

# 21st Century Schools and Colleges Programme business case guidance



## Guidance

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# 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**

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## **Additional copies**

This document can be accessed from the Welsh Government's website at [gov.wales/21st-century-schools-programme](http://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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# 1. Introduction

## 1.1 Context

The 21<sup>st</sup> 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 21<sup>st</sup> Century Schools and Colleges Programme background

The first wave of investment, (Band A) of the 21<sup>st</sup> 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 21<sup>st</sup> 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](mailto: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).

<b>Strategic Case</b>	<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>
<b>Economic Case</b>	<p>What are the options for delivering the investment objectives and which one optimises value for money?</p>
<b>Commercial Case</b>	<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>
<b>Financial Case</b>	<p>Is the proposal affordable?</p> <p>What are the sources of match funding and what is the accounting treatment of the investment?</p>
<b>Management Case</b>	<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](mailto: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 21<sup>st</sup> 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 (m<sup>2</sup>). This is set at £2,775 per m<sup>2</sup> (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 21<sup>st</sup> 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 21<sup>st</sup> 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.

<b>Benefit Criteria and Weight</b>	<b>Option 1</b>		<b>Option 2</b>		<b>Option 3</b>		<b>Option 4</b>	
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								
<b>Total</b>								
<b>Rank</b>								

**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.

<b>Evaluation Results</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
Economic appraisals				
Benefits appraisal				
Risk appraisal				
<b>Overall Ranking</b>				

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 21<sup>st</sup> 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](mailto: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](mailto: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 21<sup>st</sup> 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 21<sup>st</sup> 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.

<b>Key words indicating Capital expenditure</b>	<b>Key words indicating Revenue expenditure</b>
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 21<sup>st</sup> 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. 21<sup>st</sup> 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 21<sup>st</sup> Century Schools funding.

#### **4.3.2 Professional fees**

We are often asked whether the Welsh Government will cover professional fees as part of 21<sup>st</sup> 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](http://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 21<sup>st</sup> Century Schools and Colleges funding, please contact the 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century Schools and Education Programme
- Your website should clearly acknowledge the funding support from the 21<sup>st</sup> 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 (SWWRFCF) 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.

