

Report

Report to: **South Lanarkshire Council**
Date of Meeting: **2 July 2007**
Report by: **Chief Executive**

Subject: **Secondary Schools Modernisation Programme -
Strathaven Academy**

1. Purpose of Report

1.1. The purpose of the report is to consider the effects of:-

- ◆ Delaying the handover of Strathaven Academy by a variation to the Project Agreement.
- ◆ Locating the new Strathaven Academy at Kirkland Park.
- ◆ Establishing a modular village within Strathaven as an alternative decant location for Strathaven Academy during the construction of the new school

2. Recommendation(s)

2.1. The Council is asked to approve the following recommendation(s):-

- (1) that the information included within this report be noted; and
- (2) that the presently approved position, allowing the project now underway, to temporarily re-locate Strathaven Academy and rebuild the school within the existing campus, be retained.

3. Background

3.1. In March 2006, the Executive Committee approved the building of 17 new secondary schools and the refurbishment of a further 2 secondary schools as part of the secondary schools Public Private Partnership (PPP) contract. The rebuilding of Strathaven Academy on its existing site was an integral part of that approved report. This represents the culmination of a process which has been on-going since 1999, through Outline Business Case to Full Business Case and final financial closure.

3.2. Following on from this a contract (the 'Project Agreement') between the Council and InspirED was signed on the 21st June 2006. As with all legal contracts, it is possible to vary the original Project Agreement. However, variations will result in significant financial costs.

Best Value

3.3. The requirement to demonstrate Value For Money (VFM) was central to approval of the Project Agreement by the Council, the Treasury and the Scottish Executive Education Department. Audit Scotland were specifically charged with ensuring that the project delivered Value For Money. A letter confirming this from them is attached in Appendix 1.

- 3.4. The Scottish Executive required that the project provided Value For Money (VFM) in approving Level Playing Field Support (LPFS) funding. LPFS is the annual revenue support grant paid by the Scottish Executive to procuring Authorities to support the cost of PPP projects. LPFS is based on capital expenditure and scope within the approved Project. Any subsequent amendment to the project could result in a reduction in this level of support.
- 3.5. The Council's external auditor, Price Waterhouse Coopers (PWC), has been advised of the content of the notice calling this meeting and has seen a copy of this report. The external auditor considers the issue of best value and affordability to be key matters for detailed consideration. Variation of an existing PPP contract is a serious issue with potential cost and operational implications and may result in an audit investigation given that the Council's PPP project has been assessed as providing best value by Audit Scotland, HM Treasury and the Scottish Executive Education Department.
4. **Current Position at Strathaven Academy**
- 4.1. Strathaven Academy is planned to be rebuilt on the existing site. The site is due to be handed over to InspirED on 2 July 2007 in line with the current Project Agreement. Consequently plans and arrangements are at an advanced stage. Pupils will be educated at Crosshouse campus in East Kilbride for two years until the new school is ready.

Pupil Projections

Projected pupil rolls have been properly taken into account and were approved at the Executive Committee on 13 December 2001 as part of the submission of the Outline Business Case to the Scottish Executive. The new school has been designed to accommodate current and projected pupil rolls. The projections for catchment pupil numbers shows a decreasing trend which falls to 626 by 2013.

Educational Continuity

Arrangements are in place to ensure continuity of educational provision for all pupils during the temporary relocation. In line with normal practice, the 2007/08 pupil timetable is now underway. Some adjustments may be made in August taking account of examination outcomes. As part of the new timetable, the school has extended course provision to include Spanish at Intermediate 2 level and ICT for 2nd year pupils.

Transport

Pupil safety and welfare remains the highest priority for the Council. In preparing for the temporary relocation, Council officers have worked with the Police and Strathclyde Partnership for Transport (SPT) to identify and address risks.

Following on from this, information evenings for parents and pupils were held at the end of May 2007 and were attended by between 300 and 400 parents. Based on the feedback from parents, additional transportation will be provided to ensure that all pupils travel on one bus direct to the Crosshouse campus. Individual travel plans have been sent to each pupil along with a question and answer document which addresses the issues raised at the parent information evenings.

In addition, road improvements have been undertaken including the re-profiling of Mounthilly bend and associated works. Prior to the commencement of next school session, further road improvements will be completed including improved signage, enhanced road markings and anti-skid surfacing.

To minimise congestion, it has also been agreed with our partners, InspirED, that contractors for the new school would not use the town centre for vehicles during peak periods.

Leisure/Community Facilities

Work is underway to provide alternative facilities for groups using Strathaven leisure centre.

Strathaven community will continue to have access to the swimming pool, fitness suite and steam room at the leisure centre. However, it is recognised that current users will experience some disruption and inconvenience during the decant period. In the longer term, the benefits associated with the schools modernisation programme with improved dry side leisure facilities will benefit current users and the community as a whole.

5. Requisition for Special Meeting

- 5.1. On 12 June 2007, a requisition signed by 22 Councillors was received for a special meeting of the Council. On receipt of the requisition, members who signed the notice were contacted, their points reiterated and justification requested. A copy of this letter is attached in Appendix 2.
- 5.2. Written statements from Councillors who responded to that letter are attached in Appendix 3.
- 5.3. None of the responses received has provided any new evidence or views which would justify reviewing the current position

6. Response to Proposal to Delay the Project

- 6.1 The Council faces a number of immediate costs if a decision is taken to delay the project; namely:-
 - ◆ Contractual penalties
 - ◆ Consultancy fees
 - ◆ Potential remedial work to the existing building
- 6.2 Although the Council is at this stage being asked to delay the Strathaven project by only a few months, the immediate and longer-term implications are potentially more serious and need to be considered now.
- 6.3 Two options have been put forward for consideration:-
 - Option 1 Build a new school at Kirkland Park
 - Option 2 Build a new school on the current location and provide a decant facility at Kirkland Park.

7. Analysis of Options within the Requisition for a Special Council Meeting

- 7.1 Following receipt of the requisition, independent financial and technical advisors were asked to estimate the implications associated with the options presented.

7.2. **Option 1: Building a New School at Kirkland Park**

This option is based on the rebuilding of Strathaven Academy at Kirkland Park and using the existing school building until the new accommodation is ready for occupation. The implications of this option are summarised below:

- ◆ No decant to Crosshouse would be required. Transport savings of £1.1million have been taken into account in the calculation of the costs.
- ◆ The developer has no contractual obligation to take over the Crosshouse campus early (prior to contract date in 2009) or to provide a minimum site value early and the Council would be responsible for security of the facility until the contractual handover date.
- ◆ Additional maintenance would be required for up to 4 years on the existing building, forecast at £50,000 per annum.
- ◆ Statutory consultation to move Strathaven Academy on a permanent basis would be required.
- ◆ Planning permission and an amendment to the local plan would be required. Minimum delay of two years in providing a new school till 2011.
- ◆ No guarantee that planning permission for the new school would be granted (in the process of consultation on the South Lanarkshire Local Plan, local residents submitted around 300 objections to any change of status or development at Kirkland Park).
- ◆ Significant additional costs would be incurred mainly as a result of losing the advantage of keen prices negotiated in the current contract (as confirmed in Appendix 1).
- ◆ The delay in site start will allow the contractor and sub contractors to review the capital expenditure, facilities management, life cycle maintenance, demolition and reactive maintenance costs. The Project Agreement was reached on a square metre rate of approx £1500. Current market rate is £2100/m² – a 40% increase on the rates secured within the existing contract.
- ◆ The additional cost of this option is £13.380million.
- ◆ The additional cost may be partially offset by the sale of the current site estimated at £3.300million.

7.3 **Option 2: Decant the school to a modular village on Kirkland Park and rebuild on the current site**

This option is based on the rebuilding of Strathaven Academy at the existing site and using Kirkland Park for a modular decant village. The implications of this option are summarised below:

- ◆ No decant to Crosshouse would be required. Transport savings of £1.1million have been taken into account in the calculation of the costs.
- ◆ The developer has no contractual obligation to take over the Crosshouse campus early (prior to contract date in 2009) or to provide a minimum site value early and the Council would be responsible for security of the facility until the contractual handover date.
- ◆ Planning permission would be required. Minimum delay of 18 months in providing a new school till 2011.
- ◆ No guarantee that planning permission for the modular village would be granted (local plan consultation generated 300 objections to any developments, as noted above).
- ◆ Planning risk associated with the modular village would be the responsibility of SLC.
- ◆ Significant additional costs would be incurred mainly as a result of losing the advantage of keen prices negotiated in the current contract (see Appendix 1).

- ◆ The delay in site start will allow the contractor and sub contractors to review the capital expenditure, facilities management, life cycle maintenance, demolition and reactive maintenance costs. The Project Agreement was reached on a square metre rate of approx £1500. Current market rate is £2100/m² – a 40% increase on the rates secured within the existing contract.
- ◆ The additional cost of this option is £18.552million.

8. Employee Implications

- 8.1. There are no employee implications.

9. Financial Implications

- 9.1. Each of the options result in significant financial costs being incurred by the Council.
Option 1 £10.080m.
Option 2 £18.552m.
- 9.2. If this cost were to be met through an up-front payment from Council reserve funds, for example from the repair and renewal fund, such a payment would significantly reduce the Council's reserve balances. It should be noted that these reserve balances are already fully committed in funding programmes of revenue and principally capital expenditure. This course of action would seriously jeopardise the delivery of the Council's general fund capital programme, including primary school replacement.
- 9.3. If the additional costs of Option 1 were to be met through the PPP unitary payment, the effect would be to increase the Council's revenue commitments by £0.937m each year for 28 years, at a net present value of £11.244m. If the additional costs of Option 2 were to be met through the PPP unitary payment, the effect would increase the Council's revenue commitments by £1.299m each year for 28 years at a net present value of £21.9m. The overall impact on the Revenue Budget would inevitably reduce front line services and investments.
- 9.4. It must be stressed that no additional funding will be made available by the Executive to fund this extra expenditure. Such a level of additional cost within the secondary school modernisation programme is not currently factored into the financial strategy and would commit a significant proportion of the funds available for investment in service delivery in the years ahead.
- 9.5. It has to be reiterated that funding any of the options is questionable in terms of best value and Value For Money.

10. Conclusion

- 10.1. Taking in turn each of the points raised in the requisition:
- ◆ Best Value – the original proposal clearly demonstrated Value for Money. This has been independently verified by Audit Scotland. No new information has been provided which would justify a further review of the project. It is clear from the evaluation of the two options that significant additional costs would be incurred if a variation to the current project was requested.
 - ◆ Population Changes – dealt with at section 4
 - ◆ Pupil Transport, Transfers and Safety – dealt with at section 4
 - ◆ Replacement Leisure Facilities – dealt with at section 4

10.2 The Council's Corporate Management Team fully supports the recommendations to the Council outlined at Section 2.1

Archibald Strang
Chief Executive

26 June 2007

Link(s) to Council Objectives

- Resource management
- Modernising service delivery
- Learning in the community

Previous References

Executive Committee Report 29 March 2006

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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