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Argyll and Bute Council **Comhairle Earra Ghaidheal agus Bhoid**

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25 November 2014

SUPPLEMENTARY PACK 1

**POLICY AND RESOURCES COMMITTEE - COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD on THURSDAY, 27 NOVEMBER 2014 at 12 NOON**

I enclose herewith item 6 (**FURTHER POTENTIAL INVESTMENT OPPORTUNITY IN THE COUNCIL'S SCHOOL ESTATE**) which was marked to follow on the Agenda for the above Meeting.

Douglas Hendry
Executive Director – Customer Services

ITEM TO FOLLOW

6. FURTHER POTENTIAL INVESTMENT OPPORTUNITY IN THE COUNCIL'S SCHOOL ESTATE

Report by Executive Director – Community Services (Pages 1 - 24)

POLICY AND RESOURCES COMMITTEE

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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****COMMUNITY SERVICES****27th NOVEMBER 2014**

**FURTHER POTENTIAL INVESTMENT OPPORTUNITY
IN THE COUNCIL'S SCHOOL ESTATE**

1.0 Executive Summary

- 1.1 This report provides information to Members on an announcement by the Scottish Government (SG) of a further £100M of revenue based NPD investment in school infrastructure through the Scotland's Schools for the Future (SSF) programme to continue to remove schools out of poor (Category C) or bad (Category D) condition to satisfactory (Category B) or good (Category A) condition, either through refurbishment or replacement.
- 1.2 If the Council wants to take advantage of the opportunity of additional revenue support, a decision is required now to ensure that any application for the additional funding support is submitted timeously as the Scottish Government will be announcing the additional infrastructure funding allocations awarded to Councils on 28 November 2014.
- 1.3 The Council currently only has one school property in the whole school estate in either Category C or D condition. This is Dunoon Primary school (Category D). This is the only school property that would be eligible for improvement under this additional infrastructure offer.
- 1.4 The funding offer is caveated by a number of specific conditions as detailed in paragraphs 4.2.5 – 4.2.10. In addition, some costs are not included within the SG funding but would have to be met in full by the Council. These are decant, risk factor above 1%, and that no location factor is included within the costs
- 1.5 Dunoon Primary school is the worst condition school within the Council's school estate. Four variant options have been considered:
- Option 1 - Remodel/refurbishment to Grade A for Condition with a reduction in capacity to 300 pupils plus 30 Early Years;
- Option 2 - Remodel/refurbishment to Grade A for Condition with a reduction in capacity to 220 pupils plus 30 Early Years;
- Option 3 - A separate programme of much more modest essential works that would result in a Grade B for Condition being achieved, the current capacity would largely remain the same;

Option 4 - A separate programme of much more modest essential works that would result in a Grade B for Condition being achieved, but with the addition of a new gym hall and lift installation, the current capacity would largely remain the same.

The high level scope of works for each Option 1 – 4 is outlined in Appendix 1 hereof.

- 1.6 In their report Ryder indicate that due to the location of the existing structural walls within the remodelled core teaching block, having a proposed reduced capacity of 220 pupils and 30 Early Years places as proposed in Option 2, would not result in a smaller gross internal floor area (GIFA) being achieved.
The actual cost of the remodel/refurbishment works for a school capacity of overall 250 places would essentially be the same as that for a school with an overall capacity of 330. In effect, Options 1 and 2 are the same option with the same estimated high level cost.
- 1.7 Discussions with the SFT have indicated that the most favoured option for Dunoon Primary school is Option 1. The SFT consider that the current proposals for Options 2, 3, or 4 would not provide Value for Money and, as such, would not attract additional SG infrastructure funding.
- 1.8 The funding implications for each Option are:

| Dunoon Primary School | Ryder Cost Estimates (excluding Decant and Risk above 1%) | | |
|--|--|-----------------|-----------------|
| | *Option 1 | Option 3 | Option 4 |
| Capital Cost | £7.30M | £3.40M | £3.57M |
| Potential SG funding | £4.36M | <u>Nil</u> | <u>Nil</u> |
| Balance of funding to be found by Council | £2.94M | £3.40M | £3.57M |
| + | | | |
| * *Estimated Decant Cost | £0.88M | £0.29M | £0.29M |
| Total Council funding requirement | £3.82M | £3.69M | £3.86M |
| Less potential estimated balance of Kirm Funding | -£1.59M | -£1.59M | -£1.59M |
| Net Council funding requirement | £2.23M | £2.10M | £2.27M |

*Option 2 has been omitted from the table as it delivers the same solution as option 1 due to reconfiguration restraints associated with the existing buildings.

**Estimated Decant Cost – The estimated cost of any decant would still be the subject of uplift for prelims, fees, etc and is likely to be over £1M in

total.

A summary of the included/excluded costs within the Capital costs as supplied by Ryder are contained within Appendix 2 hereof.

- 1.9 The SFT has confirmed that the potential level of SG funding would be based on the primary school metric for a school with a roll of 300 pupils, and 30 Early Years places with an SFT expected overall Capital cost of £6.54M. The SFT metric is lower than the Ryder estimates which suggest that there may be some scope to reduce these cost estimates, but at this stage this is unconfirmed.
- 1.10 The current condition of Dunoon Primary school is Grade D. The condition of the building will only deteriorate further over time without some significant investment in the fabric of the building.
- 1.11 Before reaching a decision on the preferred option, the financial implications should be noted by Members in the context of the impact on the Council's overall financial position.

The level of general capital grant is likely to fall to around:

2016-17 £15M

2017-18 £10M

2018-19 £10M

Based on previous allocations the Education share of this would be:

2016-17 £5M / £6M

2017-18 £4M / £5M

2018-19 £4M / £5M

The Council has already committed (Council Meeting 24th April 2014) to finding additional capital of £12.93M, for the replacement of Oban High School (£11.27M) and Campbeltown Grammar School (£1.66M). The acceptance of any further proposals for Dunoon Primary would add to this figure and would utilise, possibly overspend, all of the anticipated Education capital funding for 2016-17 to 2018-19. This in turn could reduce capital funding available to fund other Council priorities and could adversely impact on Council design teams and their resources as there would be a reduction in fee income generated through a reduction in capital projects.

The capital costs could be covered by additional borrowing which would result in additional loan charges of around £1M per annum. This would be additional to the savings required by Education and the Council in general that would have a direct impact on frontline service delivery.

Members are asked as one of the recommendations of this report to agree that the additional level of expenditure to the Council is unaffordable and as such an application for additional infrastructure funding for Dunoon Primary school is not submitted to the Scottish Government.

Recommendations

It is recommended the Policy and Resources Committee:

- 1 Note the Scottish Government offer for further investment in school infrastructure and the specific conditions that are attached to this funding offer.
- 2 Note the financial implications of committing further capital monies as per paragraphs 4.4.6 and 4.4.9
- 3 Note the significant risks associated with the cost estimates as contained within this report.
- 4 Agree that the additional level of expenditure envisaged to remodel / refurbish Dunoon Primary school is unaffordable and that an application for additional infrastructure funding should not be made to the Scottish Government at this time.

**FURTHER POTENTIAL INVESTMENT OPPORTUNITY
IN THE COUNCIL'S SCHOOL ESTATE**

2.0 INTRODUCTION

The Council received communication on 27 June 2014 from the Scottish Government's School Infrastructure Unit to advise that the Cabinet Secretary for Finance, Employment and Sustainable Growth had announced a further £100M of revenue based NPD investment in school infrastructure through Scotland's Schools for the Future (SSF) programme. The funding is targeted towards local authorities that have existing projects in any of the first three rounds of the SSF programme and which have not reached financial close. Argyll and Bute Council has a project in each round of that programme, each of which are still in the process to reach financial close.

The overarching aim of this additional investment is to continue to remove schools out of poor (Category C) or bad (Category D) condition to satisfactory (Category B) or good (Category A) condition, either through refurbishment or replacement. The Council currently has only one school property in Category C or D condition. This is Dunoon Primary school (Category D).

3.0 RECOMMENDATIONS

3.1 It is recommended the Policy and Resources Committee:

- 3.1.1 Note the Scottish Government offer for further investment in school infrastructure and the specific conditions that are attached to this funding offer.
- 3.1.2 Note the financial implications of committing further capital monies as per paragraphs 4.4.6 and 4.4.9.
- 3.1.3 Note the significant risks associated with the cost estimates as contained within this report.
- 3.1.4 Agree that the additional level of expenditure envisaged to remodel / refurbish Dunoon Primary school is unaffordable and that an application for additional infrastructure funding should not be made to the Scottish Government at this time.

4.0 DETAIL

4.1 Background Chronology

- 4.1.1 In 2009, the Council was granted funding under Scotland's Schools for the Future (SSF) programme for a new shared primary and Early Years school campus in Dunoon. It was proposed that the new campus would include Dunoon, Kirn and St Mun's Primary schools with associated Early Years provision, and that the new campus would be built on the existing site of Kirn Primary school and adjacent playing fields west of the Kirn school site.

The Council, at its meeting on 28 June 2012, instructed a review to be carried out to establish whether there were other options that may be preferred in regard to the new build, refurbishment, and amalgamation or otherwise of the current Dunoon, Kirn and St Mun's Primary schools and Clyde Cottage Nursery. GMA/Ryder was commissioned to carry out a review of primary school buildings in Dunoon and to explore options for the future provision of primary and Early Years education.

Subsequent to the appraisal process of the options as contained in the Ryder report, local Members at the Bute and Cowal business day on 5 November 2013 discussed the possibility of a new option to build a new shared campus for Kirn and St Mun's Primary schools and Clyde Cottage on the site of St Mun's, Library, Rose Garden and part of the Dolphin Hall grounds, with Dunoon Primary school remaining as a refurbishment.

- 4.1.2 The Council, at its meeting in November 2013, agreed that two options would be taken forward to a public consultation exercise. These were:
- i. a new build shared campus and Early Years provision to replace Dunoon, Kirn and St Mun's Primary schools, and the Clyde Cottage nursery, on the site of the existing St Mun's Primary school, the existing Dunoon library site, part of the Dolphin Hall grounds and the Rose Garden site; and
 - ii. A new build shared primary school campus for Kirn Primary and St Mun's Primary schools with Clyde Cottage on the site of St Mun's, with Dunoon Primary remaining as a refurbishment.

- 4.1.3 From the results of the public consultation, there did not appear to be any consensus in regard to the options that would address all three primary schools. However, there did appear to be clear opposition, from the majority who participated, to the proposal for an amalgamation of schools on a shared campus and a desire to have the schools remain on their current sites.

Given the clear opposition from the majority who participated to

the proposal for a shared campus, there was a real risk of opposition in any formal statutory consultation in terms of the Schools (Consultation) (Scotland) Act 2010. That, in turn, would have created a real risk (and possibly a likelihood) that either option in regard to a shared campus would have become undeliverable.

- 4.1.4 Subsequent to the public consultation exercise on the two shortlisted options, the Scottish Government (SG) indicated that it would fund, as part of the SSF programme, a new build of Kirn Primary school. This development would not require any formal statutory consultation in terms of the Schools (Consultation) (Scotland) Act 2010. It was considered that the option of a new build of Kirn Primary School would be deliverable and achievable within the timescale set down by the SG.

Based on the result of the consultation exercise, the current condition of the primary school buildings in Dunoon, the requirement for statutory consultation in regard to both the shared campus options, the SG funding available and SFT programme timetable, the Council agreed at its meeting on 24 April 2014 to a new build of Kirn Primary school on its current site.

- 4.1.5 On 26 June 2014 the Council agreed that the New Project Request (NPR) for a new Kirn Primary school with 320 pupil and 30 Early Years capacities should be submitted to hubNorth Scotland through the SSF Programme. The Council's likely contribution for the accommodation required through the Education base case was estimated at £4.91M against the £6.5M capital sum previously allocated by the Council in February 2012.
- 4.1.6 At the same meeting, the Council agreed that any potential surplus capital sum from that required to deliver the new Kirn Primary school could be used to improve the condition of schools within the school estate. The Council would be able to consider what works might be undertaken to the other Dunoon primary schools as the costs of the provision of a new build of Kirn Primary school, and the Council's contribution to that, were being ascertained.

4.2 **The Scottish Government Offer for Further Investment in School Infrastructure**

- 4.2.1 The Council received communication on 27 June 2014 from the Scottish Government's School Infrastructure Unit to advise that the Cabinet Secretary for Finance, Employment and Sustainable Growth had announced a further £100M of revenue based NPD investment in school infrastructure through Scotland's Schools for the Future (SSF) programme.

4.2.2 The Council's Schools Redevelopment Team held a preliminary meeting with the SFT on 8 July 2014 and this was followed up by a meeting involving the Chief Executive, Executive Directors of Customer Services and Community Services, and Head of Strategic Finance with the SFT on 19 July 2014 to discuss the funding offer.

4.2.3 Ryder was commissioned in July to carry out a high level cost analysis for the remodel/refurbishment of Dunoon primary and to develop outline design proposals. Ryder issued their initial outline design plans and cost plan report on 20 August 2014. Meetings to discuss the Ryder design remodel/refurbishment proposals and cost plan took place on:

- 28 August - SFT/Schools Redevelopment Team – Finance and Design; and
- 5 September - SFT/Ryder/Schools Redevelopment Team –

Ryder revised their initial report and their second report was issued on 12 September. This second report has been reviewed by the SFT and followed by meetings on:

- 22 October - SFT/Executive Director Community Services/Schools Redevelopment Team - Finance and Design
- 31 October – Ryder/Schools Redevelopment Team – Finance and Design
- 17 November - SFT/ Ryder/Schools Redevelopment Team – Finance.

4.2.4 Through the discussions with the SFT it was established that the Scottish Government (SG) is offering to provide additional revenue support for the SSF projects to facilitate a release of local authority capital contributions for use elsewhere. The funding offer is irrespective of primary or secondary schools and therefore represents a better grant rate than the SSF programme would normally offer for primary schools. The initial understanding was that a simple 1/3rd to 2/3rds match funding would be apply. However, through discussions with the SFT over the last few months, it was confirmed that the additional infrastructure support is subject to specific conditions.

4.2.5 Specific Condition 1 - *Any agreed increase in revenue support for existing approved SSF revenue funded projects is conditional upon the local authority reinvesting the released capital to remove schools out of poor (Category C) or bad (Category D) condition to satisfactory (Category B) or good (Category A) condition, either through refurbishment or replacement.*

The Council currently only has one school property in the whole school estate in either Category C or D condition. This is Dunoon Primary school (Category D). Therefore, this is the only school property that would be eligible for improvement under this additional infrastructure offer.

4.2.6 Specific Condition 2 - *The £100M of additional NPD investment is targeted to support existing approved SSF revenue funded projects that have not reached Financial Close.*

The Council currently has three approved projects in the SSF programme:

- Replacement of Campbeltown Grammar school;
- Replacement of Oban High school; and
- Replacement of Kirn Primary school.

The projects are still in the process to reach financial close, and the SFT has indicated there is the potential of up to £11M of additional revenue infrastructure funding available to Argyll and Bute Council subject to match funding. The scale of the funding is shown below at Paragraphs 4.4.6 and 4.4.9.

This additional revenue funding to the Council would be in addition to the agreed grant level for the Council's SSF projects at a rate of up to two thirds of eligible costs. This funding level is predicated on *new build schools*. The SFT cost/area metric for new build primary schools is shown in Table 1 below.

Table 1 - SFT area/cost primary school metric

| Space allocation based on pupil numbers | Square Metre (sqm)/pupil |
|--|---------------------------------|
| Up to 231 | 8.5 |
| 232 - 462 | 7.5 |
| 463+ | 6.5 |
| Base cost / sqm | £2350 at Q2 2012 |

The metric for a new build primary school is based on two key elements:

- The agreed roll of the school which is then multiplied by the appropriate space metre/pupil to give an overall space allocation in square metres (sqm); and
- The space allocation is then multiplied by the base cost of £2350/sqm.

The funding metric calculation for a new build school equates to:

$$\text{Agreed roll} \times \text{SQM/pupil rate} \times \text{£2350}(\text{indexed for inflation}) \times$$

2/3rds

- 4.2.7 Any proposed project at Dunoon Primary school would be in the main a refurbishment to the existing buildings and this has the potential to decrease the level of funding from the maximum 2/3rds for a new build primary school, on two Value for Money (VfM) counts.

Firstly, the space allocation of a refurbished school building should be commensurate with that of a new build school of similar pupil numbers. If not, there is a strong indication from the SFT, that the sqm/pupil factor would be lower than those as shown in Table 1 above.

Secondly, the actual scale and level of refurbishment would determine the base cost/sqm rate applied. The SFT has indicated that, in general, a refurbishment project would not achieve the full base cost/sqm (£2350/sqm) as the building structure and services, as compared to a new build school, already exist.

The actual level and scale of refurbishment would affect also the base cost/sqm rate applied. In essence, the greater the scale and the level of specification of the refurbishment, the greater would be the % of the base cost/ sqm that a refurbishment proposal would attract. The SFT initially advised on 28 August and 5 September 2014 that a 0.7 factor should be applied to the base cost/sqm for a refurbishment.

The effect of these factors is that the funding metric calculation for a refurbishment school would be estimated to equate to:

Agreed roll x sqm/pupil rate x (£2350x0.7)(indexed for inflation) x 2/3rds

- 4.2.8 The funding would be provided to the Council through revenue support to the Council's DBFM project in Oban which would allow the Council to reduce its capital contribution to that project by the same value on the proviso that the Council must reinvest the released capital to improve primary and/or secondary schools in Category C or D condition.

However, the Council would have to identify the remaining additional capital to match with that redirected resource. The scale of the funding is shown below at Paragraphs 4.4.6 and 4.4.10

- 4.2.9 Specific Condition 3 - *The release of local authorities' capital is for immediate direct investment into the existing school estate over the next two financial years.*

The redirected capital requires the school works to be completed within the next two financial years. Discussions with the SFT has highlighted April 2017 as the target date. However, through these discussions there may be an amount of flexibility in that date as long as there are commitments in place that the project can be delivered.

- 4.2.10 Specific Condition 4 - *A decision on whether a local authority wishes to take advantage of this opportunity is required "immediately".*

In the discussions with the SFT in July, Council officers indicated that an expression of interest is all that would be possible at this stage due to the Council being in recess and would be subject also to formal governance approvals by the Council. If the Council wanted to take advantage of the opportunity of additional revenue support for its existing SSF projects, a decision is required now to ensure that any application for the additional funding support is submitted timeously to be assessed by the SFT and the SG school infrastructure unit as the Scottish Government will be announcing the additional infrastructure funding allocations awarded to Councils on 28 November 2014.

4.3 **Dunoon Primary School - The Options and Risks**

- 4.3.1 The Council currently has only one school property in Category C or D condition. This is Dunoon Primary school (Category D). A summary of the refurbishment options is provided below for consideration.

- 4.3.2 Dunoon Primary School (Remodel/Refurbishment)
Dunoon Primary school is the worst condition school within the whole school estate. The school is Grade B listed which includes both the main building and the additional later extensions. Its current capacity is for 448 pupils and 24 Early Years places. The property condition is assessed as being in bad condition (Grade D) and was the subject of a re-provisioning proposal when the shared primary campus in the Dunoon area was under consideration. Further proposals included for a part demolition/part new build and part refurbishment project. This was based on the provision of a school to accommodate 220 pupils plus 20 place Early Years provision.

The current and future roll projection for Dunoon Primary school is shown in Table 2 below. The roll projections are based on similar population data as prepared for the roll projections for the Campbeltown Grammar, Oban High and Kirn Primary school projects.

Table 2: Roll Projection for Dunoon Primary School.

| Actual | Actual | Confirmed enrolment | Projected | | | | | | | | |
|--------|--------|---------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
| 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
| 191 | 192 | 188 | 199 | 205 | 215 | 222 | 226 | 228 | 230 | 231 | 231 |

Allowing for an additional socio economic impact, again based on similar data as compiled for the other SSF schools projects, the school roll could reach an estimated 290 pupils by 2023/24.

- 4.3.3 Previously, consideration was also given to a more radical project which allowed for the demolition of all bar the façade of the listed main Dunoon Primary school building during the shared campus pre-consultation phase. However, there was considerable objection to that proposal as expressed by Historic Scotland and it is highly unlikely that these objections could be fully addressed, and even if possible resolved, within the timeframe for the expenditure of this additional funding.
- 4.3.4 Since the announcement of the additional infrastructure funding, Facility Services and the Schools Redevelopment Team has engaged with Ryder to prepare indicative outline remodel/refurbishment schemes and costings for Dunoon Primary school. These options are:
- Option 1- Remodel/refurbishment to Grade A for Condition with a reduction in capacity to 300 pupils plus 30 Early Years (330 roll);
- Option 2 - Remodel/refurbishment to Grade A for Condition with a reduction in capacity to approximately 220 pupils plus 30 Early Years (250 roll);
- Option 3 - A separate programme of much more modest essential works that would result in a Grade B for Condition being achieved. The current capacity would largely remain the same;
- Option 4 - A separate programme of much more modest essential works that would result in a Grade B for Condition being achieved, but with the addition of a new gym hall and lift installation. The current capacity would largely remain the same.
- 4.3.5 Both Options 1 and 2 would include a substantial refurbishment and remodelling programme, including part new build and part demolition. The demolition would include the removal of the existing Gym Hall, the southern teaching block, and the existing School Kitchen and Dining Hall. Essentially this works would leave the current main building for the core classroom and

ancillary accommodation, to which would be added new build areas of Gym Hall, School Kitchen and Dining Hall. A lift installation would be included in both Options.

The building fabric would be upgraded to a level which allows a core condition rating of A to be achieved, with external spaces also being significantly remodelled and reconfigured. As a result of these works to improve the condition of the school building and external spaces the Suitability Grade would change from the current Grade C to a Grade B.

The scope of works, as set out in Appendix 1 hereof, should be considered as outline only and potentially subject to change.

- 4.3.6 Ryder has developed a high level outline design for the remodel/refurbishment of Dunoon Primary school. The proposed internal layout of the classrooms in the core teaching block can be made to work in a flexible arrangement to allow the school to operate within a capacity range up to the overall roll of 300 plus 30 Early Year places.

Ryder, in their report, indicate that due to the location of the existing structural walls within the remodelled core teaching block, having a proposed reduced capacity of 220 pupils and 30 Early Years places as proposed in Option 2, would not result in a smaller gross internal floor area (GIFA) being achieved.

- 4.3.7 The actual cost of the remodel/refurbishment works for a school capacity of overall 250 places would essentially be the same as that for a school with an overall capacity of 330. The reduced pupil capacity does not have a commensurate saving on the cost of remodelling/ refurbishing the building. In effect, Options 1 and 2 are the same option with the same estimated high level cost.

- 4.3.8 In the proposed design by Ryder for a 300 pupil capacity plus 30 Early Years places (Option 1) the amount of teaching area that would be provided would be generally equivalent to the teaching space that would be found in a new build primary school of a similar roll. At the design meeting with the SFT on 5 September, the revised space allocation for the remodelled/refurbished Dunoon Primary school received positive comment and encouragement and on this basis and at this stage in the design process the SFT has indicated that if this refurbishment proposal was to be brought forward it would be looked on favourably and would receive the full new build primary space metric allocation as shown in Table 1 of Paragraph 4.2.6 i.e. 330 pupils at 7.5sqm/pupil.

- 4.3.9 For Option 1, the building design includes for part demolition with new build elements and an extensive scale of refurbishment.

Following the Design meeting on 5 September, the SFT has indicated on 22 October that the new build element, as proposed in the Ryder report, would attract the maximum 2/3rds funding of the base cost metric/sqm as would be applied for a new build primary school.

In addition, the refurbished element would not attract 100% of the base cost/sqm, but due to the high level and scope of refurbishment as proposed it would attract 90% (not 70% as intimated 28 August and 5 September) of the base cost/sqm i.e. £2115sqm (£2350 x 0.9).

- 4.3.10 This results in a potential maximum level of SG funding of £4.36M.

This level of funding would only be able to be confirmed once the final scope and cost of the remodel/refurbishment works is known and that Grade A condition has been achieved.

- 4.3.11 Both Options 3 and 4 would envisage a separate programme of much more modest essential based works to the existing Dunoon Primary school buildings. This would upgrade the existing condition to Grade B. An outline of the works that could be overtaken is contained within Appendix 2 hereof. The scope of works should be considered as outline only and potentially subject to change.

For Option 4, the same programme of essential repair works would be overtaken but with the addition of a lift installation, and the demolition of and replacement of the existing gym hall.

On completion of the works for either Option 3 or 4, the Suitability Grade would remain as a Grade C.

- 4.3.12 Both Options 3 and 4 would not bring about any real reduction to the existing 448 pupil capacity. Consequently, the space allocation of the refurbished building would be far in excess of that expected for a new build primary school for an overall roll of 330 pupils.

Furthermore, the lower scale and level of specification of the refurbishment envisaged would not attract a significant % factor of the metric base cost/sqm.

The SFT, in their discussions at their meetings with Council officers, would not commit either to the space metric allocation or the level of the % of base/cost sqm that either Option 3 or 4 would attract. From a VfM position both Options 3 and 4 were not viewed on favourably by the SFT.

4.4 **Dunoon Primary School – Funding Implications**

- 4.4.1 The high level design proposals received from Ryder cannot at this point in time have detailed costs assigned to them. Therefore, the costs can only be considered as outline and potentially subject to change given the level of risk. Appendix 2 hereof, illustrates the main cost headings that are included and excluded.

One of the costs not included as part of the estimated capital cost of the works is a provision of funding for any decant accommodation required during the construction period. Temporary decant accommodation would not be accepted by SFT within the base cost metric funding. The Council would have to fund this in full, in addition to the Council's contribution to the cost of the building works.

- 4.4.2 Due to the scale of works and timescale within which the works has to be completed envisaged for Option 1, Ryder initially reported that a full decant of the building may be required. However, further to the meeting with SFT on 22 October, when they (SFT) indicated that a longer timescale could be employed, there may be scope to reduce the amount of decant required but at this stage this cannot be confirmed and therefore the costs are shown in the table at Paragraph 4.4.6. The temporary classroom facilities for the decant would require to be accommodated on the existing school site but Education and Facility services would need to work together to investigate further the provision for aspects of service delivery such as physical education and dining. Members should be aware that if this proposal to refurbish Dunoon Primary school were to go ahead then the works, and subsequent decant, may be taking place at the same time as the new build of Kirn Primary school. That project too, is likely to have temporary decant of pupils.

- 4.4.3 The decant cost for Option 1 for Dunoon Primary school, as estimated by Ryder, is approximately £880K, exclusive of contractors prelims, fees, and contractors margin which would increase this cost to over £1M. The actual scale of decant required and associated costs would be able only to be determined once the full remodel/refurbishment proposal had been finalised.

For Options 3 or 4 even through the works are of a lower scale, it is still likely that some decant may be required. The decant cost is estimated by Ryder at £290K exclusive of contractors prelims, fees, and contractors margin and as with Option 1 options would be explored with Ryder to reduce the decant cost.

- 4.4.4 The cost plan for each option for Dunoon Primary school includes a Risk factor of 1% of overall costs. The 1% Risk factor is as accepted by SFT for their calculation of any potential SG additional funding provision. As the options would be, in the main,

all refurbishments the costs, as compared to a new build school, are not as certain plus there is a greater degree of risk of encountering building defects within the existing building structure.

4.4.5 The Ryder cost plan for each option does not include any location factor uplift in costs. This is not accepted by SFT within their calculation of any potential SG additional funding provision.

4.4.6 The overall funding implications for each Option are:

| Dunoon Primary School | Ryder Cost Estimate (excluding Decant and Risk above 1%) | | |
|--|--|---------------|---------------|
| | *Option 1 | Option 3 | Option 4 |
| Capital Cost | £7.30M | £3.40M | £3.57M |
| Potential maximum level of SG funding | £4.36M | Nil | Nil |
| Balance of funding to be found by Council | £2.94M | £3.40M | £3.57M |
| + | | | |
| **Estimated Decant Cost | £0.88M | £0.29M | £0.29M |
| Total Council funding requirement | £3.82M | £3.69M | £3.86M |

*Option 1 (and Option 2) are the same option with the same estimated high level cost.

**Estimated Decant Cost – The estimated cost of any decant would still be subject of uplift for prelims, fees, etc., and is likely to be over £1M in total.

A summary of the included/excluded costs within the Capital costs as supplied by Ryder are contained within Appendix 2 hereof.

4.4.7 The SFT has confirmed that the potential level of SG funding would be based on the primary school metric for a school with a roll of 300 pupils, and 30 Early Years places with an SFT expected overall Capital cost of £6.54M. The SFT metric is lower than the Ryder estimates which suggest that there may be some scope to reduce these cost estimates, but at this stage this is unconfirmed.

The variance between the SFT expected capital cost and Ryder’s high level estimated cost for Option 1 is approximately £760K. Both figures contain the same estimated cost for decant and a 1% Risk factor, but no location cost factor. Discussions could continue with Ryder to look at ways of reducing both the £760K variance, and the estimated cost of decant, but at this stage are not confirmed.

4.4.8 At its meeting in June 2014, the Council agreed that any potential

surplus capital sum from that required for the delivery of the new Kirn Primary school should be earmarked to improve the condition of schools within the school estate. The new Kirn Primary school project has been reported to Council in June 2014 at a cost of £9.23M of which the Council contribution is estimated to be £4.91M. The original capital allocation agreed by the Council in February 2012 for the shared primary campus in the Dunoon area was £6.5M which, if the new Kirn Primary school is delivered on budget, would result in an unallocated balance of £1.59M that could be set against the residual Council contribution to remodel/refurbish Dunoon Primary school. It should be noted that the actual residual capital available cannot be determined until the cost of the new Kirn Primary school is known at the Financial Close for that project.

- 4.4.9 Therefore, based on the costs in Paragraph 4.4.6 and the unallocated potential estimated balance from the Kirn project, the additional funding for each of the options for Dunoon Primary school could be:

| Dunoon Primary School | Ryder's Estimated Costs | | |
|--|-------------------------|---------------|---------------|
| | Option 1 | Option 3 | Option 4 |
| Total Council funding requirement | £3.82M | £3.69M | £3.86M |
| Less potential estimated balance of Kirn Funding | -£1.59M | -£1.59M | -£1.59M |
| Net Council funding requirement | £2.23M | £2.10M | £2.27M |

- 4.4.10 Option 1 has received positive encouragement from the SFT, in terms of the projected design capacity, and funding support for both the space and cost metric.

Options 3 and 4 have received little encouragement from the SFT and as such SG funding support would not be forthcoming.

For all the Options any unallocated balance from the Kirn project would only be known once that project reaches financial close. If the potential estimated balance of £1.59M is not realised this would increase the net Council funding requirement for all options.

- 4.4.11 Although this offer of additional SG funding support is a welcomed opportunity there is a high degree of uncertainty with each option. This is due to:
- The anticipated capital costs for the building works are outline only and certainty of cost would be determined only as the design process is progressed through to financial close;
 - In addition, the Council would have to fund all excluded costs such as decant;

- Risk above 1%; and
- No location factor has been added to the high level costs.

Based on the potential funding metric being applied by SFT, the uncertainty of the actual build costs at this stage, and the potential additional costs elements such as decant and risk, it is considered that the addition level of expenditure associated with a successful application for additional SG infrastructure funding to remodel/refurbish Dunoon Primary school as outlined for Option 1 is unaffordable.

4.5 Financial Implications/Issues

- 4.5.1 Before reaching a decision on whether to apply for the additional infrastructure funding the financial implications should be noted in the context of the impact on the overall Council financial position.

The level of general capital grant is likely to fall to around:

2016-17 £15M

2017-18 £10M

2018-19 £10M

Based on previous allocations the Education share of this would be:

2016-17 £5M / £6M

2017-18 £4M / £5M

2018-19 £4M / £5M

The Council has already committed (Council Meeting 24th April 2014) to finding additional capital of £12.93M, for the replacement of Oban High School (£11.27M) and Campbeltown Grammar School (£1.66M). In addition the Council has committed to the newbuild replacement of Kilm PS in the Dunoon area which requires council investment of £4.913m (Council meeting 26th June 2014). The acceptance of any further proposals for Dunoon Primary would add to this figure and would utilise, possibly overspend, all of the anticipated Education capital funding for 2016-17 to 2018-19. This in turn could reduce capital funding available to fund other Council priorities and could adversely impact on Council design teams and their resources as there would be a reduction in fee income generated through a reduction in capital projects.

The capital costs could be covered by additional borrowing which would result in additional loan charges of around £1M per annum. This would be additional to the savings required by Education and the Council in general which would have a direct impact on frontline service delivery.

- 4.5.2 Based on the design costs being at this stage high level, the 90%

factor of the base metric cost funding that may be applied by SFT, the potential additional costs elements such as decant, risk above 1%, location factor added to costs, and the context of the impact on the overall Council financial position, Members are asked as one of the recommendations of this report to agree that the additional level of expenditure for the Council is unaffordable and as such an application for additional infrastructure funding for Dunoon Primary school is not submitted to the Scottish Government.

- 4.5.3 The current condition of Dunoon Primary school is Grade D. The condition of the building will only deteriorate further over time without some significant investment in the fabric of the building.

5.0 CONCLUSION

- 5.1 The announcement of the potential of additional school infrastructure funding is a welcome opportunity. However, the funding offer is caveated by a number of specific conditions such as: how it can be allocated; and its match funding requirements. There are costs also that the Council will have to meet in full, such as decant and any uplift in Risk above 1%. Dunoon Primary school is the most evident target for investment given the Council decision not to progress with a shared primary campus. It is the worst condition school within the Council's school estate. The key consideration will be whether to pursue this funding.
- 5.2 Although the refurbishment of individual schools previously was an option initially rejected by the Council in proposing to take forward the original shared primary campus proposal in Dunoon, the material change to the SG funding available, albeit with specific conditions, now provides an opportunity for alternative options that can be considered.

However, given that the design costs for the remodel/refurbishment of Dunoon Primary school are at present based on high level block design plans, that there is a high 90% factor of the base metric cost funding that may be applied by SFT, the potential of additional costs elements such as decant risk, and location factor added to costs, and the context of the impact on the overall Council financial position the additional level of expenditure is unaffordable.

6.0 IMPLICATIONS

- 6.1 Policy Continuation of the Council's strategic investment in its school estate to address category C and D condition properties.
- 6.2 Financial The financial offer to the Council could be considerable potentially up to £11M based on the scope of the Oban project and the potential additional infrastructure projects the Council has and the SFT view on the level of

refurbishments proposed. However, there are financial consequences in the requirement to provide match funding at one third of eligible costs and there are financial risks associated with the progress of a larger number of capital projects. There is also a degree of uncertainty as to the actual cost of the building works, as well as excluded costs that the Council would have to fund, such as decant.

The financial implications should be noted in the context of the impact on the overall Council financial position.

| | | |
|-----|------------------|--|
| 6.3 | Legal | None |
| 6.4 | HR | None |
| 6.5 | Equalities | None |
| 6.6 | Risk | There are potential financial risks associated with the Council's decision in relation to the additional funding made available through the SSF programme. There are similarly risks to the continuing condition of the assets if the Council is unable to invest in the properties. |
| 6.7 | Customer Service | None |

Councillor Aileen Morton, Policy Lead Education, Lifelong Learning and Strategic IT Services
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11th November 2014

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Appendix 1

Dunoon Primary School

The Ryder report sets out the key challenges to be resolved in the refurbishment of Dunoon Primary School. These are:

- The original building is B listed, which will impact on the costs and value of refurbishment work to be carried out;
- Pupil access - safety on accessing site (currently entered off Hillfoot Street);
- Circulation at ground floor is discontinuous;
- Public entrance is not visible from the street;
- The school is currently not fully accessible;
- Lack of flexibility in classrooms;
- Over provision of accommodation;
- Conflict between servicing kitchen and pupil playground;
- There is a lack of connection with external spaces;
- Parent drop off provision is limited; and
- The games hall is remote from the existing school.

Dunoon Primary School Outline Scope of Works for Options 1 and 2

The Ryder report sets out the outline scope of works that are proposed as part of the remodel/refurbishment of Dunoon Primary school to achieve a Grade A rating for Condition.

The table below sets out outline detail of the refurbishment works under three headings:

- Demolition
- Construction of New Elements
- Building Fabric

Appendix 1 – Dunoon Primary School – Outline Scope of Works for Options 1 and 2

| Scope of Works | Outline Detail |
|-------------------------------------|---|
| Demolition | <ul style="list-style-type: none"> • Existing gym hall; • Rear extension wing of main school building; • Demolish existing dining hall and kitchen; and • Remove internal walls around internal corridor to create flexible activity zones. |
| Construction of New Elements | <ul style="list-style-type: none"> • Gym Hall; • School Kitchen / Dining Hall; • Enclose and form new entrance area from Hillfoot Street; • Lift shaft; • Toilet areas; • Fit out some areas formerly occupied by toilets as nurture rooms; • Upgrade external areas to form new surfaces; • Form drop off points; and • Upgrade site perimeter to provide secure boundary |
| Building Fabric | <ul style="list-style-type: none"> • Completely replace roof felt, slates, flashings, timber fascia and rooflights; • Install new cast iron rainwater pipes and gutters; • Replace windows with timber framed double glazed units throughout; • Replace lath/plaster ceilings with plasterboard throughout, with acoustically rated ceiling to classrooms; • Repair damaged internal partitions and upgrade soundproofing to comply with best practice; • Install new floor, wall and ceiling finishes throughout; • Replace all external doors with DDA compliant doors; replace internal doors and glazed screens with DDA compliant doors; • Replace fixtures fittings and equipment (FF&E) throughout; • Undertake stone repairs and re-pointing to original building; • Replace existing stair balustrades with compliant design; • Install new communications system; • Replace hot and cold water distribution; • Replace gas system and distribution; • Amend exiting fire detection and alarm; • Remove existing render, undertake stone repairs and re-pointing as required, and re-render extension elevations with tradition roughcast; • Existing external ground areas to be scarified and re-laid with hard and soft landscaping; • Erect new boundary walls and fence to rear; • Remove render to front boundary wall, repair sandstone as required and re-render; and • Repair existing wrought iron railings to front elevation. |

Appendix 1 (continued) - Dunoon Primary School – Outline Scope of Works for Options 3 and 4

Both Option 3 and 4 would have repairs made to upgrade the building and external areas to a Grade B for Condition. It will essentially be on a repair basis to existing building fabric rather than replacement with new building elements. However, where a repair is not deemed possible or replacement is required to meet Health and Safety and/or DDA regulations then a replacement would be made. Replacements would be on a like for like basis. The outline scope of works that could be carried out to the main elements:

| External | Outline Detail |
|----------------------------|---|
| Roof areas | Investigation of timber decay Overhaul of roof slating; lead flashings where required; Replacement of low quality copper roof covering and low level felt roof as required |
| Elevations | Repair defective rendering on concrete cills at ground level, rainwater goods and drainage pipework; removal of vegetation on masonry |
| Windows | Repaired or refurbished including repointing of all window units |
| Doors | Except for the large doors to the Turret and any recently replaced doors, then all other external doors will be replaced to meet DDA legislation; Upgrade non-compliant ramps to main pupil entrances (2) and fire escape (1) |
| Playground | Replace defective areas of wearing course; uplift and relay concrete footpath from main road |
| Boundary Walls | Repair bossed and cracked render to boundary walls and removing vegetation; Redecorate wrought iron railings to boundary walls |
| Internal | Outline Detail |
| Floors and Stairs | Investigate and eradicate source of water ingress in cleaner's store (west wing) and within Turret, Replace floor coverings in their entirety; Upgrade staircases and stair finishes |
| Ceilings | Carry out repairs to cracked/bossed/water-damaged plastered and dry lined ceilings. |
| Internal walls | Carry out repairs to walls and partitions e.g. re-plastering of cracks. |
| Internal doors | Replace all internal doors to meet current DDA and fire regulations (except doors that have been upgraded) |
| Sanitary services | Replace all dated wc's, whb's, and urinals (except for modern fittings in West Wing). |
| Decoration | Prepare and paint all previous painted surfaces |
| Fixed internal FFE | Replace all original base units, wall units, sink units throughout the school |
| Mechanical Services | Upgrade inefficient heat emitters; Replace hot water and cold water distribution; upgrade ventilation to toilets; remove fire hose reels |
| Electrical Services | Replace mains switchgear and distribution boards and final circuit wiring; Replace general lighting and replace central battery for lighting. |

In addition to the above works, Option 4 would have the following undertaken: - Sports Hall - demolition and replacement with modern equivalent; and Lift installed in main building.

Appendix 2

Ryder Report – Summary of Included/Excluded costs

Included Costs:

- Construction cost;
- Fixed and Loose Fittings and Furniture;
- Prelims;
- Client Direct Fees;
- Design Team Fees;
- Statutory Fees; and
- Risk factor, limited to 1% of overall cost.

Excluded Costs

- Decant accommodation required during the construction period;
- Any Location factor uplift in costs;
- Additional risk costs over and above the 1% risk included;
- Upgrading of any off site existing services; and
- Abnormal ground conditions.