
Report To:	Education & Communities Committee	Date: 5 November 2013
Report By:	Corporate Director Education, Communities & Organisational Development and Head of Finance	Report No: EDUCOM/82/13/EM
Contact Officer:	Eddie Montgomery	Contact No: 01475 712472
Subject:	Review of School Estate Funding Model 2013	

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 2013 review.
- 2.2 It should be noted that the 2012 review of the SEMP was reported to the October Education and Communities Committee. It should also be noted that a revision of the Funding Model was prepared reflecting the allocation of resources approved by the Committee and the subsequent decisions on acceleration of the Primary School programme following the Council's budget setting process and the special budget meeting of Thursday 14th February 2013. Since the Plan and model were approved in October 2012 the following milestones have been reached:
- Lomond View Academy (refurbishment of former St Laurence's PS for Mearns Centre) completed on site in July 2013 for the new term and is now operational.
 - Significant packages of work were completed across a number of schools including comprehensive toilet refurbishment in 3 primary schools completed during the summer 2013 holiday period.
 - St Columba's High School (refurbishment of former Gourock HS) completed on site in August 2012 for the new term and is now operational.

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).
- 2.4 Overall the SEMP remains affordable with a financial completion of 2027/28 and with all major projects completed by 2026/27. The overall position remains in line with that reported in the October 2012 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
11th October 2013

Jan Buchanan
Head of Finance
11th October 2013

4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

4.1 Inflation

At the time of the last review of inflation in October 2012 it was reported that the Building Cost Information Service (BCIS) view was that the sharp decline in new work output predicted for 2012, followed by a further smaller decline in 2013, would likely lead to contractors reducing tender prices a little over 2012/13 in an effort to win work. Over the second year of the forecast 2013/14 however, BCIS believed that contractors would be reluctant to absorb rising input costs (materials and wage awards), despite another fall in new work output in 2013, and so tender prices were predicted to rise in line with input costs, until they moved a little ahead towards the end of the 5 year forecast period.

The BCIS 2013 five year forecast (July 2013 and subsequent September 2013 update) notes the following:

- General inflation is expected to be around 3.1% in 2013, 3.0% in 2014, 2.9% in 2015, 3.2% in 2016 and 3.4% in 2017.
- The annual rate for inflation of materials prices is expected to be around 1% in 2013, 2% in 2014 and 2015, and 3% in 2016 and 2017. Global demand and in particular demand from the emerging economies, is not expected to put undue upward pressure on materials prices throughout the forecast period.
- Wage awards will be around 2% in 2013, around 3% in 2014 and 2015, and around 4% in 2016 and 2017.
- New work output is expected to fall by around 2.8% in 2013, then rise by 1.6% in 2014, by 3.7% in 2015, by 5.4% in 2016, by 6.6% in 2017, and by 7.3% in 2018.

The BCIS view is that tender prices appear to have bottomed out and they are reporting rises over the first 2 quarters of 2013. However new work output is expected to fall again in 2013, and consequently tender prices are expected to rise quite slowly over the first year of the forecast, rising a little ahead of building costs. It is anticipated that demand will pick up in 2014, with tender price rises strengthening, rising a little ahead of input costs in the year to 2nd quarter 2015 and 2nd quarter 2016. Towards the end of the 5 year forecast period, as growth in new work output becomes stronger, tender prices are expected to rise more steeply, with contractors in an improving market trying to recoup some of their losses made in the long recessionary period.

The remaining SEMP projects are generally smaller scale than those carried out to date and, at the time of the October 2012 review, only two refurbishment projects were planned to be tendered within the forecast period. With the acceleration of the primary school programme now factored into the current model, the number of projects planned to be tendered in the forecast period has increased to five. This could be viewed as having a positive impact with the potential to reduce the impact of year on year inflationary increases in building costs. It should be noted however that, as outlined in the paragraph above, the industry forecast for tender prices indicates that the current model allowances for 2016/17 and beyond may require revisiting should the growth in new work output increase. In reality the BCIS forecasts have tended to be optimistic and the data is based on a relatively small sample of projects. Location factors can also play a part and Inverclyde has historically felt any effect of tender price increases later than that predicted. The allowances made for inflation have proved robust to date and given the relatively small number of projects potentially affected within the model in later years it is not proposed to alter the inflation allowances at this review. This position will be monitored closely for the next review of the model.

Table below notes current allowances:

Year	Current inflation allowance	Revised inflation allowance	Notes
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 October 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 Community Campus. As noted in the last review, the grant funding commitment included a provisional element reflecting the contingency retained as part of the overall project costs. It was also noted that should the project not require the expenditure of that contingency then the grant recovery would reduce to £4.866 million. The revised model run for the February 2013 review reduced the grant award to the £4.866 million level pending completion of the project. The current model includes an additional £50k which is an estimate of additional grant recovery based on the projected final account for the project as only part of the project contingency has been required to date. The final award will be subject to review upon project completion and agreement of the final project costs in connection with the ASN element of the build.

The Scottish Government announced (on the 26th September 2012) the projects that had been accepted for the third phase of its Scotland's Schools for the Future programme. It was confirmed at the October 2012 review that the Council's bid for funding for the St. Patrick's Primary School Refurbishment project has been accepted in principle and an allowance of £1.603 million has been made within the October 2012 model on the assumption that a grant would be received and phased in line with project expenditure over 2015/17. The current model is unchanged from this position. The Scottish Futures Trust has confirmed recently that a further announcement on the funding is imminent to confirm that all projects will be supported as previously indicated. As stated within the last review the exact grant amount and phasing will be subject to a formal offer of grant following further engagement with the Scottish Futures Trust.

4.4 Scottish Government Capital Grant

The annual capital allocation within the October 2012 review model was held at £4.8 million in line with previous years. It was noted however that continuing cuts in the capital grant given to the Council may make this unsustainable in the future and it was 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. The February 2013 review included a number of changes including an additional allocation of Prudential Funding in year 2013/14 which has been possible as a result of the Council borrowing at low interest rates allowing the Chief Financial Officer to reduce the cost of Loan Charges charged to the SEMP by approximately £450,000 per year from 2014/15. This has allowed a £500k annual reduction in the capital allocation within the model to £4.3 million a year from financial year 2015/16.

5.0 REVIEW OF THE MODEL – INTERNAL FACTORS

5.1 Overview

There have been a number of changes since the October 2012 review. Changes are categorised as:

- reviewing / adjusting existing information to reflect changes in circumstances and additional information becoming available
- 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 (2012/13).

5.3 Project Cost Plans

There have been a number of changes affecting cost plans for current (or completed) projects and future projects which have been reported to Committee over the course of the year:

Current/Completed Projects

- Ardgowan PS Refurbishment – January 2013 Committee approved altered scope to include gym/assembly hall extension. Tender issue for the main project is imminent.
- Whinhill PS Refurbishment & Extension – January and September 2013 Committee noted and approved over expenditure (final account agreed).
- Lomond View Academy - September 2013 Committee noted and approved over expenditure (final account pending final negotiation).
- St Columba's HS Refurbishment & Extension - September 2013 Committee noted and approved over expenditure (final account pending final negotiation).
- Port Glasgow Community Campus – Project delayed on site with completion now anticipated December 2013. The project contingency has been reduced in stages to offset over expenditure and project cost plan changes noted above. The October 2012 review also reduced the contingency within the Port Glasgow Community Campus project by £1 million to assist affordability of the overall SEMP model.

It should be noted that, as with all construction contracts, there remains a risk of cost increases until project completion is achieved and/or final account negotiations are concluded.

Future Projects

Generally the work content and scope have remained the same and there has been no change in specification of future project cost plans.

It should be noted however that the St John's Primary School project (currently at design stage) is being progressed on the basis of 2 options with one of those options including a 20/20 Nursery class extension. The current SEMP cost plan for the project does not include any allowance for this additional accommodation and additional funding will be required if this option is to be taken forward. It is anticipated that funding could be available in financial year 2014/15 from the Scottish Government in connection with the Children & Families Bill but figures have yet to be confirmed.

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 transfer to their new or refurbished school i.e. 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 and there have been some minor changes as noted below:

- minor adjustment to Ardgowan Primary School project to reflect current project timescale only) - no significant impact on the model.
- £90k added to the St. Columba's HS project from Education Core budget to cover part of the additional transport costs in connection with maintaining free transport for pupils in the Branchton, Braeside, Grieve Road, Bow Road and Larkfield areas for the academic year 2013/14 pending review of the current School Transport Policy.

It should be noted however that a review of the condition of the former Highlanders Academy building is currently on-going and the outcome of this may affect the current allowance for temporary upgrading in connection with the decant of St John's Primary School (see 5.6 below).

5.5 Review of Savings

The available savings were reviewed against the 2012/13 actual expenditure and latest projected expenditure for 2013/14. A £70k per year reduction in savings was made due to an increase in Non-Domestic Rates (NDR) Costs at Port Glasgow Community Campus and St. Columba's High School. Projected savings have reduced by £1.05m over the period 2013/14 to 2029/30. This equates to a reduction of 1.3% and does not have a significant impact on the overall model.

5.6 Specific Changes

There have been a number of specific changes since the approval of the October 2012 model. These changes are in connection with the acceleration of the Primary School Refurbishment programme as outlined in the report "SEMP – Review of Funding Model and Possible Opportunities – Update" submitted to the January 2013 Committee. The current model also reflects the decisions on acceleration of the Primary School programme following the Council's budget setting process and the special budget meeting of Thursday 14th February 2013.

- Acceleration of St John's Primary School Refurbishment utilising Highlanders Academy as decant accommodation (including £200K upgrading to allow use as decant facility – under review) with an approximate timeline of summer 2014 for commencement of works. St John's Primary School being the only school of those remaining requiring significant investment that has a suitability rating of C (Poor) and the only school, of those remaining requiring significant investment, that is able to be accommodated within the former Highlanders Academy building as all other remaining schools require a larger decant facility. It should be noted that following a request from the Parent Council to consider alternative decant accommodation at St Stephen's HS, a cost comparison exercise is currently underway to assess the relative building (rates, cleaning, utilities and other property costs) and the estimated alteration works costs in connection with both options.
- Acceleration of Kilmacolm Primary School Refurbishment with approximate timeline of summer 2015 for commencement of works on the basis that it does not require decant accommodation and is in a poorer condition than the only other non-decant refurbishment at Gourock Primary School.

- Acceleration of other Primary School refurbishments at St Mary's, St Ninian's and Lady Alice Primary Schools as a result of more efficient use of the former Sacred Heart Primary School decant facility.

5.7 Loan Charges

As noted in the October review, as a result of the Council borrowing at low interest rates, the Chief Financial Officer has been able to reduce the cost of Loan Charges charged to the SEMP by approximately £450,000 per year from 2014/15. In turn this allows a similar reduction in the General Fund contribution to the SEMP as noted in 4.4.

6.0 FINANCIAL IMPLICATIONS

6.1 Summary

The model remains affordable. The earmarked reserve summary (Appendix 1(c)) shows there is a positive balance carried forward each year with a maximum balance of £2.565 million in 2013/14 and a minimum balance of £736k in 2023/24.

6.2 Capital Costs and Grant Funding

There has been no overall change in Capital Costs with the over expenditure on specific projects offset by a reduction in the contingency element within the model (Port Glasgow Community Campus unallocated project contingency). Since the October 2012 review the Grant Funding income assumptions have altered to reflect the agreed SFT offers and there has been a net reduction in Grant Funding of £384k reflecting the provisional element of the Craigmarnoch grant as outlined in 4.3 above. This matter will be factored into 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 2013 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 Community Campus / Craigmarnoch School and the St Columba's High School (Refurbishment of Gourock HS) projects are reducing, with the St Columba's project complete on site and the Community Campus project nearing completion. Whilst there remains a risk (as with all construction projects) that final costs will exceed project budgets and indeed this was the case with the St Columba's HS project, the retention of a sensible contingency allowance within the Community Campus project has assisted with overall balancing of the model and the Community Campus project is still currently projected to be within budget. It should be noted that future reduction in the government capital grant remains a significant risk to the programme although this has been partly addressed by the reduction noted in 4.4. 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 REPOPULATION

9.1 The School Estate Strategy has been and continues to be one of the Council's key areas of investment in support of the aim of repopulating and promoting Inverclyde as the place of choice to live, work and spend leisure time. The significant investment in the School Estate is not only a catalyst for regeneration but also contributes towards improving Inverclyde for the people who live here and assists in attracting people to relocate and settle here, knowing their children will receive a first class education in the best possible school accommodation.

10.0 LIST OF BACKGROUND PAPERS

10.1 Project Cost Plans
Cashflows (Capital & Revenue)
Calculation of Maintenance Costs
Building Cost Information Service (BCIS) Quarterly Review (July 13 + Sept 13 Update)

School Estate Funding Model - October 2013

Sources of Funding	Start Date	Completion Date	Total Base Date	Total	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30			
					Scottish Government Funding - SSFF									4,808	4,800	4,800	3,500	1,416	4,800	801	803	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Capital programme for the year																																
Prudential Funding - Receipts			11,926				2,035					4,800	4,800	4,800	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300			
Prudential Funding - Projects									923	803	3,337	15,572	8,510	3,481																		
Prudential Funding - Lomond View Academy											142	1,648	643	70																		
Prudential Funding - Alternative Model													5,000																			
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	8,279	31,220	23,394	8,351	5,101	5,103	4,300	4,300	4,300	4,300	4,300	4,300	4,300	5,166	4,300	4,300	4,300	4,300	4,300			
Less: Capital programme not listed below				7,559					3,719	477	417	1,194	1,752																			
Balance available for other projects					-	-	2,035	951	8,181	5,126	7,862	30,026	21,642	8,351	5,101	5,103	4,300	4,300	4,300	4,300	4,300	4,300	4,300	5,166	4,300	4,300	4,300	4,300	4,300			
Proposed spend																																
Inverclyde Academy 3G Pitch	Oct-09	Feb-10	460	454					454																							
Mearn Centre Interim Refurbishment	Jan-10	Aug-10	200	139					29	110	Incl.																					
Kings Glen Decant School Refurbishment	Jun-08	Aug-10	50	40			20			20																						
Various Road Improvement Works	Varies	Apr-13	560	286					7	3	61	133	Incl.																			
PPP Interactive Boards/LCD Screens	Varies	May-11	474	502						7	363																					
St Columba's HS (Refurbish Gourock HS)	Jan-12	Aug-13	13,707	14,667					13	536	1,038	7,461	5,175	444																		
St Andrew's PS (Refurbish Earnhill)	Aug-10	Oct-11	4,054	4,314			10		180	1,730	2,394	Incl.																				
Whinhill PS (Overton/Highlanders)	Oct-10	Aug-12	4,780	5,089					204	289	2,950	1,633	Incl.																			
Port Glasgow Community Campus	Oct-11	Dec-13	31,875	30,454					54	774	3,324	15,556	7,765	2,981																		
Lomond View Academy (Refurbish St Laurence's)	Jul-12	Jul-13	2,150	2,503							142	1,648	643	70																		
Inverkip PS Refurbishment	Jul-11	Oct-12	832	595							362	195	Incl.																			
Craigmarloch School	Oct-11	Dec-13	11,082	10,628						259	725	5,759	3,734	151																		
Sacred Heart Decant School Upgrade	Sep-12	Jan-14	300	500							14	106	264	116																		
Early Years Establishments Refurbishments	Jul-17	Aug-18	1,000	1,348												62	1,257	28														
Ardgowan PS Refurbishment	Jul-13	Apr-15	3,886	5,091								97	849	3,959	186																	
St Patrick's PS Refurbishment	Jul-15	Oct-16	4,274	5,342										216	2,417	2,572	138															
St Francis PS External Works	Jul-15	Oct-15	320	406										20	377	9																
Moorfoot PS Refurbishment	Jul-17	Oct-18	3,885	4,834												172	1,838	2,697	127													
St John's PS Refurbishment	Jul-14	Jul-15	1,825	2,215									56	1,307	791	61																
St Mary's PS Refurbishment	Jul-19	Oct-20	3,722	5,110														91	2,057	2,826	135											
Lady Alice PS Refurbishment	Jul-21	Jul-22	2,450	3,460															30	1,397	1,935	98										
Kilmacolm PS Refurbishment	Jul-15	Oct-16	2,877	3,655										145	1,869	1,541	100															
St Ninian's PS Refurbishment	Jul-23	Oct-24	4,635	7,107																		143	3,366	3,416	182							
Gourock PS Refurbishment	Jul-26	Mar-27	1,149	2,022																					99	1,864	59					
Demolition of Ravenscraig PS	Feb-10	Mar-10	150	37					11	26	Incl.																					
Demolition of Greenock Academy	Sep-15	Nov-15	450	164							71				91	2																
Demolition of St Gabriel's PS	Feb-12	Mar-12	120	61							28	33																				
Demolition of Kings Glen	Oct-12	Dec-12	200	82								82	Incl.																			
Demolition of St Stephen's HS	Dec-13	Jun-14	450	558									150	408																		
Demolition of Lilybank	Dec-13	Mar-14	100	124									77	47																		
Demolition of Sacred Heart PS	Dec-24	Feb-25	180	309																					309							
General allowance for unforeseen works	-	-	900	1,433				921					12	100	100	100	100	100														
Prudential Funding - Capital Project Contributions	-	-	1,140	1,140									640	500																		
Lifecycle Fund	-	-	22,467	33,254										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	3,490	3,802			
Total proposed spend			126,705	147,922	-	-	-	951	1,084	3,754	11,472	32,703	19,365	10,951	6,431	5,436	4,561	4,108	3,958	4,692	3,466	3,977	5,566	6,512	3,198	4,963	3,349	3,490	3,802			
Surplus (Deficit) for year to carry forward					-	-	-	-	7,097	1,372	(3,610)	(2,677)	2,277	(2,600)	(1,330)	(333)	(261)	192	342	(392)	834	323	(1,266)	(1,346)	1,102	(663)	951	810	498			
Surplus (Deficit) brought forward					-	-	-	-	-	7,097	8,469	4,859	2,182	4,459	1,859	528	195	(66)	(66)	127	469	77	911	1,234	(33)	(1,378)	(277)	(940)	11	822		
Cumulative carry forward					-	-	-	-	7,097	8,469	4,859	2,182	4,459	1,859	528	195	(66)	127	469	77	911	1,234	(33)	(1,378)	(277)	(940)	11	822	1,320			

School Estate Funding Model - October 2013 - One Off Revenue Costs

Sources of Funding/Proposed Spend	Start Date / Timeline	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	2028/29	2029/30
Clune Park Closure	Apr-08	-	17	17	17																					
St Columba's (Refurb Gourrock HS)	Nov-11	Oct-13	601	723	39	190	87	87	87	233																
PPP New Aileymill 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 Community Campus	Oct-11	Jul-13	872	972			125	567	30	250																
Lomond View Academy (Refurb St Laurences)	Jul-12	Apr-13	35	42					42																	
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	Jul-14	376	450						203	226															
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-14	Jul-15	224	276							192	84														
St Mary's Primary School Refurbishment	Jul-19	Oct-20	349	498												290	208									
Lady Alice Primary School Refurbishment	Jul-21	Jul-22	295	447														264	183							
Kilmacolm Primary School Refurbishment	Jul-15	Jul-16	190	276								237	39													
St Ninian's Primary School Refurbishment	Jul-23	Oct-24	383	799															346	396	57					
Gourock Primary School - Refurbishment	Jul-26	Mar-27	20	35																		35				
Sacred Heart Mothball	Varies - 6nr	-	355	559				51	67	16	50	36	45	28	47	29	50	31	63	45						
Highlanders Decant Upgrade	Oct-13	Jun-14	200	200						150	50															
Additional Revenue maintenance costs	Annual	-		6,193		313	360	49	224	116	230	263	271	279	288	296	305	314	324	333	343	354	364	375	389	401
Additional Partial Refurbishment Works	Apr-12	Mar-14	500	500					250	250																
ICT Technician Support for SEMP	Apr-13	Mar-14	27	27						27																
Energy Performance Certificates	10 Year Cycle	-	200	100												100										
Condition Survey	5 Year Cycle	-	300	520		100				120										160						
Total proposed spend			6,677	14,693	56	828	731	1,210	758	1,503	771	907	579	584	685	715	563	609	916	934	401	354	399	375	389	401

Oct-13

School Estate - Earmarked Reserves

Updated Version

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Earmarked Reserve b/fwd	3,086	2,565	2,382	2,043	2,026	1,998	1,860	1,685	1,654	1,568	1,166	736	895	1,089	1,226	1,374	1,495
Available Savings added (a)	4,347	4,584	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,747	4,747	4,747	4,747	4,747	4,747
Extra Financing (b)	3,210	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260
Prudential Schools Loan Charges (c)	-3,729	-4,410	-4,528	-4,534	-4,541	-4,548	-4,556	-4,564	-4,573	-4,582	-4,592	-4,602	-4,613	-4,625	-4,638	-4,651	-4,665
Unitary Charge Payment (d)	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942
Unitary Charge Inflation Element (e)	-445	-705	-976	-1,258	-1,550	-1,855	-2,172	-2,501	-2,844	-3,200	-3,571	-3,956	-4,357	-4,774	-5,207	-5,658	-6,127
Unitary Charge Funding from Inflation Contingency	445	705	976	1,258	1,550	1,855	2,172	2,501	2,844	3,200	3,571	3,956	4,357	4,774	5,207	5,658	6,127
One Off Costs (f)	-1,137	-541	-644	-308	-304	-398	-419	-258	-295	-592	-601	-57	0	-35	0	0	0
Extra Revenue Repairs (g)	-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
Written Back to General Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserve c/fwd	<u>2,565</u>	<u>2,382</u>	<u>2,043</u>	<u>2,026</u>	<u>1,998</u>	<u>1,860</u>	<u>1,685</u>	<u>1,654</u>	<u>1,568</u>	<u>1,166</u>	<u>736</u>	<u>895</u>	<u>1,089</u>	<u>1,226</u>	<u>1,374</u>	<u>1,495</u>	<u>1,590</u>

(a) Per 13/14 Budget - includes savings from Craigmarnoch from August 2014. Reduced by £70k from 2013/14 for additional NDR St Columba's.

(b) Per 2008/9 budget and £1 million for Port Glasgow Community Campus approved Feb 2009 plus £160k for Lomond View refurbishment and compensating loan charges for receipts transferred to the Capital Fund. Saving of £190k from 2014/15.

(c) Assumes Inverclyde Academy , Newark Primary, Port Glasgow Community Campus and Lomond View refurbishments are Prudentially funded. Uses a pool fund rate of 4.0% from 2012/13.

(d) Based on Actual Unitary Charge at Jan 2011 RPI of £8.842 million plus £200k contingency 2012/13 then £100k contingency from 2013/14.

(e) Base at Jan 2013 RPI. Assumes 2.7% annual inflation (4% RPI discounted by factor of 1.5)

(f) After 2026/27 one-off costs cease.

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

School Estate Management Plan - Risk Register

Revision 17

Organisation	Inverclyde Council
Risk Map	School Estate Management Plan
Risk Assessors:	School Estate Team
Date:	Oct-13

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
Building Risks								
B1	<i>Lifecycle Maintenance:</i> The Lifecycle fund does not provide sufficient funding for ongoing major maintenance. Factors of this risk include: If the schools are to be kept in good / satisfactory condition it is necessary to allow for a lifecycle fund to ensure adequate financial provision is made. Acceleration of projects may impact on lifecycle profile.	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.	Head of PAFM/School Estate Manager	The lifecycle fund should be refined over the life of the model.
B2	<i>Unscheduled Repairs:</i> Unscheduled repairs required in schools scheduled to close or being utilised as temporary decant accommodation. Factors of this risk include: No allowance has been made for major repairs in schools scheduled to close between now and the end of 2013 or for major maintenance of short or long term decant school accommodation. Given the condition of the buildings it is possible that failures will occur which will require to be addressed.	3	2	2	6	The only remaining Secondary School is the temporary shared campus which is scheduled to close at the end of December 2013. Schools scheduled to close have no outstanding known major issues. The largest outstanding risks are of mechanical systems failure and larger elemental replacement requirements (windows) within the current decant school (Former Sacred Heart PS). Major building failure at schools of this age and condition will remain a risk.	Head of PAFM/School Estate Manager	This risk must be accepted or a contingency allowance made in the Central Repairs budget. The on-going Lifecycle budget could also be utilised to address any larger scale elemental replacement or unscheduled major repairs. It should be noted that this would impact on funds available to address risk 1. above.
B3	<i>Day to Day Repairs:</i> Expenditure on day to day repairs is insufficient to maintain the schools in good / satisfactory 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 a more appropriate level of funding - ECRA. Note funding of CRA reduced by £50,000 per annum from 2012/13.	Head of PAFM/School Estate Manager	Expenditure of the ECRA allowance is monitored and managed jointly by the School Estate Manager and Property Maintenance Team Leader to ensure appropriate prioritisation of work.
Financial Risks								
F1	<i>Savings Model:</i> 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 overall affordability of 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.	Chief Financial Officer/Principal Account (Education & Communities)	Savings are subject to an annual review and adjustment as necessary.
F2	<i>Central Government Support:</i> Level of support from Central Government changes. This factor is significant and a reduction in funding has been confirmed. Circa 70% of the Council's Capital grant is committed to the SEMP.	4	3	2	12	Additional funding has been made available for the ASN school. Amount expected is currently £4.916M. The current model includes this additional funding but also assumes a reduction in capital funding from the government over the life of the model. Additional Government grant funding has been approved for St Patrick's PS with a provisional amount of £1.603M included in the model subject to final confirmation. Latest revision of SEMP funding model reduces allocation by £500K per year from 2015/16.	Chief Financial Officer	Managed through Financial Strategy and budget setting process. Possible reductions to scope of SEMP if funding not able to be found / maintained. To clarify government grant funding for St Patricks PS.
F3	<i>Cost Planning:</i> 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. Three establishments, Glenbrae, Hillend and Kelly Street will require 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. Scottish Government led initiatives may also impact on Early Years Services.	2	4	3	8	Allowances have been made within the current SEMP for works to a number of Early Years Establishments. A number of establishments will be incorporated into new schools and nurseries in schools will be refurbished with the schools. Provision in Gourcock (Binnie Street) was dealt with separately from the SEMP.	Corporate Director Education & Communities/School Estate Manager/Early Years Manager	A review of Early Years provision in the East End of Greenock is to be carried out by the Early Years Manager in 2013/14. An Early Years Asset Strategy will be developed in conjunction with School Estate Team. To clarify impact on existing accommodation and any funding available through additional 600hrs - Children and Young People Bill led changes.
F4	<i>Decant / Transport:</i> 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 the Former Sacred Heart building will be used. Allowances have been made for decant and pupil transport. Decant allowances can be considered robust however pupil transport costs are indicative and may vary from anticipated and allowed for in the model and in Education Revenue budgets.	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. 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.	Corporate Director Education & Communities/Principal Account (Education & Communities)/School Estate Manager	Pupil transport costs should be reviewed and refined over the life of the model.

F5	Accommodation: 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:	2	2	4	4	The Corporate Office Accommodation model will provide accommodation for all staff. Lomond View Academy and Binnie Street Centre have provided accommodation for non school Education staff. This risk is further reduced given the work on the Corporate Office Reorganisation and ongoing work to relocate staff.	Head of PAFM/School Estate Manager/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 available accommodation. Liaison is required with Asset Management Team to accommodate other staff.	
F6	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.	1	3	4	3	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. As part of Financial Strategy Council agreed that all receipts would be put in the Capital Fund with SEMP receiving Prudential Borrowing to compensate.	Chief Financial Officer/Head of PAFM/Asset Manager	Valuations should be kept under review and actual receipts compared with estimates as they occur.	
F7	External Inflation: 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 (BCIS) forecasts. The two major elements of the programme (Shared Campus and St Columba's) have been tendered in a period of price stability with competitive tenders returned. Acceleration of the Primary School programme will assist in minimising the impact of building cost inflation on the model.	School Estate Team	Inflation assumptions are reviewed annually and adjusted if necessary.	
Demographic Risks									
D1	School Rolls: 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 the building of extensions not specifically allowed for in the model may be required; The report on Primary Capacities indicates rolls should remain stable over the next 5-6 years however a recent study has indicated that Aileymill PS and Newark PS require monitoring.	3	2	2	6	St Ninian's currently includes some provision for classroom extensions however this will require revisited with rol projection information prior to briefing the refurbishment project. Changes to the Placing Request policy have been agreed which should result in better management of rolls vs capacity in the future. Issues relating to the capacity of Clydeview Academy have been addressed.	Corporate Director Education & Communities/Quality Improvement Officer - School Estate	This risk should be assessed and a view taken prior to deciding on final proposals for St Ninians and Gourock Primary Schools. Report required on Aileymill PS and Newark PS.	
D2	St. Columba's Viability: 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.	4	3	2	12	Changes to the Placing Request policy have been agreed which should result in better management of rolls vs capacity in the future. Latest projections indicate that St Columba's is stabilising at around 550-600	Corporate Director Education & Communities/Head of Education	Maintain capping levels and admissions policy. Work with associated Primary Schools to promote the school.	
Programme Risks									
P1	Project Delays: 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.	Head of PAFM/School Estate Manager	The programme should be kept under review and revised as necessary during the life of the model.	

Key: see diagram

- **Requires active management.**
High impact/high likelihood: risk requires active management to manage down and maintain exposure at an acceptable level. Very High (16-25)
- **Contingency plans.**
A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from plan. High (10-15)
- **Good Housekeeping.**
May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain the same. Medium (5-9)
- **Review periodically.**
Risks are unlikely to require mitigating actions but status should be reviewed frequently to ensure conditions have not changed. Low (1-4)

