



# Outline Business Case: PfS approval process

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Abstract	
<p>This guidance sets out the internal PfS approvals process and responsibilities for review of OBC submissions from local authorities (LAs). It represents a streamlined approach reflecting the PMDU and Select Committee recommendations for a reduction of duplication with DCSF.</p> <p>This process replaces the previous PRG process with effect for all projects requiring OBC approval after September 2007.</p>	

## **Outline Business Case: PfS approval process**

### **1. Background**

The Prime Minister's Delivery Unit (PMDU) has reviewed progress on the Building Schools for the Future (BSF) programme and reported on its findings in January 2007. Whilst recognising the progress made in rolling out this strategic programme, the PMDU made a number of recommendations including the need to streamline the business case approval process and remove duplication wherever possible.

PMDU found that the initial process for the approval of business cases was 'bureaucratic, inflexible and changed'. In addition, they identified local authorities that felt that the approvals process was slow and that feedback to local authorities from the centre was perceived as inconsistent. PMDU specifically recommended that "DCSF and PUK should work together to build PfS' capacity to give business cases the right level of challenge and then limit checking to a quality assurance process. "

Previously, business cases (SfC, OBC and FBC) were reviewed by the Department for Children, Schools and Families (DCSF) (formerly DfES) across a range of issues including technical, ICT, education policy and financial aspects following submission by PfS. In addition, Partnerships UK (PUK) was responsible for reviewing OBCs for the Project Review Group (PRG) and reviewing derogations from SoPC4 at the FBC stage for HMT and DCSF. Final approval was provided by PRG for the release of PFI credits, but PMDU recommended the removal of the PRG stage from the approval process.

Following the PMDU review, PfS and DCSF have agreed the business case approval arrangements outlined in this paper, which represents a streamlined process but with the same levels of approval by DCSF. It is intended that this process will be used by DCSF to monitor the performance of PfS, with the aim of moving towards a quality assurance process within an agreed period, subject to performance.

This paper concentrates on the proposed process for the approval of OBCs. A separate process will be documented for the approval of FBCs.

### **2. Proposals**

The proposals set out in the following section are designed to provide the following benefits:

- A more streamlined approach, requiring a maximum of 6 weeks' external scrutiny (by PfS, PUK and HMT), replacing the current sequential process of 3 weeks' DCSF scrutiny followed by the five week PRG approval period.
- Clarification for local authorities regarding expectations, roles and timescales in the approvals process.
- The same level of approval by DCSF given current concerns regarding quality, robustness and market acceptability, but within a reduced overall timeline for the approval process.
- A clear audit trail for the identification of issues at each stage of the process. This will provide an opportunity for DCSF to monitor trends in the quality of

business cases and should allow the move to a quality assurance-based approach once DCSF is satisfied regarding the level of CPs and other issues raised. This will also improve accountability for the quality of business cases within PfS.

- The opportunity to build trust between each party approving the business cases as they will better understand the context within which they operate.

### **3. Outline Business Case approval process**

The following sections outline the key principles of the proposed process for the approval of OBCs. The approval process is documented at Annex A including tasks, responsibilities and indicative timelines.

It is important that local authorities are made aware of PfS' requirements for OBCs as early as possible in the process. This will include a schedule of core, non-negotiable issues and will be accompanied by clear guidance on the stages at which local authorities should expect to receive feedback from PfS/DCSF on the approval of their OBCs.

In addition, it will be essential that PfS effectively manages the pipeline of business cases and works to clear timetables with DCSF and other parties. At the outset it will be important that the PfS PD is aware of when the local authority plans to submit its OBC so that the pipeline of approvals can be effectively managed across the programme.

The key stages in the revised process are as follows:

#### ***Step 0: PfS Regional Operations Director agrees business case is ready for review***

*The purpose of this step is for the local authority to submit its OBC and for the PfS Project Director (PD) to agree with their Regional Operational Director (ROD) that the OBC is ready to be submitted to the formal approval process:*

- The local authority submits its OBC to the PfS PD, including a list of any outstanding issues, if any, and how it plans to address these.
- The project's multi-disciplinary team (MDT) led by the PD reviews the OBC documentation and assesses it by reference to the DCSF checklist. Once the MDT is satisfied that the OBC is within 8 weeks of being ready for final approval they seek approval of the ROD to submit it for consideration under the internal PfS peer review process. The Peer Review meeting will be held within 2 weeks of this submission.
- The decision by the ROD that the OBC is ready to go forward for approval will trigger the setting up of meetings for Stages 1-3 by PfS.
- The PfS PD will provide informal feedback to the local authority on the authority's list of outstanding issues and any PfS have identified, in particular the issues on which the authority should focus its efforts. These will be the issues which are most likely to prevent approval at the main review meeting if

they have not been addressed.

### **Step 1: PfS peer review meeting**

*The purpose of this step is an internal PfS peer review of the OBC to determine whether it is appropriate for submission to DCSF, PUK and HMT:*

- A PfS Peer Review will then begin; this will be led and coordinated by the OBC Quality Lead who will draw upon the expertise of the project's MDT and also on the technical and financial expertise of the Commercial Team.
- The OBC Quality Lead will submit the review of the OBC by reference to the PfS Peer Review Checklist to the ROD who is to chair the review meeting 2 days in advance of the meeting.
- The peer review meeting is attended by the OBC quality lead, the PD, the project's ROD if necessary, the project's ED and the commercial team (technical and financial) reviewers. It is chaired by a ROD without responsibility for the project. An invitation will be sent to the DCSF project adviser.
- The OBC Quality Lead will present the findings to the meeting and the meeting will agree the Conditions Precedent (CPs) to the OBC progressing to the next stages, and may identify points to be monitored during the procurement process.
- If the judgement of the ROD chairing the meeting is that there is a strong likelihood that any outstanding issues will be addressed within 6 weeks, the OBC, peer review checklist and a schedule of outstanding issues is passed to DCSF. DCSF will then commission a review by its external ICT, financial and technical advisers.
- The PfS PD drafts a response to the local authority setting out the conditions which will need to be met prior to a Main Review Meeting being held. The ROD chairing the meeting will approve this and issue it to the Local Authority. An example of this is attached at Annex D.
- The PfS PD will continue to support the Authority to address these points, and submit responses at least 2 days prior to the Main Review Meeting to all attendees. On specific issues the PD may need support from the PfS reviewers.

### **Step 2: Main review meeting**

*The purpose of this step is to conclude on the review of the OBC by all parties and identify any agreed Conditions Precedent (CPs) which must be addressed before going to market:*

- The main review meeting will be held within two weeks of the Step 1 PfS peer review meeting and will be chaired by the Policy & Programme Director of PfS who, depending on the list of conditions, will usually invite the LA Project Director to attend.
- The other attendees at the main review meeting will be the PfS reviewers (the exact attendance will depend on the nature of the conditions), the DCSF project adviser with their ICT/financial/technical advisers and nominated

representatives from PUK and HMT. HMT's Private Finance Unit will be asked to provide a representative on behalf of the PRG.

- The local authority project director or PfS PD will give a brief overview of the project and outline progress on the conditions highlighted at the PfS peer review meeting. The main review meeting will then consider the OBC and PfS, DCSF, PUK and HMT will have the opportunity to raise any further potential issues for consideration by the attendees. Unanimity on issues will not necessarily be required amongst the representatives at the main review meeting but a schedule of outstanding Conditions Precedents (CP) will be resolved and agreed before the meeting is brought to a close. This will be accompanied by an assessment of whether the OBC is likely to be ready to go to market within 4 weeks (given the outstanding issues). A CP is defined for these purposes as an outstanding issue that is "so fundamental to the project that it prevents it from going to market".
- The time required to clear the CPs, and the stage in the procurement cycle at which they should be addressed, will be agreed at the main review meeting. For instance, there may cases where the CPs do not need to be addressed before the ITCD stage of the procurement, whereas others will be need prior to procurement starting. Usually the target will be within 4 weeks, but may be up to 6 weeks if there is a significant number of CPs. In addition, the Chair will canvas views on whether certain CPs require a further meeting to discuss their approval or whether this can be decided out of committee through email or by an agreed non-PfS representative.
- The Chair writes to the local authority setting out the CPs that need to be addressed prior to final approval.

### ***Step 3: Final approval***

*The purpose of this stage is to decide whether to give final approval for the project to go to OJEU:*

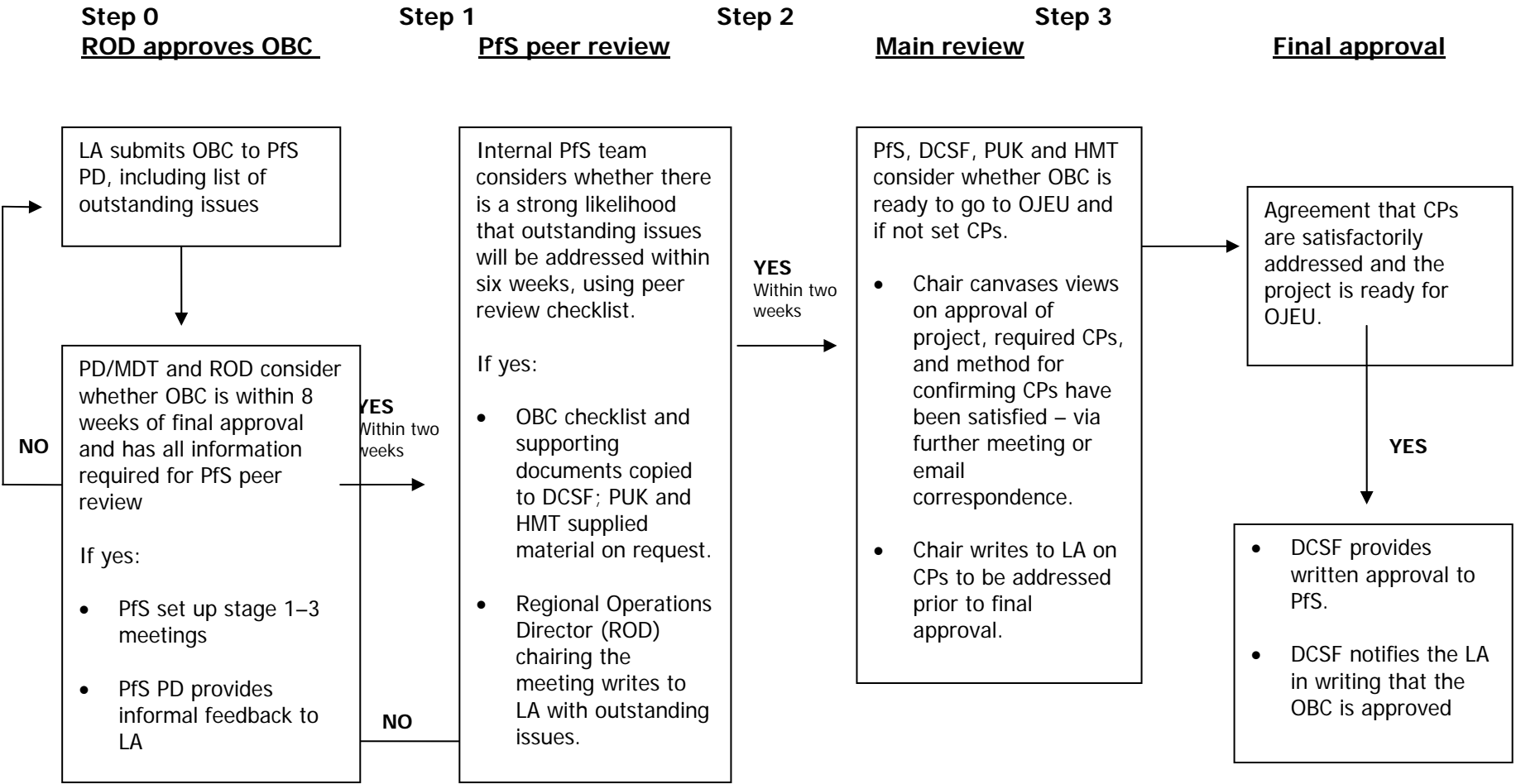
- The process for agreeing that CPs have been satisfactorily addressed and that the project is approved to go to the OJEU stage of procurement will already have been agreed at the main review meeting for each project.
  - For instance, it may be considered necessary to convene a round table meeting of PfS peer reviewers, DCSF and its advisers (as DCSF considers appropriate), PUK, and HMT representatives to consider the responses provided to the CPs.
  - Alternatively, in cases where there is documentary evidence that the CP has been addressed it may have been agreed that it is appropriate to consider and approve CPs by email correspondence.
- If satisfied regarding the CPs, the OBC is approved for market and written approval will be provided to PfS by DCSF. Email correspondence will be satisfactory.
- DCSF notifies the local authority in writing that its OBC has been approved, giving the authority approval to issue the OJEU if it has approval from PfS.

#### **4. Documentation of approvals decisions**

The underlying principle for DCSF is that it wishes to move to a position where it is able to assume that OBCs received from PfS are satisfactory if PfS has not flagged up any significant issues. DCSF will then be able to move to a QA process of 'checking the checkers' using spot checks and focusing its review on an exception basis on any issues raised by PfS.

DCSF will need to evaluate the number of CPs coming forward to the Main Review Meeting and those not picked up by PfS. To enable this the schedule of outstanding issues highlighted by the Step 1 review will be compared against those further issues raised at the Step 2 review. DCSF will analyse these results at intervals of 5 projects.

# OBC Approval Process



## Annex B: PfS OBC peer review checklist

No	PRG Criteria	Checklist Criteria			
1	Affordability				
	PFI Affordability		Documentation	Ensure consistency With	Comment
	Shadow Modelling – Costs	<ol style="list-style-type: none"> <li>1. Set of model input assumptions for costs including capital costs, lifecycle, FM and bid costs.</li> <li>2. Confirmation of basis for model assumptions (i.e. prepared to an outline output specification and signed off by technical advisers)</li> <li>3. Confirmation of base dates used for modelling and indexation assumptions. Confirmation that the capital costs are modelled in nominal terms (i.e. including construction inflation)</li> </ol>	<p>Shadow bid model constructed by local authority (LA) advisers</p> <p>Affordability analysis evidencing sufficient funding available to cover payments under PFI contract</p> <p>Minutes of Council Cabinet Committee approving financial support for the project. This should be sought for any additional contribution required from the LA that arises out of the affordability analysis in the PRG review.</p>	<p>Output specification</p> <p>Risk transfer</p> <p>Stakeholder commitment</p>	



	Shadow Modelling - Funding Terms	<p>4. Set of appropriate financial assumptions used in the shadow UC model including funding terms, gearing, equity returns etc.</p> <p>5. Appropriate allowances made for risk in the funding structure – i.e. maintenance and debt service reserves, insurances etc.</p> <p>6. Indication and rationale of the percentage of UC indexed in the shadow UC</p>			
	Shadow Modelling	<p>7. Projected PFI service payments identified</p> <p>8. First full year unitary charge and financial year.</p> <p>9. Sources and Uses of Funds from the Shadow UC model (if available)</p>			
	Funding Sources – general	<p>10. Comment on all budgeted sources of income including any risks associated with the income assumptions (give careful consideration to third-party income assumptions)</p> <p>11. Confirmation that all funding sources been included in the affordability analysis</p>			
	Funding Sources – Land sales/capital contributions	<p>12. Confirmation of any land sales anticipated</p> <p>13. Confirmation that no capital payments from local authority (LA) planned or why exceptional circumstances exist (in relation to revised SOPC3 rules around capital injections into PFI)</p>			

	PFI Credits	<p>14. The PFI credit support and the method of calculation including assumptions on the Treasury interest rate used</p> <p>15. The assumption made of when RSG payment will commence</p>			
	Affordability statement	<p>16. Agreed contribution from schools (first full year of PFI and assumption on indexation over life of PFI)</p> <p>17. Any resulting LA required contributions to meet an affordability gap (first full year of PFI and assumption on indexation over life of PFI)</p> <p>18. Confirmation of assumption on the deposit rate for any surpluses generated in the early years of the contract</p> <p>19. Is the Project affordable in each year of the contract on a year-by-year basis?</p>			
	Affordability statement – sensitivity analysis	<p>20. Has any sensitivity analysis been done on the key model variables to test impact on affordability?</p>			
	Affordability statement – commitment on contributions	<p>21. Evidence that schools understand and have committed to their required contributions</p> <p>22. Evidence that the LA has committed to any resultant year-on-year contribution required to meet an affordability gap. This should be through cabinet/member approval minutes and S151 officer letter</p>			

	Affordability statement – risks	23. Evidence of any on-going affordability risks			
	<b>D&amp;B Affordability</b>				
	Affordability statement – Capital Costs	<p>24. Has the LA identified the capital costs of the conventionally-funded schemes including estimated abnormal costs?</p> <p>25. Does the funding allocated match the capital costs? If not, has the LA explained the variance and how any funding gap will be met by the LA?</p>	<p>Shadow bid model constructed by LA advisers</p> <p>Affordability analysis evidencing sufficient funding available</p> <p>Minutes of Council Cabinet Committee approving financial support for the project. This should be sought for any additional contribution required from the Council that arises out of the affordability analysis in the PRG review.</p>	<p>Output specification</p> <p>Risk transfer</p> <p>Stakeholder commitment</p>	
	Affordability statement – Ongoing Costs	<p>26. Has the LA identified the Lifecycle/Hard FM Payments that are likely to be required for the conventionally-funded projects?</p> <p>27. Has the LA identified how these costs will be met in light of school existing budget spend for school maintenance?</p>			

		28. Has the LA developed a strategy for delivering a common level of service across schools (e.g. through LEP or frameworks)?			
	Affordability – commitment on contributions	29. Evidence that schools understand and have committed to their required contributions 30. Signed letters from schools using the template in the OBC as a minimum 31. Evidence that the LA has committed to the resultant year-on-year contribution to meet any affordability gap. This should be through cabinet/member approval minutes and S151 officer letter			
	<b>ICT Affordability</b>				
	Affordability statement – capital and revenue costs	32. Has the LA identified what is to be delivered through the £1450/pupil funding? 33. Has the LA accepted the need for a minimum additional annual contribution per pupil of £60 to fund the MSP? 34. Is there evidence of school understanding of the additional funding contribution?	Shadow bid model constructed by LA advisers  Affordability analysis evidencing sufficient funding available to cover payments under ICT contract  Minutes of Council Cabinet Committee approving financial support for the project. This should be sought for any additional contribution required	Output specification Risk transfer Stakeholder commitment	

			from the Council that arises out of the affordability analysis in the PRG review.		
	Affordability statement – commitment on contributions	<p>35. Evidence that schools understand and have committed to their required contributions</p> <p>36. Signed letters from schools using the template in the OBC as a minimum</p> <p>37. Evidence that the Council has committed to the any resultant year on year contribution to meet any affordability gap. This should be through cabinet/member approval minutes and S151 officer letter</p>			
<b>2</b>	<b>Output Specification</b>				
		<p>38. Does the Outline Output Specification appear reasonable in terms of scope of services?</p> <p>39. Is there an outline Payments Mechanism that links the Unitary Charge with availability and performance standards?</p> <p>40. Are most of the outputs capable of being specified in a reasonably measurable manner?</p> <p>41. Is the Output Specification reasonable in relation to standards expected from the LA in terms of its Best Value duty?</p> <p>42. Does the Output Specification allow sufficient scope for good design, taking into account core services being delivered beyond the</p>	<p>Outline Output Specification</p> <p>Outline Payments Mechanism</p> <p>Understanding of availability and performance concepts</p> <p>Design statement</p>	<p>Affordability</p> <p>Risk Allocation</p> <p>Key Terms and Conditions</p> <p>Bankability</p> <p>Design Quality</p>	

		scope of the PFI contract i.e. teaching or healthcare services?			
<b>3</b>	<b>Design Quality</b>				
		<p>43. Is the project team committed to good design principles and is there a plan to make sure these will be delivered through the project?</p> <p>44. Have the issues raised in and the 4ps' Achieving Quality in Local Authority PFI Building Projects been addressed?</p> <p>45. Are they accessible to the involvement of CABE (Commission for Architecture and the Built Environment)?</p>	<p>Awareness of good design principles</p> <p>Commitment to follow guidance and statement setting out how the checklist in the 4ps' Achieving Quality in Local Authority PFI Building Projects has been addressed.</p>	Output Specification	
<b>4</b>	<b>Risk Allocation</b>				
		<p>46. Has an initial risk register allocating the main project risks between the LA and the Contractor been prepared?</p> <p>47. Is the risk allocation consistent with the output specification?</p> <p>48. Are there any unusual risk allocation issues?</p> <p>49. Have these been tested in the market?</p> <p>50. Does the risk allocation comply with the principles in OGC Guidance?</p>	<p>Draft Risk Register</p> <p>Initial View on Accounting Treatment</p> <p>Output Specification</p> <p>District Auditor's view on Initial View [highly desirable, but not mandatory].</p>	<p>Affordability</p> <p>Output Specification</p> <p>Key Terms and Conditions</p> <p>Bankability</p>	

<b>5</b>	<b>Bankability</b>				
		<p>51. Have the LA/advisers undertaken market testing?</p> <p>52. Has the private sector shown any interest in the project? Have both contractors and banks been targeted?</p> <p>53. Is the project in a mature PFI sector where previous deals have been completed?</p> <p>54. Is it clear that there is funding available for the project on the public sector side (links in with affordability and sponsors' support)?</p> <p>55. Has the Soft Market Testing (SMT) process followed best practice? [Reviewers could refer to the 4Ps guidance to LAs on SMT – see <a href="http://www.4ps.co.uk/news/StokeBentileevfinal.pdf">www.4ps.co.uk/news/StokeBentileevfinal.pdf</a>]</p>	<p>Soft Market Testing report with clear expression on interest from potential bidders</p> <p>Availability of precedents</p> <p>Minutes of Council meeting evidencing financial contribution to the project.</p>	<p>Affordability</p> <p>Output</p> <p>Specification</p> <p>Key Terms and Conditions</p> <p>Bankability</p>	
<b>6</b>	<b>Key Terms &amp; Conditions</b>				
		<p>56. Is there a commitment to use standard terms and conditions?</p> <p>57. Have the LA/advisers produced a draft project agreement – does this comply with standard terms and conditions?</p> <p>58. If applying for increased PFI credits, does the agreed Project Agreement follow standard terms and conditions?</p> <p>59. Are any terms and conditions proposed likely to prove unbankable?</p>	<p>Commitment from LA and advisers to follow guidance</p> <p>Legal advisers report on any deviations from Guidance, and justifications for this.</p> <p>For resubmissions, evidence that Departments (and</p>	<p>Affordability</p> <p>Output</p> <p>Specification</p> <p>Risk Allocation</p> <p>Bankability</p>	

			PRG) consulted on any deviations from Standardisation of PFI Contracts.		
<b>7</b>	<b>Use of Appropriate Comparators</b>				
	VFM	PfS Checklist Points			
	Programme level assumptions	<p>60. Summary of percentage of new build/refurbishment at the schools in Wave</p> <p>61. Brief explanation of reasons for not following PFI route for 100% new build.</p> <p>62. Brief explanation for rationale for procurement route for 70-100% new build schemes.</p> <p>63. Brief explanation for rationale for not following conventional procurement for 0-70% new build schemes.</p> <p>NB The remaining VFM sections only relate to PFI</p>	<p>PSC Model (from advisers)</p> <p>Shadow PFI Bid Model (from advisers)</p>	<p>Affordability</p> <p>Output</p> <p>Specification</p> <p>Risk Allocation</p> <p>Key Terms and Conditions</p>	
	Qualitative Analysis	64. Evidence that the stage 2 qualitative evaluation has been completed by the project team, is project specific and is supported by a good evidence base			



	Quantitative Analysis – inputs	<p>65. For the quantitative assessment have robust input costs, economic assumptions and risk assumptions been applied. These should be summarised. Variances from PfS guidance should be explained.</p> <p>66. Have the PSC and PFI costs been justified?</p> <p>67. What are the key assumptions made in the Public Sector Comparator (PSC)? Has the LA costed and justified these effectively?</p>			
	Quantitative Analysis - Risks	68. Details of the Pre- and Post-SBC Optimism Bias with rationale for choice of percentages.			
	Quantitative Analysis - Sensitivities	<p>69. Confirmation that the HMT Value for Money model has been used.</p> <p>70. Provide details of the quantitative VFM benefit and the sensitivity analysis / indifference points.</p> <p>71. Compare with other projects in the same sector (expect at least 5% indifference on capital cost indifference) with justification if lower.</p>			
	Accounting Treatment	NB This section only relates to PFI schemes.			
		72. Is an Initial View on Accounting Treatment in place? Does it indicate balance of risks lies with private sector i.e. have they identified whether sufficient risk will be transferred to allow the transaction to be 'off balance sheet'			

		73. Has District Auditor issued a no-objections view on it?			
<b>8</b>	<b>Suitability of Advisers</b>				
		<p>74. Have external advisers been appointed? If not is there a timetable to make these appointments. Also if not who assisted with/wrote the business case)?</p> <p>75. Is the LA appointing the right advisers to ensure that the project team is suitably skilled (legal, financial, technical, any other)?</p> <p>76. Are the advisers suitably skilled/qualified?</p> <p>77. Are nominated advisers committed to the project and their time commitment recorded?</p> <p>78. Does the Project Team appear able to manage the advisers properly?</p> <p>79. Has the LA set a realistic budget for advisory fees to cover the whole procurement period?</p> <p>80. Has the LA established a mechanism to review the quality of the advisers work?</p> <p>81. Are there mechanisms in place to secure knowledge transfer from the advisers to the authority?</p>	<p>Scope of services for advisers</p> <p>Council Committee minutes allocating procurement support to Project Team?</p> <p>Letters of engagement of advisers recording identities of advisers and their time commitment.</p>	<p>Key Terms and Conditions</p> <p>Indicative Timetable</p> <p>Commitment of Stakeholders</p>	
<b>9</b>	<b>Project Team</b>				
		<p>82. Is there a full-time project manager with suitable PFI experience?</p> <p>83. Are there sufficient internal resources (taking into account external advisers) to manage the procurement effectively?</p>	Project execution plan	<p>Indicative timetable</p> <p>Stakeholder commitment</p> <p>Suitability of</p>	

		84. Has the LA set a realistic budget for the costs of the internal project team?		advisers	
<b>10</b>	<b>Indicative Timetable</b>				
		85. Is there a project plan which includes a project timetable? 86. Is the timetable realistic – especially how long does it allow between OJEC and financial close? 87. Is the timetable compatible with maximising competition (i.e. number of stages)?	Project Timetable	Suitability of advisers Project Team Bankability Commitment of Stakeholders Statutory Processes	
<b>11</b>	<b>Commitment of Sponsors &amp; Users</b>				
		88. Is there demonstrable commitment from the project sponsors? Key factors are: <ul style="list-style-type: none"> <li>• OBC approved by the sponsoring department.</li> <li>• LA has approved any one off and on-going annual funding (council minute to this effect).</li> <li>• Any other stakeholders have confirmed their contributions (e.g. school governing bodies in school projects)</li> </ul> 89. Have the users shown a commitment to the project? The LA should demonstrate that	151 Letter Governor Commitment Letter Cabinet Minutes Other Letters of commitment as required from Stakeholders Communications Plan Survey declaration		

		<p>users, at the very least, have been consulted about the project. In some cases, such as with schools, user support is crucial to the success of a project.</p> <p>90. Is there a well-documented communications plan which addresses the needs of all stakeholders?</p>			
	Statutory Processes	<p>91. Is Outline Planning Permission required?</p> <p>92. Is there a plan to have this in place before ITN?</p> <p>93. Are there any planning constraints on design of project?</p> <p>94. Are any other statutory processes to be followed built into the timetable (e.g. public enquiries, CPOs)</p>	<p>Council Committee meeting minutes confirming support for the project</p> <p>Report on consultation with users</p> <p>Stakeholder assessment and communications plan.</p> <p>Section 77 Approval</p> <p>Appropriate Outline Planning Approval or Planning Brief according to Supplementary Guidance</p>	<p>Affordability</p> <p>Project Team</p> <p>Indicative timetable</p> <p>Suitability of advisers</p> <p>Statutory processes</p> <p>Indicative timetable</p> <p>Risk Allocation (in respect of planning consents)</p>	

## **ANNEX C**

Dear

### **PfS Peer Review of Building Schools for the Future (BSF) Outline Business Case (OBC)**

The BSF OBC submitted by XXX Council was reviewed by a PfS Peer Review team on XXX.

The Review Team felt that the OBC was a well structured and comprehensive document. The S151 Officer letter was detailed and covered all of the matters required. The Team also considered that the ICT elements of the Case were particularly strong.

Various issues were raised as a result of the Review and these are set out below:

#### **A Matters to be completed prior to submission of the OBC for Main Review\***

##### *A1 Quality Assurance of the documentation*

The whole document needs to be reviewed and quality assured. Currently there are various inconsistencies throughout the document. These include capex differences for the same items between different tables. The appendices are not well referenced in the text and the index at the front of the document needs correlating with the document as it does not always relate to actual page numbering. The list of appendix should also be included at the end of the main index rather than in a separate document.

##### *A2 Relationship of school visions to option appraisals and sample schemes*

Confirmation is required that the school visions are supported by the options appraisals i.e. where an option has been chosen as the preferred option then it should be evidenced that it meets the school vision. It should also be confirmed that the chosen option has been costed by the technical advisers and that these costs have been accepted by the Council and included within the financial model. There was particular concern that the option appraisal for XXX considered new build at c£xxm whilst the option taken forward in the sample scheme is refurbishment at c£xxm. Clarification and justification of this decision is required.

##### *A3 ICT spend by schools*

Clarification is required in relation to the existing level of ICT spend by Schools as it seems to drop considerably when the schools enter the BSF project.

*\*These are conditions precedent and should be completed by xxx if the main review is to take place as scheduled on xxx.*

#### **B Other matters to be completed prior to resubmission\*\***

##### *B1 Academies*

The review team were concerned that the deliverability of the Academies could adversely affect the procurement timescales for the BSF. However, it was noted that a separate Project Manager has been appointed for this workstream, but PfS would stress that it will be important for the Council to constantly review the progress of the Academies to ensure that they do not adversely affect the overall BSF procurement timetable.

The text under paragraph 7.8 should also be amended to indicate that there will be no additional funding available from PfS in relation to the development or operation of the Academies.

*B2 Affordability Appendix*

The affordability appendix needs cross referencing with the figures contained in the affordability section of the main text.

*B3 Option Appraisals*

The options set out in the main text (Section 4) are numbered whilst the options considered in the appendices are labelled, this needs to be clarified and corrected to provide consistency. Also for some schemes there are more options in the appendices than there are reported in the text.

*B4 SCD and PRU Provision*

Confirmation is required that whilst the SCD and PRU provisions are not within the sample schemes that sites, options and costings have been considered and that they can be provided within the funding envelope.

*B5 Affordability Gap*

Within the main text a £xxx affordability gap is indicated, please make a reference to the S151 Officer letter at this point to show that the Council is committed to cover such affordability gaps.

*B6 Schools Sinking Fund*

Confirmation is required as to who will manage this fund.

*B7 Utilities Risk*

Confirmation is required as to which bodies will take the utilities costs risk.

*B8 Design*

Confirmation is required that the Council accepts the CABE 10 design principles and will use them as part of the process.

Clarification is required in the document that the ITCD will require designs to RIBA Stage C and not E as indicated in some instances.

*B9 Existing Arrangements – Framework Contracts*

Confirmation is required that the framework contract (para 3.5) will not affect the LEP as it appears to indicate that funding for schools is devolved and

outside the framework but the BSF money will not be devolved to schools, it is essential that the LEP will have the required exclusivity.

**B10**    *Resourcing*

A detailed breakdown of the budgets for internal resources and external consultants is required together with details of the basis on which advisers have been appointed.

**B11**    *Communication Plan*

A Communication Plan should be provided.

**B12**    *Timetable*

Confirmation that the Council believe that the timetable provided is deliverable.

**\*\*These matters should be incorporated in a revised version of the OBC which should be provided by xxx.**

**C**        **Matters to be completed prior to the Main Review\*\*\***

**C1**        *District Audit*

Confirmation is required that xxxx.

**C2**        *Cabinet Approval*

Evidence is required that the Cabinet were aware of the affordability envelope relating to the scheme and that the Business Case submitted falls within the agreed delegation to proceed.

**C3**        *FM Services and Lifecycle costings*

Clarification is required as to what services are included in the soft and hard FM services respectively. Tables 6.10 and 6.11 should also be amended so that they are based on the same costing quarter e.g. 1Q2008. Information is required as to where the additional funding for the FM will be sourced. The underlying assumptions used to calculate the lifecycle costings should also be provided.

**C4**        *Judicial Review Risk*

Confirmation is required that the Council is prepared to take the Judicial Review risk (as indicated by the programme). If not, then a revised programme will be required.

**C5**        *Collateral Warranties*

Confirmation is required that assignable collateral warranties have been obtained for the surveys and that title has been disclosed and warranted surveys have been completed.

**C6**    *Project Agreement*

A date by which time the Project Agreement will be submitted for PfS for review is required.

*\*\*\* These are conditions precedent and should be completed by xxx, but it would be particularly beneficial if they could be completed and included in the version submitted as required for Section A i.e. on xxx.*

**D**        **Condition Precedent prior to issue of OJEU**

**D1**    *Outline Planning Approval*

This will have to be obtained prior to the OJEU being issued.        For the avoidance of doubt, if this is obtained but includes conditions which have an impact on programme, affordability or deliverability a revised approval will be required.

**D2**    *Draft ITCD (Volumes 1 and 2)*

This will have to be reviewed by the PfS commercial team prior to the OJEU being issued.

**D3**    *Draft ITPD (Volumes 1 and 2)*

This will have to be reviewed by the PfS commercial team prior to the OJEU being issued.

Thank you for the work done by you and your team we look forward to taking your OBC through to the next approval stage.

If you have any queries relating to this letter please contact you PfS Project Director xxx who will be happy to provide further guidance and clarification.

Yours sincerely

Regional Operations Director (xxx)