



## **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

### **CABINET**

**20<sup>th</sup> JULY 2021**

#### **21<sup>ST</sup> CENTURY SCHOOLS AND COLLEGES PROGRAMME – MUTUAL INVESTMENT MODEL (MIM) - UPDATE**

#### **REPORT OF THE DIRECTOR OF EDUCATION AND INCLUSION SERVICES IN DISCUSSION WITH THE CABINET MEMBER FOR EDUCATION AND INCLUSION SERVICES (COUNCILLOR MRS J ROSSER)**

**Author(s): Andrea Richards, Temporary Service Director of 21st Century Schools and Transformation; Nicola Goodman, Senior 21<sup>st</sup> Century Schools Officer**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To provide Members with an update on the Mutual Investment Model (MIM) funding element of Welsh Government's 21<sup>st</sup> Century Schools and Colleges Programme in relation to the Council's MIM Pathfinder Project.
- 1.2 To approve the submission of the Outline Business Case for the Council's MIM Pathfinder Project to the Welsh Government.
- 1.3 To request approval to progress to Stage 2 of the MIM process with Welsh Government and the private sector partner.
- 1.4 To note that submitting the Outline Business Case and progressing to Stage 2 of the MIM process does not commit the Council to enter into contractual arrangements in relation to any projects.
- 1.5 To inform members of the provisional programme leading to delivery of the MIM pathfinder schemes (subject to the requisite approvals being sought and provided at key milestones).

#### **2. RECOMMENDATIONS**

It is recommended that the Cabinet:

- 2.1 Note the information contained within the report.

- 2.2 Note the costs incurred to date and indicative costs going forward.
- 2.3 Approve the submission of an Outline Business Case to Welsh Government for consideration in July / August 2021.
- 2.4 Approve progression to Stage 2 of the MIM process with Welsh Government and the private sector partner.
- 2.5 Note that formal approval to proceed to deliver the Pathfinder Project, and to enter into associated legal documentation to facilitate the same including a Project Agreement, would require further approval of the Cabinet.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To progress the MIM pathfinder projects to the next stage in accordance with the Approval Process for New Projects as set out in Schedule 5 of the Strategic Partnering Agreement for the delivery of new school buildings and to keep on track with the timescales outlined in the indicative programme.

### **4. BACKGROUND**

- 4.1 Members will recall that, at the meeting of the Cabinet held on 24<sup>th</sup> September 2020, approval was given to enter into the Strategic Partnering Agreement (SPA) with Welsh Education Partnership Co (WEPCo). WEPCo are Welsh Government's private sector partner and have been appointed to assist with the delivery of education and community facilities in Wales, under the MIM 21st Century Schools and Colleges Programme.
- 4.2 The Mutual Investment Model (MIM) is the revenue funding route which enables investment up to a capital value of £500 million across the whole of Wales.
- 4.3 MIM is a design, build, fund and operate (DBFO) contract where the Public Sector transfers risk to the Special Purpose Vehicle (MIM SPV). Under the MIM, the private sector partners will build and maintain public assets, and in return the Council supported by funding from the Welsh Government will pay a fee to the private partner, which will cover the cost of construction, maintenance and financing the project. At the end of the 25-year period of the contract, the asset reverts to the Council.
- 4.4 The MIM Project Agreement (contractual) document uses a Welsh Government standard form template and as mentioned earlier, any agreement to enter into this formal legally binding contract with the private sector will be brought back to Cabinet for approval at the relevant time.

- 4.5 Following Cabinet's agreement to begin the Approval Process for New Projects as set out in Schedule 5 of the Strategic Partnering Agreement for the delivery of new school buildings and for a Strategic Outline Business Case (SOC) for the initial Pathfinder Project to be submitted to the Welsh Government, a SOC was duly submitted on 30<sup>th</sup> October 2020 and approved on 18<sup>th</sup> December 2020.
- 4.6 The schools contained within the Council's MIM Pathfinder Project are Llanilltud Faerdref Primary School, Pontyclun Primary School and Penygawsi Primary School. They are all in areas of rapid housing development and are all in need of investment in order to become fully accessible and brought up to a 21<sup>st</sup> Century Schools' standard. All three have CLASP buildings on site, have issues with access and have come to the end of their useful life.
- 4.7 Rhondda Cynon Taf Council has experience of DBFO contracts and are one of two Local Authorities selected by Welsh Government to progress with a MIM Schools Pathfinder Project. Welsh Government's MIM funding criteria requires a minimum capital value of £15million per project and hence the three abovementioned primary schools were selected as a bundle to form the pathfinder project. These schools all meet Welsh Government's criteria for pathfinder project status, namely:
- they are being constructed on existing sites already in Council ownership (therefore no land purchase / land title issues are involved);
  - no School Organisation Code proposals are required as there are no school closures or relocations involved (the schools are all being rebuilt on their current sites);
  - the three schools are all in relatively close proximity to each other and this drives further economies of scale;
  - as a result of the above, the project was able to progress quickly.
- 4.8 In compliance with the abovementioned approval process set out in the Strategic Partnering Agreement and following Welsh Government's approval of the SOC, a New Project Request was duly issued by the Council to WEPCo on 1<sup>st</sup> February 2021.
- 4.9 In response to the Council's New Project Request, WEPCo confirmed on 3<sup>rd</sup> March 2021 that they would make a Stage 1 submission and Council technical and education officers have been working with WEPCo to progress the initial design stages of the schools.
- 4.10 WEPCo's Stage 1 report is to be provided to the Council for review on the 2<sup>nd</sup> of July 2021.

## **5. PROGRESS TO DATE AND NEXT STEPS**

- 5.1 As part of the initial feasibility works, surveys have been undertaken at Llanilltud Faerdref Primary School, Penygawsi Primary School and Pontyclun Primary School, comprising – ground investigation surveys; ecology surveys; and arboricultural surveys.
- 5.2 This Pathfinder Project is being progressed with WEPCo as a Net Zero Carbon pilot (subject to value for money assessments), to future proof the schools in terms of net zero carbon requirements going forward. As the Project is both a Pathfinder Project and a Net Zero Carbon pilot project, Welsh Government are funding 100% of the additional survey costs and the Net Zero Carbon technical work.
- 5.3 Should approval be given to progress to Stage 2 of the MIM process for this Pathfinder Project, during Stage 2 WEPCo will carry out a tender process to establish a supply chain for the Project. WEPCo is obliged to develop the tender and evaluation award criteria on a project specific basis and obtain the approval of the Council to such criteria prior to commencing the tender process. Council officers will be involved in the tender process. WEPCo is also obliged at each stage of the New Project Approval Process to produce a pricing report with robust, transparent, auditable information as to the costs, fees and prices included within WEPCo's proposals to enable the Council to be assured that WEPCo is providing the best value for money solution for this specific project.
- 5.4 An indicative very high-level summary programme is tabulated below. These dates are estimates at present and a more detailed programme will be developed and agreed during the Stage 2 process with associated Cabinet approvals sought throughout the process.

| <b><u>Activity</u></b>                                   | <b><u>Date (indicative)</u></b> |
|--|---------------------------------|
| <b>Stage 1 of the MIM process</b>                        | March 2021 to July 2021         |
| <b>OBC submitted to and approved by Welsh Government</b> | July-August 2021                |
| <b>Stage 2 of the MIM process</b>                        | July 2021 to March 2022         |
| <b>Planning approval period</b>                          | October to December 2021        |

|  |  |
|--|--|
| <b>FBC submitted to and approved by Welsh Government</b>     | March to May 2022  |
| <b>Financial Close (Project Agreement / contract signed)</b> | June 2022  |
| <b>Construction period</b>                                   | July 2022 – February 2024  |
| <b>Completion/Opening</b>                                    | Autumn 2023 (new building complete)<br>(demolition works and externals to continue to February 2024) |

## **6. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 6.1 An Equality Impact Assessment has been prepared and is included at Appendix 1.
- 6.2 In summary, the Equality Impact Assessment screening test identifies only positive and neutral impacts upon the protected characteristics. There are no negative impacts in relation to the protected characteristics and so it was deemed that approval would be sought to continue to implement the proposal. The new buildings and the way they are used will also bring positive socio-economic impacts across all of the vulnerable groups identified under the socio-economic disadvantage headings.
- 6.3 The Equality Impact Assessment will continue to be reviewed throughout the duration of the project.

## **7. WELSH LANGUAGE IMPLICATIONS**

- 7.1 A Welsh Language Impact Assessment has been prepared and is included at Appendix 2.
- 7.2 In summary, the outcome of the Welsh Language Impact Assessment is that the proposal will assist with delivering the targets outlined in the Welsh in Education Strategic Plan (WESP), support the aim of Welsh Government's Cymraeg 2050, and positively promote Welsh medium education and endeavour to provide additional opportunities to learn Welsh and/or develop skills and learning through the medium of Welsh.

## **8. CONSULTATION / INVOLVEMENT**

- 8.1 Headteachers of the three schools have been involved in the initial design phases and local elected members and chairs of governing bodies have been informed of surveys being undertaken on the school sites. As the project progresses into Stage 2 and the design develops, there will be full engagement with the schools, governing bodies and local elected members and relevant consultations with the wider community will be undertaken as part of the planning application process.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 If the proposals proceed they will be funded by the 21<sup>st</sup> Century Schools and Colleges Programme, through its MIM model of funding. This is a revenue model of investment which includes a contribution of up to 81% from Welsh Government. The remaining 19% will be funded by the Council.

- 9.2 This funding is subject to approval by Cabinet and by the Welsh Government following the submission of the relevant Business Cases and the receipt of finalised detailed costs.

- 9.3 Indicative costs for the MIM Pathfinder Project are currently advised to be:

- Annual Service Charge (base costs if Net Zero Carbon approach not included) = £2.402m, based on a capex figure of £21.901m
- Annual Service Charge (if Net Zero Carbon approach included) = £2.512m, based on a capex figure of £23.001m

This element will be funded by an 81% contribution from Welsh Government, with the Council funding 19%.

- 9.4 There are also some capital elements payable in relation to the MIM schemes and these will be funded 65% by Welsh Government and 35% by the Council, including:-

- loose furniture (FF&E) and ICT:  
Welsh Government's FF&E and ICT rates are currently £1221 per pupil and £555 per pupil respectively, which, based on 1165 pupils, totals £2,069,040, of which Welsh Government will fund 65% (£1,344,876) and the Council will fund 35% (£724,164).
- WEPCo's Stage 1 development fee:  
Costs accrued to date are WEPCo's Stage 1 development fee costs for developing a concept design to RIBA Stage 2. These costs are within the Stage 1 fee cap detailed within the Strategic Partnering Agreement and are estimated at £464,726. These fees are funded 65% (£302,072) by Welsh Government and 35% (£162,654) by the Council. The element of Stage 1 costs

payable by the Council are being met from within the existing Education Capital Programme.

- 9.5 WEPCo's Stage 2 development fee costs are capped at 7.84% of the capital value and are payable as part of the Annual Service Charge and are therefore funded 81% by Welsh Government and 19% by the Council.
- 9.6 A report detailing the financial implications and the payment schedule will be presented to Cabinet for approval once final project costs become available.

## **10. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 10.1 Part 1 of the Education Act 1996 ("the 1996 Act") imposes a number of general duties on all local authorities in Wales. The general duty in section 13 of the 1996 Act is to contribute (so far as the Council's powers enable them to do so) towards the spiritual, moral, mental and physical development of the community by ensuring that efficient primary education and secondary education is available to meet the needs of the population of their area.
- 10.2 Section 13A(3) of the 1996 Act states that a local authority in Wales must ensure that their relevant education and training functions are exercised by the authority with a view to promoting high standards, and promoting the fulfilment of learning potential by every person to whom the subsection applies, including those who are of compulsory school age or are below school age and are registered as pupils at schools maintained by the authority.
- 10.3 Section 14 of the 1996 Act requires the Council to secure sufficient schools for providing primary and secondary education in the Council's area. Schools available for an area shall not be regarded as sufficient unless they are sufficient in number, character and equipment to provide all pupils with an appropriate education.
- 10.4 Appropriate education means education which offers such variety of instruction and training as may be desirable in view of (a) the pupils' different ages, abilities and aptitudes; and (b) the different periods for which they may be expected to remain at school, including practical instruction and training appropriate to their different needs.

## **11. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 11.1 There are links to RCTCBC's Corporate Plan for the period between 2020 to 2024, specifically the priority:

- Prosperity – Creating the opportunity for people and businesses to be innovative, entrepreneurial and fulfil their potential and prosper
- Ensuring we have good schools, so all children have access to a great education.

11.2 Due regard has been made to all seven well-being goals and the Five Ways of Working, as contained within the Wellbeing of Future Generations (Wales) Act 2015, which requires the Council to think about the long-term impact of decisions, on communities to prevent consistent issues such as poverty, health inequalities and climate change.

This proposal would contribute to achieving the wellbeing goals by:

- Improving sustainability of school buildings in the Council portfolio through a commitment to achieving zero-carbon buildings and constructing to BREEAM excellent.
- Providing additional school places
- Opening new community facilities that would create opportunities for local people to utilise.

This proposal would achieve the five ways of working by:

- Creating a new school environment that can deliver the new Curriculum for Wales.
- Providing first class learning facilities for pupils and the wider community and contributing towards a healthier Wales by providing additional outdoor sport facilities for pupils.
- Contributing towards a prosperous Wales by committing to opportunities for local tradespeople and to use local resources, wherever possible to build the new schools.
- Engaging with the community on a thorough consultation with opportunities for all stakeholders in the communities to engage throughout the process.

11.3 The Equality Impact Assessment includes further detail on the contribution of the proposal to the Wellbeing of Future Generations (Wales) Act

## **12. CONCLUSION**

12.1 The Council is responsible for delivering high educational standards and efficient education provision that serves our local communities. This is achieved by ensuring that the right schools, are the right size, are in the right location and are fit for the 21st Century learner.



12.2 To continue to build upon the success of the significant improvements delivered to the Council's education assets through the Band A 21<sup>st</sup> Century Schools investment, Members are asked to:

- Approve the submission of an Outline Business Case to Welsh Government for consideration in July / August 2021.
- Approve progression to Stage 2 of the MIM process with Welsh Government and the private sector partner.
- Note the costs incurred to date and indicative costs going forward.
- Note that formal approval to proceed to deliver the Pathfinder Project, and to enter into associated legal documentation to facilitate the same including a Project Agreement, would require further approval of the Cabinet.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

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**20<sup>th</sup> JULY 2021**

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***Other Information / Background Papers***

**The background papers included as appendices to the report are:**

- **Equality Impact Assessment**
- **Welsh Language Impact Assessment**

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