Inverclyde council

AGENDA ITEM NO. 7

Report To:	**Education & Lifelong Learning Committee**	**Date: 1 November 2011**
Report By:	**Corporate Director Education & Communities/Chief Financial Officer**	**Report No: EDUC/43/11/EM**
Contact Officer:	**Eddie Montgomery**	**Contact No: 01475 712472**
Subject:	**Review of School Estate Funding Model 2011**	

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 2011 review.

2.2 Since the Plan was approved last September the following major milestones have been reached:

- The Schools PPP project achieved fully operational status with the completion of Clydeview Academy and Notre Dame High School on 4th May 2011.
- Port Glasgow High School and St. Stephen's High School have been successfully brought together in the temporary shared campus with tenders returned and accepted for the new shared campus which commenced on site on 3rd October 2011 to complete mid July 2013.
- St. Andrew's Primary School is nearing completion with St Gabriel's Primary School and Sacred Heart Primary School amalgamating in the newly refurbished and extended building in October 2011.
- Overton Primary School refurbishment (for Highlanders/Overton) is on site with a completion anticipated summer 2012.
- The Committee approved proposals for a revised scope of works for Mearns Centre (Refurbishment of St. Laurence's Primary School) which is programmed to start on site winter 2011 to complete autumn 2012.
- The tenders have been returned for St Columba's HS (Refurbishment of Gourock HS) with a start anticipated in November 2011 to complete June 2013.

Further details of current work are given in the Capital Report 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(a)-(d).

2.4 Overall the SEMP remains affordable with a financial completion of 2029/30 which remains unchanged from last year's review. Due to the significant cost savings in the

Shared Campus tender reported elsewhere on the agenda plus ongoing loans charges savings it is proposed to incorporate a saving of £340,000 in financing costs from 2014/15. This approach is recommended given future significant capital and revenue spending pressures on the Council.

2.5 In addition, due to the accumulated balance in the Earmarked Reserve a transfer of £1.0million to the General Fund in 2012/13 is proposed to be built into the model. The treatment of this sum will form part of the overall 2012/13 Revenue budget review.

3.0 RECOMMENDATIONS

3.1 That the Committee approve the revised Funding Model and the associated savings highlighted in Paragraph 6.1.

3.2 That the financial implications of the revised model are build into the Council's revised Financial Strategy due to be presented to the Council in December.

Albert Henderson
Corporate Director Education & Communities
7th October 2011

Alan Puckrin
Chief Financial Officer
7th October 2011

4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

4.1 **Inflation**

At the time of the last review in September 2010 it was reported that the Building Cost Information Service (BCIS) Tender price indices were forecasting a more stable period and that tender prices were starting to rise following a period of slow decline. Inflation levels were adjusted at the last review based on an assessment of the likely local conditions reflecting returned tenders such as the Earnhill Primary School refurbishment project. Since that time tenders for Overton Primary School refurbishment and extension, Port Glasgow Shared Campus and St Columba's HS (Refurbishment of Gourock HS) have been received. Generally the level of pricing supports the view taken at the last review with tenders, especially for the larger scale projects, being very competitively priced. However it should be noted that a local factor may be that the smaller scale projects were secured at keen prices to allow Contractors to establish or maintain a presence in the area with a view to hopefully securing one of the larger scale projects.

The BCIS 2011 five year forecast notes the following:

- General inflation is expected to fall from 5% to 3% by the end of 2012, thereafter remaining at around this level over the rest of the forecast period.
- Material prices are expected to settle down following sharp rises in the first half of 2011. It is anticipated that materials prices will rise at around the level of general inflation over the second year of the forecast period, then rising ahead of it over the final three years of the forecast, with new work output returning to growth, and upward pressure as a result of strong demand in the emerging economies.
- The majority of wage awards agreed for 2011 were well below the rate of general inflation (or no increase). The average level of wage awards is expected to rise well behind the level of general inflation over the first year of the forecast and similarly for 2012 with the remainder of the forecast period at more or less the level of general inflation.
- It is anticipated that new work output will fall in both 2011 and 2012 as the deep cuts in public sector funding hit the construction sector. It is expected that private sector growth will only begin to mitigate the fall in public sector investment in 2012 with steady growth not returning until 2013. A steady recovery is expected to continue over the last two years of the forecast period with public sector new work not expected to grow again until 2015. New work output in 2015 however is expected to remain 4% below the pre-recession high of 2007.

The BCIS view as of September 2011 is that tender prices have bottomed out in 2010, and although new work output is forecast to fall in 2011 and 2012, tender prices are expected to remain on an upward trend over the forecast period, driven by input costs increases (materials and wage awards).

The table below gives the current allowance and the latest available Building Cost Information Service (BCIS) tender price index. It is not proposed to alter the inflation allowances at this review.

Year	Current inflation allowance	Revised Inflation allowance	BCIS 5 year forecast (September 2011)
2011/12	2.5%	2.5% - no change	2.2%
2012/13	3.5%	3.5% - no change	3.1%
2013/14	4%	4% - no change	3.4%
2014/15	5%	5% - no change	4.1%
2015/16	5%	5% - no change	4.7%
2016/17 & Future	3%	3% - no change	No forecast

4.2 **Capital Receipts**

Since the last review of the model and of the anticipated capital receipts, further independent valuations have been carried out on seven sites. All of the sites are zoned for residential purposes and that market is depressed at the moment with only prime sites of the right size selling. Many of the sites valued are quite small and are in areas of poor amenity and as a result may not generate interest from mainstream builders. In the current financial climate local developers may also struggle to obtain funding and most Nursing Home operators are no longer in the market. House prices have also fallen 5% in the Port Glasgow / Greenock area in the last year and this translates to a reduction in land values of 10-15%.

Overall the review indicates that there has been a reduction in value across the majority of sites with even the Greenock Academy site reducing to £1.8 million from £2.0 million as a result of the fall in house prices noted above. However the Greenock High School / Glenburn site sale to the Scottish Prison Service has resulted in a £2.7 million receipt compared to the anticipated £2.0 million.

Further changes from the September 2010 model include:

- Omission of a receipt for Port Glasgow Primary School which assumed that one denominational primary school within Port Glasgow would close in 2013/14. Following a review of primary capacity and occupancy carried out early 2011 and reported to the March 2011 Committee this will no longer occur.

- Addition of a receipt for the Mearns Centre site to reflect the decisions taken on the future of the Mearns Centre as reported to the May 2011 Committee.

The September 2010 review adjusted inflation assumptions on capital receipts and no further adjustment has been made in this review. 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 majority of sites are anticipated to be sold prior to 2014/15 with three sites in 2014/15 and one site in 2026/27.

The reduction in value of Capital Receipts from the 2010 model is £413,000.

4.3 **Scottish Government School Building Programme**

At the time of the September 2010 review of the model it was reported that the Council would receive £5.5 million from the programme. The grant funding commitment was based on a maximum of £5.5 million or 50% of the cost of the ASN School. As a result of the very competitively priced tender for the Port Glasgow Shared Campus and ASN School the anticipated grant funding total will now be £5.3 million, that being 50% of the cost of the ASN school. This figure has been adjusted in the current model.

4.4 **Scottish Government Capital Grant**

The annual capital allocation in the model has been held at £4.8 million. It should however be noted that continuing cuts in the capital grant given to the Council may make this unsustainable in the future and is a further reason why it is recommended that any efficiencies in the SEMP should be used to reduce the overall cost rather than speeding up delivery of the programme..

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.

5.3 **Review of Cost Plans**

There have been a number of changes to the cost plans for projects in the last year which are summarised below:

- Tenders for the refurbishment and extension of Overton Primary School were returned late 2010 slightly below budget with the balance of £105,000 being returned to the Education Capital Programme contingency.

- The St Columba's High School (Refurbishment of Gourock High School) project was increased by £403,000 following a report to the March 2011 Committee outlining the reasons for the pre-tender cost review with the increased cost being met from the Education Capital programme contingency. Tenders have now been returned and are being assessed. It is anticipated that the project will be under budget and a verbal update will be given to the Committee..

- Tenders for the Port Glasgow Shared Campus and ASN School project were returned in July 2011. The tender prices were very competitive and the accepted tender has resulted in a saving of £4.2 million on the original project allowance. This has improved the affordability of the model in respect of the anticipated loan charges associated with the prudential funding. There has been a slight reduction in the amount of grant anticipated to be received via the Scottish Government School Building Programme as outlined in 4.3 above £200,000.

- The Inverkip Primary School project has been re-scoped as reported to the May 2011 Committee to negate the need for further extension by relocating the library within the proposed new community facility. A report requesting approval in principle for relocation of the library was submitted and approved at the September 2011 Regeneration Committee. The proposals include virement of £300,000 funding from the Education Capital Programme to the Regeneration Capital Programme. The project budget has been reduced accordingly and a line added to reflect the virement.

Generally there have been no changes made to the cost plans for future projects as the work content remains the same and there is no change in specification.

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 and securing empty buildings. Schools also accumulate significant amounts of unwanted resources and the cost of disposing of these is included in the one off revenue costs. A comprehensive review of the one off costs has been carried out including a check on anticipated bus requirements for decant based on current roll projections and including any offsetting of existing bus costs. There has been movement of expenditure across years to account for revised project phasing. Overall there is a reduction of £179,000 in one off revenue costs over the life of the model.

5.5 **Review of Savings**

The available savings were reviewed against the 2010/11 actual expenditure and due to modifications to the SEMP there has been a net reduction of £202,000 to the projected savings over the period 2011/12 to 2015/16. This equates to a reduction of 1.22% and does not have a significant impact on the overall model.

5.6 **<u>Specific changes – Mearns Centre</u>**

The Mearns Centre (Refurbishment of St. Laurence's PS) main project for the future provision of the service as revised and agreed at May 2011 Committee has now been added to the model. As the replacement accommodation will be funded by Prudential borrowing this has a cost neutral effect on the capital model with loan charges accounted for in the overall model.

5.7 **<u>Specific changes - Port Glasgow Denominational Primary Schools</u>**

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. In the September 2010 review it was noted that the capital cost of both the external works at St Francis and the refurbishment of St John's were included in the capital cost model and the allowance for external works at St Francis was omitted.

A report was submitted to the March 2011 Committee which reviewed the capacity, occupancy and projected rolls of Primary Schools in order to examine any possibilities of future consolidation of the estate and potential efficiency savings. The report effectively performed the review of denominational Primary education in Port Glasgow from 2013/14 to 2021 and recommended that no plans should be made to close or amalgamate any of the Port Glasgow denominational Primary Schools at this time.

The effect on the model is that the allowance for external works at St Francis omitted at the last review has been reinstated with £405,000 added to the model. The capital receipt assumed for Port Glasgow Primary School site has also been omitted as outlined in 4.2 above.

6.0 FINANCIAL IMPLICATIONS

6.1 <u>Summary</u>

The model remains affordable on the assumption that contributions from the Council's capital budget remains at previously approved levels. The earmarked reserve summary (Appendix 1c) shows there is a positive balance carried forward each year with a maximum balance of £2.649 million in 2012/13 and a minimum balance of £1.577 million in 2026/27. It is proposed to remove £1.0 million from the accumulated balance in 2012/13 and remit the sum back to the General Fund for consideration as part of the budget process.

This shows a slight improvement in the overall affordability since last reported largely due to reduced borrowing requirement for the Port Glasgow Shared Campus plus savings in loans charges partially offset by a slight reduction in savings and the addition of projects in connection with the future provision of denominational education on Port Glasgow.

In addition it is proposed to reduce the Capital Fund's contribution to the financing costs from 2014/15 by £340,000 to reflect the net savings highlighted in the above paragraphs. This approach will offset the expected reduction and delay in capital receipts which were factored into Capital Fund projections.

6.2 <u>Capital Costs and Receipts</u>

The impact of changes in Capital Costs that are not contained within the general contingency are summarised below. The overall outturn capital cost has reduced by £3.809 million. The main changes are:

Shared Campus	-£2.538 million
ASN School	-£1.676 million
St Francis PS Externals	+£0.405 million
Reduction	-£3.809 million

Capital Receipts have reduced by £413,000.

6.3 Cashflow

Both the capital and overall models need to be in surplus for the Council to claim the SEMP is financially deliverable. The September 2011 model shows this to be the case within the previously reported timescales.

6.4 Financial Risks

Although the general financial climate is one of huge financial uncertaintly and austerity the SEMP has progressed to a stage where the greatest financial risks in connection with the highest value projects i.e. Port Glasgow Shared Campus / ASN School and the St Columba's High School (Refurbishment of Gourock HS) projects are now clearer with both projects having had tenders returned. Whilst there remains a risk (as with all construction projects) that final costs will exceed project budgets the contingency allowances within the projects address that risk. The remaining SEMP projects are generally smaller scale refurbishment projects. It should be noted that future reduction in government capital grant, as noted in paragraph 4.4, remains a significant risk to the programme. A risk register is attached as appendix 1(d).

7.0 OTHER IMPLICATIONS

7.1 Legal Implications

There are no Legal Implications

7.2 Human Resources Implications

There are no Human Resources Implications

8.0 CONSULTATION

8.1 There are no direct staffing implications in respect of the report and as such the Head of Organisational Development, HR and Performance has not been consulted.

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

9.0 EQUALITIES ISSUES

9.1 There are no equalities issues.

10.0 LIST OF BACKGROUND PAPERS

10.1 Project Cost Plans and Cashflows.

School Estate Funding Model - September 2011 Review

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												5,300															
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 - Receipts			11,970				2,035					5,700	3,325									-	-	-	-	910	-
Prudential Funding - Projects									923	803	2,629	18,421	10,529	481													
Prudential Funding - Mearns Centre											630	1,450	70														
Virement to Inverkip Community Centre													(300)														
Overspend funded from following year																											
Underspend transferred to previous year								951	6,169																		
Total funding available					-	-	2,035	951	11,900	5,603	8,059	35,671	18,424	5,281	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	5,710	4,800
Less: Capital programme not listed below				5,101					3,719	477	855	50															
Balance available for other projects	-	-			-	-	2,035	951	8,181	5,126	7,204	35,621	18,424	5,281	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	5,710	4,800
Proposed spend																											
Inverclyde Academy 3G pitch	Oct-09	Feb-10	460	460					454	3	3																
Mearn Centre Interim Refurbishment	Jan-10	Aug-10	200	140					29	110	1																
Kings Glen Decant School	Jun-08	Aug-10	50	42				20		20	2																
Various Road Improvement Works	Varies	Oct-11	560	566					7	3	237	319															
PPP Interactive Boards/LCD Screens	Varies	May-11	474	532					132	7	393																
St Columba's HS (Refurbish Gourock HS)	Nov-11	Jun-13	13,707	15,701					13	536	2,567	9,005	3,271	309													
St Andrew's PS (Refurbish Earnhill)	Aug-10	Oct-11	4,054	4,064				10	180	1,730	2,041	103															
Overton/Highlanders Refurbishment	Oct-10	Jul-12	4,780	4,899					204	289	3,433	911	62														
Port Glasgow Shared Campus new school	Oct-11	Jul-13	31,875	32,754					54	774	2,495	18,421	10,529	481													
Mearns Centre (Refurbish St Laurence's PS)	Dec-11	Sep-12	2,150	2,150							630	1,450	70														
Inverkip PS Refurbishment	Jul-11	Jul-12	832	595							295	256	44														
ASN School	Oct-11	Jul-13	11,082	10,628						259	750	6,059	3,409	151													
Sacred Heart Decant School	Oct-11	Jan-12	300	300								101	183	16													
Early Years Establishments Refurbishments	Jul-13	Jul-14	1,000	1,348												62	1,257	28									
Ardgowan PS Refurbishment	Jul-13	Jul-14	3,886	4,491								201	2,592	1,579	118												
St Patrick's PS Refurbishment	Jul-15	Oct-16	4,274	5,436										220	2,461	2,616	140										
St Francis PS External Works	Jul-15	Oct-15	320	405										19	377	9											
Moorfoot PS Refurbishment	Jul-17	Oct-18	3,885	5,245												191	2,000	2,917	138								
St John's PS Refurbishment	Jul-19	Jul-20	1,825	2,465														62	1,456	879	68						
St Mary's PS Refurbishment	Jul-20	Oct-21	3,722	5,653															104	2,283	3,118	148					
Lady Alice PS Refurbishment	Oct-21	Oct-22	2,450	3,719																33	1,511	2,071	104				
Kilmacolm PS Refurbishment	Jul-22	Jul-23	2,877	4,302																	188	2,186	1,808	120			
St Ninian's PS Refurbishment	Jul-25	Oct-26	4,635	7,693																				157	3,650	3,691	196
Gourock PS Refurbishment	Jul-26	Mar-27	1,149	2,020																					98	1,864	58
Demolition of Ravenscraig PS	Feb-10	Mar-10	150	49					11	26	12																
Demolition of Greenock Academy	Sep-11	Dec-11	450	164							162	2															
Demolition of St Gabriel's PS	Oct-11	Nov-11	120	86							85	1															
Demolition of Kings Glen	Jul-12	Sep-12	200	221							9	201	11														
Demolition of St Stephen's HS	Jul-13	Oct-13	450	558									530	28													
Demolition of Lilybank	Jul-13	Sep-13	100	124									117	7													
Demolition of Sacred Heart PS	Nov-26	Jan-27	180	328																						328	
General allowance for unforeseen works			900	1,944				921		-	323	100	100	100	100	100	100	100									
Lifecycle Fund			22,467	26,658						-	-	337	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			125,565	145,740	-	-	-	951	1,084	3,757	13,438	37,467	21,277	3,398	3,656	3,894	4,625	4,299	3,471	5,032	6,819	6,305	4,014	3,063	6,664	8,981	3,544
Surplus (Deficit) for year to carry forward					-	-		-	7,097	1,369	(6,234)	(1,846)	(2,853)	1,883	1,144	906	175	501	1,329	(232)	(2,019)	(1,505)	786	1,737	(1,864)	(3,271)	1,256
Surplus (Deficit) brought forward						-	-	-	-	7,097	8,466	2,232	386	(2,467)	(584)	559	1,465	1,640	2,141	3,470	3,238	1,219	(286)	501	2,237	373	(2,898)
Cumulative carry forward						-	-	-	7,097	8,466	2,232	386	(2,467)	(584)	559	1,465	1,640	2,141	3,470	3,238	1,219	(286)	501	2,237	373	(2,898)	(1,642)

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	75	-	-	-	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Slaemuir	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mearns Centre	103	-	-	-	-		-	-	-	-	103	-	-	-	-	-	-	-	-	-	-	-	-	-
Highholm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ravenscraig	150	-	-	-	-	-	-	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
St Gabriel's	250	-	-	-	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sacred Heart	910	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	910	-
Port Glasgow Primary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wellington	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greenock Acad	1,800	-	-	-	-	-	-	-	1,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Glenburn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lilybank	154	-	-	-	-	-	-	-	-	-	154	-	-	-	-	-	-	-	-	-	-	-	-	-
Highlanders	75	-	-	-	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kings Glen	900	-	-	-	-	-	-	-	900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Springfield	500	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
St Mungo's	775	-	-	775	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Holy Family	760	-	-	760	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greenock HS	2,700	-	-	-	-	-	2,700	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
St Stephen's HS	2,819	-	-	-	-	-	-	-	-	-	2,819	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,970	-	-	2,035	-	-	2,700	-	3,000	250	3,075	-	-	-	-	-	-	-	-	-	-	-	910	-

School Estate Funding Model - September 2011 Revision - One Off Revenue costs **Appendix 1(b)**

Sources of Funding/Proposed Spend	Start Date	Completion Date	Total	Total Inc Inflation	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
Clune Park Closure	Apr-08	-	17	17	17																			
St Columba's (Refurbishment of Gourock HS)	Nov-11	May-13	601	633	39	190	87	87	87	143														
PPP New Aielymill Primary School	Feb-10	-	46	49		49																		
PPP New All Saint's Primary School	Feb-10	-	46	49		49																		
Notre Dame to Wellington	Jun-09	-	105	111		111																		
St Andrew's Primary School (Refurb Earnhill)	Aug-10	Oct-11	70	79		17		62																
PPP New Notre Dame High School	May-11	May-01	75	84				84																
PPP New Clydeview Academy	May-11	May-11	120	135				135																
Overton/Highlanders Refurbishment	Apr-11	Jul-12	359	370			159	164	47															
Port Glasgow Shared Campus	Oct-11	Jul-13	872	972			125	567	30	250														
Mearns Centre - Refurb St Laurences	Dec-11	Sep-12	35	41					41															
Inverkip Primary School Refurbishment/Extn.	Jun-11	Jul-12	20	23				11	11															
ASN School - New Build	Oct-11	Jul-13	85	101						101														
Early Years Establishments Refurbishments	Jul-13	Jul-14	50	60						36	24													
Ardgowan Primary School Refurbishment	Jul-13	Oct-14	376	450						299	151													
St Patrick's Primary School Refurbishment	Jul-15	Oct-16	403	511								287	224											
Moorfoot Primary School Refurbishment	Jul-17	Oct-18	355	487										276	211									
St John's Primary School Refurbishment	Jul-19	Jul-20	224	320												222	98							
St Mary's Primary School Refurbishment	Jul-20	Oct-21	349	513													298	214						
Lady Alice Primary School Refurbishment	Oct-21	Oct-22	295	447														253	194					
Kilmacolm Primary School Refurbishment	Jul-22	Jul-23	190	340															291	48				
St Ninian's Primary School Refutrbishment	Jul-25	Oct-26	383	854																	370	423	61	
Gourock Primary School - Refurbishment	Jul-26	Mar-27	20	35																			35	
Sacred Heart Mothball	Varies - 5nr	-	486	667				51	67	16	50	36	45	28	47	29			53	106	106	34		
Additional Revenue maintenance costs	Annual	-		5,403		313	360	49	224	116	230	263	271	279	288	296	305	314	324	333	343	354	364	375
Energy Performance Certificates	10 Year Cycle	-	200	100												100								
Condition Survey	5 Year Cycle	-	300	520		100				120					140					160				
Total proposed spend			6,080	13,369	56	828	731	1,211	507	1,082	454	586	540	584	685	648	701	782	861	647	819	810	460	375

Sep-11

Appendix 1©

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	1,964	2,472	2,649	2,077	2,161	2,209	2,298	2,338	2,272	2,238	2,146	2,033	1,825	1,837	1,671	1,509	1,577	1,774	2,003
Available Savings added (a)	1,880	2,493	3,301	4,148	4,431	4,612	4,705	4,705	4,705	4,705	4,705	4,705	4,770	4,770	4,770	4,770	4,770	4,770	4,770	4,770	4,770
Extra Financing (b)	3,250	3,250	3,410	3,310	3,310	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Prudential Schools Loan Charges (c)	-1,747	-2,040	-2,142	-2,700	-3,785	-4,138	-4,158	-4,163	-4,168	-4,173	-4,178	-4,183	-4,188	-4,193	-4,198	-4,204	-4,209	-4,214	-4,219	-4,224	-4,229
Receipts- Prudential Funding (d)	0	0	0	-128	-401	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517	-517
Unitary Charge Payment (e)	-360	-2,991	-8,244	-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
Unitary Charge Inflation Element (f)	0	0	-60	-242	-495	-757	-1,030	-1,314	-1,609	-1,916	-2,235	-2,567	-2,912	-3,271	-3,645	-4,033	-4,437	-4,857	-5,294	-5,748	-6,221
Unitary Charge Funding from Inflation Contingency	0	0	60	242	495	757	1,030	1,314	1,609	1,916	2,235	2,567	2,912	3,271	3,645	4,033	4,437	4,857	5,294	5,748	6,221
One Off Costs (g)	-204	-475	-1,162	-283	-966	-224	-323	-269	-305	-397	-352	-396	-468	-537	-314	-476	-456	-96	0	0	0
Extra Revenue Repairs (h)	-273	-344	-49	-224	-116	-230	-263	-271	-279	-288	-296	-305	-314	-324	-333	-343	-354	-364	-375	-389	-401
Cash Flow Deficit Funding (i)	0	0	0	0	-99	-23	0	0	0	0	0	0	0	-11	0	0	0	-115	-66	-15	0
Unitary Charge RSG	264	1,577	5,394	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	-1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserve c/fwd	3,994	1,964	2,472	2,649	2,077	2,161	2,209	2,298	2,338	2,272	2,238	2,146	2,033	1,825	1,837	1,671	1,509	1,577	1,774	2,003	2,230

(a) Per figures 11/12 Budget - includes additional Clydeview savings and Port Glasgow Denominational PS remaining open. Full review of Janitors and Cleaning savings for new rates included.
(b) Per 2008/9 budget and £1 million for Shared Campus approved Feb 2009 plus £160k for St Laurences refurbishment and compensating loan charges for receipts transferred to the Capital Fund. Saving of £100k from 2012/13 & further £340k from 2014/15.
(c) Assumes Inverclyde Academy , Newark Primary,Shared Campus and St Laurences refurbishment are Prudentially funded. Uses a pool fund rate of 4.5% from 2011/12.
(d) Assumes 30 year write off period of £9.474 million at 4.5% for resultant investment .
(e) Based on Actual Unitary Charge at Jan 2011 RPI of £8.842 million plus £200k contingency.
(f) Base at Jan 2011 RPI. Assumes 2.7% annual inflation (4% RPI discounted by factor of 1.5)
(g) After 2026/27 one-off costs cease.
(h) Increased Revenue Repairs.
(i) 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.

School Estate Strategy Risk Register

Appendix 1(d)

Revision 8

Organisation	Inverclyde Council
Risk Map	School Estate Strategy
Risk Assessors:	School Estate Team
Date:	Sep-11

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	*Risk Deleted*							
2	*Risk Deleted*							
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. 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.	3	2	2	6	Inflation allowances have been reviewed and adjusted in line with current projections and latest Building Cost Information Service forecasts. The two major elements of the programme (Shared Campus and St Columba's) have been tendered this year in a period of price stability with competitive tenders returned.	School Estate Team	Inflation assumptions are 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 50% of the cost (£5.3M). The current model includes this additional funding but also assumes a reduction in capital funding from the government over the life of the model.	Chief Financial Officer	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 buildings, 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.	3	3	2	9	Valuations have been carried out for the surplus properties. These reflect the current weak market conditions and the amounts allowed in the model reflect this although the level of prudential funding is assumed as unchanged.	School Estate Team	Valuations should be kept under review and actual receipts compared with estimates as they occur.
7	*Risk Deleted*							
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 Asset Management team. This risk is further reduced given the work on the Corporate Office Reorganisation and ongoing work to relocate staff	2	2	4	4	The Corporate Office Accommodation model will provide accommodation for all staff.	School Estate Team/Asset Manager	ICurrent proposals agreed eliminate much of this risk. 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 Asset Management Team 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. Funding of CRA reduced by £50,000 per annum from 2012/13	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 took place in the former Greenock High (St Columba's) which 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 The report on Primary Capacities indicates rolls should remain stable over the next 5-6 years. Risk level reduced	3	2	2	6	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 St Ninians and Gourock Primary Schools.

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. There is an increase to this risk in that with the closure of Ladybird Nursery the council has had to form Larkfield Children's Centre which may be sustained beyond 2013 and will require accommodation not currently factored into the plan. There is also pressure to find additional nursery provision within Port Glasgow. Provision in Gourock is being dealt with separately from the SEMP.	2	4	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.	Finance	Savings should be subject to an annual review and adjustment as necessary.
14	*Risk Deleted*							
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	*Risk Deleted*							
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	Pupil transport costs have been calculated as accurately as possible based on current information but are impossible to predict accurately over time.	School Estate Team	Pupil transport costs should be reviewed and refined over the life of the model.
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	*Risk Deleted*							
20	*Demographic Risk*: Future viability of St. Columba's High School - Prior to new building becoming available the roll may drop below a level (circa 450) where a full curriculum could be offered / delivered and course choices could be constrained.	3	2	2	6	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	Maintain capping levels and admissions policy. Work with associated Primary Schools to promote the school.

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.