

# BRIDGEND COUNTY BOROUGH COUNCIL

## JOINT REPORT TO CABINET

14 SEPTEMBER 2021

### REPORT OF THE CORPORATE DIRECTOR – EDUCATION AND FAMILY SUPPORT AND THE CORPORATE DIRECTOR - COMMUNITIES

#### SCHOOL MODERNISATION

#### MUTUAL INVESTMENT MODEL AND LAND AT PLAS MORLAIS

#### 1. Purpose of report

1.1 This report seeks Cabinet approval to:

- submit the Mutual Investment Model (MIM) Stage 1 application to the Welsh Education Partnership Co (WEPco); and
- proceed with the required land transactions in order to facilitate the development of schools in this location.

1.2 This will include the completion of an option agreement with Valleys to Coast (V2C) in respect of the intended use of the former Glan-yr-Afon Resource Centre; together with instructing solicitors to commence proceedings to acquire the Plas Morlais site from V2C; and to prepare contract documents for the disposal of Afon-Y-Felin Primary School site to V2C at an agreed price at a future date.

#### 2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:

**Supporting a successful sustainable economy** - taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county borough.

**Smarter use of resources** - ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

2.2 On 3 March 2015, Cabinet approval was received for the Council to adopt revised principles as a framework for school organisation in Bridgend. Five key

principles were set out to inform the organisation and modernisation of our schools. These are:

- commitment to high standards and excellence in provision;
- equality of opportunity, so that all pupils can access quality learning opportunities, regardless of which school they attend;
- inclusive schools, which cater for the learning needs of all their pupils;
- community-focused schools, where the school actively engages with its local community; and
- value for money.

2.3 The Policy and Planning Framework sets out 17 areas where these principles should be applied in practice.

2.4 The principles which are particularly relevant in the context of Band B are:

- the size of primary schools (to ensure that “all Bridgend’s primary schools are large enough to make the full range of necessary provision”); and
- value for money, efficiency and effectiveness (“narrowing the gap between the most and the least expensive provision currently”).

### **3. Background**

3.1 A revised Band B Strategic Outline Programme (SOP) was submitted to Welsh Government (WG) in July 2017. In October 2017, Cabinet was presented with a report detailing the outcome of the completed strategic review in relation to school modernisation, and gave approval to discontinue the original Band B schemes approved in November 2010. Cabinet also approved the revised 2017 Band B SOP, which detailed the following projects to be taken forward:

- Bridgend North East (primary)
- Bridgend South East (primary)
- Bridgend West – Welsh-medium (primary)
- Bridgend West – English-medium (primary)
- Bridgend Special School

3.2 On 6 December 2017, the WG Department for Education gave ‘approval in principle’ for Bridgend’s second wave of investment, which had an estimated programme envelope cost of £68.2m.

3.3 The MIM was formally launched by WG on 28 February 2017 and is a platform for delivery of the ‘Taking Wales Forward’ agenda. MIM has been designed to finance major capital projects due to a scarcity of capital funding. It is based on traditional Public Private Partnership structures, but with the following core principles embedded:

- an emphasis on wider community benefits;
- enhanced stakeholder involvement;

- public sector equity investment;
  - no soft services; and
  - effective and efficient contract management by the public sector.
- 3.4 The MIM is intended to support additional investment in social and economic infrastructure projects and help to improve public services in Wales. 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 contract the asset reverts to the Council.
- 3.5 WG has procured a private sector partner to work with it on the delivery of education and community facilities in Wales, through the MIM process, under the 21<sup>st</sup> Century Schools and Colleges Programme. The private sector partner and a subsidiary of the Development Bank of Wales have formed the Welsh Education Partnership Co (WEPco), and will deliver revenue funded infrastructure services.
- 3.6 In March 2019, following WG's review of the MIM funding option in relation to its suitability for delivering certain schemes and their revised intervention rates, Cabinet determined that two primary school schemes should be delivered via this funding model. Legal Services were instructed to review WG's MIM documentation and, upon conclusion, confirmed that the safest option for the authority in progressing schemes via MIM would be to confirm a willingness to be named in the contract notice. A letter of intent was duly signed by the then Interim Chief Executive and submitted to WG.
- 3.7 In January 2020, Cabinet was advised that WG had published the MIM contract notice on 9 July 2019 via Sell2Wales (and OJEU) and had shortlisted bidders and in October 2019, WG had commenced dialogue with three companies with a view to appointing one as the MIM Private Sector Delivery Partner (PSDP). Cabinet formally approved that the two Bridgend West schemes would be funded via MIM.
- 3.8 Subsequently, in July 2020, Cabinet was advised of WG's appointment in respect of the preferred bidder and approval was received for the Council to enter into a Strategic Partnering Agreement with other participants and WEPco.
- 3.9 WG approved the Strategic Outline Case for the two Bridgend West schemes in November 2020 and, in December, Council approval was received to include funding in the capital programme for the purchase of land at Plas Morlais in order to support the English-medium element of the project.
- 3.10 In June 2021, following a statutory consultation process under the School Organisation Code in respect of the two Bridgend West proposals, Cabinet determined to approve the two proposals (ie to discontinue Afon Y Felin and Corneli Primary Schools and establish a new two form-entry English-medium primary school on the Plas Morlais site, and to enlarge Ysgol Y Ferch O'r Sgêr

to a two form-entry FE, to be located on the Corneli Primary School/Ysgol Y Ferch O'r Sgêr site).

- 3.11 In respect of the associated land transactions, Cabinet and Council approval was given in December 2020 for the inclusion within the Capital Programme of the amounts required for the acquisition of the Plas Morlais site from V2C within 2021-2022. Approval was also received to include the future sale of the Afon-Y-Felin primary school site to V2C and Glan-yr-Afon as part of this three property transaction. V2C have confirmed a commitment to these transactions and are working with BCBC officers to bring them forward.

#### **4. Current situation/proposal**

##### **Mutual Investment Model**

- 4.1 Formal approval to proceed to deliver any new project and to enter into associated legal documentation to facilitate the same, including a Project Agreement (Stage 1), requires Cabinet approval.
- 4.2 The schemes are now at the stage where a Stage 1 application to WEPco needs to be submitted. Following receipt WEPco will consider the application and determine whether it can be accepted as a 'new project'. If accepted, the design development process for the new schools will commence.

##### **Land at Plas Morlais**

- 4.3 Following an extensive site search and feasibility exercise for the proposed replacement schools in the West, neighbouring land at Plas Morlais, owned by V2C, has been identified for development of one of the new Schools, with the existing site shared by Corneli Primary School and Ysgol Y Ferch O'r Sgêr as the other.
- 4.4 The principle of the land transaction is based upon a 'swap' deal with V2C, whereby BCBC exchange the Afon-Y Felin Primary School site for V2C's Plas Morlais site, however the sequencing and payments related to the two elements of the 'swap' are unable to be aligned as the Afon-Y-Felin Primary School site cannot be sold until the completion of the new school development, and the new school site has to be acquired ahead of the new school development. On this basis, it is agreed that the Council will acquire the Plas Morlais site upfront, ahead of realisation of the capital receipt for the Afon-Y-Felin Primary School site.
- 4.5 A jointly instructed valuation of both sites has been undertaken by the District Valuer and has returned values for both sites as reported in December. The reported values indicate a difference in value in favour of the Plas Morlais site, being valued higher based on size and anticipated development densities.
- 4.6 In order to account for the difference in values, Cabinet has agreed that Glan-yr-Afon, Ynysawdre could be incorporated into the 'land swap'. The District Valuer has valued this site in its current condition and agreement has been reached with V2C that will see them take an immediate option agreement on Glan-Yr-Afon at the District Valuer valuation, whilst the acquisition agreement

for Plas Morlais is concluded. This will allow V2C to bring forward much needed redevelopment plans for the Glan-yr-Afon site forthwith.

4.7 The sequencing and timing of the property transactions within the Capital Programme are proposed as:

- BCBC acquires the V2C Land at Plas Morlais – Q4 2021 (subject to a successful outcome of the consultation process via the School Organisation Code).
- V2C acquires Glan-yr-Afon – Q4 2022 (with an option agreement in place by Q3 2021 to secure V2C commitment to acquire the land).
- V2C acquires the BCBC Afon-y-Felin Primary School site – Q1 2025 (giving BCBC 6 months to vacate).

4.8 We are now in a position to complete the option agreement on Glan-yr-Afon and instruct the BCBC Legal Team to commence the acquisition of the Plas Morlais Site and the advance disposal contracts for Afon-Y-Felin Primary School Site in readiness of the Stage 1 WEPco decision.

## **5. Effect upon policy framework and procedure rules**

5.1 There is no effect upon the policy framework or procedure rules.

## **6. Equality Act 2010 implications**

6.1 An Equality Impact Assessment was carried out as part of the consultation stage and was published as part of the consultation document. The assessment concluded that the proposal is unlikely to impact disproportionately on any protected group. Having reviewed responses to the consultation, the conclusion remains valid.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The Well-being of Future Generations (Wales) Act 2015 has been considered in formulating the proposal and the assessment was published in the consultation report.

The Well-being of Future Generations (Wales) Act 2015 Assessment provides a comprehensive summary of the outcomes expected from the implementation of the service.

Long-term	Supports the statutory duty to provide sufficient pupil places and promote the Welsh language.
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Prevention	Councils have a statutory duty to ensure there are a sufficient supply of school places, and these schemes will safeguard the Council's position in terms of any potential legal challenge in this regard.
Integration	Providing sufficient places ensures that the curriculum can be delivered and meets social, environmental and cultural objectives.
Collaboration	The local authority works effectively with schools, Estyn and with the Central South Consortium (CSC), health, community councils and many internal and external partners to ensure that the building meets the short-term and future needs of the users and the community which it will serve.
Involvement	This area of work involves the engagement of all potential stakeholders including Cabinet, members, governors, staff, pupils, community internal and external partners which will include third sector organisations.

It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

- 8.1 If the proposal does go ahead and is implemented, then the cost of the new schools will be funded via an annual charge to the revenue budget, over a 25-year period, which will need to be built into the MTFS as a budget pressure. Early estimates are that this could be in the region of £500k per annum, but this will be determined as the scheme progresses. The cost is based on a Welsh Government intervention rate for MIM schemes of 81%, with the authority funding 19% of the annual costs, plus 35% of any up-front capital investment for ICT and furniture and equipment.
- 8.2 The running costs of the new schools would be met from within the Delegated Schools' Budget as is currently the case. It is too early to say whether there will be efficiency savings or additional costs from the proposed new schools, and future reports to Cabinet will outline the financial implications, as they are known, in more detail.
- 8.3 In December 2020, Council approved the inclusion of the land purchase costs related to the Band B Programme within the Capital Programme. This included the land transactions at Plas Morlais, Glan-yr-Afon and Afon-Y-Felin. In addition to the purchase costs there will be an overall acquisition legal fee cost in the region of £50k and Land Transaction Tax to be payable for each acquisition. It is anticipated that these fees will be funded via approved budgets already included within the capital programme, however should additional funds be required a further request to Council will be made for inclusion within the Capital Programme as soon as possible.
- 8.4 The potential capital receipts were included within the December 2020 Cabinet and Council reports. The only difference currently is that V2C have agreed to

pay an additional £5,000 for Glan-yr-Afon based on the option deposit amount being lowered in exchange.

## **9. Recommendations**

9.1 It is recommended that Cabinet:

- approves the Stage 1 submission to WEPco; and
- approves the option agreement of Glan-Yr-Afon to V2C as part of the overall 'land swap' agreement and to authorise officers to progress contracts for the acquisition of the land at Plas Morlais from V2C and the future sale of Afon-Y-Felin Primary School to V2C at the agreed values, ensuring the Council obtains best consideration in line with section 123 of the Local Government Act 1972 in line with Land Transaction Protocols.

**Lindsay Harvey**  
**CORPORATE DIRECTOR - EDUCATION AND FAMILY SUPPORT**

**Janine Nightingale**  
**CORPORATE DIRECTOR – COMMUNITIES**

**14 September 2021**

**Contact Officer:** Nicola Echanis  
Head of Education and Early Help

**Telephone:** (01656) 642611

**E-mail:** [nicola.echanis@bridgend.gov.uk](mailto:nicola.echanis@bridgend.gov.uk)

**Contact Officer:** Justin Kingdon  
Strategic Asset Management and Investment Manager

**Telephone:** (01656) 642714

**E-mail:** [justin.kingdon@bridgend.gov.uk](mailto:justin.kingdon@bridgend.gov.uk)

**Postal address:** Education and Family Support Directorate  
Bridgend County Borough Council  
Civic Offices  
Angel Street  
Bridgend  
CF31 4WB

## **Background documents**

Where appropriate, relevant papers are in the public domain