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| <b>Report To:</b>       | <b>Education &amp; Communities Committee</b>  | <b>Date:</b> 30 October 2012      |
| <b>Report By:</b>       | <b>Corporate Director Education, Communities &amp; Organisational Development and Chief Financial Officer</b> | <b>Report No:</b> EDUCOM/37/12/EM |
| <b>Contact Officer:</b> | <b>Eddie Montgomery</b>   | <b>Contact No:</b> 01475 712472   |
| <b>Subject:</b>         | <b>Review of School Estate Funding Model 2012</b>   |                                   |

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## 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 a revision of the School Estate Management Plan (SEMP). One of the recommendations of that report was that the Plan and Funding Model would be reviewed annually and reported to Committee. This report provides Committee with the 2012 review.
- 2.2 It should be noted that the 2011 review of the SEMP was reported to the November Education and Lifelong Learning Committee. A further revision of the Funding Model was submitted to the March 2012 Education and Lifelong Learning Committee to reflect the acceleration of the Primary School Refurbishment Programme approved at that Committee. Since the Plan and model were approved in March 2012 the following milestones have been reached:
- Whinhill Primary School (Highlanders Academy/Overton Primary School amalgamation) completed on site in August 2012 for the new term and is now operational. Kings Glen Primary School (former decant school) demolition is in progress.
  - Binnie Street Children's Centre completed on site in August 2012 for the new term and is now operational.
  - Garvel Deaf Centre was relocated to Moorfoot Primary School for the new term in August 2012.
  - Inverkip Nursery was expanded from 20/20 to 30/30 provision for the new term In August 2012.
  - The Mearns Centre (Refurbishment of St. Laurence's Primary School) project commenced on site in July 2012 to complete April 2013.

Further details of current work are included in the Capital Report also being presented to this Committee.

- 2.3 This report summarises the internal and external factors which affect the Plan and outlines the methodology used to review the financial model. A revised model is attached as Appendices 1(a)-(d).

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2.4 Overall the SEMP remains affordable with a financial completion of 2029/30 which remains unchanged from last year's review.

### **3.0 RECOMMENDATIONS**

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

3.2 That the Committee note that the financial implications of the revised model will be built into the Council's revised Financial Strategy due to be presented to the Council in December.

Albert Henderson  
Corporate Director Education,  
Communities & Organisational  
Development  
5<sup>th</sup> October 2012

Alan Puckrin  
Chief Financial Officer  
5<sup>th</sup> October 2012

## 4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

### 4.1 Inflation

At the time of the last review of inflation in September 2011 it was reported that the Building Cost Information Service (BCIS) view was that Tender prices had bottomed out in 2010, and although new work output was forecast to fall in 2012, tender prices were expected to remain on an upward trend over the forecast period, driven by input costs increases (materials and wage awards). Currently, tender prices have fallen by 1.8% in the 1<sup>st</sup> quarter 2012 compared with the previous quarter, but remain unchanged compared with a year earlier.

The BCIS 2012 five year forecast (July 2012) notes the following:

- General inflation is expected to be around 2.4% in 2012, 3.1% in 2013, 2.6% in 2014, 3.6% in 2015 and 3.5% in 2016.
- Material prices are expected to rise by around 3% per annum over the first three years of the forecast, rising at 4% over the final two years. It is anticipated that materials prices will rise at around the level of general inflation over the first four years of the forecast, only moving ahead of it over the final year of the forecast period. Global demand for raw materials is not expected to exert undue pressure on prices throughout the forecast period.
- With demand expected to fall in 2012 and 2013, the average of wage awards over the first couple of years of the forecast period are likely to be muted. The average level of wage agreements is then forecast to rise steadily as demand gathers pace towards the end of the five year period.
- New work output is expected to fall sharply in 2012, and with current tender price levels around 4% above the low in early 2010, and input costs having risen 7% since then, it is thought that there is little room for a further downwards movement in tender prices.

It is felt that with the sharp decline in new work output predicted for 2012, followed by a further smaller decline, contractors will reduce tender prices a little over the first year of the forecast, limited by contractor margins, in an effort to win work. Over the second year of the forecast, BCIS believe that contractors will be reluctant to absorb rising input costs (materials and wage awards) for another year, despite another fall in new work output in 2013, and so tender prices are predicted to rise in line with input costs, until they move a little ahead towards the end of the forecast period.

Given that the remaining SEMP projects are smaller scale with only two refurbishment projects planned to be tendered within the forecast period, it is not proposed to alter the inflation allowances at this review (table below notes current allowances).

| Year             | Current inflation allowance | Revised Inflation allowance |
|------------------|-----------------------------|-----------------------------|
| 2012/13          | 3.5%                        | 3.5% - no change            |
| 2013/14          | 4%                          | 4% - no change              |
| 2014/15          | 5%                          | 5% - no change              |
| 2015/16          | 5%                          | 5% - no change              |
| 2016/17 & Future | 3%                          | 3% - no change              |

### 4.2 Capital Receipts

As part of the Financial Strategy the Council agreed that all SEMP receipts would be put in the Capital Fund and the SEMP would receive £9.025 m of Prudential Borrowing to compensate. As a result the amount & timing of capital receipts is no longer a factor in the SEMP Funding model.

#### 4.3 **Scottish Government - Scotland's Schools for the Future Programme**

The March 2012 review of the model included £5.3 million in respect of the grant award as agreed with the Scottish Government for the ASN School (Craigmarloch) within the new Port Glasgow Shared Campus. This amount reflects the final agreed award but it should be noted that the grant funding commitment includes a provisional element reflecting the contingency retained as part of the overall project costs. Should the project not require the expenditure of that contingency then the grant recovery could reduce to £4.866 million. This will be reviewed and finalised upon project completion and agreement of the final project costs.

The Scottish Government has recently announced (26<sup>th</sup> September 2012) the projects that have been accepted for the third phase of its Scotland's Schools for the Future programme. The Council's bid for funding for the St. Patrick's Primary School Refurbishment project has been accepted in principle and therefore an allowance of £1.603 million has been made within the current model on the assumption that a grant will be received and phased in line with project expenditure over 2015/17. The amount and phasing will be subject to a formal offer of grant following detailed submission and further engagement with the Scottish Futures Trust.

#### 4.4 **Scottish Government Capital Grant**

The annual capital allocation in the model has been held at £4.8 million (unchanged from the November 2011 and March 2012 reviews). It should however be noted that continuing cuts in the capital grant given to the Council may make this unsustainable in the future and it is recommended that any efficiencies in the SEMP or receipt of further grants should be used to reduce the overall cost of the programme and its reliance on this allocation.

### 5.0 REVIEW OF THE MODEL – INTERNAL FACTORS

#### 5.1 **Overview**

There have been no significant changes since the March 2012 updated model. Normally, changes are 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 adjustment headings 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 **Project Cost Plans**

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.

A mid project review of the large projects on site has been carried out taking into account the form of procurement, project type and stage of construction.

- The St Columba's High School project is a major refurbishment procured via a traditional form of contract and by its nature involves a greater degree of risk in terms of final construction cost. As such it is not proposed to reduce the level of contingency on that project.

- The Port Glasgow Shared Campus project is a new build project procured via a design and build form of contract. The project has reached a point where the level of risk has reduced with the building out of the ground and design development progressed to a detailed stage. It is therefore proposed to reduce the contingency within the Port Glasgow Shared Campus project by £1 million to assist affordability of the overall SEMP model.

It should be noted that both of the large projects have a significant amount of work yet to be completed and, as with all construction contracts, there remains a risk of cost increase until project completion is achieved and final account negotiations are concluded. Both projects have appropriate levels of contingency remaining at this time.

#### 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 review of the one off costs has been carried out but as there have been no significant changes to project phasings (minor adjustment to Mearns Centre project to reflect current project timescale only) there is no significant impact on the model.

#### 5.5 **Review of Savings**

The available savings were reviewed against the 2011/12 actual expenditure and due to modifications to the SEMP (mainly retaining Sacred Heart building for additional years) there has been a net reduction of £445,000 to the projected savings over the period 2012/13 to 2029/30. This equates to a reduction of 0.5% and does not have a significant impact on the overall model.

#### 5.6 **Specific Changes**

There have been no specific changes since those approved in the March 2012 revision dealing with the acceleration of the Primary School Refurbishment programme. There has been an allocation of part of the model contingency to address relocation of the Council owned modular accommodation at the Temporary Port Glasgow Shared Campus to Sacred Heart Primary School to address the requirements of Ardgowan Primary School and allow Larkfield Children's Centre to remain within the school.

#### **Loan Charges**

As a result of the Council borrowing at low interest rates the Chief Financial Officer is able to reduce the cost of Loan Charges charged to the SEMP by approximately £450,000 per year from 2014/15. In turn this results in a similar reduction in the General Fund contribution to the SEMP. Both these matters are reflected in Appendix 1c.

The wider budgetary implications of this will be considered as part of the 2013/16 budget and be reflected in the revised Financial Strategy.

### **6.0 FINANCIAL IMPLICATIONS**

#### 6.1 **Summary**

The model remains affordable on the assumption that contributions from the Council's capital budget remain at previously approved levels. The earmarked reserve summary (Appendix 1(c)) shows there is a positive balance carried forward each year with a maximum balance of £3.491 million in 2029/30 and a minimum balance of £2.314 million in 2025/26.

## 6.2 Capital Costs and Grant Funding

The impact of changes in Capital Costs and Grant Funding income are summarised below. This results in a net reduction in capital costs of £2.603million.

- Port Glasgow Shared Campus Contingency Reduction      £1.000 million
- St. Patrick's Primary School Grant Funding Estimate      £1,603 million

This matter will be factored into the review of the 2013/16 capital programme.

## 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 October 2012 model shows this to be the case within the previously reported timescales.

## 6.4 Financial Risks

Although the general financial climate continues to be one of financial uncertainty 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 Gourrock HS) projects are reducing with both projects on site and at mid point of construction. 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 and have been reviewed as noted above. It should be noted that future reduction in the 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 CONSULTATION**

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

7.2 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.

## **8.0 EQUALITIES ISSUES**

8.1 There are no equalities issues.

## **9.0 LIST OF BACKGROUND PAPERS**

9.1 Project Cost Plans, Technical Progress Reports and Cashflows.  
Building Cost Information Service (BCIS) Quarterly Review



School Estate Funding Model - October 2012 Revision - One Off Revenue costs

| Source of Funding/Proposed Spend             | Start Date    | Completion Date | Total        | Total Inc Inflation | 2008/09   | 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    | 2028/29    | 2029/30    |
|--|---------------|-----------------|--------------|---------------------|-----------|------------|------------|--------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Clonsilla Park Cleaning                      | Apr-06        | -               | 17           | 17                  | 17        | 17         | 17         | 17           | 17         | 17           | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 17         |
| St Vincent's Refurbishment of Grouck HS      | Apr-11        | May-13          | 601          | 633                 | 38        | 190        | 87         | 87           | 143        | 143          | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        | 143        |
| PPP New Alice Primary School                 | Feb-10        | -               | 48           | 48                  | 48        | 48         | 48         | 48           | 48         | 48           | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         |
| PPP New All Saints Primary School            | Feb-10        | -               | 48           | 48                  | 48        | 48         | 48         | 48           | 48         | 48           | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         |
| North Dame to Wallington Primary School      | Jun-09        | -               | 106          | 111                 | 111       | 111        | 111        | 111          | 111        | 111          | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        | 111        |
| St Andrew's Primary School (Refurb Easthill) | Aug-10        | Oct-11          | 70           | 70                  | 70        | 70         | 70         | 70           | 70         | 70           | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         | 70         |
| PPP New Nebra Dame High School               | May-11        | May-21          | 78           | 84                  | 84        | 177        | 177        | 177          | 177        | 177          | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        | 177        |
| PPP New Chydrew Academy                      | May-11        | May-11          | 120          | 135                 | 135       | 135        | 135        | 135          | 135        | 135          | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        | 135        |
| Overton/Highlanders Refurbishment            | Apr-11        | Jul-12          | 359          | 370                 | 370       | 159        | 164        | 164          | 47         | 47           | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         | 47         |
| Port Glasgow Shared Campus                   | Oct-11        | Jul-13          | 872          | 972                 | 972       | 125        | 125        | 125          | 250        | 250          | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        |
| Means Centre - Refurb St Laurences           | Dec-11        | Sep-12          | 35           | 42                  | 42        | 42         | 42         | 42           | 42         | 42           | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         | 42         |
| Inverkip Primary School Refurbishment/Exn.   | Jun-11        | Jul-12          | 20           | 23                  | 23        | 23         | 23         | 23           | 23         | 23           | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         | 23         |
| ASN School - New Build                       | Oct-11        | Jul-13          | 85           | 101                 | 101       | 101        | 101        | 101          | 101        | 101          | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        |
| Early Years Establishments Refurbishments    | Jul-13        | Jul-14          | 50           | 60                  | 60        | 60         | 60         | 60           | 60         | 60           | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         | 60         |
| Ardgowan Primary School Refurbishment        | Jul-13        | Jul-14          | 376          | 450                 | 450       | 450        | 450        | 450          | 450        | 450          | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        | 450        |
| St Patrick's Primary School Refurbishment    | Jul-15        | Oct-18          | 403          | 511                 | 511       | 511        | 511        | 511          | 511        | 511          | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        | 511        |
| Moorfoot Primary School Refurbishment        | Jul-17        | Oct-18          | 355          | 487                 | 487       | 487        | 487        | 487          | 487        | 487          | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        | 487        |
| St John's Primary School Refurbishment       | Jul-19        | Jul-20          | 224          | 320                 | 320       | 320        | 320        | 320          | 320        | 320          | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        | 320        |
| St Mary's Primary School Refurbishment       | Jul-20        | Oct-21          | 349          | 513                 | 513       | 513        | 513        | 513          | 513        | 513          | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        | 513        |
| Lady Alice Primary School Refurbishment      | Oct-21        | Oct-22          | 295          | 447                 | 447       | 447        | 447        | 447          | 447        | 447          | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        | 447        |
| Kilmacoll Primary School Refurbishment       | Jul-23        | Jul-23          | 100          | 340                 | 340       | 340        | 340        | 340          | 340        | 340          | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        | 340        |
| St Ninian's Primary School Refurbishment     | Jul-25        | Oct-28          | 393          | 654                 | 654       | 654        | 654        | 654          | 654        | 654          | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        | 654        |
| Gourock Primary School - Refurbishment       | Jul-26        | Mar-27          | 30           | 35                  | 35        | 35         | 35         | 35           | 35         | 35           | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         | 35         |
| Sourced Heart Football                       | Varies - 5yr  | -               | 488          | 687                 | 687       | 687        | 687        | 687          | 687        | 687          | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        | 687        |
| Additional Revenue maintenance costs         | Annual        | -               | 500          | 6163                | 6163      | 590        | 590        | 590          | 590        | 590          | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        | 590        |
| Additional Pupil Refurbishment Works         | Apr-12        | Mar-14          | 500          | 500                 | 500       | 500        | 500        | 500          | 500        | 500          | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        | 500        |
| ICT Support for SEMIP                        | Apr-12        | Mar-14          | 260          | 260                 | 260       | 260        | 260        | 260          | 260        | 260          | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        | 260        |
| Energy Performance Certificates              | 10 Year Cycle | -               | 300          | 520                 | 520       | 520        | 520        | 520          | 520        | 520          | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        |
| Condition Survey                             | 5 Year Cycle  | -               | 300          | 520                 | 520       | 520        | 520        | 520          | 520        | 520          | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        | 520        |
| <b>Total proposed spend</b>                  |               |                 | <b>6,007</b> | <b>14,667</b>       | <b>58</b> | <b>828</b> | <b>751</b> | <b>1,311</b> | <b>759</b> | <b>1,358</b> | <b>454</b> | <b>540</b> | <b>584</b> | <b>605</b> | <b>648</b> | <b>701</b> | <b>762</b> | <b>881</b> | <b>647</b> | <b>819</b> | <b>810</b> | <b>480</b> | <b>375</b> | <b>369</b> | <b>401</b> |



**School Estate - Earmarked Reserves**

Oct-12

Updated Version

|   | 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      | 2028/29      | 2029/30      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         |
| Earmarked Reserve b/fwd                           | 1,609        | 2,747        | 2,407        | 2,574        | 2,686        | 2,839        | 2,943        | 2,941        | 2,971        | 2,943        | 2,829        | 2,631        | 2,642        | 2,476        | 2,314        | 2,562        | 2,890        | 3,199        |
| Available Savings added (a)                       | 4,167        | 4,417        | 4,654        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,752        | 4,817        | 4,817        | 4,817        | 4,817        |
| Extra Financing (b)                               | 3,310        | 3,310        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        | 3,100        |
| Prudential Schools Loan Charges (c)               | -2,635       | -3,762       | -4,187       | -4,208       | -4,213       | -4,218       | -4,223       | -4,228       | -4,233       | -4,238       | -4,243       | -4,248       | -4,253       | -4,258       | -4,263       | -4,268       | -4,273       | -4,278       |
| Unitary Charge Payment (d)                        | -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 (e)              | -238         | -490         | -753         | -1,025       | -1,309       | -1,604       | -1,910       | -2,229       | -2,561       | -2,906       | -3,265       | -3,638       | -4,026       | -4,430       | -4,850       | -5,286       | -5,740       | -6,212       |
| Unitary Charge Funding from Inflation Contingency | 238          | 490          | 753          | 1,025        | 1,309        | 1,604        | 1,910        | 2,229        | 2,561        | 2,906        | 3,265        | 3,638        | 4,026        | 4,430        | 4,850        | 5,286        | 5,740        | 6,212        |
| One Off Costs (f)                                 | -284         | -993         | -224         | -323         | -269         | -305         | -397         | -352         | -396         | -468         | -537         | -314         | -476         | -456         | -96          | 0            | 0            | 0            |
| Extra Revenue Repairs (g)                         | -474         | -366         | -230         | -263         | -271         | -279         | -288         | -296         | -305         | -314         | -324         | -333         | -343         | -354         | -364         | -375         | -389         | -401         |
| Unitary Charge RSG                                | 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                  | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Earmarked Reserve c/fwd</b>                    | <b>2,747</b> | <b>2,407</b> | <b>2,574</b> | <b>2,686</b> | <b>2,839</b> | <b>2,943</b> | <b>2,941</b> | <b>2,971</b> | <b>2,943</b> | <b>2,829</b> | <b>2,631</b> | <b>2,642</b> | <b>2,476</b> | <b>2,314</b> | <b>2,562</b> | <b>2,890</b> | <b>3,199</b> | <b>3,491</b> |

(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. Reduced by £30k in 12/13 for PPP School Refuse Collection.

(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 £210k 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) Based on Actual Unitary Charge at Jan 2011 RPI of £8.842 million plus £200k contingency.

(e) Base at Jan 2012 RPI. Assumes 2.7% annual inflation (4% RPI discounted by factor of 1.5)

(f) After 2026/27 one-off costs cease. Includes £27k for IT Technician in 2013/14 only

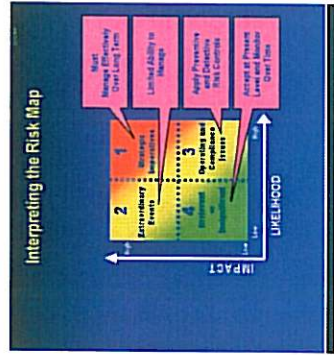
(g) Increased Revenue Repairs. £500k added for Primary School Repairs - £250k in 2012/13 and £250k in 2013/14.

School Estate Strategy Risk Register

Revision 12

| IMPACT Rating |   | L'HOOD Rating |     | Risk Score (A*B) |                  | Current Controls  |   | Who is Responsible? (name or title)   |  | Additional Controls/Mitigating Actions & Time Frames with End Dates |  |
|---------------|---|---------------|-----|------------------|------------------|---|---|---|--|---|--|
| Risk No       | *Description of RISK Concern (K,Y,Z)  | (A)           | (B) | Quartile         | Risk Score (A*B) | Current Controls  | Who is Responsible? (name or title)     | Additional Controls/Mitigating Actions & Time Frames with End Dates   |  |   |  |
| 1             | <b>Risk Deleted</b>   |               |     |                  |                  |   |   |   |  |   |  |
| 2             | <b>Risk Deleted</b>   |               |     |                  |                  |   |   |   |  |   |  |
| 3             | <b>External Risk:</b> Inflation rises faster than allowed for in the current projections, inflation in the construction industry is much more significant and a reduction in funding has been confirmed. 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 reviewed in 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             | <b>Financial Risk:</b> Level of support from Central Government changes. Since last year's review this factor is much more significant and a reduction in funding has been confirmed. 70% of the Council's Capital grant is now committed to the SEMF.  | 4             | 4   | 2                | 16               | Additional funding has been made available for the ASN school. Amount expected is 50% of the cost (£3.3M). 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                 | Managed through Financial Strategy and forthcoming budget setting process. Possible to scope of SEMF if funding not able to be found / maintained.  |  |   |  |
| 5             | <b>Building Risk:</b> 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/PAFM                 | The lifecycle fund should be refined over the life of the model.  |  |   |  |
| 6             | <b>External Risk:</b> Changes in demand for land may mean the lifecycle capital is not realisable. Factors of this risk include: Capital grants have been assumed for all surplus properties. There is a risk that the value 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 are based on a prudent assumption that the level of prudent funding is assumed as unchanged.   | School Estate Team                      | Valuations should be kept under review and actual receipts compared with estimates as they occur.   |  |   |  |
| 7             | <b>Risk Deleted</b>   |               |     |                  |                  |   |   |   |  |   |  |
| 8             | <b>Financial Risk - Cost Planning:</b> 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 Meams Centre to St Laurence's PS and the formation of a new Nursery in the current year. The model does not provide accommodation for non school Education staff. Factors of this risk include: Areas 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        | Current 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 a available accommodation. Liaison is required with Asset Management Team to accommodate other staff. |  |   |  |
| 9             | <b>Building Risk:</b> 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/PAFM                 | This risk must be accepted or a contingency allowance made in the Central Repairs budget.   |  |   |  |
| 10            | <b>Building Risk:</b> 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. Factors of this risk include: The condition of the building is poor. Repairs 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.  | 3             | 2   | 2                | 6                | 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 in the case of Greenock HS. Major building failure at schools of this age and condition will remain a risk. | School Estate Team/PAFM                 | This risk should be assessed and a view taken prior to deciding on final proposals for St Finians and Gourcock Primary School.  |  |   |  |
| 11            | <b>Demographic Risk:</b> It may not be possible to manage school rolls as planned. Factors of this risk include: The proposals for Gourcock 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 Clackmanna Academy (including the need for a new building) 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 Pacing Request policy have been agreed which should result in better management of rolls vs capacity in the future.  | Separate Director Education & Community | This risk should be assessed and a view taken prior to deciding on final proposals for St Finians and Gourcock Primary School.  |  |   |  |

|    |   |   |   |   |   |  |   |  |
|----|---|---|---|---|---|--|---|--|
| 12 | <p><b>Cost Planning Risk</b> - Cost allowances 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, Hilland and Kelly Street will require any significant investment. No work has been carried out to accept 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. The risk is that the Council will have to make new provision at a later date when the cost is higher than currently factored into the plan.</p> <p>Provision in Gourock is being dealt with separately from the SEMP.</p> | 2 | 4 | 2 | 0 | <p>Allowances have been made within the current SEMP for works to a number of Early Years Establishments.</p>  | School Estate Team/Corporate Director Education & Communities | The May EAC Capital report includes an appendix and communication addressing the Lanfield Children's Centre early years proposal which deal with the provision in the medium term. |
| 13 | <p><b>Financial Risk - Model</b> - 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.</p>   | 4 | 2 | 2 | 0 | <p>The subject have been calculated as robustly as possible. Savings have been reviewed for the revised model and adjusted to take account of actual savings achieved.</p> | Finance   | Savings should be subject to an annual review and adjustment as necessary.   |
| 14 | <p><b>Risk Decant</b></p>   |   |   |   |   |  |   |  |
| 15 | <p><b>Financial Risk - Model</b> - 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 savings pupil transport costs due to rationalisation with additional costs being met from savings.</p>  | 3 | 2 | 2 | 0 | <p>Pupil transport costs have been calculated as accurately as possible but are impossible to predict accurately over time.</p>  | Education   | Pupil transport costs should be reviewed and refined over the life of the model.   |
| 16 | <p><b>Risk Decant</b></p>   |   |   |   |   |  |   |  |
| 17 | <p><b>Building Risk</b> - 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.</p>   | 3 | 2 | 2 | 0 | <p>Pupil transport costs have been calculated as accurately as possible but are impossible to predict accurately over time.</p>  | School Estate Team  | Pupil transport costs should be reviewed and refined over the life of the model.   |
| 18 | <p><b>Programme Risk</b> - 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.</p>   | 2 | 2 | 4 | 4 | <p>A buffer has been built into the programme to allow for some over runs. This cannot be too long however or mobilising costs will be incurred.</p>                       | School Estate Team  | The programme should be kept under review and revised as necessary during the life of the model.   |
| 19 | <p><b>Risk Decant</b></p>   |   |   |   |   |  |   |  |
| 20 | <p><b>Demographic Risk</b> - 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.</p>  | 3 | 2 | 2 | 0 | <p>Changes to the Existing Request policy have been made which the model will better management of rolls vs capacity in the future.</p>                                    | Corporate Director Education & Communities                    | Maintain capping levels and admissions policy. Work with associated Primary Schools to promote the school.   |



- Key: see diagram
- Quantile 1: High impact and highly likely risks which must be managed effectively
  - Quantile 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. These risks should be periodically reviewed and contingencies to deal with these risks.
  - Quantile 2 & 3: Medium impact and medium likelihood risks which management should periodically review controls and contingencies to deal with these risks.
  - Quantile 4: Low impact and low likelihood risks which should be reassessed over time to ensure their impact and likelihood does not increase over time.