

**REPORT TO: EDUCATION COMMITTEE – 8 SEPTEMBER 2003  
POLICY AND RESOURCES COMMITTEE – 8 SEPTEMBER 2003**

**REPORT ON: UPDATE ON THE FINANCIAL STATUS OF THE PPP FOR SCHOOLS  
PROJECT**

**REPORT BY: DIRECTOR OF EDUCATION AND DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 548-2003**

## **1 PURPOSE OF REPORT**

The purpose of this report is to provide the Committee with an update on the financial status of the PPP for Schools Project and to seek the Committee's approval for any revisions that may be required. The approved PPP for Schools Project will then be resubmitted to the Scottish Executive in order that final approval may be sought.

## **2 RECOMMENDATIONS**

It is recommended that the Committee:-

- a) notes the content of the PPP for Schools Project as at the Education Committee on the 31 March 2003 and the then affordability gap of £387,000 per annum;
- b) notes the increase in the capital and revenue costs of the PPP for Schools Project in the period since the 31 March 2003, and in particular the increase in affordability gap from £387,000 to £880,000 per annum;
- c) the Committee is requested to delete Barnhill Primary School and Forthill Primary School from the PPP Project and to undertake these projects as outlined in Appendix C, from capital receipts and prudential borrowing. The City Architectural Services Officer to be authorised to design and invite tenders for the refurbishment and extension of Forthill School.
- d) the Committee is requested to approve the revised PPP project as outlined in Appendices A and C, and thereafter instruct the Chief Executive to submit the revised PPP for Schools Project to the Scottish Executive.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The Policy and Resources and Education Committees at their meetings on 31 March 2003 agreed a revised PPP for Schools Project, which while still utilising the full Level Playing Field Support of £5.73m provided, had an affordability gap of £387,000. Further, the Committees agreed that this projected affordability gap could be eliminated by the application of £3.9m from the estimated Capital Receipts available to the Council. The financial status and funding of the project as at 31 March 2003 is detailed in column (1) of Appendix A.
- 3.2 In the period since March 2003 the officers working on the project have been involved in a detailed analysis of each individual school within the project, including consultation with the Head Teachers. This detailed analysis and the passage of time has seen the overall cost of the project increase such that the affordability gap has now increased to £880,000. The main reasons for this are an increase in projected facilities management costs and a significant increase in building insurance costs. The updated financial status and funding of the PPP for Schools Project is detailed in column (2) of Appendix A.
- 3.3 The revised PPP project, as now proposed by the Officers, has reduced the affordability gap to £4k. Capital receipts of £3.9M and prudential borrowing of £5.0M will now be used to

finance Forthill and Barnhill Primary Schools respectively. The revenue cost of £350,000 of the prudential borrowing will be included in future years budgets. This may be offset by additional capital receipts from planning gains from new house building in Broughty Ferry.

#### **4 LOCAL AGENDA 21 IMPLICATIONS**

There are no additional Local Agenda 21 implications beyond those outlined in Report No 898-2002.

#### **5 EQUAL OPPORTUNITIES IMPLICATIONS**

There are no additional Equal Opportunities Implications beyond those outlined in Report No 898-2002.

#### **6 BACKGROUND**

- 6.1 The Education and Policy and Resources Committee meetings on 31 March 2003 agreed to a revised content for the proposed PPP for Schools Project. The major changes from the original Outline Business Case (OBC) submitted in the December 2001 were the inclusion of a new denominational Secondary School within the PPP Project and the exclusion of the St Johns High School refurbishment and the new Kingspark School from the PPP for Schools Project, with both these projects now being funded from non-PPP sources, eg School Estates Strategy grant, capital receipts and long term borrowing.
- 6.2 Since March 2003, officers of the Council have been working up the details of each individual project within the PPP for Schools Project. This work has included detailed analysis by the Council's external consultants on the basis of PPP tenders already submitted to other Councils. In addition there has also been consultation with the Head Teachers of the schools that are included within the PPP for Schools Project.
- 6.3 In March 2003 the affordability gap was estimated to be £387,000 and this was to be funded by the application of £3.9m of capital receipts generated by the City Council. However, in the intervening period the affordability gap of the same project has increased to £880,000 per annum and the Council must now consider how to fund or close this increased affordability gap.
- 6.4 The reason for the increase in the affordability gap by £493,000 from £387,000 to £880,000 has been caused by two main reasons. Firstly, there has been an increase in projected facilities management costs of an estimated £103,000. Further, the original estimated unitary charge had included insufficient provision for building insurance. A combination of an inadequate provision for insurance in the unitary charge estimates included in the original Outline Business Case in December 2001, and the fact that building insurance costs have significantly increased in the intervening period, meant an increase of £390,000 in the estimated unitary charges.

#### **7 PROPOSALS TO AMEND THE DETAILS OF CURRENT PPP FOR SCHOOLS PROJECT**

- 7.1 The Director of Education has examined the detailed content of the PPP for Schools Project and, in conjunction with the technical and financial officers within the PPP Project Team and, has considered the most efficient manner in which to bring the PPP affordability gap back into equilibrium.

Inevitably, the Director of Education was faced with only 2 principal options, either to pare back each of the individual school projects, however this would significantly impact on the

educational viability of each of the new PPP schools, or to transfer some of the projects included within the PPP Scheme to be funded by traditional borrowing through the new Prudential Framework. After significant consideration it became apparent that the most effective and least damaging option was the latter and the Director of Education and Depute Chief Executive (Finance) have carried out an in-depth analysis to identify which elements of the proposed PPP for Schools Project should be transferred.

- 7.2 It has always been the case that those elements of the Project that included refurbishment were the elements which provided the least value for money, eg the unitary charges per square metre for a new build school is usually lower than the unitary charges for a refurbished school.

Accordingly, the Director of Education and her advisors examined those schools within the PPP for Schools Project for which refurbishment and extension were key elements. The three schools that come into this category are Grove Academy, Barnhill Primary School and Forthill Primary School, and the combination of options were either to transfer out both Barnhill and Forthill Primary Schools, or Grove Academy. The affordability gap associated with each of these schools is such that the transfer of Grove Academy would have had only a marginal effect on reducing the affordability gap of £880,000. However the effect on the affordability gap of transferring both Barnhill and Forthill Primary Schools out of the PPP scheme and into Prudential Borrowing would have the significant effect of reducing the affordability gap from £888,000 to £4,000 (see Column 3, Appendix A).

Members will recall that the original affordability gap which was approved at the Education Committee on 31 March 2003 was £387,000. At that Committee, it was also agreed that this affordability gap would be addressed by the application of £3.9m of the capital receipt from the sale of the Linlathen High School site. If the Committee decide to transfer Barnhill and Forthill Primary Schools out of the PPP for Schools Project, then the aforementioned capital receipt of £3.9m will be available to fund the extension and refurbishment of one of the aforementioned Primary Schools.

- 7.3 The relative position of both Forthill and Barnhill Primary Schools is as follows:-

Forthill Primary School is in immediate need of extension and refurbishment, while Barnhill Primary School does not have the same pressure to house pupils and was being extended to accommodate the expected increase in new school pupils as a result of the planned new housing developments in the east of the City. As the roll trends attached at Appendix B demonstrate, the Barnhill intake has not risen in the predicted manner. Forthill, on the other hand, continues to show an upward trend with a current P1 intake of 66 priority 1 pupils.

- 7.4 If the Committee agree to Forthill and Barnhill Primary Schools being transferred out of the PPP Project, then these schools can be refurbished and extended through the Council's traditional capital expenditure regime. The projects would be funded from the combination of Prudential Framework and the application of capital receipts, with the immediate release of the £3.9m capital receipt from the PPP for Schools Project meaning that the refurbishment and extension of Forthill Primary School can be advanced to commence in the financial year 2004/05 to meet demand.

At the same time it may be possible to further increase the level of accommodation at the schools remaining in the PPP Project to satisfy many of the aspirations identified during the consultations with the Head Teachers (see Appendix C).

## 8 CONCLUSIONS

- 8.1 Since the PPP For Schools Project was considered at the Education Committee on 31 March 2003, the affordability gap of the Project has grown from £387,000 to £880,000 and at that level is unaffordable to the Council. In order to deliver the benefits of the PPP for Schools Project, it is necessary to transfer two of the proposed Primary Schools which were due for refurbishment and extension out of the PPP for Schools Project and into the Council's Capital Plan, to be funded from Prudential Framework and capital receipts.
- 8.2 The two schools, namely Forthill Primary School and Barnhill Primary School would still have their refurbishment and extension carried out in a timescale similar to that of the PPP for Schools Project, indeed the Forthill Primary School extension and refurbishment would be commenced one year earlier than envisaged in the PPP for Schools Project.
- 8.3 If the proposal included in this report is accepted, then the affordability gap will be £4,000 per annum and the detailed breakdown of this sum school by school is shown in Appendix D.
- 8.4 It is imperative that an early decision is taken on both proposals in order that the Council can gain the Scottish Executive's approval to issue Invitation to Tender documents to ensure that the PPP for Schools Project timetable is adhered to, as any slippage in that timetable will invariably increase the overall cost of the PPP Project to the Council.

## **9 CONSULTATION**

The Chief Executive, Depute Chief Executive (Support Services) and City Architectural Services Officer were consulted in the preparation of this report.

**ANNE WILSON**  
DIRECTOR OF EDUCATION

**29 AUGUST 2003**

**DAVID DORWARD**  
DEPUTE CHIEF EXECUTIVE (FINANCE)

**29 AUGUST 2003**

APPENDIX ADUNDEE CITY COUNCILPPP FOR SCHOOLS PROJECT (A)

	<u>Project March 2003 £000 (1)</u>	<u>March 2003 Project Costed at July 2003 £000 (2)</u>	<u>*Proposed Project Costed at July 2003 £000 (3)</u>
Capital Cost (Current)	<u>60,796 (b)</u>	<u>63,417 (c)</u>	<u>58,650 (c)</u>
Capital Cost (Outturn)	<u>73,265</u>	<u>73,585</u>	<u>68,160</u>
Unitary Charge	9,940	10,370	9,250
Less Level Playing field Support	<u>5,730</u>	<u>5,730</u>	<u>5,730</u>
Net Cost to Council	<u>4,210</u>	<u>4,640</u>	<u>3,520</u>
<u>MET FROM:</u>			
Current Revenue Budgets	745	733	554
Projected savings from school rationalisations	1,919	1868	1868
Projected staff savings from St Johns/St Saviours/Lawside	580	580	580
Additional Income	<u>579</u>	<u>579</u>	<u>514</u>
	<u>3,823</u>	<u>3,760</u>	<u>3,516</u>
AFFORDABILITY GAP	<u>387</u>	<u>880</u>	<u>4</u>

**\* Note**

(a) This proposal assumes that both Forthill Primary School and Barnhill Primary School are now funded through Prudential Framework and not the PPP for Schools Project.

(b) Costs at August 2002 prices

(c) Costs at June 2003 prices

**APPENDIX B****PRIMARY PLACING REQUEST BREAKDOWN****School – Barnhill Primary** (As at 23 May 2003)

STAGE	PRIORITIES						
	By Right		By Placing Request				Total
	Priority 1	%	Priority 2	%	Priority 3	%	
P1	37	70	9	17	7	13	53
P2	50	86	5	9	3	5	58
P3	39	64	12	20	10	16	61
P4	35	66	8	15	10	19	53
P5	46	71	9	14	10	15	65
P6	38	60	6	10	19	30	63
P7	43	67	5	8	16	25	64
<b>TOTAL</b>	<b>288</b>	<b>69</b>	<b>54</b>	<b>13</b>	<b>75</b>	<b>18</b>	<b>417</b>

**School – FORTHILL PRIMARY** (As at 23 May 2003)

STAGE	PRIORITIES						
	By Right		By Placing Request				TOTAL
	Priority 1	%	Priority 2	%	Priority 3	%	
P1	49	86%	5	9%	3	5%	57
P2	57	88%	5	8%	3	5%	65
P3	45	63%	11	15%	15	21%	71
P4	44	71%	7	11%	11	18%	62
P5	41	63%	11	17%	13	20%	65
P6	53	59%	15	17%	22	24%	90
P7	43	65%	5	8%	18	27%	66
<b>TOTAL</b>	<b>332</b>	<b>70%</b>	<b>59</b>	<b>12%</b>	<b>85</b>	<b>18%</b>	<b>476</b>

REVISED OBC AFFORDABILITY     PROJECT AS AT AUGUST 2003 FORTHILL/BARNHILL REMOVED ADJUSTED FOR INCREASED FLOOR AREA FURNITURE REMOVED

PRIMARY

	<u>FINTRY</u> <u>£000'S</u>	<u>St MARGARETS</u> <u>St COLUMBAS</u> <u>£000'S</u>	<u>MID CRAIGIE</u> <u>MOSSGIEL</u> <u>£000'S</u>	<u>MACALPINE</u> <u>BRACKENS</u> <u>£000'S</u>	<u>DOUGLAS</u> <u>POWRIE</u> <u>£000'S</u>	<u>BARNHILL</u> <u>£000'S</u>	<u>FORTHILL</u> <u>£000'S</u>	<u>DOWNFIELD</u> <u>£000'S</u>	<u>TOTAL</u> <u>PRIMARY</u> <u>£000'S</u>
CAPITAL COST (CURRENT PRICES)	5,746	6,152	5,214	6,562	5,359	0	0	5,134	34,167
CAPITAL COST (OUTTURN PRICES)	6,678	7,150	6,060	7,626	6,228	0	0	5,967	39,709
UNITARY CHARGE	880	945	780	970	810	0	0	780	5,165
LEVEL PLAYING SUPPORT	550	590	500	630	510	0	0	490	3,270
COST TO COUNCIL	<b>330</b>	<b>355</b>	<b>280</b>	<b>340</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>290</b>	<b>1,895</b>
TO BE MET FROM									
CURRENT REVENUE BUDGETS	123	20	20	20	20	0	0	20	223
PROJECTED SAVINGS	0	205	265	261	253	0	0	59	1,043
ADDITIONAL INCOME	0	0	0	0	0	0	0	0	0
AFFORDABILITY GAP	<b>207</b>	<b>130</b>	<b>(5)</b>	<b>59</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>211</b>	<b>629</b>

SECONDARY

	<u>GROVE</u>	<u>ST JOHNS</u>	<u>NEW SCHOOL</u>	<u>ST SAVIOURS</u>	<u>SECONDARY</u>
	<u>£000'S</u>	<u>£000'S</u>	<u>£000'S</u>	<u>£000'S</u>	<u>£000'S</u>
CAPITAL COST (CURRENT PRICES)	10,810	0	13,673	0	24,483
CAPITAL COST (OUTTURN PRICES)	12,560	0	15,891	0	28,451
UNITARY CHARGE	1,985	0	2,100	0	4,085
LEVEL PLAYING SUPPORT	1,140	0	1,320	0	2,460
<b>COST TO COUNCIL</b>	<b>845</b>	<b>0</b>	<b>780</b>	<b>0</b>	<b>1,625</b>
TO BE MET FROM :-					
CURRENT REVENUE BUDGETS	331	0	0	0	331
PROJECTED SAVINGS	0	0	0	825	825
PROJECTED NET STAFF SAVINGS (St Johns/St Saviours/Lawside)	0	0	0	580	580
ADDITIONAL INCOME	514	0	0	0	514
<b>AFFORDABILITY GAP</b>	<b>0</b>	<b>0</b>	<b>780</b>	<b>(1,405)</b>	<b>(625)</b>



<u>SUMMARY</u>	<u>TOTAL</u> <u>£000'S</u>
CAPITAL COST (CURRENT PRICES)	58,650
CAPITAL COST (OUTTURN PRICES)	68,160
UNITARY CHARGE	9,250
LEVEL PLAYING SUPPORT	5,730
COST TO COUNCIL	<b>3,520</b>
TO BE MET FROM :-	
CURRENT REVENUE BUDGETS	554
PROJECTED SAVINGS	1,868
PROJECTED NET STAFF SAVING (St Johns/St Saviours/Lawside)	580
ADDITIONAL INCOME	514
AFFORDABILITY GAP	<b>4</b>