

# Financial Appraisal Report

## External Funding Application to Arts Council England for Library Improvement Fund

Date Issued: 29<sup>th</sup> March 2022

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### Report to Cabinet

#### 1 Executive Summary

##### Introduction

Borough Economy, Tourism Leisure and Culture are seeking approval to enter into a grant funding agreement with Arts Council England, to support the delivery of 'Library+' technology, to enable open access to 10 libraries across the borough.

In June 2021, the Department for Digital, Culture, Media & Sports launched the Library Investment Fund, which is awarded, administered & monitored by Arts Council England. Following a successful expression of interest submitted in June 2021 and approval from Statutory Officers Group in September 2021, an external funding application was submitted to Arts Council England for grant funding of £0.495m. A funding offer was subsequently received in February 2022 for the requested amount. The total project cost is estimated at £0.550m, with match funding of £0.025m and a contribution 'in kind' of £0.030m to be provided by Sandwell MBC.

There are currently 19 libraries across the borough of Sandwell, serving approximately 350,000 residents. With low car ownership and a fragmented public transport network, resident require local library facilities. Since 2010, ongoing budget pressures have led to a 16% reduction in opening times of libraries, thereby limiting access for local people, particularly those in full time employment.

In 2019, a CIPFA Public Library Users Survey identified a significant decrease in user satisfaction regarding library opening hours.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 72%, with some areas of risk identified.

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## Appendix A

### Project Objectives

- To improve the provision of local library services across the borough
- To support the Council's Vision 2030, where Sandwell creates environments in the six towns where people choose to live.

### Project Details

The project aims to expand the accessibility of libraries by installing technology in 10 libraries, to enable users to have access to libraries outside staffed opening hours. Funding will include the installation of new self-serve kiosks, tablets and apps. The following libraries will benefit from the project proposals:

- Bleakhouse Library
- Brandhall Library
- Cradley Heath Library
- Great Barr Library
- Great Bridge Library
- Hill Top Library
- Langley Library
- Oakham Library
- Rounds Green Library
- Stone Cross Library

The technological solution will enable users to enter a library building using their library card and a PIN number and will enable daily access from 8am-10pm. CCTV will monitor users when staff aren't on duty, and the system will play pre-recorded messages to customers, e.g. warnings that the library will be closing soon, or that the library will be entering a staffed period.

The total project cost is £0.550m, with grant funding of £0.495m secured from the Arts Council England. Match funding 'in kind' will be provided by Sandwell MBC in the form of staff time to the value of £0.030m, with further match funding in cash of £0.025m, to be provided through the Council's existing Library resources, should further external funding applications be unsuccessful.

Future revenue costs for the annual maintenance of the equipment have been estimated to be around £0.002m per annum and will be funded from existing resources within Libraries revenue budget. It is anticipated that there will be reduced maintenance costs from the replacement of existing self-serve units later in 2022.

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## Appendix A

In accordance with the Arts Council England’s terms and conditions, the project should commence in March 2022, with completion by March 2024.

### Scope and objectives of financial appraisal

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

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

### LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL

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

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## Appendix A

could be adequately mitigated.

### Overall Conclusion

The appraisal scored 72% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

#### Fundamental

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

#### Significant

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

#### Merits Attention

Action is advised to enhance operational efficiency

### Summary of key issues identified

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

## 2 Issues Arising

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

### 2.1 **Financial Case – Reasonableness of Costs & Contingency**

(a) Whilst a basic breakdown of estimated costs was provided based on costings from similar work undertaken previously, there were no formal cost estimates or detailed breakdown to support the estimates. It was therefore unclear whether potential changes to specifications etc. could be managed within the allocated funding.

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(b) An allowance for contingency of £0.050m has been included within the total estimated project cost. However, this only represents a 10% allowance and considering rising inflation and other cost increases, it is unclear whether this will be sufficient.

(c) No financial sensitivity analysis has been undertaken on the project and it was therefore not possible to determine the effect of the overall cost of the programme should there be fluctuations in the cost drivers of the project, e.g. construction costs.

### **Implication:**

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

### **Recommended Action:**

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

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

## **2.2 Economic Case – Risks**

A detailed risk register has been provided for the project but is not in the corporate form and does not identify dates for mitigation or target risk scores.

### **Implication:**

The level of risk to the Council may not be adequately managed, resulting in non-delivery of the objectives and financial implications to the Council.

### **Recommended action:**

- That a corporate Risk Register is produced for the project, with target risk scores and dates for mitigation included.

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**Other observations not requiring action**

**Economic Case – Option Analysis**

No option analysis had been undertaken on the objective of the project and there was no evidence to support that alternative ways for the council to ‘improve the provision of local library services across the borough’ had been considered.

**Implication:**

The project proposal may not optimise the use of limited council resources in delivering its objectives and priorities.

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