

Report

Report to:	Executive Committee
Date of Meeting:	2 February 2022
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Jackton Primary School – Full Business Case Glasgow City Region City Deal - East Kilbride Community Growth Area
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1. Purpose of Report

1.1. The purpose of the report is to: -

- ◆ Set out the Full Business Case (FBC) for the new Jackton Primary School element of the East Kilbride Community Growth Area City Deal project.
- ◆ Advise Committee on the next steps in progressing the project.

2. Recommendation(s)

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

- (1) That the Jackton Primary School Full Business Case be approved;
- (2) That grant funding be sought in accordance with the 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; and
- (3) That the need to forward fund an element of the construction works, until developers' contributions are received, be agreed.

3. Background

- 3.1. The Council is 1 of 8 local authorities who, with the UK and Scottish Governments, are signatories to the £1.13 billion Glasgow City Region City Deal.
- 3.2. 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.
- 3.3. The Community Growth Areas (CGA's) is one of four South Lanarkshire projects among the list of twenty. East Kilbride Community Growth Area is one of the 4 CGAs that have been combined to form the CGA project – the other CGA's being located in Newton, Hamilton and Larkhall.
- 3.4. 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 initially up to 2,600 new homes. The proposed Jackton Primary School is one of the projects to be brought forward to Full Business Case stage at East Kilbride CGA.

- 3.5. 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 was the Community Growth Areas Strategic Business Case, and this was approved by the Executive Committee on 26 August 2015 and the second level business case, the East Kilbride CGA Outline Business Case, was approved by the Executive Committee on the 15 August 2018.
- 3.6. Full Business Cases for each project require to be formally approved via
- ◆ The Member Authority Committee process
 - ◆ The City Deal approved procedures
- 3.7. On 18 August 2015 the City Deal Cabinet approved Strategic Business Cases for all the Council's City Deal Projects and on the 14 August 2018 the Outline Business Case for East Kilbride CGA was approved.

4. Current Proposal

- 4.1. A Full Business Case (FBC) has now been produced for the Jackton Primary School element of the East Kilbride CGA project. Jackton PS will be a new build school serving the future residents of the CGA development and the surrounding area. It will be located on the western side of the East Kilbride CGA area, on a site provided at no cost to the Council from the CGA developer consortium. The planned outputs for the Jackton Primary School Extension project are a new 4,751 square metre facility comprising:-
- ◆ 17 mainstream classrooms and 2 general purpose areas
 - ◆ 4 Additional Support Needs (ASN) classrooms
 - ◆ Early learning and childcare (ELC) facilities for up to 80 three/four-year olds and 15 two-year olds.
 - ◆ 7 a side floodlit football pitch which can be utilised for community lets out with school hours
- 4.2. The delivery of Jackton Primary School, starting in 2022, is a necessary pre-requisite project for delivery of the full CGA development and enable its completion earlier than planned. The CGA is focused on development of family-style houses, for which provision of accessible education, in particular, a primary school, is a key selling point. The total estimated population at the new East Kilbride CGA is up to 8,500 people, of which 623 are expected to be of primary school age.
- 4.3. The project was originally issued for tender in early 2020 and tenders were returned during the first Covid-19 lockdown in spring of 2020. Development of enabling infrastructure by the developer consortium at the CGA did not proceed as planned due to pandemic restrictions and the delivery of private housing was delayed. As this would directly impact the generation of pupil numbers within the catchment area the tender was not accepted, and a decision was made to delay construction work until new homes were being delivered at the site.
- 4.4. 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 in Appendix 1

- 4.5. The critical success factors against which the Jackton PS project will be judged are:-
- ◆ provision of education infrastructure (Jackton PS) to meet the needs of new residents without having an adverse impact on existing communities
 - ◆ the integration of the new Jackton PS into the existing school estate with its established administration and management team
 - ◆ the delivery of the construction contract on-time and within budget

This project will deliver on these requirements.

- 4.6. The production of the Full Business Case is the final City Deal approval milestone for this project element of the East Kilbride CGA project and provides the basis for full delivery and construction of the school extension.
- 4.7. The contractor to deliver this project has been identified via a competitive tender process. The approval of this Full Business Case is expected to release funding to allow construction work to be completed in time for the new August 2023 term.

5. Employee Implications

- 5.1. There are no direct employee implications from this project as existing resources within Planning and Economic Development Services are currently tasked with the management and delivery of this City Deal project.

6. Financial Implications

- 6.1. The project budget for the Jackton Primary School project is £18.11million. Project costs include professional fees, construction works, contingency, community benefit monitoring and evaluation. SLC Education have included an allowance in the £18.11m budget for operational fixtures, fittings and equipment when the main building works are complete.
- 6.2. Project costs have increased since the original tender was received due to tender cost inflation within a construction marketplace that is currently constrained by labour and supply chain issues. Additional City Deal funding has been identified from cost savings being generated at other projects within the City Deal CGA programme. The project will be funded by Glasgow City Region City Deal (£10.936 million) with the balance of £7.174 million made up of developer contributions from the private housebuilders delivering new homes for sale in the area. The City Deal funding element is made up from an 86% UK / Scottish Government contribution (£9.405 million) with the Council contributing the 14% balance (£1.531million) in line with the grant funding agreement for City Deal projects.
- 6.3. The developers' contributions will be paid to the Council on an annual basis as development is progressed as houses are certified by the Council as being complete and ready for occupation. Based on the spend profile of the new school and the predicted completions provided by the developers, it is anticipated that the profile of the receipt of the developers' contribution will be later than the school spend profile, and therefore the Council will require to forward fund an element of the construction works until these developer contributions are received.
- 6.4. As a result, the Council will need to fund up to £4.6m for a 5-year period. If the Council borrows to do this, the cost will be an average of £0.086m per annum. These costs will be met within the overall budget for the construction of the school. If developer contributions received are less than estimated, alternative funding will be required, however this risk is considered low given the positive pace of house sales in that area to date.

7. Climate Change, Sustainability and Environmental Implications

7.1. The statutory processes associated with the approval of the East Kilbride CGA have considered the following climate change, sustainability and environmental implications 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 zero carbon generating 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.

8. Other Implications

8.1. 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.

9. Equality Impact Assessment and Consultation Arrangements

9.1. 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.

Alistair McKinnon

Interim Executive Director (Community and Enterprise Resources)

14 January 2022

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 – Jackton Primary School Extension, Full Business Case

Contact for Further Information

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

Ken Meek, Project Manager

Ext: 5928 (Tel: 01698 455928)

E-mail: Ken.Meek@southlanarkshire.gov.uk

Appendix 1

Executive Summary

- i. This Full Business Case 1 (FBC1) is for £10.936,000 City Deal funding – £9,404,960 City Deal (86%) and £1,531,040 SLC (14%) – to enable development of Jackton Primary School (Jackton PS) at the East Kilbride Community Growth Area (CGA), accounting for the Jackton Primary School element of the East Kilbride CGA project proposals in the OBC. 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) approved in August 2018 which secured approval for £11.6 million City Deal funding to develop the East Kilbride CGA project, comprising off-site education, community and transport infrastructure.

The Strategic Case

- ii. As presented in the OBC, there is a critical need for investment in education infrastructure to allow the development of up to 2,600 new homes at East Kilbride CGA.
- iii. The strategic aim of the East Kilbride CGA project element is:

“to secure the delivery of 2,600 new homes at an advanced market-driven development rate that will accommodate 8,500 residents and increase the sustainability of the local community. In the longer term this will support improvement in GVA in South Lanarkshire by working with housing developers to build new, high quality, affordable homes (including social housing) to meet the current South Lanarkshire needs and the demand arising from our growing and ageing population.”

- iv. The planned outputs from Jackton PS are a new 4,751 square metre facility comprising:
 - 17 mainstream classrooms and 2 general purpose areas
 - 4 Additional Support Needs (ASN) classrooms
 - Early learning and childcare (ELC) facilities for up to 80 three/four-year olds and 15 two-year olds.
 - 7 a side floodlit football pitch which can be utilised for community lets out with school hours

SLC will have ongoing responsibility for the management and maintenance of the extended school and nursey, as defined in the financial appraisal, the revenue operating costs have been estimated and are acknowledged by SLC.

- v. Delivery of the Jackton PS extension, starting in 2022, is a necessary pre-requisite project for delivery of the full CGA development and enable its completion 7 years earlier than planned. 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 up to 8,500 people, of which 623 are expected to be of primary school age.
- vi. As reported in the OBC (and evidenced in the development profiles at Appendix 4), the counterfactual arrangement is that the CGA development will be less attractive to purchasers and it will take until 2034 before there have been sufficient S75 payments to fund delivery of primary school infrastructure (i.e. from 1,400 market homes) at Jackton PS (new build) and Our Lady of Lourdes PS (extension).

The Economic Case

- vii. 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.

- viii. The only viable options were identified as being around the activity of the project proposal i.e. either extend existing primary schools or build a new stand-alone primary school. Through analysis of the local school portfolio and potential to accommodate an extension, Jackton PS, a new primary school, was identified as the best option for EK CGA. The estimated cost of delivering school and nursery extension projects did not offer value for money and was therefore discounted.

The Commercial Case

- ix. Delivery of additional capacity in the non-denominational primary school system and ELC nursery requirement is identified as critical to delivering the full CGA over 12 years by meeting the needs of the key partners – new and existing local 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).
- x. 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.
- xi. This FBC is for £10.936,000 City Deal funding – £9,404,960 City Deal (86%) and £1,531,040 SLC (14%) – to enable development of the new Jackton primary school. The project enables the ongoing development of homes at East Kilbride, meeting an identified shortfall of housing across the city region.
- xii. Within the total CGA development the private housebuilder will deliver follow-on investment of £340m in on-site infrastructure and private housing construction, plus Section 75 contributions of up to £23.3m. The gross total follow on investment at East Kilbride CGA is therefore £363.3m.

The Financial Case

- xiii. Following a competitively tendered procurement exercise, the cost of delivering Jackton PS and Nursery is estimated at £18.11m (including design, consents, contingency, M&E, etc.), with £10.936 of City Deal financial support accounting for 84.5% of the total approved East Kilbride CGA City Deal allocation. Based on the spend profile of the new school and the predicted completions provided by the developers, it is anticipated that the Council will require to forward fund an element of the construction works, until these developer contributions are received. The costs of forward funding will be met from the project budget.
- xiv. SLC will take on the additional maintenance responsibilities at Jackton PS in perpetuity, following completion of the new school building. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xv. The revenue implications of the Primary School and Nursery expansion will form part of the Council's future budget considerations.
- xvi. SLC has ultimate responsibility for cost over-runs beyond the level of financial budget/ approval for the CGAs – an allowance of 2.5% has been made for Contingencies within the costs. VAT has been treated as recoverable.

The Management Case

- xvii. The management and delivery of Jackton PS 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. Community and Enterprise Services within SLC will lead the delivery of the project, ensuring alignment against other SLC CGA and Roads projects.
- xviii. SLC Planning & Economic Development Services will have responsibility for the long-term monitoring and evaluation of the project benefits, including community benefits, in

line with the Monitoring & 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.

- xix. 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.