

Agenda Item	4a.
Report No	CLH 01/18

## HIGHLAND COUNCIL

**Committee:** Care, Learning and Housing Committee

**Date:** 15 March 2018

**Report Title:** **Strontian Primary School Project – Request for Cash Advance**

**Report By:** Head of Resources

### **1. Purpose/Executive Summary**

- 1.1 This report seeks member agreement to a further £135,000 cash advance from the Council's financial contribution to Strontian Community School Building Limited (SCSBL) to assist with project cashflow. This request has arisen as a result of a request received from SCSBL within the past 24 hours.

### **2. Recommendations**

2.1 Members are asked to:

- i. Agree to a cash advance of £135,000 to Strontian Community School Building Limited, to support cash flow and ongoing progress with the community led project to build a new school.

### **3. Background**

- 3.1 People Committee has received previous reports on the Strontian Primary School Project, where the local community, via Strontian Community School Building Ltd (SCSBL) are constructing a new build to serve as the local primary school. The project is being funded from a variety of sources including Bank Loans to be drawn down by SCSBL, and local fund raising and community shares progressed by SCSBL. The Council's financial contribution, as previously reported to Committee, is a one-off contribution of £182k, and an annual lease of £55k p.a. As reported to the January People Committee, the Council has to date advanced £106k to SCSBL.
- 3.2 The Council has had input to the design phase of the project, construction activity commenced late 2017, and in parallel both parties have been working to conclude lease and other agreements associated with the project. While responsibility for the construction and monitoring rests with SCSBL, supported by Highland Small Communities Housing Trust who are acting on their behalf, the Council has been represented on site and feeding back to HSHCT any comments and concerns, to ensure that as tenant and education authority, the Council has input during the construction phase. There is a process of dialogue currently underway to ensure that matters identified by the Council's appointed Clerk of Works are formally recorded and remedial actions agreed. It is expected that the build would complete later this year, and the school would open to pupils Autumn 2018 (specific dates to be confirmed).
- 3.3 Formally, the draft agreements had anticipated a draw down of remaining Council capital contributions in two phases, linked to the signing of the agreements, and the completion of tenant's works. The payment of lease would in turn be linked to the completion of the construction. However, the Council has received within the past 24 hours a request for further advance funds to assist with project cashflow. The sum requested, being £135k, would represent the full balance of the Council's capital contribution, plus advance of forward lease payments.
- 3.4 While there is some risk to the Council from advancing further funds in advance of agreements being signed, and through an advance of lease prior to building completion, it is recognised that SCSBL do require cashflow support, and delays in concluding agreements has been a contributory factor in hampering their ability to draw down their own loan and other funds. The Council has been fully supportive of this community led project from the outset, recognising it as an innovative solution to improving the primary school provision for Strontian, and in turn avoiding significant capital outlay were the Council to have progressed its own new build project. There would be significant financial and reputation consequences for the Council were the project to be at risk due to cashflow. As a result, this urgent report has been placed before members for agreement.

### **4. Implications**

- 4.1 Resource – this request would represent advance of agreed capital and revenue (lease) contributions from the Council.
- 4.2 Legal – work continues to conclude the relevant legal agreements between the parties.
- 4.3 Community (Equality, Poverty and Rural) – the new school build will deliver a sustainable legacy community asset, and improve the quality of primary school building in this rural community.

- 4.4 Climate Change / Carbon Clever – the new school building is expected to be more energy efficient than the building it replaces.
- 4.5 Risk – as highlighted above, there are some risks to advancing funds. These have to be balanced against risks to the Council were the project to be at risk due to cashflow difficulties.
- 4.6 Gaelic - nothing to highlight in this report.

Designation: Director of Care and Learning

Date: 14 March 2018

Author: Brian Porter, Head of Resources

Background Papers: