

Sustainable Communities for Learning Programme business case guidance



Guidance

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Sustainable Communities for Learning 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 and revenue funding from the Sustainable Communities for Learning Programme.

Further information

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Additional copies

This document can be accessed from the Welsh Government's website at gov.wales/sustainable-communities-for-learning-programme

Related documents

Publicity guidance for Sustainable Communities for Learning Programme projects, Sustainable Communities for Learning Programme Social Value Guidance and related Statutory Guidance on the SCfL website.

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1. Introduction

1.1 Context

The Sustainable Communities for Learning 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 Sustainable Communities for Learning Programme

The Sustainable Communities for Learning Programme is a collaborative delivery model with Welsh Government funding intervention rates depending on the type of scheme. The remaining funding is provided by the delivery partner:

65% WG grant funding for capital schemes.

75% WG grant funding for capital funded special schools and pupil referral units (PRUs).

85% WG grant funding for capital funded voluntary aided schools; and

81% WG grant funding for projects delivered through the revenue funded Mutual Investment Model (MIM).

In addition to the above, Welsh Government are able to provide 100% intervention rates for costs to bring the scheme to Net Zero Carbon and for irrecoverable VAT for Further Education Institutes.

The Mutual Investment Model (MIM) is an innovative way to invest in public infrastructure developed in Wales.

MIM was developed by Welsh Treasury to finance major capital projects via revenue, offering additional investment in new educational facilities in Wales. MIM Projects involve long term contracts of 25 years over which time the private sector counterparty to the MIM Project Agreement is required to design, build, fund, maintain and lifecycle a facility.

Mutual Investment Model projects include a 25-year maintenance contract for each project to ensure no maintenance backlog at the point of handover or during the life of the contract. MIM projects are subject to an alternative approval process. For more information, please contact WG officers to discuss.

Through a co-construct approach, the Programme has delivered at the pace and to the priority of delivery partners. Given the complexity and protracted nature associated with the delivery of projects through the 'fixed' Programme timelines and the associated challenges for both the Welsh Government and delivery partners, the programme has since moved to a nine-year Rolling Programme, which aligns with the latest Wales Infrastructure Investment Strategy, (WIIS) and its three-year Infrastructure Finance Plans (IFPs).

Initial Rolling Programme submissions were approved through delivery partner Strategic Outline Plans (SOPs). Delivery partners must review their SOPs at least every 3 years, which

is an opportunity for them to reconsider the pace and priority of delivery. Each project included in these SOPs will be subject to full business case approval prior to funding awards.

Investment objectives are the outcomes that the Welsh Government aim to achieve through their investment with delivery partners in the Programme. These objectives:

- guide the selection of investment and the allocation of funding
- ensure that public money is prioritised appropriately

Transforming learning environments and learner experience

- Supporting all learners to be healthy, engaged, enterprising and ethical citizens, ready to play a full part in life and work, within places of learning that are safe, inclusive and free from discrimination and bullying.
- Improving learner experience and wellbeing in the built environment, supporting the delivery of Curriculum for Wales.
- Providing first-class digital infrastructure to improve learning environments and teaching methods for students of all ages and for the wider community.
- Supporting learners with additional learning needs and those from disadvantaged backgrounds.

Meeting demand for school places

- Providing efficient and effective educational infrastructure that will meet current and future demand for places.
- Actively supporting the delivery of the authority's Welsh in Education Strategic Plan.
- Providing the right number of places for the delivery of Welsh- and English- medium education.
- Addressing sufficiency issues where relevant.

Improving condition and suitability of the education estate

- Reducing backlog maintenance costs for the schools and colleges selected for the programme taking account of the overall estate.
- Removing category D condition and suitability buildings from the estate.
- Reducing category C condition and suitability buildings and improving condition to category A or B condition.

Developing sustainable learning environments

- Working towards whole-life Net Zero Carbon (NZC) through the programme's mandated NZC in operation and the embodied carbon targets in line with the Welsh Government's Carbon Reduction Commitments.
- Delivering sustainable learning environments that invest in biodiversity to enhance the surrounding environment and support Walking, Wheeling and Cycling.

Supporting the community

- Community Focused Schools, optimising the use of infrastructure and resources to

deliver public services working in collaboration with teachers, staff, governing bodies, learners, families and communities. This will include flexibility of our assets so that space and facilities are available outside school hours for extra-curricular, play and recreation, adult and community learning.

- Maximising community benefits and social value through the supply chain.
- Providing greater opportunities for adult learning, allowing community members to learn new skills and develop their confidence.
- Supporting multi-agency partnerships and offering an integrated approach to support learners and the community, including co-location of services.

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

Sustainablecommunitiesforlearning@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 £7.5million, Business Cases are submitted in three stages:

- Strategic Outline Case (SOC)
- Outline Business Case (OBC)
- Full Business Case (FBC)

For smaller projects less than £7.5 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. For revenue funded projects, some business case activities take place earlier in the process i.e. preferred option is identified at SOC and not OBC.

We operate on a principle of continuous improvement and welcome your comments on this guidance. We will keep this guidance under regular review.

1.4 Process overview

1.4.1 Five Case Business Model

All Business Cases will be based on the five key areas that underpin the Better Business Case Process (Five Case Business Model).

Strategic Case	<p>How does the proposal fit strategically with government/local priorities? Support existing policies and strategies of the organisation and other programmes and projects within the strategic portfolio?</p> <p>What is the case for change and are there clear SMART investment</p>
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	<p>objectives?</p> <p>What will be the impact of investment: current position vs proposed position post-investment?</p> <p>How is investment supporting key policy aims?</p> <p>Have you outlined the main benefits, main risks, key constraints and dependencies for investment?</p>
Economic Case	How can we systematically identify all options that meet the investment objectives, and which option represents the best overall value for money – including wider societal benefits, environmental sustainability and long-term impacts?
Commercial Case	<p>How can a deal be done with delivery agents?</p> <p>What are the procurement strategy and use of the commercial arrangements for the proposed investment?</p> <p>Confirm whether a framework has been used.</p> <p>What is the social value 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>
Financial Case	<p>Is the proposal affordable?</p> <p>What are the sources of match funding and what is the accounting treatment of the investment?</p>
Management Case	<p>How will the successful delivery of the scheme and whole life benefits be managed?</p> <p>What is the approach to risk management?</p>

These five areas are examined at different stages of the business case process. **Annex 1a** provides a full breakdown of each of these areas and what is required at each business case stage. As a guide a summary for each stage is given below:

- The **SOC** will focus on the strategic justification (Strategic Case), investment objectives for the project (Strategic Case), the creation of a comprehensive record of longlist options considered, together with rationale for reducing these to a shortlist of viable options to be taken forward and for revenue funded projects the 'preferred option' (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, for revenue funded projects this would have been completed at SOC (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** for capital funded projects will solely focus on the tendered costs unless anything has changed since agreement to the OBC. Likewise for revenue funded projects it will focus on the achievement of the Affordability Cap and the delivery of the standard form Project Agreement (including the Authority's Construction Requirements and Service Level Specification).
- For smaller projects, the **BJC** covers all these areas in a single iteration.

We also request that the executive proforma within **Annex 1a/1b** is completed to ensure key information for business case assessors is submitted with all business case submissions. This will also ensure consistent information is provided from all delivery partners.

1.4.2 Combined Business Cases

In certain situations, it may be possible to combine Business Cases and submit a joint SOC/OBC or a joint OBC/FBC (for Capital funded projects). However, combining business case stages should be the exception and not the norm.

It is important that separate business cases are submitted wherever possible to ensure feedback can be provided when the project is at a formative stage. This will prevent duplication of work, reduce queries, and reduce the likelihood of funding being capped.

A combined business case should be discussed with the programme team at the earliest opportunity.

1.4.3 Business Case Timescales

The **SOC** should be submitted when the project is at a formative stage. This will ensure feedback from Welsh government policy officials is used to inform the project. If a statutory education consultation is required in accordance with the School Standards and Organisation (Wales) Act 2013, then there should be sufficient information to complete the SOC following the decision to consult. For example, the SOC could be submitted alongside the publication of a statutory notice when the initial feedback has been considered by the authority. For projects that do not require a statutory consultation, the SOC should be submitted following initial feasibility with limited expenditure.

At **OBC**, the project should be relatively developed, including:

- Determination of any statutory process in accordance with the School Standards and Organisation (Wales) Act 2013.
- Completion (or finalising) of RIBA stage 2 design, including schedule of accommodation comparison against the relevant Building Bulletin.
- If a two-stage tender process is being followed the OBC could be submitted alongside or immediately following the first stage.
- Where a single-stage tender process is being used, the OBC would provide approval to begin the tender process.

At **FBC**, the project should be completely developed, including:

- Planning and SAB approvals should be in place or due to be in place prior to the Education Investment Panel (EIP) meeting.
- There should be cost assurance based on an agreed contract price.

Any deviation from the above timescales should be discussed with the Programme team prior to submission for agreement.

There should not be a prolonged period between FBC approval and letting the contract / starting onsite. This should be at most 6 months. Any further delay could result in the grant award being withdrawn.

If a **BJC** is required for the project, then this should be submitted following the FBC timescales noted above.

1.4.4 Complicated or High Value Projects

When developing complicated or high value projects, we would be happy to arrange an initial scoping meeting with key Welsh government policy officials. This will ensure early engagement to support the development of the options appraisal.

If you think this would be useful for one of your projects, then speak to your main contact from the Programme Team.

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 for capital and revenue that ask key questions that will allow us to gather the appropriate information for each stage of the process.

The dates for Business Case Scrutiny Group and Education Investment Panel are regularly set and are published on the website:

[Business Case Scrutiny and Education Investment Panel meeting dates \[HTML\] | GOV.WALES](#)

All relevant information should be contained in the body of the document. With the exception of the Option Appraisal Template, Project Benefits Table, Net Zero Carbon (NZN) Template, Project Cost Template and Project Information Proforma which are to be attached as appendices.

For revenue funded projects, the Welsh Education Partnership Company (WEPCo) Stage 1 Submission (OBC) and Stage 2 Submission (FBC) should be attached. 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.

The Programme has now transitioned from the typical 5-year strategic outline programme (SOP) investment cycle to that of a dynamic rolling 9-year SOP. Rolling Programme SOPs will:

- be reviewed and updated on a 3-year cycle
- align with the latest Wales Infrastructure Investment Strategy and its 3-year Infrastructure Finance Plans (IFPs)

From April 2024, the Rolling Programme SOPs are supported by 9-year investment plans. These plans are broken down into 3 phases:

- years 1 to 3
- years 4 to 6
- years 7 to 9

Approval of a SOP provides 'in-principle' support for projects in years 1 to 3 and years 4 to 6. Projects included in years 7 to 9 are noted as future priorities.

Partners will review their SOPs at least every 3 years to follow the programme investment objectives outlined in the following table.

As part of their rolling programme 9-year plan, delivery partners were permitted to include projects approved in principle during Band B, but not FBC approved.

Years	Expectation
1, 2 and 3	Projects expected to reach full business case within the 3 years
4, 5 and 6	Projects being developed and going through statutory consultation
7, 8 and 9	Pipeline projects

There may be some occasions where it is necessary to amend your SOP in advance of the 3-year review to reflect the addition or removal of a project in the current investment phase.

As the Rolling Programme has moved away from fixed funding envelopes, an amended SOP is not required where there is an identified need for an increase or decrease in resources to deliver existing priorities.

Where you have identified the need to amend your SOP to reflect the addition or removal of a project from the current three-year investment phase, raise the issue with your main contact from the Programme Team: sustainablecommunitiesforlearning@gov.wales

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
- provide a recommended or preferred way forward for further analysis (revenue funding)
- appraise the main options for service delivery
- prepare and appraise the long list of options within the economic case (capital funding)
- 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.

Please note that the SOC should be prepared in accordance with best practice guidance provided in [HM Treasury's Green Book](#).

2.3.1. Executive summary

We have developed a proforma to replace the executive summary for each business case.

The proforma is available at **Annex 1a/1b**. The purpose of this proforma is to ensure key information for business case assessors is clear to reduce the number of addendums issued.

This will also ensure consistent information is provided by all delivery partners. The completed proforma will need to be submitted with all business cases.

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.

2.3.2 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 the **Project Benefits Tables (Annex 2)** 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 in line with the green book options dimensions and reduce it down to a short list or in the case of a revenue funded project justification of a 'new build solution'.

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.

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:

- Description of the option – a clear outline of what the option entails, include scope and any key assumptions
- Contribution to strategic objectives – explanation of how the option helps deliver intended outcomes, including reference to change mechanism (links between investment, output, and resulting benefits or disbenefits). If an option fails to align with the strategic objectives, then this can be referenced as a potential reason for discounting.
- Advantages and disadvantages of the option – this should cover strategic fit, feasibility, deliverability, potential benefits/disbenefits, risks and dependencies.
- Conclusion – providing clear rationale, with reference to the above information as why an option is taken forward or 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 and it is important to note that this option can be a theoretical option that wouldn't otherwise be considered but provides a clear counterfactual to frame additional change delivered by each alternative option.

Please refer to **Annex 1a** for further detail on the options appraisal process. An Options Framework – Worked Example is available at **Annex 4**.

- At this stage, high-level value-for-money analysis should be conducted. This should be proportionate and does not require full quantitative modelling but instead should assess options qualitatively whilst also demonstrating which option delivers the best net social value compared to the baseline, applying sensible optimism bias adjustment. This should enable identification of a preferred way forward at this time, subject to more detailed analysis in the OBC.

2.3.3 Commercial case

Capital Funded Projects

You must clearly identify your proposed procurement route. The default and required approach is to use one of the designated Regional Procurement Frameworks, which are designed to support fair and transparent procurement and provide opportunities for Wales-based Contractors. These include:

- South-East and Mid-Wales Collaborative Construction Framework (SEWSCAP)
- South-west Wales Regional Contractor Framework (SWWRCF)

- North Wales Construction Partnership (NWCP)

Use of these frameworks is expected in all cases. In exceptional circumstances where a framework cannot be used, a clear and robust justification must be provided. Detailing the reasons and the alternative procurement approach taken. The SCfL team must be notified at the earliest opportunity to ensure appropriate oversight and alignment with Programme objectives.

Revenue Funded Projects

The procurement of WEPCo has already been completed. A statement that confirms the project will be delivered in accordance with the below should be included:

- The Strategic Partnering Agreement
- The standard form Project Agreement

Social Value

You must outline your Social Value (SV) approach, referring to the Social Value Guidance Document. You should demonstrate how your approach aligns with Programme priorities and delivers meaningful outcomes for Welsh Communities.

Where known at this stage, your submission should include a statement on how partners will actively promote:

- Sub-contractor opportunities for Welsh-based businesses;
- Employment and training opportunities; and
- The use and supply of Welsh materials

This information will be used to assess the potential impact of your proposal and its contribution to the wider social and economic goals of the Programme.

Project Bank Account

You must:

- Confirm that a Project Bank Account (PBA) will be applied to the project, in accordance with the [Project Bank Accounts policy](#).

Where a PBA is to be used, you must also confirm that its application will be maintained for the full duration of the contract, ensuring transparency, prompt payment, and financial protection for the supply chain.

2.3.4 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 the finance section of the Project Information Performa (PIP) in **Annex 8**.
- identify how the delivery partner element will be funded. For example, reserves, borrowing, S.106.

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?

The Welsh Government will provide funding for capital funded projects typically to a maximum of 65% and 81% for revenue funded projects of an all-inclusive cost. The Construction cost per m² and FF&E and IT costs per pupil are set out in Annex 6. Recommended maximum areas are set by the Welsh Government's Area Guidelines for Schools in Wales.

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 6 and 6a)** for a full list of what is included in project costs and what would be considered as abnormal costs.

2.3.5 Management case

This should explain the governance of the scheme and how it is an integral part of the Local Authority/further education institution Sustainable Communities for Learning 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.

Social Value Reporting

You must confirm that the project team will:

- Capture Social Value data in accordance with the SCfL Social Value Guidance Document, reporting Bi-Quarterly, Annually and at Closing Report to the SCfL Team.

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 (this would have been done at SOC for revenue projects)
- 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.

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 may be entitled to claim for eligible costs incurred to date. However, standard process would be to include any eligible expenditure on quarterly claim forms once the FBC has achieved ministerial approval. Should funding be required prior to this, please contact the SCfL Finance team.

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 Programme's Cost and Size Standard.

Please refer to **Project Cost Template (Annex 7a)**. For full list of what to include within the OBC, please refer to **Business Case Template (Annex 1a)**.

2.4.1 Executive summary

An updated Executive Summary proforma must be provided alongside the project business case.

2.4.2 Strategic case

At OBC stage it may be necessary to note any changes to the Strategic Case since SOC stage.

Where a Net Zero Carbon ("NZC") scheme is being proposed by an authority, the HMT Green Book compliant quantification tool should be completed. This tool will inform consideration of the value for money or otherwise of the proposed interventions, noting that the spreadsheet will produce costs with policy/decision makers required to assess the acceptability or otherwise of said costs versus what is being delivered.

Further information on NZC Carbon is provided at **Annex 10a**.

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 (Annex 2)** to identify the current position and the impact that your different options will have.

Short-listed options

For capital funded projects restate the shortlisted options as identified in the SOC. Any changes should be highlighted. For revenue funded projects, confirm that your preferred option is still the preferred option.

The economic appraisal should provide an overview of the main costs and benefits associated with the shortlisted options. This will be supported by detailed financial analysis. Please see **Options Appraisal Template – worked example (Annex 4)** and **Options Appraisal Template – blank (Annex 5)**. **For revenue funded projects this would have been completed at SOC.**

Information around costs and exclusions are included in the HM Treasury Green Book Guidance on Options Appraisals. 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. Where an options appraisal includes both new build and refurbishment options, it is good practice to assess them over a consistent 60-year period, with the refurbishment option incorporating a reinvestment allowance at year 30 to reflect its shorter asset life. This adjustment isn't necessary where all options involve refurbishment only.

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.

Further information on how to best present your findings throughout the case is available in **Annex 2**. Table 2 from annex 2 should be included in the main body of your economic case to help ensure a comprehensive assessment has been provided.

Risk Appraisal

Quantified risk – contingency

These risks are measurable and foreseeable in that they can be estimated with a likelihood and monetary value. For each risk, an assessment of cost mitigation or expected cost of materialisation should be conducted and included as contingency within the overall cost envelope of an option.

Unquantified risk – optimism bias

This accounts for unknown or underestimated factors to reflect the tendency to be overly optimistic about costs, benefits and timelines. The Green book requires the use of the initial upper bound optimism bias estimate for the project type which can be reduced as risks are quantified and mitigated, this can vary across options. It is important that this is done clearly to ensure there is no double counting.

Qualitative risk assessment

Ideally, risks should be quantified (in £s) in all cases and the unquantifiable risks assessed as outlined in **Annex 1a**. However, in some cases this may not be possible so qualitative risk assessment should be undertaken. To do this, appraisers should systemically identify and prioritise risks associated with the project, categorise these risks (e.g., strategic, operational, financial), provide a clear description of each risk and assess them based on the impact of the risk and the likelihood of it materialising. This allows for clear risk scoring/ranking for each option to support prioritisation and decision making.

Following the three elements of analysis: Economic, Benefits and Risk, the options should be assigned an overall ranking. Example tables to present the results of each element of the analysis are provided at **Annex 1a**.

The conclusion should then be reached and a summary statement providing a clear narrative of the reasoning for the preferred option should be provided.

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 for capital funded projects and SOC for revenue funded projects and whether this has changed the preferred option ranking.

2.4.4 Commercial Case

This section of the OBC should outline the proposed deal in relation to the preferred option selected in the Economic Case. It should also revisit the SOC Commercial Case to build on and re-iterate the following:

Capital Funded Projects

You must clearly identify your proposed procurement route. The default and required approach is to use one of the designated Regional Procurement Frameworks, which are designed to support fair and transparent procurement and provide opportunities for Wales-based Contractors. These include:

- South-East and Mid-Wales Collaborative Construction Framework (SEWSCAP)
- South-west Wales Regional Contractor Framework (SWWRCF)
- North Wales Construction Partnership (NWCP)

Use of these frameworks is expected in all cases. In exceptional circumstances where a framework cannot be used, a clear and robust justification must be provided. Detailing the reasons and the alternative procurement approach taken. The SCfL team must be notified at the earliest opportunity to ensure appropriate oversight and alignment with Programme objectives.

Revenue Funded Projects

The procurement of WEPCo has already been completed. A statement that confirms the project will be delivered in accordance with the below should be included:

- The Strategic Partnering Agreement
- The standard form Project Agreement

Social Value

You must outline your Social Value (SV) approach, referring to the Social Value Guidance Document. If known at this stage, include a statement on how partners will promote:

- Sub-contractor opportunities for Welsh-based businesses;
- Employment and training opportunities; and
- The supply of Welsh materials

At this stage, you should identify the specific needs of the community in which the project is located. You should identify local socio-economic challenges, e.g. high levels of homelessness, youth unemployment, or long-term economic activity. This place-based approach ensures that benefits of investment are felt mostly by those who need them most, and that the project contributes meaningfully to inclusive growth and wellbeing in the area.

Project Bank Account

You must:

- Confirm that a Project Bank Account (PBA) will be applied to the project, in accordance with the [Project Bank Accounts policy](#).

Where a PBA is to be used, you must also confirm that its application will be maintained for the full duration of the contract, ensuring transparency, prompt payment, and financial protection for the supply chain.

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 at least 65% of capital project costs and 81% of the annual service charge in revenue projects, it is important that we are confident that the remaining funding of the project is affordable. The Welsh Government contribution can 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/Revenue 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?

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 VAT implications of HMRC guidance should be sought to ensure that the full cost of the project is reflected in the application and reflected in the correct section of the funding forecast.

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 what the impact will be on the statement of accounts – is the asset on the Balance sheet of the delivery partner or a third party?

Please include an updated cash flow included in your PIP at 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 or similar, details of the reporting organisation and structure for the project, details of project roles and responsibilities. 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.

This section must include an overview of the project plan including delivery programme milestones, including the timescales for statutory consultation and procedures,

construction and completion.

It is also important that this case provides the outline arrangements for contract management, benefits realisation, risk management and monitoring and evaluation.

The Gateway Review Process should also be referenced, along with confirmation that any recommendations are actioned.

Social Value Reporting

You must confirm that the project team will capture Social Value data in accordance with the SCfL Social Value Guidance Document, reporting Bi-Quarterly, Annually and at Closing Report to the SCfL Team.

2.5 Full Business Case (FBC)

The FBC is submitted following procurement, but prior to contract signature, or receipt of the WEPCo Stage 2 Submission in revenue projects, but prior to authorising WEPCo to complete Financial Close (FC).

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 (capital projects) 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 of capital projects and the Stage 2 development phase in revenue projects;
- 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 any changes to project costs since OBC stage for capital projects and the reasons for this, and an update of the financial model in revenue funded projects and that the parties paying for the scheme have confirmed that risk transfer remains the same.

A Project Information Proforma must 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 7b)** and **Project Information Proforma (Annex 8)**.

2.5.1 Executive Summary

An updated Executive Summary proforma must be provided alongside the project business case.

Strategic Case

Please refer back to the SOP, SOC and OBC, noting any key changes since the production and approval of these documents.

2.5.2 Economic Case

As this section has been covered in detail at OBC stage for capital projects and SOC for revenue funded projects, there is no need to restate the whole case in detail. Although it is important to highlight any important changes that may have taken place and consider whether the changes might materially impact upon the ranking of the options achieved at SOC/OBC and record your conclusions. At this stage, the cost benefit analysis must be more detailed and provide a more mature NPC/NPV, including final tendered costs and the associated impact on optimism bias.

At each stage of the business case process, you will be required to complete the **Project Benefits Tables (Annex 2)** to identify the current position and the impact that your different options will have.

2.5.3 Commercial Case

This section of the FBC sets out the negotiated arrangements and includes a description of the required services and risk transfer agreements.

You must clearly identify your proposed procurement route. The default and required approach is to use one of the designated Regional Procurement Frameworks, which are designed to support fair and transparent procurement and provide opportunities for Wales-based Contractors. These include:

- South-East and Mid-Wales Collaborative Construction Framework (SEWSCAP)
- South-west Wales Regional Contractor Framework (SWWRCF)
- North Wales Construction Partnership (NWCP)

Use of these frameworks is expected in all cases. In exceptional circumstances where a framework cannot be used, a clear and robust justification must be provided. Detailing the reasons and the alternative procurement approach taken. The SCfL team must be notified at the earliest opportunity to ensure appropriate oversight and alignment with Programme objectives.

This section should also detail:

- Confirmation that the standard form Project Agreement has been used for revenue projects and any derogations that have been made with relevant authority received;

Social Value

In the FBC, you must present a comprehensive and project-specific Social Value strategy, aligned with the Social Value Guidance Document and Welsh Government priorities.

This section must include confirmation of stakeholder engagement, showing how local communities, third-sector organisations and public services have been considered in the SV approach.

This section should demonstrate how the project will maximise long term social impact,

contribute to local wellbeing, and support the delivery of the Wellbeing of Future Generations (Wales) Act 2015.

Project Bank Account

The FBC should include the Project Bank Account plans or arrangements –

- Confirming that the PBA requirement will or has been/be 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.

Refer to the [Project Bank Accounts policy](#) for further information.

2.5.4 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 at least 65% of capital project costs and 81% of the annual service charge in revenue projects, it is important that we are confident that the remaining funding of the project is affordable.

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.

The remainder of the Financial Case should match the same level of detail as the OBC stage but with greater certainty and highlight any changes or risks established since OBC approval. Costs of the project should be broken down as per the OBC, but at this stage we would expect to see a post-tender contract value. The **PIP (Annex 8)** must be included with finalised costs per financial year, fixed following negotiation of contract.

2.5.5 Management case

This case should include final arrangements for project management, benefits realised, risk register, contract management and Gateway Reviews.

The project plan should be revisited, including the timescales for contract award, construction and completion.

For full list of what to include within the FBC, please refer to **Business Case Template (Annex 1)**.

Social Value Reporting

You must confirm that the project team will capture Social Value data in accordance with the SCfL Social Value Guidance Document, reporting Bi-Quarterly, Annually and at Closing Report to the SCfL Team.

2.6 Business Justification Case (BJC)

The BJC is reserved for projects below £7.5million in total.

As a single stage business case, the BJC should address all information required at

SOC/OBC/FBC stages in sufficient detail to enable the consideration of the strategic, economic, commercial, economic, financial and management case within one document.

The following annexes are required alongside the BJC:

- Executive Summary Proforma
- Project Benefits Template
- Project Cost template
- Project Information Proforma

For full list of what to include within the BJC, please refer to **the Business Case Template (Annex 1)**.

2.6.1 Strategic Case

The strategic case of the BJC should set out the strategic context of investment and the case for change in the same format required under the SOC, including consideration of the Programme investment objectives and key Welsh government policies.

2.6.2 Economic Case

The BJC should combine the economic appraisals of a SOC and OBC. This would entail an appraisal of the options to identify a preferred option. Please bear in mind:

- That a minimum of **four options** should be considered, including the 'business as usual' 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 include:
 - An analysis of the costs of each option
 - An analysis of the quantitative benefits of each option
 - An analysis of the qualitative benefits of each option
 - An analysis of the main risks associated with each option

Unless prior agreement is made with the programme team, please undertake an NPV analysis and submit the template at Annex 5.

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.

2.6.3 Commercial Case

The commercial case at BJC stage should confirm the procurement route taken.

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 reference to the:

- SCfL Programme Social Value Guidance; and
- Use of a Project Bank Account in line with Welsh Government policy.

Further information on Project Bank Accounts can be found [here](#).

2.6.4 Financial Case

The financial case of the BJC should include the same detail as required under the FBC, therefore it should include final / tendered project costs.

Please indicate:

- The capital and revenue costs of the proposed investment
- How the investment will be funded, including the sources of the LA / College contribution
- Please complete **Project Cost Template (Annex 7b)** and **Project Information Proforma (Annex 8)** in your submission.

2.6.5 Management Case

The management case within the BJC should detail the final arrangements for project delivery and assurance.

Please indicate how the investment will be delivered successfully with particular reference to:

- Project management arrangements
- Business assurance arrangements
- Benefits realisation monitoring
- Social Value reporting
- Risk management
- Project milestones / programme
- 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 and other departments in Welsh Government;
- Sign-off by the Cabinet Secretary 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. Business cases need to be submitted at least 2 weeks before the date of the Business Case Scrutiny Group's (BCSG) meeting. This will ensure that Group members have enough time to assess individual cases. If supported, business cases will then move forward to the Education Investment Panel. 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 will be 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 takes 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 Cabinet Secretary for Education for a formal decision. In some cases, approval could also be referred to the Minister for Higher and Further Education and other Ministers where appropriate.

4. Project approval process

4.1 Grant letter

Following approval of an OBC, a reimbursement application for eligible costs incurred in relation to site investigation and design and management fees may be submitted to the Sustainable Communities for Learning team, in order to be considered by the Education Investment Panel and the Cabinet Secretary for Education.

Should the application be approved, 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.

Once the FBC for a project has been approved, a grant award letter will be issued, including estimated WG funding forecast based on the cashflow forecasts submitted. These will need to be signed and dated by authorised signatories before the funding can be included in the quarterly claims.

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 Social Value

The SCfL Programme supports the Welsh Government's ambition to build a vibrant and inclusive economy by ensuring that infrastructure investment delivers meaningful benefits for the communities across Wales. The SCfL Programme aims to deliver its Programme Investment Objectives, and in doing so, contribute to the goals of the Wellbeing of Future Generations Act and the Wales Infrastructure Investment Strategy.

The SCfL Programme has recently developed its Social Value metrics. These include both Programme wide core indicators and place-based metrics tailored to the needs of the local community.

The aim of capturing this information serves three key purposes:

- To demonstrate the wider impact of the Programme on communities in Wales;
- To identify and share good practice;
- To inform future investment and policy decisions.

Partners are required to provide updates to the SCfL team on progress against targets through both Bi-quarterly (Q2 and Q4) and Annual Reports. Templates for these can be found in the Social Value Guidance.

Returns should be submitted 3 weeks after the completion of the quarter. Further information can be found in the Social Value Guidance.

Prior to submission of Full Business Cases, Local Authority and Further Education Institutions are required to provide details of the Social Value objectives for the project. These details should be included in the Project Information Proforma.

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 Sustainable Communities for Learning 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.

4.2.3 British Research Establishment Environmental Assessment Method (BREEAM) and Energy Performance Certification (EPC)

The BREEAM requirements applicable to all projects where the Welsh Government grants are used are set out below:

- Building works less than 250m² are exempt but will still benefit from applying BREEAM principles.
- Works between 251m² and 1,000m² should follow BREEAM principles but no certification is required. Part L+10% is required (10% improvement over the Target Emission Rate (TER) for current Part L of the Building Regulations).
- All new buildings 1001m² to 200m² require BREEAM 'Very Good' with 'Excellent' for

Energy Credits (ENE01) as minimum.

- Projects 2001m² and over require 'Excellent' rating.
- Substantial and independent extensions of 2001m² and over will be assessed as new construction
- Major refurbishments or integrated works 2001m² and over will be assessed under Refurbishment and Fit-Out, or Bespoke criteria.

If during the construction of a project it is anticipated that the relevant BREEAM rating will not be achievable, then the Local Authority or further education institution will need to advise the Sustainable Communities for Learning 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 the required rating. In all cases the Cabinet Secretary's approval will be required.

4.2.4 Fire safety

Part B of the Building regulations refers to fire safety and applies to all new school and college buildings, major refurbishments and extensions. Building Bulletin 100 also applies to all school projects. In all cases Local Authorities and further education institutions are encouraged to discuss fire safety installations with their local fire safety officer.

It is a funding condition that fire sprinklers are incorporated into all 'new build' (stand alone or extension) school and college projects over 250m² and/or where significant remodelling is taking place.

Where the remodelling of a school involves extensive upgrading of the existing school Infrastructure, fire sprinklers should be installed. Where Local Authorities and further education institutions are unsure of the requirement in respect of remodelling works, please contact the Sustainable Communities for Learning team.

In the case of water 'mist suppression' systems, these should conform to British Standard BS 8458. Should you choose to install this type of system then an appropriate business case needs to be submitted to the Sustainable Communities for Learning team.

4.2.5 Acoustics (BB93)

Acoustic testing, to demonstrate compliance with Building Bulletin 93 (BB93), is a requirement of the Sustainable Communities for Learning 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.

4.2.6 Accessibility

The Sustainable Communities for Learning 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. As well as everyone having access to the building it is also important to ensure effective environments, indoors and outdoors, are accessible for learning.

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.

4.2.7 Environment and Sustainability

Partners are required to report against their environment and sustainability impact. Most of this data will be collected within the Closing Report, however operational data must be reported under the Post Occupancy Evaluation (POE) Process.

Focus areas include Carbon Reduction, Transport (including Active Travel), Building Operation, Circular Economy, Operational Lifecycle and Biodiversity and Nature.

Further information on the guidance can be found in annex 11a.

Further information on Carbon Reduction can be found below, along with links to supporting appendices.

Carbon Reduction

In line with the Welsh Government’s long-term commitment towards carbon reduction and Net Zero Public Sector Buildings all projects are required to demonstrate carbon reduction techniques and technologies and achieve Net Zero Carbon Operational and meet the relevant target for embodied carbon as outlined below;

Years	Embodied Carbon Target
2025 - 2029	Below 600 kgCO ₂ /m ²
2030 - 2035	Below 350 kgCO ₂ /m ²
2035 - onwards	To be confirmed

100% of the extra-over additional costs will be eligible for funding in the current funding wave subject to benchmarks as per **Cost Standard Benchmark (Annex 6)**. Delivery partners should set out their request within their business case and complete the **Net Zero Carbon Valuation template (Annex 10b)**. **Net Present Value (NPV)** calculations will also need to show cost per tonne of CO² saved.

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. The Welsh Government require Local Authorities and further education institutions to consider provision of electric vehicle charging points in schools and colleges and where car parking is provided for new school or college development, a minimum of 10% of car parking spaces must have electric vehicle charging points. Road transport is a significant source of carbon emissions and harmful air pollution and further information can be obtained at [Electric Vehicle Charging Strategy \(gov.wales\)](#) . Charging infrastructure can encourage take-up of electric vehicles and is not typically cost prohibitive when built in at design stage.

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.

Key words indicating Capital expenditure	Key words indicating Revenue expenditure
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 Sustainable Communities for Learning 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.

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 and special schools are designed according to the maximum of Area Guidelines for Schools in Wales.

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 cost 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 the 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
- decant costs
- construction (including substructure, superstructure, internal finishes, fittings and furnishings that are physically attached to the building and services)
- external works (including external play and specialist sports provision such as 3G and MUGA pitches, tennis courts, floodlights, 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 6 and 6a)** 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 Education Investment Panel. For example, highways work outside the school or college boundary would not be eligible for Sustainable Communities for Learning funding.

4.3.2 Professional fees

We are often asked whether the Welsh Government will cover professional fees as part of Sustainable Communities for Learning 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, these can be met by Welsh Government according to the relevant project intervention rate.

4.3.5 Abnormals

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
- Demolition
- Decant/temporary accommodation
- Flood Alleviation

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, MUGAs, tennis courts, co-location of childcare to enable smoother transition into nursery education 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.

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.

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 Programme and Local Authorities should consult their respective Diocesan Directors of Education to ensure that the priorities of this sector are communicated. Local Authorities can agree to provide the governing body or diocesan contribution to a VA capital scheme, in which case 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 Sustainable Communities for Learning funding, please contact the Sustainable Communities for Learning Team. Those progressing 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

Monitoring is carried out on a quarterly basis. This will involve:

- confirmation of spend incurred to date through the quarterly finance claim
- updating the quarterly data collection spreadsheet to provide updates on project delivery and business case submissions.
- Social Value Reporting in accordance with guidance **(Q2 and Q4)**.

An updated Programme Funding Forecast is required annually (**Q1**). Programme forecasts should be kept up to date as projects progress and to reflect any variances to the spend profile.

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 financial forecast. It is also vital that the figures in the cashflow projections are accurate and that all Business Case appendix submissions are aligned.

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 extraordinary circumstances.

The Education Directorate does not have the guaranteed capacity within the Welsh Government financial arrangements to carry forward any unspent resources (slippage) from one year to the next. It is essential that early communication is made in relation to changes in cashflow forecasts or project cost increases.

Any request to amend funding profiles will require a variation form to be submitted to amend the signed grant agreement letter. In all cases requests must be made via the Capital Funding Team within reasonable timescales.

5.2 Project Variations

Variations should be managed locally, and project costs should include adequate contingencies to account for known risks.

Where an unforeseen issue has resulted in an increase in costs that cannot be addressed within the project contingency allowance, delivery partners can submit a variation request for additional Welsh Government funding.

Delivery partners need to notify the Sustainable Communities for Learning Team as soon as they become aware of any variations to approved projects. The variation request should only be submitted based on final or realised costs to avoid multiple variations for a single project.

Variation requests are considered by the Investment Panel and the Cabinet Secretary for Education and/or the Minister for Higher and Further Education. Please complete and submit a **Variation Form (Annex 9)**.

All final project costs must be included within the final Closing Report, when total costs of the project have crystallised.

Variation requests submitted after this will not be considered.

5.3 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.

5.4 Closing Report

At the End of the Project, Annex 8 – Project Information Proforma should be fully completed and provide the final cumulative totals on what the project has delivered. Partners should complete the 'Actuals' column, marked Red on Image 5. This report will capture the full impact of the project and must be submitted within 18 months of project completion.

Partners must submit their Closing Report returns within Annex 8 – Project Information Proforma, to the SCfLP team via email (sustainablecommunitiesforlearning@gov.wales), no later than 18 months after Project Completion. Delivery Teams will receive communication in the lead up to this period. This is a condition of funding, else retention monies will not be released.

We do not require the certificates to be forwarded to the Welsh Government when closing reports are submitted. However, the Section 151 Officer must sign off the retention documents for audit purposes once all certificates/documents are in place.

5.5 Benefits

Achieving and evidencing benefits is critical to the success of the Sustainable Communities for Learning Programme. As part of the project closure process, within the Closing Report, you will need to confirm delivery against key areas. This includes the following benefits:

Core Project Delivery Benefits

- Confirmation that the asset has been created in line with the approved Business Case.
- Achievement of BREEAM Excellent certification.
- Achievement of an EPC Rating of 'A'.
- Installation of sprinkler systems in accordance with Programme requirements.
- Confirmation that acoustic performance targets have been met.

Social Value

- Actual achievements of the SCfL Programme Social Value Core Metrics
- Actual achievements of the SCfL Programme Social Value Targeted Metrics

Project Bank Account (PBA) Reporting

- Where a Project Bank Account has been used, the following must be reported:
 - 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 starts, and end dates and completion of the Welsh Government project evaluation questionnaire are to be submitted as part of the closing report process.

Post-Completion Benefit Verification

Further assessments may be undertaken post-completion to verify the realisation of longer-term benefits. This includes:

- Reduction in surplus capacity or confirmation that sufficient capacity has been achieved
- Improvements in learner outcomes and educational attainment.
- Evidence of any job creation, including apprenticeships and work placements.
- Reduction in learner absence rates etc.
- Increase in the numbers of learners travelling actively to school (e.g. walking, wheeling and cycling).

Some of this data will be collected through the Post Occupancy Evaluation process, which should be completed annually for up to 5 years following practical completion.

Partners should follow the Social Value Guidance to understand the evidence required on Social Value impact. This information should be readily available if the SCfL team request it.

5.6 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.

5.7 Publicity

Joint publicity for the Programme, and its related capital grant schemes, is a condition of funding. It is essential that all stakeholders coordinate efforts to ensure this requirement is met. It is important that the Welsh Government and project sponsors work together to maximise the visibility of projects and effectively showcase the positive impact of collaborative delivery, under the Sustainable Communities for Learning Programme, is making in Wales.

The Sustainable Communities for Learning Programme Team must be notified as early as possible of key events or milestones related to capital-funded school projects. This includes ceremonies (turf cutting/topping out/steel signing), official openings, and launch plans. Welsh Ministers may wish to be involved in such events, and the Programme Team will support Local Authorities in coordinating these arrangements where diaries allow.

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. The Team also requests the opportunity to review early drafts of these announcements to ensure appropriate references to Programme funding are included.

Key requirements:

- All websites, signage, plaques, announcements and press releases (including third party stakeholders) must reference the source of funding in the opening paragraphs and be sent to the Welsh Government prior to release.
- Site signage during construction must acknowledge the Welsh Government's Sustainable Communities for Learning Programme.
- You must inform the Programme team about forthcoming project events and openings to allow the opportunity for Ministers to be involved
- Submit before and after photos of schools/colleges post-completion for publicity purposes.

Our full [publicity guidance](#) is available on our website.

5.8 Gateway Reviews

All delivery partners will be required to undertake a Gateway Review to provide assurance to the Welsh Government and the Senior Responsible Owner (SRO) of the programme's deliverability. This process will assist delivery partners in ensuring that they have the appropriate plans, processes and resources in place for successful delivery of their programmes and projects.

A programme of gateway reviews have been developed to take place over a 5-year period. Delivery partners will be notified in advance of their review to provide as much notice as possible. The Welsh Government's Sustainable Communities for Learning Programme will be subject to its own independent Gateway Review as part of this process.

The cost of the review will be met by the Welsh Government, but delivery partners will be required to complete the relevant forms and participate in any pre-planning meetings ahead of the review.