

---

<b>Report To:</b>	<b>Education &amp; Communities Committee</b>	<b>Date:</b> 4 November 2014
<b>Report By:</b>	<b>Corporate Director Education, Communities &amp; Organisational Development and Head of Finance</b>	<b>Report No:</b> EDUCOM/83/14/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 2014</b>	

---

## 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 2014 review.
- 2.2 The 2013 review of the SEMP was reported to the November Education and Communities Committee. Since the model was approved in November 2013 the following milestones have been reached:
- Port Glasgow Community Campus completed on site in December 2013 and is now operational.
  - Ardgowan Primary School refurbishment and extension is on site with a completion anticipated Easter 2015.
  - The tenders for the refurbishment and extension of St John's Primary School are due for return on 20<sup>th</sup> October with a start anticipated in November 2014 to complete August 2015.
  - The Committee approved proposals for a new build St Patrick's Primary School which is programmed to start on site summer 2015 to complete Autumn 2016.
  - Initial work has commenced on the proposals for the refurbishment of Kilmacolm Primary School which is programmed to start on site in 2015 to complete Autumn 2016.

Further detail of current project work is 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 2028/29 and with all major projects completed by 2026/27. The overall position remains in line with that reported in the November 2013 review.

### **3.0 RECOMMENDATIONS**

- 3.1 That the Committee approve the revised Funding Model and the associated changes/revisions highlighted in sections 4.0 and 5.0.
- 3.2 That the Committee note that 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.

Patricia Cassidy  
Corporate Director Education,  
Communities & Organisational  
Development  
10<sup>th</sup> October 2014

Jan Buchanan  
Head of Finance  
10<sup>th</sup> October 2014

## 4.0 REVIEW OF THE MODEL – EXTERNAL FACTORS

### 4.1 Inflation

At the time of the last review of inflation in October 2013 the Building Cost Information Service view was that tender prices had bottomed out and that a slow rise in 2013 would be followed by a period of steady increase and a steeper rise towards the end of the five year forecast period.

The BCIS August 2014 forecast view is that, building on the modest recovery in new work output in 2013, strong growth in new work output is expected during the five year forecast period, with the position of the economy as a whole improving. However, both at sector level and regionally, the recovery in the construction market is likely to be sporadic. Short term capacity constraints may lead to higher annual tender price rises over the next few quarters, as contractors find it difficult to cope with the increase in workload. Tender prices are therefore expected to rise by an annual 5% to 8% over the next few quarters, with tender prices rising by 5.6% over the first year of the forecast. As contractors start to cope with the rising workload over the second year of the forecast, it is anticipated that tender price rises will slow to 4.6%. Driven by increasing demand and pressure from rising input costs, tender prices are expected to rise between 5.0% and 5.5% over each of the final three years of the forecast period. The level of tender prices is predicted to return to the pre-recession peak in 2014, and tender prices are forecast to rise by around 30% over the forecast period.

The School Estate Management Plan has progressed to a stage where only four major refurbishment projects and one part refurbishment/extension project remain to be committed. Two further committed major projects (St Patrick's and Kilmacolm) will be tendered in the period between 2014 and 2015. The uncommitted projects are phased over a ten year period between the years 2017 and 2027. The industry forecast for tender prices indicates that the current model allowances for 2016/17 and beyond require revisiting.

In reality the BCIS forecasts have tended to be optimistic and the data is based on a relatively small sample of projects. Location factors also play a part and Inverclyde has historically felt any effect of tender price increases later than that predicted. The BCIS August forecast also includes alternative scenario projections where the assumption is that the industry's capacity grows at a sufficient rate to cope with the increasing output over the forecast period. This model sees tender prices rising more steadily during the forecast period. A number of the large property consultancy firms also prepare their own reports and market views. EC Harris view is that tender prices will rise more slowly in the first year and at a lower annual rate thereafter more in line with the BCIS alternative scenario.

Table below notes current allowances, forecasts and revised allowances:

Year	Current inflation allowance	BCIS 5 Year Forecast (Oct 14)	BCIS 5 Year Forecast Alt Proj	EC Harris Market View	Revised inflation allowance
2014/15	5%	5.6%	3.7%	2.2%	5%
2015/16	5%	4.6%	4.3%	4.6%	5%
2016/17	3%	5.5%	4.5%	4.4%	4.8%
2017/18	3%	5.2%	4.7%	NF	4.95%
2018/19	3%	5.3%	5.5%	NF	5.3%
2019/20 & Future	3%	NF	NF	NF	3%

NF – No Forecast

---

## 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. The 2014 model remains unchanged from this position.

## 4.3 Scottish Government - Scotland's Schools for the Future Programme (SSFF)

The October 2013 review of the model included £4.916 million in respect of the Scotland's Schools for the Future phase two grant award from the Scottish Government for Craigmarloch School within the new Port Glasgow Community Campus. The last review noted that this comprised £4.866 million and an estimated £50K for projected additional recovery on the provisional element of the grant linked to the project contingency which would be reviewed upon completion of the project. The provisional element has now been finalised with £118K claimed and received which is now reflected in the updated model.

As noted in the October 2013 report the Scottish Government announced (on the 26<sup>th</sup> 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 had been accepted in principle and an allowance of £1.603 million was 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 2013 model was unchanged from that position. The March 2014 Education & Communities Committee approved the progression of a new build for St Patrick's following an option appraisal and analysis of comprehensive refurbishment and new build options. This has resulted in the commitment of a greater level of Scottish Government funding which was subsequently confirmed on 15<sup>th</sup> April 2014. The total funding commitment is subject to the progression of the project to tender acceptance / financial close and will be adjusted to take account of any movements in inflation between 1<sup>st</sup> April 2012 and the tender date using the BCIS All-in Tender Price Index. Currently the model includes the base £3.005 million plus an allowance for inflation which has yet to be confirmed by the Scottish Futures Trust. It is anticipated that the project will reach financial close in May/June 2015.

It should be noted that £100 million funding for phase 4 of the Scotland's Schools for the Future programme was announced in June and a further £230 million was announced in the October budget statement with a view to allocating to local authorities in November. At this time there has been no formal contact with the Scottish Futures Trust on how this could be allocated.

## 4.4 Scottish Government Capital Grant

The October 2013 review included a number of changes including an additional allocation of Prudential Funding in year 2013/14 which was 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 allowed a £500k annual reduction in the £4.8 million capital allocation within the model to £4.3 million a year from financial year 2015/16. The 2014 model remains unchanged from this position.

## 5.0 REVIEW OF THE MODEL – INTERNAL FACTORS

### 5.1 Overview

There have been a number of changes since the October 2013 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 the scope of 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 (2013/14).

### 5.3 Project Cost Plans

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

#### *Current Projects*

- St John's PS Refurbishment – January 2014 Committee approved the altered scope to include a nursery class extension with supplementary funding being allocated to the project from the Scottish Government grant allocation in connection with the implementation of the Children & Young People Bill. The September 2014 Committee also approved utilisation of part of the £1.1M Non-SEMP multi-use games area funding allocation to supplement the project funding and allow the MUGA work to be included in the main refurbishment contract. This has a neutral impact on the model due to the additional grant and Non-SEMP funding being made available.
- St Patrick's PS – March 2014 Committee approved the progression of a new build as outlined in 4.3 above with grant funding confirmed from the Scottish Governments Scotland's School's for the Future phase 3 programme. This has a neutral impact on the model due to the additional grant funding being made available.
- Ardgowan PS Refurbishment – March 2014 Committee approved acceptance of the tender with additional funding allocated from the capital programme contingency allowances and the overall SEMP funding model.
- Port Glasgow Community Campus – Following the Policy & Resources Committee decision of 4<sup>th</sup> February 2014 £500K of unallocated project contingency was transferred from the School Estate Management Plan Model and returned to the overall Capital Programme.

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*

The work content, scope and timing of the remaining projects have been reviewed and a number of changes made:

- Early Years Establishments – there is an allowance in the model to address the partial upgrading of early years establishments. At this time there is no firm detail

of the scope and which properties will be involved as work is on-going on an early years estate management plan/strategy which will address the upgrading of the properties and alterations required to address the implementation of the Children & Young People Bill. The 2013 model placed the majority of funding in financial year 2017/18. This has now been brought forward and allocated across 2015/16 and 16/17 to align with the grant funding received and the requirement to have alterations completed in those years (as reported to the September 2014 Committee).

- Moorfoot PS Refurbishment – the cost plan has been adjusted to reflect the lifecycle works completed on the external windows/curtain walling and planned 14/15 work on external doors.
- St Ninian's PS Refurbishment – the cost plan has been adjusted to reduce the area of planned new extension following a review of the current roll projections. The current roll projections do not support the requirement for the amount of teaching area extension and this has been reduced accordingly.

#### 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 changes as noted below to reflect the decisions taken over the last year and the recommendations of reports being presented to this Committee:

- St Columba's HS - allowance added for additional transport costs with maintaining free transport for pupils in the Branchton, Braeside, Grieve Road, Bow Road and Larkfield areas for the academic year 2014/15 i.e. until June 2015 pending review of the current School Transport Policy.
- Early Years Projects – profile revised to align with the programme and capital funding noted in 5.3 above.
- Transport allowances for future decants were reviewed across all projects and updated to reflect new base date and current pricing.
- Highlanders Academy - decant upgrade allowance removed to reflect January 2014 Committee approval to utilise St Stephen's HS for St John's PS decant. Allowance for upgrade of St Stephen's added.
- St John's PS – profile and costs updated for use of St Stephen's HS as decant including Non-Domestic Rates, Utility and additional cleaning costs etc. all as outlined in January 2014 report to Committee.
- Kilmacolm PS - profile and costs updated for use of part temporary modular accommodation (Nursery) and St Stephen's HS as decant including Non-Domestic Rates, Utility and additional cleaning costs etc. all as outlined in report being submitted to this Committee.
- Sacred Heart PS – profile adjusted for planned works in connection with temporary securing between decants.
- Condition Surveys – profile adjusted for 2014 survey costs and future allowances adjusted in line with current pricing.

#### 5.5 Review of Savings

The available savings were reviewed against the 2013/14 actual expenditure and latest projected expenditure for 2014/15. The 2014 model remains unchanged from this review. It should be noted that there are no further significant savings projected until the decant facility at the former Sacred Heart Primary School is scheduled to be demolished late 2025 - early 2026.

## 5.6 Specific Changes

There have been a number of changes since the approval of the October 2013 model:

- Project scope, cost and funding changes to committed projects outlined in section 5.3 above.
- Project scope, cost and funding changes to future projects outlined in section 5.3 above.
- A lifecycle plan has been prepared specifically to address the requirements for maintenance of the sports pitches across the school estate. There are a variety of different surfaces which will require differing treatments across the life of the facilities. This will include re-surfacing, rejuvenation and replacement carpets over the life of the assets. The initial plan for this work was calculated and input into the funding model, however the addition of some £2.487 million across the life of the model was not affordable without introducing additional funding. The revised position is an addition of £1.227 million to the model to deal with the peak demand where potentially 2 or more full size pitches will require replacement carpets in the same financial year. The assumption in the current model is that the balance of the works required will be funded from the existing SEMP lifecycle allowance and that works will be profiled accordingly to manage lifecycle expenditure within the current model affordability limits. It should be noted that this may require other lifecycle work to be re-prioritised / delayed to future years in years of peak demand.

## 5.7 Loan Charges

As noted in the October 2013 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. The 2014 model remains unchanged from this position.

## 6.0 **IMPLICATIONS**

### **Finance**

### 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 £2.605 million in 2014/15 and a minimum balance of £871k in 2023/24.

### 6.2 Capital Costs and Grant Funding

There has been no significant overall change in capital costs as the increases on future projects affected by the adjustments made for forecasted tender price inflation and the addition of sports pitch lifecycle funding have been offset by a reduction in individual project cost plans noted in 5.3 above to reflect the accelerated and advance lifecycle works already undertaken in the properties. Since the October 2013 review the Grant Funding income for Craigmarnloch has been finalised, the St Patrick's project grant offer revised based on the new build project scope, and grant funding received in respect of the implementation of the Children & Young People Bill. There has been a net increase in Grant Funding of £2.573 million accordingly which has been factored into the model.

### 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 2014 model shows this to be the case within the previously reported timescales.

## 6.4 Financial Risks

The School Estate Management Plan has progressed to a stage where the planned rationalisation of the estate is complete with a relatively small number of major projects remaining to address the remaining assets requiring significant investment. The financial risks associated with completion of the project are summarised below;

- Out-turn Construction Costs - Risk (as with all construction projects) that final costs will exceed project budgets.
- Tender Price Inflation - Risk of future tender prices rising faster than industry forecasts / model allowances.
- Legislation - The risk of future changes in legislation e.g. building standards becoming increasingly onerous particularly in respect of upgrading existing buildings. Currently sprinkler systems are mandatory for new build projects and are recommended for refurbishment projects with significant extensions. Not all remaining refurbishment projects within the model have allowances for sprinkler installations.
- Capital Grant - It should also 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).

### **Legal**

6.5 There are no legal issues.

### **Human Resources**

6.6 There are no human resources issues.

### **Equalities**

6.7 Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required. See below.

Individual projects consider DDA issues as part of the development of the detailed designs and Building Standards approval (where required). There are no equalities issues.

### **Repopulation**

6.8 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.

## **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 and Property Services has not been consulted.

## **8.0 LIST OF BACKGROUND PAPERS**

- 8.1 Project Cost Plans
  - Cashflows (Capital & Revenue)
  - Calculation of Maintenance Costs
  - Sports Pitch Lifecycle Model
  - Building Cost Information Service (BCIS) Quarterly Review (July 14 + Oct 14 Update)
  - EC Harris Research – Market View UK - Summer 2014



## School Estate Funding Model - October 2014 - 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 Gourock HS) + Transport	Nov-11	Jun-15	601	869	39	190	87	87	87	233	146	37														
PPP New Aileymill Primary School	Feb-10	Feb-10	46	49		49																				
PPP New All Saint's Primary School	Feb-10	Feb-10	46	49		49																				
Notre Dame to Wellington	Jun-09	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-11	75	84				84																		
PPP New Clydeview Academy	May-11	May-11	120	135				135																		
Overton/Highlanders Refurbishment	Apr-11	Aug-12	359	370			159	164	47																	
Port Glasgow Community Campus	Oct-11	Dec-13	872	972			125	567	30	250																
Lomond View Academy (Refurb St Laurences)	Jul-12	Jul-13	35	42					42																	
Inverkip Primary School Refurbishment/Extn.	Jun-11	Aug-12	20	23				11	11																	
ASN School - New Build	Oct-11	Dec-13	85	101						101																
Early Years Establishments Refurbishments	Apr-15	Mar-17	50	64								38	26													
Ardgowan Primary School Refurbishment	Apr-14	Apr-15	376	450						203	226	21														
St Patrick's Primary School Refurbishment	Jul-15	Oct-16	424	469								265	204													
Moorfoot Primary School Refurbishment	Jul-17	Oct-18	355	419										240	179											
St John's Primary School Refurbishment	Nov-14	Aug-15	608	608							373	234														
St Mary's Primary School Refurbishment	Jul-19	Oct-20	349	436												257	179									
Lady Alice Primary School Refurbishment	Jul-21	Jul-22	295	394														236	158							
Kilmacolm Primary School Refurbishment	Oct-15	Oct-16	447	674								323	351													
St Ninian's Primary School Refurbishment	Jul-23	Oct-24	383	678															281	339	57					
Gourock Primary School - Refurbishment	Jul-26	Mar-27	20	35																			35			
Sacred Heart Mothball/Security	Varies - 6nr	-	185	253				51	67	16	14	10	13	7	14	7	15	8	18	13				35		
Highlanders Decant Upgrade	Oct-13	Jun-14	200	200						150																
St Stephen's HS Decant Upgrade				5,143							75															
Additional Revenue maintenance costs	Annual	-		5,143		313	360	49	224	116	230	263	196	204	213	221	230	239	249	258	268	279	289	300	314	326
Additional Partial Refurbishment Works	Apr-12	Mar-14	500	500					250	250																
ICT Technician Support for SEMP	Apr-13	Mar-14	27	27						27																
Contingency	Annual	-	214	214							100	100	14													
Energy Performance Certificates	10 Year Cycle	-	200	100												100										
Condition Survey	5 Year Cycle	-	300	440		100				80	40															
<b>Total proposed spend</b>			<b>7,383</b>	<b>14,004</b>	<b>56</b>	<b>828</b>	<b>731</b>	<b>1,210</b>	<b>758</b>	<b>1,427</b>	<b>1,204</b>	<b>1,291</b>	<b>805</b>	<b>451</b>	<b>505</b>	<b>585</b>	<b>424</b>	<b>483</b>	<b>706</b>	<b>730</b>	<b>326</b>	<b>279</b>	<b>324</b>	<b>300</b>	<b>314</b>	<b>326</b>

Oct 14 Revised

School Estate - Earmarked Reserves

	<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	3,461	2,605	1,919	1,564	1,593	1,561	1,441	1,474	1,439	1,172	871	1,030	1,224	1,361	1,509	1,630
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	3,020	3,260	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185	3,185
Prudential Schools Loan Charges (c)	-3,439	-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)	-233	-460	-726	-1,002	-1,290	-1,589	-1,900	-2,223	-2,559	-2,909	-3,273	-3,651	-4,044	-4,453	-4,879	-5,321	-5,781
Unitary Charge Funding from Inflation Contingency	565	460	726	1,002	1,290	1,589	1,900	2,223	2,559	2,909	3,273	3,651	4,044	4,453	4,879	5,321	5,781
One Off Costs (f)	-813	-974	-991	-646	-247	-292	-364	-194	-244	-457	-472	-57	0	-35	0	0	0
Extra Revenue Repairs (g)	-366	-230	-263	-196	-204	-213	-221	-230	-239	-249	-258	-268	-279	-289	-300	-314	-326
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	-50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserve c/fwd	<u>3,461</u>	<u>2,605</u>	<u>1,919</u>	<u>1,564</u>	<u>1,593</u>	<u>1,561</u>	<u>1,441</u>	<u>1,474</u>	<u>1,439</u>	<u>1,172</u>	<u>871</u>	<u>1,030</u>	<u>1,224</u>	<u>1,361</u>	<u>1,509</u>	<u>1,630</u>	<u>1,725</u>

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

(b) Per 2008/9 budget and £1m for Port Glasgow Com Campus , plus £160k for Lomond View. Compensating loan charges for receipts transferred to the Capital Fund come in from 2015/16. Annual Saving of £75k from 2016/17.

(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 £100k contingency from 2013/14.

(e) Base at Jan 2014 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 £250k in 2013/14. Saving of £75k from 2016/17.

School Estate Management Plan - Risk Register

Revision 21

Organisation:	Inverclyde Council
Risk Map:	School Estate Management Plan
Risk Assessors:	Property Services
Date:	Oct-14

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
<b>Building Risks</b>								
B1	<i>Lifecycle Maintenance:</i> The Lifecycle fund does not provide sufficient funding for on going 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.	3	2	3	6	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. An additional allowance has been made in the Oct 14 model specifically to address the sports pitches within the estate.	Head of L&PS/Property Services Manager	The lifecycle fund should be refined over the life of the model.
B2	<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	3	9	An additional allowance has been included in the SEMP funding 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. Note also that a further reduction of £75K per annum has been made from 2016/17 to address savings required as part of the budget setting process.	Head of L&PS/Property Services Manager	Expenditure of the ECRA allowance is monitored and managed by the Property Services Manager and Property Services Team Leader to ensure appropriate prioritisation of work.
B3	<i>Unscheduled Repairs:</i> Unscheduled repairs required in schools that have not received a major refurbishment or are being utilised as temporary decant accommodation. Factors of this risk include: No allowance for major maintenance of short or long term decant school accommodation. It is possible that failures will occur which will require to be addressed.	3	2	3	6	The only remaining decant schools are the former temporary shared campus (St Stephen's HS) and the former Sacred Heart PS. Schools scheduled to receive a future refurbishment are generally in satisfactory condition and 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 schools. However one is a B Condition rating and the other is a high C rating.	Head of L&PS/Property Services 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. One-off cost allocations have addressed partial refurbishment of some elements prior to use as decant. The boilers at Sacred Heart have been upgraded during summer 2014. It should be noted that this would impact on funds available to address risk 1. above.
<b>Financial Risks</b>								
F1	<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	A further £134K SSFF Ph.2 funding was received for the ASN school. The current model 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 £3.005M included in the model. The last major revision of the SEMP funding model (Oct 2013) reduced the allocation by £500K per annum from 2015/16.	Head of Finance	Managed through Financial Strategy and budget setting process. Possible reductions to scope of SEMP if funding not able to be found / maintained.
F2	<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	3	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.	Head of Finance/Principal Account (Education & Communities)	Savings are subject to an annual review and adjustment as necessary.
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 also impact on Early Years Services e.g. Children & Young People Bill (600Hrs) and the Looked After 2 year olds agenda.	3	4	2	12	Allowances have been made within the current SEMP for limited works to a number of Early Years Establishments. A number of establishments are incorporated into new schools and nurseries in schools will be refurbished with the schools. Provision in Gourrock (Binnie Street) was dealt with separately from the SEMP.	Corporate Director Education & Communities/Property Services Manager/Early Years Manager	A review of Early Years provision in the East End of Greenock has been cancelled due to the likely impact of the C&YPB and Looked After 2 year olds agenda. A short term working group has been formed to develop an Early Years Asset Strategy and 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	3	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)/Property Services Manager	Pupil transport costs are reviewed annually and refined over the life of the model. Appropriate inflation allowances are built in to the model.	
F5	<i>External Inflation:</i> Inflation rises faster than allowed for. Factors of this risk include: Inflation in the construction industry is more volatile than general inflation, being based more on supply and demand. 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	3	6	Inflation allowances have been reviewed and adjusted in line with current projections and latest Building Cost Information Service (BCIS) forecasts. The major elements of the programme are now complete with a limited number of Primary School projects remaining. Acceleration of the Primary School programme will assist in minimising the impact of building cost inflation on the model.	Property Services Manager	Inflation assumptions are reviewed annually and adjusted if necessary.	
F6	<i>Building Standards Legislation:</i> Revisions to Building Standards are affecting the scope of works required to meet minimum compliance when undertaking new build or refurbishment of property. The Council has a policy to better minimum standards where possible as part of the Carbon Management and sustainability agenda. This could potentially impact on overall cost of future projects and will impact on the model.	3	3	3	9	Previous project specifications and design briefs target bettering the minimum building standards requirements. Current standards such as Section 7 and mandatory sprinkler requirement for new buildings and significantly extended buildings are bringing standards in line with previous brief aspirations. There is a risk that future changes will not align with current cost plan assumptions on scope of works.	Property Services Manager	Review scope of each project to ensure maximum VFM.	
<b>Demographic Risks</b>									
D1	<i>St. Columba's Viability:</i> Future viability of St. Columba's High School - The roll may drop below a level (circa 450) where a full curriculum could not be offered / delivered and course choices could be constrained.	3	3	3	9	Changes to the Placing Request policy have been agreed which should result in better management of rolls vs capacity. Latest projections indicate that St Columba's is stabilising at around 550-600. A temporary arrangement for transport is in place pending review of policy.	Corporate Director Education & Communities/Head of Education	Maintain capping levels and admissions policy. Work with associated Primary Schools to promote the school. Review transport policy.	
D2	<i>School Rolls:</i> It may not be possible to manage school Rolls as planned. Factors of this risk include: The proposals for Gourock Primary School and St Ninian's Primary School are dependent on alterations to the catchment areas to divert pupils to adjoining schools with spare capacity rather than build extensions. It may not be possible to avoid rising pupil numbers and the building of extensions not specifically allowed for in the model may be required; The report on Primary Capacities (Jan 2014) 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	3	6	St Ninian's project scope has been revised in the Oct 14 plan to reduce planned extension allowance based on current roll projection information. 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. A roll projection group has been formed to perform a monitoring role. This group is currently monitoring Aileymill PS and Newark PS.	
<b>Programme Risks</b>									
P1	<i>Project Delays:</i> Projects do not run to time, leading to delays in other projects starting due to using the same 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	3	3	6	A buffer has been built into the programme between all refurbishments to allow for the possibility of some over runs. This cannot be too long however or mothballing costs will be incurred.	Head of L&PS/Property Services 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)

