

Appendix 2

West Dunbartonshire Council

PPP Project Board: Tuesday 31 July 2007

Project Update

Subject: Update on various aspects of the School PPP Project

1. Purpose

- 1.1 To report to members of the Project Board the key developments since the last meeting of the Project Board (26 June 2007).

2. Background

- 2.1 West Dunbartonshire Council's schools' PPP Project is now at a crucial stage, as it moves towards Financial Close in autumn 2007.

- 2.2 The Project Board requested at its meeting on 26 June 2007 that it be kept fully apprised of all key developments in the Project.

- 2.3 This report provides Board Members with information about the following issues:

- Financial issues;
- Scoping issues
- The Planning process;
- Design Development;
- Mandatory Variant bids;
- Programme to Financial Close.

3. Main Issues

Financial issues

- 3.1 At the last meeting of the Project Board, it was reported that the "Affordability Gap" for the first full year of the Project had risen to approximately £127,000. This rise, from the figure of £79,000 which was reported to Council in April 2007, was almost entirely caused by increases in interest rates.

- 3.1.1 The table provided as Appendix 1 shows this figure (which is compounded year on year) as a percentage of the Council's budget and as a percentage of the budget of the Department of Education and Cultural Services throughout the lifetime of the Project. It can be seen that, at its highest in percentage terms in the year 2032, the compounded annual contribution amounts to 0.754% of the Council's projected budget.

- 3.1.2** It should be noted that the table assumes an annual rise in the Council's overall budget of 2.5%. This is a conservative assumption and the actual rise in the Council's budget over recent years has been significantly in excess of 2.5% per annum.
- 3.1.3** Over recent weeks, the Council's Project Team has been meeting with BAM PPP to explore various means by which the Affordability Gap might be reduced. Ideas discussed have included:
- Zero Debtor Days;
 - the payment of the full Unitary Charge (UC) for each school from the day the school building is handed over, as opposed to the retention of part of the UC until all facilities, including playing fields, are available;
 - capital injection by the Council at various stages of the Project (it should be noted that one effect of this would be to reduce the extent of the Sinking Fund);
 - choice of a bond-based finance model, as opposed to a bank-based solution (currently the bank solution offers the better value for money);
 - an extension of 2 years to the Concession period.
- 3.1.4** Some of these options are likely to prove unattractive to the Council for financial or other reasons. However, further work will be done to establish the full implications of each option.

Scoping Issues

- 3.2** An alternative means by which the Affordability Gap could be reduced would be to alter the scope of the Project. Again, a number of possibilities are currently being explored and costed and discussions are ongoing between the Project Team and BAM. Possible adjustments include:
- replacement of third generation synthetic football pitches with grass pitches;
 - removal of the requirement for the contractor to ensure a five year lifecycle maintenance "tail" at the end of the 30 year concession;
 - removal of the Dumbarton primary school from the Project.
- 3.2.1** It is the view of the Project Team that none of the options listed in 3.6 is attractive to the Council at this time. The reasons for this view are as follows:
- the Council has always been keen to deliver enhanced sporting facilities as part of this Project and the replacement of all-weather pitches with grass pitches would represent a significant dilution of provision;
 - the five year "tail" is a major benefit of the Project as currently briefed and the savings involved in its removal are comparatively small;
 - the removal of the Dumbarton primary school represents a very small saving for the Council, as the money saved in capital

expenditure and life cycle maintenance by removing it would be largely offset by the resultant loss of capital receipts from the sale of the Aitkenbar and Braehead campuses, the revenue savings arising from the amalgamation of the three schools and the cost of redesigning the Dumbarton campus, including almost certainly an additional playing field on the site.

- 3.2.2** Although these options are not considered attractive at present, all re-scoping options will continue to be considered as we approach Financial Close.

The Planning Process

- 3.3** BAM PPP has now submitted detailed Planning Consent applications for all four campuses.
- 3.3.1** There have been few objections to the planning applications for the Clydebank High School, St Peter the Apostle High School/St Eunan's Primary School and Vale of Leven Academy campuses. These 3 applications will therefore be submitted for consideration by the Planning Committee meeting on Wednesday 8 August.
- 3.3.2** With reference to the Dumbarton Academy site, there have been 23 objections from local residents and a 30 signature petition submitted objecting to the re-siting of the Brock Bowling Club.
- 3.3.3** In addition, SportScotland, a statutory consultee, has objected to the proposal for the Dumbarton site on the grounds that the sports pitches proposed for the Academy represent a reduction in the playing field area when measured against the provision which currently exists (albeit that the new pitches will be of much higher quality). SportScotland also states that there should be a 7-a-side pitch provided for the exclusive use of the primary school.
- 3.3.4** In order to create additional space for the provision of playing fields, and simultaneously to deal with the objections against the re-siting of the bowling club, it is now proposed to move the bowling club to an entirely different site, namely the blaes pitch at the foot of Overburn Avenue, some 0.35 miles from the club's present location.
- 3.3.5** Members of the Bowling Club have indicated a willingness to agree to such a move, providing assurances are given that they will continue to have access to appropriate facilities throughout the 2008 season. The Council is currently discussing with the club a range of solutions to this problem.
- 3.3.6** The removal of the club from the Dumbarton Campus would free up sufficient space for a small 7-a-side pitch for use by the primary school.
- 3.3.7** BAM has approached SportScotland to establish whether the arrangements described above would permit them to withdraw their

objection. SportScotland has acknowledged that the revised proposals maximise the sports field provision on the site. However, it has also stated that a decision to withdraw the objection would only be possible if the Council could demonstrate that its overall Sports Strategy would deliver an appropriate number of playing fields in the Dumbarton area. Work is ongoing to gather information about the overall sports pitch provision within Dumbarton and this information will be provided to SportScotland at the earliest opportunity.

- 3.3.8** In light of the factors outlined above, the Planning Applications for the Dumbarton campus and for the Brock Bowling Club have been withdrawn, and BAM has expressed the intention of submitting revised applications for a special Planning Committee meeting in mid-September. The revised applications are likely to propose the re-siting of the bowling club to Overburn Avenue and the insertion of a small 7-a-side pitch for the primary school on the Dumbarton campus.
- 3.3.9** It should be noted that moving the bowling club to Overburn Avenue would necessitate the removal of one blaes football pitch. In order to pre-empt a further planning objection from SportScotland, it would probably prove necessary for the Council to commit to the upgrading of another pitch in the same area. The Council has £50,000 available in the Common Good Fund which could be utilised for such a purpose.

Design Development

- 3.4** The Council's Project Team is currently involved in frequent meetings with BAM to finalise design details, Room Data Sheets and Accommodation Schedules for all the schools.

Mandatory Variant Bids

- 3.5** Mandatory Variant Bids for the provision of Cleaning and Grounds Maintenance Services for the lifetime of the Project have been submitted by HRES. These bids are currently being assessed against the reference bid from BAM on grounds of quality, risk and value for money. A number of points of clarification have been raised with both BAM and the in-house bidder. A meeting has been scheduled for the morning of Monday 6 August to conduct a final assessment of the bids.

Programme to Financial Close

- 3.6** Planning issues associated with the Dumbarton Academy site have caused delays to the programme and it is now almost certain that the target date of 30 September 2007 for Financial Close will not be achieved.

- 3.6.1** Assuming that Financial Close by the end of September will not be achieved, it is the aim of the Project Team to achieve Financial Close by the end of December 2007. If this target is achieved, all secondary schools will be delivered in summer 2009 and both primary schools/EECCs in summer 2010.
- 3.6.2** If Financial Close is achieved in December rather than September, the Unitary Charge will increase by approximately £35,000 per annum.
- 3.6.3** If there were to be further delays in securing planning approval for the Dumbarton site, it might prove necessary to adopt a strategy of aiming for Financial Close on the other 3 sites before the end of 2007, with a separate Financial Close on the Dumbarton site thereafter. This course of action would have an effect both on the handover dates for the Dumbarton schools and on the Unitary Charge. Such a strategy would also require Scottish Executive approval.

4. Personnel Issues

- 4.1** The main personnel issues are associated with the outcome of the Mandatory Variant bids (see 3.5 above) and have been reported previously to the Project Board, most recently in the report on the Project's History presented to the meeting of the Board on 26 June 2007.

5. Financial Implications

- 5.1** The financial implications of this report are dealt with in paragraphs 3.1, 3.2 and 3.6 above.

6. Risk Analysis

- 6.1** Risk analyses and related exercises such as Optimism Bias adjustments have been carried out at all key stages of the project.
- 6.2** The project team has been required to submit Key Stage Reviews (KSRs) to the Scottish Executive in advance of both the issuing of the ITN and the selection of the Preferred Bidder. Partnerships UK (PUK) have carried out the KSRs on behalf of the Executive
- 6.3** A further KSR will be conducted prior to Financial Close.

7. Conclusions

- 7.1** Although delays to the planning process on the Dumbarton site are unfortunate and are likely to mean that the target date for Financial Close of 30 September 2007 will not be achieved, the project is still likely to achieve Financial Close before the end of 2007. This will mean that secondary schools will be delivered in summer 2009 and primary schools/EECCs in 2010.

7.2 As outlined in 3.1 and 3.2 above, the affordability of the project remains under review and a range of measures are being considered to ensure that the Council achieves value for money from the project.

8. Recommendations

8.1 Members of the Project Board are asked to note the contents of this report.

Terry Lanagan
Head of Service

Person to Contact: Terry Lanagan, Head of Service, Schools Estate Unit, Braidfield High School, Queen Mary Avenue, Clydebank G81 2LR. Tel: 0141 952 5140.
E-mail terry.lanagan@west-dunbarton.gov.uk

Background Papers: Notes of previous meetings of the Project Board

Report to Project Board on 26 June 2007 on Project History

Wards Affected: All