

CYNGOR SIR POWYS COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE

Date 5th November 2021

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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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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 \(moderngov.co.uk\)](#)