

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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22 September 2022

SUPPLEMENTARY PACK 1

ARGYLL AND BUTE COUNCIL - ON A HYBRID BASIS BY MICROSOFT TEAMS AND IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 29 SEPTEMBER 2022 at 10:30 AM

I enclose herewith an amended report and appendices for **item 20 (LEARNING ESTATE INVESTMENT PROGRAMME (LEIP) - POTENTIAL BID FOR NEW MULL CAMPUS)** which should replace that previously issued with the Agenda for the above meeting.

Douglas Hendry
Executive Director

AMENDED REPORT

REPORTS WITH EXEMPT APPENDICES

20. LEARNING ESTATE INVESTMENT PROGRAMME (LEIP) - POTENTIAL BID FOR NEW MULL CAMPUS

- (a) Report by Executive Director with responsibility for Commercial Services and Education (Pages 3 - 12)
- (b) Appendix A (Pages 13 - 14)
- E1** (c) Appendix B (Pages 15 - 18)
- (d) Appendix C (Pages 19 - 22)
- E1** (e) Appendix D (Pages 23 - 32)

The Council will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an "E" on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

- E1 Paragraph 8** The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.
- Paragraph 9** Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

Argyll and Bute Council

Contact: Hazel MacInnes Tel: 01546 604269

ARGYLL AND BUTE COUNCIL**COUNCIL****EDUCATION/
COMMERCIAL SERVICES****29 SEPTEMBER 2022**

**LEARNING ESTATE INVESTMENT PROGRAMME (LEIP) UPDATE
POTENTIAL BID FOR NEW MULL CAMPUS**

1.0 EXECUTIVE SUMMARY

- 1.1 The Learning Estate Investment Programme (LEIP) is the Scottish Government's flagship programme for investment in education and is now into Phase 3. It is the successor to the 'Schools for the Future' programme which our Council has delivered new builds or substantial refurbishments across our education estate at Oban, Kilm, Dunoon and Campbeltown. Our Council has not applied for previous phases of LEIP and there has been encouragement for a Scotland wide engagement with the programme. There is currently no assurance there would be a subsequent phase of LEIP or prioritised funding for education in future years of this parliament until 2026.
- 1.2 The Scottish Government has recently clarified the timescales and application process for LEIP Phase 3 and this report aims to update Council where our team are with the development of a bid for this nationally competitive fund and seek the appropriate financial and political commitment to proceed with submission in October. It also seeks to update on engagement recently taken place with our education staff, stakeholders and communities that will assist our bid and inform the next steps of the application process should we progress to the next stage following backing from the Scottish Government. This pre-engagement which is a non – statutory process has been valuable in identifying early issues, communities to engage with at future consultations and test methods of communication.
- 1.3 The Council's Learning Estate Strategy (adopted November 2021) has identified the priorities in terms of education new build are focussed on delivery of new campus opportunities on our islands of Mull and Islay based on the assessed fabric condition and learning suitability. Of these two locations, Mull is our preferred bid for LEIP funding and top priority based on a number of suitability criteria, most notably the current suitability of our current estate in Tobermory. Given that LEIP will only fund up to 50% of construction costs with remainder having to be resourced by Council or other sources it would be unaffordable to

progress with 2 bids at this current time. Furthermore, given the nationally competitive nature and likelihood of oversubscription to this fund we are also looking to consolidate with a single unified bid for Mull – rather than twin tracking multiple applications.

- 1.4 Given the financial scale of the ask, which will be measured in several tens of millions of pounds to the Council, and clear political commitment it is essential there is a mandate by Council to progress with a bid of this scale and significance. To this extent, a clear direction is requested from Council on where to make a LEIP bid submission by the deadline date of 31st October 2022, or not. The full application will continue to be worked on up to submission date but a draft is contained at **Appendix D**.

ARGYLL AND BUTE COUNCIL

COUNCIL

EDUCATION/
COMMERCIAL SERVICES

29 SEPTEMBER 2022

**LEARNING ESTATE INVESTMENT PROGRAMME (LEIP) UPDATE
POTENTIAL BID FOR NEW MULL CAMPUS**

2.0 RECOMMENDATION

That the Council:

- 2.1.1 Note that the Scottish Government has confirmed the timescales for the next round of the Learning Estate Investment Programme (LEIP) i.e. inviting submissions by 31st October.
- 2.1.2 Note a business case and application is being prepared for a submission to the LEIP process for a new Campus on Mull in line with the adopted Learning Estate Strategy;
- 2.1.3 Note that pre-engagement activity has been ongoing with the Mull community about the potential LEIP bid between August and 9th September with over 200 representations or feedback received. Further statutory consultation will take place if a bid is made and successfully progresses to the next stage;
- 2.1.4 Note and consider the financial position and affordability of a LEIP bid as set out in attached **Appendix B**. This appendix is exempt from publication due to the commercially sensitive and competitive bid nature of financial forecast information contained.
- 2.1.5 Agree to proceed with the submission of a LEIP bid by 31st October based on the entirety of this report, our priorities specified in the Learning Estate Strategy, financial context and advice from Section95 officer (**Appendix B**), pre-engagement feedback (**Appendix C**) and on the basis that if our bid is successful, financial provision as estimated in **Appendix B** will require to be made from 2023/4 onwards.

3.0 Background

- 3.1 The Scottish Government launched the Learning Estate Investment Programme (LEIP) in 2019 and aims to deliver over £2bn of education estate jointly funded by them and Local Government. There have been 2 phases of LEIP already and 37 projects across the country are now

underway at various stages with some nearing completion of construction. The 3rd phase was launched following the Local Government elections in May this year. Argyll and Bute Council are in the minority as we have not applied for any LEIP funding thus far and it is notable that only 1 Island project (Barra) has been successful in obtaining funding from across the country. There is a keenness for a wide and equitable sharing of this government fund and Scottish Futures Trust (SFT) have encouraged Argyll and Bute's (and others) participation in round 3 of LEIP. We anticipate it will be a very competitive process with oversubscription of applications due to this being last round of government funding on offer plus financial challenges of all Councils. To this extent, there can be no guarantee that if a bid from Argyll and Bute is submitted it would be successful.

- 3.2 The funding model for LEIP differs from the 'Schools for the Future Programme'. In summary, successful local authority applicants will benefit from the Scottish Government providing revenue funding for the new builds through an annual payment over 25 years on the basis that certain criteria are met. These criteria include 'condition of the building' (to be maintained as Grade A or B for lifetime), 'energy efficiency', 'digitally enabled' and 'supportive of economic development'. Recently added criteria also apply to things like embodied carbon, EV charging infrastructure, outdoor learning and infection control. The Scottish Government is likely to meet around 50% of the build costs over the 25 year lifetime. Costs for elements such as purchase of land, residential / hostel accommodation, operational or running / revenue costs and design development fees are also excluded from the LEIP funding that is provided so Council would need to meet these in full.

4.0 Timescales for Phase 3 – Political, Financial & Community Commitment

- 4.1 In December 2021 the Cabinet Secretary for Education and Skills outlined to Parliament that LEIP Phase 3 would seek projects within 12 months. The following are the most up to date timescales for the programme:-

- 1st July 2022 – LEIP Board wrote to CEO to invite submissions;
- 11th August 2022 – Pre-engagement Community Meetings Mull;
- 29th September 2022 – Argyll and Bute Full Council to consider;
- 31st October September – Local Authority Submissions;
- December 2022 – LEIP Board announcement of successful bids;
- December 2027 – New facilities to be opened

A more detailed routemap can be seen at **Appendix A**.

- 4.2 The Scottish Government have set out a number of detailed requirements for submissions and are encouraging Councils in their applications to cover:

- a) Local investment priority(s) and their context within the 'Place'
- b) The proposed Vision, Strategic Outcomes and Objectives for the project(s)
- c) Alignment with Learning Estate Strategy 2019 Guiding Principles
- d) Ensuring political and financial commitments are in place for the investment priority(s)
- e) Demonstrating implementation of the terms and conditions of the programme on Phase 1&2 projects (where applicable).

4.3 The project team developing the bid are well progressed with the proposition for LEIP 3 in the context of the above.

5.0 Strategic Outline Case - Mull

5.1 In accordance with the Council's adopted Learning Estate Strategy the Council has prioritised cases for strategic change on Islay and Mull. This is based on current suitability and condition aspects of the current infrastructure / estate but also noting the majority of mainland towns have had new campus developed within the last 15 years and seeking to address our islands on an equitable basis. Previous Scottish Government funding has been accessed to deliver new schools at Hermitage Academy, Dunoon Grammar, Oban High, Oban Primary Campus, Campbeltown Grammar, Rothesay Joint Campus, Lochgilphead Joint Campus, Dunoon Primary (significant refurbishment) and Kilmory Primary at a cost of around £180m.

5.2 Consistent with all local authorities our Schools are assessed in terms of suitability (from an educational perspective) and condition (from a building fabric perspective). The current assessments highlight:-

SCHOOL	CONDITION CRITERIA	SUITABILITY CRITERIA
ALL Islay	B	B
ALL Mull (excluding Tobermory)	B	B
Tobermory Campus	B	C

Definition of Condition

B = 'Satisfactory'

Condition **C** = 'Poor'

5.3 Given current Tobermory Campus is assessed to be 'C - poor' in terms of suitability there is a requirement to improve the situation and that is therefore our top priority. The lower grading of Tobermory is largely driven

by accessibility, restrictive drop off space, lack of social spaces and restricted specialised classes. Given that LEIP will only fund up to 50% of construction costs of eligible spaces with the remainder having to be resourced by Council or other sources it would be unaffordable to progress with 2 bids at this current time. Given the nationally competitive nature and likelihood of oversubscription to this fund we are also looking to consolidate with a single unified bid for Mull – rather than twin tracking multiple applications.

- 5.4 Analysis of the council expenditure on Mull also highlights a trend of increasing reactive or maintenance spend and a sizable sum of investment on degrading fabric at the high school over the past 5 years. Items like water ingress in roofs + electrical upgrading is common source of expenditure. The condition of the building can be improved from further investment, however the suitability is much more challenging to be upgraded without wholesale remodelling. Such year on year construction can be detrimental on both pupils and learners over long period of time or require decanting of operations for periods. Other environmental (climate change) standards or digital enhancements will also remain below the minimum standard compared to a new build LEIP school.
- 5.5 The services of Hub North (who assisted in development of some of our previous school projects) and the Northern Alliance (an Education focussed support network) have led to the development of a 'Business Case' for Mull. As this is a strategic or initial business case no specific sites or models have been tested. The bid, if progressed, would be an application for funding to benefit the entire island of Mull. More detailed site selection and analysis of costs will require to be completed if we are selected by the Scottish Government to proceed to the next stage of the process. It is the responsibility of the Council to meet all design development, consultations, site assessment and land acquisition costs up front.

6.0 Financial Case & Affordability

- 6.1 As we know from experience the construction of new public infrastructure – particularly the education estate and on islands – comes with significant financial commitment. As a benchmark the new Oban High and Campbeltown Grammar cost in excess of £36m and £26m, respectively. At this stage high level numbers and financial forecasts are being worked on to allow for budget planning and decision making. It will be necessary to identify suitable 'island weighting' and construction sector inflation to budgets given the nature of building on Mull. Budgetary figures will be refined and crystallised if successful in progressing to the next stages of LEIP process and during site selection but enough information is present to provide an informed range of costings or financial outlay that will be required.
- 6.2 A refurbishment option was also considered and the cost was substantial. The consultant has advised that whilst this would improve the condition of

the building (from a building fabric perspective) it would not address the suitability of the building from an educational perspective and therefore the suitability criteria would remain as C=Poor. For these reasons this option has not been progressed any further.

- 6.3 Information relating to finance is contained within **Appendix B** for elected Member consideration. Some of the financial information is sensitive due to commercial and competitive nature of the bid at this stage and is therefore publicly restricted.
- 6.4 At the levels of investment that are being considered there is no denying this will be one of the biggest public sector infrastructure projects on the island in many years and has potential for regeneration and economic stimulus. Jobs created during construction period and longer term attraction of a modern campus with modern facilities can act as a catalyst for change. Depending on site selected it can also have secondary benefits – as we have seen in Helensburgh where the new Hermitage Academy has now had a supermarket, business park and new housing development expanded on 3 sides of it since its construction. Site selection will have a key impact on overall affordability and financial context as things like ground conditions, land ownership, availability of labour and decant (if required) will all need to be considered.

7.0 Engagement

- 7.1 For such a significant transformational investment to succeed it is essential to understand and engage with our communities. There is no statutory or Government requirement to consult with our communities prior to a LEIP Submission being made in October. However, submitting evidence that we have commenced some form of awareness raising and engagement with our communities is likely to strengthen our submission in this competitive process. If successful in our application a formal and statutory period of community consultation would follow as outlined at **Appendix A**.
- 7.2 The team have undertaken a pre-engagement exercise with stakeholders on Mull and a number of workshops have been held on 11th August and 7th September. Social media campaign and 1:1 discussions with Community Groups also took place. The engagement and message has been at a high level with the purpose of the pre-engagement being primarily to allow stakeholders to confirm if they have ambition for a new campus based on Mull. The process has also been really useful as in dialogue with the community we have been finding additional ways of communicating and ensuring that all messages reach all groups of interested community members. Should we be successful in the funding submission, this will all be extremely useful to shape the engagement programme for the Statutory Consultation. Some of the messaging has been about the background to LEIP Process, headlines from the business case, photos / videos of schools Council has developed in past, next steps and timescales.
- 7.3 The Stakeholders have included:

- Ward Councillors
- HT & School Staff
- Parent Councils
- Pupils
- Community Councils
- Wider Public

7.4 A summary of the feedback obtained thus far is contained at **Appendix C**. With main headlines being

- Overwhelming support for a new campus on Mull to serve island + Iona;
- Varying views on location of new campus – central island VS Tobermory;
- Importance of widespread engagement with all parts / groups of Community;
- Interest from some in Hostel accommodation that could address long travel issues (we should note however that this has been relatively low and early indications are that the addition of a new hostel would not qualify for LEIP funding and the potential costs would be substantial);
- Range, scope and importance of community facilities integrated;
- Staffing and curriculum assurance and attainment;

7.5 Unanimous support for a new campus has been expressed thus far but feedback on location was overwhelmingly of most interest to participants. To be clear, the bid will be for a campus on Mull, with location and site specific's to be considered and engaged on if we do progress to next stages in 2023 onwards. There are varying degrees of interest for hosting the new site in or around Tobermory (the existing town for the campus) but also in a more central island location. There are a range of complex positions on both. Whilst this is not a matter to be considered now or before LEIP bid is submitted in October it is essential that Members are aware there is a divergence of views within the Community on where the campus should be located and there is potential for disappointment or conflicting views that require to be considered alongside management of expectations.

8.0 Summary and Next Steps

8.1 The Council is invited to instruct officers to continue with preparation and submission of LEIP Bid by 31st October 2022 based on the information contained herein. This decision needs to be considered in the context of the educational priorities contained within our Learning Estate Strategy, learning benefits, regeneration, condition / suitability of the current building, community and overall affordability.

8.2 All LEIP applications will be considered by a Scottish Government appointed panel with final decision resting with Ministers. The Panel is

programmed to write back to all applicants in December 2022 with outcome. Feedback will be reported back to full Council in early 2023.

9.0 Implications

- 9.1 Policy – The Council's Learning Estate Strategy 2021 sets out that the ambition is to provide a property school estate that is of category A or B in terms of suitability and condition plus a number of other modern standards. Seeking to access LEIP funding to deliver new build estate on our priority location, Mull, supports that ambition.
- 9.2 Financial - Accessing LEIP is a significant financial commitment to the Council as the entire design development, associated cost like land acquisition (if required) and construction costs will be required to be met in full by the Council. The SG would then provide up to 50% of eligible capital costs back over 25 year annual payment if criteria is met. There is risk in this model should criteria not be met and also in terms of risk of construction in current climate so specific financial and affordability advice from Section 95 Officer has been provided.
- 9.3 Legal – Accessing LEIP is a significant contractual and legal commitment to the Council which will be duly considered if move to next stage.
- 9.4 HR – None at this stage. Considered at future stages if progress.
- 9.5 Fairer Scotland Duty
 - 9.5.1 Equalities – None at this stage. Considered at future stages if progress.
 - 9.5.2 Socio-economic Duty – The level of investment in a new Campus will be substantial and Scottish Government have set requirements to deliver socio economic benefits if progressed.
 - 9.5.3 Islands – Positive implications given top priority in this competitive process has been identified as Mull.
- 9.6 Climate Change – Scottish Government have set requirements to key climate change criteria and benefits if progressed
- 9.7 Risk – Risks exists both in terms of financial and reputational. If progress to next project stages a risk register will be developed.
- 9.8 Customer Service – Pre-engagement has commenced and will be ongoing throughout process as progress.

Douglas Hendry – Executive Director with responsibility for Commercial Services and Education.

Yvonne McNeilly – Policy Lead for Education

For further information contact:

Ross McLaughlin, Head of Commercial Services

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Appendices

Appendix A – Routemap

Appendix B - Financial & Budget Position (PUBLICALLY RESTRICTED)

Appendix C - Pre-Engagement Feedback

Appendix D – Draft Submission – working draft for 31st October (PUBLICALLY RESTRICTED)

Mull Learning Estate

Business Case to Delivery

Hub Stage 2
Complete design and Market Testing

Draft Business Case
Initial draft document setting out base case

Update Bus Case
Prepare initial site layouts and develop initial project costs

Initiate SFT Contact
Pre-application contact with officers and education team

LEIP3 Submission
Revise business case documents to take account of finalised LEIP3 requirements from SFT/SG

Where we are now



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Appendix C – Pre-Engagement Feedback

A series of pre-engagement sessions were held in Tobermory High School on Thursday 11 August and in Buinessan Primary School on Wednesday 7 September, both of which were well received.

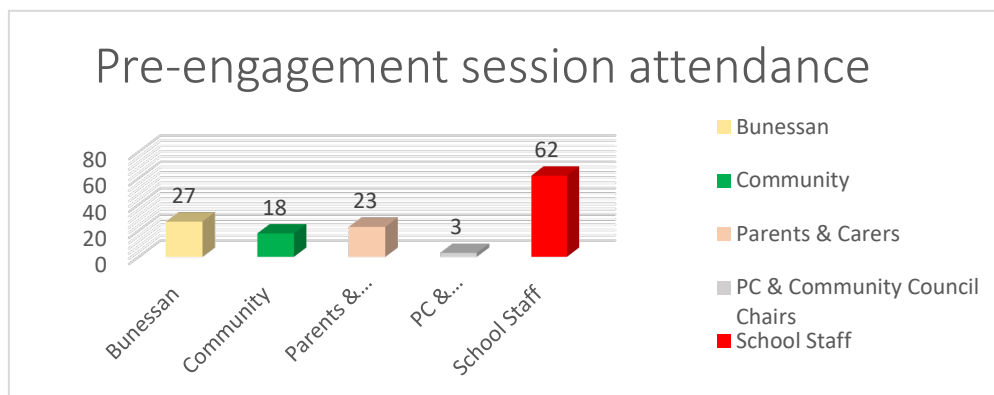
There were sessions for school staff; parent / community Councils; Parents and public. Each of the sessions had a presentation from Wendy Brownlie, Head of Education and Ross McLaughlin / Shirley Johnstone, Commercial Services providing information around why Mull was considered the councils priority, and the LEIP funding and Learning Estate Strategy.

There were information boards which provided examples of completed projects within Argyll and Bute and nationally to demonstrate the sort of learning environment that can and has been achieved.

There was an opportunity for attendees to speak to the team made up of education and commercial services officers (also supported by colleagues from the Northern Alliance at the meetings held on 11 August), with all attendees being encouraged to leave feedback and comments.

Pupil engagement sessions were held during the weeks of 15th and 22nd August 2022 and further feedback on the comments and views expressed by pupils were gathered from all sessions.

Summary of the attendees and responses

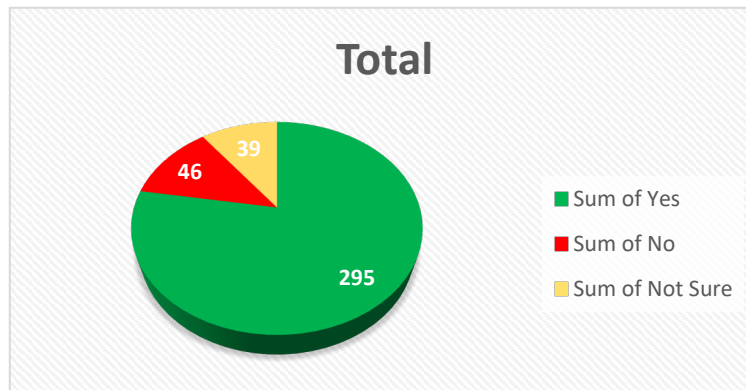


Response to the Exit Poll question

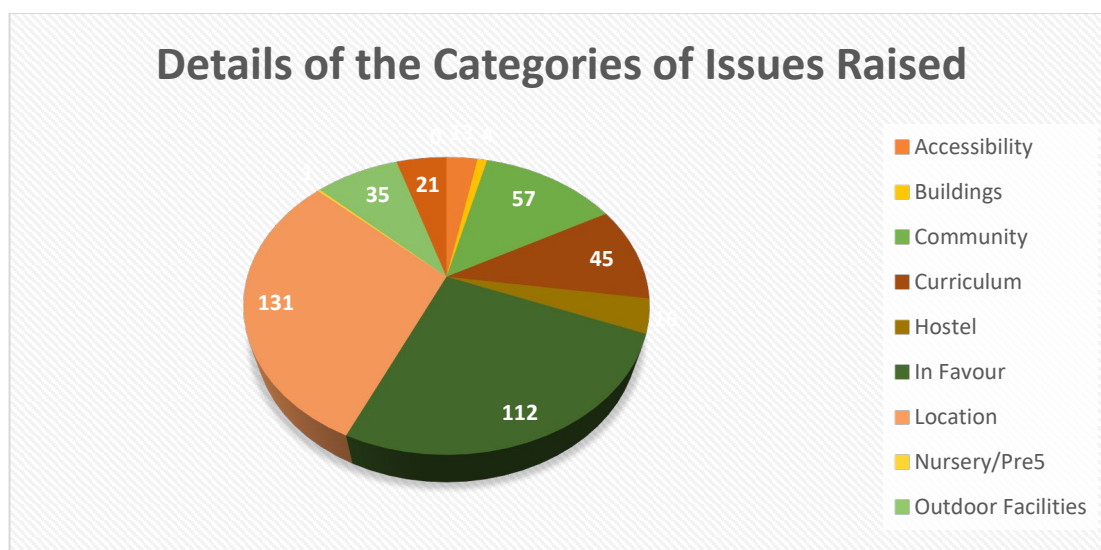
The exit poll question at each session in both Tobermory and Bunessan and at each of the school sessions with pupils was “Do you want us to progress with the Learning Estate Investment Programme funding application for a new campus on Mull?”

At all of the sessions for teachers, parents, public (primarily attended by adults) there was a unanimous “Yes” with no one responding with “No”.

The pupil sessions was slightly different. The chart below shows the total number of responses received through all of the face to face sessions and the support received by email:



Following the pre-engagement sessions, all of the information provided on the day is was made available on the council’s website at www.argyll-bute.gov.uk/consultations/mull-campus with a dedicated email address for anyone to provide a comment / view. Through communications on the council’s social media and through the schools and community councils there had been several reminders and encouragements to leave a comment before 9th September. Please see below a summary of the topics that were raised:



Unanimous support for a new campus has been expressed thus far but feedback on location was overwhelmingly of most interest to participants. To be clear, the bid will

be for a campus on Mull, with location and site specific's to be considered and engaged on if we do progress to next stages in 2023 onwards. There are varying degrees of interest for hosting the new site in or around Tobermory (the existing town for the campus) but also in a more central island location. There are quite a range and complex positions on both. Whilst this is not a matter to be considered now or before LEIP bid is submitted in October it is essential that Members are aware there is a divergence of views within the Community on where the campus should be located and there is potential for disappointment or conflicting views that require to be considered alongside management of expectation.

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