

REPORT TO: EDUCATION COMMITTEE – 31 MARCH 2003
POLICY & RESOURCES COMMITTEE – 31 MARCH 2003

REPORT ON: UPDATE ON THE FINANCIAL IMPLICATIONS OF THE DUNDEE
SCHOOLS CAPITAL PROJECT

REPORT BY: CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

REPORT NO: 260-2003

1 PURPOSE OF REPORT

To update members regarding the outcome of the revised PPP project submission to the Scottish Executive as agreed at the Policy & Resources Committee of 16 December 2002, and to outline details of the financial adjustments required to meet the capital proposals for school provision in Dundee as described in the Dundee Schools PPP project original and supplementary Outline Business Cases.

2 RECOMMENDATIONS

2.1 The Committee's instructions are requested in regard to:-

- i) proceeding with the PPP project as adjusted within this report and detailed in Appendix 3;
- ii) agreeing to the financial adjustments and revised funding proposals as outlined within Paragraph 9 of this report in respect of those Schools Capital Projects which are not included within the PPP project.

3 FINANCIAL IMPLICATIONS

- 3.1 The approval of the revised PPP for Schools Project as detailed in Appendix 3, can be accommodated within the Level Playing Field Support of £5.73m provided by the Scottish Executive. This revised PPP for Schools Project would still have an annual affordability gap of £387,000 and this could be eliminated with the application of £3.9m from estimated available Capital Receipts.
- 3.2 The balance of the Schools Capital Projects that can not be accommodated within the PPP for Schools Project as detailed in Paragraph 9.5, and totalling £24.74m (outturn prices), can be funded from a combination of the capital funding resources detailed in Paragraph 9.8.
- 3.3 The overall financial implications of the schools capital proposals contained within this report are such that the net financial effect on the City Council's future Revenue and Capital Budgets should be minimal or even neutral and accordingly, should have no noticeable effect on future Council Tax levels.

4 LOCAL AGENDA 21 IMPLICATIONS

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

5 EQUAL OPPORTUNITIES IMPLICATIONS

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

6 BACKGROUND

- 6.1 On 16 December 2002, the Policy and Resources Committee concurred with a decision taken at the Education Committee of the same day to authorise the Chief Executive to enter into discussions with the Scottish Executive officials in order to seek funding towards provision of a new denominational secondary school to replace Lawside Academy and St Saviour's High School at a site at Kirkton Park and to refurbish and extend St John's High School. The Education Committee also instructed the Director of Education to submit to the Scottish Executive a supplementary Outline Business Case on the basis of seeking Level Playing Support of £2m per annum as a supplement to the £5.73m announced by the Scottish Executive in June 2002. The Director of Education was further instructed to submit an Outline Business Case as part of the current round of PPP submissions requested from Councils by 31 December 2002 in the event of the Scottish Executive not accepting a supplementary bid for Level Playing Field Support.
- 6.2 A supplementary Outline Business Case was subsequently submitted to the Scottish Executive in December 2002.

7 CURRENT POSITION

- 7.1 The Chief Executive has now received a letter from the Scottish Executive advising him that there will be no additional Level Playing Field Support (LPFS) provided to the City Council. A copy of the letter is attached as Appendix 1.

Scottish Executive officials have made it clear that priorities in regard to PPP are a matter for the Council. Further, the Scottish Executive officials indicated that the new Prudential Framework, the new Schools Estate Strategy and any additional capital receipts were all sources of additional funding to help support all the schools included in the original and the supplementary Outline Business Cases.

- 7.2 Accordingly, it has been necessary to address how the overall Schools capital projects can be funded from a combination of PPP monies and additional available funding sources and these are outlined below.

8 REVISED EDUCATION CAPITAL PROJECTS

- 8.1 The overall scale of the Schools capital projects has been extended from the original Outline Business Case submission to now include:-
- a) Revision to original Downfield/Brackens/Macalpine schools proposals
 - b) New Denominational Secondary School
 - c) Refurbishment and Extension of St John's High School
- 8.2 A list of all the Schools capital projects and the estimated capital costs at current and outturn prices is enclosed at Appendix 2. The estimated total capital costs of the entire Schools capital projects are £98m and this cannot be met from the PPP funding alone. However, there are now other sources of capital funding available to

the Council to supplement the PPP funding, and meet all the Schools capital projects requirements.

9 FUNDING PROPOSALS

9.1 There are four sources of capital funding available to fund the Schools capital projects. These sources of capital funding are as follows:-

- a) PPP for Schools funding
- b) Capital receipts
- c) Prudential Framework
- d) School Estates Strategy monies

9.2 Funding the Schools capital projects from the above sources of funding, would ensure that the current and existing levels of Capital and Revenue Budgets would be unaffected by the completion of the Schools capital projects.

9.3 In order to assess how each individual Schools project will be funded, it is essential to firstly consider the PPP as a source of funding. In order to achieve the optimum value for money from this source of funding, the more new build projects included, as opposed to renovations/extension of schools the better. Furthermore, any individual school projects that may cause a delay to the tendering, contractual completion and construction of the project should be excluded from the PPP project, as delay will simply increase the capital cost of PPP project, and mean that the Council will get less buildings and asset value for its cash-limited PPP funding.

9.4 In light of the above comments, it is the opinion of the officers that the PPP project should be as set out in Appendix 3. The only differences with this revised PPP project and that submitted in the revised Outline Business Case as agreed at the Education Committee on 16 December 2002, are that the replacement for Kingspark Special School has been excluded, the furniture for the PPP schools has been excluded and the new Denominational Secondary School has been included. As can be seen from Appendix 3, the adjustments mean that the Level Playing Field Support provided by the Scottish Executive of £5.73m is fully utilised, and indeed the affordability gap has reduced from £837,000 to £387,000 per annum. In order to close the affordability gap of £387,000 and thus ensure that the PPP for Schools project has no impact on future years' Council Tax levels, it will be necessary to apply £3.9m from the estimated Capital Receipts of £7.5m against the PPP capital costs.

9.5 The balance of capital projects still requiring to be funded outwith PPP are as follows:-

	<u>Capital Cost</u> <u>Current Prices</u> <u>£000</u>	<u>Capital Cost</u> <u>Outturn Prices</u> <u>£000</u>
St Johns Refurbishment/Extension (incl Furniture)	9,000	10,550
Kingspark New Special School (incl Furniture)	9,605	11,590
Furniture in PPP Project Schools	2,150	2,600
	<u>20,755</u>	<u>24,740</u>

- 9.6 Since the submission of the Outline Business Case in December 2001, the precise accommodation requirements to meet the educational needs of the current and future pupils at Kingspark have been the subject of intense and wide-ranging examination involving both Council specialists and professionals from other agencies. Parents of existing pupils are being consulted on an individual basis as regards their expectations for the education of their sons/daughters.
- 9.7 The Scottish Executive has made two recent announcements which will enhance the level of capital resources available to the City Council. Firstly, on 4 December 2002, the Scottish Executive announced the likely effect of the introduction of the Prudential Framework with effect from 1 April 2004. In their press release of 4 December 2002, the Scottish Executive estimates that the Prudential Framework will allow the City Council to fund an additional £5.5m capital per annum.

Secondly, on 3 February 2003, the Scottish Executive announced the outcome of its joint review with COSLA entitled "Building our Future – Scotland's School Estate" and this was to provide additional capital grant to the City Council for the following financial years:-

	<u>£000</u>
2003/04	934
2004/05	1,952
2005/06	1,952

- 9.8 The sources of funding for the school projects identified in Paragraph 9.5 over the 4 year period 2003 to 2007 are anticipated to be as follows:-

	<u>2003/04</u> <u>£000</u>	<u>2004/05</u> <u>£000</u>	<u>2005/06</u> <u>£000</u>	<u>2006/07</u> <u>£000</u>	<u>TOTAL</u> <u>£000</u>
Balance of Capital Receipts	3,600	-	-	-	3,600
Additional capital funding through Prudential Framework	-	5,500	5,500	5,500	16,500
School Estate Strategy Grant Aid	934	1,952	1,952	-	4,838
Total additional resources available for Schools capital project	<u>4,534</u>	<u>7,452</u>	<u>7,452</u>	<u>5,500</u>	<u>24,938</u>

It can be seen from the above summary of additional funding that over the 4 year period 2003/04 to 2006/07, there are sufficient additional capital resources, ie £24.938m to fund the balance of Schools capital projects not met from the PPP for Schools Project, ie £24.740m (outturn prices).

10 CONSULTATION

The Director of Education and Director of Support Services have been consulted on the contents of this report.

**ALEX STEPHEN
CHIEF EXECUTIVE**

24 MARCH 2003

**DAVID K DORWARD
DIRECTOR OF FINANCE**

24 MARCH 2003

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied onto any material extent in preparing the above Report.



SCOTTISH EXECUTIVE

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Our ref: KEB 2/16/5/DUC

17 March 2003

Dear Mr Stephen

DUNDEE CITY COUNCIL SCHOOLS PPP PROJECT

You have raised with us your authority's wish to reinstate into your school PPP proposals work on the denominational secondary schools in Dundee.

Ministers have considered the representations made by the Local Authority, but have concluded that it is not appropriate to increase the overall level of funding for the PPP proposal. The Council have the flexibility to revise the Outline Business Case within the overall funding envelope, and to supplement the funding offered by the Executive with other funding at its own hand.

Yours sincerely

Graeme Stuart



DUNDEE CITY COUNCIL**SUMMARY OF SCHOOLS CAPITAL PROJECTS**

	<u>Capital Cost</u> <u>(Current Prices)</u> <u>£000</u>	<u>Capital Cost</u> <u>(Outturn Prices)</u> <u>£000</u>
Fintry Primary School	5,532	6,670
St Margaret/St Columba P S	5,269	6,350
Mid Craigie/Mossgiel	5,479	6,610
Douglas/Powrie P S	5,530	6,670
Barnhill Primary School	3,734	4,500
Forthill Primary School	2,828	3,410
Grove Academy	8,475	10,220
St John's R C Secondary	9,000	10,550
Downfield Primary School	5,269	6,350
Macalpine/Brackens School	6,330	7,635
Kingspark School	9,605	11,590
New Denominational Secondary School	14,500	17,450
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	<u>81,551</u>	<u>98,005</u>

CHANGES FROM PROJECT APPROVED BY COMMITTEE IN SEPTEMBER 2002

SUMMARY	ADJUSTMENTS		ADD TO PROJECT									
	TOTAL £000'S	TAKE OUT DOWNFIELD/ MACALPINE £000'S	REVISED TOTAL £000'S	DOWNFIELD £000'S	MACALPINE/ BRACKENS £000'S	SUB TOTAL £000'S	REMOVE KINGSPARK £000'S	NEW SCHOOL £000'S	LAWSIDE ST SAV. £000'S	SUB TOTAL £000'S	REMOVE FURNITURE £000'S	TOTAL £000'S
CAPITAL COST (CURRENT PRICES)	58,240	(6,393)	51,847	5,269	6,330	63,446	(15,000)	14,500		62,946	(2,150)	60,796
CAPITAL COST (OUTTURN PRICES)	70,230	(7,710)	62,520	6,350	7,635	76,505	(18,080)	17,450		75,865	(2,600)	73,265
UNITARY CHARGE	9,350	(1,020)	8,330	850	990	10,170	(2,030)	2,060		10,200	(260)	9,940
LEVEL PLAYING FIELD SUPPORT	5,730	(620)	5,110	520	620	6,250	(1,380)	1,070		5,930	(200)	5,730
COST TO COUNCIL	3,620	(400)	3,220	330	370	3,920	(640)	990 (capped)	0	4,270	(60)	4,210
TO BE MET FROM :-												
CURRENT REVENUE BUDGETS	947	(20)	927	20	20	967	(222)			745		745
PROJECTED SAVINGS	977	(241)	736	62	266	1,064			855	1,919		1,919
PROJECTED NET STAFF SAVING (St Johns/St Savours/Lawside)	0	0	0	0	0	0			580	580		580
ADDITIONAL INCOME	859	0	859	0	0	859	(280)			579		579
AFFORDABILITY GAP	837	(139)	698	248	84	1,030	(138)	990	(1,435)	447	(60)	387

