

REPORT TO: POLICY AND RESOURCES COMMITTEE – 19 MAY 2014

REPORT ON: REPLACEMENT OF BALDRAGON ACADEMY

REPORT BY: CHIEF EXECUTIVE AND DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 200 - 2014

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to outline for Committee the proposed procurement process for the replacement of Baldragon Academy and to seek the Committee's approval to progress to Stage 2 of the project delivery programme.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- (i) notes the contents of the report; and
- (ii) agrees to proceed to Stage 2 of the project delivery programme following the completion of the Stage 1 Key Stage Review by Scottish Futures Trust.

3.0 FINANCIAL IMPLICATIONS

3.1 The net capital cost to the City Council of replacing Baldragon Academy will not be known until the project cost plan is finalised prior to Financial Close and the level of grant funding based on that plan confirmed by Scottish Futures Trust. However the total net capital cost to the Council, including allowances for professional fees, decant and commissioning costs and a contingency provision, is projected to come within the figure (£10.6m) included in the Capital Plan 2014 – 2018.

3.2 The Council's estimated net capital contribution of £10.6m will be funded from borrowing and the resultant annual loan charge of £495,000 (full year effect from 2017-18) will be contained in future years Revenue Budgets.

3.3 The Council will also require to meet the annual revenue costs for property maintenance and lifecycle replacement expenditure estimated to be within the range of £350,000 to £400,000 per annum at Quarter 1, 2014 prices. Existing Revenue Budgets (both devolved and non-devolved) for repairs and maintenance total £85,000. It will therefore be necessary to adjust the Education Department's Revenue Budget to reflect the increased property costs, with effect from 2017/18. It should be noted that the Council would normally include provision for lifecycle replacement expenditure in its Capital Plan, rather than in its Revenue Budget. This largely accounts for the increase in annual revenue costs against existing revenue budgets.

4.0 BACKGROUND

- 4.1 Reference is made to Article V of the minute of the meeting of the Education Committee of 26 November 2012 when the Committee considered Report No 446 – 2012 and agreed inter alia to build a community campus on the site of the existing Baldragon Academy to include Baldragon Academy, Sidlaw View Primary School and Jessie Porter Nursery School.
- 4.2 The Committee also noted that the Council had been successful in obtaining an offer of funding from the Scottish Government of up to $\frac{2}{3}$ of the capital cost of replacing Baldragon Academy utilising Hub East Central Scotland Ltd (Hubco) and the standard Scottish Futures Trust (SFT)/Hub Design, Build, Finance and Maintain (DBFM) contract. Subsequently Robertson Construction Group was selected as the main contractor for the new Baldragon Academy following the approved Hub procurement procedures.
- 4.3 Under the DBFM contract the Council will pay its share of the development and construction costs of the project by way of capital contributions at agreed stages during the project development phases with the balance of its share payable at handover of the completed building to the Council.
- 4.4 The Council will also be required to pay an annual Unitary Charge covering the Scottish Government's share of the development and construction costs of the project, together with annual property maintenance and lifecycle replacement costs which are the responsibility of the Council.
- 4.5 The Scottish Government will provide financial support for the project covering their share of the development and construction costs through Revenue Grant payable over the life of the contract, likely to be 25 years.
- 4.6 The project delivery programme has 4 key stages during each of which the satisfactory conclusion of a Key Stage Review by Scottish Futures Trust is required to allow the project to proceed to the next stage of delivery:
- New Project Request – initiating the project formally with Hubco;
 - Stage 1 – developing the outline design solution;
 - Stage 2 – developing the detailed design solution; and
 - Financial Close – concluding the contract with Hubco
- 4.7 The New Project Request was formally submitted to Hubco on 12 June 2013 following the completion of the first Key Stage Review by Scottish Futures Trust and subsequently accepted by Hubco on 15 July 2013, allowing the project to proceed to Stage 1 i.e. developing the outline design solution.
- 4.8 During Stage 1, a series of consultation meetings were held with the school staff to present the emerging concept designs, respond to questions raised and seek views and contributions to inform the ongoing design development process. Members of the New Schools and Community Campus – Strathmartine Project Board were also invited to a drop-in session at the offices of the Capital Projects Team to view the proposed outline design solution prior to the conclusion of Stage 1.

- 4.9 Hubco's Stage 1 Report was received on 21 March 2014 and subsequently reviewed by the project management team in consultation with Scottish Futures Trust colleagues. The project cost plan included within the report showed the maximum construction cost of the new Baldragon Academy at £26.141m at Quarter 1, 2014 prices. When Council allowances for professional fees, decant and commissioning costs and a contingency provision are added to the Hubco Stage 1 cost, the total capital costs at Quarter 1, 2014 prices come to approximately £27m. Although the net capital cost to the City Council of replacing Baldragon Academy will not be known until the project cost plan is finalised prior to Financial Close and the level of grant funding based on that plan confirmed by Scottish Futures Trust, the total net capital cost to the Council, including allowances for professional fees, decant and commissioning costs and a contingency provision, is projected to come within the figure (£10.6m) included in the Capital Plan 2014 – 2018. In addition, the annual revenue cost to the Council for property maintenance and lifecycle replacement expenditure is estimated to be within the range of £350,000 to £400,000 at Quarter 1, 2014 prices.
- 4.10 The Stage 1 Key Stage Review was carried out by representatives of Scottish Futures Trust during April 2014. At the time of drafting this report the formal approval of Scottish Futures Trust to the project proceeding to Stage 2 of the project delivery programme had still to be received. However, Scottish Futures Trust have confirmed that there are no material areas of concern.
- 4.11 During Stage 2, the detailed design of the new school will be progressed, including meeting with staff to agree the detailed requirements for individual rooms and spaces. Robertson Construction Group will also market-test the prices for the various work packages that make up the project cost plan to arrive at an updated construction cost for Hubco's Stage 2 Report.
- 4.12 Following receipt of the Hubco Stage 2 Report and, subject to a satisfactory Key Stage Review by Scottish Futures Trust, the Committee's approval will be sought to proceed to Financial Close of the contract to replace Baldragon Academy.

5 POLICY IMPLICATAIONS

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 CONSULTATIONS

- 6.1 The Director of Corporate Services and the Head of Democratic and Legal Services have been consulted during the compilation of this report.

7 BACKGROUND PAPERS

- 7.1 None.

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Mike Galloway
Director of City Development

08 May 2014