

Municipal Buildings, Greenock PA15 1LY

Ref: SL/AI

Date: 1 September 2009

I refer to the agenda for the meeting of the Education and Lifelong Learning Committee to be held on Tuesday 8 September 2009 at 4 pm and attach report as undernoted which was not available on the day of issue.

ELAINE PATERSON
Head of Legal and Administration

Undernote

7. **Review of School Estate Funding Model**
Report by Acting Director of Education

Enquiries to - **Sharon Lang** - Tel 01475 712112

Report To:	Education & Lifelong Learning Committee	Date: 8 th September 2009
Report By:	Acting Director of Education	Report No: EDUC/81/09/TR/AG
Contact Officer:	Tom Reid / Andrew Gerrard	Contact No: 01475 712824
Subject:	Review of School Estate Funding Model 2009	

1.0 PURPOSE

- 1.1 Purpose of the report is to update the Committee in respect of the status of the School Estate Management Plan, following the Annual Review.

2.0 SUMMARY

- 2.1 The Committee at its meeting of 18th June 2008 approved the revised School Estate Management Plan. One of the Recommendations was that the Plan would be reviewed annually and reported to Committee. This Report fulfils that Recommendation.
- 2.2 Since the Plan was approved last June the following major milestones have been reached
- The Schools PPP project reached Financial Close and work on building the 2 new Primary Schools is well advanced, with work on the new Secondary Schools recently commenced.
 - Newark Primary School opened in August 2008
 - Wemyss Bay Primary School reopened in August 2008 following major refurbishment and extension
 - Inverclyde Academy opened in December 2008
 - The Committee approved proposals for a new Secondary Joint Campus for Port Glasgow in March 2009.

More details of current work are given in the Capital Report and SEMP update reports also being presented to this Committee.

- 2.3 This Report summarises the internal and external factors which have caused changes to the Plan and details the methodology used to review the financial model. A revised model is attached as Appendices 1-4
- 2.4 This report does not present a final position on the School Estate Management Plan as there are a number of areas where decisions are outstanding which will influence the Plan. The major issues are
- Provision of ASN Education. A report is being submitted to this Committee on options for consultation. Until a decision is taken the model cannot be fully updated. It does however appear that the proposals will be more expensive than the provision in the original model. Costs allowances have therefore been increased to cover this eventuality.

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- Mearns Centre. An interim refurbishment of the existing building to allow it to continue in operation in the short term and an allowance has been made for this. Further details are given in paragraph 5.8
 - The priority order of Primary School Refurbishments. The original model, approved last June, showed the Primary School Refurbishments with specific start and end dates. This was only to allow the model to show a realistic cashflow and was not to be taken as the actual priority order. This remains the case until a full review of priorities is carried out next year. Further details are given in paragraph 6.1.

3.0 RECOMMENDATIONS

- 3.1 That the Committee approve the revised School Estate Management Plan.
- 3.2 That the Committee approve the revisions to cost plans as detailed in Paragraph 5.3 and Appendix 2
- 3.3 That the Committee approve the additional Projects to be added to the SEMP as detailed in Section 5 – Mearns Centre Interim Refurbishment, Lilybank School Demolition and Sacred Heart Decant School Refurbishment

Albert Henderson
Acting Director of Education

4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

4.1 Inflation

Since the model was produced a year ago economic factors have changed dramatically. A major consequence of this is a dramatic reduction in the rate of construction inflation. Prior to last year construction inflation was strong, running about double the rate of general inflation and based on the Building Cost Information Service predictions would continue to do for 5 years or so before falling back. The allowances in the model reflected this. Since then prices have been holding steady with little or no inflation and this is expected to continue until the market recovers, possibly in 2011. It has therefore been possible to reduce inflation allowances. A cautious approach has been taken as the length of the current downturn is unknown, as is the levels of inflation which will occur when the market recovers. If the downturn results in a reduction in capacity in the industry then inflation may well return strongly in two to three years time. The risk and Sensitivity Analysis (Appendix 3) shows the impact of various changes to inflation assumptions.

4.2 Capital Receipts

The other major impact of the change in economic conditions has been the severe downturn in the house building sector and the consequential collapse in the land market. This has had a significant effect on the capital receipts the Council can expect for surplus school sites. As with the change in inflation rates a cautious approach has been taken and anticipated capital receipts have been considerably reduced. Additionally, because of the lack of demand in the market it is considered that best value would be achieved in delaying marketing sites until the market has recovered. Dates of anticipated capital receipts have therefore been adjusted, with none expected to be realised until 2012/13. The risk and Sensitivity Analysis (Appendix 3) shows the impact of various changes to assumptions on the level of receipts.

5.0 REVIEW OF THE MODEL – INTERNAL FACTORS

5.1 Overview

There have been a number of changes over the year, these can be categorised as (1) reviewing and adjusting existing information to reflect changes in circumstances and additional information becoming available and (2) changes to the strategy resulting in changes to projects being undertaken. These adjustments are described in more detail below.

5.2 General Updating of Model

The Capital model has been brought up to date to reflect actual expenditure over the past year. Where the previous model started in year 2005/06, the revised model now starts in 2008/09. Projects which were carried out in 2008/09 have been removed and new projects as detailed below have been added.

5.3 Review of Cost Plans

The basis for the capital expenditure model is the cost plan produced for each project. These have been reviewed to take account of a number of factors, such as the more accurate picture of the condition of existing buildings made available by the carrying out of the full condition surveys this year, adjustments to the floor area (on which the cost is based) following the carrying out of more detailed measurement surveys, changes to building regulations which impact on construction of the buildings, changes in specification developed on recent projects and the addition of an allowance for post occupancy evaluation. For the schools which are having work carried out this year, the cost plans have been adjusted to reflect the improvements made. For

Overton/Highlanders and St Gabriel's/Sacred Heart Primary Schools, the drawing up of the design brief has allowed a more accurate picture of the requirements to be drawn up and this is reflected in the cost plan.

Appendix 2 Summary of cost changes details what has changed in the cost plan for each school. Most items are specific to a particular school however an allowance for post occupancy evaluation as detailed below has been added to each project

Post Occupancy Evaluation – The Scottish Government recommend that a Post Occupancy Evaluation is carried out for every major schools project. This is an evaluation of the completed project and allows both users and the design team to identify any issues. The allowance of £15,000 per school is to cover both the cost of the evaluation and remedying any minor issues raised by the evaluation. There are no revenue implications. The Total cost across all schools is £161,000

Committee is asked to agree to the revisions to cost plans as detailed in appendix 2

5.4 Review of One off Costs

Appendix 1(b) shows the one off revenue costs associated with the SEMP, generally these are the costs associated with decanting schools to temporary accommodation and then to their new or refurbished school, pupil transport to decant schools and the cost of maintaining empty buildings. Work on recent decants has shown that schools accumulate significant amounts of unwanted resources and the cost of disposing of these is greater than anticipated. Additionally, the cost of maintaining empty properties is greater than anticipated. Against this the cost of pupil transport is less than anticipated. Overall there is a reduction of £1.13M in one off revenue costs over the life of the model.

5.5 Review of Savings

The savings model has been brought up to date, taking account of actual savings achieved and reviewing anticipated savings in the light of the most recent data. As part of an ongoing exercise the available savings were reviewed against the 2008/09 actual expenditure, due to increases in Rates and Utility costs as well as modifications to the SEMP the savings available in 2009/10 have decreased slightly by £224k, this is partially offset by an increase in savings of £158k in 2010/11. Throughout the remainder of the life of the programme there is a net decrease in the savings, from 20015/16 onwards this is projected at £224k per year. This equates to a reduction of 4.4% and does not have a significant impact on the overall model.

5.6 Specific Changes – Port Glasgow Joint Campus

The Port Glasgow Joint Campus was approved by Committee on the 3rd March 2009. The expenditure model approved by Committee has been substituted for the data included in the original model. The Capital cost has been reduced by £2.57m due to savings in inflation however this is partly offset by a reduction in the capital receipt of £900,000 due to the fall in land value. In the one off costs, there are significant savings in pupil transport as pupils will not now be transported to the former Wellington Academy. This is balanced by the additional cost of providing temporary accommodation and carrying out alterations work to accommodate both schools on the St Stephen's campus during construction of the new Joint Campus. The effect on the overall model is therefore fairly minimal.

5.7 Specific Changes – ASN Education

The previous model assumed a new special school would be built for complex needs and units would be formed in existing schools for moderate needs. Following consultation these proposals were not taken forward and a report is being brought to this Committee bringing forward new proposals for consultation. Until specific proposals are approved, it is not possible to confirm the cost of the proposals. It is however

appear that the revised proposals will provide a new school which is significantly larger and therefore substantially more expensive than allowed in the previous model and therefore the cost allowance has been made assuming a new ASN school which will serve both moderate and complex needs. This is the most significant change to the cost of the model, being £4.16M more expensive at outturn than allowed in the previous model.

5.8 Specific changes – Mearns Centre

The Mearns Centre was not included in the previous model as it was intended to fund replacement accommodation by Prudential borrowing. At that time it was intended that the Lilybank building would be refurbished. As part of the 2009/10 Budget exercise savings of £500,000 were agreed, to be funded by increasing the capacity of the Mearns Centre from 12 to 18. In the short term essential maintenance work is required to the existing building to allow it to continue in use and some minor adaptations are required to expand the provision from 12 places to 18. The cost of this work is £200,000, it is proposed to fund this from the SEMP and a project has been added to the model to this effect. A report will be submitted to a future meeting of the Committee outlining options for the future provision of this service.

5.9 Specific Changes – Primary Decant School

The previous model assumes that Primary Schools will be decanted to the former King's Glen building while work is carried out in their schools. Recent surveys have however highlighted that significant investment would be required to keep the building for a further 10 years as planned. It is necessary to use King's Glen for the decant of Overton Primary School as no other accommodation is available however in Summer 2011 Sacred Heart will be available. This building will require less investment to keep as the decant school for the long term. It is recommended that King's Glen is demolished and the site disposed of following the Overton PS decant and that from that point on Sacred Heart be used as the decant school. An allowance of £300,000 has been added to the programme to allow for refurbishment work to Sacred Heart prior to the first Primary School utilising it for decant. The allowance for work to King's Glen has been reduced, although some further work will be carried out prior to Overton PS occupying the building in August 2010.

5.10 Specific Changes - Inverclyde Academy/ Former Greenock High School

A report was approved by the Committee at a special meeting on 18th August to install a 3g artificial pitch at Inverclyde Academy. The implications of this for the SEMP are that the project has been added to the programme and the receipt for the former Greenock High School site has been increased to take account of the additional area available for disposal if the blaes pitches are not retained.

5.11 Specific Changes – Capital Receipts

A change to the Capital Receipts included in the model has occurred due to the proposed changes to ASN provision. The Slaemuir receipt has been omitted meantime as this site has been included with the Joint Campus site to allow the inclusion of the ASN school. It may be that part of the site will still be available for disposal however this cannot be determined at this time. Because it is now proposed that the Mearns Centre will relocate to St Laurences, the Lilybank site, which had previously been considered as possible accommodation for the Mearns Centre is now surplus and a receipt for this has been included. A project has been added for the demolition of Lilybank. After allowing for demolition costs, the impact of these changes is a net decrease in receipts of £200,000

6.0 PRIMARY SCHOOL REFURBISHMENTS

6.1 The model contains all the remaining Primary School Refurbishments. As was stated in the report presented to Committee in June 2008, the dates and order given are simply

to allow the model to be given a working cashflow. The schools have not been given a priority order. It was proposed that a review of priorities would be carried out in 2011. The basis of the priority assessment would be the condition of the building, the suitability of the building and the sufficiency (capacity compared to projected rolls) of the building. Consultants have recently carried out full condition surveys on all schools and the School Estate Team has carried out a suitability survey. This information, together with an assessment of the sufficiency of the school will be analysed and a programme of works drawn up to reflect the priorities identified by the available information. This will be reported to Committee in 2010 and the 2010 review of the model will incorporate the revised cashflow generated.

7.0 FINANCIAL IMPLICATIONS

7.1 Summary

The model remains affordable on the assumption that contributions from the Council's revenue and capital budgets remain at previously approved levels. The earmarked reserve summary (Appendix 1d) shows there is a positive balance carried forward each year with a maximum balance of £5.111 million in 2010/11 and a minimum balance of £2.623 million in 2020/21.

This shows an overall improvement in the overall affordability since last reported largely due to reduced borrowing rates /inflation partially offset by a reduction in savings.

7.2 Capital Costs and Receipts

The impact of changes in Capital Costs is summarised in Appendix 3. The overall capital cost at base date has increased by £9.38M. The main changes are

Joint Campus	£2.77M
ASN School	£4.47M
St Columba's	£0.50M
Primary Schools	£0.53M
New Projects	£1.04M

After the impact of inflation changes are applied to the model the outturn cost is £10.47M less than the 2008 model. At the end of the programme in 2022/23 there is a positive carry forward of £3.34M

Capital Receipts have reduced by £5.34M, this partly balances the reduction in Capital cost however the revised model is marginally less expensive in overall capital cost.

7.3 Cashflow

Although overall the Capital cost is little different from the previous model, there are some impacts on the cashflow. The delay in receiving some capital receipts due to poor market conditions reduces the funding available in the early years of the programme and the additional funding required for the ASN school mean that there are some years where available funding is insufficient and short term borrowing is required. This problem peaks in 2012/13 and 13/14. The deficit is a maximum of £10.7M in 2013/14. The cost of this short term borrowing is shown in appendix 1(d) as cashflow deficit funding. The cost of this borrowing is partly offset by savings in inflation costs by not delaying projects.

7.4 Financial Risks

The risks to the project are dealt with in Appendices 5 Risk and Sensitivity Analysis and 6 Risk Register. The main Financial risks to the model are variances in construction inflation and anticipated capital receipts due to changing market conditions. Another significant risk is the level of Government support available. Indications are that capital

funding from Government could potentially reduce by 50% by 2013/14. This will reduce overall capital resources available to the Council and increase pressure on the Council to scale back SEMP investment to maintain investment in other aspects of the Council's portfolio. In contrast, announcements are anticipated this month and in December in respect of additional Government support for school buildings. It is unclear what, if any funding will be allocated to Inverclyde however any grant funding has the potential to improve the overall affordability and delivery timescales for the SEMP.

8.0 OTHER IMPLICATIONS

8.1 Legal Implications

There are no Legal Implications

8.2 Human Resources Implications

There are no Human Resources Implications

9.0 CONSULTATION

9.1 There are no direct staffing implications in respect of the report and as such the Head of Organisational Development & Human Resources has not been consulted.

9.2 There are no legal issues arising from the content of this report and as such the Head of Legal & Administration has not been consulted.

10.0 EQUALITIES ISSUES

10.1 There are no equalities issues.

11.0 LIST OF BACKGROUND PAPERS

11.1 Project Cost Plans and Cashflows.

School Estate Funding Model - August 2009 Review

Source of Funding	Start Date	Completion Date	Total Base Date	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
School Estate Fund																						
Capital programs for the year																						
Capital Receipts																						
Problematic Funding																						
Overseas funded from following year																						
Underseas transferred to following year																						
Total funding available																						
Less: 2009 programme not listed below																						
Balance available for other projects																						
Proposed spend																						
Port Glasgow Joint Campus new school	Jun-11	Jun-13	32,392																			
Refurbishment of St Columba's HS	Jun-11	Jun-13	13,707																			
Inverclyde Academy 30 pitch	Oct-09	Dec-09	460																			
Overseas/Highlanders Refurbishment	Mar-10	Jul-11	4,802																			
A-Johnson's PS Refurbishment Redueal	Jun-17	Jun-18	3,886																			
Greenock HS Refurbishment	Jul-21	Mar-22	1,149																			
Inverkip PS Refurbishment	Jun-11	Mar-12	832																			
Rainbow PS Refurbishment	Jul-20	Jul-21	2,877																			
Lady Alice PS Refurbishment	Apr-16	Jun-17	2,450																			
Merchiston PS Refurbishment	Apr-18	Oct-19	3,885																			
Earlhill Refurbishment (S Hens/Sr Cairn's)	Feb-10	Jun-11	3,808																			
St Francis Primary School	Oct-15	Oct-15	320																			
St Mary's PS Refurbishment	Oct-20	Oct-21	3,722																			
St Mary's PS Refurbishment	Oct-14	Dec-15	5,463																			
St Kiniana PS Refurbishment	Oct-15	Oct-15	5,249																			
St Patrick's PS Refurbishment	Jul-14	Oct-15	4,360																			
St John's PS Refurbishment	Oct-19	Oct-20	1,825																			
ASH Provision	Mar-12	Jun-13	12,781																			
Meann Centre Interim Refurbishment	Jul-14	Dec-14	2,000																			
Early Years Establishments Refurbishments	Jun-10	Aug-10	30																			
Kings Glen Desant School	Oct-11	Jun-12	308																			
Sacred Heart Desant School	Jun-10	Jun-12	560																			
Various Road Improvement Works	Jul-11	Jul-11	450																			
Demolition of Greenock Academy	Sep-13	Dec-13	450																			
Demolition of Wellington Academy	Jul-11	Oct-11	480																			
Demolition of St Stephen's HS	Mar-13	Mar-13	450																			
Demolition of Sacred Heart PS	Dec-22	Dec-22	201																			
Demolition of Ravensraig PS	Mar-10	Mar-10	158																			
Demolition of St Gabriel's PS	Oct-11	Oct-11	120																			
Demolition of Glenburn	Dec-11	Dec-11	100																			
Demolition of Kings Glen	Dec-11	Dec-11	200																			
Demolition of Lilybank	Dec-11	Dec-11	180																			
General allowance for unforeseen works	Dec-11	Dec-11	900																			
PPP Interactive Boards/LCD Screens	Dec-11	Dec-11	478																			
Lifecycle Fund			9,980																			
Total proposed spend			112,937																			
Surplus (Deficit) for year to carry forward			136,097																			
Surplus (Deficit) brought forward																						
Cumulative carry forward																						

Receipt	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23				
Anticipated Capital Receipts																						
Burnside																						
Stearn																						
Stearn Centre																						
Highland																						
Rennessing																						
St Gabriel's																						
St Gabriel's																						
St John's																						
Port Glasgow Primary																						
Wellington																						
Greenock Acad																						
Glenburn																						
Lilybank																						
Highlanders																						
Kings Glen																						
Springfield																						
St Mary's																						
Holy Family																						
Greenock HS																						
St Stephen's HS																						

School Estate Savings Model - May 2008 Five School option - New Build Port Glasgow Joint Campu

Key date	1	2	3	4	5	6	7	8	9	10
	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
Savings previously agreed										
Holy Family	450	450	450	450	450	450	450	450	450	450
Kings glen	150	150	150	150	150	150	150	150	150	150
Boggestone	100	100	100	100	100	100	100	100	100	100
St Mungos	100	100	100	100	100	100	100	100	100	100
Springfield	100	100	100	100	100	100	100	100	100	100
Holycross	100	100	100	100	100	100	100	100	100	100
Wellington		33	33	33	33	33	33	33	33	33
5 Primaries Fixed Elements	Per 1 Cameron	25	25	25	25	25	25	25	25	25
Existing buildings										
Notre Dame - (Cknowes Building)	Jun-09	-	-	-	315	472	472	472	472	472
St Columba's	Jun-09	-	-	-	443	665	665	665	665	665
Greenock HS	Jun-13	-	-	-	-	-	-	369	554	554
Wellington	Jun-13	-	-	-	-	-	243	324	324	324
Greenock Acad	Jun-11	-	-	-	-	-	337	449	449	449
Gourock HS	Jun-13	-	-	-	-	-	-	322	346	346
PGHS	Jun-13	-	-	-	-	-	-	373	497	497
St Stephen's	Jun-11	-	-	-	-	-	-	368	491	491
St Laurence's	Apr-10	-	-	-	-	107	107	107	107	107
St Kenneth's	Apr-10	-	-	-	-	141	141	141	141	141
Ravenstrait	Apr-10	-	-	-	-	84	84	84	84	84
Earnhill	Jun-11	-	-	-	-	-	-	109	109	109
Slaeuir (per 2008/09 budget)	Jun-08	-	-	79	115	115	115	115	115	115
Highholm	Jun-08	-	-	-	-	-	-	-	-	-
Clune Park	Jun-08	-	-	36	36	36	36	36	36	36
St Gabriel's	Jun-11	-	-	-	-	-	65	90	90	90
Kings Glen	Oct-11	-	-	-	-	35	85	85	85	85
Sacred Heart	Jun-11	-	-	-	-	-	70	88	-	-
Denom PS in Port Glasgow	Jun-13	-	-	-	-	-	-	59	83	83
Glenburn / Lilybank	Jun-13	-	-	-	-	-	-	86	114	114
Aileymill NS	Jun-08	-	-	10	12	12	12	12	12	12
Barmass NS	Jun-08	-	-	-	12	25	25	25	25	25
Blairmore NS	Apr-09	-	-	24	27	27	27	27	27	27
Overton	Jun-11	-	-	-	-	-	-	-	-	-
Highlanders	Jun-11	-	-	-	-	-	80	106	106	106
Savings during refurbishment										
Wellington	Feb 08 - Jun 09	-	-	243	61	-	-	-	-	-
Greenock HS	Nov 08 - Jun 09	-	-	56	79	-	-	-	-	-
Port Glasgow HS	Jun 11-Jun 13	-	-	-	-	-	373	497	124	-
Earnhill	Feb 10 - Jun 11	-	-	-	-	104	26	-	-	-
Overton	Mar 10 - Jul 11	-	-	-	-	73	18	-	-	-
Gourock HS	Jun 11 - Jun 13	-	-	-	-	-	72	96	24	-
Employee Cost savings										
Inverclyde Academy	Aug-08	-	-	542	728	728	728	728	728	728
Clydeview Academy	Aug-12	-	-	-	-	-	370	634	634	634
Joint Campus in Port Glasgow	Aug-14	-	-	-	-	-	-	-	65	100
All Saints	Aug-10	-	-	-	-	65	111	111	111	111
Aileymill PS	Aug-10	-	-	-	-	65	111	111	111	111
Newark PS	Aug-09	-	-	-	65	111	111	111	111	111
Overton/Highlanders	Aug-12	-	-	-	-	-	65	111	111	111
St Gabriel's/Sacred Heart	Aug-12	-	-	-	-	-	65	111	111	111
Denom PS in Port Glasgow	Aug-14	-	-	-	-	-	-	-	137	236
Glenburn/Lilybank	Aug-14	-	-	-	-	-	-	-	58	100
Other savings										
Notre Dame		-	-	-	-	-	-	-	-	-
Inverclyde Academy		-	-	-	49	52	52	52	52	52
Clydeview Academy		-	-	-	-	-	-	36	36	36
All Saints		-	-	-	-	12	12	12	12	12
Aileymill PS		-	-	-	-	11	11	11	11	11
Slaeuir		-	-	-	-	-	-	-	-	-
Highholm		-	-	-	-	-	-	-	-	-
Clune Park (per Committee report Jan 2006)		-	-	-	18	18	18	18	18	18
Overton/Highlanders		-	-	-	-	-	14	14	14	14
St Gabriel's/Sacred Heart		-	-	-	-	-	-	18	18	18
Denom PS in Port Glasgow		-	-	-	-	-	-	-	20	20
New/refurbished school costs										
Notre Dame	Aug-11	-	-	-	-	-	(276)	(365)	(365)	(365)
Inverclyde Academy	Oct-08	-	-	(200)	(610)	(610)	(610)	(610)	(610)	(610)
Clydeview Academy	Aug-11	-	-	-	-	-	(225)	(338)	(338)	(338)
Joint Campus in Port Glasgow	Aug-13	-	-	-	-	-	-	(429)	(643)	(643)
Gourock HS for St Columba's	Aug-13	-	-	-	-	-	-	(279)	(418)	(418)
All Saints	Apr-10	-	-	-	-	(184)	(184)	(184)	(184)	(184)
Aileymill PS	Apr-10	-	-	-	-	(184)	(184)	(184)	(184)	(184)
Newark	Aug-08	-	-	(194)	(295)	(295)	(295)	(295)	(295)	(295)
Overton/Highlanders	Aug-11	-	-	-	-	-	(137)	(137)	(137)	(137)
St Gabriel's/Sacred Heart	Aug-11	-	-	-	-	-	(94)	(141)	(141)	(141)
Glenburn/Lilybank	Aug-13	-	-	-	-	-	-	(58)	(78)	(78)
Ongoing Pupil Transport Costs		-	-	(168)	(242)	(297)	(420)	(486)	(685)	(580)
Total		1,000	1,058	1,462	1,868	2,446	2,857	3,569	4,004	4,376
In Year savings		1,000	58	404	406	578	411	712	436	372
Inflation factor		1.0000	1.00000	1.00000	1.03000	1.06090	1.09273	1.12551	1.15927	1.19405
Savings at outturn prices		1,000	58	404	419	613	449	801	505	444
Cumulative savings for earmarked Reserves		1,000	1,058	1,462	1,880	2,493	2,942	3,743	4,248	4,692

Appendix 1(d)

School Estate - Earmarked Reserves
6 Schools - New Joint Campus at St Stephen's

Aug 2009

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Unitary Charge/Loan Charges	1,786	3,767	5,111	4,658	4,500	3,781	3,274	2,900	3,063	3,070	2,999	2,832	2,623	2,686
Earmarked Reserve b/fwd	1,880	2,493	2,942	3,743	4,248	4,692	4,907	4,907	4,907	4,907	4,907	4,907	4,972	4,972
Available Savings added (a)	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Extra Financing (b)	-2,095	-2,176	-2,757	-3,505	-4,053	-4,487	-4,523	-4,531	-4,535	-4,540	-4,545	-4,550	-4,555	-4,561
Prudential Schools Loan Charges (c)	-477	-2,909	-8,219	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042
Unitary Charge Payment (d)	-528	-587	-977	-211	-674	-737	-750	-246	-390	-454	-537	-565	-283	-30
One Off Costs (e)	-313	-360	-49	-224	-116	-230	-263	-271	-279	-288	-296	-305	-314	-324
Extra Revenue Repairs (f)	0	0	-47	-265	-428	-49	-49	0	0	0	0	0	-61	0
Cash Flow Deficit Funding (g)	264	1,633	5,404	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096
Unitary Charge RSG (h)														
Earmarked Reserve c/fwd	3,767	5,111	4,658	4,500	3,781	3,274	2,900	3,063	3,070	2,999	2,832	2,623	2,686	3,047

(a) Per figures 13/08/09 - Based on full years actual expenditure 09/10 budget.

(b) Per 2008/09 budget and £1 million for joint Campus approved Feb 2009

(c) Assumes Inverclyde Academy , Newark Primary & New Build Joint Campus are Prudentially funded.

Uses a pool fund rate of 4.75%

(d) Based on Financial close figure of £8.842 million plus £200k contingency and assuming inflation from 2013/14 will be contained in the core Council inflation budget.

(e) After 2022/23 one-off costs cease.

(f) Increased Revenue Repairs.

(g) Assumes 4.0% Internal Borrowing Rate on any short term cashflow funding of capital investment.

(h) Government have yet to include full funding in Council settlements from 2010/11.

Appendix 2

Summary of Changes to costs

Secondary Schools

Port Glasgow Joint Campus

2008 Base cost	£30,022,000	2009 Base Cost	£32,792,000	Change	£2,770,000
2008 Outturn cost	£39,617,000	2009 Outturn Cost	£37,052,000	Change	-£2,565,000

Comment on Change

Port Glasgow Joint Campus was revised in March 2009 prior to the project being reported to Committee. The increase in cost at that time was due to revisions to the accommodation schedule, changes to the external works costs as the previous cost assumed the St Stephen's site would be used (and the existing Astroturf pitch would be retained) and the addition of off site road works. The base cost is unchanged from that reported to Committee in March however the outturn cost has reduced further due to revision of the inflation assumptions.

St Columba's HS Refurbishment of Gourock HS building

2008 Base cost	£13,205,000	2009 Base Cost	£13,707,000	Change	£502,000
2008 Outturn cost	£17,676,000	2009 Outturn Cost	£15,660,000	Change	-£2,016,000

Comment on Change

The cost plan was reviewed and minor amendments made to some rates and quantities. Allowances were added for PA system, Stage sound and lighting installation, Cashless Catering Installation and Post Occupancy Evaluation not previously allowed for. The base cost has increased by just under 4%

Inverclyde Academy 3G Pitch

2008 Base cost	N/A	2009 Base Cost	£460,000	Change	£460,000
2008 Outturn cost	N/A	2009 Outturn Cost	£460,000	Change	£460,000

Comment on Change

This is a new project. It is self funding in that carrying out this project allows an increase in the capital receipt for the Greenock High School site as the pitches would not require to be retained.

Primary Schools

Overton/Highlander's PS

2008 Base cost	£4,315,000	2009 Base Cost	£4,802,000	Change	£487,000
2008 Outturn cost	£5,128,000	2009 Outturn Cost	£5,004,000	Change	-£124,000

Comment on Change

The cost plan was reviewed to reflect the Project Brief and accommodation schedules which have now been drawn up. These identified the need to increase the area of the extension required in order to provide the necessary accommodation. The area of the school was adjusted to reflect the more accurate measurement survey recently carried out. Allowances were added for platform lift to stage, operable wall to stage and Post Occupancy Evaluation not previously allowed for. An allowance for a new boiler was added as the condition survey recently carried out identified renewal was required although the boiler is relatively recent. The base cost has increased by 11%

Sacred Heart/St Gabriel's PS

2008 Base cost	£3,578,000	2009 Base Cost	£3,898,000	Change	£320,000
2008 Outturn cost	£4,253,000	2009 Outturn Cost	£4,064,000	Change	-£189,000

Comment on Change

The cost plan was reviewed to reflect the Project Brief and accommodation schedules which have now been drawn up. These identified the need to form a small extension to create a new main entrance and, instead of forming a dining room by reconfiguring the kitchen and building an extension a better option would be to demolish the existing kitchen and build a new kitchen and dining room. The area of the school was adjusted to reflect the more accurate measurement survey recently carried out. Allowances were added for platform lift to stage, operable wall to stage and Post Occupancy Evaluation not previously allowed for. The % of windows to be replaced was increased from 60% to 90% following a review of the condition survey recommendations. The base cost has increased by 9%

Ardgowan PS

2008 Base cost	£3,727,000	2009 Base Cost	£3,886,000	Change	£159,000
2008 Outturn cost	£5,982,000	2009 Outturn Cost	£5,220,000	Change	-£762,000

Comment on Change

The cost plan was reviewed. The area of the school was adjusted to reflect the more accurate measurement survey recently carried out. An allowance was added for Post Occupancy Evaluation not previously allowed for. The amount allowed for external work was increased to reflect the items requiring replacement identified in the condition survey. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost more than the allowances taken out the cost plan this resulted in a slight increase in cost. The base cost has increased by 4%

Gourock PS

2008 Base cost	£1,092,000	2009 Base Cost	£1,149,000	Change	£57,000
2008 Outturn cost	£1,970,000	2009 Outturn Cost	£1,735,000	Change	-£235,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. Previously as all classrooms have had ceilings installed, no further allowance has been made however on reviewing the position a final phase of ceilings to other areas has been allowed. The amount allowed for external work was increased to allow expansion of the playground area. The base cost has increased by 5%

Inverkip PS

2008 Base cost	£806,000	2009 Base Cost	£832,000	Change	£26,000
2008 Outturn cost	£1,014,000	2009 Outturn Cost	£895,000	Change	-£119,000

Comment on Change

The cost plan was reviewed. Allowances were added for a reception desk and Post Occupancy Evaluation not previously allowed for. The amount allowed for loose furniture was increased as the previous allowance was considered, on review to be inadequate. The base cost has increased by 3%

Kilmacolm PS

2008 Base cost	£3,154,000	2009 Base Cost	£2,877,000	Change	-£277,000
2008 Outturn cost	£5,200,000	2009 Outturn Cost	£4,216,000	Change	-£984,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost less than the allowances taken out the cost plan this resulted in a decrease in cost. The base cost has decreased by 8%

Lady Alice PS

2008 Base cost	£2,543,000	2009 Base Cost	£2,450,000	Change	-£93,000
2008 Outturn cost	£3,810,000	2009 Outturn Cost	£3,193,000	Change	-£617,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost less than the allowances taken out the cost plan this resulted in a slight decrease in cost. The base cost has reduced by 3%.

Moorfoot PS

2008 Base cost	£3,996,000	2009 Base Cost	£3,885,000	Change	-£111,000
2008 Outturn cost	£6,361,000	2009 Outturn Cost	£5,375,000	Change	-£986,000

Comment on Change

The cost plan was reviewed. Allowances were added for PA system, Stage sound and lighting installation, Cashless Catering Installation, and Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost less than the allowances taken out the cost plan this resulted in a slight decrease in cost. The base cost has reduced by 3%

St Francis PS

2008 Base cost	£150,000	2009 Base Cost	£320,000	Change	£170,000
2008 Outturn cost	£227,000	2009 Outturn Cost	£404,000	Change	£177,000

Comment on Change

The cost plan was reviewed. As St Francis was refurbished in 2004 only external works were allowed for. As St Francis was the first refurbishment in the programme some work was not included which is now becoming standard in refurbishments Allowances were added for internal remodelling and a CCTV installation not previously allowed for. The base cost has increased by 113%

St Mary's PS

2008 Base cost	£3,827,000	2009 Base Cost	£3,722,000	Change	-£105,000
2008 Outturn cost	£6,400,000	2009 Outturn Cost	£5,463,000	Change	-£937,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost less than the allowances taken out the cost plan this resulted in a slight decrease in cost. The base cost has reduced by 3%

St Ninian's PS

2008 Base cost	£4,799,000	2009 Base Cost	£4,635,000	Change	-£164,000
2008 Outturn cost	£7,211,000	2009 Outturn Cost	£5,862,000	Change	-£1,349,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As funding for the work carried out was not included in the allowance set against the project this resulted in a decrease in cost. The base cost has decreased by 3.5%

St Patrick's PS

2008 Base cost	£4,360,000	2009 Base Cost	£4,274,000	Change	-£86,000
2008 Outturn cost	£6,404,000	2009 Outturn Cost	£5,516,000	Change	-£888,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As funding for the work carried out was not included in the allowance set against the project this resulted in a decrease in cost. The base cost has decreased by 2%.

St John's PS

2008 Base cost	£1,670,000	2009 Base Cost	£1,825,000	Change	£155,000
2008 Outturn cost	£3,007,000	2009 Outturn Cost	£2,680,000	Change	-£327,000

Comment on Change

The cost plan was reviewed. An allowance was added for Post Occupancy Evaluation not previously allowed for. The cost plan was adjusted to take account of the work carried out this summer. As the work carried out cost more than the allowances taken out the cost plan this resulted in an increase in cost. The base cost has increased by 9%

Early Years Refurbs

2008 Base cost	£1,000,000	2009 Base Cost	£1,000,000	Change	£0
2008 Outturn cost	£1,459,000	2009 Outturn Cost	£1,228,000	Change	-£231,000

Comment on Change

The requirements for early years refurbishments has not been fully scoped out. The allowance has been left unchanged.

Special Schools

ASN School

2008 Base cost	£6,476,000	2009 Base Cost	£11,267,000	Change	£4,791,000
2008 Outturn cost	£8,619,000	2009 Outturn Cost	£12,781,000	Change	£4,162,000

Comment on Change

The proposals for ASN education have been completely revised and a consultation paper is to be issued. The model is based on the most expensive option being consulted on, that of a single new build school located at the Port Glasgow Joint Campus. This building is significantly larger than the proposed new ASN school in the previous model and is correspondingly significantly more expensive

Mearns Centre Interim Refurbishment

2008 Base cost	N/A	2009 Base Cost	£200,000	Change	£200,000
2008 Outturn cost	N/A	2009 Outturn Cost	£200,000	Change	£200,000

Comment on Change

This is a new project. The building requires urgent maintenance work in order to continue in operation even in the short term.

ASN Units in Schools

2008 Base cost	£319,000	2009 Base Cost	£0	Change	£-319,000
2008 Outturn cost	£421,000	2009 Outturn Cost	£0	Change	£-421,000

Comment on Change

If the new ASN school includes moderate needs then this project is not required. If the option is to maintain moderate bases in schools this project would be reinstated and funded by the saving in the cost of the ASN school

Other Projects

King's Glen Decant School

2008 Base cost	£150,000	2009 Base Cost	£50,000	Change	£-100,000
2008 Outturn cost	£150,000	2009 Outturn Cost	£50,000	Change	£-100,000

Comment on Change

It was originally intended to use King's Glen as the decant school for the whole of the Primary Refurbishment Programme however a recent condition survey indicates the school is in poor condition and would require approximately £1m work to allow it to serve this purpose. Some of the funding has already been spent and it is proposed to spend some more prior to Overton occupying the building next year.

Sacred Heart Decant School

2008 Base cost	N/A	2009 Base Cost	£300,000	Change	£300,000
2008 Outturn cost	N/A	2009 Outturn Cost	£300,000	Change	£300,000

Comment on Change

Sacred Heart will become available in 2011 and is suitably sized to be utilised as a decant school. It is in better condition than King's Glen but is in need of some substantial repairs to ensure it can be used. The allowance here is the minimum necessary to ensure continued operation of the building.

Roads Works

2008 Base cost	£479,000	2009 Base Cost	£610,000	Change	£131,000
2008 Outturn cost	£617,000	2009 Outturn Cost	£652,000	Change	£35,000

Comment on Change

This allowance is for Roads and paths outwith the school sites required in connection with the PPP schools. The largest project is for a drop off car park for Clydeview Academy. The allowance for this has been increased following a review of costs.

Interactive Boards

2008 Base cost	£451,000	2009 Base Cost	£478,000	Change	£27,000
2008 Outturn cost	£530,000	2009 Outturn Cost	£530,000	Change	£0

Comment on Change

This allowance is for Interactive whiteboards for the PPP schools. It was found to be more cost effective for the Council to provide these rather than including in the PPP contract. The allowance has been adjusted so that the outturn figure is the same as the 2008 model.

Appendix 3

Summary of Capital Costs

Project	Base Cost 2008 Model	Base Cost 2009 model	Change	Outturn cost 2008 model*	Outturn cost 2009 model	Change	Notes
<u>Existing Projects</u>							
Port Glasgow Joint Campus	£000 30022	£000 32,792	£000 2,770	£000 39,617	£000 37,052	£000 -2,565	Saving in inflation costs
New ASN School	6476	11,267	4,791	8,619	12,781	-4,162	Substantially larger than previous proposal
ASN Units in Schools	319	0	-319	421	0	-421	Now included in new ASN school
St Columba's Refurb Gourrock HS	13205	13,707	502	17,676	15,660	-2,016	Saving in inflation costs
Overton/Highlander's PS	4315	4,802	487	5,128	5,004	-124	Saving in inflation costs, offset by increase in scope
Sacred Heart/St Gabriel's PS	3578	3,898	320	4,253	4,064	-189	Saving in inflation costs, offset by increase in scope
Ardgowan PS	3727	3,886	159	5,982	5,220	-762	Saving in inflation costs
Gourock PS	1092	1,149	57	1,970	1,735	-235	Saving in inflation costs
Inverkip PS	806	832	26	1,014	895	-119	Saving in inflation costs
Kilmacolm PS	3154	2,877	-277	5,200	4,216	-984	Saving in inflation costs
Lady Alice PS	2543	2,450	-93	3,810	3,193	-617	Saving in inflation costs
Moorfoot PS	3996	3,885	-111	6,361	5,375	-986	Saving in inflation costs
St Francis PS	150	320	170	227	404	177	Internal works to bring school to same standard as others added
St Mary's PS	3827	3,722	-105	6,400	5,463	-937	Saving in inflation costs
St Ninian's PS	4799	4,635	-164	7,211	5,862	-1,349	Saving in inflation costs
St Patrick's PS	4360	4,274	-86	6,404	5,249	-1,155	Saving in inflation costs
St John's PS	1670	1,825	155	3,007	2,680	-327	Saving in inflation costs
Early Years Refurbs	1000	1,000	0	1,459	1,228	-231	Saving in inflation costs
King's Glen Decant School	150	50	-100	150	50	-100	Not used after overton, minimal further works
Roads Works*	479	560	81	617	598	-19	Increase in allowance at Clydevew Academy
Interactive Boards	451	478	27	530	530	0	Assumed costs unchanged
Demolition Greenock Academy	450	450	0	569	497	-72	Saving in inflation costs
Demolition Greenock HS	450	450	0	640	558	-82	Saving in inflation costs
Demolition Wellington Academy	400	400	0	569	441	-128	Saving in inflation costs
Demolition Port Glasgow HS	450	450	0	640	0	-640	Included in project cost Joint Campus School
Demolition St Stephen's HS					558	558	Site disposed of in place of Port Glasgow HS
Demolition Sacred Heart PS	180	180	0	227	291	64	Increase in inflation due to delay 'till disposal as used as decant school
Demolition Ravenscraig PS	150	150	0	179	158	-21	Saving in inflation costs
Demolition St Gabriels PS	120	120	0	152	132	-20	Saving in inflation costs
Demolition King's Glen PS	200	200	0	485	221	-264	Saving in inflation costs, increased by bringing forward demolition
Demolition Glenburn	100	100	0	142	124	-18	Saving in inflation costs
Lifecycle Fund	9980	9980	0	15,923	13,784	-2,139	Saving in inflation costs
Contingency Allowance	900	900	0	900	900		
Total before new projects	103,499	111,791	8,292	146,482	134,922	-11,560	
<u>New Projects</u>							
Inverclyde Academy 3G pitch	0	460	460		460	460	Funded from additional receipt
Mearns Centre Interim refurb	0	200	200		200	200	Required to keep building going and expand provision
Sacred Heart Decant School	0	300	300		300	300	Change of decant school, saving of £100k on King's G
Demolition Lilybank	0	124	124		124	124	Site now available for disposal
Total - Inc new Projects	103,499	112,875	9,376	146,482	136,006	-10,476	

* Adjusted for spend incurred

Appendix 4

Summary of Capital Receipts

Site	Base valuation 2008 model £000	Base valuation 2009 model £000	Outturn valuation 2008 model £000	Outturn valuation 2009 model £000	Change in outturn valuation £000	Notes
Holy Family	760	760	760	760	0	Receipt Received 2007/08
Springfield	500	500	500	500	0	Receipt Received 2007/08
St Mungo's	775	775	775	775	0	Receipt Received 2007/08
Barmoss	165	116	175	136	-39	Market Conditions reduction
Slaemuir	800	560	849	0	-849	Assume no receipt until Joint Campus requirements finalised
Ravenscraig	500	350	563	413	-150	Market Conditions reduction
St Gabriel's	350	245	406	289	-117	Market Conditions reduction
Sacred Heart	1000	700	1,159	1,396	236	Market Conditions reduction, receipt greater due to delay in sale
Port Glasgow Primary	350	245	430	331	-100	Market Conditions reduction
Wellington	1400	980	1,722	1,156	-566	Market Conditions reduction
Greenock Acad	6000	4200	6,956	4,953	-2,003	Market Conditions reduction
Glenburn	1750	1225	2,152	1,653	-499	Market Conditions reduction
Highlanders	600	420	696	495	-200	Market Conditions reduction
Kings Glen	1250	875	1,947	1,032	-916	Market Conditions reduction exacerbated by bringing forward disposal
Greenock HS	4000	3850	4,919	5,196	276	Market conditions reduction offset by full site available as pitched not retained
Port Glasgow HS	3200	0	3,911	0	-3,911	No receipt, site used for new joint campus
St Stephen's HS		2240		3,023	3,023	New Receipt, site no longer used for joint campus
Mearns Centre		140		0	0	New Receipt, relocating to St Laurence's site
Lilybank		350		472	472	New Receipt, not now being retained
Total	23400	18531	27,920	22,579	-5,341	

Appendix 5

Risk & Sensitivity Analysis

The two major risks to the programme are construction inflation and failure to obtain the planned level of Capital Receipts. Both these factors have proved extremely volatile over the last year and appear likely to remain so over the next 2-3 years at least. Construction inflation has shown a dramatic reduction over the past year, to the Council's advantage however this has been countered by an equally dramatic reduction in the likely capital receipts. While there is no direct link between the two, the factors which make one go down tend to make the other go up and vice versa, there is therefore a balancing effect which while not eliminating risk from these factors does reduce it somewhat.

Construction Inflation

The model assumes the following

From the base date of November 2007 to March 2011 prices will rise by 4% in total, i.e. averaging just over 1% per year. Thereafter 3% in 2011/12, 6% in 12/13, 5% in 13/14 and 3% in 2014/15 and each subsequent year to the end of the model. Construction inflation to March 2011 is taken at a higher rate than published forecasts to allow some degree of contingency. Also these are national (UK) figures and there is significant scope for variations between different regions and market sectors. No data is published for trends beyond March 2011 and therefore the assumptions are speculative beyond that. The assumption is that there will be a recovery in 12/13 and prices will surge for a couple of years before settling back down again. The timing and strength of the recovery is therefore crucial to predicting the impact of inflation

The model has a total outturn capital cost of £136,006,000. The following Scenarios show the impact of changes in inflation assumptions.

Scenario one – Inflation up to March 2011 is as the Building Cost Information Services predictions rather than as built into the model.

Costs would be £5.06M less than the model. This is the inflation contingency.

Scenario two – The industry recovers earlier than assumed and there is 3% inflation in 2010/11, 6% 2011/12, 5% 2012/13 and 3% thereafter.

Costs would rise by £5.2M

Scenario three – The industry recovers later than assumed and there is 0 inflation in 2011/12, 3% in 2012/13, 6% in 2013/14, 5% in 2014/15 and 3% thereafter

Costs would fall by £5.08M

Scenario four – when recovery comes it is stronger than anticipated, with inflation rising faster than assumed. 6% in 2011/12, 8% in 2012/13 and 8% in 2013/4, afterwards returning to 3%

Costs would rise by £7.296M

Scenario five – when recovery comes it is weaker than anticipated, with inflation holding steady at 3% per annum

Costs would fall by £4.27M

It can be seen from these Scenarios that even small changes in inflation rates can have significant impacts on the cost of the Programme. It is impossible to forecast very far into the future at the best of times and currently even short term predictions are difficult. The inflation

assumptions have been set, based on the best information currently available and allowing a suitable level of contingency.

Capital Receipts

As economic conditions changed there has been a collapse in the housing market and this has led to a glut of development land. There is therefore only a very limited market for land sales for residential development, which would be the target market for the sale of school sites. The valuations in the 2008 model were based on valuations carried out by a consultant in November 2007. The new model assumes these values will have dropped to 70% of the original valuations and that recovery in prices will be slow, with values not returning to the original 2007 value until 2015/16. The Council does not intend selling any sites until there is a recovery in prices, likely to be in 2012/13. This will protect the value of receipts although there may be cash flow issues. If market conditions change, marketing of sites can begin earlier.

The model has total anticipated capital receipts of £22.57M. The following Scenarios show the impact of various changes in assumptions.

Scenario one - The current value of Property is less than anticipated, 60% of the original valuation, rather than 70%

The value of anticipated receipts would fall by £2.98M

Scenario two - The current value of Property is greater than anticipated, 80% of the original valuation, rather than 70%

The value of anticipated receipts would increase by £2.94M

Scenario Three – Market recovery is weaker than anticipated and values recover to 2007 levels by 2016/17

The value of anticipated receipts would fall by £0.63M

Scenario Four– Market recovery is stronger than anticipated and values recover to 2007 levels by 2013/14.

The value of anticipated receipts would increase by £2.54M

It can be seen therefore that changes in market conditions are likely to impact on receipts and that as it is very difficult to value land currently as there is so little activity in the market there is the possibility that receipts will vary from anticipated by a significant amount. The valuations used are as good as can be given in the current circumstances and the inflation assumptions are moderately pessimistic therefore receipts should not fall below anticipated levels if property is marketed at the appropriate time.

Other risks

Construction inflation and capital receipt values are the most significant risks to the programme. Other risks are detailed in the Programme risk register attached as Appendix 6

Appendix 6 Risk Register

		Organisation		Inverclyde Council				
		Risk Map		School Estate Strategy				
		Risk Assessors:		School Estate Team				
		Date:		Aug-09				
Risk No	*Description of RISK Concern (x,y,z)	IMPACT Rating (A)	L'HOOD Rating (B)	Quartile	Risk Score (A*B)	Current Controls	Who is Responsible? (name or title)	Additional Controls/Mitigating Actions & Time Frames with End Dates
1	<i>Financial Risk - Cost Planning:</i> Cost allowances for Special Schools may prove insufficient. Factors of this risk include: An allowance has been made for a new build ASN School. The strategy for special schools is not yet decided and there is uncertainty over what facilities are to be provided. Costs may vary if the provision decided on following consultation is different from that assumed in the model.	5	3	1	15.0	The costs included in the revised model assume the most expensive option therefore the scope will not increase from that allowed for in the model. An accurate Accommodation schedule has been prepared and therefore the ASN school should be sized correctly. Cost allowances for ASN schools can vary significantly and careful cost control is required to ensure that cost allowance are not exceeded.	School Estate Team	ASN provision should be finalised by December 2009..
2	<i>Political Risk - Model:</i> Council decisions and consultations are still awaited for some Primary schools. The decisions taken could significantly impact on the model. Factors of this risk include: The model is based on the assumption that denominational primary school in Port Glasgow will close circa '013/14.	5	3	1	15.0	By 2011 the three Denominational Primary Schools in Port Glasgow will have a joint roll which is less than 60% of the joint capacity. This level of overcapacity will require to be tackled.	CMT	A review should be held into the Denominational provision in Port Glasgow in the future.
3	<i>External Risk:</i> Inflation rises faster than allowed for. Factors of this risk include: Inflation in the construction industry is more volatile than general inflation, being based more on supply and demand, and at present is more than double the general rate. It is virtually impossible to predict inflation over a 15 year period. If general inflation increases significantly then this will have an impact on the model.	5	3	1	15.0	Inflation allowances have been reviewed and adjusted in line with current projections. Refer to separate Inflation Risk and Sensitivity analysis.	School Estate Team	Inflation assumptions should be reviewed annually and adjusted if necessary.
4	<i>External Risk:</i> Level of support from Central Government changes. Factors of this risk include: It has been advised that it is possible that the Government may intend to reduce the level of capital support given to councils by 50% by 2013/14. As the Council is committing a significant part of its capital programme to the SEMP, this is likely to require a reduction in support to the SEMP if other priorities are to be addressed. It is also the case that announcements are expected from the Government in respect of additional funding for school buildings.	5	3	1	15.0		Chief Financial Officer	If additional funding is made available careful consideration will be required as to how this should be utilised. It may be better to utilise funding to meet the additional cost of the ASN school and not enter into new commitments as this may lead to affordability issues later in the model. The model runs over a long period and changes in funding availability will occur. The Annual Review of the SEMP must take account of any changes in Government Funding policy.
5	<i>Building Risk:</i> The Lifecycle fund does not provide sufficient funding for ongoing major maintenance. Factors of this risk include: If the schools are to be kept in good condition it is necessary to allow for a lifecycle fund to ensure adequate financial provision is made.	4	3	1	12.0	The lifecycle fund has been calculated to provide appropriate funding over the life of the model. Given the timescales involved and the uncertainties of replacement cycles, particularly for refurbished building it is an indicative allowance.	School Estate Team/Property	The lifecycle fund should be refined over the life of the model.
6	<i>External Risk:</i> Changes in demand for land may mean the anticipated capital receipts may not materialise. Factors of this risk include: Capital receipts have been assumed for all surplus properties. There is a risk that the values anticipated, which are based on valuations carried out by external consultants may not be realised or the Council may decide not to dispose of one or more properties.	4	3	1	12.0	The valuations were carried out by experienced property valuers. Valuations have been significantly reduced (by 30%) to reflect more difficult market conditions. A risk and sensitivity analysis for capital receipts has been carried out – refer to appendix 5	School Estate Team	Valuations should be kept under review and actual receipts compared with estimates as they occur.
7	<i>Financial Risk - Cost Planning:</i> Cost Allowances for individual schools are insufficiently robust. Factors of this risk include: The cost plan for each school is based on an assessment of work required from the 2009 condition survey and an assessment of the works required made by the SET. The scope of works is therefore fairly robust. Cost Plans have been prepared on an elemental basis, based on previous refurbishment contracts. This has a low level of accuracy compared to undertaking a detailed assessment of the building and basing the cost on approximate quantities. This level of detail cannot be applied to the costs at this stage. Over the whole programme however imbalances should even out; When detailed requirements are drawn up additional works may be required and additional costs may be incurred; Unexpected structural or other issues; Legislation in respect of Building Standards, carbon reduction, landfill tax etc may impose higher standards than are assumed in the cost plans.	5	2	1	10.0	The cost plans allow for a comprehensive refurbishment of each school, including replacement of all services and to a reasonable specification level. All inclusive costs per M2 range from £830 to £1300 dependent on the condition of the existing building. Clear detail has been provided on the scope of works anticipated. As the cost plans are drawn up with a high specification it should be possible to make savings to accommodate additional costs. However robust VFM assessment should be applied to justify additional work. An allowance has been made for structural repairs at each school. Some schools may require more extensive repairs although others will not require anything significant and the allowance should balance out over all the schools. Significant problems cannot ever be wholly ruled out however. Costs have been prepared on the basis of current standards. It is hard to predict the impact of future requirements.	School Estate Team	As projects are programmed a detailed brief should be prepared and costed based on approximate quantities. As projects are carried out the cost information obtained should be used to refine future cost plans. When new legislation is introduced the impact should be evaluated and the model updated.

8	<p><i>Financial Risk - Cost Planning:</i> No allowance has been made for refurbishment required to house non school uses which require to be relocated from closing schools. Factors of this risk include: Proposals being brought forward for the relocation of the Mearns Centre to St Laurence's PS and the formation of a new Nursery in Binnie Street Centre will also provide accommodation for non school Education staff. It is accommodation in excess of this will be accounted for by the review of Corporate office Accommodation currently being carried out by the Physical Investment Team.</p>	3	3	1	9.0		School Estate Team	<p>If the current proposals are agreed much of this risk will be eliminated.</p> <p>It should be established as soon as possible what staff require accommodation and this requirement should be matched to available accommodation. Liaison is required with PIT to accommodate other staff.</p>
9	<p><i>Building Risk:</i> Expenditure on day to day repairs is insufficient to maintain the schools in good order, leading to a deterioration in condition and premature failure of components and installations. Factors of this risk include: Day to day repairs are funded by the CRA which has struggled with funding for a number of years. Current levels of funding will not be sufficient to maintain buildings in a good state of repair.</p>	3	3	1	9.0	An additional allowance has been included in the model to top up the CRA to the required level of funding.	School Estate Team/Property	
10	<p><i>Building Risk:</i> Unscheduled repairs required in schools scheduled to close. Factors of this risk include: No allowance has been made for major repairs in schools scheduled to close between now and 2013 Given the condition of the buildings it is possible that failures will occur which will require to be addressed. Greenock High School is considered a particular risk as it will now require to remain in use until 2013 at the earliest.</p>	3	3	1	9.0	Substantial work has taken place this year at both former Greenock High (St Columba's) and former Wellington Academy (Notre Dame) which have addressed a number of maintenance issues. All schools scheduled to close have no outstanding known major issues. The largest outstanding risks are of mechanical systems failure, particularly at former Greenock HS. Major building failure at schools of this age and condition will remain a risk.	School Estate Team/Property	This risk must be accepted or a contingency allowance made in the Central Repairs budget.
11	<p><i>Demographic Risk:</i> It may not be possible to manage school Rolls as planned. Factors of this risk include: The proposals for Gourock Primary School and St Ninian's Primary School are dependent on alterations to the catchment areas to divert pupils to adjoining schools with spare capacity rather than build extensions. It may not be possible to avoid rising pupil numbers and building extensions not in the model may be required; Recent issues relating to placing requests and in particular the roll of Clydeview Academy may require measures to be taken to deal with overcapacity in some schools.</p>	3	3	1	9.0	<p>St Ninian's includes some provision for classroom extensions.</p> <p>Proposed changes to the Placing Request policy should result in better management of rolls vs capacity in the future. Issues will remain however at Clydeview Academy.</p>	Acting Director of Education	<p>This risk should be assessed and a view taken prior to deciding on final proposals for these two schools.</p> <p>An action plan is required to address the issues of capacity at Clydeview Academy prior to its opening in 2011.</p>
12	<p><i>Cost Planning Risk:</i> Cost allowance made for early years accommodation may prove insufficient. Factors of this risk include: The requirement for work to the early years portfolio is limited. A number of establishments will be incorporated into new schools and nurseries in schools will be refurbished and the schools. One new build (Rainbow) has been completed and Aileymill and Blairmore Nurseries will be incorporated into the PPP Primary Schools current on site. Only three establishments, Glenbrae, Hillend and Kelly Street will require any significant investment. No work has been carried out to scope the work required and the allowances made are indicative. There is always a risk that the Council will have to make new provision either as a result of demographic changes or because partner providers cease or reduce provision.</p> <p>Provision in Gourock is being dealt with separately from the SEMP.</p>	4	2	2	8.0		School Estate Team	Work should take place at an early date to properly scope and cost the work required.
13	<p><i>Financial Risk - Model:</i> Savings built into the model may not be fully realised. Factors of this risk include: The model is dependant, in part for savings to fund it. If the savings are not realised it would impact on the model.</p>	4	2	2	8.0	The savings have been calculated as robustly as possible. Savings have been reviewed for the revised model and adjusted to take account of actual savings achieved.	School Estate Team/Finance	Savings should be subject to an annual review and adjustment as necessary.
14	<p><i>Demographic Risk:</i> Demographic changes may occur which impact on anticipated school rolls. Factors of this risk include: Changes in total population and in the spread of population within the Council area may cause variations in future rolls from those currently predicted. In particular proposals for significant new housing at Inverkip Power Station may cause further pressure at Inverkip, Wemyss Bay and St Ninian's Primary Schools. Additionally, if this new housing attracts people from within the area rather than new residents it may cause a further population shift which would result in rolls dropping in central/east Inverclyde.</p>	4	2	2	8.0	Roll projections are regularly reviewed and any changes noted and proposals adjusted accordingly. Liaison takes place with Planning on strategic housing developments and the Local Plan.	School Estate Team	Proposals may require to be adjusted to suit changing demographics.
15	<p><i>Financial Risk - Model:</i> Pupil Transport costs may vary from anticipated and allowed for in the model and in Education Revenue budgets. Factors of this risk include: The model includes pupil transport costs necessary when schools are decanted and also future budgets have been appraised to include the impact of changes in pupil transport costs due to rationalisation with additional costs being met from savings.</p>	3	2	2	6.0	Pupil transport costs have been calculated as accurately as possible but are impossible to predict accurately over time.	Education	Pupil transport costs should be reviewed and refined over the life of the model.

16	Building Risk: Unscheduled repairs required in schools scheduled for refurbishment. Factors of this risk include: Given the extensive nature of the refurbishments planned it is likely that any failures which may occur will have been allowed for in the cost model. There is however the possibility of a completely unexpected failure which is not included or, more likely, a failure occurs before the planned date for refurbishment and requires to be dealt with out of the planned sequence.	3	2	2	6.0	A contingency allowance has been made in each year of the model to allow for this occurring. Some work has been carried out to primary schools this year to address areas of particular concern.	School Estate Team/Property	It is desirable to maintain some flexibility in the model to allow for work being carried out out of sequence and this should be allowed for when planning capital expenditure.
17	Building Risk: Decant arrangements have not been finalised for schools to be refurbished. Factors of this risk include: Given the extent of refurbishment work, and given previous experience nearly all schools to be refurbished will require to be decanted. It has been assumed that King's Glen will be utilised for Overton and thereafter Sacred Heart will be used. Allowances have been made for decant and pupil transport. Decant allowances can be considered robust however pupil transport costs are indicative.	3	2	2	6.0		School Estate Team	
18	Programme Risk: Projects do not run to time, leading to delays in other projects starting due to using the one decant school. Factors of this risk include: Using a single decant school and keeping it in continuous operation is the most efficient way of working however it does rely on projects not significantly overrunning.	2	2	4	4.0	A buffer has been built into the programme to allow for some over runs. This cannot be too long however or mothballing costs will be incurred.	School Estate Team	The programme should be kept under review and revised as necessary during the life of the model.

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Key: see diagram

- Quartile 1: High impact and highly likely risks which must be managed effectively
- Quartile 2: High Impact but not likely given either the controls in place or the nature of the risk. Management should periodically review controls and contingencies to deal with these risks.
- Quartiles 3 and 4: Low impact and low likelihood risks which should be reassessed over time to ensure their impact and likelihood does not increase over time.

