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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date: 13 November 2012</b>
<b>Report By:</b>	<b>Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No: SL/LA/930/12</b>
<b>Contact Officer:</b>	<b>Sharon Lang</b>	<b>Contact No: 01475 712112</b>
<b>Subject:</b>	<b>SEMP - Review of Funding Model and Possible Opportunities - Remit from Education &amp; Communities Committee</b>	

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to request the Committee to consider a remit from the Education & Communities Committee.

## 2.0 SUMMARY

- 2.1 The Education & Communities Committee at its meeting held on 30 October 2012 considered the attached report by the Corporate Director Education, Communities & Organisational Development and the Chief Financial Officer advising of the opportunities which arise from the annual review of the School Estate Funding Model (SEMP).

APPENDIX

- 2.2 It was decided:-

- (1) that support be given to the proposals contained in the report, that the Council Leader write to the Government seeking increased Government Grant towards the proposal and that the Committee be provided with updates in respect of the Government's response;
- (2) that the financial implications be remitted to the Policy & Resources Committee and thereafter fed into the 2013/16 budget process;
- (3) that Officers communicate the Committee's decisions to the affected schools; and
- (4) that it be agreed that Highlanders Academy is no longer surplus to requirements and that a report be submitted to the next meeting of the Environment & Regeneration Committee seeking approval to bring the school back into use as temporary decant accommodation to support the SEMP.

## 3.0 RECOMMENDATION

- 3.1 The Policy & Resources Committee is asked to consider the remit from the Education & Communities Committee and to agree that the financial implications be considered as part of the 2013/16 Budget, conditional on the Government committing to grant support.

**Sharon Lang**  
**Legal & Democratic Services**

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<b>Report To:</b>	<b>Education &amp; Communities Committee</b>	<b>Date:</b> 30 <sup>th</sup> October 2012
<b>Report By:</b>	<b>Corporate Director Education, Communities &amp; Organisational Development/Chief Financial Officer</b>	<b>Report No:</b> FIN/88/12/AP/LA
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>SEMP – Review of Funding Model and Possible Opportunities</b>	

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to advise the Committee of the opportunities which arise from the annual review of the SEMP Funding Model.

## **2.0 SUMMARY**

- 2.1 Elsewhere in the agenda there is the review of the Schools Estate Funding Model 2012. The report highlights £2.6 million reduction in net costs due to the estimated SFT Grant in relation to St Patrick's Primary and a £1 million reduction in the contingency set aside for the Shared Campus. In addition the report highlights a £450,000 reduction in projected loans charges following the high levels of borrowing at low interest rates which have been undertaken in the last 12 months.
- 2.2 Appendix 1 contains the letter received by the Council on the 20<sup>th</sup> September from the First Minister and David O'Neill (Cosla President) regarding accelerating capital investment to support economic recovery. Within this letter there is the indication that the Scottish Government would be amenable to supporting proposals advanced by Local Authorities to advance capital spend.
- 2.3 The Scottish Futures Trust have awarded a grant of up to £5.3 million for the ASN new build as part of the shared campus. Indications are that up to £450,000 could be clawed back were the Council not to utilise any of the contingency set aside for the project. Additionally the SFT have announced that St Patrick's has been selected for funding as part of the third phase of the schools for the future programme. Officers have prudently estimated that the intervention rate will be 30% rather than 50% on the basis that the SFT favour new build schools with low costs per square metre. Evidence suggests that Inverclyde Council has proportionally not fared well from the £1.2 billion Schools for the Future Programme largely due to the fact that it is in the middle of implementing a fully funded high quality School Estate Asset Plan.
- 2.4 Following the opening of Whinhill Primary School Highlanders Academy is currently lying vacant and has the potential to form a second decant school in order to accelerate the primary school refurbishment programme and in the potential save the Council money in the year on year inflationary increase in building costs. It should be noted that Highlanders would require approximately £200,000 investment to bring it back into an acceptable condition for use as a decant school. Additionally, as the school has been declared surplus to requirements a Committee decision would be required to bring it back into operational use.

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- 2.5 The proposals also allow the acceleration of other Primary School refurbishments at St Mary's PS and St Ninian's PS as a result of more efficient use of the former Sacred Heart PS decant facility.
- 2.6 It is known that Property Services will experience a severe down turn in fee income in the next 2 years and this presents an HR challenge in terms of managing such a reduction in the workforce in a short period of time. By advancing an element of the primary school refurbishment programme it would buy more time to manage the reduction in the number of employees.
- 2.7 Taking all the above issues into account the Committee is asked to consider whether it would wish to progress the acceleration of St John's Primary School to utilise Highlanders Academy as decant accommodation with an approximate timeline of starting work in July 2014. St John's Primary School is the only school of those remaining requiring significant investment that has a suitability rating of C (Poor). It is also 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.
- 2.8 In addition the Committee is asked to consider whether it would support the acceleration of Kilmacolm Primary School to start in July 2015 on the basis that it does not require decant accommodation and is in a poorer condition than the only other non-decant refurbishment at Gourrock Primary.
- 2.9 Appendix 2 updates the SEMP Capital Finance Model and shows that it is all affordable in the current timescale despite the savings made. Appendix 3 summarises the overall proposal.
- 2.10 The above proposals however should be conditional on the Scottish Government, via the Scottish Futures Trust, providing increased funding to the Council in order to accelerate these 2 primary schools. This has the joint benefit of the Council delivering 2 primary schools in a much earlier timescale than had been envisaged whilst allowing the Scottish Government to report that the Schools for the Futures Programme has delivered 2 further primary schools at very little extra cost to the SFT.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee consider the proposals contained in this report.
- 3.2 On the basis that the Committee support the proposals it is recommended that the Council Leader write to the Government seeking increased Government grant towards these proposals and Committee receive updates in respect of the Government's response.
- 3.3 That the financial implications be remitted to the Policy & Resources Committee and thereafter fed into the 2013/16 budget process.
- 3.4 That Officers communicate the Committee decisions to the schools impacted.
- 3.5 That the Committee agree that Highlanders Academy is no longer surplus to requirements and that a report should be submitted to the next Environment and Regeneration Committee seeking approval to bring the school back into use as temporary decant accommodation to support the SEMP.

Alan Puckrin  
Chief Financial Officer

Albert Henderson  
Corporate Director of Education,  
Communities & Organisational  
Development



The Scottish  
Government



## APPENDIX 1

20 September 2012

Dear Council Leaders

### **Capital investment to support economic recovery**

We are writing to you jointly to bring to your attention our shared priority of capital investment to support economic recovery and what we think can be done collectively to maximise this investment.

When economic conditions are fragile, shovel-ready capital investment by the public sector can provide an immediate stimulus and protect jobs and output. In particular, capital investment provides support to output and employment in the construction sector. The recent decline in Scottish output – with the Scottish economy returning to a technical recession following two consecutive quarters of declines in output of 0.1 per cent – was driven entirely by the construction sector.

For example, it is estimated that the Scottish Government's accelerated capital spending programme which brought forward nearly £350 million of capital spending over the period 2008-09 to 2009-10, and which Councils played a key role in delivering, supported around 5,000 jobs across the Scottish economy.

In addition to protecting jobs and output, capital investment has long-term benefits, including the creation of assets - such as public infrastructure – and can help retain vital skills and activity in key sectors such as construction.

We welcome all the work being undertaken across both Local Government and Scottish Government to continue investing under difficult financial circumstances, and that where possible all efforts are being made to accelerate investment to assist economic recovery. However we would welcome a re-focussing of our efforts to see collectively how much more can be done.

We understand that Councils will be exercising their ability to borrow sensibly now at current low interest rates, to maximise capital investment at a time when it is particularly needed. The question is whether more can be done and whether there is anything that can be done nationally to support you in making optimum use of your borrowing powers.

Additionally for some time, as you will be aware, the Scottish Government has been proposing to the UK Government that Scotland would benefit from additional spend on capital projects that are currently on hold from lack of available funds. There is potential that either additional or accelerated capital funding will become available through Budget Consequential at the time of the UK Autumn Budget, and we would want this to be used wherever its impact on the economy will be maximised, whether through Councils or Scottish Government. We would therefore strongly encourage you to review now whether you have any 'shovel ready' projects that could be progressed quickly in your Council area, in the event that further funding becomes available at fairly short notice.

We therefore very much welcome your thoughts on what you believe can be done to further support economic recovery both by your own Council's actions and actions which could be initiated nationally. Equally we feel it is important to alert you to the potential availability of additional funding in order that you are in a position to maximise use of this if it were to become available.

We are copying this letter to Chief Executives and Finance Directors of Local Authorities for their information.

Yours sincerely,

**FIRST MINISTER**

**COSLA PRESIDENT**

School Estate Funding Model - October 2012 Alternative Funding Model

	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												3,500	1,800		801	1,803													
Capital programme for the year									4,808	4,800	4,800	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 - Receipts			11,926				2,035					5,700	3,325									-	-	866	-	-	-	-	-
Prudential Funding - Projects									923	803	3,337	14,816	12,426	481															
Prudential Funding - Mearns Centre											142	1,911	220	70															
Prudential Funding - Alternative Model													4,000	(300)															
Virement to Inverkip Community Centre																													
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	30,727	26,271	5,351	5,101	6,103	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				6,804					3,719	477	417	1,561	630																
Balance available for other projects	-	-			-	-	2,035	951	8,181	5,126	7,862	29,166	25,641	5,351	5,101	6,103	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	Inc.																		
Kings Glen Decant School	Jun-08	Aug-10	50	40				20		20																			
Various Road Improvement Works	Varies	Nov-12	560	386					7	3	61	191	124																
PPP Interactive Boards/LCD Screens	Varies	May-11	474	502					132	7	363																		
St Columba's HS (Refurbish Gourock HS)	Nov-11	Jun-13	13,707	14,667					13	536	1,038	7,172	5,656	252															
St Andrew's PS ( Refurbish Earnhill)	Aug-10	Oct-11	4,054	4,314				10	180	1,730	2,394																		
Whinhill PS (Overton/Highlanders)	Oct-10	Aug-12	4,780	5,089					204	289	2,950	1,484	162																
Port Glasgow Shared Campus new school	Oct-11	Jul-13	31,875	31,754					54	774	3,324	14,695	12,426	481															
Mearns Centre (Refurbish St Laurence's PS)	Jul-12	Apr-13	2,150	2,343							142	1,911	220	70															
Inverkip PS Refurbishment	Jul-11	Oct-12	832	595							362	129	104																
ASN School	Oct-11	Jul-13	11,082	10,628						259	725	5,759	3,734	151															
Sacred Heart Decant School	Oct-11	Aug-13	300	500							14	15	455	16															
Early Years Establishments Refurbishments	Jul-17	Aug-18	1,000	1,348												62	1,257	28											
Ardgowan PS Refurbishment	Jul-13	Aug-14	3,886	4,491								201	2,592	1,579	119														
St Patrick's PS Refurbishment	Jul-15	Oct-16	4,274	5,342										215	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	128										
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	Jul-16	2,877	3,395										132	1,731	1,438	94												
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	Inc.																		
Demolition of Greenock Academy	Sep-15	Nov-15	450	164							71				91	2													
Demolition of St Gabriel's PS	Feb-12	Mar-12	120	60							28	32																	
Demolition of Kings Glen	Oct-12	Nov-12	200	81								78		3															
Demolition of St Stephen's HS	Sep-13	Dec-13	450	558									530	28															
Demolition of Lilybank	Aug-13	Oct-13	100	124									117	7															
Demolition of Sacred Heart PS	Dec-24	Feb-25	180	309																				309					
General allowance for unforeseen works			900	2,466				921		-	-	445	600	100	100	100	100	100											
Lifecycle Fund			22,467	33,550						-	-	-	296	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			125,565	148,488	-	-	-	951	1,084	3,754	11,472	32,112	27,075	4,845	6,226	5,333	4,555	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)	(2,946)	(1,434)	506	(1,125)	770	(255)	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	1,913	479	985	(140)	630	375	567	909	517	1,350	1,673	407	(939)	163	(500)	451	1,262
Cumulative carry forward					-	-	-	-	7,097	8,469	4,859	1,913	479	985	(140)	630	375	567	909	517	1,350	1,673	407	(939)	163	(500)	451	1,262	1,760

**SEMP – Proposals**  
**Implications**

1/ Operational

- a) Advances St John's Primary from 2019/20 to 2014/15
- b) Advances Kilmacolm Primary from 2022/23 to 2015/16
- c) Advances St Ninians from 2025/26 to 2023/24
- d) Advances St Mary's from 2020/21 to 2019/20
- e) Uses Highlanders Academy as decant school until 2016
- f) Programme delivered physically and financially by 2027/28

2/ Financial

- a) Allows £0.5 million reduction in annual capital grant from 2015/16.
- b) Uses £220k of the projected loan charge saving from 2013/14 to increase Prudential Funding by £3 million.
- c) Returns £230k loan charge saving to the General Fund to either reduce budget gap or reduce use of Capital Fund to finance SEMP.
- d) Requires £750k extra funded from one off costs over 2013/17 but saves £658k in one off costs over 2019/24 (Difference due to £200k cost to make Highlanders fit for refurbishment).
- e) Assumes £1.5 million funding from the Scottish Futures Trust towards the two accelerated refurbishments.

AP/CM  
16/10/12