

Report

Report to:	Executive Committee
Date of Meeting:	11 October 2023
Report by:	Executive Director (Education Resources)

Subject:	Revision of Costs and Increase in Funding to Extend, Adapt and Modernise Our Lady of Lourdes Primary School, East Kilbride / Glasgow City Region City Deal – East Kilbride Community Growth Area Business case.
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1. Purpose of Report

1.1 The purpose of the report is to: -

- ◆ update on the cost issues and funding solution associated with the Our Lady of Lourdes Project
- ◆ advise on action taken, in terms of Standing Order 37(c), because of the timescales involved and the urgent requirement to award tenders, by the Executive Director (Education Resources) in consultation with the Depute Chair and an ex officio member to grant permission to commence works

2. Recommendation(s)

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

- (1) that the action taken, in terms of Standing Order 37(c), because of the timescales involved and the urgent requirement to award tenders, by the Executive Director (Education Resources) in consultation with the Depute Chair and an ex officio member to grant permission to commence works and to approve the Full Business case be noted.

3. Background

- 3.1. In January 2004, the Council entered a 20-year lease with Investec to provide a modular construction building to be utilised as a school building for Our Lady of Lourdes Primary School and Nursery Class. The lease term was to end on 30 January 2024. At its meeting on 19 January 2021, the Education Resources Committee approved the acquisition of the Our Lady of Lourdes building. The building has now been acquired and forms part of the Council's property portfolio. The building is now the oldest within the Council's school estate and the only school which was not modernised through the primary schools modernisation programme.
- 3.2. The school is also the only denominational primary school for the East Kilbride Community Growth Area. In order to accommodate increased number of pupils from this and other housing developments it will require additional educational accommodation.
- 3.3. At Executive Committee on 1 March 2023 approval was given to:-

- ◆ build 3 additional classrooms to accommodate pupil growth predicted from several housing developments in the school catchment area.
- ◆ complete a comprehensive internal and external upgrade of the existing building to include a new pitched roof, over cladding of the external walls, upgrading of the ventilation and heating systems, new windows and external doors and some additional general works to bring the school up to the high specification of the recently completed primary schools modernisation programme.
- ◆ reconfigure the school playground to assist with securing the playground and providing a visitor link direct to the school building entrance.

3.4. A funding package of £4.754m was approved by Executive Committee on 1 March 2023 to facilitate these works. The funding was identified from the following sources:

APPROVED FUNDING	£
Developer Contributions	£3.354m
City Deal Funding	£1.000m
Universal Free School Meals Funding	£0.400m
TOTAL	£4.754m

3.5. In order to allow the necessary works, Our Lady of Lourdes Primary School is currently decanted to the new Jackton Primary School which has sufficient capacity during the 2023/24 school year to accommodate both schools.

4. Tender Position

4.1. Although all works will be co-ordinated through Building Services, the new build and refurbishment elements of the project have been designed and tendered as two separate but integrated projects, being Phase 1: New Build and Phase 2: Refurbishment.

4.2. **Phase 1: New Build** Tenders were returned for the new build element of the project on 7 June 2023 with the lowest competent bid being £1.798m (inclusive of all costs including design fees and City Deal monitoring costs). Prior to submission for City Deal funding approval, this contract requires Executive Committee prior to submission to City Deal. Subject to approval, the contract will be awarded by the end of October 2023. The extension project will now not complete for August 2024, but Housing and Technical Resources colleagues have advised work will be able to continue even if the main part of the school building is occupied.

4.3. **Phase 2: Refurbishment Costs** Tenders were returned on 3 July 2023 for this element of the project. Unfortunately, all elements of the tendered packages were significantly higher than expected and totalled £6.437m. The main reasons for this significant cost increase are primarily in connection with unprecedented construction inflation pressures and the volatile nature of the construction materials market at this time. This has occurred particularly in the following works packages:-

- ◆ Roofing and Cladding materials
- ◆ External windows and doors

- ◆ Costs associated with the forming new ground floor classroom doors to enhance outdoor learning opportunities
- ◆ Inclusion of Sustainable Technologies
- ◆ Mechanical and Electrical infrastructure costs
- ◆ Ground Works packages associated with the provision of additional carparking, improved playground security and forming a new entrance way to the school.
- ◆ Increased Transportation Costs

Examples include the cost of the external cladding materials which increased from the pre-tender stage by circa £0.7m; an overall 25% increase to mechanical and electrical works packages due to the volatility of the market conditions, windows by circa £0.3m due to the system to install windows into the portacabin structure, and transportation costs which increased from the pre-tender estimate by circa £0.1m.

- 4.4. A full tender review and value engineering exercise has been undertaken by colleagues in Housing and Technical Resources to reassess the specification to reduce costs but still maintain the level of accommodation associated with the council's primary school modernisation programme. The completion of this exercise has brought in significant cost reductions in the Phase 2 refurbishment project from £6.437m to £4.783m. Although this represents a significant saving on the initial tender submissions, the works would still bring the school up to a standard consistent with the rest of the primary school estate but would require the identification of additional funding.
- 4.5. A summary of the total financial position for Our Lady of Lourdes, extension and refurbishment, is outlined in the table below:

Approved Budget March 2023	Tender Return Costs	Revised Estimated Costs	Shortfall In Approved Budget March 2023
£4.754m	£8.235m	£6.581m	£1.827m

5. Financial Implications

- 5.1. The table below proposes solutions to fund the shortfall within the Our Lady of Lourdes project, with options on how the remaining balance could be addressed listed at the bottom of the table below.

New Financial Position	£m	£m
New Estimated Project Cost		<u>6.581</u>
Revised Funding Proposals		
1. Approved Budget March 2023		4.754
<u>2. Education Capital Programme:</u> Further Allocation from Universal Free Schools Meals 2022/23 Early Years 1140 Hours capital saving	0.100 0.300	0.400
<u>3. Developer Contributions.</u> Further work with finance colleagues has confirmed additional inflationary amounts have been received or are against housing developments which are almost complete,		1.000

so monies are available for use and can be applied to Our Lady of Lourdes.		
^Remaining Shortfall in Funding		^0.427
Total		<u>6.581</u>
<u>^ 4. Options to bridge the shortfall £0.427m:</u>		
○ Capital Bid into Scotland's Public Sector Heat Decarbonisation Fund	£0.427	

- 5.2 If the external funding is not successful, Education Resources may require to look to lifecycle capital budgets and reprioritise planned works.
- 5.3 Given the delay caused by reviewing the tenders and specification for the Our Lady of Lourdes refurbishment, it will be extremely challenging to complete the project to allow the school to re-occupy the building by August 2024. Housing and Technical Resources are currently reprofiling the works programme to try and accomplish an August 2024 completion but this may not now be possible. Jackton Primary School may not have the space to accommodate Our Lady of Lourdes Primary School during the 2024/25 school session (pupil enrolment will not be confirmed until late January 2024). If it were possible to accommodate both schools, additional transportation costs would be incurred at approximately £50,000 per month. There is no further funding identified for additional pupil transport costs at this time.
- 5.4 Urgent approval was sought to proceed with the projects using the additional funding identified to cover the increased costs. Any delay incurring continued decant transport costs would have to be identified from within the options proposed in section 4 of the table in paragraph 5.4.
- 5.5 Approval to bring the additional funding into the project was urgently required to allow the refurbishment construction contract to commence as soon as possible, minimise disruption to the school, and minimise additional pupil transportation costs.
- 6. City Deal Business Case Approval**
- 6.1. It should be noted that there is a requirement that the Our Lady of Lourdes Primary School Extension Full Business Case be approved, in line with the required governance arrangements of the City Deal. An appendix to this report (Appendix 1) outlines that business case. Grant funding will be obtained in accordance with City Deal grant distribution process outlined in the Assurance Framework in relation to the delivery of the project with the precise arrangements to be agreed by the City Deal Chief Executive's group and City Deal Cabinet
- 7. Employee Implications**
- 7.1. There are no employee implications associated with this report.
- 8. Climate Change, Sustainability and Environmental Implications**
- 8.1. There are no new climate change, sustainability or environmental implications arising from this proposal.
- 9. Other Implications**
- 9.1. There are no other implications associated with this report.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. This report does not introduce a new policy, function, or strategy and therefore no separate impact assessment is required.
- 10.2. No formal consultation process was required in terms of the recommendation contained in this report.

Carole McKenzie
Executive Director (Education Resources)

27 September 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Our children and young people thrive
- ◆ Inspiring learners, transforming learning, strengthening partnerships attainment
- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Education Committee 19 January 2021. Acquisition of Our Lady of Lourdes PS School Building
- ◆ Executive Committee 1 March 2023. Upgrading and Extension of Our Lady of Lourdes PS

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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Appendix – Final Business Case for City Deal – Our Lady of Lourdes

1. Background

- 1.1. The Council is one of eight local authorities who, with the UK and Scottish Governments, are signatories to the £1.13 billion Glasgow City Region City Deal.
- 1.2. The City Deal is made up of a list of 20 key infrastructure projects that are intended to collectively drive economic growth across the Glasgow City Region area.
- 1.3. The Community Growth Areas (CGA's) is one of four South Lanarkshire projects among the list of twenty. Larkhall Community Growth Area is one of the 4 CGAs that have been combined together to form the CGA project – the other CGA's being located in Newton, Hamilton and Larkhall.
- 1.4. The East Kilbride CGA comprises a number of individual education, transport and community infrastructure projects which will be delivered over a timeframe of up to 12 years which will in turn 'create' capacity to accommodate the increase in population from housebuilding of up to 2,600 new homes. The proposed Our Lady of Lourdes Primary School Extension is one of the projects to be brought forward to Full Business Case stage at Larkhall CGA.
- 1.5. Governance arrangements for the City Deal initiative are defined within the associated City Deal Assurance Framework. This sets out requirements for the development of Business Cases for individual projects. The first level of business case for the CGA's was the Strategic Business Case and this was approved by the Executive Committee on 26 August 2015 and the second level business case, the Outline Business Case, was approved by the Executive Committee on the 15 August 2018.
- 1.6. Full Business Cases for each project requires to be formally approved via:
 - ◆ The Member Authority Committee process
 - ◆ The City Deal approval procedures.
- 1.7. On 18 August 2015, the City Deal Cabinet approved Strategic Business Cases for all of the Council's City Deal Projects, including the CGA's, and on the 14 August 2018 the Outline Business Case for East Kilbride CGA was approved. This provides the basis to bring forward full business cases for each individual project. This is the second FBC for the East Kilbride CGA.

2. Current Proposal

- 2.1. A Full Business Case (FBC) has now been produced for the Our Lady of Lourdes Primary School Extension element of the East Kilbride CGA project. The existing Our Lady of Lourdes PS is located 2 kilometres north east of East Kilbride CGA site. It currently has 13 classrooms, an early years facility, gym hall, dining hall, general purpose space, MUGA pitch and extensive grounds that facilitate outdoor learning.
- 2.2. The planned outputs for the Our Lady of Lourdes Primary School Extension project are:
 - ◆ A new 330 sq. m single-storey extension to the existing school.

- ◆ This delivers a total of 3 new primary school classrooms, 1 general purpose room with associated storage, toilet and circulation space giving additional capacity for up to 99 pupils.

2.3. This additional accommodation provided at Our Lady of Lourdes Primary School, East Kilbride is estimated to meet the need for additional pupil places as the CGA is developed. The additional space created by the extension is also expected to reduce the requirement for composite classes.

2.4. This FBC continues to make the case for East Kilbride CGA project in terms of:

- ◆ Strategic Fit
- ◆ Commercial Case
- ◆ Economic Case
- ◆ Financial Case
- ◆ Management Case

The Executive Summary of the FBC is contained at the end of this paper.

2.5. The critical success factors against which the Our Lady of Lourdes PS project will be judged are:

- ◆ provision of education and nursery infrastructure (Our Lady of Lourdes PS) to meet the needs of new residents without having an adverse impact on existing communities;
- ◆ the integration of Our Lady of Lourdes PS extension into the existing school with its established administration and management team; and
- ◆ the delivery of the construction contract on-time and within budget.

This project will deliver on these requirements.

2.6. The production of the Full Business Case provides the basis for full delivery and construction of the school extension.

2.7. The contractor to deliver this project has been identified and the approval of this Full Business Case is expected to release funding to allow construction work to be completed in autumn 2024.

2.8. On the basis that Committee approve the report, this will then be considered by the Glasgow City Region City Deal Programme Management Office who have delegated powers to confirm its approval under the Assurance Framework

3. Employee Implications

3.1. There are no direct employee implications from this project as existing resources within Enterprise and Sustainable Development Services are currently tasked with the management and delivery of this City Deal project.

4. Financial Implications

4.1. The project budget for the Our Lady of Lourdes Primary School Extension project is £1.798 million. It forms part of a refurbishment and extension proposal with a total value of £6.581m. Project costs includes professional fees, construction works, contingency and community benefit monitoring.

- 4.2. City Deal funding amounts to £1million with 86% (£0.860 million) provided from the Scottish and UK Government and the Council contributing the 14% balance (0.140 million).
- 4.3. The revenue implications of the primary school expansion will be managed by the Council as part of its revenue budget strategy.

5. Climate Change, Sustainability and Environmental Implications

- 5.1. The new extension will meet all South Lanarkshire Council requirements in respect of Climate Change, Sustainability and Environmental implications. The processes associated with the approval of the East Kilbride CGA have considered the following sustainability agenda items and are subject to monitoring and review as detailed proposals for each phase of the development progress:-
- ◆ encourage energy efficiency through the orientation and design of buildings.
 - ◆ choice of materials and the use of low and net zero technologies.
 - ◆ support sustainable water resource management.
 - ◆ support sustainable waste management.
 - ◆ consider the lifecycle of the development.
 - ◆ encourage the use of sustainable and recycled materials in construction.
 - ◆ support habitat connectivity
 - ◆ consider active travel and sustainable transport links.

6. Other Implications

- 6.1. Risk - The City Deal Cabinet has a Risk Management Strategy applied across all City Deal projects. The purpose of this Risk Management Strategy is to provide a systematic and effective method by which risks can be consistently managed. It adopts a best practice approach, describes the specific risk management techniques and standards to be applied and the responsibilities for achieving effective risk management.
- 8.2. The Council is required to apply this City Deal Risk Management Strategy across each of its City Deal projects to ensure consistency across all City Deal projects. This will be a key tool in mitigating project risks and thereby limiting our financial risk associated with the Council's 14% share of City Deal project costs. A robust monitoring system has also been put in place to ensure that 'early warnings' are provided and appropriate action taken.

7. Equality Impact Assessment and Consultation Arrangements

- 7.1. This report does not introduce a new policy, function or strategy or recommend a significant change to an existing policy, function or strategy, and, therefore, no impact assessment is required. Consultation has taken place with relevant resources within the Council and the CGA developers. In addition, consultation was undertaken with the wider community through the planning process.

David Booth

Executive Director (Community and Enterprise Resources)

Link(s) to Council Values/Ambitions/Objectives

- ◆ Get it right for children and young people.
- ◆ Promote economic growth and tackle disadvantage.
- ◆ Improve the availability, quality and access of housing.

- ◆ Improve the road network, influence improvements in public transport and encourage active travel.
- ◆ Work with communities and partners
- ◆ Improve achievement and attainment.

Previous References

- ◆ Executive Committee, 26 August 2015 – City Deal – South Lanarkshire Council, Community Growth Areas, Strategic Business Case
- ◆ Executive Committee, 15 August 2018 – Glasgow City Region City Deal –East Kilbride Community Growth Area, Outline Business Case

List of Background Papers

- ◆ City Deal, East Kilbride Community Growth Area – Our Lady of Lourdes Primary School Extension, Full Business Case
- ◆ City Deal, East Kilbride Community Growth Area – Outline Business Case.

Contact for Further Information

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

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Executive Summary- Our Lady of Lourdes Primary School Extension FBC

- i. This Full Business Case (FBC2) is for £1m City Deal funding – £0.86m City Deal (86%) and £0.14m SLC (14%), £0.798m S75 developers contribution additional funding, providing a total package of £1.798m to enable construction of the extension (phase 1) of Our Lady of Lourdes Primary School (PS) at the East Kilbride Community Growth Area (CGA), accounting for Element 2 of the whole EKCGA project proposal.
- ii. The project has 2 elements - extension and refurbishment. City Deal funding will be used only in the extension works of the project. This FBC continues to build the case from the Strategic Business Case (SBC) which secured approval for £62.3m across South Lanarkshire's four CGAs and from the Outline Business Case (OBC) which secured approval for the initial sum of £11.608m City Deal funding to develop the East Kilbride CGA project, comprising off-site education, community and transport infrastructure.
- iii. The OBC has subsequently been supplemented by an approved change control virement of £1m and will be met via a re-allocation of project budget associated with the Hamilton CGA project at Calderside Academy. All spend associated with both projects will be managed within the overall Community Growth Areas budget of £60.3 million (reduced from £62.3m due to a requirement to vire funds to the Greenhills Road City Deal project). For this project £1m has been vired from Hamilton CGA schools' program (Calderside Academy) giving a new total City Deal contribution to EKCGA of £13.330m. The financial template will be updated from the OBC model at Full and Final business case where all adjustments will be made to reflect the final picture.
- iv. No City Deal funding will be used in the refurbishment element of the project.

The Strategic Case

- v. As presented in the OBC, there is a critical need for investment in education infrastructure to allow the development of 2,644 new homes at EK CGA.
- vi. The strategic aim of the Our Lady of Lourdes Primary School extension project element is:

“To deliver the Our Lady of Lourdes Primary School extension in a manner than enables delivery of the residential development 7 years earlier than planned with associated economic, carbon reduction and social benefits.”
- vii. Based on capacity planning (i.e. individual class make-up at the start of the school year) the actual working capacity at Our Lady of Lourdes Primary School extension at Sept 2022 is 362 pupils, with space for an additional 28 pupils. Delivery of the Our Lady of Lourdes Primary School extension, starting in late 2023, is a necessary pre-requisite project for delivery of the full CGA development and enable its completion 12 years earlier than planned. The school extension and refurbishment will be supported by the installation of air source heat pumps to reduce the carbon footprint.
- viii. The CGA is focused on development of family-style houses, for which provision of accessible education, in particular primary school, is a key selling point. The total estimated population at the new East Kilbride CGA is 8,213 and 623 are expected to be of primary school age with 226 nursery age. Historically 25% of these primary and nursery pupils will require denominational education facilities.
- ix. As reported in the OBC (and evidenced in the development profiles), the counterfactual arrangement is that the CGA development will be less attractive to purchasers and it will take until 2027/28 before there have been sufficient S75 payments to fund delivery of primary school infrastructure (i.e. from 1,400 market homes).

The Economic Case

- x. The economic case presents and test a series of alternative options – including the counterfactual or ‘do nothing’ options, before a preferred solution that meets the identified needs and delivers Value for Money for the public sector.
- xi. The only viable options were identified as being around the activity of the project proposal i.e. either extend an existing or build a new stand-alone primary school. Through analysis of the local school portfolio and potential to accommodate an extension, Our Lady of Lourdes Primary School extension was

identified as the best option for the denominational school extension project, based on the current local area capacity and ability to extend on site. The estimated cost of delivering a new seven classroom primary school did not offer value for money and was therefore discounted.

The Commercial Case

- xii. Delivery of additional capacity in the denominational primary school system is identified as a critical requirement in delivering the full CGA over 11 years by meeting the needs of the key partners – new and existing residents (by releasing capacity), SLC and City Deal partners (by delivering additional economic value) and housebuilders/ house purchasers (by creating a more attractive development proposition).
- xiii. City Deal funding has been identified as the only viable source for delivery of the critical off-site infrastructure works (schools/ roads) needed to bring forward the development earlier than planned.

The Financial Case

- xiv. This Full Business Case (FBC2) is for £1m City Deal funding – £0.86m City Deal (86%) and £0.14m SLC (14%), £0.798m S75 developers additional funding etc, providing a total package of £1.798m to enable development of Our Lady of Lourdes Primary School (PS) at the East Kilbride Community Growth Area (CGA), accounting for element 2 of the whole CGA project proposal. Phasing of the full CGA project expenditure is presented in Appendix 6 of the OBC.
- xv. Following a procurement exercise, the City Deal cost of delivering element 1, Our Lady of Lourdes Primary School Extension is estimated at £1m, accounting for 7.72% of the total approved East Kilbride CGA City Deal allocation. This figure is based on the current OBC EIA and change controls and will be adjusted at the full and final FBC to reflect all changes in spend.
- xvi. SLC will take on the additional maintenance responsibilities at Our Lady of Lourdes Primary School extension in perpetuity, following completion of the extended school building. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xvii. SLC has ultimate responsibility for cost over-runs beyond the level of financial budget/ approval for the CGAs. VAT has been treated as recoverable.

The Management Case

- xviii. The management and delivery of the extension (element 1), Our Lady of Lourdes Primary School works will be contained within the remit of SLCs CGA Programme. East Kilbride CGA will be managed by SLC in accordance with the standards required by the City Deal governing principles. Project roles have been assigned to Senior Responsible Officer, Project Sponsor, Project Manager and an internal Project Team. Education Services within SLC will lead the delivery of the project, ensuring alignment against other SLC CGA and Education projects.
- xix. SLC Enterprise and Sustainable Development Services will have responsibility for the long-term monitoring and evaluation of the project benefits, including community benefits, in line with the Management & Evaluation Plan, using in-house resource and supplemented by external specialist consultants as required. The economic impact model developed to appraise the gross and net benefits of the alternative options, allows for the activities to be measured and performance tracked against the forecast profile.
- xx. The key objectives and critical success factors (as defined in the Strategic Case) have ensured that the development of the East Kilbride CGA is embedded in a holistic approach to sustainability – environmental, economic, social and community – and the financial appraisal confirms that the project is financially sustainable, albeit with a need for future (planned) investment by the private sector to deliver the new houses.
- xxi. In summary the City Deal East Kilbride investment generates the following results as per the OBC – Option 3 with this project (FBC2) contributing 7.72% of the results:

Table 1: Project performance at OBC (Showing Our Lady of Lourdes PS 7.72% Share).

Project Performance	Counter - Factual	Option 1	Option 2	Option 3
Total Units Deltivered	109	109	109	204
Timetable to Complete	By 2036	By 2036	By 2036	By 2029
Net Direct Construction PYE'S (Scotland)	417	424	433	813
Net Direct Operational FTE's (Scotland)	13	15	18	27
Private Sector Resi Costs (Discounted)	£12.12m	£12.12	£12.35	£24.09m
Public Sector Infra Costs (SLC + CD) (Discounted)	0	£0.18m	£0.59m	£0.81m
Private Sector Infra Costs (\$75) (Discounted)	£0.60m	£0.60m	£0.61m	£1.44m
Total Public/Private Capital Infra Costs (Discounted)	£0.60m	£0.76m	£1.28m	£2.22m
Total Public Sector Revenue Costs (Discounted)	£0.52m	£1.01m	£2.98m	£3.01m
Total Capital + Revenue Costs (Discounted)	£0.52m	£1.27m	£3.56m	£3.78m
Total Net Direct Benefits -GVA (Discounted)	£28.18m	£28.79m	£31.12m	£59.2m
Public Cost - Direct Benefit (Discounted)	£27.64m	£27.48m	£27.56m	£55.41m

Note- All results rounded to avoid 'spurious accuracy', benefits presented as net additional, financial as discounted net direct totals over 25 year flow.