Inverclyde council

AGENDA ITEM NO. 8

Report To:	**Education & Lifelong Learning Committee**	**Date: 07 September 2010**
Report By:	**Corporate Director Education & Communities/Chief Financial Officer**	**Report No: EDUC/42/10/AG**
Contact Officer:	**Andrew Gerrard**	**Contact No: 01475 712824**
Subject:	**Review of School Estate Funding Model 2010**	

1.0 PURPOSE

1.1 The purpose of the report is to update the Committee on the current position of the School Estate Funding Model and seek approval of the revised model.

2.0 SUMMARY

2.1 The Education and Lifelong Learning Committee at its meeting of 18 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 provides Committee with the 2010 review.

2.2 This report summarises the internal and external factors which have caused changes to the model over the last year and details the impact of these changes. It then proposes alterations to the model to bring it back into an affordable position.

3.0 RECOMMENDATIONS

3.1 That the Committee approve the revised Funding Model.

3.2 That Committee agree that the order of primary schools in the programme is determined primarily by condition and suitability ratings, that a prioritised schedule is developed and submitted for approval by members in mid 2012 and that a review of the schedule is undertaken every three years thereafter through the life of the programme..

Albert Henderson **Corporate Director Education & Communities**	**Alan Puckrin** **Chief Financial Officer**

4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

4.1 Inflation

At the time of the last review in June 2009 economic factors had changed dramatically from the original June 2008 model and these changes were reflected in the revised model. Since then conditions have been more stable although according to the BCIS Tender price indices there has been a continuing slow decline in tender prices over the past year. Whether this is reflected in real world conditions locally is open to debate. The latest available indices show that the actual 2009 indices are lower than the forecast in July 2009 by an average of 3.5% and forecasts for 2010 and the first half of 2011 have been reduced by an average of 1.75%. While still adopting a cautious approach inflation assumptions can be reduced slightly.

A better indication of current local conditions is the tender for Earnhill Primary School which has recently been returned slightly under budget. This indicates that inflation assumptions to date and the accuracy of the cost plans are broadly correct. Given that the confidence level in the cost plan and inflation levels to date are substantially increased and based on the latest available industry forecasts for workload and tender prices it is possible to adjust the inflation allowances. The table below gives the current allowance, a proposed revised allowance and the latest available Building Cost Information Service (BCIS) tender price index. It does appear that demand will remain weak over the next two years and the latest forecasts do not take into account the post election reductions in public sector spending. The previous model anticipated inflation would be strong in 2012 to 2014, this has been altered to modest in 2012 to 2014 and becoming stronger in 2014 to 2016. It must be emphasised that forecasting future tender price inflation beyond 18months becomes speculative and these figures will be subject to annual revision. A degree of caution has been built in by keeping allowances above the BCIS forecasts however any recovery will almost certainly bring a sharp increase as contractors try to recover lost margins. When the revised inflation allowances are fed into the model this results in a reduction in construction costs of £1.27m over the life of the programme. It is felt that this is as much as can prudently be taken out at this time. If the BCIS indices were used the reduction would increase to £3million however this would not allow any margin for error or variation.

Year	Current inflation allowance	Revised Inflation allowance	BCIS 5 year forecast (May 2010)
2010/11	0%	0.5%	0.5%
2011/12	3%	2.5%	2.3%
2012/13	6%	3.5%	2.6%
2013/14	5%	4%	3%
2014/15	3%	5%	No forecast
2015/16	3%	5%	No forecast
2016/17 & Future	3%	3%	No forecast

4.2 Capital Receipts

A major change in the model over the past year is the valuation of Capital Receipts. In the 2009 review valuations were reduced to 70% of the value taken in the 2008 model. This was based on a June 2009 valuation of Wellington Academy by the District Valuer which estimated its value as 77% of the value allowed in the 2008 model. The District Valuer prepared a valuation the site of former Greenock High School and Glenburn School in May 2010 in connection with the sale of the site to the Scottish Prison Service. This was substantially lower than what had been allowed and as a result a review has been carried out of all capital receipts. Independent valuations have been carried out of four of the sites and from this the Property Assets Manager has estimated the value of the other sites. This indicates that, for the smaller less valuable sites (generally £1m and under) values have held up well compared to last years forecast. For the more valuable sites values have dropped, Greenock HS/Glenburn by £2m and Greenock Academy by

£2.2m although St Stephen's goes against this trend, increasing by £500,000 from the 2009 estimate. The loss in value is therefore not as severe as was anticipated based on the District Valuer's estimate for Greenock HS/Glenburn

The Policy & Resources Committee at a special meeting on 17 August 2010 agreed the sale of the former Greenock High School/Glenburn School site to the Scottish Prison Service. The amount is not definitive as an allowance for abnormal and demolition costs has to be deducted from the agreed £3m receipt. £2m has therefore been built into the model as the best estimate of the actual net receipt.

Inflation assumptions have also been reduced for capital receipts, it is assumed that there will be no increase in value before 2014/15 and from then a modest 3% per annum increase is taken.

The reduction in value of Capital Receipts from the 2009 model is just under £8m

4.3 **<u>Scottish Government School Building Programme</u>**

At the time of the December 2009 review of the model it was anticipated that the Council would receive £6.4million from the programme, this being 50% of the cost of the ASN School. In June 2010 confirmation of the funding was received, however this is less than previously allowed at £5.5million, leaving a gap of £0.9million in anticipated funding.

5.0 REVIEW OF THE MODEL – INTERNAL FACTORS

5.1 **<u>Overview</u>**

There have been no changes to the model in terms of the projects being undertaken since the 2009 review, the main changes relate to funding issues. As part of the budget setting process a mini review of funding was carried out to take account of funding changes and the loss of one capital receipt. This is detailed below.

5.2 **<u>December 2009 Updating of Model</u>**

The original model assumed that capital funding would increase 3% annually from 2010/11. Due to pressures on capital budgets the Chief Financial Officer advised that this was not sustainable and the model was revised to fix the capital allowance at 2010/11 levels for the life of the model. The result of this was a reduction in Capital Allowance of £11,850,000 over the life of the model. Additionally, the Council took the decision to utilise the former Wellington Academy building as office accommodation and this meant that the anticipated capital receipt of £1,156,000 had to be removed from the model. This was partly offset by the announcement of funding for new schools from the Scottish Government. The Council was provisionally awarded 50% of the funding for the new ASN school, based on the project cost plan this amounted to £6,400,000 and this was added to the model.

The net impact of this was a reduction in available funding of £6,600,000 over the life of the model. In order to maintain the programme as agreed this was dealt with by extending the programme by a year but without rephasing any projects, i.e. there was a deficit remaining at the end of 2022/23 which was paid out of the capital allocation for 2023/24.

5.3 **<u>Review of Cost Plans</u>**

Generally there have been no changes made to the cost plans for projects in the last year as the work content remains the same and there is no change in specification. The exception is the Shared Campus/ASN school where the Design fees are less than budgeted for, allowing a reduction in the project cost. For this project and the refurbishment of Gourock High School for St Columba's HS. Design work has commenced and more accurate cost plans have been produced which confirm that the projects are on budget.

The Tender for Earnhill has been returned, slightly below budget but not by enough to allow a change in the cost allowance.

5.4 **Review of One off Costs**

The one off costs have been amended to reflect the proposed phasing changes.

5.5 **Review of Savings**

The savings model has been reviewed and there are no significant changes. The earmarked reserve allocation for 2009/10 was underutilised however this was taken back into general reserves and not carried forward. The same action was taken in respect of savings in loan charges where the Model is charged with the actual cost of loan charges rather than an estimate.

5.6 **Summary of Review**

There has been very little in the way of changes to the programme of work in the last year however there has been a reduction in the available funding from two factors, firstly the reduction in anticipated capital funding from 2010/11 on and secondly the value of anticipated capital receipts. This has been partly offset by the receipt of grant funding from the Government for the ASN school, a reduction in the cost of the shared campus and a reduction in anticipated future construction inflation however there would still be a deficit at the end of 2022/23 due to the reduced funding. If the construction programme remains unchanged there would be a deficit of almost £8m at the end of the programme in 2023/24 and there would be a large cashflow deficit during the programme. The net effect being that whilst the works would effectively complete in 2021/22 but the capital aspect of the Model would not be in surplus until 2028/29.

6.0 OPTIONS TO REDUCE DEFICIT

6.1 Various options have been considered in order to reduce the deficit at the time of the physical completion of the programme. The following measures are recommended and the revised model has been drawn up on the basis that these are accepted.

6.2 Port Glasgow Denominational Primary Schools

When the Strategy was approved in June 2008 the Committee agreed that there would be a review of denominational Primary Education in Port Glasgow in 2013/14. Given the falling rolls in the area and the capacity of the schools it was assumed that one school would close and the model was based on this assumption. Savings from one closure and a capital receipt from one site were assumed however the capital cost of both the external works at St Francis and the refurbishment of St John’s were included in the capital cost. It is recommended that the allowance for external works at St Francis is omitted. This would remove £404,000 from the model.

Extending the Primary Refurbishment Programme

If the model is adjusted to take account of the changed factors since last year but the projects are progressed as per the original timescales then the building work would be completed by 2022/23 however the capital programme would still be funding the work for a further 6 years. This cannot be considered financially prudent. It is therefore recommended that the Primary School programme is stretched over a greater number of years, with the last school being completed in 2027 and financially complete in 2029.

Taking forward the Primary Refurbishment Programme

The model, in order to provide a more realistic cashflow, has allocated funding to the schools still to be fully refurbished. The Council has not as yet set a specific priority order for the projects to be carried out in and the order set out in Appendix 1 (a) should not be taken as definitive. The first Primary School refurbishment is scheduled to commence on site in July 2013 and therefore there is no requirement to set the order of priority before mid 2012.

In setting the order of primary schools for major repairs it is proposed that the condition and suitability ratings are used as the main determinants. While the ratings are put into bands each school has a precise percentage score for both condition and suitability and so it is possible to rank schools in order. As elements deteriorate or are renewed ratings will change and therefore the order originally set may, over time cease to be appropriate. It is recommended therefore that the order is reviewed every three years over the life of the programme

It is a primary aim of the School Estate Strategy to lift all schools out of condition C as quickly as possible. It is proposed to do this by utilising the Lifecycle fund contained within the model to do this by 2014. More detail is given on this in the separate report on the School Estate Management Plan. Thereafter the lifecycle fund will continue to be used to improve the condition of schools so that condition improves over time even without a full refurbishment and that major repairs are carried out at the appropriate time.

Capital Receipts

There is a further Corporate factor relating to capital receipts which now needs to be considered.

The Council is estimated to need £8-12 million over the next 4 years to fund the release of employees to help ensure the Council can close the significant budget gap. The Council does not have the revenue resources to meet this one-off cost and will be extremely hard pressed to raise this sum from revenue whilst balancing the budget.

The P&R Committee agreed on the 17^{th} August that the capital receipts be recycled through the capital fund to free up an equivalent amount of one off revenue funding to fund the early release costs.

What this means for the model is that there is an increased revenue cost of approximately £600k/year from 2014/15.for which the SEMP model is recompensed.

7.0 FINANCIAL IMPLICATIONS

7.1 Summary

Most of the factors outlined in this report have had an adverse impact on the affordability of the model. We are now at the time where there needs to be a review of the delivery timescales and projects to ensure that the Council can continue to claim that the SEMP is affordable.

There needs to be a closing of the gap between the financial and physical delivery of the programme.

7.2 Capital Costs and Receipts

The situation in respect of the receipts adds a further complication but it would be unfair to expect the SEMP model to pick up the cost for what is an unavoidable financial pressure for the Council.

One option that maybe considered is a modest increase in the capital allowance say from

2017/18 (the end of the spending review after next). However there is every chance the Council may need to revisit the affordability of the current £4.8 million annual allowance prior to then were capital cut backs greater than currently estimated.

7.3 Cashflow

Both the capital and overall models need to be in surplus for the Council to claim the SEMP is financially deliverable. The model shows this but timescales and resources have been increased.

7.4 Financial Risks

The Council is now entering the time period of greatest risk to the programme with the highest period of investment coinciding with a period of huge financial uncertainty and austerity. A risk register is attached as appendix 2

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 The Corporate Management Team has considered this report and are in agreement with its conclusions and recommendations.

9.2 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.

9.3 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 - June 2010 Review - Variant 2

Sources of Funding	Start Date	Completion Date	Total Base Date	Total	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	2023/24	2024/25	2025/26	2026/27	2027/28
Scottish Government Funding ASN School												5,500															
Capital programme for the year									4,808	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Prudential funding General			12,383				2,035					9,474										874	-	-	-		-
Prudential Funding - shared campus									923	989	9,480	17,744	6,176	975	-	-	-	-	-	-	-	-					
Overspend funded from following year															-	-	-	-	-	-	-	-					
Underspend transferred to previous year								951	6,169																		
Total funding available					-	-	2,035	951	11,900	5,789	14,280	37,517	10,976	5,775	4,800	4,800	4,800	4,800	4,800	4,800	4,800	5,674	4,800	4,800	4,800	4,800	4,800
Less: Capital programme not listed below				4,479					3,719	760																	
Balance available for other projects	-	-			-	-	2,035	951	8,181	5,029	14,280	37,517	10,976	5,775	4,800	4,800	4,800	4,800	4,800	4,800	4,800	5,674	4,800	4,800	4,800	4,800	4,800
Proposed spend																											
Port Glasgow Joint Campus new school	Jun-11	Jun-13	31,875	35,292					54	864	9,480	17,744	6,176	975	-	-	-	-	-	-	-	-					
Refurbishment of St Columba's HS	Jun-11	Jun-13	13,707	15,298					13	703	3,272	8,807	2,182	322	-	-	-	-	-	-	-	-					
Inverclyde Academy 3G pitch	Oct-09	Dec-09	460	460					454	6																	
Overton/Highlanders Refurbishment	Oct-10	Nov-11	4,780	5,004					204	1,008	3,664	128	-	-	-	-	-	-	-	-	-	-					
Ardgowan PS Refurbishment	Jul-13	Jul-14	3,886	4,491					-	-	-	201	2,631	1,540	118	-	-	-	-	-	-	-	-	-	-		
Gourock PS Refurbishment	Jul-26	Mar-27	1,149	2,020					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,864	58
Inverkip PS Refurbishment	Jun-11	Mar-12	832	895					-	34	833	28	-	-	-	-	-	-	-	-	-	-	-	-	-		
Kilmacolm PS Refurbishment	Jul-22	Jul-23	2,877	4,302					-	-	-	-	-	-	-	-	-	-	-	-	188	2,186	1,808	120	-		
Lady Alice PS Refurbishment	Oct-21	Oct-22	2,450	3,719					-	-	-	-	-	-	-	-	-	-	-	33	1,511	2,071	104	-	-		
Moorfoot PS Refurbishment	Jul-17	Oct-18	3,885	5,245					-	-	-	-	-	-	-	191	2,000	2,917	138	-	-	-	-	-	-		
Earnhill Refurbishment (S Heart/St G)	Jul-10	Jun-11	4,054	4,064				10	180	2,150	1,620	103	-	-	-	-	-	-	-	-	-	-	-	-	-		
St Mary's PS Refurbishment	Jul-20	Oct-21	3,722	5,653					-	-	-	-	-	-	-	-	-	-	104	2,283	3,118	148	-	-	-	-	-
St Ninian's PS Refurbishment	Jul-25	Jul-26	4,635	7,693					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	157	3,650	3,691	196
St Patrick's PS Refurbishment	Jul-15	Oct-16	4,360	5,436					-	-	-	-	-	220	2,461	2,616	140	-	-	-	-	-	-	-	-		
Port Glasgow Denominational PS refurbishment	Jul-19	Jul-20	1,825	2,465					-	-	-	-	-	-	-	-	-	62	1,456	879	68	-	-	-	-		
ASN School	Jul-11	Jun-13	11,082	12,304					-	417	3,059	6,440	2,120	267	-	-	-	-	-	-	-	-					
Mearn Centre Interim Refurbishment			200	200					29	166	5																
Early Years Establishments Refurbishments	Jul-17	Dec-17	1,000	1,348					-	-	-	-	-	-	-	62	1,257	28	-	-	-	-					
Kings Glen Decant School	Jun-10	Aug-10	50	50						50																	
Sacred Heart Decant School	Oct-11	Jan-12	300	300							300																
Various Road Improvement Works	Varies		560	566					7	13	546	-	-	-	-	-	-	-	-	-	-	-					
Demolition of Greenock Academy	Jul-11	Oct-11	450	497							497																
Demolition of Wellington Academy	Jul-11	Oct-11	400	-																							
Demolition of St Stephen's HS	Mar-13		450	558									558														
Demolition of Sacred Heart PS	Dec-24		180	309																				309			
Demolition of Ravenscraig PS	Mar-10		150	49					11	inc	38																
Demolition of St Gabriel's PS	Oct-11		120	132							132																
Demolition of Kings Glen	Dec-11		200	221							221																
Demolition of Lilybank			100	124									124														
General allowance for unforeseen works			900	1,818				941		77	100	100	100	100	100	100	100	100									
PPP Interactive Boards/LCD Screens	Varies		474	530					132	3	395	-	-	-													
Lifecycle Fund			22,467	27,105					-	161	277	345	359	487	601	917	1,128	1,191	1,773	1,836	1,934	1,900	2,102	2,787	2,917	3,099	3,290
Total proposed spend			123,581	148,146	-	-	-	951	1,084	5,652	24,440	33,897	14,249	3,911	3,279	3,885	4,625	4,299	3,471	5,032	6,819	6,305	4,014	3,372	6,664	8,654	3,544
Surplus (Deficit) for year to carry forward					-	-		-	7,097	(623)	(10,159)	3,621	(3,273)	1,864	1,521	915	175	501	1,329	(232)	(2,019)	(631)	786	1,428	(1,864)	(3,854)	1,256
Surplus (Deficit) brought forward						-	-	-	-	7,097	6,474	(3,685)	(64)	(3,338)	(1,474)	47	962	1,136	1,637	2,966	2,735	715	85	871	2,299	435	(3,419)
Cumulative carry forward						-	-	-	7,097	6,474	(3,685)	(64)	(3,338)	(1,474)	47	962	1,136	1,637	2,966	2,735	715	85	871	2,299	435	(3,419)	(2,163)

Anticipated Capital Receipts	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	2023/24	2024/25	2025/26	2026/27	2027/28
Barmoss	125	-	-	-	-	-	-	-	125	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Slaemuir	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Mearns Centre	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Highholm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Ravenscraig	350	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-		-
St Gabriel's	250	-	-	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Sacred Heart	874	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	874	-	-	-		-
Port Glasgow Primary	251	-	-	-	-	-	-	-	-	-	251	-	-	-	-	-	-	-	-	-	-	-		-
Wellington	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Greenock Acad	2,000	-	-	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Glenburn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Lilybank	359	-	-	-	-	-	-	-	-	-	359	-	-	-	-	-	-	-	-	-	-	-		-
Highlanders	420	-	-	-	-	-	-	-	420	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Kings Glen	900	-	-	-	-	-	-	-	900	-	-	-	-	-	-	-	-	-		-	-	-		-
Springfield	500	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
St Mungo's	775	-	-	775	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Holy Family	760	-	-	760	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Greenock HS	2,000	-	-	-	-	-	2,000	-	-	-		-	-	-	-	-	-	-	-	-	-	-		-
St Stephen's HS	2,819	-	-	-	-	-	-	-	-	-	2,819	-	-	-	-	-	-	-	-	-	-	-		-
	12,383	-	-	2,035	-	-	2,000	-	4,045	-	3,429	-	-	-	-	-	-	-	874	-	-	-		-

School Estate Funding Model - August 2009 Revision - One Off Revenue costs

Sources of Funding	Start Date	Completion Date	Total	Total Inc Inflation	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	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed spend																											
Clune Park Closure	Apr-08		17	17				17																			
Refurbishment of Gourock HS for St Columba's	Jul-11	Jul-13	629	705				39	203	105	105	105	148	-													
Port Glasgow Joint Campus	Jul-11	Jul-13	872	972					-	282	410	30	250	-													
Overton/Highlanders Refurbishment	Oct-10	Nov-11	298	257				-	-	200	57	-															
Ardgowan Primary School Refurbishment	Jul-13	Jul-14	394	471									347	125													
Gourock Primary School - Refurbishment	Jul-26	Mar-27	20	35																						35	
Inverkip Primary School Refurbishment/Extn.	Jun-11	Mar-12	20	23							23																
Kilmacolm Primary School Refurbishment	Jul-22	Jul-23	190	340																		215	124				
Lady Alice Primary School Refurbishment	Oct-21	Oct-22	274	389																	224	166					
Moorfoot Primary School Refurbishment	Jul-17	Oct-18	301	414													172	241									
Refurbishment of Earnhill (Sacred Heart/St Gabriel's	Jul-10	Jun-11	70	79				-	17	-	62	-															
St Francis Primary School Refurbishment	Jul-20	Oct-21	-	-																							
St Mary's Primary School Refurbishment	Jul-25	Jul-26	311	457																291	166						
St Ninian's Primary School Refutrbishment	Jul-25	Oct-26	646	1,241																				£529	£650	£61	
St Patrick's Primary School Refurbishment	Jul-15	Oct-16	457	580											387	193											
St John's Primary School Refurbishment	Oct-19	Oct-20	228	326															212	114							
ASN School - New Build	Mar-12	Jun-13	85	101									101														
Mearns Centre - Refurb St Laurences	May-11	Feb-12	35	43							43																
Early Years Establishments Refurbishments	Jul-17	Dec-17	50	60									36	24													
Sacred Heart Mothball	Jul-11	Jul-13	134	588							58	76	19			45	22	48	24			53	106	106	30		
Notre Dame to Wellington	Jun-09		105	111					111																		
PPP New SW Primary	Jan-10		46	49					49																		
PPP New All Saint's Primary	Jan-10		46	49					49																		
PPP New Notre Dame	May-11		75	84							84																
PPP New Bayhill	May-11		120	135							135																
Additional Revenue maintenance costs				5,403					313	360	49	224	116	230	263	271	279	288	296	305	314	324	333	343	354	364	375
Energy Performance Certificates			200	100															100								
Condition Survey	Varies		300	520					100				120					140					160				
Total proposed spend			5,921	13,548	-	-	-	56	841	947	1,026	435	1,137	378	651	509	474	717	632	710	703	758	724	979	1,034	460	375

Appendix 1(c)

Sep-10

School Estate - Earmarked Reserves

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Earmarked Reserve b/fwd	1,786	3,994	1,908	1,612	1,839	695	1,211	1,679	2,285	2,921	3,308	3,775	4,158	4,606	4,992	5,405	5,556	5,645	6,180	6,841	7,532
Available Savings added (a)	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	4,972	4,972	4,972	4,972	4,972	4,972	4,972
Extra Financing (b)	3,250	3,250	3,250	3,250	3,250	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850
Prudential Schools Loan Charges (c)	-1,747	-2,050	-2,495	-3,172	-3,860	-4,077	-4,112	-4,116	-4,121	-4,127	-4,132	-4,138	-4,145	-4,152	-4,159	-4,166	-4,173	-4,180	-4,188	-4,196	-4,204
Receipts- Prudential Funding (i)	0	0	0	-213	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580	-580
Unitary Charge Payment (d)	-360	-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	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042	-9,042
One Off Costs (e)	-204	-587	-977	-211	-1,021	-148	-388	-238	-195	-429	-336	-405	-389	-434	-391	-636	-680	-96	0	0	0
Extra Revenue Repairs (f)	-273	-360	-49	-224	-116	-230	-263	-271	-279	-288	-296	-305	-314	-324	-333	-343	-354	-362	-375	-389	-401
Cash Flow Deficit Funding (g)	0	0	-152	0	-119	-45	0	0	0	0	0	0	0	0	0	0	0	-123	-72	-20	0
Unitary Charge RSG (h)	264	1,577	5,404	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096
Written Back to General Reserves	-602	-3,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserve c/fwd	3,994	1,908	1,612	1,839	695	1,211	1,679	2,285	2,921	3,308	3,775	4,158	4,606	4,992	5,405	5,556	5,645	6,180	6,841	7,532	8,223

(a) Per figures 13/08/09 - Based on full years actual expenditure 09/10 budget.
(b) Per 2008/9 budget and £1 million for Shared Campus approved Feb 2009 plus compensating loan charges for receipts transferred to the Capital Fund.
(c) Assumes Inverclyde Academy , Newark Primary & Shared Campus are Prudentially funded. Uses a pool fund rate of 4.5% from 2010/11.
(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 2026/27 one-off costs cease.
(f) Increased Revenue Repairs.
(g) Assumes 4.0% Internal Borrowing Rate on any short term cashflow funding of capital investment. Based on Capital contribution being frozen at £4.8 m from 2010/11.
(h) Government have yet to include full funding in Council settlements from 2011/12.
(i) Assumes 30 year write off period of £9.474 millionat 4.5% for resultant investment .

A Puckrin
24/08/2010

School Estate Strategy Risk Register

Appendix 2

Revision 3

New Text Shown in blue

Organisation	Inverclyde Council
Risk Map	School Estate Strategy
Risk Assessors:	School Estate Team
Date:	Aug-10

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	*Financial Risk - Cost Planning:* Cost allowances for Special Schools may prove insufficient. This risk has reduced since the last the last risk register. As the design is developed confidence in the adequacy of the cost grows. This will however remain a risk until a full cost plan is completed.	5	2	2	10	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 finalised by December 2009..
2	*Political Risk - Model:* 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.	4	3	2	12	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	*External Risk:* 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	2	2	10	Inflation allowances have been reviewed and adjusted in line with current projections . Latest Building Cost Information Service forecasts have been checked and prices are predicted to hold steady for the next two years, forecasts are also more stable	School Estate Team	Inflation assumptions should be reviewed annually and adjusted if necessary.
4	*External Risk:* Level of support from Central Government changes. Since last year's review this factor is much more significant and a reduction in funding is certain. The model has however been revised to reflect this and therefore the risk has not changed	4	3	2	12	Additional funding has been made available for the ASN school. Amount expected is half the cost (£5.5m) The current model includes this additional funding but also assumes a reduction in capital funding over the life of the model.	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 as per the revision to the model Dec 2009 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	*Building Risk:* 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	2	12	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	*External Risk:* 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	2	12	Valuations have been carried out for the surplus properties. These reflect the current weak market conditions and the amounts allowed in the model are significantly less than last year.	School Estate Team	Valuations should be kept under review and actual receipts compared with estimates as they occur.
7	*Financial Risk - Cost Planning:* 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. Tenders have now been received for Earnhill Primary School and thse are in line with the cost estimate. thi	4	2	2	8	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	*Financial Risk - Cost Planning:* 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.	2	2	4	4	This risk as reduced, with proposals being brought forward to refurbish the St Laurence's building for the Mearns Centre (outwith the Semp) this will provide accommodation for displaced staff.	School Estate Team	If the current proposals are agreed much of this risk will be eliminated. 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.
9	*Building Risk:* 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.	3	3	2	9	An additional allowance has been included in the model to top up the CRA to the required level of funding. This risk has increased as it is likely that the CRA budget will be cut this year by £100,000	School Estate Team/Property	
10	*Building Risk:* 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.	3	3	2	9	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	*Demographic Risk* : 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; Issues relating to the capacity of Clydeview Academy have been addressed	3	3	2	9	St Ninian's includes some provision for classroom extensions. Changes to the Placing Request policy have been agreed which should result in better management of rolls vs capacity in the future.	Corporate Director Education & Communities	This risk should be assessed and a view taken prior to deciding on final proposals for these two schools. An action plan is in place to address the issues of capacity at Clydeview Academy prior to its opening in 2011.
12	*Cost Planning Risk:* 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 with the schools. 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. Provision in Gourock is being dealt with separately from the SEMP.	4	2	2	8		School Estate Team	Work should take place at an early date to properly scope and cost the work required.
13	*Financial Risk - Model:* Savings from school closures 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.	4	2	2	8	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. The savings have been checked and are currently on target.	Finance	Savings should be subject to an annual review and adjustment as necessary.
14	*Demographic Risk:* 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.	4	2	2	8	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	*Financial Risk - Model:* 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.	3	2	2	6	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	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		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	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.
19	*Project Risk - St Columba's High School* It is proposed that the playing field for the School will be built on Tower Hill adjacent to the site. There maybe Legal or Planning issues which would restrict or prevent this	3	3	3	9	Title Investigations have been carried out as has early discussion with Planning Services..	School Estate Team	

Key: see diagram

Quartile 1: High impact and highly likely risks which must be managed effectively

Quartile 2 & 3: High impact but not likely given either the controls in place or the nature of the risk. High likelihood but low impact given either the controls in place or the nature of the risk. Management should periodically review controls and contingencies to deal with these risks.

Quartile 2 & 3: Medium impact and medium likelihood risks which management should periodically review controls and contingencies to deal with these risks.

Quartile 4: Low impact and low likelihood risks which should be reassessed over time to ensure their impact and likelihood does not increase over time.