

NEW SCHOOLS REDEVELOPMENT PROJECT– CAMPBELTOWN, OBAN AND KIRN

1.0 Executive Summary

- 1.1 This report provides an update to committee members on the new Campbeltown Grammar school, Oban High school and the new Kirn Primary school.
- 1.2 The New Project Request (NPR) for Campbeltown Grammar and Oban High schools and the NPR for Kirn Primary school has been accepted by hubNorth Scotland Ltd (hubNorth) and the Scottish Futures Trust (SFT). Both projects are now in Stage 1 of development with the new secondary schools in Campbeltown and Oban being developed as a Design, Build, Finance and Maintain (DBFM) project and Kirn Primary school developed as a Design, Build, and Direct Agreement (DBDA).
- 1.3 HubNorth are required to provide a Stage 1 submission to the Council for approval. The Stage 1 submission advises the Council on the outline design of the school and external areas and confirms whether the affordability cap is expected to be met with an estimated cost supported by an elemental cost plan.

HubNorth has now provided a programme for Campbeltown and Oban indicating a Stage 1 submission to the Council on 15 January 2015.

HubNorth has advised that they do not expect any current delay in the Stage 1 submission to alter the intended financial close date to be achieved in 3rd quarter 2015 (to allow a handover of March 2017 for Campbeltown and at the beginning of August 2017 for Oban).

All of the Stage 1 and Stage 2 processes will be subject to approval through the Policy and Resources committee.

- 1.4 The redevelopment of Oban High school and Campbeltown Grammar school are both classed as major developments when seeking to obtain planning consent. Major developments require a minimum 12 week period for public consultation between the submission of an initial Proposal of Application Notice (PAN) and the lodging of a Planning Application.
- 1.5 Public consultation has been led by Ryder Architecture as the architects appointed by hubNorth. This commenced on Monday 30 October running through until Friday 2 January 2015. Public exhibitions were held for each project on the following dates and times:
- Tuesday 2nd December – Corran Halls, Oban from 10am to 8pm
 - Wednesday 3rd December – Aqualibrium, Campbeltown from 10am to 8pm

Both events were advertised in the local press and on the Council website in advance of the minimum requirement of seven days beforehand. This afforded the public the opportunity to express their views on the proposals, with feedback being recorded and addressed where possible prior to the submission of a detailed Planning Application.

- 1.6 Meet the Buyer events are being led by Morrisons construction (appointed Tier 1 Contractors for all three school redevelopment projects) and are intended to introduce local suppliers and sub-contractors to Morrisons Construction and Tier 2 sub-contractors that are likely to be awarded packages on the project. The events provide a means to manage and capture local supplier engagement for Scottish Government, Argyll and Bute Council and HNSL.

The Project team is very keen to encourage as much local engagement as possible and in particular ensure that any possible opportunities to link this project with local initiatives such as 16+ learning and the Council's Modern Apprenticeship team to meet with contractors to discuss opportunities for partnership working.

1.7 **Recommendations**

It is recommended that Committee members:

1. Note the content of the paper with regard to the expected issue of a Stage 1 submission from hubNorth for the new Campbeltown Grammar school and Oban High school;
2. Note the appointments made by hubNorth to Argyll and Bute Council's Schools Redevelopment Projects;
3. Note the steps taken in Paragraph 4.6 to secure vacant possession of the land presently used as horse grazing and purposes associated therewith at Dalintart Farm, Oban and the garage sites at Kintyre Park, Campbeltown; and
4. Note the upcoming events that are organised for the next few months and the communications activity surrounding this.

NEW SCHOOLS REDEVELOPMENT PROJECT– CAMPBELTOWN, OBAN AND KIRN

2. INTRODUCTION

- 2.1 This report provides an update to committee members on the schools redevelopment project to build two new secondary schools in Campbeltown and Oban, and a new Kirn Primary School.

3. RECOMMENDATIONS

- 3.1 It is recommended that Committee members:
- 3.1.1 Note the content of the paper with regard to the expected issue of a Stage 1 submission from hubNorth for the new Campbeltown Grammar school and Oban High school;
 - 3.1.2 Note the appointments made by hubNorth to Argyll and Bute Council's Schools Redevelopment Projects;
 - 3.1.3 Note the steps taken in Paragraph 4.6 to secure vacant possession of the land presently used as horse grazing and purposes associated therewith at Dalintart Farm, Oban and the garage sites at Kintyre Park, Campbeltown;

and
 - 3.1.4 Note the upcoming events that are organised for the next few months and the communications activity surrounding this.

4. Detail

- 4.1 At its meeting on 24th April 2014, the Council authorised the Executive Director of Community Services to issue the New Project Request (NPR) for the new Campbeltown Grammar and Oban High schools on the basis of the agreed design capacities and assessment of affordability. In addition, the Council delegated all matters in respect of the provision of the new school facilities to the Council's Policy and Resources Committee. Both projects are now in Stage 1 of development.
- 4.2 Progress with hubNorth
The new secondary schools in Campbeltown and Oban are being developed as a Design, Build, Finance and Maintain (DBFM) project which require an ongoing revenue commitment in regard to the maintenance element over the contract period of 25 years.

The new Kirn Primary school will be delivered as a Design, Build Direct Agreement

(DBDA) equating to a more traditional capital build with no ongoing contractual revenue commitment to hubNorth.

Both Projects are in the Stage 1 phase. This requires that hubNorth provide a Stage 1 submission to the Council for approval. The Stage 1 submission advises the Council on the outline design of the school and external areas and confirms whether the affordability cap is expected to be met with an estimated cost supported by an elemental cost plan.

- 4.3 Kirn Primary- hubNorth accepted the Council's NPR in respect of the new primary school at Kirn on 25 September 2014.

The territory partnering agreement envisages that hubNorth will produce a Stage 1 submission no later than 3 months after the acceptance of the NPR. A Stage 1 and Stage 2 programme still requires to be provided. There is no confirmation as yet that hubNorth will deliver the Stage 1 submission within the 3 month period presenting a risk that this deadline may not be met.

- 4.4 Campbeltown Grammar and Oban High School
HubNorth accepted the Council's NPR in respect of Campbeltown and Oban on 11 August 2014.

The territory partnering agreement envisages that hubNorth will produce a Stage 1 submission no later than 3 months after the acceptance of the NPR. Notwithstanding this, the Stage 1 programme provided by hubNorth showed a Stage 1 submission to the Council on 5th December 2014. This is some 4 months from the date of acceptance of the NPR.

Based on the information provided by hubNorth during the Stage 1 process, the Council raised concerns that hubNorth did not provide a full and compliant Stage 1 submission by 5th December 2014 as indicated.

Detailed discussions on the performance of hubNorth in the Stage 1 process have been undertaken between Senior officers of the Council, the SFT and representatives of hubNorth.

HubNorth has now provided a programme indicating a Stage 1 submission to the Council on 15 January 2015. Although hubNorth has not achieved a timely Stage 1 submission it is their intention to continue to develop the detailed design work, preparing and issuing of work packages for tender, pricing and financial modelling as required for Stage 2 in early January 2015 prior to Stage 1 completion. This will assist in maintaining momentum to reach Financial Close by September 2015. The Council will make stage payments to hubNorth on the basis of the commencement of stage 2 in January.

HubNorth has advised that they do not expect any current delay in the Stage 1 submission to alter the intended financial close date to be achieved in 3rd quarter 2015 (to allow a handover of March 2017 for Campbeltown and at the beginning of August 2017 for Oban). HubNorth has been asked to clarify that position against their intended programme to completion of Stage 2. That is awaited at the time of writing.

The Council continues to work collaboratively with hubNorth to progress the projects in respect of Campbeltown Grammar and Oban High school, and also Kirn Primary, and to monitor the key risks.

4.5 Project Timescales

The timescale received from hubNorth for the procurement and build process in regard to the Campbeltown and Oban project indicates:

- Stage 1 submission to the Council on 15 January 2015
- Stage 2 design development and contract documents developed to August 2015;
- Financial Close in September 2015; and
- Construction period from October 2015 with a build period of 18-24 months.

The estimated timescale currently being worked towards for Kirn Primary school is:

- Design development and contract documents – developed over a 12-16 month period;
- Financial Close – estimated as November 2015; and
- Construction period estimated commencement in January 2016, with a build period of 16 – 18 months.

4.6 Legal issue for Campbeltown and Oban

Further information has been received from ACHA and the garage site occupants in regard to the garages at Kintyre Park. It would appear that ACHA has issued new leases to the garage occupants in the mistaken belief that the garage sites had transferred to them as part of the Stock Transfer. These leases provide for a period of notice of three months prior to 31 March in each year. This period of notice exceeds the period of notice which is required for persons occupying the site without lawful right (which is arguably the case here since ACHA did not own the sites when entering into leases) and will therefore be the notice provided to the occupants. Appropriate notices will be prepared and served on the occupants to take effect at 31 March 2015.

With regard to the occupancy arrangement at Oban, the occupant has agreed to vacate as at 28 February 2015 and a suitable agreement is being drafted to be issued to the occupant for signature to confirm the legal position and avoid the necessity of serving formal notice.

4.7 Project Financial Risk

At this early stage hubNorth has indicated that they have concerns in regard to the risk of costs in the following areas that may lead them to breaching the affordability cap provided.

- 4.7.1 As part of the project brief and the NPR, there is a requirement that the demolition of the existing school buildings and all associated enabling works such as asbestos removal and service disconnections are to be carried out by hubNorth as part of the project. HubNorth has raised as a concern the

excessive cost of asbestos in the demolition process. Information in relation to asbestos has been provided in the project brief as part of the NPR submission.

However, at this stage the Council is not aware of any “abnormals” that require to be provided for outwith the SFT metric. In particular, enabling works and demolition, including asbestos removal, should be considered as part of the Prime Cost. After discussion with SFT there is considered to be no reason at this stage to adjust the affordability cap. That is a matter to be looked at, at a later stage of the design process when tender responses are received taking into account all matters relating to the cost and metric. The project brief provided is an open one allowing hubNorth full control of design and cost within the relevant parameters.

- 4.7.2 Location factors – hubNorth has indicated that they have concerns in regard to an uplift in costs by contractors due to the location of the builds, particularly in Campbeltown. In discussion with the SFT, there is considered to be no reason, at this stage, to adjust the affordability cap. If, at the stage of tender responses costs are exceeding the metric, the SFT has indicated that further funding may be available to the Council to assist in addressing any issue of location factor and consequent cost. The SFT has indicated that while it is likely that funding would be provided to assist in this, it would not cover all the likely cost that might arise and a further contribution from the Council may be required;
- 4.7.3 The size of Campbeltown Grammar in regard to the SFT metric - hubNorth has indicated that they have concerns that the SFT metric may not be achievable in regard to Campbeltown Grammar due to the size of the school. After discussion with SFT there is considered to be no reason at this stage to adjust the affordability cap. That is a matter to be looked at when the design is advanced and when tender responses are received taking into account all matters relating to the cost and metric. The design brief provided is an open one allowing hubNorth full control of design and cost within the relevant parameters
- 4.7.4 Inflation Risk. The final costs of the project cannot be determined until the overall design is complete. The SFT has informed the project team that the Scottish Government is to announce that it will be setting a time limit on the period in which the Government will accept inflation risk. At present, the Government uplifts its share of its funding for a school project to take account of inflation no matter when the school project received funding approval through to the point at which Stage 2 is approved. For some projects it has taken a number of years to reach Stage 2 approval. Each Council will be asked now to agree the date at which it expects its project(s) to reach Stage 2 approval. For the Argyll and Bute schools projects this date is agreed as 3rd Quarter 2015.

The Scottish Government will guarantee to uplift its funding contribution through to that date but after that all cost increases that arise due to inflation will have to be met in full by the Council. This change in inflation risk places

on the Council the importance of ensuring that there is no delay to the Stage 1 and Stage 2 processes to negate any risk of inflation having to be met by the Council. Discussion on this aspect is ongoing and the likely financial impact will be assessed and reported to members.

The Project Team will continue to work with hubNorth and SFT to ensure the requirements of the metric are met, as far as can be done, and minimise any risk of the metric being exceeded, to minimise any delay to the Stage 1 and Stage 2 processes and any consequent cost falling to the Council to meet.

4.8 HubNorth and their Project Team

HubNorth has now appointed the following contractors and consultants to develop the projects.

| | |
|-------------------------------------|--------------------------|
| Tier 1 Building Contractor | Morrisons Construction |
| Project Managers | Sweett Group |
| Architects | Ryder Architecture |
| Civil and Structural Engineers | Fairhurst |
| Mechanical and Electrical Engineers | TÜV SÜD Wallace Whittle |
| Landscape Architects | TGP Landscape Architects |
| Insurance Advisers | Marsh |

4.9 Upcoming Events and Communication

The redevelopment of Campbeltown Grammar school and Oban High school are both classed as major developments when seeking to obtain planning consent. Major developments require a minimum 12 week period for public consultation between the submission of an initial Proposal of Application Notice (PAN) and the lodging of a Planning Application.

The PAN Notice was submitted by Ryder Architects for both Campbeltown and Oban on Friday 10th October 2014 to Argyll and Bute Council, relevant Community Councils and community groups. Public consultation is being led by Ryder Architects and started on Monday 30 October running through until Friday 2nd January 2015. A public exhibition will be held for each project on the following dates and times:

- Tuesday 2nd December – Corran Halls, Oban from 10am to 8pm; and
- Wednesday 3rd December – Aqualibrium, Campbeltown from 10am to 8pm.

Both events were advertised in the local press and the Council website in advance of the minimum requirement of seven days beforehand. This afforded the public the opportunity to express their views on the proposals, with feedback being recorded and addressed where possible prior to the submission of a detailed Planning Application. Adverts were published on the following dates and press releases were drafted for issue alongside:

- Oban Times – 20th and 27th November; and
- Campbeltown Courier – 21st and 28th November.

4.10 **Meet the Buyer Events**

Meet the Buyer events are being led by Morrisons construction (appointed Tier 1 Contractors for all three school redevelopment projects) and are intended to introduce local suppliers and sub-contractors to Morrisons Construction and Tier 2 sub-contractors that are likely to be awarded packages on the project. The events provide a means to manage and capture local supplier engagement for Scottish Government, Argyll and Bute Council and hubNorth.

The Meet the Buyer event will form an integral part of the community benefit offer and provide details on the requirements and first steps to entry on the Morrisons Construction supply chain for small and medium businesses and social enterprises. In order to encourage local businesses to engage with the process, the Council has provided a list of suppliers and contractors they have on record to Morrisons Construction along with named contacts in Business Gateway, 16+ learning, the Employability Team and the Council's Modern Apprenticeship scheme.

The Project Team is very keen to encourage as much local engagement as possible. In particular, to ensure that any possible opportunities to link this project with local initiatives such as 16+ learning. Arrangements will be made for the Council's Modern Apprenticeship team to meet with contractors to discuss opportunities for partnership working.

The Meet the Buyer events will be held in three locations across Argyll and Bute on the following dates and times:

- Tuesday 20th January – Queens Hall, Dunoon from 1pm – 5pm
- Wednesday 21st January – Corran Halls, Oban from 1pm – 5pm
- Thursday 22nd January – Aqualibrium, Campbeltown from 1pm – 5pm

These events will be open to all businesses with an interest in tendering for work packages within the projects and on this basis adverts will be placed in local press in the weeks running up to the event, along with press releases and promotion on the Council's website. Invites will also be issued to the named contacts already provided by the Council.

5.0 CONCLUSION

- 5.1 Both Projects are in the Stage 1 phase. This requires that hubNorth provide a Stage 1 submission to the Council for approval. The Stage 1 submission advises the Council on the outline design of the school and external areas and confirms whether the affordability cap is expected to be met with an estimated cost supported by an elemental cost plan.
- 5.2 HubNorth has now provided a programme indicating a Stage 1 submission for Campbeltown and Oban to the Council on 15 January 2015.

HubNorth has advised that they do not expect any current delay in the Stage 1 submission to alter the intended financial close date to be achieved in 3rd quarter 2015 (to allow a handover of March 2017 for Campbeltown and at the beginning of

August 2017 for Oban). HubNorth has been asked to clarify that position against their intended programme to completion of Stage 2. That is awaited.

The Council continues to work collaboratively with hubNorth to progress the projects in respect of Campbeltown Grammar and Oban High School, and also Kirn Primary, and to monitor the key risks.

All of the Stage 1 and Stage 2 processes will be subject to approval through the Policy and Resources Committee.

6.0 IMPLICATIONS

| | |
|------------------|--|
| Policy | The Projects are being developed in accordance with the governance framework set out by the Council which delegated all matters in respect of the provision of the new school facilities to the Council's Policy and Resources Committee. |
| Financial | The Council has previously agreed capital and revenue allocations for the new schools. The affordability of the project cannot be fully assessed until the design and costing of the project has been completed by hubNorth. |
| Legal | The Council has now issued the NPRs for acceptance by hubNorth to commence the process of formal legal engagement of hubNorth for development of the project for delivery of the proposed new schools. |
| HR | None at present |
| Equalities | None at present |
| Risk | The Council needs to progress the project to ensure completion of construction of the schools within the Scottish Government's end date of March 2018. Areas of possible risk and concern from hubNorth in regard to the affordability cap are highlighted at Paragraph 4.7. |
| Customer Service | None at present |

Councillor Aileen Morton, (Policy Lead - Education, Lifelong Learning and Strategic IT Services)
Argyll and Bute Council

Cleland Sneddon, (Executive Director of Community Services)

27 November 2014

For further information contact: Cleland Sneddon, Tel 01546 604256
or e-mail at Cleland.sneddon@argyll-bute.gov.uk