

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
Date 11 October 2022**

REPORT AUTHOR: County Councillor Pete Roberts
Portfolio Holder for a Learning Powys

REPORT TITLE: Transforming Education Programme – Ysgol Bro
Hyddgen Capital Project

REPORT FOR: Decision

1. Purpose

- 1.1 This report seeks Cabinet approval to submit a new Strategic Outline Case/Outline Business Case (SOC/OBC) to develop a new all-age school building for Ysgol Bro Hyddgen, Machynlleth. This SOC/OBC replaces the previous version that was approved by Cabinet in September 2020, and the preferred option no longer includes leisure facilities. These will continue to be provided from Bro Ddyfi Leisure Centre.
- 1.2 The new preferred option is to build a new 540-place all-age school in Machynlleth to replace the current Ysgol Bro Hyddgen primary and secondary phase buildings. It will also incorporate early years facilities, a community room that can be used after hours, and an additional learning needs centre, along with wellbeing areas throughout the school, external areas and a 3G pitch. The design could also include a space for a public library if that is required.
- 1.3 The estimated cost of the new preferred option is as outlined in the table below. The project will be funded jointly by Welsh Government and Powys County Council (PCC) as outlined below. Whilst it is the intention to mitigate the optimism bias and risk as far as possible, due to the current project stage and economic climate, these costs must remain in the project finances at this early stage. The funding is allocated for this project in the Council's Band B 21st C Schools Programme.

Project Costs	
Capital Cost	£40,595,351
Optimism Bias	£5,277,396
Risk	£3,247,628
VAT (only to be included where non-recoverable by applicant)	N/A
Total Project Cost: inclusive of optimism bias and risk.	£49,120,375
Total: Whilst it is the intention to mitigate the optimism bias and risk as far as possible, due to the current project stage and economic climate, these costs must remain in the project finances at this early stage.	

Funding allocations	
Welsh Government contribution 65%	£31,374,054
PCC 35%	£16,893,721
PCC 100% (Off-site highways works – see Section 4.4)	£852,600
Total	£49,120,375

1.4 This compares with a revised estimated cost for the integrated campus model, including school, leisure, and library, of £66m, which is no longer affordable within the Council's Sustainable Communities for Learning Programme (previously known as 21st C Schools Programme) funding envelope.

1.5 This report is supported by the following appendices:

- Appendix A: New Strategic outline Case/Outline Business Case
- Appendix B: Integrated Impact Assessment

2. Background

2.1 The Council has recently relaunched its Strategy for Transforming Education in Powys, which includes an intention to develop all-age schools in the 13 geographic localities in Powys, underpinned by a major capital investment programme. However, prior to the development of the new Strategy, the transformation of education in the Machynlleth catchment area had started in 2012 with a catchment area review.

2.2 There have been three stages to the transformation of education in the area:

- 2014 – the establishment of Ysgol Bro Hyddgen as an all-age school for pupils aged 4 – 18, following the merger of Ysgol Bro Ddyfi and

Machynlleth C.P. School. The school operates across two sites in the town of Machynlleth.

- 2017 onwards – plans to develop a new school building began, with the intention to bring both primary and secondary phases onto one site, along with early years provision.
- 2021 – following a period of consultation, Cabinet agreed to change the school's language category from dual-stream to Welsh-medium, on a phased basis starting in September 2022.

2.3 This report focuses on the plans to develop a new school building.

2.4 Having developed designs for a new all-age school, the project was impacted by the collapse of the design and build contractor in 2019, when Dawnus Construction Ltd. went into administration. The project was at RIBA 4 full design stage, and the planning application had been submitted to the planning authority. Construction had not yet started on site.

2.5 Following this, officers were requested to reconsider the plans to see if it was feasible to include leisure and library provision, as well as early years and education provision, due to the ongoing revenue implications for the Council from running another two Council buildings in the town – Bro Ddyfi Leisure Centre and Machynlleth Town Library.

2.6 The outcome of this work was that an integrated community campus model, including leisure and library, became the preferred option with a cost estimate of £48m at that time, which included optimism bias and risk. A second SOC/OBC was approved by Cabinet and Welsh Government in autumn 2020.

2.7 The integrated community campus model was then further developed to RIBA 3 design stage. At this point, the Bro Hyddgen Project Board requested that further work was undertaken to try to reduce the costs of the project. This focused on:

- Reducing areas within the scheme
- Reducing the number of pupil places from 620 to 540, based on revised pupil projections in the area
- Reviewing energy requirements to see whether the current design could achieve carbon zero in operation, as the scheme had been designed to Passivhaus standard
- Updating condition assessments for both Bro Ddyfi Leisure Centre and Machynlleth Town Library to understand cost implications of maintaining/improving the current buildings.

2.8 A cost review was also undertaken because the original cost estimates were based on 2020 figures - there has been significant construction industry inflation because of both Covid and the invasion of Ukraine. This review indicated that the community campus model was projected to be in

the region of £66m, inclusive of optimism bias and risk, which meant that it was not affordable within the Council's Band B Sustainable Communities for Learning Programme (previously known as 21st C Schools Programme), which totals approximately £113m. To date, just over £59m has been allocated to support the development of other school building projects, which means that there is currently £54m remaining in the budget. The implication of this was that additional funding would need to be found outside this budget, and there would be no flexibility within the Band B funding envelope to support other school projects.

- 2.9 At this point, it was necessary to re-evaluate options and a new preferred option emerged, which is for a new all-age school building, with early years, community facilities and a potential area for library, should that be required in future. The cost of this option is £49,120,375, including risk and optimism bias. This figure is based on projections to the mid-point of construction in July 2025* using Building Construction Information Service Construction Indices (BCIS) and Tender Price Indices (TPI). *Note: The date is subject to procurement route and necessary approvals.
- 2.10 The building has already been designed to achieve Passivhaus energy standard and these pre-dates the current Welsh Government Net Zero Carbon requirements. A carbon assessment of the integrated community campus project was undertaken, and it became apparent that significant challenges existed due to the energy demand of the swimming pool. Achieving Net Zero Carbon on the new preferred option without the addition of leisure facilities is more attainable and will be targeted. This will enable the Council to draw down additional funding from Welsh Government.
- 2.11 The updated condition survey for Bro Ddyfi Leisure Centre, carried out in spring 2022, suggests that £3.5m is required for maintenance of the Centre over the next ten years, but that any major refurbishment is estimated to require around £6m, dependent on the nature of the refurbishment. The maintenance costs for Machynlleth Town Library based on a condition survey undertaken in June 2022 indicates that £55,000 is required for maintenance works.
- 2.12 The estimated sale value of the various buildings are as follows (these figures have been included in the business case):
- Machynlleth Primary School – £431,000
 - Machynlleth Town Library - £120,000

3. Advice

- 3.1 It is recommended that a new SOC/OBC is approved for submission to the Welsh Government based on a **new preferred option** to build a 540-place all-age school in Machynlleth to replace the current Ysgol Bro Hyddgen primary and secondary phase buildings. It will also incorporate early years facilities, a community room, and an additional learning needs centre, along with wellbeing areas throughout the school, external areas and a 3G pitch.

The design could also include a space for a public library if that is required. The reasons for this are as follows:

- This scheme is affordable within the Council's Sustainable Communities for Learning Programme Band B funding envelope and frees up further funding to be utilised on other school projects.
- The estimated costs are lower than the original costs of the community campus, and significantly lower than the updated projected costs of that model.
- If approved by the Welsh Government, the Council can then commence the procurement process to appoint a Design and Build contractor and progress to full business case stage.
- Welsh Government intervention rate for Band B programme is 65%, which represents good value for money for the Council.
- Provides an opportunity to draw down additional funding from the Welsh Government from achieving carbon zero in operation.

3.2 It is also recommended that the Council seeks additional funding from alternative sources to maintain/upgrade Bro Ddyfi Leisure Centre and the Town Library, if required.

4. Resource Implications

4.1 Financial Capital:

Project Costs	
Capital Cost	£40,595,351
Optimism Bias	£5,277,396
Risk	£3,247,628
VAT (only to be included where non-recoverable by applicant)	N/A
Total Project Cost (inclusive of optimism bias and risk)	£49,120,375
Welsh Government Contribution (65%)	£31,374,054
PCC Contribution (35%)	£16,893,721
PCC Contribution (100%) (Off-site highways works - see Section 4.4)	£852,600

4.2 The project can be accommodated within the current Sustainable Communities for Learning Programme funding envelope.

4.3 Financial Revenue:

- 4.3 The Council's contribution towards this scheme will be funded from borrowing as no other funding has been identified. The cost to the Council's revenue budget because of this borrowing is estimated at £800,000 per year for 60 years. This can be accommodated within the borrowing budgets over the next five years, whilst borrowing in the medium term may require increased budgets, depending on the future borrowing rates and level of demand.
- 4.4 The current Sustainable Communities for Learning grant conditions allow Welsh Government to claw back grant if the school has over 15% surplus capacity 5 years after occupation of the school. The capacity of the planned new building, at 540 places, is slightly higher than the current pupil numbers (current school projections range from 465 to 475 including 6th form pupils) so this is a potential risk to the scheme if pupil numbers fall below 459.
- 4.5 The attached OBC identifies that an estimated increase in the recurring revenue cost of funding the school through the funding formula of between £66,000 and £76,000 (depending on the option) which is made up of a potential increase in rates charges (approx. £40,000) of a new build school with the remainder due to a larger gross internal floor area in the new school to accommodate early years, community and library space, dependant on option. Any change to the formula funding provided will impact on the Council's revenue budget unless found within the existing budget envelope for schools delegated funding.
- 4.6 Even though there's a potential additional annual revenue cost to a new build school in Machynlleth, a new build with a high energy standard would reduce the on-going maintenance costs associated with the current school and utilities-related running costs due to the Passivhaus element and would provide an improved learning environment for pupils and staff more suitable for the needs of the new Curriculum for Wales. The whole-life costs of continuing with the current schools' estate in Powys (the Status Quo / "Do Minimum" option) were compared with the costs of a fully implemented transformation of the schools estate, over 60 years, including those of this project, with the result being more favourable in terms of a transformed schools estate.
- 4.7 Development and implementation of the recommendation would require involvement from several service areas, including staff from the Schools Service, Finance, Property, Highways, and ICT.
- 4.8 **Impact on balance sheet**
- Once the construction of this school is completed it will result in balance sheet asset addition of £40,595,351.
- 4.9 **Overall affordability and funding support**

The Council seeks support from Welsh Government to fund this scheme. The Sustainable Communities for Learning Band B Programme intervention rate is 65%, and PCC are required to fund 35% of the costs.

The Council sets its Prudential Indicators, under the Prudential Code, based on making prudent and affordable decisions and the 21st Schools' project were included in these indicators. The annual cost for the project is £844,000 based on the spend profile above and a 50-year life.

The new all-age school will be constructed on the existing Bro Hyddgen secondary school site playing fields. The old buildings will be demolished to make room for a new car park and MUGA. The demolition costs are included within the funding envelope and are eligible programme expenditure.

The project will involve off-site highways and access works, which are not eligible Sustainable Communities for Learning Programme expenditure and will be 100% Powys County Council funded. The estimated costs (including risk and optimism bias) are £852,600. These costs are included within the overall project envelope costs but are not included within the capital programme at this stage. It is anticipated that these costs will be incurred during 2025/26 financial year.

4.10 **Procurement:**

"The project will be procured under the new SEWSCAP3 framework. Appropriate bonds and collateral warranties will be obtained, and contract signed prior to commencement. The contractor will also be required to secure a Project Bank Account as a condition of the contract".

There are currently three options for the programme to deliver the scheme, each differing on the key dependency of when the scheme is tendered. This could potentially occur at three different junctures along the RIBA stage process (end of RIBA 2, 3 or 4), with each option offering different advantages and disadvantages to the overall scheme. Project completion dates could vary between the summer of 2026 and early 2027, dependent on the agreed procurement route.

- 4.11 The Deputy Head of Finance notes the content of the report and the resource implications set out above. The overall project is within the Band B funding envelope and the submission of a bid to Welsh Government is supported. There may be additional revenue running costs of the new building, but the Passivhaus standard will also drive savings to minimise the requirement for additional funding. The sale of two assets is an essential part of the Asset Strategy and supports delivery of the future capital programme.

4.12 **Strategic Property comments:**

Strategic Property note the proposals within the Report and will continue to support with regards land negotiations and other resources as required.'

8. Legal implications

- 8.1 The Head of Legal Services and the Monitoring Officer has commented as follows: " I note the legal comment and have nothing to add to the report".

9. Data Protection

Data Protection Officer comments: "This proposal does not involve the processing of personal data at this stage. However, when the project progresses to construction and transitioning, then data protection legislation must be complied with."

10. Comment from local member(s)

Cllr Michael Williams: *I fully support the paper and understand the rationale behind the change in scope. I'm supportive of the leisure facility operating from its current location and welcome investment for the facility to continue. I welcome engagement with the community regarding the Library provision and the decision surrounding its future.*

11. Impact Assessment

An integrated impact assessment has been carried out and is attached as Appendix B. It concludes that

'the Bro Hyddgen all-through school with early years and a library facility presents PCC with an opportunity to establish an energy efficient building which supports, strengthens, and broadens Welsh medium provision by improving the breadth of Welsh medium options at all key stages and ensuring stronger transition and progress for pupils. The proposal would provide improved, fit for purpose, innovative specialist facilities for the children, young people, and wider community of North West Powys. The scheme will provide the best possible opportunities to all learners in the area, enabling them to reach their full potential.'

The impact assessment consistently scores 'very good' in meeting council priorities, the wellbeing of future generations goals, and meets the council's key guiding principles. The project will promote health and wellbeing by establishing state of the facilities and will put equal emphasis on physical and mental wellbeing. The project is also ground-breaking in supporting Welsh Government's carbon neutral agenda, with the building aiming to achieve both BREEAM Excellent, Passivhaus accreditation and Net Zero Carbon in Operation. The energy

considerations of the scheme ensure that PCC is committed to ensuring a sustainable and environmentally conscious model of delivering buildings to support its residents

12. Recommendation

12.1 The following actions are recommended:

- a) To approve the new SOC/OBC for submission to the Welsh Government based on a new preferred option to build a 540-place all-age school in Machynlleth to replace the current Ysgol Bro Hyddgen primary and secondary phase buildings. It will also incorporate early years facilities, a community room that is available after hours, and an additional learning needs centre, along with wellbeing areas throughout the school, external areas and a 3G pitch. The design could also include a space for a public library, if that is required. The reasons for this are as follows:
 - This scheme is affordable within the Council's Sustainable Communities for Learning Programme Band B funding envelope, and frees up further funding to be utilised on other school projects.
 - The estimated costs are lower than the original costs of the community campus, and significantly lower than the updated projected costs of that model
 - If approved by the Welsh Government, the Council can then commence the procurement process to appoint a Design and Build contractor and progress to full business case stage.
 - Welsh Government intervention rate for Band B programme is 65%, which represents good value for money for the Council.
 - Provides an opportunity to draw down additional funding from the Welsh Government from achieving carbon zero in operation.
- b) To approve the revised off-site highways cost of £852,600 and to include in the Capital Programme. These costs are not eligible Sustainable Communities for Learning Programme expenditure and will be 100% Powys County Council funded.
- c) That the Council seeks additional funding from alternative sources to support leisure centres across the county, including Bro Ddyfi Leisure Centre.
- d) That a period of public engagement is undertaken to understand the views of the community about relocating Machynlleth Library to the new build school.

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