

Agenda Item	<b>13</b>
Report No	<b>HC/24/22</b>

## THE HIGHLAND COUNCIL

**Committee:** Highland Council

**Date:** 22 September 2022

**Report Title:** Learning Estate Investment Programme Update and Phase 3 Priorities

**Report By:** Executive Chief Officer, Housing and Property

### 1. Purpose/Executive Summary

- 1.1 This report updates on the major school capital projects that are programmed to be completed in the first five years of the approved capital programme and recommends projects to be nominated for consideration by the Scottish Government for the third phase of their Learning Estate Investment Programme (LEIP).

### 2. Recommendations

2.1 Members are asked to:

- i. **NOTE** the award of the contract for the LEIP Phase 1 Tain 3-18 Campus project as Paragraph 4.5.
- ii. Reaffirm the Council's commitment to the LEIP Phase 2 projects at Broadford Primary School and Nairn Academy as Paragraph 4.6.
- iii. **NOTE** the approach to reviewing the roll pressures across the school estate in the Inverness area and the progress made to date as outlined in Section 5.
- iv. **AGREE** the recommended priorities to be nominated for consideration by the Scottish Government for Phase 3 of the LEIP as set out in Section 6, namely

(a) A single bid consisting of a bundle of three primary schools; Beauly, Dunvegan and Park,

(b) An ASL school, St Clement's, and

(c) Tornagrain primary.

### 3. Implications

- 3.1 **Resource:** Budgets for all projects covered by this report were agreed by Council as part of the capital programme agreed in December 2021 but are likely to prove insufficient given the construction industry inflation seen since the programme was approved. In June Council acknowledged the need to review the capital programme, to identify projects to be deferred, reduced in scope, or removed from the programme in order to fund increases in the costs of projects remaining in the programme.

In the context of the wider financial outlook facing the Council, as reported elsewhere on today's Council agenda, it is essential to recognise that progressing these education capital projects will incur additional long-term financial commitments for the Council relating to the financing of the capital investment. Making any financial commitment will limit the ability to invest in other revenue or capital areas as well as necessitate the delivery of revenue budget savings from other budget areas to meet the Council's budget gap.

Any projects receiving LEIP funding will result in additional revenue funding flowing to the Council for the next 25 years provided the funding model's key outcomes are achieved. The Council will have flexibility on how this additional funding is spent and any funding will be built into the Council's medium term financial plan alongside additional expenditure requirements arising from the projects.

- 3.2 **Legal:** A statutory consultation would be required to establish a new primary school at Tornagrairn. This is not anticipated to be likely to cause any significant delay to the process and can run concurrently to other processes connected to this project.
- 3.3 **Community (Equality, Poverty, Rural and Island):** The design masterplans for the projects at Tain, Broadford and Dunvegan follow a collaborative place-based approach to deliver much needed housing developments in all three locations, and with community facilities an integral part of the proposals at Broadford and Dunvegan. Also, the Council's capital programme will make a significant contribution to the economic recovery across Highland communities over the coming years.
- 3.4 **Climate Change/Carbon Clever:** All new build school projects are being designed to meet ambitious energy efficiency targets and other key design standards.
- 3.5 **Risk:** It is imperative that the opportunities afforded by the LEIP are grasped, and successful bid outcomes attained to reduce the school estate funding gap and deliver improved learning environments for Highland's children and young people.
- 3.6 **Gaelic:** The new school buildings at Tain, Broadford and Dunvegan include accommodation for Gaelic Medium provision.

### 4. Current Position

- 4.1 The Council currently has 10 major school projects, either new builds or extensions, that are due to be completed within the first five years (2022/23 to 2026/27) of the capital programme that was approved in December 2021.
- 4.2 The new Ness Castle Primary School is at construction stage and the opening of the new building has been put back to January 2023 due to the impact of the pandemic during the construction period and other ongoing factors that have been affecting the delivery of projects this year.

- 4.3 The funding model for the LEIP is based on the local authority providing the capital funding for the project, with revenue funding released by the Scottish Government over a 25-year period on evidence of the achievement of the following agreed outcomes.
- New learning environments are built to a high quality and are well maintained over the long term.
  - Ambitious energy efficiency targets are achieved over the long term and contribute to net-zero commitments.
  - The investment supports digitally enabled learning and advancements in technology.
  - The investment creates new jobs and enables inclusive economic growth.
- 4.4 Three projects have so far been the subject of successful bids to the first two phases of the LEIP, with total revenue funding of up to £60M available over the life of the programme.
- 4.5 The Tain 3-18 Campus project is included in Phase 1 of the LEIP. The contract was awarded earlier this month following the approval of additional capital funding at the Council meeting on 30 June. The total value of the contract, excluding the Council's internal and direct costs, is approximately £65M. Construction work is due to commence in late September and be complete by December 2024.
- 4.6 The new buildings at Broadford Primary School and Nairn Academy are included in Phase 2 of the LEIP, which requires all projects to be open to pupils by December 2025. There was an agreement at the COSLA meeting in March that all Phase 2 projects should continue to go ahead and be constructed within the deadlines set out in the funding award. It is therefore recommended that the Council should reaffirm its commitment to both projects.
- 4.7 The other 6 projects at pre-construction stage are as follows
- Beauly Primary – New Building
  - Charleston Academy – Extension/Refurbishment
  - Culloden Academy – Extension/Refurbishment
  - Dunvegan Primary – New Building
  - Park Primary – New Building
  - St Clement's School – New Building (in a new location)
- 4.8 A report on the impact of the cost pressures facing the construction industry was considered in private at the Council meeting on 30 June . Members agreed to carry out a review of the capital programme over the remainder of this year, which will look at the deliverability and phasing of the programme of works for the Council's capital projects to ensure budgets are uplifted to reflect the impact of the inflationary environment. The outcome of that capital programme review will inevitably require budgets for the projects covered by this report to be increased from the levels approved in December 2021. Until such point as that review is completed it was also agreed that design and planning work would continue to progress on all the major school projects at pre-construction stage.
- 4.9 Bids to Phase 3 of the LEIP have been invited by the Scottish Government and must be submitted by 31 October. Projects will be expected to be open to pupils by

December 2027; i.e., complete during financial year 2027/28, year 6 of the current capital programme.

- 4.10 As well as the outcomes listed in 4.3, there is now also a requirement to reduce Construction Embodied Carbon and meet a target of 600 kgCO<sub>2</sub>e/m<sup>2</sup>. It is worth noting that the new building at Merkinch Primary School exceeded this target figure by generating just 437kgCO<sub>2</sub>e/m<sup>2</sup> of embodied carbon over its life cycle.
- 4.11 It is a requirement of the bidding process that Local Authorities must evidence political and financial commitment for each project through Committee approval. This report aims to provide the necessary evidence of the Council's commitment to the recommended projects.

## 5. Inverness School Roll Pressures

- 5.1 The following are the amounts included in the current capital programme for new school buildings in the East Inverness area.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Totals
Secondary	1,000,000	3,000,000	15,000,000	30,000,000	10,000,000	1,000,000	-	-	60,000,000
Stratton	500,000	2,500,000	8,500,000	10,000,000	500,000	-	-	-	22,000,000
Tornagrain	-	-	-	250,000	1,750,000	5,000,000	6,500,000	500,000	14,000,000
Totals	1,500,000	5,500,000	23,500,000	40,250,000	12,250,000	6,000,000	6,500,000	500,000	96,000,000

- 5.2 Work is underway to update the school roll forecasts and review the available options to manage the increase in school rolls in Inverness over the coming years and the timing of the above projects.
- 5.3 For the secondary school sector, this would include ensuring that the proposed investment at Culloden Academy is sufficient to provide the necessary capacity to deal with the additional pupil numbers if the planned new secondary school was delivered later in the capital programme.
- 5.4 Other secondary schools in Inverness are also under pressure, with Millburn Academy now officially over capacity and Inverness Royal Academy due to exceed capacity in the coming years. Feasibility work is underway to assess options to increase capacity in these areas to allow these pressures to be managed, and the detail of these options and mitigations will be reported on in future papers updating on the progress of new school builds. Partial mitigation is already in place in respect of Millburn Academy where the school roll has been capped.
- 5.5 The initial assessment of the roll pressures at Croy Primary School demonstrates that there are clear trigger points beyond which Croy will not be able to accommodate an increased number of pupils on the existing campus. The actual timing of this will depend on the number of classes required in each year, which is dictated by the Primary School Teaching Entitlements, and if any of the class sizes would exceed the maximum that is permitted and require another class to be formed (e.g., P1 and composite classes have a maximum class size of 25 pupils). However, it is likely that the new school at Tornagrain will be required within the next 5 to 6 years.
- 5.6 As with Croy, there will also be trigger points for both Duncan Forbes and Smithton Primary Schools due to the housing developments in the Stratton area. However, there is greater flexibility at each of these schools to accommodate additional pupils, and there is not the same absolute limit that there is at Croy. Our initial assessment is that it would be possible to manage the situation if the new primary school at Stratton was

delivered later in the capital programme than the current profile. Further analysis is being carried out on this and the potential impact on future housing developments, but it is our current assessment that Stratton will not require to be delivered within the time envelope for LEIP 3 projects.

## 6. LEIP Phase 3 Priorities

6.1 **Culloden Academy and Charleston Academy:** Extension or refurbishment projects can be considered for LEIP funding, but applications must be in respect of either building condition or roll growth, not both criteria. Each of these projects contains elements of both, and as the design masterplans are based on the eventual redevelopment of both campuses, any work to the main buildings would not be eligible. To take Charleston as an example, it has building fabric condition challenges in relation to the current campus and it is also facing future expansion requirements. Explicitly, the improvement to existing fabric could be a part of the LEIP 3 bid, or alternatively any expansion could be – but not both, even if a clear need for both is established. Also, some of the required outcomes would be more difficult to achieve for the initial phase of a complete redevelopment given that the floor areas of the new extension blocks are a relatively low proportion of the overall totals for each campus. It is therefore considered that the projects outlined in the remainder of this section have a much closer fit with the Phase 3 criteria and offer a greater chance of a successful bidding outcome.

6.2 **Beauly, Dunvegan and Park Primary Schools:** These 3 projects are being taken forward as part of a bundle along with the new building at Broadford. The following are the main benefits from such an approach.

- It is intended to appoint a single design and build contractor for all 4 projects, with the aim of closer engagement with the supply chain in Highland where possible and achieving economies of scale. We propose do this via a national framework, subject to the tender prices being affordable and the inflationary risk being acceptable. The four projects are currently at feasibility stage with design work progressing to achieve the required delivery dates. This approach is consistent with Council Contract Standing Orders that require us to use appropriate available procurement frameworks. We are also looking to share the risk of our construction programme by using a range of different contractors, and across current school works programme this is reflected in our partnering with 4 separate contractors.
- Early engagement with the contractor and supply chain is important to mitigate current cost pressures as far as possible
- The Council is adopting a standard design and briefing approach to these projects based on a “kit of parts” than can be easily adapted for varying sizes of schools and in different locations.
- The Council is keen to follow on from the successful completion of the award-winning Merkinch Primary School project and develop this to meet the LEIP Phase 3 targets on smaller-scale buildings, including the reduction in construction embodied carbon.
- The place-based approach at Broadford and Dunvegan, where housing development and community facilities are an integral part of the overall design masterplans, can be replicated on other projects going forward.

The designs for all 3 projects have been developed at the same pace as that for Broadford, which must be delivered by December 2025. Other projects elsewhere in Phases 1 and 2 have faced delays due to the pressures on the construction industry nationally, but all the projects could be completed earlier than the LEIP Phase 3

deadline, and indeed the Phase 2 deadline, should the necessary additional capital funding be approved.

- 6.3 **St Clement's School:** A report is due to be presented to the next meeting of the Education Committee on the review of the statutory consultation exercise on the relocation of the school. Although the new building will have a different layout to the primary school buildings referred to in 6.2, many of the design characteristics can be applied here to produce a similar high-performing building. Again, it would be possible to deliver this project ahead of the LEIP Phase 3 deadline if the additional capital funding is approved.
- 6.4 **New Primary School at Tornagrain:** The approved capital programme currently has a delivery date of 2030/31 for this project. However, it is likely to be required well before then as outlined in Paragraph 5.5. A statutory consultation process would be required to establish the new school and catchment area, which usually takes up to a year to complete. However, given the approach to the other new primary schools in the capital programme, the benefits listed in Paragraph 6.2 could also be achieved here and delivered before December 2027. There is a significant amount of Developer Contributions to be drawn down which would partially offset the capital cost of the project.
- 6.5 It is recommended that the 3 new primary school buildings at Beaully, Dunvegan and Park are submitted as the Council's joint priority for consideration by the Scottish Government. These would be delivered concurrently as part of a bundle of projects, along with Broadford Primary, and could be operational ahead of the LEIP Phase 2 completion deadline of December 2025.
- 6.6 It is also recommended that the new school building for St Clement's is submitted as the next priority for consideration and could be delivered ahead of the LEIP Phase 3 completion deadline of December 2027.
- 6.7 The final priority for recommendation is the new primary school building at Tornagrain, with the completion date subject to the outcome of the statutory consultation process that would be required to establish the new school. However, it is anticipated that this project could be completed before December 2027.

## 7. Conclusion

- 7.1 The projects outlined at sections 6.2 – 6.4 inclusive, and as also summarised in the recommendations at Section 2, consist of the single bid of a bundle of three primary schools (Beaully, Dunvegan and Park), an ASL at St Clements, and a new primary at Tornagrain. They are recommended for submission on the basis that they are the ones that on our analysis and following discussion with the Scottish Futures Trust (SFT) seem to best fit the objectives of the LEIP and the Learning Estate Strategy, and consequently they stand the best chance of success. It is worth pointing out that the LEIP funding process offers a unique opportunity to bid for revenue funding which will support the ongoing operation of new, high-quality, low-energy school buildings over a 25-year period, but this still requires the Council to fully fund the capital cost of the construction of these buildings and all revenue costs from year 26 onwards.

It is also important to caveat the above by firstly being clear that while the above represents our assessment of the projects that stand the best chance of success that there are no guarantees; they will have to compete with every other bid made nationwide. Secondly, the absence of a project being listed above does not necessarily

mean that those projects are considered a lower priority in terms of the Council's strategic objectives over the coming years. It merely reflects that they are not being funded via the LEIP process. For clarity however, for projects that do not have any element of LEIP funding attached, the Council will still require to fund the capital sums required to build these schools, and the whole life cycle revenue costs created from within its current and future resources.

Designation: Executive Chief Officer, Housing and Property

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