

# Financial Appraisal Report – Schools Capital programme – Health Futures University Technical College, West Bromwich

## Report to Cabinet

### 1 Executive Summary

#### Introduction

Education Skills & Employment, Children’s Services are seeking approval for a capital project to convert the Health Futures University Technology College in West Bromwich to a secondary school.

Due to an increase in birth rates since 2006, it is projected that an additional 828 new secondary school places will be required across Sandwell by September 2024.

The Published Admission Numbers (PAN) across Sandwell for September 2022 is 23,341 and Numbers on Role (NOR) requiring places are 22,931. Whilst the number of places is currently adequate, it does not allow for the DFE’s recommended 5% surplus of school places. It is also projected that the secondary school population in Sandwell will increase further, by 9.44% between now and 2024/25. Without further school expansion there will be insufficient school places to meet future demand.

Demand for school places will ultimately depend on parental preference but the Council aims to provide a sufficient supply of school places at good and outstanding schools.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 67%, with some areas of risk identified.

#### Project Objectives

- To provide sufficient school places in ‘good’ schools.

Date Issued: 11th August 2021

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- To support the Council’s Vision 2030, where Sandwell “children benefit from a high-quality education throughout their school careers...”

### Project Details

In July 2021, the Department for Education approved Shireland Collegiate Academy Trust to become the sponsor of the Health Futures University Technical College. The Academy Trust now propose to convert the UTC into a secondary school, with the age range changing from 14–18 years to 11–18 years.

Works are therefore required to remodel the UTC to accommodate the increased pupil intake, to provide an additional 360 statutory school places in West Bromwich.

The conversion of the UTC will provide 120 school places for Year 7 pupils from September 2022 with the remaining 240 being available by September 2023.

The re-modelling of the UTC will deliver the following:

- 5 general classrooms
- 2 maths classrooms
- Behaviour Management suite
- Laboratory
- Music room
- Activity studio
- Multi use games arena
- Hall/Lecture theatre
- New entrance & mezzanine floor for 3 classrooms

The total project cost for the conversion of the UTC is estimated to be in the region of £4.575m and will be procured as a design and build contract. It is advised that due to lower than expected allocations of Basic Need funding over several years, there is an insufficient amount of such funding to fully cover the cost of re-modelling and refurbishment of the UTC. It is therefore proposed that £2.540m will be funded via the council’s Basic Need allocation, with the remaining £2.035m provided by Schools Condition funding in the short term.

The Academy Trust will be responsible for future management and maintenance of the facility and there will not be any future financial implications for the Council.

### Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u>	Insufficient justification for project/will not meet strategic objectives

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Objective, need, demand and reasonableness	
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic
<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs
Limitations to scope of appraisal	Information provided by Project Officer

### LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL

Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

### Overall Conclusion

The appraisal scored 67% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

#### Fundamental

Action is imperative to ensure that the objectives of the project are met

#### Significant

Action is required to avoid exposure to significant risks in achieving objectives

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## Merits Attention

Action is advised to enhance operational efficiency

### Summary of key issues identified

- The financial appraisal has identified NO 'fundamental' issues
- The financial appraisal has identified 2 'significant' issues
- The financial appraisal has identified 1 'merits attention' issues

## 2 Issues Arising

Action is required to avoid exposure to significant risks in achieving objectives  
**Significant**

### 2.1 Financial Case – Funding

Capital costs of £4.575m will be funded from the Schools Capital Programme. Funding streams within the Schools Capital Programme consist of Basic Need Allocations for school expansion projects and Schools Condition grant funding which is normally utilised for building repairs and maintenance.

It is advised that there are currently insufficient funds available within the Basic Need Allocation and therefore Schools Condition grant funding will need to be utilised in the short term to fund the project.

#### **Implication:**

The use of the Schools Condition grant to fund construction will increase pressure on resources if demand/costs for emergency repairs of schools exceed the current allocation.

#### **Recommended Action:**

Ensure rigorous financial monitoring is undertaken on the Schools Capital Programme to ensure future funding needs can be met.

### 2.2 Financial Case – Reasonableness of Costs

- (a) Whilst a basic breakdown of estimated costs was provided as part of a high-level costing exercise, there was no formal cost estimate or detailed breakdown to support it. It was unclear whether potential changes to specifications etc. could be managed within the allocated funding.
- (b) No financial sensitivity analysis has been undertaken on the project and it was therefore not possible to determine the effect on the overall cost of the programme should there be fluctuations in the cost drivers of the project, e.g. construction costs.

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**Implication:**

Without a detailed breakdown of costs and sensitivity analysis, the reasonableness of the estimates cannot be confirmed and there is a risk that additional costs may be incurred, and further funding required.

**Recommended Action:**

- That cost estimates are reviewed to ensure that any future costs can be managed within the allocated funding.

Action is advised to enhance operational efficiency  
**Merits Attention**

**2.3 Economic Case – Risks**

A corporate Risk Register was provided to support the re-modelling and refurbishment of the University Technical College. However, only one risk was identified; that being the overall non-delivery of the project. Further detailed risks appear to have been identified as mitigating actions for the non-delivery of the project and did not adequately assess the level of risk to the project.

**Implication:**

Risks to the project may not be adequately assessed and mitigated, resulting in non-delivery of the objectives and financial implications to the Council.

**Recommended Action:**

- That the corporate risk register is reviewed to ensure that all risks are appropriately identified and assessed, with adequate mitigation.

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