

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE**  
**7<sup>th</sup> November 2017**

**REPORT AUTHOR:** County Councillor Myfanwy Alexander  
Portfolio Holder for Education and Welsh Language

**SUBJECT:** 21<sup>st</sup> C Schools Programme – Capital Investment Band B  
(2019 – 2024)

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**REPORT FOR:** Decision

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**1. Summary**

- 1.1 The purpose of this report is to receive and approve the authority's Strategic Outline Programme (SOP) for £113.92m of capital investment in schools as part of the second wave of Welsh Government's 21<sup>st</sup> C Schools Programme (known as Band B), 2019 – 2024, and to consider options for funding the Programme.

**Appendices**

Appendix 1 – Strategic Outline Programme Band B

**2. Proposal**

- 2.1 The 21<sup>st</sup> Century Schools and Education Programme represents the largest strategic investment in our educational infrastructure since the 1960s. The second wave of investment (Band B) for the 21<sup>st</sup> Century Schools and Education Programme is due to begin in April 2019 and run until March 2024.
- 2.2 The aims of the Programme are to:
- reduce the number of poor condition schools and colleges;
  - ensure that we have the right size schools and colleges, in the right location that:
    - provide enough places to deliver Welsh and English medium education; and
    - ensure the effective and efficient use of the educational estate.
- 2.3 The Programme is designed to end the piecemeal 'patch and mend' approach to investment in educational infrastructure that has characterised earlier funding packages. Under the 21<sup>st</sup> Century Schools and Education Programme, Local Authorities and Further

Education Institutions provide strategic plans for their respective areas that reflect a national desire for a suitable, streamlined, and cost effective educational estate. The Programme also addresses local needs such as surplus capacity and provision of places in Faith and Welsh medium education.

- 2.2 The Programme is aligned with national, regional and local strategies, such as: Taking Wales Forward; the Wellbeing of Future Generations Act; the Wales Infrastructure Investment Plan; National Mission for Education; Welsh Language Strategy 2050.
- 2.3 The criteria for Band B funding include:
- improving the condition of educational assets;
  - reductions of surplus capacity and inefficiency in the system;
  - expansion of schools and colleges in areas of increased demand for educational services; and
  - provision of sufficient places to address growth in demand for Welsh medium education
- 2.4 All local authorities and further education colleges were invited to submit their SOPs for Band B funding by 31<sup>st</sup> July 2017. The authority's SOP is attached at appendix 1, and includes a programme of investment of £113.9m. The projects to be funded have been based on need, and meet the criteria set out by Welsh Government.
- 2.5 Officers have been working with the Welsh Government since July to clarify specific issues related to the SOP. A final decision on the authority's submission is expected in November.

### **3. Options Considered / Available**

3.1 There are two funding options available.

- **Traditional capital funding**

Welsh Government has stated that the capital element of the Programme is funded 50% Welsh Government and 50% from partners. Voluntary Aided Schools will be funded at 85%.

3.2 It is proposed that the £113.92m capital budget is financed by the following options for the traditional route:

	£m
Welsh Government	56.96
Supported Borrowing	5.00
Prudential Borrowing	51.96

3.3 Based on the current spend profiles the cost of the Prudential Borrowing over 50 years is estimated to be as per Table 1

**Table 1 Prudential Borrowing Costs over 50 years**

Interest Rate	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000	£000
3.20%	84	434	549	498	299	233	2,097
3.40%	79	448	569	522	311	248	2,176
3.60%	74	461	590	545	322	262	2,255

- **Mutual Investment Model (MIM)**

Projects using revenue funding (MIM) will attract an intervention rate of 75% Welsh Government and 25% from partners. It should be noted that this figure covers the construction and maintenance costs of the projects over a 25 year period.

- 3.4 The MIM is a partnership between the Welsh Government and the private sector to deliver infrastructure schemes in Wales. It is an innovative way to invest in public infrastructure developed in Wales. MIM has been designed by the Welsh Government to finance major capital projects due to a scarcity of capital funding. MIM schemes will see private partners build and maintain public assets. In return, the Welsh Government will pay a fee to the private partner, which will cover the cost of construction, maintenance and financing the project.
- 3.5 At the end of the contract the asset will be transferred into the council's ownership. During the construction phases of the projects, private partners will help the Welsh Government create apprenticeships and traineeships to benefit local communities.
- 3.6 The MIM is to be used for large (in terms of cost), new build projects and it would be possible to lump smaller projects. Remodelling/ refurbishment type projects are to be funded through the traditional capital route.
- 3.7 The authority indicated in its SOP that it would be interested in considering the MIM as a way of funding elements of the programme. Officers have been working with WG officers to model the cost and implications of the MIM.
- 3.8 The initial cost estimate of the MIM using the eligible projects would be an additional £181,700 per annum. Further work is required to see how much the authority spends on the repairs and maintenance on the buildings to compare the MIM rate. The building would have a further 35 year life with no capital cost.

#### **4. Preferred Choice and Reasons**

- 4.1 The preferred choice is to continue to explore the MIM as a way of funding elements of Band B, alongside the normal capital funding route.
- 4.2 The reasons for this are that it addresses the affordability of the programme, and releases investment to improve some of the authority's worst condition schools, and meet strategic policy requirements.

#### **5. Impact Assessment**

- 5.1 Is an impact assessment required?            No
- 5.2 If yes is it attached?

#### **6. Corporate Improvement Plan**

- 6.1 The Plan links to the authority's Vision 2025 Corporate Improvement Plan priority for Learning and Skills, which states that pupils in Powys should have access to education provision that is equitable and access to high quality teaching and learning environments.
- 6.2 A key risk to the Council is that it is unable to afford the investment required to improve the condition of schools, therefore pupils continue to be taught in learning environments that are not fit for purpose, particularly in our special schools.

#### **7. Local Member(s)**

- 7.1 All local members

#### **8. Other Front Line Services**

Does the recommendation impact on other services run by the Council or on behalf of the Council?            Yes

In order to implement the Programme, it is necessary to seek support from a number of services, including schools service, HR, finance, legal, governor support, property, ict and communications. Dependent on the nature of the change proposed, it may be necessary to seek additional support within these service areas from time to time – a resource plan has been developed.

#### **9. Communications**

Have Communications seen a copy of this report?            Yes

Communications comment: The report is of public interest and requires news release and use of appropriate social media to publicise the decision.

**10. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

10.1 Legal - The recommendations in the report can be supported from a legal point of view

10.2 The Capital and Financial Planning Accountant has worked with the Schools Service on producing the estimates in this report in section 3.2, 3.3 and 3.8. The additional cost of the Prudential Borrowing estimated at £2.6m will need to be included in the Service Financial Resources Model as a pressure for the service.

The MIM intervention rate at 75% is an attractive proposition but will need to be weighed against the cost of repairs and maintenance that the authority would be likely to incur over the 25 year life.

The Schools Finance Manager notes the contents of the report and confirms that additional funding will be required to support the additional cost of the Prudential Borrowing as noted by the Capital and Financial Planning Accountant.

10.3 “Corporate Property supports the further exploration of the MIM to see if it would be advantageous to use this model as opposed to the traditional route.”

10.4 HR (if appropriate)

10.5 ICT (if appropriate)

**11. Scrutiny**

Has this report been scrutinised? No

If Yes what version or date of report has been scrutinised?

Please insert the comments.

What changes have been made since the date of Scrutiny and explain why Scrutiny recommendations have been accepted or rejected?

**12. Statutory Officers**

Section 151 Officer: “The comments made by finance are noted and a view will need to be taken about the funding source including an assessment of the MIM model.”

The Solicitor to the Council (Monitoring Officer) has commented as follows: “I note the legal comment and have nothing to add to the report”.

### 13. Members’ Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p><b>1. To approve the Strategic Outline Programme for Band B (2017 – 2020) as set out in Appendix 1 to the report.</b></p> <p><b>2. To continue to explore the potential and implications of the two funding streams – capital and revenue – in partnership with Welsh Government and to bring another report to Cabinet with final costs.</b></p>	<p>To :</p> <ul style="list-style-type: none"> <li>- improve the condition of our educational assets;</li> <li>- reduce of surplus capacity and inefficiency in the system;</li> <li>- expand schools in areas of increased demand for educational services; and</li> <li>- provide sufficient places to address growth in demand for Welsh medium education</li> </ul>

<b>Relevant Policy (ies):</b>	Welsh in Education Strategic Plan 2017 – 2020 and Plans for Powys Schools Policy – Vision 2025. Schools Asset Management Policy.		
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>

<b>Relevant Local Member(s):</b>	<b>All members</b>
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<b>Person(s) To Implement Decision:</b>	<b>Marianne Evans</b>
<b>Date By When Decision To Be Implemented:</b>	<b>8<sup>th</sup> November 2017</b>

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### **Background Papers used to prepare Report:**