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**REPORT TO: THE MORAY COUNCIL 25 MAY 2016**

**SUBJECT: SCHOOLS FOR THE FUTURE: PHASE 4 FUNDING –  
LOSSIEMOUTH HIGH SCHOOL**

**BY: CORPORATE DIRECTOR (EDUCATION AND SOCIAL CARE)**

**1. REASON FOR REPORT**

- 1.1 The purpose of this report is to update members on the current position of the Lossiemouth High School replacement Project, to highlight the major risks associated with the project and for members to determine the project scope.
- 1.2 This report is submitted to Council in terms of Section II (22) of the Council's Scheme of Administration relating to exercising all the consideration of annual estimated for capital expenditure and the agreement of any new or additional capital projects.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Council agree:
- (i) the design capacity of the new school; and
  - (ii) either a single design scope for the new school including or excluding a pool, or agree to progress with both design options and defer the final decision until December 2016.

**3. BACKGROUND**

- 3.1 At the Council meeting on 30 March 2016 (paragraph 10 of the Minute refers) the Council agreed to limit the scope of the project to the replacement of the school, incorporating the public library but to investigate sustainable options for maintaining the existing pool and community facilities. This decision was taken as part of an overall review of the council's 10 year capital plan during which the council also agreed that the current range of council service provision is financially unsustainable and that the council will work towards achieving a sustainable financial plan during the next two years.
- 3.2 At the meeting of Children and Young Peoples Services Committee on 27 April 2016 officers were tasked with seeking clarification from Scottish Futures Trust (SFT) in respect of the funding package for the Lossiemouth High School replacement project and what the funding would cover (paragraph 12 of the Minute refers).

- 3.3 The Council has received verbal confirmation that SFT funding is based on like for like replacement, therefore the replacement would be for a 700 pupil school, including community facilities. This is on the basis of two thirds funding by SFT and one third by the Council. The verbal offer also includes a maximum of two thirds of £2m towards the replacement of a swimming pool (this figure is as at Q2 2012 and would be inflated to Q3 2017).
- 3.4 The timescales associated with this funding is a commitment that the construction will be completed by March 2020. In order to meet this timescale the new project request (NPR), which provides the specification of what is required to be built, requires to be completed and accepted by Scottish Government by July 2016.
- 3.5 The project will be revenue funded and must be undertaken as Design, Build Finance and Maintain (DBFM) in partnership with hubCo North Scotland. This means that in addition to construction costs the Council will have to commit to a contract for the maintenance of the building over its lifespan (approximately 25 years). SFT have verbally confirmed that the inflationary uplift will now be capped and fixed at quarter three 2017. This means that if the Council was unable to reach an agreed build and construction cost by Q3 2017 all inflation costs past this date would have to be met solely by the Council.
- 3.6 It should be noted there are ongoing discussions with Highland and Aberdeenshire Councils regarding a collaborative approach as it is the view of SFT that the three schools in the current phase of funding could be procured collaboratively with potential to achieve a better deal. These discussions may alter the method the Lossie High School project is funded but not the amount of funding.
- 3.7 The school roll projections for Lossie High School is 685 by 2022 and this does not take into consideration the potential re-zoning of Burghead Primary School solely to Lossiemouth which it is anticipated will be 70 children to the roll. It also does not consider the effect of additional military presence at Lossiemouth, or the housing development by Tullochs of Cummington to the south of the RAF camp. There is a possibility that the capacity figure of 700 will be reached within two years of the school being opened. Some use of design principles could result in the capacity being increased within the proposed footprint, however Council may wish to increase the capacity to 800 pupils which would require to be funded exclusively by the Council at a cost of approximately £3M.
- 3.8 It should be noted that the community area will be incorporated within the new build which will allow for community use of facilities which will be accessed through a common entrance point, requiring a single reception area for the whole building.

3.9 The options for proceeding with this build are as follows:

1. Build new school incorporating the public library
2. Build new school and swimming pool incorporating the public library
3. Build new school incorporating the public library and have partial retention of existing pool and community facilities

Option 3 has been investigated and officers would strongly advise not proceeding with this due to the following:

- Old facilities that would require to be replaced and refurbished
- Increased demolition cost
- 'Make good' costs to the building and landscaping
- Increased running costs of having two buildings
- Difficult to integrate with new building and facilities

The difference in cost for construction and lifecycle between option 1 and option 2 based on an 800 pupil roll is highlighted below.

<b>Construction</b>		
	School Only	School & Swimming Pool
SFT	£15.6M	£17.3M
TMC	£12.9M	£13.7M
<b>Total</b>	<b>£28.5M</b>	<b>£31M</b>
<b>Whole Life cost over 25 years</b>		
LCC & FM	£8.4M	£9.4M
<b>Total TMC Cost</b>	<b>£21.3M</b>	<b>£23.1</b>
<small>*Construction costs based on Q2 2015, LCC &amp; FM for swimming pool are guide cost based on Alford.  ** SFT contribution based on their funding calculation of which very few schools in the north have achieved</small>		

The above costs do not include the net running costs of the pool which are estimated to be £2.9m over the 25 year period.

3.10 At the meeting of the council on 30 March 2016 the council agreed that the current range of council service provision is financially unsustainable and that the council will work towards achieving a sustainable financial plan during the next two years. At the same meeting the council also agreed arrangements for engaging with the local community on the council's financial situation. This engagement and continuing engagement with communities during 2017 will be important factors for consideration by the council when making decisions about the future level of service provision. It follows that whilst it could be regarded as financially irresponsible to commit to funding for the next 25 years in relation to a service that does not have a strong link to current council priorities, it is also recognised that those priorities could change and therefore it is understandable that the council might not wish to take a decision to exclude the provision of a swimming pool as part of the new build at this stage.

- 3.11 If the council was not able to make a decision regarding the design of the school, in order to progress the project within the governments funding timescales, the project would require to progress with two separate designs. A design decision would have to be made by December 2016 at the latest but this would incur an estimated increase in design costs of between £200 - 300k. By mid-November councillors will have a report on the feedback from the programme of community engagement activities in 2016. The council has agreed to prepare a budget for 2017/18 by mid-December for consultation with communities with the budget being finalised on 22 February 2017.

#### 4. **SUMMARY OF IMPLICATIONS**

**(a) Moray 2023: A Plan for the Future/Service Plan/Health and Social Care Integration**

This report supports the Council's corporate working principles of efficiency, effectiveness and economy. It also supports the Educational Services Improvement Plan objective of providing quality facilities.

**(b) Policy and Legal**

HubCo is a joint venture between local authorities and other public bodies, a private sector development partner and SFT. For each new project, hubCo undertakes a separate, newly formed company (DBFMCo). The DBFMCo will finance and construct the proposed new Lossiemouth High School on a design, build, finance and maintain contract with the Participant (The Moray Council). The project is initiated by the Participant submitting a new project request to hubCo who respond with a cost proposal. The cost proposal is to be worked on between the Participant and hubCo for a mutually agreed period until a suitable conclusion is reached

**(c) Financial implications**

The council has agreed that the current range of council service provision is financially unsustainable and that the council will work towards achieving a sustainable financial plan during the next two years. In the absence of a strong link to the delivery of council priorities it would be financially irresponsible to commit to the cost of a swimming pool at this time.

However, it is also recognised in the report that, having embarked on an engagement programme with communities on the council's financial position, it could be premature to agree a reduction in service provision (i.e. no pool in the future) at this time.

The only other option is to defer the decision until December, but this will incur additional design costs of between £200K to £300K.

**(d) Risk Implications**

The council require to ensure future demands can be met within the capacity of the new school. The council also requires to determine what is to be built as if no decision is reached the project will have to progress with more than one design which will incur design costs.

**(e) Staffing Implications**

There may be staffing implications depending on which option is taken forward, either retain some of the current facilities, include a new pool in the new build or build a new school only and demolish all current facilities.

**(f) Property**

Property is the focus of this report.

**(g) Equalities**

If no swimming pool is provided the current users would have to use alternative facilities the nearest being Forres or Elgin. Use of Elgin facilities would mean that members of the Fit Life scheme would have no financial benefit from their membership for swimming. Use of either facility would incur additional transport costs. The majority of users of the current facility are juniors with 11% of current users having relevance to characteristics protected under the Equality Act 2010.

**(h) Consultations**

Consultations have been held with the Corporate Management Team; Education and Social Care Senior Management Team; Head of Legal & Democratic Services; Head of Financial Services; Equal Opportunities Officer and Lissa Rowan, Committee Services Officer. Where comments have been received, these have been incorporated within the report

**5. CONCLUSION**

- 5.1 The Council agreed the scope of the replacement for Lossiemouth High School at its meeting on 30 March 2016. The council's financial position remains the same and the advice remains that it would be financially irresponsible to agree to invest in a new swimming pool at this time. However, it is also recognised that with a programme of community engagement on the council's financial position currently underway, it could be regarded as premature to take a decision on reducing service provision at this time. The remaining option is to commit to additional design costs to enable both options to be kept open until December 2016, but a final decision would have to be made at that time.**

Author of Report: Shona Leese, Senior Project Officer

Background Papers:

Ref: