.</p> <p>Where necessary ensure action is taken by officers to address those issues raised, and if necessary recommendations to other committees and portfolio holders will be made to address findings and deliver clear conclusions</p> <p>Comment on the scope and depth of the external audit work, to ensure it gives value for money</p> <p>Assess and approve the annual statement of accounts,</p>
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SECTION 9 – REGULATORY AND OTHER COMMITTEES

	<p>external audit opinion and management representation in relation to annual audit findings</p> <p>Promote effective relationships between external and internal audit, inspection agencies and other relevant bodies to ensure the value of audit and inspection is enhanced and actively promoted</p> <ul style="list-style-type: none"> • regularly monitor treasury management reports <p>Local Government Measure 2011 (Section 81) as amended by the Local Government and Elections (Wales) Act 2021 (Section 115)</p> <ul style="list-style-type: none"> • review and scrutinise the authority's financial affairs • make reports and recommendations in relation to the authority's financial affairs • review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority • make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements • review and assess the authority's ability to handle complaints effectively • make reports and recommendations in relation to the authority's ability to handle complaints effectively • oversee the authority's internal and external audit arrangements, and • review the financial statements prepared by the authority <p><u>Local Government and Elections (Wales) Act 2021 (Section 91)</u></p> <ul style="list-style-type: none"> • <u>Duty to review the Council's draft performance self assessment report and may make recommendations for changes to the conclusions or to anything included in the draft</u> • <u>Duty to review the Council's draft response of the panel performance assessment and may make recommendations for changes to the statements made</u> • <u>Duty to consider the report of the Auditor General following a special inspection</u> • <u>Duty to review the Council's draft response to the report of the Auditor General and may make recommendations for changes to the statement made</u>
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9.4.2 The Committee can make reports and / or recommendations to the Cabinet and / or Scrutiny Committees and / or the Full Council, in connection with the discharge of any function of the authority;

Membership of the Governance and Audit Committee

9.4.3 The Governance and Audit Committee will comprise 14 Councillors,

SECTION 9 – REGULATORY AND OTHER COMMITTEES

appointed to achieve as far as reasonably practicable a political balance on the committee plus 1 voting Lay Member plus such other co-optees as may be appointed by the Council (subject to the total number of co-optees being less than one third of the total membership).²

9.4.4 In accordance with Section 82 of The Measure:

9.4.4.1 At least one member of the Governance and Audit Committee must be a voting Lay Member;

9.4.4.2 An act of the Governance and Audit Committee will be invalid if the membership of the committee breaches any of the membership requirements set out in Rules 7.5.1 and 7.5.2.1.

9.4.4.3 The Chair of the Governance and Audit Committee is appointed by the Committee at the first meeting following the Council's Annual Meeting and the Chair:

- cannot be a member of the Cabinet;
- can be a Lay Member or a Co-Opted Member;
- can only be a member of an executive group if there are no opposition groups. (See Rule 7.5.4 below);

9.4.4.4 The Measure does not require a Cabinet Member to be a member of the Governance and Audit Committee but a maximum of one member of Cabinet (but not the Leader) may be a member of the Governance and Audit Committee;

9.4.4.5 The Chair of the Governance and Audit Committee may be removed from office by a motion to remove which is put on the agenda of the Governance and Audit Committee pursuant to Rule 4.38.1

9.4.5 The Vice-Chair of the Governance and Audit Committee will be appointed annually by the Committee at the first meeting following the Council's Annual Meeting who may appoint a Councillor, the Lay Member or a Co-Opted Member. (see Rule 9.4.6 below)

9.4.6 The Vice-Chair of the Governance and Audit Committee may be removed from office by a motion to remove which is put on the agenda of the Governance and Audit Committee pursuant to Rule 4.38.1

9.4.7 A person presiding at an Governance and Audit Committee can only be a member of an executive group if there are no opposition groups.

Who May Sit on the Governance and Audit Committee

9.4.8 In accordance with Section 82 of The Measure no more than one member of the Cabinet may be a member of the Governance and Audit Committee (but there is no requirement for Full Council to appoint a member of the Cabinet to the Governance and Audit Committee). The Leader cannot be a member of the Governance and Audit Committee.

Work Programme

9.4.9 The Chair in consultation with the Committee will determine its own work programme

SECTION 9 – REGULATORY AND OTHER COMMITTEES

Meetings of the Governance and Audit Committee

9.4.10 The Governance and Audit Committee must also meet if:

- (a) the Full Council resolves that the Committee should meet; or
- (b) at least one third of the members of the Governance and Audit Committee requisition a meeting by one or more notices in writing to the chair.

9.4.11 For the purposes of attendances of members or Officers at the Governance and Audit Committee only, in accordance with Section 83(6) of The Measure, a person is not obliged to answer any question which the person would be entitled to refuse to answer in, or for the purposes of, proceedings in a court in England and Wales.

Rules of Procedure and Debate

9.5 The Council Procedure Rules in Section 4 will apply.

ⁱ To comply with The Size and Composition of Local Planning Authority Committees (Wales) Regulations 2017 a Planning Committee must have between 11 and 21 Members.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

SECTION 13 – RESPONSIBILITY FOR FUNCTIONS

Column 1	Column 2	Column 3	Column 4	Column 5
I Miscellaneous functions	Provision of Act or Statutory Instrument	Delegated to	Sub-Delegation	Conditions and / or Limitations on Delegation and Sub-Delegation
Other I22A (i) Assess and approve the annual statement of accounts, external audit opinion and management representation in relation to annual audit findings (ii) Promote effective relationships between external and internal audit, inspection agencies and other relevant bodies to ensure the value of audit and inspection is enhanced and actively promoted (iii) regularly monitor treasury management reports	County Council meeting 16 th May, 2013	Governance and Audit Committee	No delegation	
I23A Duty to: (a) review and scrutinise the authority's financial affairs, (b) make reports and recommendations in relation to the authority's financial affairs, (c) review and assess the risk management, internal control,	Local Government Measure 2011 (Section 81) as amended by the Local Government and Elections (Wales) Act 2021 (Section 115)	Governance and Audit Committee	No delegation	

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SECTION 13 – RESPONSIBILITY FOR FUNCTIONS

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<p>performance assessment and corporate governance arrangements of the authority,</p> <p>(d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,</p> <p>(da) review and assess the authority's ability to handle complaints effectively</p> <p>(db) make reports and recommendations in relation to the authority's ability to handle complaints effectively</p> <p>(e) oversee the authority's internal and external audit arrangements, and</p> <p>(f) review the financial statements prepared by the authority</p>				
<p><u>J23B Duty to review the Council's draft performance self assessment report and may make recommendations for changes to the conclusions or to anything included in the draft.</u></p>	<p><u>Local Government and Elections (Wales) Act 2021 (Section 91)</u></p>	<p><u>Governance and Audit Committee</u></p>	<p><u>No delegation</u></p>	
<p><u>J23C Duty to review the</u></p>	<p><u>Local Government and</u></p>	<p><u>Governance and Audit</u></p>	<p><u>No delegation</u></p>	

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SECTION 13 – RESPONSIBILITY FOR FUNCTIONS

Council's draft response of the panel performance assessment and may make recommendations for changes to the statements made.	Elections (Wales) Act 2021 (Section 93)	Committee		
I23D Duty to consider the report of the Auditor General following a special inspection.	Local Government and Elections (Wales) Act 2021 (Section 95)	Governance and Audit Committee	No delegation	
I23E Duty to review the Council's draft response to the report of the Auditor General and may make recommendations for changes to the statement made.	Local Government and Elections (Wales) Act 2021 (Section 96)	Governance and Audit Committee	No delegation	

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Column 1	Column 2	Column 3	Column 4	Column 5
I Miscellaneous functions	Provision of Act or Statutory Instrument	Delegated to	Sub-Delegation	Conditions and / or Limitations on Delegation and Sub-Delegation
I18 Functions relating to family absence of Local Authority Members	The Family Absence for Members of Local Authorities (Wales) Regulations 2013	Democratic Services Committee	No delegation	

Column 1	Column 2	Column 3	Column 4	Column 5
I Miscellaneous functions	Provision of Act or Statutory Instrument	Delegated to	Sub-Delegation	Conditions and / or Limitations on Delegation and Sub-Delegation
I6D For the purposes of the JNC Conditions of Service for Chief	County Council meeting 16 th May, 2013	Employment and Appeals Committee	Delegated to the Investigating and Disciplinary Committee	

Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol



Powys County Council

Internal Audit Update Report 2021-22

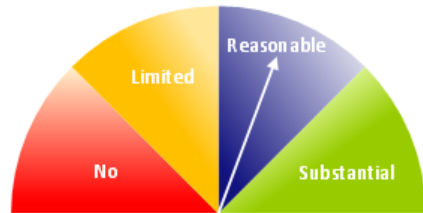
End of Quarter 2

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Internal Audit Update – 2021/22: ‘At a Glance’ Quarter 2

Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

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The Headlines (July-August)

	<p>Two significant pieces of audit work (Y Gaer and Childrens Services- Budget Management) have been considered by the Audit Committee in Quarter 2 2021/22. These piece of work whilst service specific have much wider connotations with the wider delivery of capital projects and financial management.</p> <p>The only Priority 1 recommendation for the period was surrounding business case development and governance arrangements for projects.</p>
	<p>18 Completed reviews delivered as part of the 2021/22 Internal Audit Plan. Includes 13 assurance reviews (including grant certifications), and 5 advisory pieces.</p>
	<p>Internal Audit activity is supporting the Council in its duty to prevent and detect fraud by reviewing fraud in the supply chain, a fraud risk assessment and following up the outcomes of the national fraud initiative.</p>
	<p>Improvements from the implementation of agreed actions (2021/22) Action tracking is on-going, and the Council have access to the results of those activities on the data dashboard. In general, the Council are implementing Internal Audit recommendations in accordance with plans.</p>
	<p>Range of innovations and enhancements made to our internal audit process throughout the year Data analytics continues to drive/support reviews; ongoing collaboration with risk/ fraud team supports assurance planning; comparative benchmarking exercises offer useful insight and suggested practices.</p>

Internal Audit Assurance Opinions 2021/22

	YTD
Substantial	1
Reasonable/ Certified	11
Limited	1
No Assurance	0
Total	13

Internal Audit Agreed Actions 2021/22

	YTD
Priority 1	1
Priority 2	22
Priority 3	15
Total	38

As part of our rolling plan reports, we will provide an ongoing opinion to support the end of year annual opinion, detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Ian Halstead
Assistant Director
ian.halstead@swapaudit.co.uk

Rolling Opinion and Summary of Significant Risks

Introduction

This is the second quarterly update for the 2021/22 financial year and reports against the quarterly plans agreed by this Committee in April and July 2020. Our planning process involves quarterly reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

Rolling Opinion

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews (for 2020/21) which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1st and 2nd line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is **'Reasonable'**. Appendix A summarises internal activity completed, in progress and due to commence for the period covered by this report. This, along with the cumulative summary position is provided above in the 'At a Glance' section.

Significant Issues

In the last quarter, the Council provided action plans to address significant issues surrounding project management and financial management. It is essential that the Council move rapidly from a position of agreed guidance and process to a culture of embedded awareness, acceptance and delivery.

Internal Audit Update

Our audit plan coverage assessment is designed to indicate whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

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SWAP Internal Audit Plan Coverage

The table below provides a visual representation of how our completed audits and work in progress for 2021/22 financial year to date provides assurance over key strategic risks areas (Risk Universe) in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas increases. 'Adequate' coverage reflects delivery of planned assurance levels.

Risk Rank	Powys Risk Reference	Powys Risk Area	SWAP Risk Review	Coverage Level
1	ASC0064	Social Care Management systems	Housing- homeless and vulnerable, safeguarding, Adults -caseloads, workforce, partnerships, multiagency, Inspections Children – safeguarding, caseloads, LAC, foster care	
2	PPPP007	HOWPS Performance and Delivery	Contract, procurement, and partnerships- social value, insourcing, modern slavery, supplier resilience, nth Party risk, outsourcing risk	
3	WO0021	Workforce Planning. Recruitment and Retention	Workforce – covid, recruitment and selection, exit payments, talent management, training, sickness	
4	PCC0005	Impact of the Covid pandemic on the residents of Powys	Covid- Delivering Services	
5	FIN0001	Inability to Setting a balance Budget heightened by pandemic	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
6	PCC0002	Impact of Brexit	Change- Brexit, transformation, project failure, emergency planning	
7	ICT0010	GDPR and DPA Non-Compliance		
8	CS0081	Children Services Budget Management	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
9	ED0022	Schools Financial Management / Distribution formula	Educational Delivery – absence, asset management, budgets, workforce, transport,	

Internal Audit Update

Overall, the internal audit programme of work has adequate coverage of key risks.

It should be noted that forms of assurance are given in the areas by other providers.

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10	ICT0029	Cyber Security Threat	Information Management – Access, cyber security, business continuity, information governance, digitalisation, Comms, Mobile Devices	
11	PCC0003	Negative Inspection Reports		
12	COVID0058	Non delivery of PIAP due to Covid, Schools Transformation	Educational Delivery – absence, asset management, budgets, workforce, transport,	
13	HO0024	Statutory Compliance in Housing stock	Strategic asset management- land and property management Health, Safety and Wellbeing – homeworking, public spaces, building cladding, housing maintenance	
14			Governance- decision making and scrutiny, culture, ethics and regulatory compliance	
15			Planning-affordable Housing Local Economy -unemployment, decline of High Street, transport Environment – sustainability, climate change, carbon reduction, recycling	

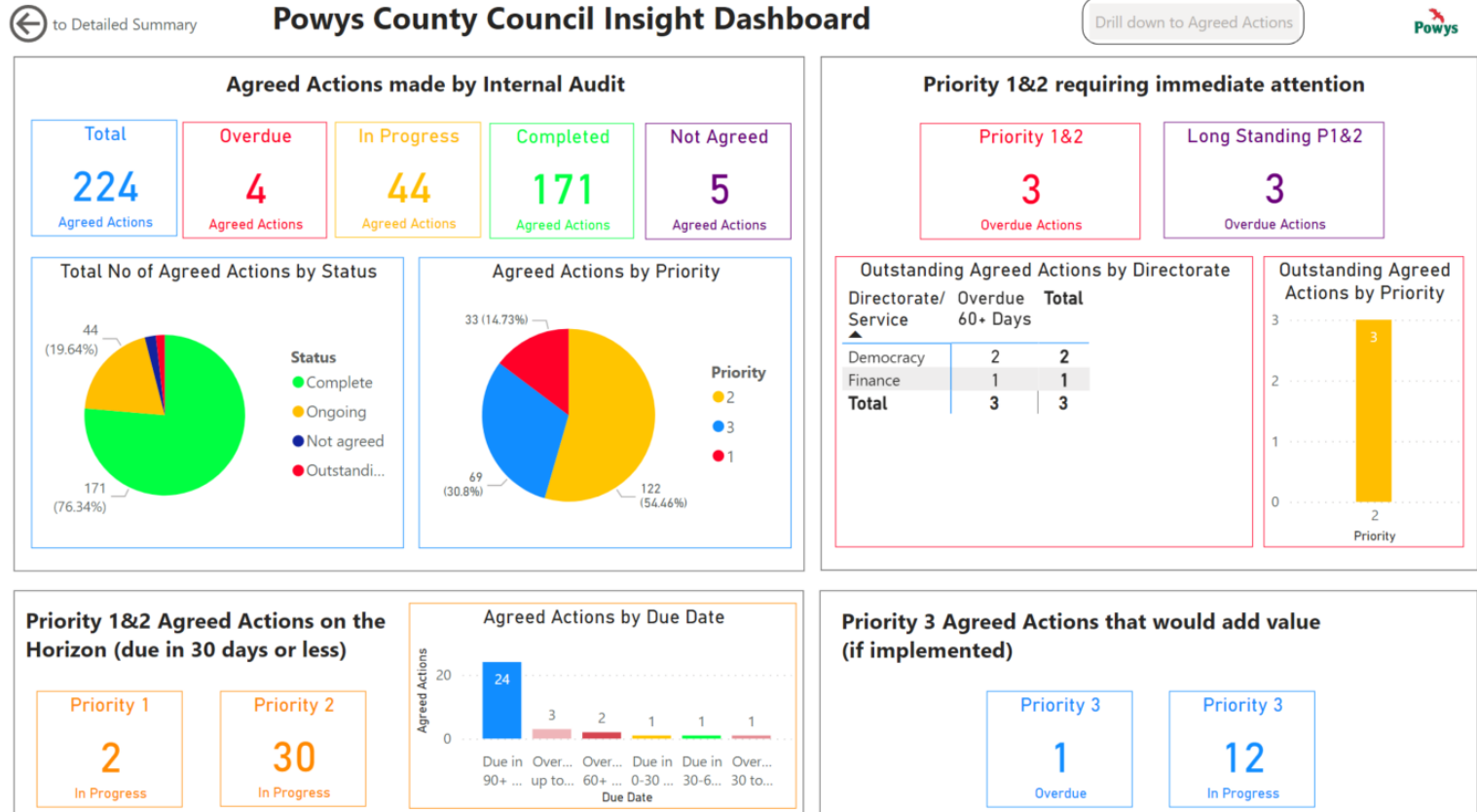
	Good coverage complete
	Adequate coverage complete
	Coverage in progress or planned
	No coverage to date

Internal Audit Update

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

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Action tracking and Follow Up



Internal Audit Update

Specific follow up reviews are undertaken in areas where lower assurance assessments were assigned.

Management is implementing internal audit agreed actions.

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Key Outstanding Issues

The list below is those priority 1 and Priority 2 recommendation that have not been implemented within the agreed timescale.

[← to Summary](#)
[← to Directorate](#)

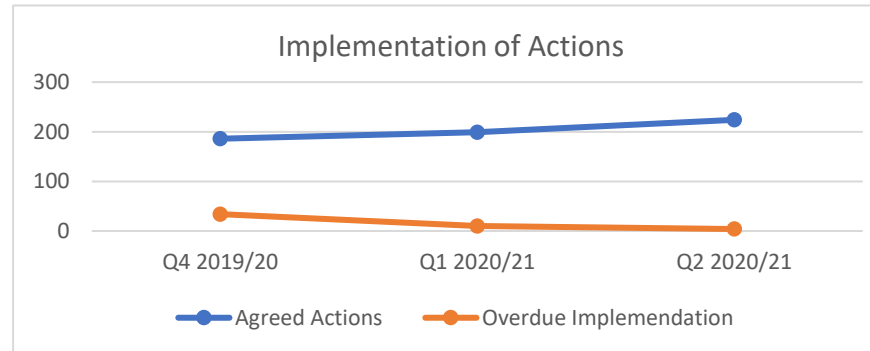
3
in Total

Drill Down

Directorate/ Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Revised End Date	Implementation Days	Status
Finance	Debt Management	42315	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01 April 2020		551	Outstanding
Democracy	Conflict of Interest	43032	We recommend that all officers with influence should complete a declaration of interest form even if it is a nil return. Ideally, this should be done at the start of their employment.	2	Head of Legal & Democratic Services.	01 November 2020	31 March 2021	187	Outstanding
Democracy	Conflict of Interest	42928	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01 December 2020	31 March 2021	187	Outstanding

Agreed Action Implementation

The chart below shows the number of agreed actions from audit work compared to those actions that are not implemented after exceeding the agreed deadline.



Added Value

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

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Added Value 2021/22

SWAP strives to add value wherever possible, and this can be demonstrated in a number of ways ranging from how we deliver your assurance requirements to how we optimise our reach across our partner base and the wider profession to deliver information, reflection and learning.

Benchmarking

- Counter fraud – a Cross Comparison Partner Review presented information from separate fraud risk assessments of eleven SWAP Partners to enable comparison of relative maturity and an overview of findings across participants. This information is being considered as part of action implementation following a counter fraud risk assessment of the Council in 2021/22.
- Sector and partner risks - information to inform strategic risk register development and review is gathered and shared to support the Council's risk management process.
- Information on topical issues and good practice is gathered and appropriately shared across SWAP and sector partners.
- Specific benchmarking exercises on: Appointee prepaid cards, Insurance, Coroners, School forum, Disclosure and baring checks.

Visibility

- Audit Committee training and awareness – skills survey issued to support their annual effectiveness assessment

Reactive

- Investigation resource from SWAPs Counter fraud team including fraud alerts
- COVID-19 Grant Certification Work to respond to government review and sign off requirements

Project

- Real-time project advice provided as required and lessons learned review in progress

Summary of Internal Audit Work 2021/22 Q2 and Agile Plan for Q3/4

Appendix A

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Completed							
Transformation and Communication	Impact Assessment	Completed	Reasonable	2	x	1	1
Finance	Creditors (Control Risk Self-Assessment)	Completed	Substantial	0	x	x	x
Children	Mental Capacity Act	Completed	Reasonable	3	x	1	2
Schools	Brecon High School (Follow-up)	Completed	Reasonable	1	x	1	x
Finance	Purchase Cards (Control Risk Self-Assessment)	Completed	Reasonable	2	x	2	x
Housing & Community Development	Y Gaer (Lessons learned)	Completed	Limited	11	1	9	1
Finance	Supply Chain Fraud Risks	Completed	Reasonable	7	x	2	5
Children	Budget Management	Completed	Reasonable	9	x	6	3
Finance	Council Tax (Control Risk Self-Assessment)	Completed	Reasonable	1	x	x	1
Finance	Debtors (Control Risk Self-Assessment)	Completed	Reasonable	2	x	x	2
Finance	Growth Mid Wale 20/21s – Grant	Completed	Certified	x	x	x	x
Finance	Education Improvement Grant	Completed	Certified	x	x	x	x
Finance	Pupil Deprivation Grant	Completed	Certified	x	x	x	x

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Service Area	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Finance	School Covid Claims on Barclaycard (April / May/ June)	Completed	Advisory	x	x	x	x
Finance	School Covid Claims on Barclaycard (July/ August/ September)	Completed	Advisory	x	x	x	x
Highways, Transport and Recycling	Interim Report on HTR Commissioning	Completed	Advisory	x	x	x	x
Finance	National Fraud Initiate Update Report	Completed	Advisory	x	x	x	x
Finance	National Fraud Initiate Administration (Quarter 1 & 2)	Completed	Advisory	x	x	x	x
Reporting							
Digital	Management of Digital Information Assets	Draft - with Client	Reasonable	4	x	1	3
Highways, Transport & Recycling	HTR Resurfacing – Commissioning	Draft – with Client	Reasonable	5	1	2	2
Highways, Transport & Recycling	HTR Resurfacing – Procurement	Draft					
Highways, Transport & Recycling	Highways - Flexi- time Payments	Draft	Reasonable				
Schools	Gladestry Primary School	Draft – with Client	Substantial	2	x	1	1
Schools	Llangattock Primary School	Draft – with Client	Reasonable	8	x	3	6
Schools	Ysgol Calon Cymru	Draft					
Schools	Forden Primary School	Draft					
Schools	Llangynidr Primary School	Draft					
Schools	Gymreg Dyffryn Y Glowyr Primary School	Draft					
Finance	Covid Fraud Risks Business Grants	Draft – with Client	Reasonable	5	x	2	3

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔ Action	3 = Medium
					1		2
					In Progress		
Finance	School Covid Claims on Barclaycard (Oct-Dec)	In Progress	Advisory	x	x	x	x
Adults & Children	Continuing Health Care	In Progress					
Highways, Transport & Recycling	Highways - Overtime Payments	In Progress					
Highways, Transport & Recycling	Highways - Transport & Vehicles	In Progress					
Schools	Llandinam Primary School	In Progress					
Finance	Fraud Risk Assessment	In Progress					
Finance	National Fraud Initiative Administration	In Progress	Advisory				
Q3/4 Programme of work							
Housing & Community	Statutory Compliance Housing	Scoping					
Housing & Community	Supporting People Grant Certification	Scheduled					
Finance	School Covid Claims on Barclaycard (Dec- Jan)	Scheduled	Advisory	x	x	x	x
Finance	National Fraud Initiative Update Report November	Scheduled					
Finance	National Fraud Initiative Administration	In Progress	Advisory	x	x	x	x
Finance	Ordering Goods and Services	Scheduled					
Finance	Capital Program	Scheduled					
Finance	Contracts Exemptions	Scheduled					

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Finance	Virements & Budgets	Provisional					
Adults	Contracts - Financial Resilience	Scheduled					
Highways, Transport & Recycling	HTR Resurfacing – Delivery including Stock & Materials	Scheduled					
Highways, Transport & Recycling	HTR Resurfacing – Monitoring & Performance	Scheduled					
Schools	Primary School x 5	Scheduled					
Schools	Ysgol Maesydderwen	Scheduled					
ICT	Digital ICT Risk Review	Scheduled					
Corporate	Complaints	Provisional					
Corporate	Climate Change/ Carbon Reduction	Provisional					
Corporate	Action Tracking and Follow Up	Scheduled					

CYNGOR SIR POWYS COUNTY COUNCIL.**AUDIT COMMITTEE**5th November 2021**CABINET EXECUTIVE**23rd November 2021

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance and Transport

REPORT TITLE: Treasury Management Quarter 2 Report

REPORT FOR: Information

1. Purpose

- 1.1 CIPFA's 2009 Treasury Management Bulletin suggested:
'In order to enshrine best practice, it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly.'

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

- 1.2 In line with the above, this report is providing information on the activities for the quarter ending 30th September 2021.

2. Background

- 2.1 The Treasury Management Strategy approved by Full Council on 25th February 2021 can be found here.

<https://powys.moderngov.co.uk/documents/s57662/Appendix%20F%20Capital%20Strategy%20and%20Treasury%20Management%20Strategy.pdf>

- 2.2 The Authority's investment priorities within the Strategy are.

- (a) the security of capital and
- (b) the liquidity of its investments.

- 2.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

2.4 With interest rates for investments remaining extremely low the use of cash reserves as opposed to borrowing is prudent and cost-effective.

3. Advice

3.1 Investments

3.2 Short-term money market investment rates continue to remain just above zero as the Bank Rate remains at 0.10%. Given this environment and the fact that increases in Bank Rate are unlikely to occur before the end of the financial year, investment returns are expected to remain low.

3.3 When looking at temporary investing, the Treasury team consider the bank fee to set up the arrangement, because of this cost some investments are not cost effective for very short periods of time where interest rates are circa 0.01% - 0.03%. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher. As a result, not all available cash is currently earning interest.

3.4 The Welsh Government repayable funding the council received in March 2021 towards the Global Centre of Rail Excellence (GCRE) is currently being held in the Council's deposit account until it is required for the project. It is earning a minimal return (0.02%) which under the terms of the funding is ringfenced to be used for this scheme.

3.5 The Authority had no other investments on 30th September 2021.

3.6 Credit Rating Changes

3.7 There have been no credit rating changes relevant to this Authority's position during the last quarter.

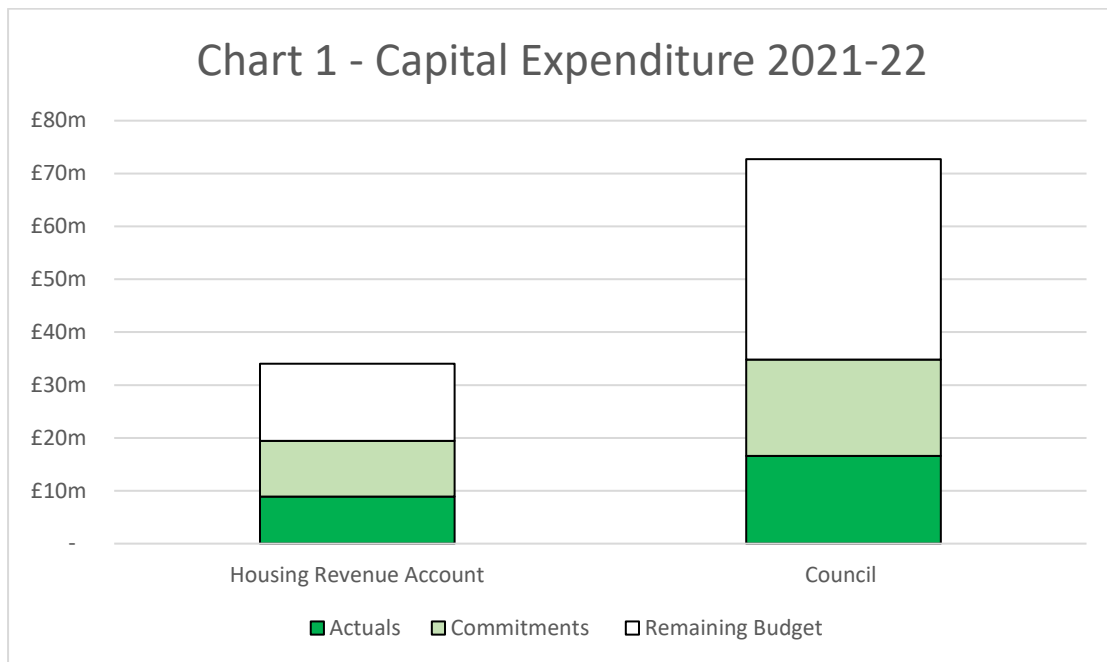
3.8 The Authority's Capital Position

3.9 The council approved the 2021 to 2031 Treasury Management and Capital Strategy on the 25th of February 2021. This included a Capital Programme for 2021/22 totalling £101.53 million.

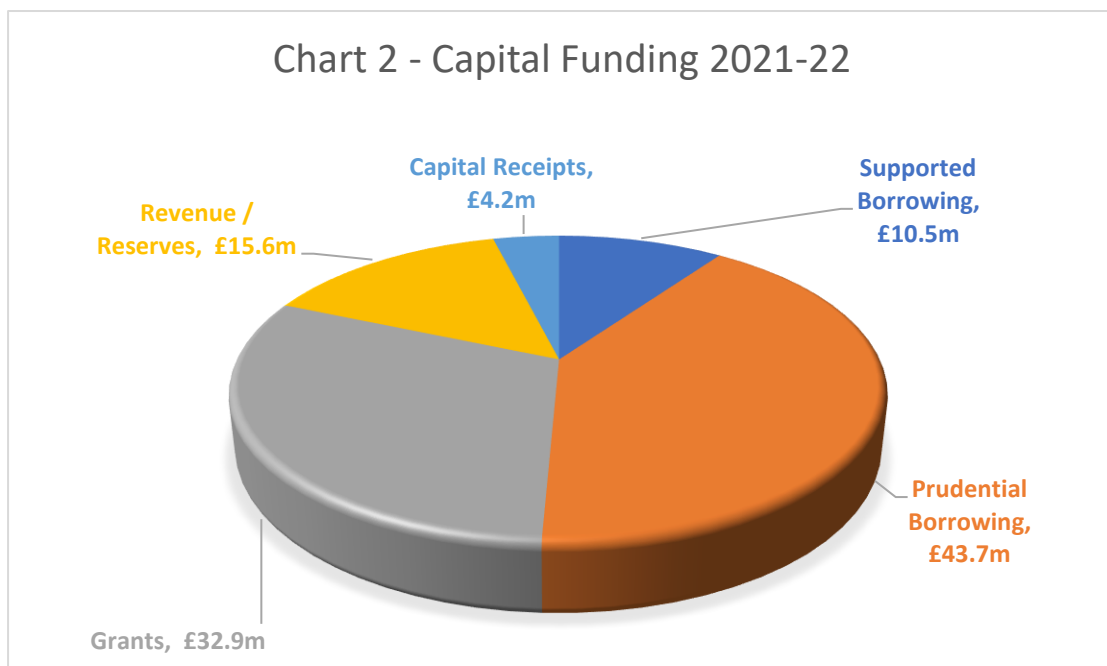
3.10 The revised programme at the 30th of September 2021 has increased to £106.75 million following the successfully awarding of grants and the reprofiling of budgets between financial years. As part of the Capital Review, services are being challenged on their profile of spend in year, it is likely this forecast will reduce.

3.11 Actual spend to date amounts to £25.48 million, representing only 24% of the total budget at the half year stage

3.12 Chart 1 below summarises the spend against budget.



3.13 Chart 2 below sets out how the 2021/22 capital programme is funded, 44% will be funded through borrowing, the interest cost for this is charged to the revenue account.



3.14 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

- 3.15 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the finance team organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.
- 3.16 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

3.17 Capital Financing Requirement (CFR)

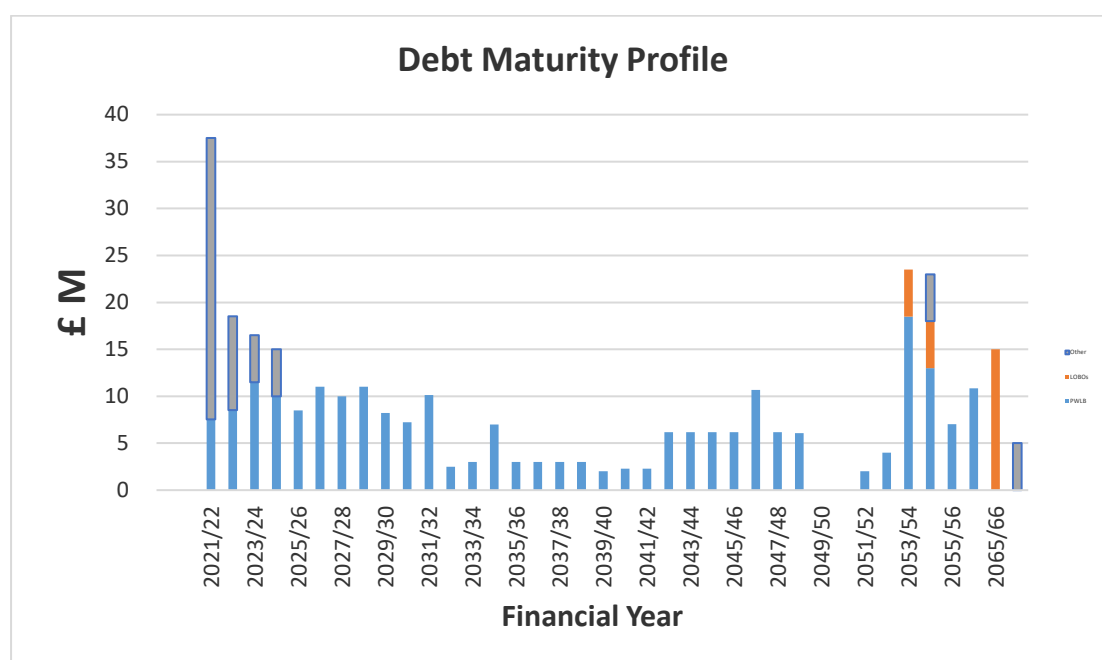
£'m	2020/21	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Original Estimates 25/02/2021	422.77	468.58	509.45	534.90
Quarter 1 estimate	397.10	436.96	460.03	480.61
Quarter 2 estimate	397.10	431.17	453.27	472.40

- 3.18 The budget reprofiling into future financial years has reduced the CFR estimates as shown in the above table.

3.19 Borrowing / Re-scheduling

- 3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.
- 3.21 A prohibition is still in place to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. There are currently no schemes for yield in the Capital Programme. With the significant amounts of borrowing in the future Capital Programme, the inability to access PWLB borrowing will need to be a major consideration for any future purchases of assets for yield. The additional income these assets generate must be sufficient to cover the increased borrowing costs, as borrowing sources other than the PWLB are likely to be more expensive.
- 3.22 The Authority had outstanding long-term external debt of £347.7 million at 31st March 2021 (excluding the GCRE repayable funding). In relation to the CFR figure for 31st March 2021, this equated to the Authority being under borrowed by £49.4 million. Using cash reserves as opposed to borrowing has been a prudent and cost-effective approach over the last few years. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years.

3.23 Debt Maturity Profile as at 31st March 2021.



Key Blue = PWLB; Grey = Market Loans including other local authorities; Orange = LOBOs

3.24 £21.5 million of debt has been repaid so far in 2021/22. A further £4 million of debt is maturing in quarter 3 with a further £11.5 million maturing in quarter 4. £10 million of new borrowing was required in the previous quarter

3.25 Staged repayment of the Nant Helen section 106 deposit is underway as the backfilling works on the site progress. This is also reducing the cash position of the authority, this repayment will reduce the amount the council is under borrowed.

3.26 It is unlikely that there will be sufficient resources to absorb these repayments, if this is the case then new borrowing will be required along with additional borrowing to fund the ongoing capital programme. It is currently estimated that a further £40 million will be required in this financial year, the intention is to source PWLB borrowing over the medium to long term to lock in the current interest rates.

3.27 With the changes to the MRP policy and the delayed requirement to borrow, it is likely that the revenue budget set aside to cover these costs will be underutilised in this financial year, however as demonstrated in the tables later in the report, these costs are likely to increase year on year.

3.28 PWLB Loans Rescheduling

3.29 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since

October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

3.30 Financing Costs to Net Revenue Stream

3.31 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the Councils net revenue budget (net revenue stream). The estimates of financing costs include current commitments and the proposals in the capital programme.

£'m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
From the approved Treasury Management and Capital Strategy			
Financing Costs	13.59	16.55	17.61
Net Revenue Stream	280.66	281.26	282.17
%	4.84%	5.88%	6.24%
Quarter 1 estimates (before any over provision)			
Financing Costs	11.14	13.09	14.35
Net Revenue Stream	280.66	281.26	282.17
%	3.96%	4.65%	5.08%
Quarter 2 estimates (before any over provision)			
Financing Costs	10.07	11.73	12.89
Net Revenue Stream	280.66	281.26	282.17
%	3.82%	4.17%	4.57%

3.32 The table above shows the change in the current estimates for the capital financing costs between those disclosed in the Treasury Management and Capital Strategy included as part of the 2021/22 Budget report and the updated estimates at the end of September 2021.

3.33 The decrease has been caused by two factors.

1. The updated Minimum Revenue Policy (MRP) approved by Council in March 2021 has realigned these costs more equally across the life of the assets involved.
2. The reduced borrowing requirement to support the capital programme in 2020/21 and future years. This has been the result of reprofiling of budgets into future years and funding from Welsh Government being made available earlier than anticipated. This has allowed the council to defer the date that it expected to take out additional borrowing, reducing the current interest costs, however this borrowing will still be required in the future.

The table below provides a breakdown of these changes

£'m	2021/22	2022/23	2023/24
Original Estimates 25/02/2021	13.59	16.55	17.61
Change in MRP Policy	(1.75)	(3.64)	(3.68)
Change due to reprofiling/grants	(0.70)	0.18	0.42
Quarter 1 estimate	11.14	13.09	14.35
Change due to reprofiling/grants	(0.44)	(1.36)	(1.46)
Quarter 2 estimate	10.70	11.73	12.89

3.34 A principal was set in both the 2021/22 Budget and the MRP Policy Report that any benefits from the MRP change are ringfenced to support the Capital Programme to ensure the Council is beginning to address its increasing capital financing costs. As such, an overprovision of MRP will be made in line with any surplus in the revenue budget allocated to MRP to help reduce the increasing Capital Financing Requirement. Further work is being undertaken as part of the Capital Review to understand the implications of the Capital Programme and the capital ambitions of the council.

3.35 Prudential Indicators

3.36 All Treasury Management Prudential Indicators were complied with in the quarter ending 30th September 2021.

3.37 Economic Background and Forecasts

3.38 The most recent forecast of interest rates by the Authority's advisor are shown below, an increase in the rates is expected over the next few years which will increase the costs of borrowing.

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave eamings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave eamings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave eamings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

3.39 The economic background provided by our treasury advisers; Link Group is attached at Appendix A.

3.40 VAT

3.41 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence this report includes VAT information.

3.42 The monthly VAT returns were submitted within the required deadlines during this quarter.

3.43 Key Performance Indicators - The VAT KPI's for 2021/22 are attached at Appendix B.

4. Resource Implications

4.1 N/A

5. Legal implications

5.1 N/A

6. Data Protection

6.1 N/A

7. Comment from local member(s)

7.1 N/A

8. Impact Assessment

8.1 N/A

9. Recommendation

9.1 This report has been provided for information and there are no decisions required. It is recommended that this report be accepted.

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Appendix A

Economic Background

MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

- **US.** See comments below on US treasury yields.

- **EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

- **German general election.** With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.
- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Interest rate forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 29th September is compared below to the previous forecast on 10th May. A comparison of these forecasts shows that some PWLB rates have increased marginally and there are now three increases in Bank Rate, to end at 0.75%, instead of one to only 0.25%. However, many PWLB rates were significantly lower than forecast during the earlier part of quarter 2.

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Link Group Interest Rate View		10.5.21										
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

The current PWLB rates are set as margins over gilt yields as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. During September, gilt yields from 5 – 50 years have steadily risen and rose further after the hawkish tone of the MPC's minutes last week. Our forecasts show a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2024.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10 year treasury yields and UK 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of the year, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy has been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that in the September Fed meeting, Fed members again moved forward their expectation of when the first increases in the Fed rate will occur. In addition, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of stronger jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards maximum employment" for a first increase in the Fed rate.

A further concern in financial markets is when will the Fed end QE purchases of treasuries and how will they gradually wind them down. These purchases are currently acting as a downward pressure on treasury yields. In his late August speech at the Jackson Hole conference, Fed Chair Powell implied that the central bank plans to start tapering its asset purchases before the end of this year. But the plan is conditional on continued improvement in the labour market, which the August employment report suggests is proceeding more slowly than the Fed anticipated. That may mean that any announcement of tapering is pushed back, possibly even into early 2022.

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other

countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases are likely to be faster and stronger than Bank Rate increases in the UK. Nonetheless, any upward pressure on treasury yields could put upward pressure on UK gilt yields too.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that

inflation averages out the dips down and surges above the target rate, over an unspecified period of time.

- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Appendix B

VAT - Key Performance Indicators

Creditor Invoices

VAT return for	No of high value Creditor invoices checked	No of Creditor invoices highlighted as requiring "proper" document for VAT recovery	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-21	205	0	0.00%
May-21	209	1	0.48%
Jun-21	286	1	0.35%
Jul-21	259	1	0.39%
Aug-21	189	0	0.00%
Sep-21	259	1	0.39%
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

Income Management Entries

VAT return for	No of entries checked by formula per the ledger account code used	No of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-21	697	0	0.00%
May-21	847	2	0.24%
Jun-21	972	4	0.41%
Jul-21	860	8	0.93%
Aug-21	869	0	0.00%
Sep-21	636	20 ¹	3.14%
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

- 1 These relate to two cash amounts, but one of them was NMWTRA which is split over many budgets so is counted per budget line for consistency with past statistics.

Debtor Invoices

VAT return for	No of Debtor invoices checked	No of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-21	88	0	0.00%
May-21	82	0	0.00%
Jun-21	86	0	0.00%
Jul-21	95	0	0.00%
Aug-21	72	0	0.00%
Sep-21	193	1	0.52%
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

Note: Debtors VAT checking is carried out by Finance via a work process prior to the invoice being raised hence the improvement in errors compared to previous years

Purchase Cards

VAT return for	No of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non- response	No of transactions where VAT claimed incorrectly	% of transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-21	193	15	£2,000.55	14	7.25%	£555.26
May-21	144	5	£1,165.80	16	11.11%	£849.52
Jun-21	153	5	£1,083.04	28	18.30%	£726.18
Jul-21	123	6	£1,289.84	23	18.70%	£858.25
Aug-21	61	5	£730.68	1	1.64%	£5.00
Sep-21	151	14	£1,028.56	9	5.96%	£711.13
Oct-21						
Nov-21						
Dec-21						
Jan-22						
Feb-22						
Mar-22						

Chargebacks to service areas

The upload of appropriate documents to the Barclaycard purchase card system to enable vat recovery was made mandatory in September 2017 as a result of the lack of response from service areas/establishments to provide documents when requested. Where no document has been uploaded, any VAT amount input against the transaction is charged to the service area as there is no evidence to support the vat recovery.

Any other VAT errors that come to light as a result of the various checks are also charged to the relevant service areas.

Budget holders are able to see this clearly as chargebacks are coded to account code EX400600 and the activity code used alongside this gives the reason why this chargeback has occurred.

The total amount charged back to service areas in 2021/22 to end of September is £184,109. The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice	3,825
Powys County Council is not the named customer	0
No invoice uploaded to purchase card system	42,516
Invoice(s) do not match payment	4,069
No evidence to back recovery	252
No Signed Authenticated Receipt	127,904
Total	178,566

Other errors

Reason	Amount £
Non-domestic VAT	45
No tax on invoice	1,661
Supply not to Powys County Council	1,794
Over-accounting for VAT	2,017
Internal payments	26
Total	5,543

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CYNGOR SIR POWYS COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

5th November 2021**REPORT AUTHOR:** Jane Thomas, Head of Financial Services**SUBJECT:** Closure of Accounts**REPORT FOR:** Information

- 1.1 Committee will be aware that the Statement of Accounts for 2020-21 were issued an unqualified audit opinion by the Auditor General and approved by the Governance and Audit Committee on the 29 September 2021. The document has been uploaded to the website to meet the publishing requirements.
- 1.2 The Pension Fund accounts are currently being audited. The draft accounts were circulated to Members on 4 October 2021. A Committee has been arranged for 18 November 2021 to consider the audited version. The accounts form part of the Pension Fund Annual report which will be considered by the Pensions and Investment Committee on 25 November 2021. The deadline for publishing the Annual Report is the 1 December.
- 1.3 The project management approach undertaken in recent years will continue for the 2021-22 closure of accounts. Issues arising during the formation of both set of accounts will be reviewed by the group as well as any changes to the Code of Practice.

Recommendation:	Reason for Recommendation:
The Committee notes the contents of this report.	To ensure that the Council successfully completes the preparation and approval of the Annual Statement of Accounts and Pension Fund Accounts for 2020/21 in order to receive an unqualified audit opinion.

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

10.1

CYNGOR SIR POWYS COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE

Date 5th November 2021

REPORT AUTHOR: Jane Thomas, Head of Finance

REPORT TITLE: Capital Programme Governance Framework

REPORT FOR: Discussion / Information

1. Purpose

1.1 The purpose of the report is to provide the Governance and Audit Committee with detail of the Capital Programme Governance Framework that is now in place in order for members to consider the effectiveness of this approach.

2. Background

2.1 On the 30th July 2021 a report was presented to Governance and Audit Committee setting out a number of workstreams that will assist the Committee in scrutinising the arrangements to seek assurance that the appropriate systems, controls and processes are in place to ensure that all capital projects are considered, approved, procured and managed effectively and that value for money can be evidenced.

2.2 This report covers work stream 1

1. To have more detail on the governance framework in place and its effectiveness in considering Capital Schemes for approval and inclusion into the Capital Programme

2.3 The Capital Outturn Report to Cabinet on 19th June 2019 indicated that more work needs to be done to improve the way we forecast and profile our spend intentions of capital through the year. The Capital Bids Update 2020-23 report introduced the Capital Governance Framework and outlined the approach the Council intends to follow.

2.4 The Head of Finance put in place the Capital Governance Framework provided as Appendix 1, in response to the challenges described above. A business case template with notes explaining the aims of each section and what should be included is also provided as Appendix 2.

2.5 The Capital Governance Framework is a robust capital governance framework to ensure that each capital scheme is considered and appraised fully before being approved, and to ensure that there is scrutiny and accountability at every decision stage. Budget holders and project managers are required to follow prescribed guidelines to ensure uniformity and consistency across the council.

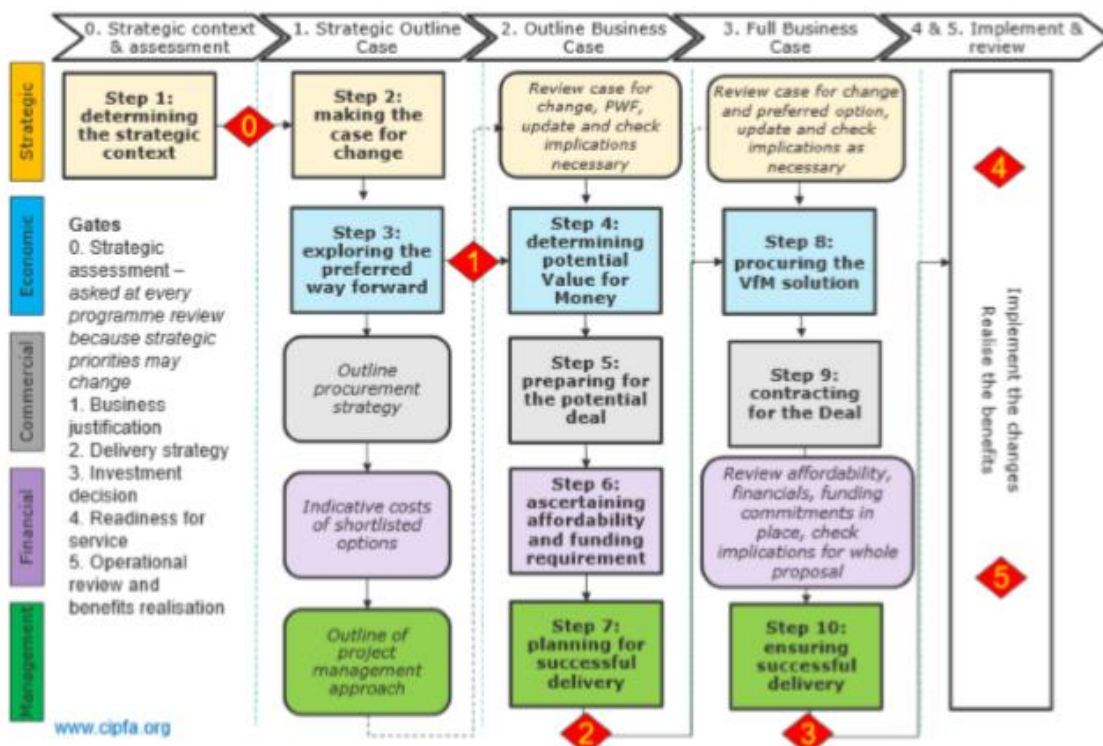
3. Advice

3.1 The Capital Programme is governed by decision making arrangements that align to County Council decision making processes, and gateways aligned to Office of Government Commerce (OGC) standards. It is based on a consistent approach to the corporate standard for business cases and other documentation required to inform decision making.

3.2 The governance procedures outlined in Appendix 1 contribute towards

- disciplined governance that includes approval gateways at which prudence, affordability and sustainability will be reviewed and approved,
- recording and communicating decisions made at approval gateways,
- establishing clearly defined roles and responsibilities for officers and members,
- procedures that allow the opportunity for projects or programmes to receive additional scrutiny/assurance,
- ensuring that business cases are supported by information that enables informed and effective decision-making,
- ensuring that stakeholders are engaged in evaluation and decision making.

3.3 The Gateway Review Framework (see below) identifies multiple points within an initiative's life cycle where decisions must be made to progress. These decisions vary from approval of options for further analysis, to final investment decisions and change control. Therefore, the appropriate decision will vary dependent on the gateway, risks and cost of the scheme.



- 3.4 All initiatives, via a programme or project business case are subject to this process. It allows the Capital Programme to be regularly tested in terms of prudence, sustainability and affordability, allowing both strategic and technical direction to be provided.
- 3.5 A number of templates for Strategic Outline Cases, Outline Business cases and Full Business Cases have been designed for use by all Capital Project Managers. This is based on the Government's 5-Case Business Case model.
- 3.6 The use of these templates will ensure uniformity and consistency across the Council, which in turn will lead to a standardised approach to Capital project management.
- 3.7 A series of training sessions are being rolled out across the Council to support project managers and to train/advise on the requirements of the new regime. This forms part of the induction process for all new budget holders and project managers, going forward.

4. Recommendation

- 4.1 The Committee review the Capital Governance Framework and consider the effectiveness of this approach in considering Capital Schemes for approval and inclusion into the Capital Programme.

Contact Officer:	Jane Thomas
Tel:	01597 826341
Email:	jane.thomas@powys.gov.uk
Head of Service:	Jane Thomas

Appendices:

Appendix 1 – Capital Programme Governance Framework.

[Capital Governance Handbook-v1.1.docx](#)

Appendix 2 – A business case template with notes explaining the aims of each section and what should be included.

[151009-CP-BusinessCaseTemplate-v1.doc](#)

Appendix 1



Capital Programme Governance Handbook

Version 1

Contents

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1 Introduction

Purpose

1.1 This document provides an overview of governance procedures for the Capital Programme commencing in April 2020.

Overview

1.2 The Capital Programme will be governed by:

- decision making arrangements that align to Powys County Councils' decision making processes,
- gateways aligned to Office of Government Commerce (OGC) standards,
- a consistent approach, a Corporate standard for business cases and other documentation required to inform decision making.

1.3 The governance procedures outlined in this document will contribute towards:

- disciplined governance that includes approval gateways at which viability and validity are reviewed and approved,
- recording and communicating decisions made at approval gateways,
- establishing clearly defined roles and responsibilities for officers and members,
- procedures that allow the opportunity for projects or programmes to receive additional scrutiny/assurance,
- ensuring that business cases are supported by information that enables informed and effective decision-making,
- ensuring that stakeholders are engaged in evaluation and decision making.

2 Governance Organisation Structure

Introduction

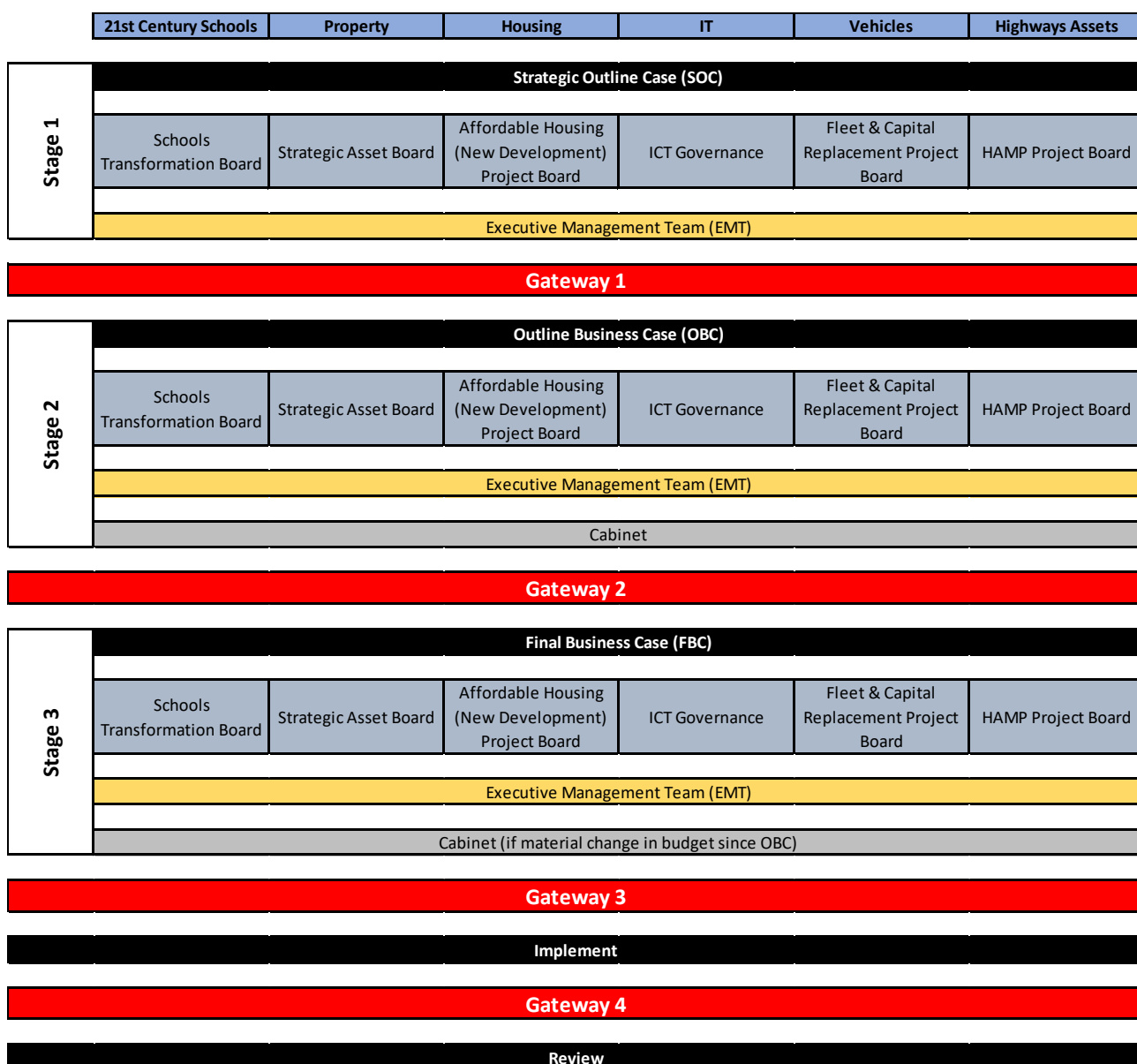
2.1 This section sets out the governance and decision-making structure for the Capital Programme and is set out in the diagram below (Chart A)

2.2 Stage 1 - The Strategic Outline Case (SOC), these must be completed for the new bids and should be approved by Executive Management Team.

Stage 2 - Once the SOC is approved, managers will need to complete more detailed work, particularly on the economics of the case, finances (detailed costings) and submit the Outline Business Case (OBC) for approval through the Strategic Asset Board, who provide challenge and then make recommendation to EMT / Cabinet to approve.

Stage 3 - The Final Business Case (FBC) is the final gateway and the project would move to the procurement stage. At this point the tender price for the project would be known and the risks quantified. Only when the FBC becomes a live project does the capital budget get allocated, which will improve our budget forecasting and profiling.

2.3 Governance Organisation Structure Chart (Chart A)



2.4 Roles and Decision Making

County Council Decision:

- Approval of the ten-year indicative Capital Programme
 - Approval of the annual Capital Programme.
- Approval of other capital schemes, above £500,000 that arise through the year outside the current budget

Cabinet:

- Recommendation of ten-year indicative Capital Programme to County Council.
- Recommendation of annual Capital Programme to County Council
- Approval of addition or deletion of initiatives (Programmes or Projects) to approved programme in current year.

- Monthly review of Capital Programme.

Scrutiny Committee:

- Scrutiny of ten-year indicative Capital Programme.
- Scrutiny of Cabinet and Cabinet Members decisions in relation to initiatives (Programmes or Projects).
- Seek preview of business cases

Executive Management Team (EMT):

- Senior officer governance body that provides oversight, challenge and assurance of the development, management and control of the Capital Programme, including changes in scope, cost, outputs and outcomes.

Heads of Service:

- In consultation with the Section 151 Officer, to take decisions approved by EMT in accordance with the scheme of officer delegation.

2.5 The Approval Route for each project will be based on the categories below. With the aim to ensure proportionate documentation and decision making.

Category	Value	Impact	Complexity	Risk
Major	Greater than £1m	Project outcomes are critical to achieving the Councils strategic objectives	Complex with cross service impact, may involve external stakeholders	High, Substantial internal / external risk is likely or unavoidable
Mid-Tier	£100k to £1m	Project makes a major contribution to the Council's strategic objectives	Less complex, possibly requiring input from different services	Medium: Potential for short-term internal / external risk
Minor	Less than £100k	Project outcomes directly contribute to one or more of the Council's strategic objectives	Fairly straightforward	Low: Risk are low level and localised to the relevant service

2.6 The manager will consider which rating descriptions (from the Value, Impact, Complexity and Risk category columns) best reflects the project. The category with the 'highest' rating - not necessarily Value - will indicate the most appropriate Category to suggest for the project. For example, a project valued in excess of £1m will always be a Major Project. A straightforward project with a £40k value that has localised outcomes, but a high-Risk rating will be classed as a Mid-Tier project.

2.7 Major projects will need to process through all the stages shown in Chart A above

2.8 Mid-Tier projects once approved at gateway one can progress straight to a Final Business Case and Gateway three without the need for the Outline Business Case stage to be completed.

2.9 Minor Projects will be processed through the Councils Small Capital Bid process.

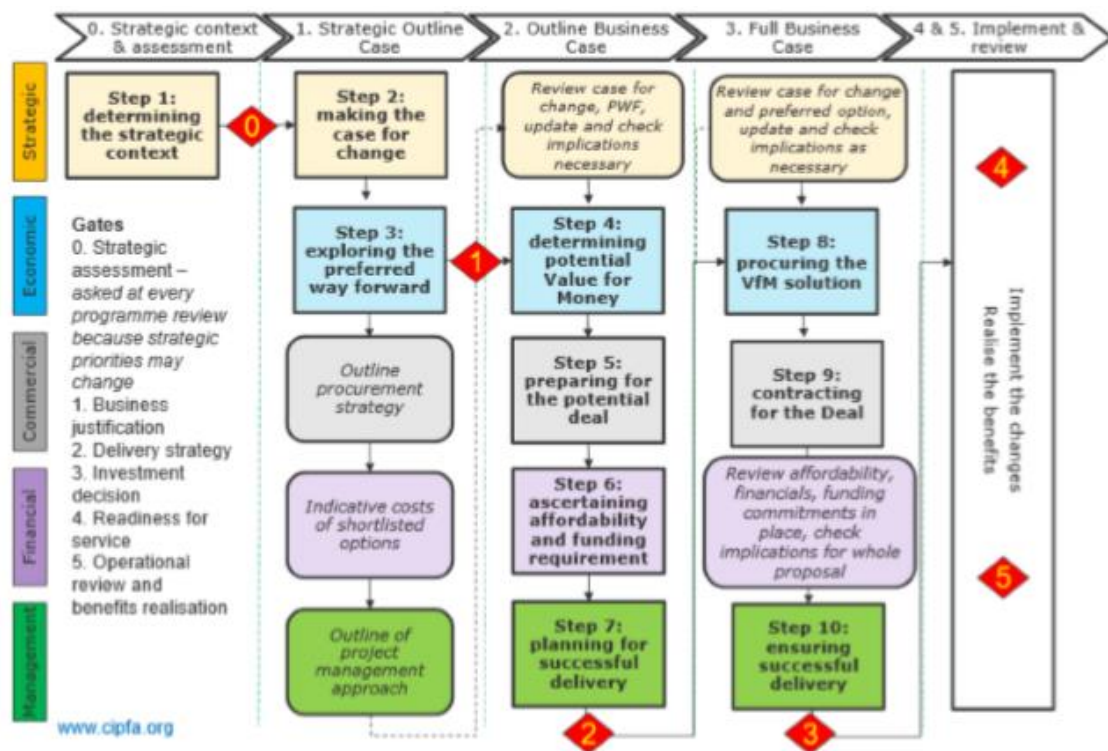
3 Gateway Review Framework

Introduction

3.1 The Gateway Review Framework (see below) identifies multiple points within an initiative’s lifecycle where a decision must be made on progression. These decisions vary from approval of options for further analysis to final investment decisions and change control. Therefore, dependent on the gateway, risk and cost of the scheme, the appropriate decision maker will vary.

3.2 The Gateway Review Framework is based upon the recommended approach established by the Office of Government and Commerce (OGC). It provides key points in an initiative’s lifecycle where a review and decision on progression will be made. All initiatives, via a programme or project business case will be subject to this process. It will allow the Capital Programme to be regularly tested in terms of validity, viability and affordability, allowing both strategic and technical direction to be provided.

3.3 Gateway Review Framework



3.4 This model should be used in a flexible and proportionate way considering the risk and cost associated with individual initiatives.

3.5 At each gateway the following options are available

- **Approve** - Project to proceed to next stage.
- **Deferred** - Decision on project is deferred as additional information is required, business case to be updated and brought back for a decision.
- **Decline** – Project is not to proceed.
- **Pipeline** – Project is put on hold until a time suitable for it to be completed.

4 Business Case Development

Introduction

4.1 The Council has adopted a corporate standard for business case development that is based upon the HM Treasury 'Green Book Five Case Model' which is also considered to be good practice. It clearly sets out the strategic, economic, commercial, financial and management case for investment.

Approach

4.2 A single template is used for development of business cases which can be tailored to include the appropriate level of detail for a Proposal; Strategic Outline Case; Outline Business Case; Full Business Case. Further guidance on the development of the business case is contained within the template.

4.3 All costs incurred in the preparation of the business cases up to and including gateway three must be met from the services existing revenue budget.

4.4 Full guidance and business case templates can be found in the following location <https://powyscc.sharepoint.com/:f:/s/services/finance/ops/finance/EgJYk2gl52ZNh5yw3G1ojSMBRG5dJt1-QcpxGxVcbMrXMA?e=eHB31j>

5 Change Control

Introduction

5.1 The Council is applying a systematic approach to the identification, assessment and control of change. The aim is not to prevent changes; it is to ensure that each change is agreed by the appropriate authority before it goes ahead.

5.2 Change can only be considered in relation to an established baseline. In the Capital Programme, the baseline will be provided by the approved Full Business Case and any supporting documents, e.g. plans.

5.3 The following items will be managed under formal Change Control:

- Increase in costs (with a funding impact),
- Cancellation of a project,
- Expenditure profile change between financial years,

5.4 The following approval levels will be applied to cost increases and virements:

100% funded by external sources	Funded by corporate sources e.g. Capital receipts, revenue funding etc, borrowing
Grant offer letter accepted by Head of Service and Section 151 Officer. Cabinet informed of all new grant funding in Capital Monitoring report	Up to £25,000 Approved by Head of Services in consultation with the Section 151 Officer.
	Between £25,001 and £100,000 Approved by Portfolio Holder in consultation with the Section 151 Officer.
	Between £100,001 and £500,000 Approved by Cabinet.
	Over 500,000 Approved by County Council.

Change Control Review and Approval

5.5 Changes will be taken to the appropriate body for decision.

6 Capital Programme Monitoring

Introduction

6.1 When an initiative/Project has been approved as part of the Capital Programme it will be subject to proportionate and periodic monitoring. The in-year capital programme will be overseen by the controls below. This will allow EMT to take corrective action where required.

6.2 The Capital Programme is monitored and reported upon on a monthly basis. This shows the following details by service for the current financial year:

- Approved capital programme
- Actual spend to date
- Commitments
- % and amount of remaining budget
- A variance from approved and current estimate that is then analysed to explain why
- Financing of the current year programme showing the current estimates.

Capital Programme

6.3 The Capital Programme provides a comprehensive list of all activity within the Capital Programme. It allows oversight of the programme, providing a consistent view of all

initiatives, including the sponsor, project manager, approved funding, a description of the project, governance arrangements and link to Vision 2025.

7 Benefits Realisation

7.1 Benefits Register to support business case (to be provided by project Sponsor)

7.2 Benefits tracking will be in line with corporate performance procedures

8 Administration

8.1 SharePoint will be used to host the documentation that supports boards, programme updates and tools.

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[Insert Project Name]

Business Case

Version 1

BUSINESS CASE: KEY DETAILS PAGE
 COMPLETED/UPDATE BY: INITIATIVE MANAGER AT EACH NEW VERSION]

Initiative Name: [insert initiative name]

Filename: [insert initiative ID]-BusinessCase-v[insert current version no].doc

Location: [insert filepath reference re. your project’s documentation]

Project Manager: [insert name]

Senior Responsible Owner: [insert name]

Gateways:

Approval/Gateway	Board	Planned Date	Actual Date
Proposal			
Gateway 1			
Gateway 2			
Gateway 3			
Gateway 4			
Gateway 5			

Access to Business Case:

Does this business case require restricted access on SharePoint?	Yes / No
--	----------

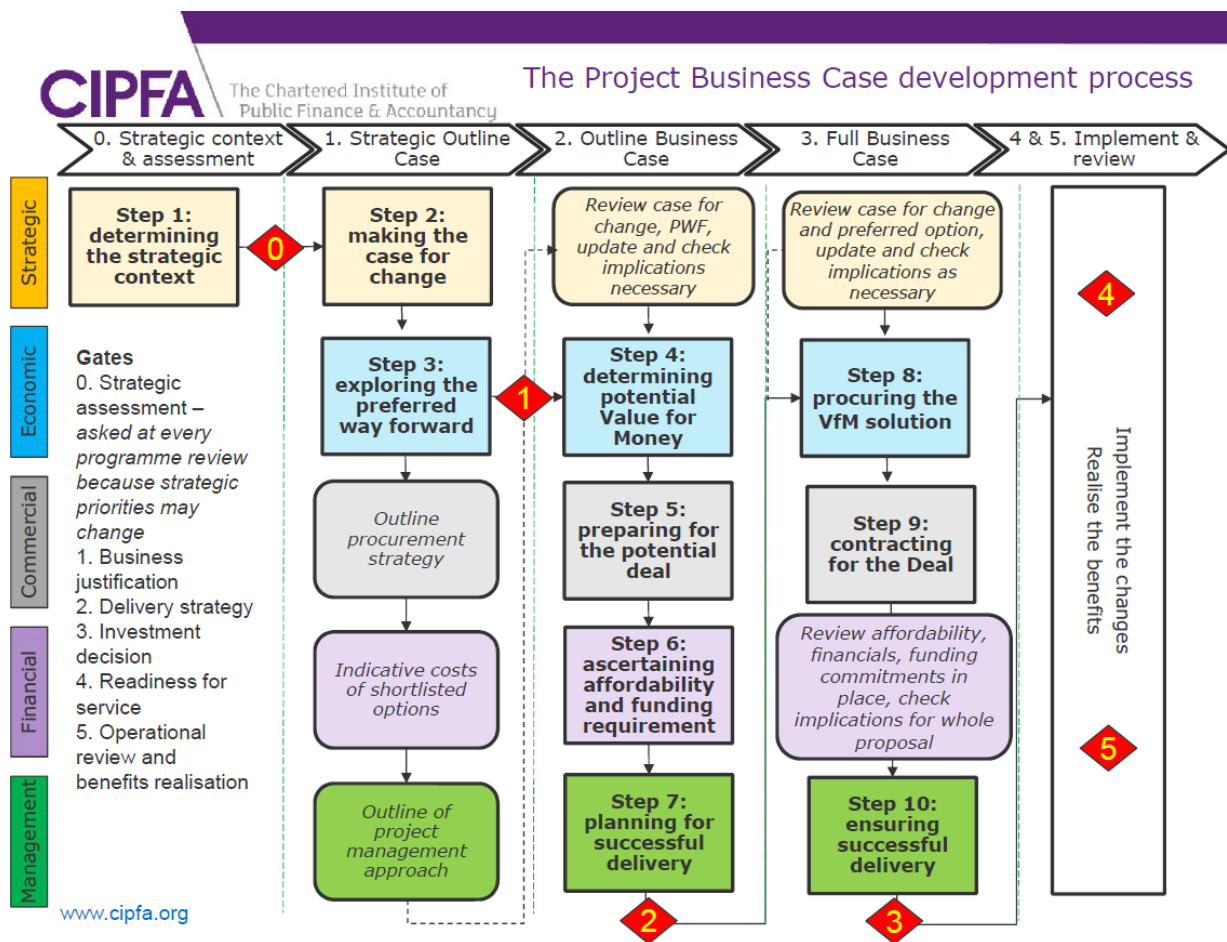
Progress Reporting:

What is/will be, the progress reporting mechanism for this project	[insert text]
--	---------------

Version	Date	Author	Summary of Changes made
v0.01	[insert]	[insert]	[insert concise summary]

*This section must include review and signature from Finance and Legal.

All schemes that involve capital expenditure are required to complete a business case that is reviewed at key points in the scheme’s lifecycle. The diagram below outlines the process.



Proposal: Proposal – To be reviewed at Gateway Proposal

The purpose of this stage is to collect information on any new initiative and/or opportunity for funding. At this stage it is expected that:

- The Strategic Case - is completed in as much detail as possible and will be revised later
- The Economic Case - is populated with the high level options available and identification of the preferred way forward
- The Commercial Case – identifies the likely delivery route for the scheme
- The Financial Case – discusses the likely affordability and funding arrangements for the scheme
- The Management Case – outlines how we will manage the development of the scheme

A decision will be made to approve the use of resources and funds to develop the strategic outline case in readiness for a Gateway 1.

Stage 1: Strategic Outline Case (SOC) – To be reviewed at Gateway 1

The purpose of the SOC is to confirm the strategic context of the proposal; to make a robust case for change; and to provide stakeholders and customers with an early indication of the proposed way forward having undertaken a high level options appraisal and identification of the short list options with indicative costs. At this stage it is expected that:

- The Strategic Case – completed in full but may be revised later

- The Economic Case – completed to the long-list of alternative options stage, with a recommended way forward and initially recommended short-list for further examination at OBC stage
- The Commercial Case – addressed the fundamentals of any potential procurement or delivery route
- The Financial Case – discusses the likely affordability and funding arrangements for the scheme
- The Management Case – outlines how the programme/project will be set up and managed

A decision will be made to approve the use of resources and funds to develop the outline business case in readiness for Gateway 2.

Stage 2: Outline Business Case (OBC) – To be reviewed at Gateway 2

The purpose of the OBC is to revisit the SOC in more detail and to identify a preferred option which demonstrably optimises value for money. It also sets out the likely deal; demonstrates its affordability; and details the supporting delivery strategy, together with management arrangements for the successful roll-out of the scheme. At this stage it is expected that:

- The strategic Case – revisited
- The Economic Case – completed to the short-list stage with assessment of options and identification of the preferred option
- The Commercial Case – outlines envisaged deal structure(s) and key contractual clauses and payment mechanisms
- The Financial Case- contains a detailed analysis of affordability and funding arrangements
- The Management Case – develops in more detail how the scheme will be delivered with an outline of the proposed programme/project management arrangements

A decision will be made to approve the use of resources and funds to develop the full business case in readiness for Gateway 3.

Stage 3: Full Business Case (FBC) – To be reviewed at Gateway 3

The purpose of the FBC is to revisit the OBC and record the findings of subsequent procurement activities; together with the recommendation for an affordable solution which continue to optimise value for money, and detailed arrangements for the successful delivery of goods and/or services from the recommended supplier(s). This stage takes place within the procurement phase of the project, following detailed negotiations with potential suppliers but before formal signing of contracts. At this stage it is expected that:

- The Strategic Case – revisited and revised if required
- The Economic Case – the findings of the procurement included in the analysis and recorded
- The Commercial Case – the recommended deal is written-up
- The Financial Case – affordability and funding arrangements confirmed
- The Management Case – the detailed plans for delivery and arrangements for the realisation of benefits, management of risk, and post programme/project evaluation arrangements

An investment decision will be made at this stage to deliver and implement the scheme. The next review will be in-line with Readiness for Service.

Stage 4: Readiness for Service – To be reviewed at Gateway 4

Stage 5: Evaluation & Benefits – To be reviewed at Gateway 5

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PART A: EXECUTIVE SUMMARY

INITIATIVE NAME	[insert]		
REFERENCE TO RELEVANT BUSINESS PLAN AND/OR COUNTY STRATEGY	Y/N [delete as applicable - if 'Y' please specify plan/ objective ref]		
PART OF EXISTING CAPITAL PROGRAMME?	IF YES, REFERENCE THE PROGRAMME	DIRECTORATE	DEPARTMENT
Y/N [delete as applicable]	[insert]	[insert]	[insert]

1.0 EXECUTIVE SUMMARY

1.1 Executive Summary

1.2 Recommendation

1.3 Strategic case

1.3.1 The strategic context

1.3.2 Objectives

1.3.3 Benefits

1.3.4 Risks

1.4 Economic case

1.4.1 Key findings

1.4.2 Preferred option

1.5 Commercial case

1.5.1 Delivery strategy

1.5.2 Key contractual arrangements

1.6 Financial case

1.6.1 Table of Costs and Funding Arrangements

1.6.2 Overall Affordability and Availability of Funding

1.7 Management case

1.7.1 Key Arrangements

1.8 Financial Implications

1.8.1 Comments

1.8.2 Finance signature and date

1.9 Legal Implications

1.9.1 Comments

1.9.2 Legal signature and date

PART B: DETAILED CASE

2.0 STRATEGIC CASE

[The purpose of this section is to explain and revisit how the scope of the proposed project or scheme fits with existing business strategies and provides a compelling case for change, in terms of existing and future operational and investment needs of the organisation].

2.1 Organisational overview

[Please provide an updated overview of the organisation(s) making the case for investment in the scheme, with particular reference to purpose, structure, and operational environment].

2.2 Business strategies

[Please reference the business strategy for the organisation and any related national, regional or local strategies].

2.3 Other organisational strategies

[Please reference any other related organisational strategies, as appropriate].

2.4 Investment objectives

[List the investment objectives here. These should be SMART].

2.5 Existing arrangements

[The section describes the existing arrangements with regard to the investment – the status quo. This should include existing costs].

2.6 Business needs

[This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs].

2.7 Scope and key service requirements

[This section describes the business scope and key service requirements for the project in relation to the above business needs].

2.8 Main benefits

[This section describes the main benefits and dis-benefits associated with the implementation of the scope in relation to business needs].

2.9 Main risks

[List the main risks, together with their mitigating action].

2.10 Constraints

[List the constraints the project is subject to].

2.11 Dependencies

[List the dependencies that will be carefully monitored and managed].

3.0 ECONOMIC CASE

[This section looks at the options that have been considered. At Proposal Stage this will be high level; at SOC stage this will include appraisal of the long-list options and identification of the short-list options with indicative costs; at OBC stage this will include appraisal of the short-list options and identification of the preferred option; at FBC stage this will include appraisal and selection of recommended supplier]

3.1 Critical success factors

[The critical success factors (CSFs) are the attributes essential to the successful delivery of the scheme, against which the available options are assessed. Alongside the assessment against CSFs is the assessment of how well the options meet the scheme's objectives and benefits criteria. More information is available within the Exploring the Way Forward guidance [link]].

3.2 Long-listed options

[This is the list of options that have been considered and appraised against the objectives, benefits and critical success factors. From this list you should identify the short list of options that will undergo economic analysis to identify the preferred option. More information is available within the Exploring the Way Forward guidance [link]].

3.3 Short-listed options

[This section details the short list options that were identified from the long list. These options are subject to appraisal to identify the 'preferred option'. At Strategic Outline Case we expect estimates +/- 50%; At Outline Business Case we expect estimates +/- 15%; At Full Business Case we expect to see contract prices].

*******Section 3.4 to 3.9 are completed as part of the OBC and revisited as part of the FBC*******

3.4 Economic appraisals

[This section looks at the expected costs and cash benefits for each of the short listed options. It includes calculating risks that can be measured financially and optimism bias. More information is available within the Determining Potential Value for Money guidance [link]].

3.4.1 Commentary of results

3.5 Non-financial benefits appraisal

[This section looks at non-cash releasing benefits, their weighting, score and impact on options ranking. More information is available within the Determining Potential Value for Money guidance [link]].

3.5.1 Commentary of results

3.6 Non-financial risk appraisal

[This section looks at the impact of non-financial risks - their impact, probability and score - on options ranking. More information is available within the Determining Potential Value for Money guidance [link]].

3.6.1 Commentary of results

3.7 The preferred option

[This section looks at the impact of non-financial risks - their impact, probability and score - on options ranking. More information is available within the Determining Potential Value for Money guidance [link]].

3.8 Sensitivity analysis

[As appropriate. E.g., Scenario / What If analysis].

3.9 Preferred option

[Following the above appraisals and analysis, the preferred option should be confirmed below].

*****Section 3.10 to 3.17 is for use in the FBC only*****

3.10 Supplier appraisals

[This section is required for the full business case only. This is where we compare the potential supplier deals and agree the preferred supplier1]

3.11 The procurement process

[We used the following procurement route....The response to the OJEU was as follows....].

3.11.1 Long list criteria

[The long list criteria were as follows].

3.11.2 Long list

[The long list was as follows].

3.11.3 Short list criteria

[The short list criteria were as follows].

3.11.4 Short list

[The short list was as follows].

3.12 FBC - Economic appraisals

[This section provides a detailed overview of the costs and benefits associated with each of the selected service providers].

3.12.1 *Commentary of results*

3.13 Non-financial benefits appraisal

[This section looks at non-cash releasing benefits, their weighting, score and impact on supplier ranking].

3.13.1 *Commentary of results*

3.14 Non-financial risk appraisal

[This section looks at the impact of non-financial risks - their impact, probability and score - on supplier ranking].

3.14.1 *Commentary of results*

3.15 The preferred supplier

3.16 Sensitivity analysis

[As appropriate. E.g., Scenario / What If analysis].

3.17 Preferred supplier

[Following the above appraisals and analysis, the preferred supplier is confirmed below].

Capital Programme – Business Case Template –v1

4.0 COMMERCIAL CASE

[This section documents the proposed deal in relation to the preferred option outlined in the Economic Case. This may be brief at SOC, but will build in detail and accuracy through the OBC and then FBC]

4.2 Required services

[List the required services and/or goods]

4.3 Potential/Agreed risk transfer

[The general principle is that risks should be passed to 'the party best able to manage them', subject to value for money. This section provides an assessment of how the associated risks might be apportioned between parties]

4.4 Proposed/Agreed charging mechanism

[The organisation intends to make payments in relation to the proposed products and / or services as follows]

4.5 Proposed/Agreed contract lengths

[The following contract lengths will be considered]

4.6 Proposed/Agreed key contractual clauses

[These are]

4.7 Personnel implications (including TUPE)

[It is anticipated that TUPE will / will not apply to this investment]

4.8 Procurement strategy and implementation timescales

[Detail and list below]

5.0 FINANCIAL CASE

[This section outlines the costs and funding arrangements for the capital project following full business case approval]

5.1 Table of costs and funding arrangements

ITEM	ESTIMATED COST (£)	
Material		
Construction		
Project Management (Staff)		
Other (Please Specify)		
Total		
FUNDING SOURCES	AMOUNT (£)	Status (In bank, Secured, Not secured)
Government Grant		
Section 106/CIL		
Capital Receipt		
Revenue Contribution		
Borrowing		
Other (Please Specify)		
Total Funding		

Capital Programme – Business Case Template –v1

5.2 Impact on the organisation's income and expenditure account (revenue account)

[To include the cost of pre-implementation feasibility study and other research]

[Also to include, post-implementation running costs and other revenue costs that may result from the project]

[To include any positive impacts on revenue following any income generated by the scheme]

5.3 Overall affordability & availability of funding

6.0 MANAGEMENT CASE

[This section sets out the arrangements for successful delivery of the scheme]

6.1 Project management arrangements

[Outline the project management arrangements and attach the project plan as an appendix]

6.2 Use of consultants

[List all external consultants used and their role]

6.3 Arrangements for contract management

[The strategy, framework and plan for contract management are as follows]

6.4 Arrangements for benefits realisation

[The strategy, framework and plan for dealing with the management and delivery of benefits are as follows.] [Attach the benefits plan as an appendix]

6.5 Arrangements for risk management

[The strategy, framework and plan for dealing with the management of risk are as follows]

6.6 Arrangements for post project evaluation

[The arrangements for post project evaluation are as follows]

6.7 Gateway review arrangements

[The proposed gateway review arrangements are as followed]

6.8 Contingency plans

[In the event that this project fails, the following arrangements are in place...]

7.0 Financial Implications

[To be completed by Finance]

Signature:

Date:

8.0 Legal Implications

[To be completed by Legal]

Signature:

Date:

9.0 Equality Impact Implications

[To be completed by author of Business Case]

10.0 Health & Safety Implications

[To be completed by author of Business Case]

Capital Programme – Business Case Template –v1

How will the project comply with health and safety legislation including Construction (Design and Management) Regulations 2015 (CDM). The Health and Safety Executive have a useful webpage dedicated to the CDM Regulations: www.hse.gov.uk/construction/cdm/2015/index.htm

11.0 Sustainability Implications

[To be completed by author of Business Case]

12.0 Well-being of Future Generations Act Implications

[To be completed by author of Business Case]

PART C: SUPPORTING EVIDENCE

For Completion by: Initiative Manager

In addition to completing/ updating the relevant sections of this business case, please provide the following supporting evidence along with each gateway submission:

GATEWAY	EVIDENCE REQUIRED
Proposal & G1	As per business case content
G2 to 5	Economic Appraisals
	Financial Appraisals
	Benefits Register
G5 only	Risk Register
	End of Project Report
	Lessons Learned Log

10.2

CYNGOR SIR POWYS COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE

Date 5th November 2021

REPORT AUTHOR: Jane Thomas, Head of Finance

REPORT TITLE: Capital Programme Project Appraisals and Business Cases

REPORT FOR: Discussion / Information

1. Purpose

1.1 On the 30th July 2021 a report was presented to Governance and Audit Committee setting out a number of workstreams that will assist the Committee in scrutinising the arrangements to seek assurance that the appropriate systems, controls and processes are in place to ensure that all capital projects are considered, approved, procured and managed effectively and that value for money can be evidenced.

1.2 This report covers work streams 2 and 3.

2. To better understand the considerations and appraisal of options as project specifications are agreed. How is the specification of projects determined, for example, if building passivhaus schemes is there evidence to support the benefits expected down the line?

3. To better understand the Welsh Government 5 case business model requirements for 21st Century Schools projects and to review a project submission.

2. Background

2.1 The Council's Capital Programme Governance Framework and Welsh Government's 21st Century Schools programme require business cases to be completed to be able to draw down funding for a scheme. In both cases the Five Case Model is used.

2.2 The Five Case Model is HM Treasury's approved standard for the production of public sector business cases. It comprises five dimensions and the answers to the following key questions:

The Strategic Case

What is the case for change and how does it provide strategic fit?

The Economic Case

What is the best choice for optimising social value?

The Commercial Case

What is the Deal and can the supply side deliver it?

The Financial Case

Is it affordable within budget?

The Management Case

Are the necessary arrangements in place for successful delivery?

2.3 The business case is the repository for the evidence base in support of a spending proposal. They facilitate transparency, approval, post evaluation, the accountability of public funds and optimisation of public expenditure.

3. Advice

3.1 A significant proportion of the capital programme relates to the Schools Transformation. Welsh Government provide grants to support these schemes, the current intervention rates are as follows

- Primary and Secondary Schools - 65%
- Voluntary Aided and faith schools - 85%.
- Special schools for pupils with additional learning needs and those in pupil referral units - 75%

3.2 This is a significant contribution towards these schemes which the council would not be able to afford with out the contributions from Welsh Government. To qualify for funding the schemes must meet the following objectives set out by WG.¹

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
- Provide the right number of places for the delivery of:
 - Welsh medium education
 - English medium education
- Addressing sufficiency issues where relevant.
- Working towards Net Zero Public Sector Buildings in line with Welsh Government Carbon Reduction Commitments.

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 including (but not solely) access to support services and programmes which promote community resilience and contribute to tackling poverty 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.

Specifically:

- Are the schools or colleges affected in poor condition?
- Do the plans contribute to sufficient efficient provision?
- Do the plans result in enhanced use by the community?

3.3 The Bro Hyddgen Community Campus Project is one of the most ambitious schemes in the history of the council. The combined Strategic Outline Case (SOC) and Outline Business Case (OBC) was approved by cabinet on the 29th September 2021 and approved by Welsh Government shortly after.

3.4 The business case is available as part of the Cabinet documents published on the council website², a link to the document is provided below.

[Microsoft Word - Appendix A - Bro Hyddgen SOC OBC \(modern.gov.co.uk\)](https://modern.gov.co.uk/moderngov/appendix-a-bro-hyddgen-soc-obc)

3.5 The school's transformation team together with CPC Project Services, lead on the completion of these business cases. Consultation with all stakeholders and contributions are received from other service areas as part of this process.

3.6 It is recommended that the business case is read in full, the following is designed to be a very brief overview of the business case and some of the key points and how it arrives at the preferred option.

3.7 Section 1 - Executive Summary

3.8 Section 2 - Project Background

3.9 Section 3 - Strategic Case (pages 11 to 33). This section sets out the case for the change from the status quo and what international, national and council strategies need to be considered in relation to this scheme together with risks and constraints. The investment objectives are also defined in this section which will be used as part of the options appraisal later in the case.

3.10 Section 4 - Economic Case (pages 34 to 68). This section sets out the critical success factors, the long list options and who was involved in drawing up these options. The advantages and disadvantages of each option are also set out. All of the options are then scored against the investment objectives and critical success

factors to arrive at the preferred option. The undiscounted and net present cost for each option are also shown in this section, this takes into account the revenue and capital costs for each of the options over the timeframe outlined in the business case.

3.11 Section 5 – Commercial Case (pages 70 to 77). This sets out the procurement method and strategies, risk and transfer options, project bank accounts and community benefits.

3.12 Section 6 – Financial Case (pages 78 to 82). This sets out the costs of the preferred option, a breakdown of the costs and its impact on the council's revenue budget.

3.13 Section 7 – Management Case (pages 83 to 90). The covers the project management arrangements, risk management, change and contract management and contingency plans.

4. Recommendation

4.1 That Committee review the Business Case provided and consider its content in order to assess the adequacy and effectiveness of the arrangements in place.

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Head of Service:	Jane Thomas

Sources

- 1 21st Century Schools and Colleges Programme business case guidance <https://gov.wales/sites/default/files/publications/2020-09/business-case-guidance.pdf>
- 2 [Agenda for Cabinet on Tuesday, 29th September, 2020, 2.00 pm Cyngor Sir Powys County Council \(moderngov.co.uk\)](#)

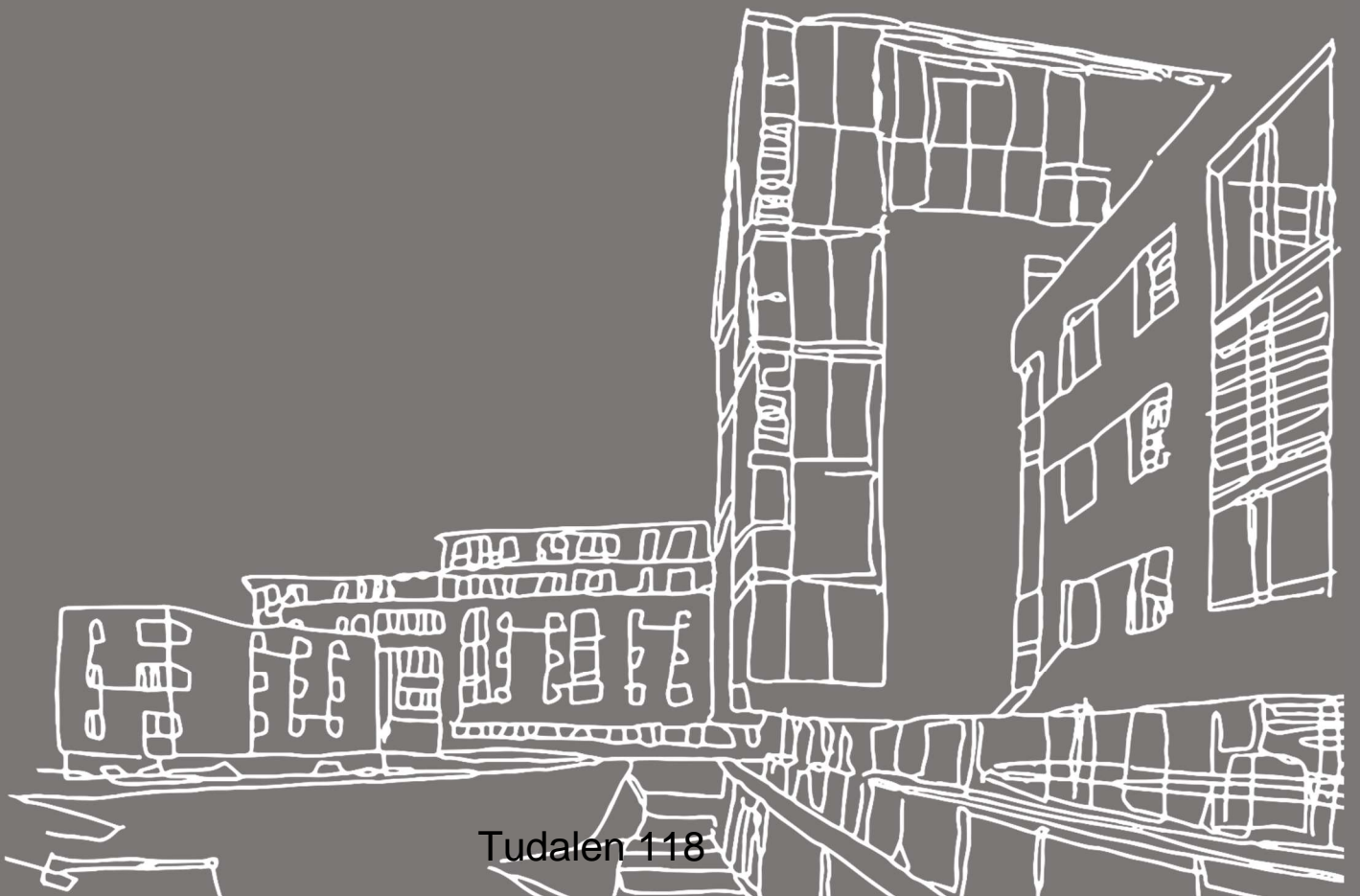
Combined Strategic Outline Case and Outline Business Case:



Bro Hyddgen Community Campus Project
September 2020



Version 0.5



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1 Executive Summary

The purpose of this combined Strategic Outline Case (SOC) and Outline Business Case (OBC) is to present the case for investment of a project that seeks to establish and construct the first Community Campus in Powys.

This will be a flagship project for Powys and will be a blueprint for future schemes. The aim is to develop new purpose-built community campus in Machynlleth, which situated in the north of Powys. The new campus will include early years provision (two class bases), 240 places (eight class bases) for Primary pupils and 380-place for Secondary and Sixth Form pupils inclusive of a 3G pitch, four court sports hall, and MUGA. The additional community facilities will incorporate new leisure facilities, inclusive of a 25m pool, reception, and café, wet and dry side changing rooms and gym, a new town library, areas to conduct community alternative prescriptions, and various meeting and conferencing areas.

This facility will replace the Bro Ddyfi Leisure Centre, located opposite to the high school, a structure which is considered end of life. The Campus will also incorporate a new public library to replace the existing structure which is in the town centre.

The Campus model goes beyond the 'community focused' school agenda and ensures that the new facility becomes the heart of the community where education, health and wellbeing and lifelong learning facilities all interlink to meet the needs of the Machynlleth community and catchment area; safeguarding local provision in a rural area of Powys for future generations.

The cost of the preferred option including optimism bias and early stage risk is estimated to be **£48,250,369**

Welsh Government contribution 65%	£31,362,739
PCC 35%	£16,887,629
Total	£48,250,369

In developing the flagship Bro Hyddgen Community Campus project, which will form the blueprint for future provision in Powys, PCC have explored opportunities to increase the integration of the school with the wider community and create a year round campus model that can act as a focal point for the town of Machynlleth. Through incorporating new state of the art fully integrated leisure and library facilities at the school, it is the Council's ambition to create an education and wellbeing hub, that will provide a range of family focused services to the communities in and around the Machynlleth area. The new community focused leisure and

wellbeing services will ensure the long-term viability of leisure services within the locality, safeguarding the jobs of those employed at the centre, and the economic benefits these bring to local supply chain businesses. Closer working between the school and Freedom leisure will enable access to a broader range of extra-curricular sports and physical training opportunities for pupils at the school providing lasting physical and mental health wellbeing benefits.

With a design and build model using the highest environmental passivhaus standards, the new community school and leisure campus will also act as a beacon project for environmental excellence. Enabling pupils at the school to gain a greater degree of insight into the latest technological developments to reduce emissions generated by infrastructure projects, and their ongoing carbon footprint. Incorporating these cutting-edge environmental design technologies will also enable the school to substantially reduce its energy costs, with schemes elsewhere demonstrating reductions in utilities expenditure of between 50 and 80%. This will provide a considerable cash saving for the school helping to support its long-term financial sustainability.

In establishing and constructing a Community Campus in Machynlleth, PCC will also eradicate backlog maintenance costs of nearly £8m.

2 Project Background

On 14 April 2020, the Council approved the new Strategy for Transforming Education in Powys 2020-30. The new Strategy outlines four strategic aims:

- Strategic Aim 1: We will improve learner entitlement and experience
- Strategic Aim 2: We will improve learner entitlement and experience for post-16 learners
- Strategic Aim 3: We will improve access to Welsh-medium provision across all key stages
- Strategic Aim 4: We will improve the provision for learners with SEN/ALN

The Council's intention is to develop, within the 13 secondary school localities, an infrastructure of all-age schools. Initially, these may be multi-sited all-age schools, however, the ultimate aim is to develop new purpose-built schools that will not only provide state of the art facilities for teaching and learning, but also childcare and early years provision, community and leisure facilities, multi-agency areas that can provide support for learners and their families and SEN/ALN facilities of the highest quality.

However, prior to the development of the new Strategy, the transformation of education in the Machynlleth catchment area had started in 2012 with an area review which resulted in the establishment of Ysgol Bro Hyddgen in September 2014 as an all-age school across two campuses, merging the former Ysgol Bro Ddyfi and Ysgol Gynradd Machynlleth.

The second phase of the transformation was to develop a new build community campus, replacing the poor-quality buildings of the current campuses. This project was included in the Council's 21st C Schools Programme. The Council awarded a design and build contract to Dawnus Construction Ltd, and a combined SOC/OBC was approved by the Welsh Government in January 2017 – the estimated cost at this stage was £23.2m.

The scheme was at RIBA 4 full design stage, and the planning application had been submitted to the planning authority when, in March 2019, Dawnus entered administration. Construction had not yet started on site.

Following the collapse of Dawnus, officers took the opportunity to reconsider the design to see if it was feasible to include leisure and library provision, as well as early years and education provision.

In January 2020, a design team were directly employed by the Council to support the feasibility study, which concluded in May 2020. Discussions have included representatives from the school and Freedom Leisure, as well as officers from the Council and Heart of Wales Property Services. The information gathered during the feasibility study has informed the revised SOC/OBC.

To confirm that the preferred development site presents the best option for the school, community and for the Council, further investigations took place on an alternative site between

January and June. These investigations confirmed that the existing secondary campus site presents the best value for money and quickest route to delivery.

3 Strategic Case

The case for change is based on the need to improve facilities for pupils and wider community, in a rural area of north Powys. The current school and leisure infrastructure are in very poor condition. The school also operates under operational constraints as a multi-sited school:

- Headteacher and senior leadership team must split their time between two campuses;
- Due to the success of the amalgamation, specialist teachers teach the primary phase pupils, (science and P.E for example), but are often late to lessons due to the need to travel between lessons;
- Primary phased pupils cannot access specialist secondary site facilities due to the need to walk 1 mile to the site, and the need to cross the busy A487 trunk road;
- Due to the lack of car parking spaces at both sites, especially at the secondary site, cars often park on the netball court, which cause issues around safeguarding and delivering the curriculum;
- Secondary campus school is an old Victorian building which is not fit for purpose. Some classes need to be split for a maximum of 15 pupils due to the lack of classroom space;
- There is a lack of sporting facilities at both primary and secondary campuses, and the school pupils often need to cross the busy A487 to access leisure centre provision, which causes safeguarding and health and safety concerns;
- Due to the lack of facilities, pupils and the wider community often need to travel out of county to Ceredigion or 30 miles to Newtown to access facilities such as an all-weather pitch. This is especially challenging during winter months;
- The existing leisure centre was built in 1990 and has recently has to face partial closure due to significant issues with the roof of the building;
- The Bro Ddyfi leisure centre has a current book asset value of £3.66m but a recent completed conditions survey estimates backlog maintenance costs of £2.4m. Renovation of this asset is not considered the best value for money option;
- Although the current town library in Machynlleth is in a better condition when compared to the leisure centre. The conditions survey which was conducted in 2011 highlighted issues with the external fabric, however no maintenance has been undertaken on the building due to financial pressures on the Council. The driver for including library provision is the strategy in achieving a true community campus, which will provide services for the pupils and wider community; the library element will form the heart of the new provision.

The requested investment will deliver a brand new, purpose-built community campus project which will include a 620 place all-through school with early years facilities, and leisure and library provision. The new build will deliver the following:

- 620 place all-age school with dedicated early years provision, ensuring equitability of provision for rural areas in the north of Powys;
- The school building has been designed to support the school to deliver the new curriculum for Wales, and will meet Donaldson aspiration of the three-phase approach in teaching and learning;
- Specialist equipment, including ICT and conferencing facilities, to support teaching and learning outcomes which will help to ensure all learners maximise their potential. The ICT facilities will also be available for community use, which will encourage lifelong learning opportunities;
- A fully equipped early years provision with hygiene and outdoor learning and play facilities;
- School will be able to take full advantage of the all-through school teaching model, ensuring that all pupils are able to access specialist facilities and learning experiences;
- Dedicated outdoor learning areas, including a forest school area;
- A holistic integrated multi community service approach, with dedicated leisure facilities to include a swimming pool, gym, activity studio, community café, library, and a suite of meeting rooms. The meeting rooms will also be used for health interventions as prescribed by GP's;
- Sporting facilities will include a 3G pitch, MUGA (multi use games area), grass pitches;
- A flagship community focused project, with community groups being able to access the facilities out of school hours. Safeguarding will be ensured as the school will be able to lock down the teaching areas while enabling community access to the community zone;
- The building will aim to achieve full passivhaus and BREEAM Excellent accreditation, having a positive impact on the recently declared Climate Emergency, and contributes to the WG strategy 2019 strategy 'Prosperity for All: A Low Carbon Wales'. If approved and funding is secured, the Bro Hyddgen Community Campus project will be the first passivhaus campus in the UK.

The new community campus project in Machynlleth will be built on the current secondary school site. The existing secondary school site will be demolished to make room for a new car park and MUGA. If approved, the number of Council assets in Machynlleth will be reduced from 4 separate buildings to one.

3.1 Strategic Fit

3.1.1 National Strategies

The proposals contained within this business case contribute to the following national and international strategies and policies:

- United Nations Convention on the Rights of the Child;
- Wellbeing and Future Generations Act 2015;
- The Learning Country: Vision into Action 2008;
- Skills framework for 3-19-year olds in Wales 2008;
- One Wales: One planet, a new sustainable development scheme for Wales May 2009 or any successor strategy;
- Learner Travel Operational Guidance - April 2009;
- A Curriculum for all Learners 2010;
- Measuring the capacity of schools in Wales – Circular 021/2011;
- Welsh Government Welsh Medium Education Strategy 2010;
- Improving Schools National Implementation Plan 2012-15;
- A Living Language: A language for Living: Welsh Language Strategy 2012-17;
- Building a Brighter Future: Early Years and Childcare Plan 2013;
- School Standards and Organisation (Wales) Act 2013;
- School Organisation Code 2013;
- School Organisation: Consultation with Children and Young People – Guidance Document 2013.

3.1.2 Local Strategies

- Vision 2025 sets out the Cabinet's priorities for the council up to 2025. 'Strengthening Learning and Skills' is one of the four priorities outlined within this vision;
- Welsh in Education Strategic Plan 2017-20 sets out the council's priorities for developing Welsh-medium provision within Powys;
- Transforming Education in Powys 2020-30, sets out Powys approach to developing school infrastructure and the planning of school places;
- Powys Community Focused Schools Strategy, which ensures that key services are sufficiently integrated and able to work collaboratively;
- Powys Carbon Reducing & Sustainability Strategies, which identifies that all new schools will be part of a new generation of energy efficient buildings;

- Powys Regenerations Strategy aims to deliver outcomes which will have a positive impact upon the physical, social, environmental, economic, and cultural attributes of the county; and
- Powys ICT Strategy which aims at delivering learners' entitlement to use technology to support their learning and to enable schools to become more innovative and effective in their teaching and learning.

3.2 Case for Change

3.2.1 Investment Objectives

The Investment Objectives underlying the case for change for this project are:

1. To improve the learning provision and outcomes for pupils and learners across the age range
2. To ensure that pupils in the Machynlleth area can access high quality Welsh-medium provision through all key stages of education
3. To deliver a fit for purpose building solution that delivers an improved learning environment, meeting Passivhaus requirements, and of the appropriate size;
4. To further improve the transition between all key stages;
5. To create a community focussed school that is the central point for multi-agency success to support children, their families, and the community;
6. To ensure the economic, financial, and environmental sustainability of the school.

3.2.2 Targets and measures

The following table identifies the measures and targets that will be utilised to ensure that the identified investment objectives are SMART.

Table 1 – Targets and Measures

IO	Measure	Target
1.	<p>i. Improved learning outcomes, as measured by relevant data sources:</p> <ul style="list-style-type: none"> • Estyn inspection outcomes and benchmarks • Regional / Local Authority Review • Individual learner and learning centre targets • Pupil voice / learning centre council feedback • Whole school end of key stage performance data • National benchmarking data • DFES <p>ii. Improved motivation, engagement, attendance and extracurricular involvement as evidenced by facilities being used:</p> <ul style="list-style-type: none"> • Learning centre self-evaluation • Learning centre improvement plan • Estyn inspection outcomes • Local Authority review outcomes <p>iii. Pupil voice / school council</p>	<ul style="list-style-type: none"> • All lesson observations of the key areas of all key stages to be reported as 'Excellent' or 'Good' within 18 months of new school opening. • To achieve 'Excellent' or 'Good' Estyn and/or Local Authority judgements for the three Key Questions within 18 months of new school opening. • All lesson observations reported by Estyn as 'Excellent' or 'Good' for Teaching and Learning within 18 months of new school opening. • To achieve a judgement of at least 'Good' or 'Excellent' for learner outcomes as a result of Estyn inspections within 18 months of new school opening. • To gain a positive stakeholder satisfaction report based on Estyn, Learner and Parent questionnaires within 18 months of new school opening. • Post 16 education to be categorised as 'Excellent' across DFES and Estyn benchmarks. • Attendance of school percentage rate to increase to at least 94% for the academic year 2018/19 (92.6% in 2012/2013). • To Interview 10% of pupils and 5% of parents to evaluate the effectiveness of the learning centres policies and practices in promoting learners' wellbeing seeking a satisfaction classification of at least 'good' (reference parental survey annexe 5 Estyn guidance).
2.	<p>i. Increased number of learners studying through the medium of Welsh;</p> <p>ii. Broader Welsh medium curriculum available to learners at all key stages</p>	<ul style="list-style-type: none"> • 100% of learners in the Ysgol Bro Hyddgen catchment area have the option to study through the medium of Welsh by 2024; • Curriculum fully available through the medium of Welsh.
3.	<p>i. Reduction in energy use and carbon emissions</p>	<ul style="list-style-type: none"> • Reduction in heating costs of 50% and reduction of electricity consumption of 35% by September 2025; • Reduction in CO² emission of 110995kg/m² annually by September 2025
4.	<p>i. Improved learning outcome as evidenced by:</p> <ul style="list-style-type: none"> • Estyn inspection outcomes • Local Authority Review • Individual pupil and school targets 	<ul style="list-style-type: none"> • Increase performance between: <ul style="list-style-type: none"> ○ Key Stages 1 and 2; ○ Key Stages 2 and 3; ○ Key Stages 3 and 4, and ○ Key Stage 4 and Post 16 education.

IO	Measure	Target
	ii. Pupil Voice /School Council feedback	<ul style="list-style-type: none"> Ensure that all pupils make at least one level of progress between key stage 2 and 3; and ensure that all pupils achieving the CSI at KS2 do so at KS3
5.	i. Improved pupil wellbeing as evidenced by Estyn reports; ii. Increased usage of community facilities	<ul style="list-style-type: none"> All aspects of learner wellbeing (as detailed in Estyn guidance) to be awarded a judgement of 'Excellent' within 18 months of opening; Leisure facilities open to pupils for 10 hours per week; 20% increase in financial revenues for leisure facilities by September 2025 45% increase in total usage of community leisure facilities within 18 months of opening; Increase in amount of activities available to learners and wider community within 18 months of opening Increased public swim usage by 20% per annum by 2026 Increased number of children's swimming lessons delivered the pool by 25% by 2026 Increased number of adult swimming lessons delivered at the pool by 15% by 2026
6.	i. Reduced backlog maintenance and accessibility costs. ii. Reduction in ongoing premises and utility costs;	<ul style="list-style-type: none"> Reduction in premises costs per square metre (excluding NNDR) of 5% within 18 months of opening. Removal of existing backlog maintenance liabilities on opening of the new assets. Reduction in utility costs by 80% at the new school and library, and 50% at the new leisure centre within 12 months of opening

3.2.3 Existing Arrangements

The location of the existing primary and secondary school infrastructure in relation to both the leisure centre and each other can be seen in figure one below.

While the physical distance between the two school sites is only one mile, as can be seen from the map, both school buildings are located at the opposite ends of the town.

Figure 1: Location of School in relation to the town

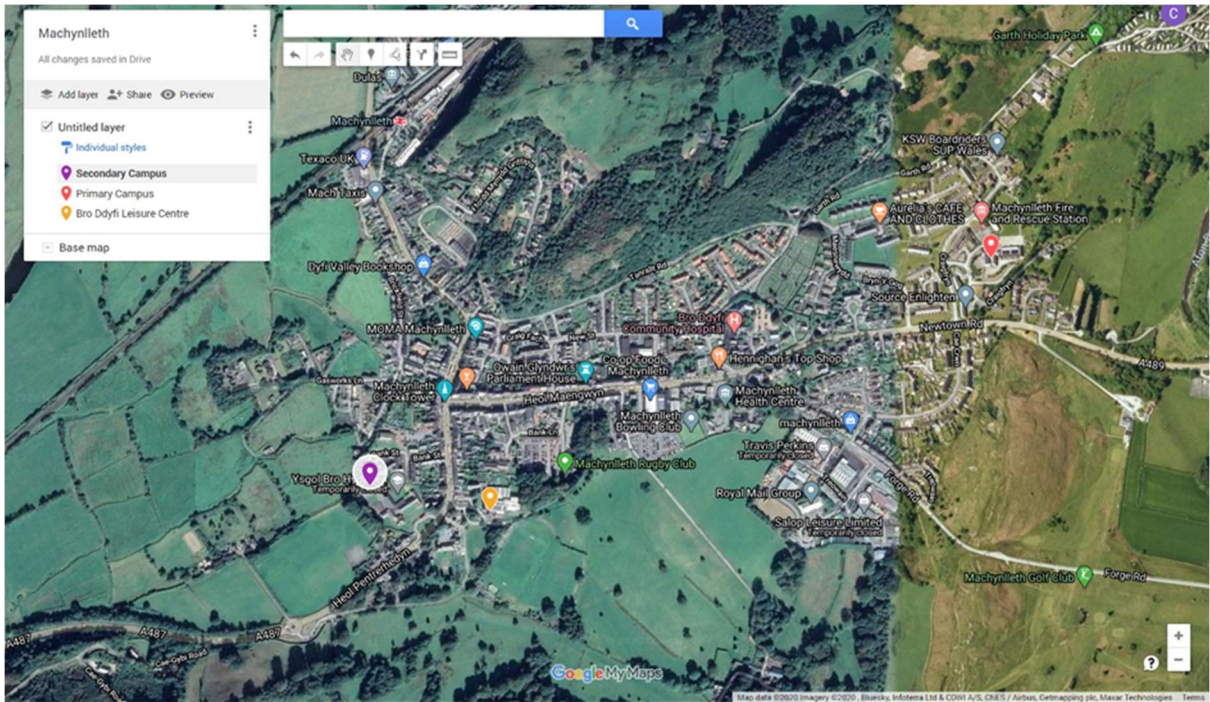


Figure 2: Secondary School Campus



Figure 3: Primary School Campus



Figure 4: Leisure Centre



Key information about the existing arrangements is held within tables 1-3 below:

Table 2 – Summary Information

Language Category	Bilingual Category 2B/C (“dual-stream”)
Age range	11-18
Total number of places in school	676
Number of pupils	474
Level of surplus places	202 (30%)
Welsh Medium Pupils	287
ALN/SEN Pupils	31
Free School Meals	60
Pupils from ethnic minorities	18
Number of Teachers	33
Pupil Teacher Ratio	14:1
National School Categorisation	Yellow

Table 3 – Learner Outcomes

KS2	2017	2018	2019
Cymraeg Level 4-6	92.3%	93.8%	100%
Welsh 2L Level 4-6	100%	88.9%	68.8%
English Level 4-6	100%	88%	87.9%
Maths Level 4-6	92%	88	87.9%
Science Level 4-6	100%	92%	90.9%
KS3	2017	2018	2019
Cymraeg Level 5-E	100%	96%	94.1%
Welsh 2L Level 5-E	100%	100%	78.6%
English Level 5-E	100%	100%	95.8%
Maths Level 5-E	100%	94.3%	91.7%
Science Level 5-E	100%	100%	97.9%
KS4	2017	2018	2019
Cymraeg A*-C	79.4%	38.2%	84.4%
Welsh Literature A*-C	71.4%	77.8%	50%

Welsh 2L A*-C	93.3%	87.5%	83.3%
English A*-C	77.6%	20%	48%
English Literature A*-C	0%	97.1%	76.9%
Maths	69.4%	60.5%	55.3%
Numeracy	67.3%	80.4%	60.5%
Science Double (1) A*-C	0%	68.4%	61.1%
Science Double (2) A*-C	0%	52.6%	50%

Table 4 – Staffing Structure

School	Head Teacher	Dep. Head Teacher	Teachers	Teaching Assist.	Support Staff	Totals
Ysgol Bro Hyddgen	1	2	33	17	4	13

Table 5 – Present & forecast pupil numbers

School	Jan 2020	Jan 2021	Jan 2022	Jan 2023	Jan 2024
Primary	173	178	186	182	184
Secondary	301	286	282	298	287

Table 6 – Number of surplus places

School	Total places	Current places (Jan 2020)	Total surplus (Jan 2020)
Primary	213	173	40 (18.8%)
Secondary/Sixth Form	463	301	162 (35.0%)

Table 7 – Latest condition assessments (2016)

Building	Condition	Suitability	Sustainability
Primary	B/C	A	B
Secondary	C	C	C

Table 8 – Backlog Maintenance Costs

Property	Backlog maintenance costs
Secondary School	£4,133,313
Primary School	£1,341,153
Bro Ddyfi Leisure Centre	£2,242,600
Machynlleth town library	£125,071
Total	£7,842,137

3.2.4 Problems with the status quo - School

Ysgol Bro Hyddgen was established in September 2014 as PCC's first All Through School, providing education for 4 – 18-year olds, following the merger of Ysgol Bro Ddyfi and Machynlleth CP School.

The school currently operates across two sites. While the two sites are less than a mile apart the nature of the split site does present some operational efficiency barriers.

The headteacher and senior leadership team share their time between the two campuses and are supported by an administrative team based at each of the two sites. Whole-school staff meetings and training events generally take place at the secondary campus. School meals are prepared in the kitchen on the secondary campus and transported to a server on the primary campus.

Cross-phase teaching and learning already takes place and has been one of the most successful aspects of the amalgamation of the schools. Teaching resources and expertise are shared, and secondary campus teachers travel, on a regular basis, to the primary campus to deliver specialist classes. This has been particularly successful in delivering Mathematics, P.E and I.C.T lessons.

Due to the location of the secondary and primary campuses, primary pupils rarely attend classes at the secondary campus, with the result that teachers must travel between campuses. During busy times of the week, teachers are often late to lessons or must cut lessons short, which pose difficulties for the senior management team.

Due to the lack of car parking spaces at both sites, but specifically at the secondary campus, teachers and visitors often park on the netball pitch meaning that it is often inaccessible for school pupils. The School drop off area at the secondary campus is significantly insufficient, with only a narrow lay-by off the main road. During rush hour, and especially when work is being undertaken on the roads, the road and drop off area becomes congested and cause long delays within the town.

The current condition and suitability of the school buildings have declined considerably with the passage of time. Issues are particularly acute at the secondary campus. The main problems with the current secondary campus building pose daily challenges to the senior management team, staff, and pupils.

Backlog maintenance costs have inflated such that it is becoming increasingly impossible to keep up with the demand of all of the repair work, and the building is no longer considered fit for purpose, with leakages and heating specifically being of concern.

The configuration of the school, which is an old Victorian building, means that there are several educational blocks with insufficient space to effectively teach whole classes. Some classes can only accommodate as few as 15 pupils. This is an incredibly challenging situation for both the teachers and the pupils.

Due to the lack of sporting facilities at both campuses, pupils utilise the facilities at the nearby Bro Ddyfi Leisure Centre. This is a major concern within the local community because there is a need for the pupils to cross the busy A487, where it is argued, the current crossing poses a safeguarding risk.

The lack of state of the art sporting facilities not only on the school sites, but in the Machynlleth area as a whole, means that there are very few opportunities on offer for local children, young people and the wider community, with the need to travel out of county to Ceredigion or 30 miles to Newtown, to access modern facilities. With the school playing fields often being water-logged, the netball court being used as a car parking space and the current size of the existing school halls, capital investment in improving access to leisure facilities is greatly needed.

3.2.5 Problems with the status quo – Leisure Centre

Bro Ddyfi Leisure Centre was built in 1990. A full condition survey of the building was completed in December 2010. At that time, the survey concluded that the building was in reasonable condition, however elements of the building were showing signs of wear and likely to reach the end of their useful life within the intervening ten-year period.

After substantial internal issues with water ingress, a roof survey was commissioned in March 2019 to ascertain the extent of the issues with this element of the structure. The report concluded that the roof was at the end of its useful life with multiple minor defects now causing damage to internal surfaces. The report recommended that a new roof was required which would have the added benefit of improved insulation and design, at a total cost of £183,120. In late 2019, some areas (including the gym) had to close due to the roof caving in.

In May 2020, a further, more comprehensive condition survey was commissioned in light of further issues with the structure. This identified that only minimal maintenance work had appeared to have been carried out on the building historically, with the result that the main elements of the building are deteriorating and reaching expiry. Major areas of concern included the previously identified life expired roof; structural issues with the block and beam first floor; aged electrical installation; nearing life expired mechanical plant; tired and worn facilities, fixtures, and fittings; and a backlog of general maintenance items. A total cost of between £2.3 and £2.5m was identified as being required to replace the life expired elements and ensure the centre remained weathertight for the next 10 years.

Energy costs at the facility are high at around £80K per annum, representing 15% of the total costs of facility operation, and are the largest expenditure after payroll. Modern Passivhaus design offers demonstrable savings of up to 50% in leisure centre settings, which over the life of the asset are substantial and would go a large way in offsetting the annual loss incurred through service provision.

Operationally, in 2015 Freedom Leisure was awarded the contract to manage all thirteen of Powys' leisure centres, including Bro Ddyfi. This contract runs until 2030. Outsourcing the service has seen usage at the centre increase by 5% during the last five years, despite the quality of provision on offer. Expectation for increased usage for state-of-the-art facilities are

high, given that alternative access to private sector vendors within the locality is limited for dry side facilities and non-existent for the pool.

Under the contract responsibility for the maintenance of the building remains with Powys County Council. The current asset has a book value of £3.66m and with basic work required of circa £2.4m, renovation of this asset is not considered to represent either value for money or be affordable within PCC's existing constrained capital budgets. Works in the magnitude of £2.4 million would not deliver modern standard leisure facilities or maximise the potential benefits achievable through new energy efficient design. Without external investment it is therefore considered that a realistic reference case option for comparison would involve the managed decline of the centre over the next 10 years until the contract expiry with Freedom leisure. At that point, within the reference case, the centre would be closed.

3.2.6 The status quo – library provision

The Machynlleth town library is one of the busiest libraries in Powys, with over 10,000 books in the library, all of which will be transferred to the new provision. The footfall for the library in 2018/19 was 23,888 and 2019/20 23,607 (however these figures were affected by the coronavirus pandemic). This equates to around 150 visitors per day.

Although the library is successful, there are building backlog maintenance issues that needs addressing and no maintenance work has been undertaken since the conditions survey was undertaken in 2011.

The library already offers a range of services to the community, including:

- Children's story time
- Lego club
- Craft activities and summer reading club
- Volunteer run computer help sessions (which are currently fully booked)
- Public talks
- Developed links with the local care home
- Developed links with local festivals such as Glyndwr festival

It is anticipated that by co-locating library services within the community campus provision, the services available for a wider range of community members; parents will be able access the library whilst children are receiving swimming lessons for example, public talks can happen in dedicated studios, links with care homes can be further developed in a holistic manner with the school and leisure elements.

In co-locating services, the library service will be able to modernise and further develop ICT facilities available for community use, contributing towards the lifelong learning agenda, in a state-of-the-art building fit for the 21st Century.

3.3 Welsh Medium Education

Ysgol Bro Hyddgen is a Bilingual Category 2B/C (“dual-stream”) School serving the catchment of Machynlleth as such it is an important component in Powys County Council’s education strategy that aims to support Welsh Government aspirations for one million Welsh speakers by 2050. As an all through school serving all age groups from the age of 4 to 18 the model of educational delivery supports transition for Welsh Medium education across all the key stages. It is considered that new 21st Century school facilities and modern collocated leisure facilities will further enhance the attractiveness of Welsh medium education at the school, creating long term sustainability for provision within the catchment.

3.4 ALN provision

Powys County Council is currently consulting on the new vision which will guide the transformation of provision for SEN/ALN pupils in Powys. Improving provision is one of the strategic aims of the Transforming Education Strategy in Powys 2020-30. In future, it is intended that Powys will have in place a range of provision for pupils with ALN including mainstream classes (with support where required), specialist classes, satellites of special schools, special schools, a pupil referral unit, outreach support from special schools and advice and guidance from a small team of highly qualified central staff. It is intended that provision in the Bro Hyddgen catchment will be further developed with a specialist satellite all-through provision at the school along with a suite of dedicated wellbeing and therapeutic rooms.

3.5 Childcare/Nursery Provision

Powys County Council is committed to provide suitable infrastructure to enable providers to provide the 30-hour childcare scheme. Currently, PCC is contracted with two separate non-maintained settings, one is providing bi-lingual provision, and the other Welsh medium provision. The current arrangements is unsuitable and does not offer equitable service from an infrastructure perspective to the children of Machynlleth, with one setting being housed in demountable accommodation on the primary school site, and the other in an annex at the secondary school site. The current arrangement provides obstacles for the two settings to work more closely together.

At the time when the original OBC was submitted to WG for approval, the intention was to build a dedicated space for the local nursery to be located within the new building, however the provider has by now indicated that they do not wish to relocate from their existing site.

Within the new building, a dedicated early years wing will be built incorporating two class bases, offices, hygiene facilities, and dedicated outdoor learning facilities. The school will also work closely with the settings to ensure that they have access to ICT facilities, if and when required.

3.6 Active Travel

It is anticipated that the flagship Community Campus project will improve active travel links within the town of Machynlleth.

As part of the scheme, the authority is looking to improve the active travel links and will ensure that the walking routes to the campus are safe and improvements will be made to the existing footpaths and pedestrian crossings, making the site much more 'community friendly' and accessible. The access to the site will be improved by replacing problematic three mini roundabouts (which currently sits on the main trunk road connecting Machynlleth to Aberystwyth) with one roundabout and a pedestrian crossing, significantly improving active travel for the site and wider community, which is crucial given the inclusion of community and leisure facilities within the scheme.

A highways travel assessment report has already been undertaken and has identified the need to improve Active travel links, but a further report will be done to expand the scope to include the travel needs of the wider community who will access the leisure facilities, as well as the needs of learners and staff.

The new all-through school serves the town of Machynlleth and wider catchment area. The primary school will continue to meet the needs of primary aged pupils within the town of Machynlleth, whilst the secondary element of the new buildings will serve the wider catchment schools which includes Glantwymyn, Carno and Llanbrynmair Federation.

The new site is situated less than a mile from the current primary school site, therefore there will be no impact in terms of travel and school transport.

Powys County Council will develop any construction project in line with Welsh Government Active Travel Wales Act (2013) and design guidance.

It is the council's view that active travel is essential to encourage staff, pupils, and wider members of the community to walk and cycle to new facilities, meaning that more people can enjoy the benefits of active travel.

3.7 Main Benefits

The main benefits associated with the strategic case are outlined below.

Table 8 – Benefits by Stakeholder

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
1. To improve the learning provisions and outcomes for pupils and learners across the age range	Learners	<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • Enhanced life chances and employment opportunities • Opportunities to benefit from a wider range of learning opportunities • Opportunities to benefit from a range of key & other learning skills

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Ability to positively contribute to Society and the wider community Increased health and wellbeing of staff & students
	Staff	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Greater opportunities to use a wider range of different learning / teaching styles Increased critical mass of staff that enables the sharing of opportunities via professional learning communities Increased critical mass of students supports the development of staff expertise and specialisms
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Professional challenge to deliver new subjects Improved professional credibility and integrity Increased health and wellbeing of staff & students
	Employers	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Improved levels of recruitment, quality, and retention of staff
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Reputational improvement for the County Council Improved opportunities to attract and retain high quality staff
	Wider Community	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Community regeneration and sustainability Reduction in crime, anti-social behaviour, and disaffection
<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Learners/pupils contributing more positively to society Improved community links and facilities ensuring community cohesion Enhanced local and national reputation of the wider community Improved community pride, self-esteem, confidence, and sense of belonging 		
2. To ensure that pupils in the Machynlleth area can access high quality Welsh-medium provision through all key stages of education	Learners	<ul style="list-style-type: none"> An annual increase in the % of Welsh first language programmes An annual increase in the number of 11 – 16 courses that are available through the medium of Welsh An annual increase in the number of pupils taking subjects through the medium of Welsh in KS3 & KS4 An annual increase in the number of Sixth Form pupils taking subjects through the medium of Welsh Wider range of both academic and vocational courses delivered or assessed in Welsh

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
	Staff	<ul style="list-style-type: none"> Significantly raise the capacity for learning bilingually and through Welsh medium across the authority via 14-19 Learning Pathways option menus developing the number of vocational courses delivered through the medium of Welsh
	Employers	<ul style="list-style-type: none"> More opportunities for Welsh speaking staff Bilingual training and employees increased availability of suitably qualified Welsh speaking employees in the Machynlleth and North Powys area
	Wider Community	<ul style="list-style-type: none"> Promotes bilingual ethos.
<p>3. To deliver a fit for purpose building solution that delivers an improved learning environment meeting BREEAM requirement, and of the appropriate size</p>	Learners	<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> Improved attendance Securing positive learning experiences Improved learning outcomes for learners and families Improved engagement with the learning process Improved access to learning materials (physical, academic and emotional) Greater potential for social interaction through increased number of peer groups and role models Equality of opportunity to access excellent teaching and learning experiences
		<p><u>Non-Quantifiable Benefits</u></p> <ul style="list-style-type: none"> Inspired learning Greater learning opportunities to improve learners' key skills Creating independent learners Improved self-esteem and well-being Raising aspirations
	Staff	<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> Access to a wider range of teaching materials (state of the art ICT and other emerging technologies) Greater opportunities to use a wider range of different learning / teaching styles Increased opportunities for continuous professional development Increased critical mass of staff that enables the sharing of opportunities via professional learning communities Increased critical mass of pupils supports the development of staff expertise and specialisms
		<p><u>Non-Quantifiable Benefits</u></p> <ul style="list-style-type: none"> More opportunities to facilitate distributed leadership and increased responsibilities Working environment – motivated learners as a result from a more vibrant classroom experience

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
	Employers	<u>Quantifiable Benefits</u>
		<ul style="list-style-type: none"> Improved levels of recruitment, quality and retention of staff
	Wider Community	<u>Non-Quantifiable Benefits</u>
		<ul style="list-style-type: none"> Reputational improvement for the County Council More effective staffing structures – management and support
4. To further improve the transition between all key stages	Learners	<u>Quantifiable Benefits</u>
		<ul style="list-style-type: none"> Localised access to learning, sporting, and cultural opportunities Reduction in crime, anti-social behaviour, and disaffection Increase uptake of and access to healthy active lifestyles
	Staff	<u>Non-Quantifiable Benefits</u>
		<ul style="list-style-type: none"> Securing local provision Improved community pride, self-esteem, confidence, and sense of belonging Improved community links and facilities ensuring community cohesion
Employers	<ul style="list-style-type: none"> An annual increase in the % of KS2 pupils that transfer to Welsh first language programmes in KS3 An annual increase in the number of pupils taking subjects through the medium of Welsh in KS4 An annual increase in the number of pupils taking subjects through the medium of Welsh in the Sixth Form from September 2012 	
	<ul style="list-style-type: none"> More opportunities for Welsh speaking staff 	
	<ul style="list-style-type: none"> Bilingual training and employees Larger and better qualified pool of potential employees with a greater range of qualifications. Greater learning capability attracts business to the area Young People do not have to leave the area to learn 	
Wider Community	<ul style="list-style-type: none"> Reduction in the number of young people who are NEET 	
5. To create a community focussed school that is the central point for multi-agency success to support children their families and the community	Learners	<u>Quantifiable Benefits</u>
		<ul style="list-style-type: none"> Greater understanding of the benefits of physical activity amongst all age groups Improved physical health and wellbeing for pupils gaining access to the leisure centre facilities Improved mental health and wellbeing for pupils gaining access to the leisure centre facilities Potential for a greater number of non-curricular activities for schools within the vicinity of the leisure centre
		<u>Non-Quantifiable Benefits</u>

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
		<ul style="list-style-type: none"> Local pride – greater sense of involvement and ownership Ability to shape local community – pupil/community voice Community school, owned by the community for the community Raised aspirations across the community
	Staff	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Improved understanding of community needs and aspirations
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Greater engagement with the local community Ability to have an impact on community self-confidence and pride Improved reputation or standing within the wider community
	Employers	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Increased usage of community pool facilities Removal of substantial backlog maintenance issues at the pool Long-term assurance over the maintenance of local jobs supported by the Leisure Centre
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Assured business continuity through enhanced community engagement Development of community spirit and identity
	Wider Community	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> Community sustainability and cohesion Increased take up of public swimming and fitness class offerings Increased take up of child and adult swimming lessons at the Leisure Centre Positive reinforcement of WG and PCC and their investment in local communities
<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Development of community spirit and identity Enhanced local and national reputation of wider the community Reduced costs for the NHS incurred through physical inactivity and cardio-vascular diseases. 		
6. To ensure the economic and financial sustainability of the school.	Learners	<u>Quantifiable Benefits</u> <ul style="list-style-type: none"> More funding due to redistribution of resources Greater learning opportunities to improve learners' key skills Wider range of curricular and non-curricular opportunities Economies of scale (from closing two sites and opening a 'new' 4-18 school)
		<u>Non-Quantifiable Benefits</u> <ul style="list-style-type: none"> Greater potential for social interaction through increased number of peer groups and role models

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
		<ul style="list-style-type: none"> • Greater understanding of the importance of sustainable development and environmental issues
	Staff	<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • Sustainability and retention of staff • Greater staff expertise and specialisms • Increased opportunities for continuous professional development • Greater opportunities to use a wider range of different learning / teaching styles
		<p><u>Non-Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • More opportunities to facilitate distributed leadership and increased responsibilities • Greater opportunity for flexible working practices e.g. team teaching • Improved professional credibility and integrity
	Employers	<p><u>Cash Releasing Benefits</u></p> <ul style="list-style-type: none"> • Reduction in advertising costs for teaching staff • Income from community use of facilities • Potential for commercial lettings • Backlog maintenance savings
		<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • Securing long-term opportunities for employment in the community • Sustaining local business community • Greater potential to reinvest revenue and capital • Greater ability to target specific need • Greater ability to share resources • Greater consistency in managing employment issues • Improved borrowing capacity (prudential borrowing)
		<p><u>Non-Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • Improved financial management reputation and confidence that public funds are being used efficiently • Futureproofing of rural communities • Backlog maintenance costs removed for the first five years post new build (NB. This will be included in the economic analysis, but not as a benefit)
Wider Community	<p><u>Quantifiable Benefits</u></p> <ul style="list-style-type: none"> • Securing long-term opportunities for employment in the community • Community regeneration and sustainability 	
	<p><u>Non-Quantifiable Benefits</u></p>	

Investment Objective	Stakeholder	Main Benefits Criteria by Stakeholder Group
		<ul style="list-style-type: none"> • Improved financial management reputation and confidence that public funds are being used efficiently • Futureproofing of rural communities • Sustaining local business community • Enhanced local and national reputation of wider the community • Improved community links and facilities ensuring community cohesion • Improved community pride and sense of belonging

3.8 Main Risks

The main risks associated with the strategic case are outlined below.

Table 9 – Strategic Risks and Countermeasures

Main Risk	Counter Measures
Business and Political Risks	
1. An unexpected reduction in the level/ availability of capital or revenue funding leads to delays and reduction in the scope of the project.	1. No contractual commitments will be made until firm assurances have been given regarding the affordability and availability of funding.
2. The project requires political endorsement	2. The Council's Cabinet has given approval in principle to the project and will be kept informed as the project develops.
3. Pupil numbers fall in the short term, making it more difficult to make the case	3. Detailed (long terms) strategic planning about Welsh Medium education in North Powys to underpin the business case.
Service Risks	
1. Legislative changes.	1. Plan flexibility into the options where possible.
2. WG policy changes	2. Plan flexibility into the options where possible.
External Environmental Risks	
1. Issues relating to planning permission or planning constraints	1. There has been early engagement with the Local Authority Planning Department on the proposed site and to identify any issues

	relating to planning permission or planning constraints.
2. Covid 19	2. Early engagement with contractors to establish an appropriate risk response

3.9 Project Constraints

The project is subject to the following constraints:

- Availability of capital funding from Welsh Government and Powys County Council for any new build required;
- Any planning consent which may be required for any new build required'
- Requirement to meet Passivhaus standards;
- Need to minimise negative impact on current pupils.

3.10 Project Dependencies

The project dependencies are as follows:

- Political support at local and national level;
- Stakeholder support – parents, governors, community, diocesan education authority;
- Capital funding from Welsh Government and Powys County Council;
- Internal officer capacity;
- Capacity of other service areas to provide support;
- Planning permission and any other statutory consents that may be required.

4 Economic Case

4.1 Critical Success Factors

CSF1: Strategic Fit

- The option must satisfy all 5 investment objectives and business needs
- The option must optimise the benefits as presented in the Main Benefits Criteria
- The option must be aligned with and promote the national, regional and local strategies

CSF2: Potential Value for Money (VFM)

- The option must optimise the resources available for the delivery of learning
- The option must provide value for money in the delivery of learning

CSF3: Potential Achievability

- The option must be acceptable to learners, staff, governors, and the wider community;
- The option must be politically acceptable at local, county, and national level;
- The option must be achievable within current legislation;
- The options must be operationally achievable/physically achievable.

CSF4: Supply side Capacity and Capability

- The option must secure sufficient appropriate resources and expertise to be deployed within Powys to achieve the investment objectives.

CSF5: Potential Affordability

- The extent to which the option is affordable within the forecasted revenue of participating organisations;
- The extent to which the option is affordable within the forecasted capital finding of participating organisations.

4.2 Long List Options

The long list of options was generated by a cross departmental group of stakeholders at a workshop held on Thursday 19th March 2020. The following individuals were present at this workshop:

- Marianne Evans – Senior Manager Education Services;
- Betsan Ifan – Strategic Programme Manager;
- Dawn Richards – Capital and Financial Planning Accountant;
- Jennie Ashton – Service Strategy & Development Manager
- Anwen Orrells – Challenge Advisor
- Ian Pilcher – HOWPS

- Laurence Darley – CPC Project Services LLP

Each option was evaluated against the agreed investment objectives and critical success factors to determine whether they were to be discounted or carried forward to the short list for further consideration.

4.3 Scope Appraisal

4.3.1 Options

- Minimum – 4 to 16 All through School;
- Intermediate – 4 to 18 All through School with community facilities;
- Maximum – 4 to 18 All through School with sixth form and community facilities

4.3.2 Advantages and Disadvantages

Table 10 – Scope advantages and disadvantages

Do Minimum: 4 to 16 All through School	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Aligns to the strategic approach to education of Powys County Council; • Will contribute towards the wider efficiency of sixth form funding across the whole county; • Pupils accessing further and higher education elsewhere will have access to a wider range of courses than can currently be offered at Ysgol Bro Hyddgen's sixth form. 	<ul style="list-style-type: none"> • Requires consultation to close the sixth form; • Increased travel to learn time for sixth form pupils; • Does not address condition issues with the current leisure centre building; • Current crossing site between the school and the leisure centre on the A487 is a safeguarding risk; • Does not create sustainable leisure facilities within the Machynlleth catchment area; • Does not safeguard local jobs at the leisure centre for the long term; • Will require the eventual closure of the leisure centre as the asset replacement is beyond the envelope for capital expenditure for PCC.
Intermediate: 4 to 16 All through School with community facilities	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides continuity for pupils progressing from secondary to further education at the same site; • Minimises travel to learn time for learners access the sixth form at the site; 	<ul style="list-style-type: none"> • Current sixth form is small and therefore cannot offer a wide range of course choices to learners;

<ul style="list-style-type: none"> • Removes safeguarding issue crossing A487 road to the leisure site; • Increases opportunities for learners to access modern, fit for purpose leisure facilities; • Presents opportunities for expanding pupil access to leisure facilities; • Maintains the sustainability of leisure facilities within the community for the long term; • Safeguards jobs within the community; • Maintains gross value add benefits achieved through the leisure centre provision to the local economy 	<ul style="list-style-type: none"> • Does not contribute towards PCC creating a sustainable financially affordable approach to sixth form provision; • Additional capital funding required.
<p>Maximum: 4 to 18 All through School with sixth form and community facilities</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> • Provides continuity for pupils progressing from secondary to further education at the same site; • Minimises travel to learn time for learners access the sixth form at the site; • Removes safeguarding issue crossing A487 road to the leisure site; • Increases opportunities for learners to access modern, fit for purpose leisure facilities; • Presents opportunities for expanding pupil access to leisure facilities; • Maintains the sustainability of leisure facilities within the community for the long term; • Safeguards jobs within the community; • Maintains gross value add benefits achieved through the leisure centre provision to the local economy 	<ul style="list-style-type: none"> • Current sixth form is small and therefore cannot offer a wide range of course choices to learners; • Does not contribute towards PCC creating a sustainable financially affordable approach to sixth form provision; • Requires negotiation with third party (Freedom Leisure); • Additional capital funding required.

4.3.3 Conclusion

Table 11 – Scope appraisal summary

Reference to:	Do Nothing	Intermediate Scope	Maximum Scope
1. To improve the learning provision and outcomes for pupils and learners across the age range	✓	✓	✓
2. To ensure that pupils in the Machynlleth area are able to access high quality Welsh-medium provision through all key stages of education	✓	✓	✓
3. To deliver a fit for purpose building solution that delivers an improved learning environment, meeting BREEAM requirements, and of the appropriate size;	✓	✓	✓
4. To further improve the transition between all key stages;	✓	✓	✓
5. To create a community focussed school that is the central point for multi-agency success to support children, their families and the community;	?	✓	✓
6. To ensure the economic and financial sustainability of the school.	✓	✓	✓
Strategic Fit			
Strategic Fit	x	✓	x
Potential VFM	✓	✓	x
Potential achievability	✓	✓	✓
Supply side capability	✓	✓	✓
Affordability	✓	✓	✓
Summary	Carry Forward for Comparison	Preferred	Discounted

The Intermediate scope is the preferred option as it aligns with all the schemes investment objectives and critical success factors.

The do-minimum scope is carried forward for economic comparison. It does not however, align to the strategic objectives for education and community campus provision developed by Powys County Council. It is also questionable whether this option will meet investment objective five '*To create a community focussed school that is the central point for multi-agency success to support children, their families and the community*', without the additional facilities that the library, meeting rooms, swimming pool, sports hall and external sports facilities bring to the project.

4.4 Service Solution Appraisal

4.4.1 Options

- Option 1 – Undertake essential maintenance only to both primary and secondary campuses, managed decline of leisure centre forecast closure in 2030;
- Option 2 - Refurbish secondary campus and conduct essential maintenance to primary campus managed decline of leisure centre forecast closure in 2030;
- Option 3 – Remodel secondary campus and conduct essential maintenance to primary campus, managed decline of leisure centre forecast closure in 2030;
- Option 4 – New build secondary campus and conduct essential maintenance to primary campus, managed decline of leisure centre forecast closure in 2030;
- Option 5 – New build primary and secondary campuses and leisure and library facilities on four sites;
- Option 6 – New build primary and secondary campus on single site, managed decline of leisure centre forecast closure in 2030;
- Option 7 – New build Community Campus. Primary and secondary campus with new build community leisure, library, and meeting facilities on existing secondary school site.
- Option 8 – New build Community Campus. Primary and secondary campus with new build community leisure, library, and meeting facilities on single alternative site.

4.4.2 Advantages and Disadvantages

Table 12 – Service solution advantages and disadvantages

Option 1: Undertake essential maintenance only to both primary and secondary campuses, managed decline of leisure centre forecast closure in 2030	
Advantages	Disadvantages
<ul style="list-style-type: none"> • No capital spends required immediately; • Enables alternative use of capital funding within the programme envelope; • No significant construction disruption to pupils and learners. 	<ul style="list-style-type: none"> • Inadequate school buildings that are in poor condition will continue in use; • Current cohort of learners continues to be taught in sub-standard accommodation; • Does not provide a single sited All Through Campus; • Piecemeal school estate (at Ysgol Bro Hyddgen); • Does not fully realise the benefits of an All Through School in terms of cross-phase teaching and learning/transition, or use of specialist teaching facilities; • Will still require significant investment in the short/medium term • Does not address issue of surplus places • Will not generate any lifecycle efficiencies; • Will not generate any property revenue efficiencies;

	<ul style="list-style-type: none"> • No new potential for additional revenue income streams; • Current layouts are inappropriate; • Will result in significant investment required in medium term; • Will not in result in a 21st Century standard school; • Does not free up sites for capital release; • Does not provide opportunity for new housing on existing primary school site.
<p>Option 2: Refurbish secondary campus and conduct essential maintenance to primary campus, managed decline of leisure centre forecast closure in 2030</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> • Extends the life of the secondary school building. • Addresses immediate issues easily; • Reduces the probability of disruption to service delivery; • Less immediate drain on Council's capital resources; • Continuity of education on sites; • Enables alternative use of capital funding within the programme envelope. 	<ul style="list-style-type: none"> • Inadequate school buildings continue with poor suitability and sustainability factors, R & M funding would not stop further deterioration; • Current cohort of learners continues to be taught in sub-standard accommodation; • Does not provide a single sited All Through Campus; • Piecemeal school estate (at Ysgol Bro Hyddgen); • Does not fully realise the benefits of an All Through School in terms of cross-phase teaching and learning/transition, or use of specialist teaching facilities; • Does not address issue of surplus places • Unlikely to generate lifecycle efficiencies; • Unlikely to generate property revenue efficiencies; • No new potential for additional revenue income streams; • Financially unviable as it will not attract 21st Century School funding; • Does not enhance current public perception of the condition of the specialist school facilities campus; • Some noise disruption to pupils; • Does not improve the learning environment and does not provide a suitable environment suitable for the needs of vulnerable pupils and staff; • Does not enhance current public perception of the condition of the specialist school facilities campus, may be viewed as a stop gap solution • The works required at Ysgol Bro Hyddgen could severely impact the Major Improvement Programme fund, which will decrease the amount of funding available for much needed improvements at other schools;

	<ul style="list-style-type: none"> • Will not in result in a 21st Century standard school; • Does not free up sites for capital release; • Does not provide opportunity for new housing on existing primary school site.
Option 3: Remodel secondary campus and conduct essential maintenance to primary campus, managed decline of leisure centre forecast closure in 2030	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Extends the life of some secondary school blocks; • Addresses immediate issues easily; • Less immediate drain on Council's capital resources in Band B; • Enables alternative use of capital funding within the programme envelope; • Provision matches current and long-term pupil projections • Partially addresses surplus places issue • Provides a clear learning pathway (4-18yrs) • No significant construction disruption and continuity of education on the current site • Provides flexibility within (SOP) cost envelope to focus on other priorities • Marginal improvements in premises result in improved teaching and learning experiences and outcomes • Improves the condition of the school estate 	<ul style="list-style-type: none"> • Disruption to pupils; • Inadequate school buildings continue with poor suitability and sustainability factors, R & M funding would not stop further deterioration on blocks not rebuilt; • Potential reduction in outdoor space; • Piecemeal school estate (at Ysgol Bro Hyddgen) • Does not fully realise the benefits of an All Through School in terms of cross-phase teaching and learning/transition, or use of specialist teaching facilities • Unlikely to generate substantial lifecycle efficiencies; • Unlikely to generate substantial property revenue efficiencies; • No new potential for additional revenue income streams; • Does not enhance current public perception of the condition of the specialist school facilities campus, may be viewed as a stop gap solution • Does not improve the learning environment overall and does not provide a suitable environment suitable for the needs of vulnerable pupils and staff. • Will not in result in a 21st Century standard school; • Does not free up sites for capital release; • Does not provide opportunity for new housing on existing primary school site.
Option 4: New build secondary campus and conduct essential maintenance to primary campus, managed decline of leisure centre forecast closure in 2030	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Will generate 21st Century standard school for secondary pupils; • Creates a carbon efficient building; • Optimises utility costs; • Reduces lifecycle costs; • New facilities will prove attractive to potential learners and employees; • New facilities will be viewed positively within the community. 	<ul style="list-style-type: none"> • Does not provide 21st Century standard school for primary cohort; • Potential transport disruption within the locality during construction; • Larger capital requirement.; • Current cohort of primary learners continues to be taught in sub-standard accommodation • Potential reduction in outdoor space

<ul style="list-style-type: none"> Enhanced teaching and learning facilities result in enhanced educational outcomes Provision matches current and long-term pupil projections Partially addresses surplus places issue 	<ul style="list-style-type: none"> Does not provide a single sited All Through Campus Lack of parity between primary and secondary sector in terms of building conditions Does not fully realise the benefits of an All Through School in terms of cross-phase teaching and learning/transition, or use of specialist teaching facilities; Does not free up sites for capital release; Does not provide opportunity for new housing on existing primary school site;
<p>Option 5: New build primary and secondary campuses and leisure and library facilities on four sites;</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> Will generate 21st Century standard school for secondary pupils; Creates a carbon efficient building; Optimises utility costs; Reduces lifecycle costs; New facilities will prove attractive to potential learners and employees; New facilities will be viewed positively within the community; Enhanced teaching and learning facilities result in enhanced educational outcomes; Provision matches current and long-term pupil projections; Addresses surplus places issue. 	<ul style="list-style-type: none"> Potential transport disruption within the locality during construction; Larger capital requirement.; Does not provide a single sited All Through Campus; Does not fully realise the benefits of an All Through School in terms of cross-phase teaching and learning/transition, or use of specialist teaching facilities; Does not free up sites for capital release; Does not provide opportunity for new housing on existing primary school site; Reduces capital funding availability for other schemes.
<p>Option 6: New build primary and secondary campus on single site, managed decline of leisure centre forecast closure in 2030</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> Will generate 21st Century standard school for secondary pupils; Creates a carbon efficient building; Optimises utility costs; Reduces lifecycle costs; New facilities will prove attractive to potential learners and employees; New facilities will be viewed positively within the community; Enhanced teaching and learning facilities result in enhanced educational outcomes; Provision matches current and long term pupil projections; Addresses surplus places issue. Provides a clear learning pathway (4-16yrs); Creates a single sited all through campus; Maximises the benefits of an all through school in terms of cross-phase teaching and 	<ul style="list-style-type: none"> Potential transport disruption within the locality during construction; Larger capital requirement.; Reduces capital funding availability for other schemes.

<p>learning/transition, or use of specialist facilities;</p> <ul style="list-style-type: none"> • Facilitates the capital receipt opportunity from the sale of the primary school site; • Enables new housing development opportunity on the old primary school site. 	
<p>Option 7: New build Community Campus. Primary and secondary campus with leisure facilities on existing secondary school site</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> • Will generate 21st Century standard school for secondary pupils; • Creates a carbon efficient building; • Optimises utility costs; • Reduces lifecycle costs; • New facilities will prove attractive to potential learners and employees; • New facilities will be viewed positively within the community; • Enhanced teaching and learning facilities result in enhanced educational outcomes; • Provision matches current and long-term pupil projections; • Addresses surplus places issue. • Provides a clear learning pathway (4-16yrs); • Creates a single sited all through campus; • Maximises the benefits of an all through school in terms of cross-phase teaching and learning/transition, or use of specialist facilities; • Facilitates the capital receipt opportunity from the sale of the primary school site; • Enables new housing development opportunity on the old primary school site. 	<ul style="list-style-type: none"> • Potential transport disruption within the locality during construction; • Larger capital requirement.; • Reduces capital funding availability for other schemes; • Current site is constrained and there will therefore be either a requirement to purchase additional land adjacent to the site or compromise on the amount of outdoor space. • Requires the development of complex access arrangements with Freedom Leisure; • Additional officer time to develop scheme.
<p>Option 7: New build Community Campus. Primary and secondary campus with leisure facilities on single alternative site</p>	
<p>Advantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> • Will generate 21st Century standard school for secondary pupils; • Creates a carbon efficient building; • Optimises utility costs; • Reduces lifecycle costs; • New facilities will prove attractive to potential learners and employees; • New facilities will be viewed positively within the community; • Enhanced teaching and learning facilities result in enhanced educational outcomes; • Provision matches current and long-term pupil projections; • Addresses surplus places issue. • Provides a clear learning pathway (4-16yrs); • Creates a single sited all through campus; 	<ul style="list-style-type: none"> • Potential transport disruption within the locality during construction; • Larger capital requirement; • Alternative potential site is not in Council ownership; • Alternative potential site land categorisation may make development difficult • Reduces capital funding availability for other schemes; • Requires the development of complex access arrangements with Freedom Leisure; • Additional officer time to develop scheme.

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| <ul style="list-style-type: none">• Maximises the benefits of an all through school in terms of cross-phase teaching and learning/transition, or use of specialist facilities;• Facilitates the capital receipt opportunity from the sale of the primary school site;• Enables new housing development opportunity on the old primary school site. | |
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4.4.3 Conclusion

Table 13 – Service Solution appraisal summary

Reference to:	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
To improve the learning provision and outcomes for pupils and learners across the age range	x	x	x	✓	✓	✓	✓	✓
To ensure that pupils in the Machynlleth area can access high quality Welsh-medium provision through all key stages of education	x	?	✓	✓	✓	✓	✓	✓
To deliver a fit for purpose building solution that delivers an improved learning environment, meeting BREEAM requirements, and of the appropriate size;	x	x	?	?	✓	✓	✓	✓
To further improve the transition between all key stages;	x	x	x	✓	✓	✓	✓	✓
To create a community focussed school that is the central point for multi-agency success to support children, their families, and the community;	x	x	x	x	?	?	✓	✓
To ensure the economic and financial sustainability of the school.	x	x	x	?	?	✓	✓	✓
Critical Success Factors								
Strategic Fit	x	x	x	x	x	x	✓	✓
Potential VFM	x	x	x	x	?	✓	✓	✓
Potential achievability	x	x	x	✓	✓	✓	✓	?
Supply side capability	✓	✓	✓	✓	?	✓	✓	✓
Affordability	✓	✓	✓	✓	?	✓	?	?
Summary	Discount but Carry Forward	Discounted	Discounted	Discounted	Discounted	Possible	Preferred	Possible

Both Options 7 and 8 meet or may potentially meet all of the scheme's investment objectives and critical success factors and are therefore shortlisted. Whilst option 6 does not align to the strategic priorities for Powys County Council, it is deliverable, affordable and aligns to the core funding principles of 21st Century Schools funding, it is therefore progressed as a comparator alongside option 1.

4.5 Service Delivery Appraisal

4.5.1 Options

- Minimum – Local Authority delivery;
- Intermediate – Local Authority and Private Sector partner arrangements;
- Maximum – Private Sector partnership (PPP);

4.5.2 Advantages and Disadvantages

Table 14 – Service delivery advantages and disadvantages

Minimum: Local Authority	
Advantages	Disadvantages
<ul style="list-style-type: none"> • All requisite delivery structures are already in place; • Local Authority has extensive experience in delivering this service delivery model; • Cost effective model; • Strategic link to Councils School Transformation Programme; • Most expedient model for delivery; • Politically acceptable; • Limited risk due to specialist support within LA 	<ul style="list-style-type: none"> • May stifle innovation.
Intermediate: Local Authority and Private Sector Partner arrangements	
Advantages	Disadvantages
<ul style="list-style-type: none"> • All requisite delivery structures in place; • Local Authority has extensive experience in delivering this service delivery model; • Cost effective model; • Strategic link to Councils School Transformation Programme • Most expedient model for delivery; • Politically acceptable; • Limited risk due to specialist support within LA 	<ul style="list-style-type: none"> • Will prove more expensive for the Local Authority • Contractor may not be au fait with the workings and culture of Local Authority
Maximum: Private Sector partnership (PPP)	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Private sector suppliers will provide specialisms and capacity that the Local Authority alone cannot provide • Services can be delivered relatively quickly 	<ul style="list-style-type: none"> • Private contractor is an unknown quantity • Contractor may not be au fait with the workings and culture of Local Authority • Any private sector partnership will be unlikely to include local contractors; • Profit element of partnership may impact on funds available for development

4.5.3 Conclusion

Table 15 – Service Delivery appraisal summary

Reference to:	LA	LA & PSP	PPP
1. To deliver a fit for purpose building solution that delivers an improved learning environment for pupils with significant additional learning needs – minimum condition B and meeting BREEAM requirements	✓	✓	✓
2. To improve the building's efficiency / running costs	✓	✓	✓
3. To provide facilities that will accommodate a greater proportion of pupils with significant additional learning needs that are currently accessing provision out of Powys	✓	✓	✓
4. To provide improved opportunities for pupils with significant additional learning needs	✓	✓	✓
5. To provide holistic support for Powys children with significant additional needs, incorporating reliable specialised equipment and facilities	✓	✓	✓
6. Increase the capacity of teaching staff to deliver a 21st century curriculum that meets the needs of learners with significant additional learning needs.	✓	✓	✓
Critical Success Factors			
Strategic Fit	✗	✓	✗
Potential VFM	?	✓	✗
Potential achievability	✗	✓	✓
Supply side capability	✗	✓	✓
Affordability	✗	✓	✗
Summary	Discounted	Preferred	Discounted

4.6 Implementation Appraisal

4.6.1 Options

- Minimum – New School opens September 2023;
- Intermediate – New School opens Spring Term 2023;
- Maximum - New School opens September 2022;

4.6.2 Advantages and Disadvantages

Table 16 – Implementation advantages and disadvantages

Minimum: New School opens September 2023	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Lack of disruption to education in the short term 	<ul style="list-style-type: none"> • Local community disruption due to extended period of works; • Delayed to accrual of scheme benefits • Immediate cohorts of learns miss out unnecessarily on 21st Century school facilities
Intermediate: New School opens Spring Term 2023	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Immediate cohorts of learns enjoy 21st Century school facilities within a reasonable period of time • Minimises disruption to learners once school becomes operational; • Ensures Local Authority funding allocation is spent within Welsh Government timescales • Allows time for innovation in design but ensures completion within a reasonable time scale; • Minimises local community disruption. 	<ul style="list-style-type: none"> • Partial delay to accrual of scheme benefits
Maximum: New School opens September 2022	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Immediate cohorts of learns enjoy 21st Century school facilities within a reasonable period of time • Minimises disruption to learners once school becomes operational; • Ensures Local Authority funding allocation is spent within Welsh Government timescales • Ensures completion in a timely manner; • Minimises local community disruption. 	<ul style="list-style-type: none"> • Potential for rushed design (lack of innovation); • Timescales may be unrealistic due to lead in time for sourcing materials • Requires additional bespoke resource for project in order to deliver upon demanding timescale.

4.6.3 Conclusion

Table 17 – Implementation appraisal summary

Reference to:	Sept 23	Spring 23	Sept 22
1. To deliver a fit for purpose building solution that delivers an improved learning environment for pupils with significant additional learning needs – minimum condition B and meeting BREEAM requirements	✓	✓	✓
2. To improve the building's efficiency / running costs	✓	✓	✓
3. To provide facilities that will accommodate a greater proportion of pupils with significant additional learning needs that are currently accessing provision out of Powys	✓	✓	✓
4. To provide improved opportunities for pupils with significant additional learning needs	✓	✓	✓
5. To provide holistic support for Powys children with significant additional needs, incorporating reliable specialised equipment and facilities	✓	✓	✓
6. Increase the capacity of teaching staff to deliver a 21st century curriculum that meets the needs of learners with significant additional learning needs.	✓	✓	✓
Critical Success Factors			
Strategic Fit	✓	✓	?
Potential VFM	x	✓	✓
Potential achievability	✓	✓	?
Supply side capability	✓	✓	✓
Affordability	✓	✓	✓
Summary	Discounted	Preferred	Discounted

4.7 Funding Appraisal

4.7.1 Options

- Minimum – Wholly Local Authority funded from capital programme;
- Intermediate - Mix of Local Authority borrowing and Welsh Government funding;
- Maximum - Wholly Welsh Government grant funded.
- Alternative – Mutual Investment Fund (MIM).

4.7.2 Advantages and Disadvantages

Table 18 – Funding advantages and disadvantages

Minimum: Wholly Local Authority funded from capital programme.	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Would not require any additional Local Authority borrowing; • Maximum control over scale and timescale of scheme. 	<ul style="list-style-type: none"> • Diverts capital from other community priorities such as Social Care and highways; • Cost prohibitive. • Affordability
Intermediate: Mix of Local Authority borrowing and Welsh Government funding.	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Ensures affordability of scheme; • Provides certainty to Welsh Government i.e. the scheme fits strategically; • Allows for the direction of capital monies to other community priorities. 	<ul style="list-style-type: none"> • Repayment costs for Local Authority may impact on revenue budgets; • Welsh Government grant funding requirements may be onerous; • Application process may delay delivery.
Maximum: Wholly Welsh Government grant funded.	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Enables major capital investment in other community priorities. 	<ul style="list-style-type: none"> • Welsh Government grant funding requirements may be prohibitive; • Application process may delay delivery. • May stifle innovation.
Alternative: Mutual Investment Model	
Advantages	Disadvantages
<ul style="list-style-type: none"> • No capital funding required up front; • Sponsorship from Welsh Government; • Cost certainty (capital and revenue); • Welsh Governments preferred model; 	<ul style="list-style-type: none"> • Scheme is not eligible given that RIBA 4 designs are complete for some project elements • Development partners may not be interested; • Complex ownership and governance model; • Multifaceted governance may stifle innovation;

	<ul style="list-style-type: none"> Schemes with swimming pools are not eligible for MIM funding
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4.7.3 Conclusion

Table 19 – Funding appraisal summary

Reference to:	LA 100%	Mix	WG 100%	MIM
1. To deliver a fit for purpose building solution that delivers an improved learning environment for pupils with significant additional learning needs – minimum condition B and meeting BREEAM requirements	✓	✓	✓	✓
2. To improve the building's efficiency / running costs	✓	✓	✓	✓
3. To provide facilities that will accommodate a greater proportion of pupils with significant additional learning needs that are currently accessing provision out of Powys	✓	✓	✓	✓
4. To provide improved opportunities for pupils with significant additional learning needs	✓	✓	✓	✓
5. To provide holistic support for Powys children with significant additional needs, incorporating reliable specialised equipment and facilities	✓	✓	✓	✓
6. Increase the capacity of teaching staff to deliver a 21st century curriculum that meets the needs of learners with significant additional learning needs.	✓	✓	✓	✓
Critical Success Factors				
Strategic Fit	✗	✓	✓	?
Potential VFM	✓	✓	✓	✓
Potential achievability	✓	✓	?	?
Supply side capability	?	✓	?	?
Affordability	✗	✓	✓	✓
Summary	Discounted	Preferred	Discounted	Discounted

4.8 Summary of appraisals

Table 20 – Long List Summary

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Scope appraisal	Minimum: 4 to 16 All Through School			Intermediate: 4 to 16 All Through School with leisure facilities			Maximum: Community Campus. 4 to 18 All Through School with sixth form, leisure, library, and meeting facilities		
Service solution (Long list appraisal)	Option 1: essential maintenance primary & secondary, managed decline of leisure centre forecast closure in 2030	Option 2: Refurb secondary & essential maintenance primary, managed decline of leisure centre forecast closure in 2030	Option 3: Remodel secondary & essential maintenance primary, managed decline of leisure centre forecast closure in 2030	Option 4: New build secondary & essential maintenance primary, managed decline of leisure centre forecast closure in 2030	Option 5: New build primary & secondary & new build leisure and library facilities	Option 6: New build primary & secondary single site, managed decline of leisure centre forecast closure in 2030	Option 7: New build Community Campus. Primary, secondary & leisure and library and meeting facilities exiting secondary school site	Option 8: New build Community Campus. Primary, secondary & leisure and library and meeting facilities single alternative site	
Service Delivery	Minimum: LA Delivery			Intermediate: LA and Private Sector Delivery			Maximum: Private Sector partnership (PPP)		
Implementation	Minimum: New School opens September 2023			Intermediate: New School opens Spring Term 2022			Maximum: New School opens September 2022		
Funding	Minimum: Wholly LA Funded		Intermediate: Mixed LA & WG Funded			Maximum: Wholly WG Funded		Alternative: Mutual Investment Fund	

The shortlisted options are therefore:

- Option 1 – To undertake essential maintenance only to both primary and secondary campuses, managed decline of leisure centre forecast closure in 2030;
- Option 6 – New build primary & secondary single site, managed decline of leisure centre forecast closure in 2030;
- Option 7 – New build Community Campus. Primary and secondary campus with leisure, library, and meeting facilities on existing secondary school site;
- Option 8 – New build Community Campus. Primary and secondary campus with leisure, library, and meeting facilities (all) on alternative site.

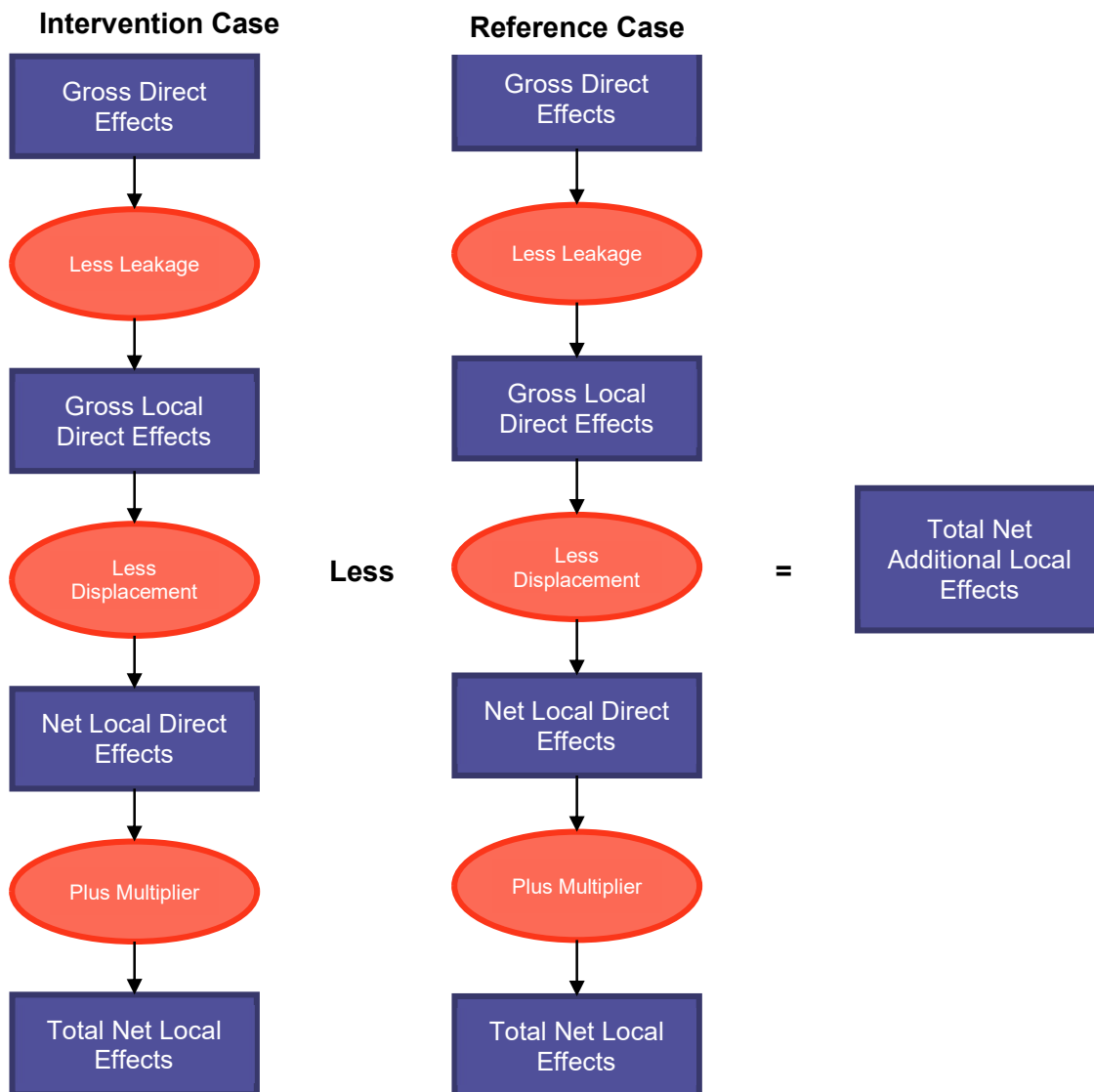
4.9 Economic Appraisal

4.9.1 Quantifiable Benefits Methodology

The approach to the economic impact assessment has been developed in line with best practice guidance, including the HM Treasury’s Green Book (Appraisal and Evaluation in Central Government) and the Homes and Communities Agency’s (HCA’s) Additionality Guide. The approach has also given regard to the HM Treasury’s supplementary Green Book guidance on Public Sector Business Cases: Using the Five Case Model and the Department for Communities and Local Government’s (DCLG’s) appraisal guide.

Assessment has sought to estimate both the gross and net additional impact of each intervention at both the local and regional level. In line with the HCA additionality guide (3rd Edition) the net additional effects of the scheme have been calculated using the following model:

Figure 5: HCA Additionality Model



Leakage effects: the number or proportion of outputs (occurring under the reference case and the intervention options) that benefit those outside of the intervention's target area or group should be deducted from the gross direct effects.

Displacement: the number or proportion of intervention outputs (occurring under the reference case and the intervention options) accounted for by reduced outputs elsewhere in the target area should also be deducted

Economic multiplier effects: further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer-term development effects then need to be added.

4.9.2 Quantitative Benefits Appraisal

The leakage level associated with option all shortlisted options is 0%. ONS Labour Force Survey Data indicates that the median travel to work time within Powys was 26 minutes in 2016 (latest data set). Given Machynlleth geographic location it is therefore highly unlikely that employment benefits derived from the leisure centre will be lost to the local economy.

Displacement associated with all shortlisted options is considered minimal. Swimming related activity at the centre represented 42% of all participation during 2018/19. The nearest swimming pool facilities are 16.4 miles away at Llanidloes Sports Centre and 18.3 miles away at the Plascrug Leisure Centre, Aberystwyth. The approximate journey time to Aberystwyth is 34 minutes by car or bus. Whilst the drive by car to Llanidloes is the same as to Aberystwyth there is no direct public transport route, with journey times upwards of 1 hour 35 minutes. With such a large travel distance to alternative facilities and given that both facilities have co-existed with Bro Ddyfi for an extended period of time, any displacement effects of the continued existence of swimming facilities in Machynlleth are extremely unlikely. Gym and fitness activities represented 23% of all activity at the centre during 2018/19, one alternative provider operates within the town, there is therefore considered to be a low level of displacement in relation to gym and fitness activities, however this is not zero. Given the low level of people employed within the industry locally and the limited number of vendors a percentage of half the current activity level is considered appropriate at 11.5%

The multiplier selected for the business case is 1.34. This is the type II multiplier for employment for the recreation sector of the Welsh Economy. This is sector number 24 of 25 aggregated from the 88 industries identified by the Welsh Economy Research Unit within the Input-Output Tables for Wales.

Average annual gross value add (GVA (B) by job filled) has been extracted from the ONS Sub-Regional Productivity February 2020 release. GVA per employee is based on sector specific data (Standard Industrial Classification R – Arts, entertainment, and recreation).

Table 21: GVA Results

Description	
Gross direct jobs	9.8 FTE
Leakage	0%
Workplace direct effects	9.8 FTE
Displacement	11.5%
Net workplace direct effects	8.7 FTE
Multiplier	1.34
Total net workplace effects	11.6 FTE
Average annual GVA per workforce job SIC-R	£146,361
Average annual GVA per workforce job in region	£101,541
Total net local effects	£247,901

4.9.3 Net Present Cost

The detailed economic appraisals for each shortlisted option are attached to this business case in the NPV spreadsheet. The short-listed options have been risk-adjusted to account for the 'risk retained' (in £s) by the organisation under each option. The following tables summarises the key results of the economic appraisals for each option.

Table 22 – Economic Appraisal – Option 1

To undertake essential maintenance only to both primary and secondary campuses, managed decline of leisure centre forecast closure in 2030;		
	Undiscounted (£'000s)	Net Present Cost (£'000s)
Opening Value	£10.584	£10.584
Capital	£8.352	£7.805
Revenue	£53.683	£39.661
Risk Retained	£7.033	£6.680
Optimism Bias	£0.959	£0.911
Total Costs	£80.611	£65.641
Total Benefits	-£3.700	-£3.074
Costs Net Benefits	£76.911	£62.568

Table 23 – Economic Appraisal – Option 6

New build primary & secondary single site, managed decline of leisure centre forecast closure in 2030;		
	Undiscounted (£'000s)	Net Present Cost (£'000s)
Opening Value	£10.584	£10.584
Capital	£36.984	£29.415
Revenue	£155.301	£68.702
Risk Retained	£2.648	£2.403
Optimism Bias	£1.204	£1.092
Total Costs	£206.719	£112.195
Total Benefits	-£4.191	-£3.457
Costs Net Benefits	£202.528	£108.738

Table 24 – Economic Appraisal – Option 7

New build Community Campus. Primary and secondary campus with leisure, library and meeting facilities on existing secondary school site;		
	Undiscounted (£'000s)	Net Present Cost (£'000s)
Opening Value	£10.584	£10.584
Capital	£51.362	£41.366
Revenue	£157.204	£69.048
Risk Retained	£3.764	£3.409
Optimism Bias	£1.711	£1.550
Total Costs	£224.625	£125.956
Total Benefits	-£18.741	-£8.411
Costs Net Benefits	£205.884	£117.545

Table 25 – Economic Appraisal – Option 8

New build Community Campus. Primary and secondary campus with leisure, library and meeting facilities (all) on alternative site;		
	Undiscounted (£'000s)	Net Present Cost (£'000s)
Opening Value	£10.584	£10.584
Capital	£51.362	£41.366
Revenue	£157.204	£69.048
Risk Retained	£3.764	£3.409
Optimism Bias	£1.711	£1.550
Total Costs	£224.625	£125.956
Total Benefits	-£18.241	-£7.899
Costs Net Benefits	£206.384	£118.057

Please note that the revenue / lifecycle cost totals shown in the tables above consist of the elements detailed in table 26 below. Estimates for revenue costs are those incurred through delivery by Freedom Leisure and Ysgol Bro Hyddgen and not Powys County Council. For a full breakdown of revenue costs incurred by the PCC please see the Financial Case. Assumptions underpinning these calculations include:

- The migration year (4) to the new school and leisure building contains ten months of old cost structure and two months of new cost structure, this is calculated on the basis that the new assets will open in January of 2024;
- There is anticipated to be no change to existing school staffing structure;
- There is a forecasted reduction in the school's utilities costs of 80% due to the introduction of Passivhaus standards;
- There is anticipated to be no change to existing leisure centre staffing structure;
- There is a forecasted reduction in the leisure utilities costs of 50% due to the introduction of Passivhaus standards;
- New state of the art facilities is likely to increase footfall and participation at the leisure centre increasing income at a rate of 5% per annum;
- Direct and indirect GVA modelled in line with HCA guidance for additionality.

Table 26 – Revenue Components

Option	Years	Cost Elements	Category	Undiscounted Value (£'000)
Option 1	Years 1-2	Backlog Maintenance	Whole life	£7.992
	Years 0 – 19	School Salary Costs	Per annum	£2.496
	Years 0 – 19	School Building Costs	Per annum	£97

Option	Years	Cost Elements	Category	Undiscounted Value (£'000)
	Years 0 – 19	Leisure Expenditure	Per annum	£508
	Years 0 – 11	Leisure Income	Per annum	£357
	Years 0 – 11	Lifecycle Cost	Whole life	£360
	Years 0 – 11	GVA	Per annum	£303
Option 6	Years 1-4	Capital Construction	Whole life	£30.088
	Years 0-59	School Salary Costs	Per annum	£2.496
	Years 0-3	Building Costs	Per annum	£97
	Year 4	Building Costs	Per annum	£91
	Years 5-59	Building Costs	Per annum	£59
	Years 5-59	Lifecycle Cost	Whole life	£6.896
	Years 0-11	Leisure Expenditure	Per annum	£508
	Years 0 – 11	Leisure Income	Per annum	£357
	Years 0 – 11	GVA	Per annum	£303
Option 7	Years 1-4	Capital Construction	Whole life	£42.775
	Years 0-59	School Salary Costs	Per annum	£2.496
	Years 0-3	Building Costs	Per annum	£97
	Year 4	Building Costs	Per annum	£91
	Years 5-59	Building Costs	Per annum	£59
	Years 5-59	Lifecycle Cost	Whole life	£8.587
	Years 0-3	Leisure Expenditure	Per annum	£508
	Year 4	Leisure Expenditure	Per annum	£495
	Years 5-59	Leisure Expenditure	Per annum	£429
	Years 0 – 3	Leisure Income	Per annum	£357
	Year 4	Leisure Income	Per annum	£360
	Years 5-59	Leisure Income	Per annum	£374
	Years 0 – 59	GVA	Per annum	£303
Option 8	Years 1-4	Capital Construction	Whole life	£43.775 (Inc. additional land)

Option	Years	Cost Elements	Category	Undiscounted Value (£'000)
	Years 0-59	School Salary Costs	Per annum	£2.496
	Years 0-3	Building Costs	Per annum	£97
	Year 4	Building Costs	Per annum	£91
	Years 5-59	Building Costs	Per annum	£59
	Years 5-59	Lifecycle Cost	Whole life	£8.587
	Years 0-3	Leisure Expenditure	Per annum	£508
	Year 4	Leisure Expenditure	Per annum	£495
	Years 5-59	Leisure Expenditure	Per annum	£429
	Years 0 – 3	Leisure Income	Per annum	£357
	Year 4	Leisure Income	Per annum	£360
	Years 5-59	Leisure Income	Per annum	£374
	Years 0 – 59	GVA	Per annum	£303

3.7.2 Economic Ranking

Table 27 – Economic Summary

Option	Description	NPC (,000)	Discounted Benefits (,000)	EAC (,000)
1	To undertake essential maintenance only to both primary and secondary campuses, managed decline of leisure centre forecast closure in 2030;	£65.641	-£3.074	£4.25
4	New build primary & secondary single site, managed decline of leisure centre forecast closure in 2030;	£108.738	-£3.457	£4.15
7	New build primary and secondary campus with leisure facilities on existing secondary school site	£117.545	-£8.411	£4.48
8	New build primary and secondary campus with leisure facilities (all) on alternative site	£118.057	-£7.899	£4.50

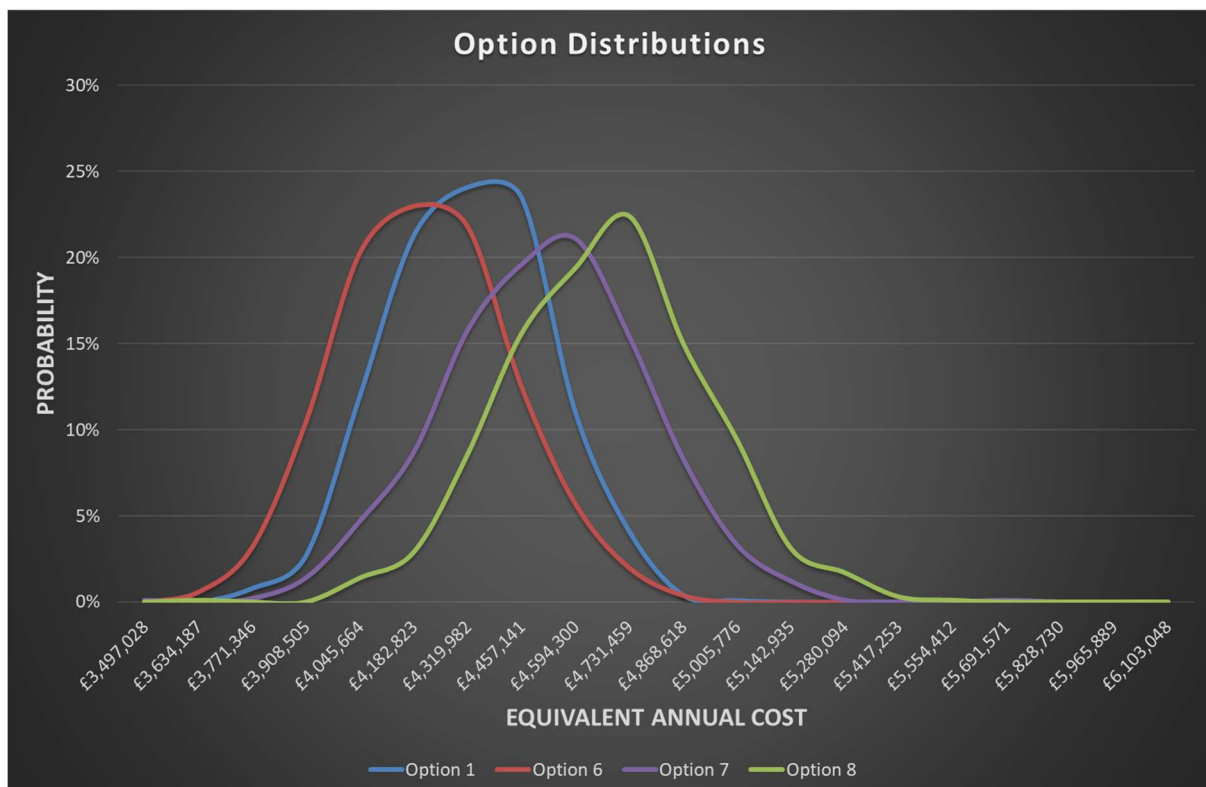
4.9.4 Monte Carlo Simulation

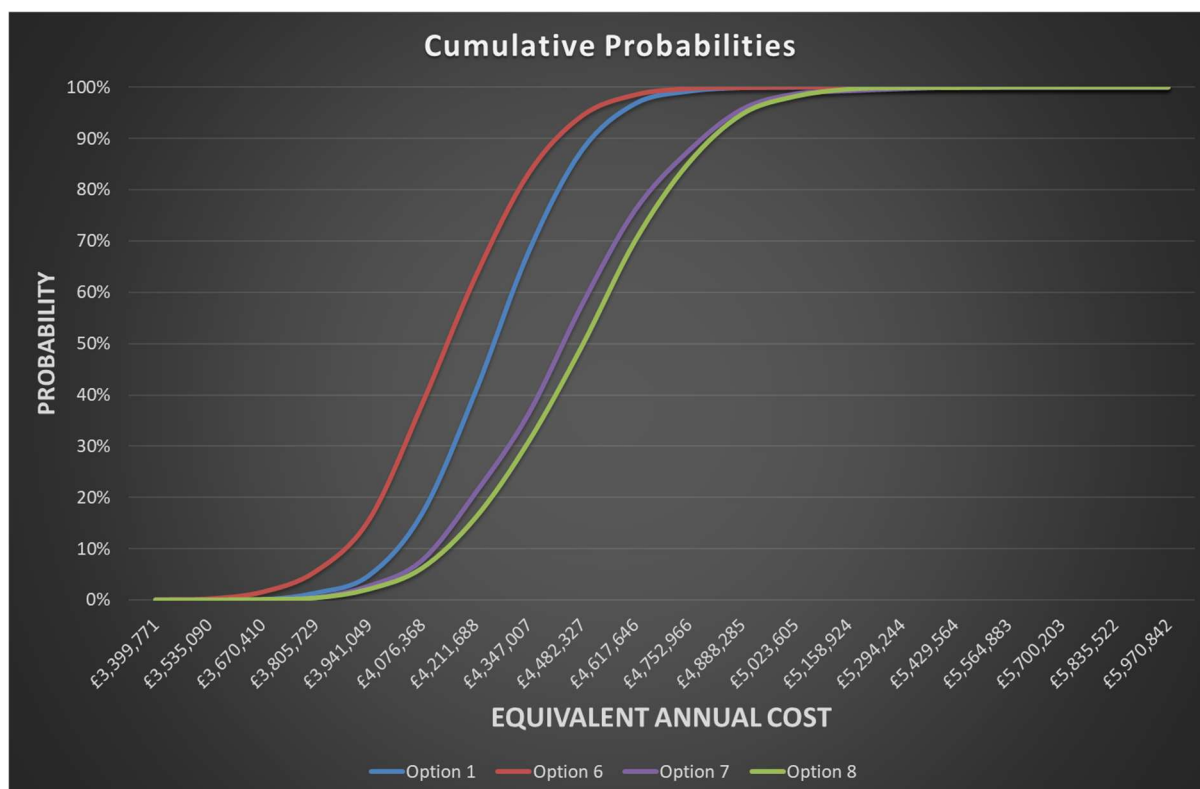
To make the scenario planning more robust (and less linear), we have completed a Monte Carlo Simulation in this business case. The simulation uses the following cost elements as variables: backlog maintenance/new build capital, old revenue cost, new revenue cost, lifecycle cost, capital receipts and new community lettings. Monte Carlo simulation uses random number generation to provide a set of predictive results. Charting these results can allow you to determine the probability of a particular result or set of results occurring.

Each variable went through 1000 iterations of number generation to produce a Normal or Gaussian distribution of the potential results obtainable. A normal distribution for the data was chosen as the results should conform to central tendency theorem, being clustered around the estimated value rather than being uniformly distributed between two points.

Once the variables for each option were simulated, the results were used as the input for 27 different potential 'What if' scenarios based along the three dimensions of capital, revenue, and savings. The scenarios were used to demonstrate the sensitivity between the different variables, providing 27 (+1 base value) different potential outcomes for NPC per option. A list of the 27(+1) scenario is, and the 28 NPC potential results for each option is shown in Appendix B: Monte Carlo Simulation.

Finally, the mean and standard deviation values for the 28 scenarios were used as the input variables for a further 1000 iterations of the simulation to produce a final Normal distribution curve for each of the four shortlisted options. The results are demonstrated in the two charts below.





As can be seen from the first chart each option displays the typical bell-shaped curve indicative of a Normal distribution. The probability of any value occurring within this distribution can be read off the chart. Both charts clearly indicate that option 6 (red line) has the lowest annual equivalent cost while option 8 (green) line has the highest annual cost.

The results also indicate that there is a:

- 91.96% probability that the net present cost of option 6 will fall between £100m and £120m;
- 69.19% probability that the net present cost of option 7 will fall between £100m and £120m; and
- 63.63% probability that the net present cost of option 8 will fall between £100m and £120m.

Table 28: Summary of Top 20 Results

Rank Order	Total NPV	Scenario No.	Option No.	Revenue	Capital	Savings	Points
1	£3.766441	54	Option 6	Best Capital	Best Revenue	Worst Savings	112
2	£3.768581	56	Option 6	Best Capital	Best Revenue	Best Savings	111
3	£3.783123	55	Option 6	Best Capital	Best Revenue	Expected Savings	110
4	£3.898658	28	Option 1	Best Capital	Best Revenue	Best Savings	109
5	£3.901919	27	Option 1	Best Capital	Best Revenue	Expected Savings	108
6	£3.922801	26	Option 1	Best Capital	Best Revenue	Worst Savings	107
7	£3.939105	53	Option 6	Best Capital	Expected Revenue	Best Savings	106
8	£3.946775	51	Option 6	Best Capital	Expected Revenue	Worst Savings	105
9	£3.949401	52	Option 6	Best Capital	Expected Revenue	Expected Savings	104

Rank Order	Total NPV	Scenario No.	Option No.	Revenue	Capital	Savings	Points
10	£3.967331	46	Option 6	Expected Capital	Best Revenue	Expected Savings	103
11	£3.971919	47	Option 6	Expected Capital	Best Revenue	Best Savings	102
12	£3.981909	112	Option 8	Best Capital	Best Revenue	Best Savings	101
13	£3.992581	45	Option 6	Expected Capital	Best Revenue	Worst Savings	100
14	£4.026253	111	Option 8	Best Capital	Best Revenue	Expected Savings	99
15	£4.056166	110	Option 8	Best Capital	Best Revenue	Worst Savings	98
16	£4.069757	19	Option 1	Expected Capital	Best Revenue	Best Savings	97
17	£4.073992	25	Option 1	Best Capital	Expected Revenue	Best Savings	96
18	£4.087513	24	Option 1	Best Capital	Expected Revenue	Expected Savings	95
19	£4.093360	17	Option 1	Expected Capital	Best Revenue	Worst Savings	94
20	£4.093934	18	Option 1	Expected Capital	Best Revenue	Expected Savings	93

Through ranking all the potential NPC results (28 x Y options), it is possible to generate a total NPC score for each option. Each result was ranked from 1-X with X points allocated for the lowest (least costly) potential NPC through to 1 for the highest (most costly) potential NPC. The scores were then cumulated for each option, with the highest score obtaining a final score of 100%, with the other options scoring a percentage of that. The final results are displayed within the table below:

Table 29: Summary of Overall Results

Option No.	Score	Final Score
Option 1	1922	85.77%
Option 6	2241	100.00%
Option 7	1304	58.19%
Option 8	861	38.42%

4.10 Qualitative Benefits Appraisal

All the benefits from the OBC were grouped into four categories, and the benefit groups were then weighted by the project team to provide an assessment against the five options.

Table 30 – Benefit Group Weighting

Benefit Groups	Example of Benefits (<i>info in brackets = how achieved</i>)	Weight
Standards and Breadth of Education	<p>Improved learning outcomes for learners and families (Achieved through better facilities and learning environments)</p> <p>Improved levels of recruitment, quality, retention, and reputation of staff (New environments will assist this)</p> <p>Opportunities to benefit from a wider range of learning opportunities and skills. (Better learning facilities)</p> <p>Access to a wider range of teaching materials (state of the art ICT and other emerging technologies) (Better learning facilities)</p>	30%

Benefit Groups	Example of Benefits (<i>info in brackets = how achieved</i>)	Weight
Standards of Estate and Facilities	<p>Zoned and bespoke facilities for flexible community use (Design)</p> <p>Improved energy efficiency of estate (Through environmental initiatives)</p> <p>Increased flexibility of accommodation to meet demands and expectations of stakeholders (Flexibility through design)</p> <p>More efficient use of premises / estate (Efficiency through design)</p> <p>Improved accessibility to all areas of the site (school site disparate and layout poor)</p>	15%
Financial Sustainability	<p>Creation of new opportunities for revenue generation (New community focussed facilities)</p> <p>Reduced building operating costs (Through environmental initiatives)</p> <p>Ensure the viability of educational provision (In the longer term, as other local school estate deteriorates)</p> <p>Ensure the viability of leisure provision (through removal of extensive backlog maintenance liabilities)</p>	5%
A prosperous Wales	<p>Generating sustainable employment opportunities for residents within Powys (maintaining local educational and leisure employment within the Machynlleth area)</p> <p>Improves the attractiveness and viability of Machynlleth town centre, supporting the growth of local businesses and increasing wider employment opportunities for local people (indirect and induced spend within the local economy).</p> <p>Sport Wales research shows that Welsh sports have a social return of £2.88 for every pound invested, including considerable savings to the NHS (creating sustainable accessibility to sports and leisure facilities within Machynlleth)</p>	10%
A healthier Wales	<p>A healthy urban environment that supports health, recreation, and wellbeing (New green spaces and high-quality leisure facilities).</p> <p>Positive impact on mental and physical health of local community (secure and sustainable employment opportunities and leisure amenities that will endure for the long-term)</p>	10%
A more equal Wales	<ul style="list-style-type: none"> • Promoting inclusivity of access to leisure and educational services (DDA compliant access to building); • Facilitating rural communities' access to facilities that support health and wellbeing (local provision of leisure facilities and associated clubs and activities) 	10%
A Wales of cohesive communities	<ul style="list-style-type: none"> • Same site intra-generational opportunities for increased community wellbeing (whole community access to facilities) 	10%

Benefit Groups	Example of Benefits (<i>info in brackets = how achieved</i>)	Weight
A Wales of vibrant culture and thriving Welsh language	<ul style="list-style-type: none"> Promoting WG aspirations for one million Welsh Language speakers by 2050 (Welsh Medium Language education within a 21st Century School setting) 	5%
A globally responsible Wales	<ul style="list-style-type: none"> Low carbon strategies at heart of the new developments to reduce energy use and promote resource efficiency (Passivhaus design) 	5%

Each of the benefit groups were scored on a range of 0-10 for each option. These scores were agreed by the workshop participants to confirm that the scores were fair and reasonable.

Table 31 – Benefits Appraisal

Benefit Group	Weight	Maximum Score	Raw				Weighted			
			Option 1	Option 6	Option 7	Option 8	Option 1	Option 6	Option 7	Option 8
Standards of Education	30	10	6	8	9	9	180	240	270	270
Estate and facilities	15	10	5	9	10	10	75	135	150	150
Financial Sustainability	5	10	5	9	8	8	25	45	40	40
A prosperous Wales	10	10	5	6	9	9	50	60	90	90
A healthier Wales	10	10	6	6	9	9	60	60	90	90
A more equal Wales	10	10	6	6	8	8	60	60	80	80
A Wales of cohesive communities	10	10	6	6	8	8	60	60	80	80
A Wales of vibrant culture and thriving Welsh language	5	10	9	9	9	9	45	45	45	45
A globally responsible Wales	5	10	4	7	8	8	20	35	40	40
Total	100		52	66	78	78	575	740	885	885
Rank			4	3	=1	=1	4	3	=1	=1

4.11 Risk Appraisal

The workshop assigned the risk scores shown in the following table based on participants' judgment and assessment of previous procurements. The range of scales used to quantify risk followed the corporate risk assessment process. The likelihood and impact scores are summarised below:

Probability:

- Low = 1 - Not likely to occur or may happen once every 20 years;
- Medium = 2 - Possible or may happen within 10 years;
- High = 3 - Likely or may happen once a year;
- Very High = 4 - Certain or happens several times a year.

Impact:

- Low = 1;
- Medium = 2;
- High = 3;
- Catastrophic = 4.

The likelihood is multiplied by the impact score to provide a “risk score”. The main risks fall into three categories namely Service Risk (SR), Business Risk (BR) and External environmental risk (EER).

Table 32 – Risk Appraisal

No	Summary of Risk	Category	Option 1	Option 6	Option 7	Option 8
1.	The risk that there will be an undermining of customer’s/media’s perception of the organisation’s ability to fulfil its business requirements – for example, adverse publicity concerning an operational problem	SR	8	12	1	2
2.	Continuity of 21st century funding not sustained by mainstream funding	SR	0	3	9	12
3.	Newly redeveloped or built school may attract pupils from other schools or catchment areas	EER	0	4	6	6
4.	Delay in WG approval of FBC	SR/ EER	0	0	1	2
5.	Availability of Capital funding, both in terms of Capital allocation from WG and prudential borrowing	SR	12	4	12	12
6.	Feasibility unproven - in terms of SIS/Ecology	SR / EER	0	0	0	9
7.	Lack of stakeholder support for scheme	SR	25	9	2	6
8.	Lack of adequate revenue funding stream	SR	1	6	3	3
9.	Lack of timely decision making at PCC	SR	0	1	1	2
10.	Unsuccessful schools’ re-organisation and consultation process. Low level of public support for scheme.	EER	0	0	0	0
11.	Failure to develop and implement plan and processes to manage staff and learners prior, during and post commissioning of the new/ existing/alternative facilities	SR	1	1	1	1
12.	For any number of unforeseen reasons, arising from risk and uncertainty, the construction costs increase beyond original cost estimates	SR / EER	6	4	4	6
13.	Failure to gain planning and environmental approvals or acquire land for new construction	SR / EER	0	4	6	8

No	Summary of Risk	Category	Option 1	Option 6	Option 7	Option 8
14.	Curriculum developed fails to engage learners - inadequate facilities to deliver broader curriculum	SR	12	1	1	1
15.	Statutory consultation fails	EER	0	0	0	0
16.	Health and Safety - e.g. Injuries/incidents during construction leading to delays/injury investigation/claims for compensation/prosecution	SR	20	5	5	5
17.	The risk that design cannot deliver the services to the required quality of Educational Provision standards.	SR	12	3	3	3
18.	The risk that the construction of physical assets is not completed on time, to budget and to specification	SR	2	2	2	2
19.	The risk that the quality/quantity of initial intelligence (for example, preliminary site investigation) will affect the likelihood of unforeseen problems occurring.	SR	8	2	2	8
20.	The risk arising in accommodation projects relating to the need to decant staff/clients from one site to another	SR	0	0	0	0
21.	The risk that the nature of the project has a major impact on its adjacent area and there is a strong likelihood of objection from the public.	SR	1	2	2	3
22.	The risk that can arise from the contractual arrangements between two parties – for example, the capabilities of the contractor/ when a dispute occurs	SR	1	1	1	1
23.	The risk that the quantum of service provided is less than that required under the contract	SR	0	1	1	1
24.	The risk that the demand for a service does not match the levels planned, projected or assumed	SR	1	1	1	1
25.	The risk that actual community usage of the service varies from the levels forecast as a benefit.	SR/ EER	1	1	2	2
26.	The risk that changes in technology result in services being provided using sub-optimal technical solutions	SR / EER	1	1	1	1
27.	The risk relating to the uncertainty of the values of physical assets at the end of the contract period	EER	0	2	2	2
28.	Profile of capital expenditure incorrect	SR/ EER	2	2	2	2
29.	The risk that project outcomes are sensitive to economic influences – for	EER	1	1	1	1

No	Summary of Risk	Category	Option 1	Option 6	Option 7	Option 8
	example, where actual inflation differs from assumed inflation rates					
30.	The risk that policy & legislative change increases costs. This can be divided into secondary legislative risk (for example, changes to corporate taxes) and primary legislative risk (for example, specific changes which affect a particular project)	EER	0	1	1	1
31.	A change in political climate at WG level	EER	1	4	4	4
32.	A change in political climate at County level	EER	1	4	4	4
33.	Outcome of internal decision making (i.e. Decisions made against officer recommendations)	SR	0	0	2	2
34.	Loss of experienced staff	SR	2	2	2	2
35.	The risk that the timescales for the new school will be delayed as a result of Covid-19 impact on the construction process and on the successful contractor's supply-chain	EER	3	9	9	9
36.	The risk that the cost of materials may increase as a result of reduced supply due to Covid-19	EER	3	6	6	6
Total			125	99	100	130
Rank			3	1	2	4

While both schemes scored considerably differently under some individual risks, over the full assessment both Options 6 and 7 only have one point separating them. Option 8 has considerably more uncertainty surrounding it due to the potential unavailability/affordability of the alternative site which is not in PCC ownership.

4.12 The Preferred Option

Table 33 – Final Appraisal Scores

Evaluation Results	Option 1	Option 6	Option 7	Option 8
Economic appraisals	1	2	3	4
Benefits appraisal	4	3	=1	=1
Risk appraisal	3	1	2	4
Total Points	8	6	6	9
Overall Ranking	3	=1	=1	4

At this SOC/OBC stage both options 6 and 7 are possible however due to the mix of additional benefits provided by the School and Community Leisure Campus PCCs preferred scheme at this stage is option 7.

Figure 6: Outline Scheme Drawings

REVISED SCHEME WITH ADDITIONAL PLAYING FIELDS OPTION 1

Revised site plan with additional pitches to north

If land to the north of the school were purchased to include a full size grass rugby pitch there may still be opportunities for a smaller 3G pitch on site.

Legend:

1. New 3G 5-a-side pitch.
2. Junior 11 a-side grass football pitch
3. Informal junior football pitch (potential for MUGA or 3G 5 a-side pitch here if deemed necessary).
4. Hard informal play.
5. Senior outdoor social space (potential to be used as outdoor table tennis or traversing wall for leisure centre use).
6. Service yard with bin store and sprinkler tank.
7. Grass rugby pitch (minimum Rugby standards for dead-ball zone and pitch length).
8. 60m sprint track
9. 200m grass athletics track.
10. Boundary / extent of playing fields to north of school to be agreed.
11. Long jump run up and pit.
12. 3 Court MUGA
13. Ramped path down to playing fields
14. Accessible parking spaces
15. Cycle Store
16. Improved screening to western boundary with trim trail.
17. Emergency vehicle access to playing fields
18. Pedestrian bridge crossing over brook
19. Footpath to MUGA



Churchman Thornhill Finch

7

*Nb this is an illustrative design and there are still several options around the layout of the external pitches and playing fields. The grass pitch design is also subject to Natural Resources Wales approval.

5 Commercial Case

5.1 Procurement Method

5.1.1 Procurement Strategy

Three procurement strategy routes were considered in the Strategic Outline Plan Commercial Case. These included the following:

- Public/Private partnerships;
- Joint venture with the private sector;
- Conventional procurement routes utilising framework contractors.

Consideration of these procurement routes concluded that a Joint Venture with the private sector and the Public/Private Partnerships route were unfeasible in this instance of the following reasons:

- i. There was no commitment to further commercial opportunities of significant scale that could be offered to a separate private entity. This would reduce the commercial appeal of entering a formal partnership or joint venture with Powys County Council.
- ii. Both Private/Public Partnerships and Joint Ventures are more complex and time consuming to set up and manage. Powys only has limited major construction projects to offer, therefore it is less likely that the fixed costs involved in setting up the partnerships would be recovered through down the line savings or savings achieved through quantities of scale.
- iii. Given the scale of development required within the Council's Band A 21st century Schools Programme, it is felt that the additional costs incurred by the complexities of Public/Private partnerships or a Joint Venture with the private sector will not be justified by the potential benefits from entering into these arrangements.

The Council has good experience of working with contractor frameworks. The Council has concluded that the optimum procurement route will be to join the revised SEWSCAP framework that is being re-launched in June 2019 (SEWSCAP 3).

The benefits of utilising contractors from this existing Contractor Frameworks list are as follows:

1. Consultation and design development can be carried out by the Heart of Wales Property Services Ltd (HoWPS), which is a 50:50 joint venture partnership between PCC and Kier. The design team will then remain actively involved throughout the duration of the project fulfilling the intelligent client role once the project is passed over to the successful contractor, thus ensuring continuity of professional staff representing PCC during all stages of the project programme.
2. Compliant with EU procurement directives and the Public Contract Regulations (2014), offering a swift route to market and opportunities for early contractor involvement;

3. The framework is free to use, offering a variety of contracts, pricing models and the potential for further savings achieved via mini competition;
4. The new SEWSCAP Property Construction Framework is divided into the following lots:
 - Lot 1: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£250,000 to £1,500,000) - Powys County Council and other Potential Employers based or operating in Powys or operating nearby;
 - Lot 2: Provision of Construction services to include new build, extensions and refurbishment under traditional or design and build with all associated works – (£250,000 to £1,500,000) - Torfaen County Borough Council, Blaenau Gwent County Borough Council, Monmouthshire County Council, Caerphilly County Borough Council or other Potential Employers based or operating near those areas;
 - Lot 3: Provision of Construction services to include new build, extensions and refurbishment under traditional or design and build with all associated works – (£250,000 to £1,500,000) - Rhondda Cynon Taf County Borough Council, Merthyr Tydfil County Borough Council and Bridgend County Borough Council and any Participating Authorities based or operating near those areas
 - Lot 4: Provision of Construction services to include new build, extensions and refurbishment under traditional or design and build with all associated works – (£250,000 to £1,500,000) - Vale of Glamorgan Council, The County Council of the City of Cardiff Council, Newport City Council or other Potential Employers based or operating near those areas;
 - Lot 5: Provision of Construction services, extensions, and refurbishment under traditional or design and build with all associated works – (£1,500,001 to £3,000,000) - Powys County Council and other Potential Employers based or operating in Powys or operating nearby to include new build
 - Lot 6: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£1,500,001 to £3,000,000) - All Potential Employers
 - Lot 7: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£3,000,001 to £5,000,000) - All Potential Employers
 - Lot 8: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£5,000,001 to £10,000,000) - All Potential Employers
 - Lot 9: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£10,000,001 to £25,000,000) - All Potential Employers
 - Lot 10: Provision of Construction services to include new build, extensions, and refurbishment under traditional or design and build with all associated works – (£25,000,001 to £100,000,000) – All Potential Employers

In this instance the Council propose to use Lot 10 (£25M - £100M). The Core principles of the framework are the over-riding objectives guiding the Authority and the Contractor in the operation of this Framework Agreement, and in entering and performing Call-Off Contracts. The Authority and the Contractor hereby agree:

- To work together and with the Potential Employers, Employers, and their advisers in good faith and in a spirit of mutual trust and co-operation;
- To act in a co-operative and collaborative manner to achieve and advance the relevant Construction Project;
- To share information honestly and openly; and
- To highlight any difficulties at the earliest possible opportunity.

The Authority and the Contractor agree to work together in accordance with the terms of this Framework Agreement and in co-operation and collaboration with the Potential Employers, Employers and their advisers, to achieve the successful delivery of a series of Construction Projects and in particular, the Core Principles.

The Contractor will always both in relation to this Framework Agreement and any Call-Off Contract, adhere to the Core Principles.

To achieve and advance the Core Principles, the Authority and the Contractor agree that they will at all times support collaborative behaviour and confront behaviour that does not comply with the Core Principles.

The Contractor agrees to provide the Authority with such information as the Authority may from time to time reasonably request including (without limitation) in relation to:

- Its status (including financial standing), structure and management;
- Its resource commitments and availability;
- Its performance under any Call-Off Contracts; and
- The performance of its obligations under this Framework Agreement.

If the Contractor fails in any material respect to provide any information requested, or provides information which is materially incomplete, incorrect, or insufficient, the Authority may serve notice of suspension from this Framework Agreement on the Contractor.

5.1.2 Award methodology

Within this framework two methods may be used by Participating Authorities to award contracts under the framework, as summarised below (Direct award applies to Lots 1-7 and 10 only):

1. Mini-tender – Contractors in the relevant Lots will be invited to tender against a range of quality and pricing criteria. This method will apply to all Lots;
2. Early Contractor Involvement mini-tender - Early Contractor Involvement allows the Employer to engage with a Contractor via a contract to carry out services such as initial design, feasibility and assisting in planning and business cases etc. This process known as a 2-stage design and build requires bidders to submit an overall price for the whole of the works including the design. This will form the basis for the ECI appointment and will be discussed and refined during ECI with the aim of agreeing prices or a contract sum within the price envelope prior to the start of the construction stage.

Under this mini tendering process, the framework contractors will be asked to price scheme specific Preliminaries and Design Costs including an approximate Target Cost as a guide. All other costs would be in accordance with their (already tendered) framework submission. Under NEC3 Option C, the interim valuations will be paid on actual invoiced costs for labour, plant, materials and sub-contractors plus overheads and profit with a gain/pain percentage share on completion.

The following broad principles are to be pursued, around contractor incentivisation in order to help to implement smart procurement. Their implementation is subject only to agreement on the manner of their application in specific negotiations, and further formal consultation on appropriate contract terms and conditions:

- Making best use of competition at prime and sub-contract level to meet requirements and achieving value for money.
- Making the best use of effective pricing mechanisms to reflect the circumstances of the procurement will be used to promote incentivisation of performance.
- The Council and Industry have common objectives in trying to ensure that incentives produce demonstrable value for money (VFM) benefits for Powys and sustained shareholder value for Industry.
- Risks and rewards should be shared between the Council and Industry in an equitable manner.
- Risk should be owned by those best placed to manage it.
- The prospect of longer-term commercial relationships in return for good performance should be a major spur to good performance supported by incentivisation arrangements
- The benefits of incentivisation arrangements should apply to the sub-contract supplier base and continue to be nurtured to achieve VFM.
- Gain-sharing opportunities should be actively explored and pursued wherever possible.
- Partnering arrangements for longer term contracts must include a framework for continuing incentivisation.

- Benchmarking of performance against recognised best in class processes and practises will aid assessment of achievement against incentivisation measures.
- Sanctions for unsatisfactory performance against the contract requirement need to be available and will be used where appropriate.
- Sharing of future contract savings in subsequent contracts.

The Core principles of the framework are the over-riding objectives guiding the Authority and the Contractor in the operation of this Framework Agreement, and in entering and performing Call-Off Contracts. The Authority and the Contractor hereby agree:

- To work together and with the Potential Employers, Employers and their advisers in good faith and in a spirit of mutual trust and co-operation.
- To act in a co-operative and collaborative manner so as to achieve and advance the relevant Construction Project;
- To share information honestly and openly; and
- To highlight any difficulties at the earliest possible opportunity.

5.2 Required Services

5.2.1 The required service streams:

A new 4 to 18 all through school with 620 places, plus early years facilities, inclusive of 25m pool, wet and dry side changing rooms, fitness centre, public library, meeting rooms, and associated remedial works to the bowls hall.

5.2.2 The specification of required outputs:

- CO2 or energy arising from site activities as deemed required by the contractor to achieve Passivhaus;
- CO2 or energy arising from transport to and from site as deemed required by the contractor to achieve Passivhaus;
- Water consumption arising from site activities as deemed required by the contractor to achieve Passivhaus;
- Air (dust) pollution arising from the site as deemed required by the contractor to achieve Passivhaus;
- Water (ground and surface) pollution occurring on the site as deemed required by the contractor to achieve Passivhaus;
- 80% of site timber is responsibly sourced and 100% is legally sourced.

5.3 Potential for Risk Transfer.

Table 34 – Risk category

Risk Category	Potential allocation
---------------	----------------------

	Public	Private	Shared
Design risk		✓	
Construction and development risk		✓	
Transition and implementation risk			✓
Availability and performance risk		✓	
Operating risk	✓		
Variability of revenue risks	✓		
Termination risks		✓	
Technology and obsolescence risks	✓		
Control risks	✓		
Residual value risks	✓		
Financing risks	✓		
Legislative risks			✓
Other project risks			✓

5.4 Project Bank Accounts (PBAs)

Details around the approach to PBAs will be developed as this proposal moves through the various approval gates. This will include details of:

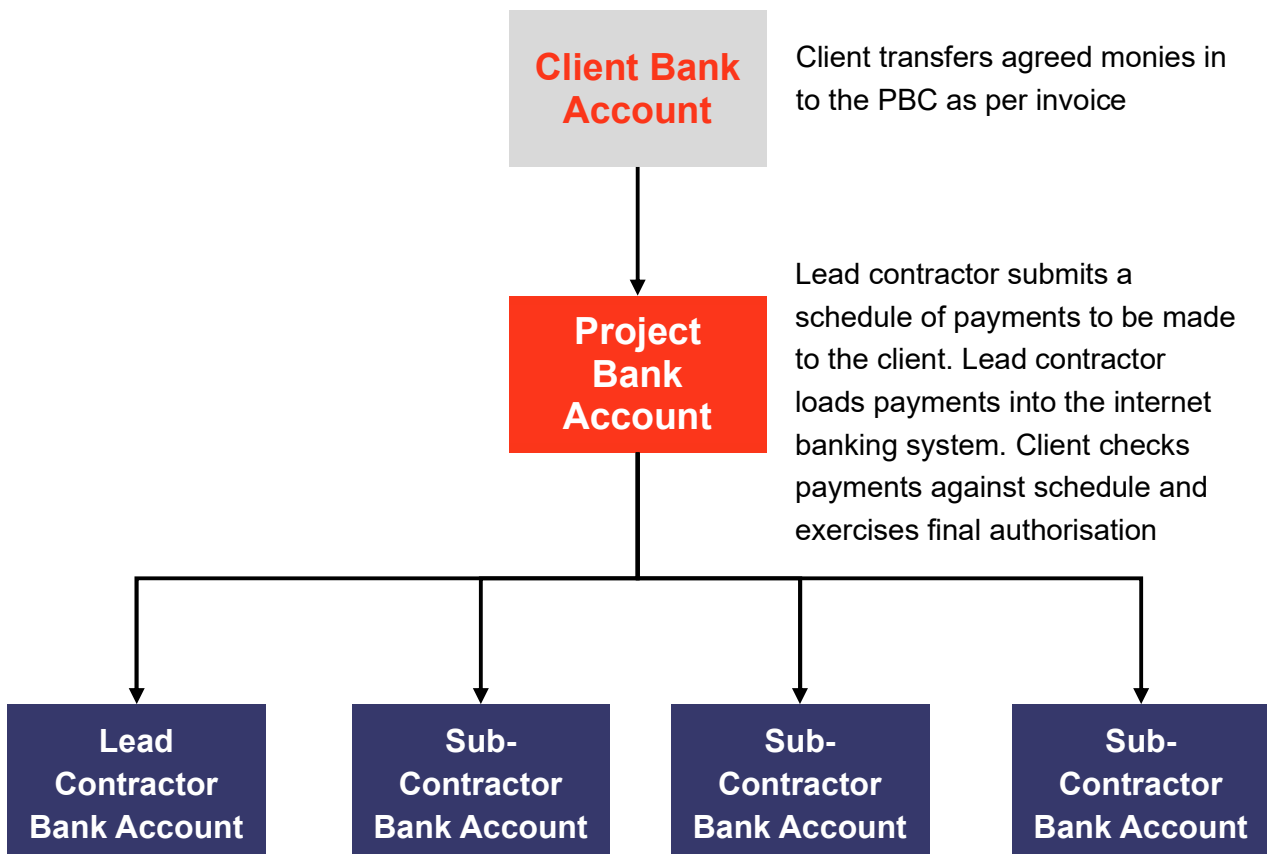
- Who will approve the PBA documentation and how? For example, who will approve and sign the Deeds of Trust, Deeds of Adherence / Joining Deed, Bank Mandate.
- Who will agree payments due to the lead contractor and each of their named suppliers and how?
- Who will be responsible for paying money into the PBA and authorising payments out?
- Who will agree why certain supply chain members may not be paid directly from the PBA and the criteria this will be based upon?

It is important that the benefits of PBAs are understood, and prospective tenderers understand that they should communicate these benefits down the supply chain, to maximise sub-contractor sign up to the PBA.

To support this, a briefing pack and information sheet for tenderers outlining both the benefits and requirements of using a PBA.

Additionally, at tender stage, the procuring party will include clauses in the ITT documentation, referencing the use of PBAs. These clauses will include specific requirements on how the PBA will operate.

Figure 7: PBA money route



5.5 Community Benefits

5.5.1 Agreed schedule

The inclusion of community benefits/social requirements within contracts will ensure that wider social and economic issues are considered when tendering construction and development work. The Council particularly considers that the works afford an ideal opportunity to the contractor to enhance employment prospects and skills through the recruitment, training, and retention of economically inactive people at a disadvantage in the labour market.

5.5.2 Delivery of agreed targets

Based on previous experience, for a project of this value, we would expect the successful contractor to:

- Deliver a Meet the Buyer Event to raise awareness of project to local supply chain;
- Use Sell2Wales to advertise opportunities;
- Complete 100% payments to sub-contractors within 23 days of receipt of invoice;
- Utilise and complete the Value Wales Measurement Tool;
- Provide at least 1,570 person weeks of employment; training and/or work experience opportunities for unemployed people, those leaving and educational establishment or training provider; trainee's or apprentices;
- Employee 50 apprentices on the project;



- Conduct 4,530 pupil interactions;
- Spend at least 85% of contract spend in Wales;
- Divert 85% of waste from landfill;
- Conduct 3 Community initiatives throughout the duration of the project;

6 Financial Case

6.1 Project Summary Costs

Table 35 – Key metrics

New Build % (Area)	100%
Description of work & any unusual constraints	Project will be the first passivhaus community campus project in the UK
# Pupil Places	620
# SEN Places	ALN Centre will be established to cater for primary and secondary phase pupils, some who will come from out of catchment
Total # Places	32
# Storeys (including basement)	3
Delivered through Regional Framework?	SEWSCAP 3
Contract period in weeks	Approximately 72
GFA (M2)	6935 school, 1700 leisure
# Trainee and apprenticeship opportunities	50
Use of local subcontractors as a % of total cost	To be agreed with contractor at tender stage

6.2 Breakdown of Capital Costs

Table 36 – Breakdown of capital costs

Project Costs	
Capital Cost	£42,775,149.87
Optimism Bias	£1,711,006
Risk	£3,764,213
VAT (only to be included where non-recoverable by applicant)	£0
Total Project Cost (inclusive of optimism bias and risk)	£48,250,369
Total (It is assumed that optimism bias and risk will be fully mitigated and that the capital build cost is the actual cost upon which the intervention rate will apply.)	£27,803847
Funding Body Intervention Rate	(65%)

6.3 Cost Template

Table 37 – Elemental Breakdown

	2017/18-2019/20	2020/21	2021/22	2022/23	2023/24	Total	Cost/m2	Cost/Pupil
Development costs								
Site investigation		£ 143,438.00				£ 143,438.00	£ 16.61	£ 231.35
Land acquisition		£ 500,000.00				£ 500,000.00	£ 57.90	£ 806.45
Construction cost								
Substructure		£ -	£ 1,976,412.60	£ -	£ -	£ 1,976,412.60	£ 228.88	£ 3,187.76
Superstructure		£ -	£ 751,068.78	£ 5,305,762.45	£ 2,099,386.46	£ 8,156,217.69	£ 944.55	£ 13,155.19
Abnormals		£ -	£ 315,733.33	£ 673,323.78	£ 266,421.06	£ 1,255,478.17	£ 145.39	£ 2,024.96
Externals		£ -	£ 1,445,026.11	£ 3,081,620.96	£ 1,219,337.16	£ 5,745,984.24	£ 665.43	£ 9,267.72
Internal finishes		£ -	£ -	£ 1,184,040.73	£ 1,159,880.80	£ 2,343,921.53	£ 271.44	£ 3,780.52
Services		£ -	£ -	£ 4,360,989.12	£ 2,578,096.68	£ 6,939,085.80	£ 803.60	£ 11,192.07
Preliminaries		£ -	£ 1,549,146.61	£ 1,092,473.39	£ -	£ 2,641,620.00	£ 305.92	£ 4,260.68
Overhead/Profit							Inc.	Inc.
Existing leisure Centre demolition costs/ making good of site/ bowling centre consequential:					£ 1,200,000.00	£ 1,200,000.00	£ 138.97	£ 1,935.48
Client costs								
ICT				£ 355,000.00	£ 355,000.00	£ 710,000.00	£ 82.22	£ 1,145.16
FFE				£ 290,000.00	£ 290,000.00	£ 580,000.00	£ 67.17	£ 935.48
Design Fees	£ 761,786.70	£ 449,606.04	£ 958,816.86	£ 379,385.09	£ -	£ 2,549,594.69	£ 295.26	£ 4,112.25
Professional fees	£ 293,611.19	£ 204,545.79	£ 436,208.44	£ 172,599.15	£ -	£ 1,106,964.57	£ 128.20	£ 1,785.43
Contingencies		£ -	£ 890,533.72	£ 1,899,126.49	£ 751,447.22	£ 3,541,107.43	£ 410.09	£ 5,711.46
Client costs	£ 148,488.53	£ 154,604.76	£ 329,705.64	£ 130,458.08	£ -	£ 763,257.00	£ 88.39	£ 1,231.06
Inflation			£ 285,537.52	£ 1,324,734.55	£ 1,011,796.08	£ 2,622,068.14	£ 303.66	£ 4,229.14
Total Project Cost	£ 1,203,886.42	£ 1,452,194.58	£ 8,938,189.60	£ 20,249,513.80	£ 10,931,365.46	£ 42,775,149.87	£ 4,953.69	£ 68,992.18

Tudalen 195

6.4 Impact on the Organisation's income and expenditure account

Table 38 – Impact on the organisation's income and expenditure account

£s	Total Cost	Years (years 9-59 same as year 8, with the exception of Lifecycle costs, which are shown from year 9, at 5-year periods)									
		0	1	2	3	4	5	6	7	8	
		19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
Preferred way forward:											
Capital Costs	42.775	1.204	1.452	8.938	20.250	10.931	0.000	0.000	0.000	0.000	0.000
Lifecycle Costs	8.587	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Revenue Costs	179.787	2.961	2.961	2.961	2.961	2.967	3.000	3.000	3.000	3.000	3.000
Cash Releasing Benefits	-0.541	0.000	0.000	0.000	0.000	0.000	-0.541	0.000	0.000	0.000	0.000
Total	230.607	4.165	4.413	11.899	23.210	13.899	2.459	3.000	3.000	3.000	3.000
Funded by:											
Existing Revenue	-177.654	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961
Total Existing	-177.654	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961	-2.961
Additional Funding Req.	52.954	1.204	1.452	8.938	20.250	10.938	-0.502	0.039	0.039	0.039	0.039
Cumulative Funding		1.204	2.656	11.594	31.844	42.782	42.279	42.318	42.357	42.395	

Tudalen 196

6.5 Cost Build Up

Table 39 – Cost build up

£s	Total Cost	Years (years 9-59) same as year 8, with exception of Lifecycle costs, occurring at 5-year periods)									
		0	1	2	3	4	5	6	7	8	
		19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
CAPITAL COSTS											
New Build Capital Cost	£42.775	£1.204	£1.452	£8.938	£20.250	£10.931	£0.000	£0.000	£0.000	£0.000	£0.000
Lifecycle Cost	£8.587	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
Capital Costs Total	£51.362	£1.204	£1.452	£8.938	£20.250	£10.931	£0.000	£0.000	£0.000	£0.000	£0.000
REVENUE COSTS											
School Funding Formula	£161.912	£2.669	£2.669	£2.669	£2.669	£2.674	£2.701	£2.701	£2.701	£2.701	£2.701
Freedom Leisure Mgt. Fee	£17.875	£0.292	£0.292	£0.292	£0.292	£0.293	£0.298	£0.298	£0.298	£0.298	£0.298
Revenue Costs Total	£179.787	£2.961	£2.961	£2.961	£2.961	£2.967	£3.000	£3.000	£3.000	£3.000	£3.000
Total Costs	£231.148	£4.165	£4.413	£11.899	£23.210	£13.899	£3.000	£3.000	£3.000	£3.000	£3.000
BENEFITS											
Capital Receipts	-£0.541	£0.000	£0.000	£0.000	£0.000	£0.000	-£0.541	£0.000	£0.000	£0.000	£0.000
Benefits Total	-£0.541	£0.000	£0.000	£0.000	£0.000	£0.000	-£0.541	£0.000	£0.000	£0.000	£0.000
Cost Net Cash Savings	£230.607	£4.165	£4.413	£11.899	£23.210	£13.899	£2.459	£3.000	£3.000	£3.000	£3.000
Total	£230.607	£4.165	£4.413	£11.899	£23.210	£13.899	£2.459	£3.000	£3.000	£3.000	£3.000

Lifecycle costs incurred as follows: Year 9: £149k, Year 14: £71k, Year 19: £802k, Year 24: £416k, Year 29: £257k, Year 34: £1,786m, Year 39: £1,573m, Year 44: £2,402m, Year 49: £802k, Year 54: £179k, Year 59: £149K

6.6 Overall Affordability and Balance Sheet Impact

A balance sheet asset addition of £42,775,150 is made for the new school. Short term additional funding is required of £42,775,150 for years 0 through 4 excluding VAT, retained risks and optimism bias.

There is also an ongoing requirement for revenue funding of £32k per annum from the inception of the new build school because of the funding formula calculation. In addition to this, it is anticipated that there will be a cost increase for rates payable of £86k.

It should be noted that these formula calculations do not take account of the substantial benefits achievable through the introduction of passivhaus technologies and design standards as outlined in the economic case. While this is counterintuitive, the financial beneficiaries of these savings are at present likely to be the school and Freedom Leisure.

There is a further potential ongoing requirement to increase the management fee paid to Freedom Leisure as a result of additional requirements to manage the new 3G pitches, this has been estimated at approximately £6.6k per annum but is subject to further negotiation. These negotiations would need to consider any potential savings from the passivhaus technologies and the potential for increased footfall / income opportunities from the new facilities.

The Band B submission has been scrutinised and assessed by the Council's Section 151 Officer for affordability in light of the 65% programme intervention rate.

The Council will meet the 35% contribution required to support the overall programme in Band B through prudential borrowing.

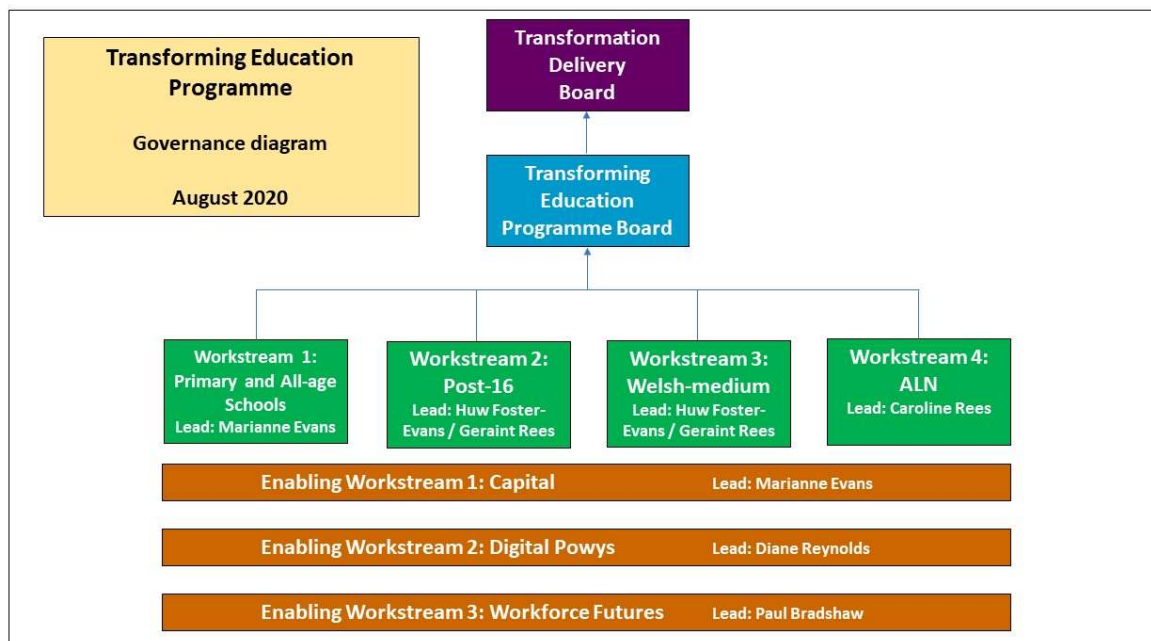
7 Management Case

7.1 Programme Management Arrangements

This scheme is a constituent of the Powys 21C Schools Programme and has been identified within that Programme as a priority. It will be managed in accordance with best practice in programme and project management principles – MSP and PRINCE2 to provide a systematic and effective delivery framework.

Overall corporate governance for this scheme is provided by the Transformation Delivery Board and the current management arrangements are set out in the diagram below

Figure 8: Lines of responsibilities



7.2 Project Management Arrangements

Table 40 – Programme Team

Name	Title	Programme Role
Dr Caroline Turner	Chief Executive Officer	Senior Responsible Officer
Jane Thomas	Head of Financial Services	Senior Supplier Finance
Marianne Evans	Senior Manager Education Services	Senior Supplier Education
Emma Palmer	Head of Transformation and Communications	Programme Lead
Betsan Ifan	Strategic Programme Manager – 21st Century Schools Programme	Strategic Programme Manager

7.2.1 Project Structure

The project will be managed in accordance with the general principles of PRINCE2 methodology. The project management team comprises the Project Board, “Project Team”, the Project Manager and the Team Managers. This “team” is responsible for the day-to-day management and implementation of the project.

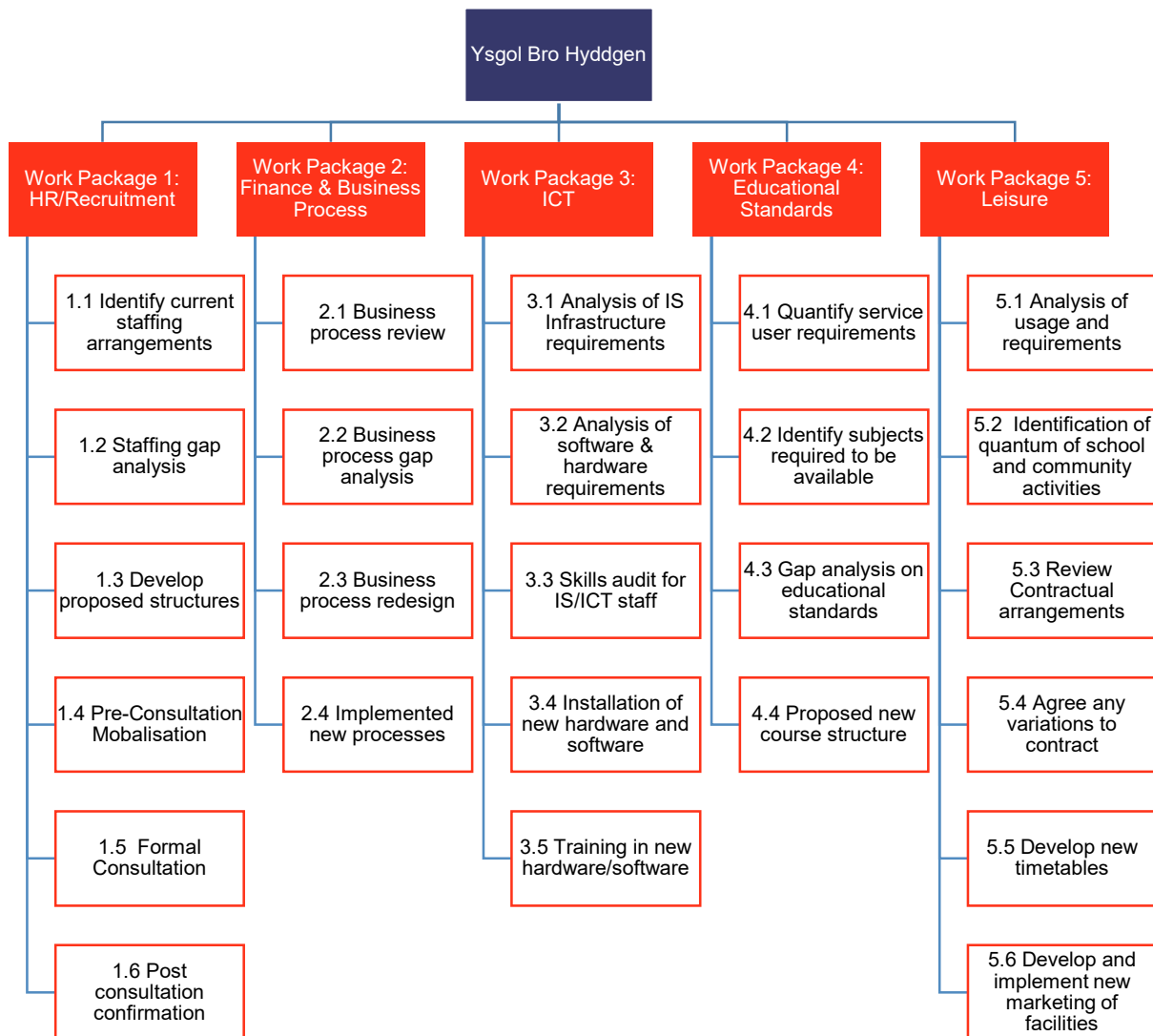
Table 41 – Project team

Name	Title	Project Role
Betsan Ifan	Strategic Programme Manager – 21st Century Schools Programme	Strategic Programme Manager and allocated Project Manager
James Chappelle	Capital & Financial Planning Accountant	Senior Supplier (Finance)
Jenny Ashton	Service Strategy & Development Manager	Senior Supplier (Leisure)
Ian Pilcher	HOWPS Senior Project Manager	Employers Agent
	IS 2 nd Line Team Leader	Senior Supplier (ICT)
May Sherman	Area Catering Manager	Senior Supplier – Catering
Vincent Goodwin	Active Travel Officer	Senior Supplier – Active travel
Neil Clutton	Professional Lead – property service	Senior Supplier – corporate property
Kay Thomas	Principal Librarian	Senior Supplier – Library services
Simon Kendrick	Principal Engineer	Senior Supplier – Highways

7.2.2 Project Deliverables

The following (abridged) product breakdown structure depicts the structure of the project:

Figure 9: Product breakdown structure



7.2.3 Outline Project Plan

Table 42 – Outline project plan

Date	Actions (commencement)
06/2020	Finalise OBC
10/2020	Submit OBC to PCC Cabinet Submit OBC to WG Re-appoint Design Team
11/2020	Finalise RIBA 4 designs for community campus
06/2021	Procurement and Appoint Design and Build Contractor
07/2021	Submit FBC to WG
08/2021	Construction Mobilisation Commence

Date	Actions (commencement)
09/2021	Commence Construction
05/2023	New School Opens

7.2.4 Benefits Realisation

The strategy, framework, and plan for dealing with the management and delivery of benefits are shown below. Benefits that will be realised may be either financial or qualitative (for example improvement in educational standards). A strategy and supporting plan for benefits clearly shows what will happen, where and when the benefits will occur. Details of who will be responsible for delivery of proposed benefits will be developed for the preferred option to be taken to Full Business Case.

The plan for benefits will be integrated into or coordinated with the project plan and will be very clear regarding handover and responsibilities for on-going operations in the changed state (where the benefits will accrue). There will be a Tracking Process, which monitors achievement of benefits against expectations and targets. The tracking process will be capable of tracking both 'hard' (e.g. cost, headcount) and 'soft' (e.g. image) benefits and operates alongside the changing operation. The progress of this plan will be reported by the Project Manager to the Project Board.

In particular the Benefits Management Strategy will be fully integrated into the programme plan and will fully address the following issues:

- That the potential benefits are clearly identified;
- That the benefits are clearly understood across the project and the various Project Teams. It is the role of the Project Manager to ensure that this is achieved;
- That benefits are placed into manageable groups:
 - Standards of Education;
 - Places, Participation and Accessibility to wider provision;
 - Standards of provision - State of art facilities and education provision;
 - Effective financial management.
- These groups will be managed individually, with responsibility falling on the Curriculum and Governance project teams to monitor and report on progress.

An example of the project benefits register is included in the table below. This table describes who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

Table 43 – Proposed Benefits Realisation Plan structure

Benefit	Improved Quality Standards & Achievement	Responsibility for Delivery
Description of Benefit	To achieve 'Excellent' or 'Good' Estyn and/or Local Authority judgements for the three Key Questions within 18 months of new school opening.	Governing Body and Headteacher, supported by Powys CC
Potential Dis-benefits		
Actions necessary to realise benefits	Regular monitoring by school and regular support from Challenge Advisor	
Timescale	May 2026	
How the benefits will be measured and monitored	Estyn actions and benchmarks	

7.3 Risk Management

7.3.1 Risk Workshop

In developing the economic case, risk workshops were held on 11th August 2016, to understand the risks associated with each of the short-listed options and to analyse the financial value of those risks. The Council's Transforming Learning and Skills agenda, particularly its intention to deliver education in 21st Century settings, will be seriously compromised if risks are not managed adequately.

All projects have an element of risk and there must be a proactive approach to risk management to balance risks against the potential rewards and plan to minimise or avoid them. It is also acknowledged that taking some amount of risk will be inevitable to the success of the project. The strategy, framework, and plan for dealing with the management of risk for the preferred option follows a PRINCE2 methodology.

The register will be a 'living document' and reviewed and amended (where required) during workshops where a risk manager will be appointed to manage the identification, monitoring, updating, control, and mitigation of project risks. The framework and plan of the risk register will involve a rated table format. The risk will be described, and the date of its identification noted. An initial risk rating will be made, and the probability and impact of the risk evaluated, followed by a residual risk rating column. The effects and impact of risk can involve elements such as environment, time, quality, cost, resource, function or safety and regular meetings will be held to review all aspects. Within the format there will also be the facility for proposals to mitigate and manage, identifying the control strategy, risk owner and the current risk status.

The risks and issues identified within this project will be cross referenced with the risks/issues held by the Programme Board so that cross cutting issues can be mitigated safely.

The first risk workshop was held on 4th July 2020, and was attended by the following:

- Marianne Evans – Senior Manager Education Services
- Betsan Ifan – Strategic Programme Manager 21st Century Schools;
- Ian Pilcher – Heart of Wales Property Services;
- Mike Hughes – CPC;
- Laurence Darley – CPC.

In addition to the scoring of the risks for each of the short-listed options, a strategy for on-going risk management was developed and is explained within the following section.

As part of the initial workshop risks were identified, categorised, and scored in terms of probability 1-4 with 4 being the most likely to occur and impact 1 – 4 where 4 is the most severe.

Mitigating actions undertaken to date were also included, as were the perceived mitigating actions along with an assigned owner for the risk as the project progresses. At this point it was decided that the top 10 most likely risks where a financial assessment was achieved would be included in the Economic case. This approach underpins the risk management strategy for the Council and, as such, has been incorporated as a standard approach across all project.

7.3.2 Risk Identification

Risk identification can occur at all levels of the project, whether from the project teams or the project manager regarding the sub-elements of the project or from the Programme Board (where external risks are identified). Initial risks will be identified through structured workshops attended by the relevant experts and these risks will be captured in a formal risk register document.

When a risk is identified, the project manager will be responsible for evaluating each risk in terms of the likelihood and impact. The project manager will also enter this information onto the risk register and assign a risk owner who will update the project manager on the status of the risk including the results of mitigating actions.

7.3.3 Risk Analysis and Mitigation

It is acknowledged that risks will change as the project develops and for that reason the risk mitigation strategy will be fundamental to the success of the project undertaken by the authority. A risk mitigation strategy refers to the additional efforts, if any, that must be taken by

management to lower the likelihood of the risk occurring and/or to minimise the impact on the programme if the risk did occur. While risk can never be eliminated, it can be managed and mitigated to lessen the likelihood and or impact of the risk on the programme. The process proposed by the authority will include:

- Roles and responsibilities for developing, implementing, and monitoring the strategy;
- Timelines;
- Conditions present for the risk level to be acceptable;
- Resources required to carry out the planned actions;
- Managers responsible for the various areas of the project will need to routinely monitor or review the status of risks. This will be achieved by:
 - Reporting on risk areas along with performance;
 - Developing risk indicators to monitor the status of risks, particularly for those areas of the project which are complex or seen as risky initiatives.

Risk management will be fundamental to the management of the project and as such, the project risk register will be reviewed on a weekly basis by the project manager. All risks arising from the project teams will be sent to the project manager for evaluation. The total risk score for each risk will be calculated by multiplying the probability score (between 1-4 with 4 being certain) and impact score (between 1-4 with 4 being project failure) and all risks scoring 8 and above will be referred to the Project Board for decision. The risk tolerance line for the project is illustrated in the following table.

Figure 10: Risk Tolerance Profile

Probability	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact			

A risk register will be developed to be updated by the project manager. The register includes details of the responsible owner and the required mitigation action for the risk.

7.4 Change and Contract Management

The main aim here is to manage proposed changes to the culture, systems, processes, and people working to establish the best option for the council. Change management is not about the provision of the best option but instead focuses on those actions that are necessary to make the best option a working success. The specific actions noted below will come under the overall control of the project board.

Managers responsible for the key areas will adopt appropriate project management disciplines to meet specific responsibilities. The individual activities may be projects or be work streams within the overall project.

Planning has been developed for all activities within this change management process through the identification of key outcomes and actions required to ensure successful delivery. Timescales for carrying out such actions, the resources required, and where required, the need for additional resources, have also been determined.

7.5 Gateway Reviews

The Council confirm that it is prepared to complete a Gateway review of the programme at Welsh Government convenience. Further Gateway reviews will be undertaken at each RIBA stage during the remaining life of the programme.

7.6 Post Project Evaluation

The outline arrangements for Post Implementation Review (PIR) and Project Evaluation Review (PER) have been established in accordance with best practice and are as follows.

7.6.1 Post Implementation Review (PIR)

These reviews ascertain whether the anticipated benefits have been delivered and are timed to take place a year post construction, i.e. September 2025.

7.6.2 Project Evaluation Reviews (PERs)

PERs appraise how well the project was managed and delivered compared with expectations and are timed to take place one-year post construction, i.e. September 2025.

7.7 Contingency Plans

In the event of project failure, the existing schools will continue to operate until such time that the project can be righted.

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21st Century Schools and Colleges Programme business case guidance



Guidance

Guidance document no: 264/2020

Date of issue: September 2020

Replaces guidance document no: 227/2018

Tudalen 209

21st Century Schools and Colleges Programme business case guidance

Audience

This guidance is aimed at local authorities, further education institutions, diocesan authorities, and higher education institutions.

Overview

The guidance and templates will assist those developing business cases for consideration by the Education Directorate.

Action required

The guidance should be used when preparing business cases for capital funding from the 21st Century Schools and Colleges Programme.

Further information

Enquiries about this document should be directed to:

Education Business Planning and Governance

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Additional copies

This document can be accessed from the Welsh Government's website at gov.wales/21st-century-schools-programme

Related documents

21st Century Schools and Colleges Programme business case template (2020)

Guidance for community benefits (2018)

Publicity guidance for 21st Century Schools and Colleges Programme projects (2020)

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5. Project monitoring and evaluation	30

The following annexes are provided separately and are not within this document:

Annex 1: Business Case template

Annex 2: Strategic outline programme (SOP) revision template

Annex 3: Programme benefits table

Annex 4: Options framework – worked example (SOC stage)

Annex 5: School project benefits table

Annex 6: Further education project benefits table

Annex 7: Options appraisal template (worked example)

Annex 8: Options appraisal template (blank)

Annex 9: Size and cost standard

Annex 10a: OBC Project cost template

Annex 10b: FBC Project cost template

Annex 11: Project information proforma

Annex 12: Community benefits – project information proforma (guidance and worked example)

Annex 13: Closing report template and guidance

Annex 14: Funding forecast

Annex 15: Variation form

1. Introduction

1.1 Context

The 21st Century Schools and Colleges Programme is delivered by the Welsh Government in partnership with local authorities, further education institutions and dioceses.

Welsh Government has developed this guidance to illustrate the specific business case requirements of the Programme.

This guidance should be read in conjunction with HM Treasury's [Green Book](#) and [Public sector business cases using the five case model: update guidance](#).

1.2 21st Century Schools and Colleges Programme background

The first wave of investment, (Band A) of the 21st Century Schools and Education Programme, represented a £1.4 billion investment over the five year period ending 2018/19. All 22 local authority areas have benefitted from this major infrastructure programme, which has supported the rebuild and refurbishment of over 150 schools and colleges.

The second tranche, (Band B) began in April 2019 and was expanded to include further education colleges and renamed 21st Century Schools and Colleges Programme. This Programme will see a further £2.3 billion investment in school and college infrastructure. In order to support the deliverability and affordability of deliver partners' individual programmes, the Welsh Government grant intervention rate for capital schemes is now 65% of their cost.

Voluntary Aided and faith schools will receive a grant intervention rate of 85%.

In addition, to support facilities for pupils with additional learning needs and those in pupil referral units, the Welsh Government intervention rate will increase to 75% for capital schemes, with delivery partners meeting the remaining 25% of the costs.

Educational transformation will remain a vital outcome of our investment in Band B of the Programme. We also recognise that that it is hugely important that we address the condition of our school and college buildings. Therefore the two key priorities of Band B are:

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
- Provide the right number of places for the delivery of:
 - Welsh medium education
 - English medium education
- Addressing sufficiency issues where relevant.

- Working towards Net Zero Public Sector Buildings in line with Welsh Government Carbon Reduction Commitments.

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 including (but not solely) access to support services and programmes which promote community resilience and contribute to tackling poverty 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.

Specifically:

- Are the schools or colleges affected in poor condition?
- Do the plans contribute to sufficient efficient provision?
- Do the plans result in enhanced use by the community?

The reasoning behind this is to ensure that our educational infrastructure is of an acceptable standard. Where there are identified educational needs (e.g. low school banding) this will be picked up as part of the investment and necessary improvements made as a condition of funding.

In all cases, individual projects within the programme will be assessed on:

- Extent of the strategic fit with national, regional and local priorities
- Value for Money
- Deliverability (affordable and timely)
- Affordability.

Given our challenging economic environment, it is important that funding from all sources is considered. Band B will be funded through a combination of capital and revenue funding. For Band B of the 21st Century Schools and Colleges Programme, Welsh Ministers have confirmed that, in addition to the capital funding available for the programme, there will be a revenue funding stream that will enable investment of around £500 million, using the Mutual Investment Model. This revenue-investment is intended to boost the amount of resource we have available to support school and college infrastructure.

For projects wishing to use the Mutual Investment Model, or who need further advice on how to use this guidance for Mutual Investment Model projects please e-mail MIMMailbox@gov.wales

All submitted Business Cases are underpinned by a Strategic Outline Programme (SOP), which provides an overarching view of individual local authority / further education institution strategies. Individual projects can then be approved subject to receipt of a satisfactory Business Case.

For projects over £5 million, Business Cases are submitted in three stages:

- Strategic Outline Case (SOC)
- Outline Business Case (OBC)
- Full Business Case (FBC)

For smaller projects less than £5 million in value the SOC, OBC and FBC are replaced by a single document, the Business Justification Case (BJC).

1.3 Changes to process

Following feedback we have reduced the need to repeat information already included at previous business case stages unless they have changed.

We operate on a principle of continuous improvement, and welcome your comments on this guidance. We anticipate review of this guidance on a biennial basis.

1.4 Process overview

All Business Cases will be based on the five key areas that underpin the Better Business Case Process (Five Case Business Model).

Strategic Case	<p>How does the proposal fit strategically with government/local priorities?</p> <p>What is the case for change and are there clear SMART investment objectives?</p>
Economic Case	<p>What are the options for delivering the investment objectives and which one optimises value for money?</p>
Commercial Case	<p>How can a deal be done with delivery agents?</p> <p>What are the procurement strategy and the commercial arrangements for the proposed investment?</p> <p>What is the Community Benefits plan?</p> <p>Has the Project Bank Accounts policy been considered? Will a Project Bank Account be used or have compelling reasons not to use one been identified?</p>
Financial Case	<p>Is the proposal affordable?</p> <p>What are the sources of match funding and what is the accounting treatment of the investment?</p>
Management Case	<p>How will the successful delivery of the scheme and whole life benefits be managed?</p>

These five areas are examined at different stages of the business case process.

- The **SOC** will focus on the strategic justification (Strategic Case), investment objectives for the project (Strategic Case), the reasoning behind reduction of the long list to a short list of options (Economic Case), the outline cost of the project (Financial Case) and the proposed management structure (Management Case).
- The **OBC** will focus primarily on the commercial strategy (Commercial Case), the detailed analysis of the options appraisal and benefits (Economic Case), details of match funding and profile of spend (Financial Case). The Strategic Case will only be revisited if it has changed since agreement to the SOC.
- The **FBC** will solely focus on the tendered costs unless anything has changed since agreement to the OBC.
- For smaller projects, the **BJC** covers all of these areas in a single iteration.

In certain situations, it may be possible to combine Business Cases, and submit a joint SOC/OBC or a joint OBC/FBC. This is appropriate for Business Cases that are relatively straightforward (i.e. not contentious, like for like replacements etc.) or lower value investments.

Additionally, we will be working closely with local authorities to ensure that Pupil Referral Units (and other EOTAS settings where appropriate) are considered in their Band B bids.

2. Application process

2.1 Background

Business cases map to the stages of development of your project and provide break points that enable key decisions to be made.

Because of the different decisions being made at each stage, different levels of information are required to support the case.

To reflect the different information requirements, templates have been created that ask key questions that will allow us to gather the appropriate information for each stage of the process.

All relevant information should be contained in the body of the document. With the exception of the Option Appraisal Template, Project Benefits Table, Project Cost Template, Project Information Proforma and Funding Forecast which are to be attached as appendices, any other annexes / appendices will be disregarded. Business cases should also be page numbered.

2.2 Strategic Outline Programme (SOP)

SOPs have been devised to assist the development and agreement of programmes in support of an agreed strategy/strategies. This document captures the purpose of the investment at a strategic level.

Although this guidance predominantly deals with SOC, OBC and FBCs, there may be occasions where it is necessary to amend your SOP to reflect a change in direction or an identified need for an increase or decrease in resources.

The process for such a change is as follows:

- Raise the issue with the appropriate Welsh Government contact:
 - Programme Director
 - Head of Capital Funding
 - Head of School Reorganisation
 - School Reorganisation Manager
- Submit a form that explains the purpose for the change and the implication to objectives, options and funding. Please refer to **SOP Revision Template (Annex 1)**.
- This application will be considered by the Education Directorate's Investment Panel and any recommendation for approval forwarded to the Minister for Education for final approval.

You will also be required to complete a **Programme Benefits Table (Annex 3)** to identify the current position and the impact that your different options will have.

2.3 Strategic Outline Case (SOC)

At an early stage, the main purpose of the SOC is to:

- establish the need for investment
- appraise the main options for service delivery
- provide a recommended or preferred way forward for further analysis
- prepare and appraise the long list of options within the economic case
- recommend a preferred way forward together with indicative costs, for more detailed analysis within the OBC.

In practice, this entails building on local and governmental strategy documents to make the case for change within the strategic case. For example, alignment with:

- The Wellbeing of Future Generations (Wales) Act 2015
- Taking Wales Forward
- Welsh Language policy
- Child Poverty Strategy
- Qualified for Life
- 30 hour childcare offer
- Infant class size capital grant
- Welsh in Education Strategic Plans (WESP) – it is really important that your plans align with the WESP for your area. Please highlight how you will meet local needs for Welsh medium provision/ expand/ move along the continuum.
- Local Development Plans
- Pupil numbers

Please note that the SOC should be prepared in accordance with best practice guidance provided in [HM Treasury's Green Book](#).

During Band A the programme operated a two-stage process of funding so that some eligible activity costs incurred at OBC stage could be released following Ministerial approval. For Band B this practice has been extended so that payments can be made at both SOC and OBC stage to enable improved delivery of the programme.

Eligible activity costs could include:

- Cost of site surveys including ecology
- Acoustics
- Ground investigation
- Pre-construction costs such as design fees, planning, project and cost management.

2.3.1. Executive summary

This should be a concise summary of your findings. It should cover the following:

- What do you want to do?
- What is the estimated cost?
What is the proposed completion timeframe?
- Why do you need to do it?
- What will it achieve in terms of benefits to condition, capacity and reduction of maintenance costs?

Have you considered the guidance in the School Organisation Code? Do you need to carry out consultation and publish a statutory notice? If so could will this affect your timescales?

2.3.2 Strategic case

This is one of the most important components of this document and should clearly identify the following:

- Strategic Fit
- Case for change

Please refer to **Business Case Template (Annex 1)** for full list of questions to be addressed under Strategic Fit and Case for Change.

2.3.3 Economic case

The Economic case draws heavily from [HM Treasury's Green Book](#).

At each stage of the business case process, you will be required to complete a **School or Further Education Project Benefits Table (Annexes 5 and 6)** to identify the current position and the impact that your different options will have.

The purpose of the Economic Case at the SOC stage is to identify your long list of options and reduce it down to a short list.

To do this, it is important to identify the critical success factors. These might typically include:

- Do the short-listed options fit with local / national strategies?
- Do they provide good value for money?
- Are the options deliverable?
- Are the options achievable in the timeframe?
- Are the options affordable?
- Are the options socially/politically acceptable?
- Do they provide better outcomes for learners?
- Do they enable resources/facilities such as sports facilities and pitches to be used by the local community thereby helping to improve sustainability?
- Do they support different styles of teaching and learning?
- Do they support pupil wellbeing and provide better outcomes for learners, including disadvantaged pupils?

Each option should be assessed against both the investment objectives and critical success factors and carried forward or discounted as appropriate. The Value for Money assessment should consider, in so far as possible, on-going operational costs such as the requirement to provide free transport to pupils on grounds of distance or lack of safe walking routes.

It is useful to address these questions in a workshop. Attendees should represent the groups affected by the project, as well as members of the project team. It is important that you note who attended the workshop held to generate the long list of options and record when the workshop was held.

As a minimum, each option should include:

- a brief description of the option;
- a recording of each option's advantages and disadvantages;
- a recording on the conclusion reached in respect of the option;
- the reasoning behind any decision made, particularly when an option is discounted.

In terms of the generation and analysis of your long list of options, the options framework enables consideration of a wide range of options and provides a methodology to develop a short list of options for further analysis at OBC. The short list of options should **always** include a 'status quo'/do minimum' option.

The options framework comprises:

- Scope (coverage: who, what, where etc.)
- Service Solution (how: technical)
- Service Delivery (who: provider)
- Implementation (when: phasing & time)
- Funding (how: £)

Please refer to **Options Framework – Worked Example (Annex 4)**

At this point, a brief analysis should be undertaken around the indicative economic costs of the shortlisted options; remember to adopt a proportionate approach and make allowances for optimism bias.

This work should enable identification of a preferred way forward at this time, subject to more detailed analysis in the OBC.

2.3.4 Commercial case

This part of the business case must

- Identify your proposed procurement route. Compliantly tendered arrangements that offer opportunities for Wales based contractors will be favoured e.g. use of a regional framework such as SEWSCAP, South West Wales Regional Contractor Framework (SWWRFCF) or North Wales Construction Partnership construction framework for schools and public buildings or via a separate OJEU Procurement route.
- Identify your Community Benefits (CB) approach and objectives if they are known at this stage, including but not limited to a statement on how clients will promote
 - sub-contract opportunities for Wales based businesses and
 - supply of Welsh or UK sourced steel on projects where steel is a major component;
 - Employment and training opportunities for disadvantaged persons especially where projects are in areas of high deprivation and joblessness in Wales
- Confirm the project will capture CB outcomes / results via the Community Benefits Measurement Tool and report these to Welsh Government's Value Wales via the CB mailbox CommunityBenefits@gov.wales
- Confirm that a Project Bank Account will be applied or details of the compelling reasons for not doing so, in line with Project Bank Accounts policy.
- Confirm that were a Project Bank Account is to be used that the requirement will be term of contract.

2.3.5 Financial case

At this stage only limited information is needed. You should:

- identify the estimated cost of the preferred way forward broken down over financial years by submitting a **Funding Forecast (Annex 14)** identify how this will be funded.

Is the project part of batch procurement? If not, what consideration has been given to this approach? Has the financial loss of not adopting this approach been assessed?

Please note that Welsh Government applies strict cost and size parameters to the capital value of projects within Band B of the Programme in order to maximise value for money and ensure that as many students as possible benefit from a 21st Century learning environment.

Therefore, and learning from the lessons of Band A, Welsh Government will provide funding for Band B capital funded projects to a maximum of 65% of an all-inclusive cost per square metre (m²). This is set at £2,775 per m² (2019) multiplied by the recommended maximum area set by BB98/99. Welsh Government have adopted this formula to create an overall project cost as we believe it is based on a generous interpretation of average market rates and have noted that many excellent school facilities in Wales and elsewhere in the UK have been successfully delivered for an all in project cost of considerably less than this figure. These area and cost parameters should also be used when working out the notional equivalent capital cost of MIM schemes in the first instance.

It is important that any significant likely abnormal costs are flagged at SOC stage where possible in order for this to not add any additional delay to the approval of your business cases.

Please refer to **Cost and Size Standard (Annex 9)** for a full list of what is included in project costs and what would be considered as abnormal costs.

2.3.6 Management case

This should explain the governance of the scheme and how it is an integral part of the local authority/further education institution 21st Century Schools and Colleges Programme. It should also explain how the project will be managed within the local authority/further education institution, the resources required and the risks to delivering the projects and how they will be managed.

For example:

“The following arrangements will be put in place to ensure the successful development of the scheme and production of the OBC.

The project will be managed in accordance with Prince2 methodology.

Any assurance e.g. Gateway Review, which has been undertaken on the programme, in conjunction with agreement to the SOP. The consequent actions are as follows... The Milestone activities are as follows.....”

It would be useful to also include references to early plans/proposals for benefits realisation or evaluation.

2.4 Outline Business Case (OBC)

The main purpose of the OBC is to:

- revisit the SOC, highlighting any changes or confirm there are no changes
- establish the option which optimises value for money
- outline the deal and assess affordability
- demonstrate that the proposed scheme is deliverable.

In practice, this entails:

- updating the strategic case if appropriate
- undertaking investment appraisal within the economic case
- completing the commercial, financial and management cases, with supporting benefits and risk registers.

Sign off of the OBC provides agreement that a tender process can now take place.

By OBC stage, you will have already undertaken site investigation and incurred design and management costs.

At the point that your OBC is signed off, you will be entitled to claim for eligible costs incurred to date.

A Project Cost Template (PCT) should be completed and submitted with the OBC submission. The PCTs are used by Welsh Government to ensure alignment with the 21st Century Schools Cost and Size Standard.

Please refer to **Project Cost Template (Annex 10a)**. For full list of what to include within the OBC, please refer to **Business Case Template (Annex 1)**

2.4.1 Executive summary

This should be a concise summary of the proposal.

2.4.2 Strategic case

At OBC stage it may be necessary to note any changes to the Strategic Case since SOC stage.

2.4.3 Economic case

At OBC stage it is vital that a convincing and comprehensive Economic Case is provided.

At each stage of the business case process, you will be required to complete a **School or Further Education Benefits Table (Annexes 5 and 6)** to identify the current position and the impact that your different options will have.

Short-listed options

Restate the shortlisted options as identified in the SOC. Any changes should be highlighted.

The economic appraisal should provide an overview of the main costs and benefits associated with the shortlisted options. This will be supported by the detailed financial analysis. Please see **Options Appraisal Template – worked example (Annex 7)** and **Options Appraisal Template – blank (Annex 8)**.

Information around costs and exclusions are included in the HM Treasury Green Book Guidance on Options Appraisals. The economic analysis focusses on value for money and should:

- use constant (base year) prices
- include opportunity costs
- include all quantifiable costs, benefits and risks to both organisation and wider society
- include environmental costs; make allowances for optimism bias
- exclude all Exchequer ‘transfer’ payments – for example, VAT
- exclude general inflation
- exclude sunk costs
- exclude depreciation and capital charges.

A new build school or college should be assessed over a **sixty** year period. Refurbishment of a school or college should be assessed over a **thirty** year period.

As well as the quantifiable costs and benefits, an analysis of qualitative benefits should also be included. This should be undertaken by identifying the benefits criteria relating to each of the investment objectives. The method used is as follows:

- weight the relative importance (in %) of each benefit criterion in relation to each investment objective
- score each of the short-listed options against the benefit criteria on a scale of 0 to 9
- derive a weighted benefits score for each option.

The results of this analysis should also be summarised together with the reasoning behind the weighting and scoring of benefits. Aim to include independent participants in the analysis to ensure that decisions are as objective as possible and not biased by a preference for a particular solution.

While the assessment of qualitative benefits is important, it is critical that the quantitative (essentially NPV or NPC results) and qualitative (weighting and scoring) analyses “**complement each other**” (Green Book, page 38). If they suggest different options should be pursued, then the Green Book suggests further analysis is undertaken before the preferred option is identified.

Benefit Criteria and Weight	Option 1		Option 2		Option 3		Option 4	
Raw (R) and weighted (W) scores	R	W	R	W	R	W	R	W
Benefit Criteria 1								
Benefit Criteria 2								
Benefit Criteria 3								

Benefit Criteria 4								
Benefit Criteria 5								
Total								
Rank								

Risk appraisal – Qualitative (unquantifiable)

The risks associated with the scheme must be identified, prioritised and appraised in all instances.

In the case of significant, new and/or high value investments, the risks should be quantified in £s and included in the economic appraisals ('cost of risk retained'). In the absence of risk measurement (in £s), a sum should be included for optimism bias. All other risks: those that are unquantifiable in £s, should be appraised as shown below.

In the case of medium and small sized schemes, it may suffice at this stage to weight and score the risks for each option and to rank accordingly, see below.

Whatever the approach, a sum must be included for optimism bias in the economic appraisals.

Ideally, the risks should be quantified (in £s) in all cases and the unquantifiable risks assessed as outlined below. In most instances, you will find the service risks associated with the design, build and operation features of the scheme fall in the former category, while associated business risks fall into the latter. External environmental risks, for example, inflation, may be ignored for the purposes of this appraisal, given that they are common to all options.

Risks in respect of each of the options should be recorded and scored.

Following the three elements of analysis: Economic, Benefits and Risk, a summary table should be produced.

Evaluation Results	Option 1	Option 2	Option 3	Option 4
Economic appraisals				
Benefits appraisal				
Risk appraisal				
Overall Ranking				

The conclusion should then be reached that the preferred option is 'X' and provide reasons.

Sensitivity analysis

It is important that the sensitivity of the preferred option is tested through:

- 'switching values'
- scenario planning / analysis ('what if') by altering the values of the 'uncertain' costs and benefits to observe the effect on the overall ranking of options.

The results of this testing should be recorded in the OBC and whether this has changed the preferred option ranking.

2.4.4 Commercial Case

This section of the OBC outlines the proposed deal in relation to the preferred option outlined in the economic case. It should also revisit the SOC Commercial case to re-iterate or elaborate on

- The procurement route to be taken
- Community Benefits approach / plans and objectives if known at this stage
- The commitment to use Project Bank Account that the requirement will be made a term of contract

2.4.5 Financial case

The purpose of this section is to set out the financial implications of the preferred option by financial year (as set out in the economic case section) and the proposed deal (as described in the commercial case).

As the Welsh Government is paying for 65% of the project, it is important that we are confident that the remaining 35% of the project is affordable. Welsh Government contribution will be capped and local authorities and further education institutions will be expected to deliver within this budget.

At this point in the project development, local authorities and further education institutions should identify the sources of match funding and confirm that these are signed up to by the relevant parties in the local authority / further education institution.

For example:

Capital Receipts: Have these been received? Are they ring fenced for the project? If the asset is not yet sold, what is the basis of valuation? When will the money from the sale be received? Will the timing of any sale impact on the project cash flow?

Capital Funding: Has this been signed up to by the Cabinet / Board? If so, when was this meeting? If not, when will this proposal go before the Cabinet / Board for sign up? Include minute details.

Prudential / Other Borrowing: Has the borrowing been secured? Has a revenue stream been identified to fund the borrowing? Has a sensitivity analysis been carried out to ensure that the borrowing is affordable if any circumstances change?

Savings achieved through school reorganisation: Have the relevant consultations been undertaken to achieve the proposed reorganisation? Has the Cabinet/Board confirmed that they are happy to ring fence this released revenue for the purpose of funding the project? If so, on what date was this confirmed?

Will the project generate revenue costs or savings?

In all cases, capital charges, VAT, and the cost of risk (any contingency or allowance for risk adjustment and optimism bias) should be shown separately. For Voluntary Aided and further education institutions, there are VAT implications for capital investment and HMRC guidance should be sought to ensure that the full cost of the project is reflected in the application.

You will need to detail the cash-flow showing the impact of the capital spend, revenue savings and any interest repayments.

It should also be made clear who the created asset belongs to. For example, will it sit on the Balance Sheet of the local authority or another party?

Please include an updated **Funding Forecast (Annex 14)** in your OBC.

2.4.6 Management Case

This section of the OBC addresses the 'achievability' of the scheme. Its purpose, therefore, is to build on the SOC by setting out in more detail the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

This section should include confirmation that the project will be managed in accordance with PRINCE 2 methodology, details of the reporting organisation and structure for the project, details of project roles and responsibilities, and an overview of the project plan with milestones. This should explain the governance, project management and resources pre, during and after procurement.

The description of the project structure should include a structure chart for assessors to better understand roles and reporting lines.

It is also important that this case provides the outline arrangements for contract management; benefits realisation, risk management and monitoring and evaluation.

It should also provide details of land ownership, statutory consultation and outline planning.

The Gateway Review Process should also be referenced, along with confirmation that any recommendations are actioned.

2.5 Full Business Case (FBC)

The FBC is submitted following procurements, but prior to contract signature.

The main purpose of the FBC is to evidence that the most economically advantageous offer which matches the strategic case or preferred option is being procured and that it is affordable and deliverable. In addition, the FBC explains the fundamentals of the negotiated deal and demonstrates that the required outputs can be successfully achieved.

In practice, this entails:

- reviewing the strategic and economic cases and updating details in the Commercial case to reflect the procurement phase
- completing the Commercial Case to record the preferred service provider's offerings
- updating any changes to the Financial Case and putting in place robust governance and management arrangements for delivery of the project and resources

- confirming that costs have not changed since OBC stage and that the parties paying for the scheme have confirmed that risk transfer remains the same.

A Project Information Proforma should be completed and submitted, along with an updated Project Cost Template, with the FBC submission. The Project Information Proforma captures details of the project including costs and benefits which feeds into the finalised grant letter issued for signature.

Please refer to **Project Cost Template (Annex 10b)** and **Project Information Proforma (Annex 11)**.

2.5.1 Executive Summary

This should be a concise summary of the proposal and be updated to include the finalised position.

2.5.2 Strategic Case

Please refer back to the SOP, SOC and OBC, noting any key changes since the production and approval of these documents.

2.5.3 Economic Case

As this section has been covered in detail at OBC stage, there is no need to restate the case in detail, although highlight any important changes and consider whether or not the changes might materially impact upon the ranking of the options achieved at OBC, and record your conclusions.

At each stage of the business case process, you will be required to complete a **School or Further Education Benefits Table (see Annexes 5 and 6)** to identify the current position and the impact that your different options will have.

2.5.4 Commercial Case

This section of the FBC sets out the negotiated arrangements and includes a description of the required services and risk transfer agreements. This section should also detail

- The procurement route that will be or has been used to appoint a contractor
- Community Benefits plan and specific objectives e.g. number and type of employment and or training opportunities; target groups for those opportunities; arrangements to ensure sub-contract opportunities will be open to Wales based businesses etc.
- The Project Bank Account plans or arrangements e.g. confirming that the PBA requirement will or has been made a term of contract; confirming the bank who will or has been chosen to service the PBA and how the PBA payments will be authorised – Joint or Sole account and that the PBA will be set up with reference to the minimum requirements for such an account as per [Annex 1- Minimum requirements for a PBA product page 15 of the *Guidelines for deploying Welsh Government Project Bank Account Policy – December 2017*](#)

2.5.5 Financial Case

The purpose of this section is to set out firm financial implications of the contracted solution. This should contain finalised financial arrangements. As the Welsh Government is paying for 65% of the project, it is important that we are confident that the remaining 35% of the project is affordable. This case should therefore confirm the sources of match funding. For example:

- Capital Receipts: Confirmation that these have been received and ring fenced for the purpose of the project. For any receipts not realised, assurance should be made around the timing and amount of the receipt.
- Capital Funding: Evidence of commitment by the Cabinet / Board should be provided.
- Prudential / Other Borrowing: Evidence that borrowing is secured and a revenue stream identified to cover repayments should be provided.
- Savings achieved through school reorganisation: Evidence of commitment by the Cabinet / Board should be provided.

Costs of the project should be broken down as per the OBC, but updated to show greater detail and finalised costs per financial year following negotiation of contract.

Please include an updated **Funding Forecast (Annex 14)** in your FBC submission.

2.5.6 Management case

This case should include final arrangements for project management, benefits realised, risk register, contract management and Gateway Reviews.

For full list of what to include within the FBC, please refer to **Business Case Template (Annex 1)**.

2.6 Business Justification Case (BJC)

The BJC is reserved for projects below £5 million in total.

For full list of what to include within the BJC, please refer to **the Business Case Template (Annex 1)**.

2.6.1 Purpose

State clearly what the business justification is in support of: typically – “*this is to seek approval of ... for £ ... on ... in support of ...*”

2.6.2 Strategic context

Please provide an overview of the context within which the investment will be made. In other words, the strategy, work programme, service, project or operation, which the investment supports.

2.6.3 Case for change

Business needs

Please provide the compelling reasons for investment in the required services or assets, with reference to:

- the investment objectives for the procurement
- the problems with the status quo.

Benefits

Please provide a summary of the **main** benefits associated with the investment, distinguishing between qualitative and quantitative; cash releasing and non-cash releasing; direct and indirect to the organisation, as appropriate.

At each stage of the business case process, you will be required to complete a **School or Further Education Benefits Table (Annexes 5 and 6)** to identify the current position and the impact that your different options will have.

Also highlight how you would seek to maximise the Community Benefits policy, including priorities you wish to address such as targeted recruitment and training. Please detail any targets set, the approach to be taken (core, non core or both), confirmation you will require the successful contractor to complete a Community Benefits Measurement tool and management and delivery of such outcomes.

Risks

Please provide a summary of the **main** risks associated with the investment, distinguishing between business and service risks during the design, build and operational phases of the project, as appropriate.

2.6.4 Available options

Please provide a description of the main options (or choices) for investment, together with their relative advantages and disadvantages (a SWOT analysis).

Please bear in mind:

- That a minimum of **four options** should be considered, including the 'do minimum' or 'status quo' (unless there are compelling reasons to the contrary)
- That these options may differ in potential business scope, service solution, service delivery, implementation and funding, depending on the nature of the investment
- That the investment appraisal for each option should be contained as an appendix and prepared in accordance with the tools and techniques set out in the Capital Investment Manual and HM Treasury Green Book.

Preferred option

On the basis of the above, please:

- State why the recommended option optimises value for money (VFM)
- Describe the services and/or assets required.

2.6.5 Procurement route

Please state how the asset or service will be procured in compliance with the EU directives, Public Contract Regulations 2015 and Welsh procurement policy as outlined in the [Wales Procurement Policy Statement](#) with particular reference to:

- Community Benefits plans and use of the Community Benefits Measurement Tool for projects of over £1m
- Use of a Project Bank Account in line with Welsh Government policy i.e. where the net* project value is over £2m and the project is over 6 months duration

*Net project value – is the value excluding VAT, insurance and other costs / overheads that do not affect the supply chain. Clients may therefore exclude preliminary / design stage costs when assessing whether a project / contract meets the £2m threshold. Why the focus on 'net value'? - The primary purpose of a PBA is to safeguard sub-contractors who may be exposed to cash flow risk, hence the focus on the value of the construction element of projects as this is where the main risk to sub-contractors arises.

This may involve the use of an existing contract, a call-off contract or framework agreement, or the requirement for a new procurement under the above ensuring that Wales based businesses have opportunities to bid.

2.6.6 Funding and affordability

Please indicate:

- The capital and revenue costs of the proposed investment
- How the investment will be funded
- Any affordability gap that Welsh Government funding is sought for.

Please complete **Project Cost Template (Annex 10b)**, **Project Information Proforma (Annex 11)** and updated **Funding Forecast (Annex 14)** in your submission.

2.6.7 Management arrangements

Please indicate how the investment will be delivered successfully with particular reference to:

- Project management arrangements
- Business assurance arrangements
- Benefits realisation monitoring
- Risk management
- Post project evaluation
- Contingency plans

3. Assessment process

The Business Case assessment process undergoes a three stage process.

- Business Case Scrutiny Group
- Education Investment Panel, attended by Deputy Directors from the Education Directorate
- Sign-off by the Minister for Education.

3.1 Business Case Scrutiny Group

Meetings take place on a bi-monthly basis, and are typically scheduled for the middle of the month. Cases must be received two weeks before this date to ensure that adequate time is given for Group members to assess the cases.

The Group is attended by policy leads and technical experts from across Welsh Government. In particular, the group looks at the cases and assesses for consistency with Welsh Government strategy, the ability to deliver, a robust economic case, commercial strategy and affordability.

Where the Group identifies an issue that is likely to impact on the ability of the Investment Panel to make a decision, further information sought from the local authority / further education institution via an addendum.

3.2 Investment Panel

This group also meets on a bi-monthly basis, with meetings scheduled on alternate months to the Business Case Scrutiny Group. This means that any issues identified through the Business Case Scrutiny Group must be addressed before the Investment Panel meeting.

The Investment Panel reviews cases and take into account findings from the Business Case Scrutiny Group.

Cases not approved by the Panel are referred back to delivery partners for more information.

3.3 Ministerial approval

Those cases recommended for approval by Investment Panel are referred to the Minister for Education and a formal decision sought.

Delivery partners need to make the 21st Century Schools and Colleges Team aware of any variations to approved projects. These changes are then considered by the Investment Panel and the Minister of Education. Please complete and submit a **Variation Form (Annex 15)**.

4. Project approval process

4.1 Grant letter

Following approval of an OBC, eligible costs incurred in relation to site investigation and design and management fees may be reclaimed.

A grant letter will be issued that specifies the amount that can be claimed at this point.

All grants issued during this point in the development of the project are subject to clawback should the project not be approved at FBC.

4.2 Conditions

There are a number of specific grant conditions that local authorities and further education institutions need to be aware of when submitting business cases. These are summarised below.

4.2.1 Community benefits

In line with the Welsh Government aim of developing a vibrant Welsh economy capable of delivering strong and sustainable economic growth and tackling poverty, it is important that the significant infrastructure delivered through the 21st Century Schools and Colleges Programme maximises the opportunities available. The Community Benefits policy is a way to lever social, economic and environmental outcomes through public procurement. The policy enables public bodies to use procurement to implement contract clauses and conditions that deliver sustainable outcomes. This includes opportunities for opening up supply chain opportunities for social enterprises and local business, contributing to education through engagement with local schools, colleges and universities; contributing to community initiatives that help tackle poverty and leave a lasting legacy.

It is also a strategic tool to help deliver Welsh Government priorities such as supporting people into work. The policy can stimulate the creation of employment and training opportunities, supported by the Community Employability Programmes, for those furthest from the labour market and people from disadvantaged groups as defined in the Community Benefits policy and guidance.

Welsh Government expects local authority and further education institution project managers to take the lead with regard to community benefits and to set the requirements as part of the invitation to tender for their projects. Prior to submission of Full Business Cases local authority and further education institutions are required to provide details of the Community Benefit objectives for the project and the approach they will be taking to maximise the community benefit outcomes sought. These details should be included in the Project Information Proforma along with wider benefits as identified in the Economic Case.

Local authorities are expected to provide Welsh Government with quarterly and annual reports, as appropriate, on progress against the 'guideline benchmarks' using the tables supplied in the guidance. The quarterly information will be submitted at the same time that local authorities forward their claims for payment. The information provided is cumulative and local authorities will be able to include the final project return in their closing report.

For information on how to complete the community benefits section of the project information proforma, please refer to **Community Benefits – Project Information Proforma guidance** and **worked example (Annex 12)**.

There is also a requirement that a Community Benefits Measurement tool is completed every 12 months for the project and returned to Value Wales via CommunityBenefits@gov.wales.

For more information, please go to <http://prp.wales.gov.uk/toolkit/> where you can find help with different approaches, policy priority areas, and Frequently Asked Questions, to help shape your Community Benefits approach. If you require further assistance please email CommunityBenefits@gov.wales.

4.2.2 Project Bank Accounts

Welsh Government's Project Bank Accounts (PBA) policy recognises the important role of SME sub-contractors in the delivery of public sector projects and the importance of fair and prompt payment to supply chain partners. PBAs support Welsh Government's Community Benefits policy and specifically promote ethical business practices that make Wales a good place to live, work and do business. PBAs are a mechanism to ensure fair and prompt payment throughout public sector supply chains.

The 21st Century Schools and Education Programme supports these aims and has made the use of PBAs in line with PBA policy a condition of funding for all projects seeking funding from the Programme from 1 January 2019.

4.2.3 British Research Establishment Environmental Assessment Method (BREEAM) and Energy Performance Certification (EPC)

It is a requirement that where Welsh Government grant is used for new build schools or 'stand alone' buildings, that BREEAM 'excellent' rating is achieved, ('stand-alone' construction means it does not encompass renovation to an existing building or an extension unless the extension is self-contained).

For example, a two storey classroom extension would not require a BREEAM 'excellent' rating but would require an EPC rating of A. However if the proposed structure is a 'stand alone' building which is self-contained and has its own direct utility services then BREEAM would apply.

If during the construction of a new school it is anticipated that BREEAM 'excellent' will not be achievable then the local authority or further education institution will need to advise the 21st Century Schools and Colleges team in the first instance, as it could potentially impact on availability of grant funding. A business case would be required to support any departure from achieving 'excellent' rating. In all cases the Minister's approval will be required.

The BREEAM requirements are based on floor area. The full list of the requirements can be found at: <https://gov.wales/sustainable-building-standards>

4.2.4 Surface water drainage

Provision for surface water drainage should comply with the Welsh Government Standards for Sustainable Drainage. This will not only will this contribute to achieving the BREEAM excellent rating, but in many cases may be integrated into site landscaping to provide a valuable educational resource.

4.2.5 Foul drainage

Adequate provision for foul drainage is essential for any school project.

4.2.6 Recycled content

There is a minimum standard for recycled content requiring at least 15% of the total value of the materials used should derive from recycled and reused content in the materials selected.

4.2.7 Fire sprinklers

It is a requirement that fire sprinklers are incorporated into 'new build' school and college projects and where significant remodelling is taking place. Part B of the Building regulations and Building Bulletin 100 refers to fire safety and applies to all new school buildings, major refurbishments and extensions. In all cases local authorities and further education institutions are encouraged to discuss fire safety installations with their local fire safety officer.

Where local authorities and further education institutions are unsure of the requirement in respect of remodelling works, please contact the 21st Century Schools team. For example, we would not expect sprinklers to be installed in a two classroom extension project; however, we would expect sprinklers to be considered for a four or eight classroom extension build.

Where the remodelling of a school involves extensive upgrading of the existing school infrastructure, fire sprinklers should be installed.

In the case of water 'mist suppression' systems, these systems do not yet have British Standard approval and should you chose to install this type of systems then an appropriate business case needs to be submitted to the 21st Century Schools team. In all cases advice should be sought from the local fire safety officer.

4.2.8 Acoustics (BB93)

Acoustic testing, to demonstrate compliance with Building Bulletin 93 (BB93), is a requirement of the 21st Century Schools and Colleges Programme and all schools that receive Welsh Government capital grant must demonstrate compliance with the standards. This condition also includes the requirement for local authorities and further education institutions to obtain a pre-completion test to ensure compliance with BB93. As it currently stands, acoustic testing is a recommendation under the Building Regulations.

4.2.9 Active Travel

All schools benefitting from Welsh Government grant need to show that they include safe and convenient walking and cycling access, including provision of suitable storage facilities. They also need to demonstrate the availability of safe drop-off and pick-up points, for school buses and private vehicles. These can be off-site, if appropriate walking routes exist. The Active Travel (Wales) Act 2013 seeks to increase the numbers of everyday journeys made on foot and by bike, such as the journey to school. As a result of the Act, local authorities need to plan and develop integrated active travel networks, connecting key trip generators, including schools. The Welsh Government therefore expects any project supported by the 21st Century Schools and Education Programme to include provision of safe and convenient walking and cycling access.

The [Active Travel Design Guidance](#) sets out the standards routes are expected to meet.

4.2.10 Accessibility

The 21st Century Schools and Colleges Programme promotes access for all. Schools and further education institutions supported through the Programme are expected to ensure their buildings allow access for disabled pupils, students, staff and visitors. The Design Commission for Wales (DCFW) has been delivering training and has published a [handbook](#) on inclusive design across Wales.

All agreement letters for new and refurbished schools supported by the Programme include a clause which requires local authority compliance with all legislation, including equalities and accessibility legislation. Also included is a clause on equal opportunities, so that the school or college as a provider of services must not discriminate against anyone by virtue of any protected characteristics defined in the Equality Act 2010. Welsh Government has developed statutory [guidance](#) on creating and maintaining school accessibility plans.

4.2.10 Carbon Reduction

We are committed to the creation of a sustainable estate and require that all of our new buildings achieve BREEAM Excellent and an EPC 'A' rating. In addition we also expect to see how proposals are considering delivery against the Welsh Government's longer term commitment towards carbon reduction and Net Zero Public Sector Buildings.

Welsh Government also encourage local authorities and further education institutions to consider provision of electric vehicle charging points in schools and colleges. Road transport is a significant source of carbon emissions and harmful air pollution. Charging infrastructure can encourage take-up of electric vehicles and is not typically cost prohibitive when built in at design stage. It is also worth noting that there is a workplace charging scheme which is administered by the UK Office for Low Emission Vehicles. More information can be found at: <https://www.gov.uk/government/publications/workplace-charging-scheme-guidance-for-applicants-installers-and-manufacturers>

4.2.11 Biodiversity and Resilience of Ecosystems duty

The Environment (Wales) Act 2016 introduced an enhanced biodiversity and resilience of ecosystems duty (the S6 duty) for public authorities (including local authorities) in the exercise of functions in relation to Wales.

The S6 duty requires that public authorities (including local authorities) must seek to maintain and enhance biodiversity so far as consistent with the proper exercise of their functions and in so doing promote the resilience of ecosystems.

In complying with the above a public authority must take account of the following aspects of ecosystems:

- diversity between and within ecosystems
- the connections between and within ecosystems
- the scale of ecosystems
- the condition of ecosystems (including their structure and functioning)
- the adaptability of ecosystems.

4.3 Eligible expenditure

Capital expenditure is defined in statute through the Local Government Act 2003. We use the broad definitions provided by the Chartered Institute of Public Finance and Accountancy

(CIPFA) on Local Authority Accounting in Great Britain. In general terms it represents expenditure in relation to:

- The acquisition or creation of a new asset
- The enhancement of existing assets

“Enhancement”, in relation to any asset, means the carrying out of works which are intended:

- (a) *to lengthen substantially the useful life of the asset; or*
- (b) *to increase substantially the open market value of the asset; or*
- (c) *to increase substantially the extent to which the asset can or will be used for the purposes of or in connection with the school concerned.”*

Essentially capital expenditure relates to the provision and improvement of significant fixed assets including land, buildings and equipment (such as schools, new houses and machinery) which will be of use or benefit in providing services for more than one financial year.

Sometimes it can be difficult to determine whether capital expenditure either maintains or improves the life/value of an asset. The table below provides some key words that can indicate if expenditure is capital or revenue.

Key words indicating Capital expenditure	Key words indicating Revenue expenditure
Enhance, Upgrade, Extend, Improve, Construct or Purchase	Repair, Maintain, Replace Like-for-like, Remedial or Renew

Capital expenditure for schools/educational purposes comprises of the following:

- The cost of acquiring land and buildings
- Cost of new construction
- Cost of extensions to existing buildings
- The *enhancement** of land, road or buildings (**within the school/college footprint**)
- Purchase of computers/computer equipment if they form part of a large scale capital project can be capitalised, including associated cabling and hardware.

**Enhancement* is where money is spent on an existing asset which substantially increases its value or lengthens its useful life. It excludes routine repairs and maintenance.

Funding for the 21st Century Schools and College Programme is targeted to support remodelling and reconstruction:

- Remodelling – extensive upgrading of the existing building and redesign of the accommodation (e.g. curriculum-led upgrades, new facilities and full DDA compliance).
- Reconstruction – e.g. partial/total demolition and rebuilding to modern standards (i.e. 21st Century Schools’ standard).

4.3.1 Costs and sizes of new build schools

To ensure that funds are distributed fairly and that our schools offer a consistent standard across Wales, we advise that schools are designed according to the maximum of BB98 (secondary) and BB99 (primary).

The Welsh Government has also implemented a Cost and Size Standard for the Programme. Our standard should be applied to the build cost and gives a total footprint of a school, allowing full flexibility for local authorities to configure the school to reflect their needs. The standard will not stop local authorities from building larger schools if desired; however the standard will be used to calculate the maximum amount of funding payable by Welsh Government.

Here is a list of elements which need to be included within the standard cost for a new build school:

- surveys
- fees
- planning costs
- design costs
- preliminary work,
- overheads and profit, as well as
- decant costs,
- construction (including substructure, superstructure, internal finishes, fittings and furnishings that are physically attached to the building, services an.
- external works (including external play and specialist sports provision such as 3G and MUGA pitches, parking, landscaping and drainage).
- Contingency/inflation/risk allowance (these costs should be driven down during the tender process)

The standard represents the full cost of building a new facility on a flat, green field site with no demolition of an old building, no ground condition issues arising from the site's topography or contamination, with a standard approach to foundations. If the site is other than green field and flat we appreciate that there may be other abnormal costs which can attract Welsh government funding.

Eligible abnormal costs could include:

asbestos removal;

clean-up of contaminated land;

dealing with historical mining issues;

piled or other foundation solution that is required due to the condition of the ground;

the levelling of site due to topography.

Please refer to **Cost and Size Standard (Annex 9)** for the full list of sizes and capped costs for new school buildings. Local authorities should itemise all their project costs within the Project Cost Template to enable us to determine whether or not they are eligible for Welsh Government funding. Sound evidence will need to be provided should project areas and costs be higher than these applied formulas to be considered at the Programme Investment Panel.

For example, highways work outside the school boundary would not be eligible for 21st Century Schools funding.

4.3.2 Professional fees

We are often asked whether the Welsh Government will cover professional fees as part of 21st Century Schools and Education Programme. Primarily only those costs that are directly attributable to bringing an asset into working condition can be classed as capital expenditure.

Capital expenditure can include any architects and surveyors fees where they lead to the acquisition or the construction of a building. We will consider professional fees from **RIBA Stage 2** onwards (architects design fees etc.) to be capital if the appropriate business case is approved and the asset is created / built. However, where the fees are incurred in the very early stages of a capital programme, relating to the Inception and Strategic Briefing stages (RIBA Stages 0-1); they will be deemed revenue activities.

Fees incurred in previous financial years that are deemed to be capital can be scored against a local authority/further education institution's 35% contribution.

This must be detailed in the Financial Case section of the business case submission so we understand what part of the project(s) we are funding. This is dependent upon approval of FBC/BJC case submission.

Where expense is incurred using internal design teams or consultancies affiliated with local authorities and further education institutions, the following rules apply in respect of eligibility of spend:

- Internal design teams with an allocated central budget from within the local authority are not eligible for grant
- Internal design teams that have no central budget set, but charge fees to other departments that use their services. In this case, the salary costs of the design team, pay, National Insurance and pension costs, can be reclaimed. The on-costs, which include accommodation costs, payroll and financial support etc. would not be eligible.
- Internal departments that are set up as a consultancy, e.g. a business separate to the local authority that operates as a commercial entity, the entire amount would be eligible.

Where local authority and further education institution costs are not eligible under the criteria above, these can be used as part of the local authorities and further education institutions' 35% contribution to the cost of the project.

4.3.3 Highways access

Capital funding is provided for the reconstruction or remodelling of schools, therefore grant funding is attributable to the infrastructure contained within the school boundary. For example, where a capital project requires works to be done to improve highways access to the school this would not qualify for Welsh Government grant, and would fall to the local authority to fund.

4.3.4 Land

We treat applications for funding for new sites on a case by case basis and would look for evidence that a site selected is an appropriate option. Where land purchase costs are approved through our governance structure, 65% of the costs can be met by Welsh Government.

4.3.5 Abnormals

The position is the same as for land above.

4.3.6 Leisure and community facilities

We encourage the construction of flexible assets, and would support projects that incorporate flexible spaces that can be used both by the school / college and the local community or clubs, for example, sports halls, pitches and play provision and opportunities.

Local authorities and further education institutions are encouraged to think innovatively about the provision of services in their area and achieve the best value for money.

Any areas constructed purely for commercial / community use will not be considered eligible.

Sport Wales has developed the guidance document, *Facilities for Future Generations: a blueprint for sport and active recreation in Wales*, to support the Welsh Government's drive to facilitate regular participation in sport and physical activity and to help address some of the challenges of ensuring facilities across Wales are appropriate, accessible, sustainable and fit for the future.

The document can be found at www.sportsthinktank.com. Any local authorities considering capital infrastructure projects that include the provision of sport and recreation facilities are encouraged to reflect on the contents of the Blueprint and to use its framework as and where appropriate.

Furthermore, following the publication of the report [*Increasing the Use of School Facilities*](#) by the Public Policy Institute for Wales (PPIW) on how school facilities can be used more extensively by communities, Welsh Government are now looking how to take forward the report's recommendations.

4.3.7 Voluntary aided schools

Under paragraph 5 of Part 2 of Schedule 3 to the School Standards and Framework Act 1998, the Welsh Ministers (WM) have the power to grant aid up to 85% of qualifying expenditure, with the governors themselves required to meet the remaining 15%. Qualifying expenditure means expenditure in respect of the provision, alteration or repair of premises or equipment for the school. Currently governing bodies of Voluntary Aided (VA) schools and /or diocese are required to fund 15% of any capital project when seeking grant assistance from the Welsh Government.

Maintaining affordability of this second wave of investment is fundamental to the success of the overall programme and Welsh Government acknowledges the constraints of the capital budget alongside the scale and ambition of the Band B programme. It is, therefore, imperative that all appropriate funding sources are maximised; including appropriate contributions from all relevant stakeholders, including the VA sector.

The Welsh Government expects local authorities to work in partnership with VA schools when developing school projects. This consideration is particularly important in the development of the Band B Programme and local authorities should consult their respective Diocesan Directors of Education to ensure that the priorities of this sector are communicated. With regards to Band B, the Welsh Government intervention rate will remain at 85% and will not be subsumed within the local authority's 65% allocated share.

For specific information about VA schools including the capital repair and maintenance grant (CRAMP) and 21st Century Schools and Colleges funding, please contact the 21st Century Schools and Colleges Team. Those promoting a Voluntary Aided or Foundation school project will need to consult HMRC to ascertain the VAT position.

5. Project monitoring and evaluation

5.1 Routine monitoring

Payments are made on a quarterly basis and relate to spend incurred. Payment will not be released ahead of need.

Monitoring is carried out on a quarterly basis. This will involve:

- confirmation of spend incurred to date
- updating the Business Case submission timetable
- updating the Matrix (Cashflow).

It is extremely important that these documents are not viewed in isolation. Business Case approval is needed before spend can be released, and this should be accounted for in the Matrix.

It is also vital that the figures in the Matrix are accurate, that the programme envelope approved value is not exceeded and that all Business Case submissions are aligned to the information on the Matrix.

It should be noted that, in view of the significant budgetary pressures on the Welsh Government, we would expect business cases and requests for funding to be received on time and that project profiles are adhered to. The Welsh Government can consider front loading project profiles, (i.e. Welsh Government could provide grant support for the first year or so of the project etc.) but we would require supporting documentation from both the Section 151 Officer and the Chief Executive prior to approval that local authority funding is available to complete the project.

The Education Directorate does not have the capacity within the Welsh Government financial arrangements to carry forward any unspent resources (slippage) from one year to the next.

Any request to amend funding profiles will require a **legal variation** to the signed grant agreement letter to be undertaken. In all cases requests must be made via the Capital Funding Team within reasonable timescales.

5.2 Audits

All projects in receipt of grant are subject to an annual audit by the Wales Audit Office. Please note that appropriate records must be kept in respect of spend, including invoices, timesheets and evidence of compliant procurement processes.

5.3 Closing Report

This document has recently been revised and should be submitted following completion of a project. Please note that we no longer require the certificates to be forwarded to Welsh Government when closure reports are submitted. However the Section 151 Officer must sign off the retention documents for audit purposes once all certificates/documents are in place.

Please refer to **Closing Report Template (Annex 13)**.

5.3 Benefits

Achieving benefits is essential to the success of the Programme. Closing reports will need to cover the following benefits:

- Confirmation that an asset has been created in line with the approved Business Case
- BREEAM Excellent has been achieved
- EPC Rating of 'A' has been achieved
- Sprinklers have been installed
- Targets in respect of acoustics and recycling have been met
- Community Benefit Measurement Tool reporting benefits achieved through the lifetime of the project (measurement tools must be completed annually with a final tool submitted on completion).
- Where a Project Bank Account has been used the
 - % of payments made within 30 days to all parties to the account
 - the number of tier 2 and 3 sub-contractors party to the account
 - the % of the value of the contract paid through the account

In addition, actual construction start and end dates and completion of the Welsh Government project evaluation questionnaire are to be submitted as part of the closing report process.

Further assessments will also be made post completion to verify other benefits anticipated as a result of the project, including:

- reduction in surplus capacity / sufficient capacity has been achieved
- improvements to learner outcomes
- any job creation / apprenticeships created
- reduction to absence rates etc
- reduction in school transport costs, where appropriate.

5.4 Retentions

All projects will be subject to a 2.5% retention, which will be withheld until receipt of a satisfactory closing report and associated documentation. The closing report and documentation should be received within eighteen months of project completion.

5.5 Publicity

It is important that the Welsh Government and project sponsors work together to maximise publicity for projects and highlight the contribution the 21st Century Schools and Education Programme is making in Wales.

Records should be kept of formal and informal announcements, press and journal articles and press releases, media interviews (television and radio) and official launches and openings to evidence the publicity measures being undertaken during your project's lifecycle.

As a minimum:

- All signage, plaques and press releases should be sent to Welsh Government prior to release
- Site signage during construction should acknowledge the Welsh Government's 21st Century Schools and Education Programme
- All press releases should include reference to the source of funding in the opening paragraphs
- Any project announcement should reference the Welsh Government's 21st Century Schools and Education Programme
- Your website should clearly acknowledge the funding support from the 21st Century Schools and Education Programme
- You should inform the Programme team about forthcoming project events and openings to allow the opportunity for Ministers to be involved
- Before and after photos of schools and colleges should be submitted post completion for publicity purposes.

Our full [publicity guidance](#) is available on our website.

5.7 Procurement

Procurement should be undertaken via an approved Welsh Government Framework such as SEWSCAP, South West Wales Regional Contractor Framework (SWWRCF) or North Wales Schools and Public Buildings Contractor Framework or via a separate competitive OJEU tender process aligned with the principles of the Wales Procurement Policy Statement (WPPS).

5.8 Gateway Reviews

A Gateway Review is carried out by a local authority or further education institution to provide assurance of its programme's deliverability. Local authorities and further education institutions should consider whether a further review is necessary at key decision points in their programme delivery lifecycle.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

Governance and Audit Committee Work Programme		
2021		
30/07/21	Strategic Risk Management - Q1	
	Strategic Risk - Health and Care Workforce Development	
	Strategic Risk - Brexit	
	Internal Audit - Performance Monitoring Q1	
	Internal Audt - work plan Q2	
	Annual Audit Opinion	
	Internal Audit Report - Children's Budget Management	defer t
	Internal Audit Report - Y Gaer	defer t
	Audit Wales - Workplan	
	Treasury Management Q1	
	Fraud	
13/09/21	Internal Audit Report - Ysgol Calon Cymru	
	Internal Audit Report - Highways	
	Internal Audit Report - Covid Business Grants	
	Internal Audit report - Y Gaer	
	Internal Audit Report - Children's Budget Management	
29/09/21	Statement of Accounts and Annual Governance Statement	
08/10/21	Y Gaer - Internal Audit Report	
05/11/21	Internal Audit Performance monitoring - Q2	
	Internal Audit Work Plan - Q3	
	Fraud	
	Closure of Accounts	
	IA reports - Ysgol Calon Cymru	
	IA reports - Covid Business Grants	
	Capital Workstream	
18-Nov-21	Pension Fund Accounts	
	Strategic Risk Register Q2	

