
**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, Kirn, Dunoon, Campbeltown, Lochgilphead etc. 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 Community Services Committee where our team are with the development of a potential bid for this nationally competitive fund. It also seeks to update on engagement recently taken place with our 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.
- 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 – which will be measured in several tens of millions of pounds - and political commitment it is essential there is a clear mandate by Council to progress with a bid of this scale and significance. To this extent, a report with outcomes from the community engagement process will be presented to full Council on 29th September 2022 and will seek a direction to make a submission to LEIP, or not.

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2.0 RECOMMENDATION

That the Community Services Committee note and consider:

- 2.1.1 The Scottish Government has recently confirmed the timescales for the next round of the Learning Estate Investment Programme (LEIP) i.e. inviting submissions by 31st October.
- 2.1.2 That an Outline Business Case is being prepared for a potential submission to the LEIP process for a new Campus on Mull in line with the adopted Learning Estate Strategy;
- 2.1.3 That pre-engagement activity has been ongoing with Mull community about the potential LEIP bid over recent weeks and there have been a number of workshops and meetings in August 2022. Further statutory consultation will take place if a bid is made and successfully progresses to the next stage;
- 2.1.4 The financial position and affordability of a LEIP bid is set out in attached **Appendix B**. This appendix is publically exempt due to the commercially sensitive nature of financial forecast information contained.
- 2.1.5 That a paper outlining our approach to LEIP, including feedback from the pre-engagement with the Community, will be presented to Council on 29th September. If a bid is progressed a submission will be required by 31st October 2022.

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. The Strategic Case, is in essence, the first step of the recognised Five Case Model of the Scottish Capital Investment Manual and Treasury Green Book guidance for capital projects. This is comparable to other major projects delivered by the Council and compatible with the development of a LEIP bid.

- 5.6 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.

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 process and during site selection process.
- 6.2 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.

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 commenced a pre-engagement exercise with appropriate stakeholders on Mull and a number of workshops have been held on 11th August. The engagement and message has been at a high level with the purpose of the pre-engagement being primarily to allow stakeholders to influence the format and timings of the formal consultation process. 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**.

8.0 Summary and Next Steps

- 8.1 Note that a paper outlining approach to LEIP will be reported to the Full Council on 29th September which will also include feedback from pre-engagement with community.
- 8.2 This report is seeking to update and obtain political direction on the proposal to make LEIP submission for a new Mull Campus in October. This decision needs to be considered in the context of the educational priorities, learning benefits, regeneration, condition / suitability of the current building, community and overall affordability.

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 afforded.
- 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.

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Appendices

Appendix A - Routemap

Appendix B - Financial & Budget Position (PUBLICALLY RESTRICTED)

Appendix C - Pre-Engagement Feedback