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Document Title	Proposed New Primary Schools At Blindwells And Craighall

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Authorised By	Tom Reid
Designation	Head of Infrastructure
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REPORT TO: Members' Library Service

MEETING DATE: March 2024

BY: Executive Director for Place

SUBJECT: Proposed New Primary Schools at Blindwells and Craighall

1 PURPOSE

- 1.1 To note the decision to approve the Stage 2 Submission and approve the subsequent award of the contract for the construction of the proposed new Primary Schools at Blindwells and Craighall to Hub South East Scotland Ltd.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the decision of the Head of Infrastructure, in consultation with the Head of Education and Head of Finance to approve Hub South East Scotland Ltd's Stage 2 Proposals for the design and construction of new primary schools at Blindwells and Craighall. The Stage 2 submission amounts to £45,454,407.00 and proposes commencement of construction works in February 2024 in accordance with the construction programme which targets completion of the new schools by 25 April 2025.

3 BACKGROUND

Blindwells Primary Background

- 3.1 Planning permission in principle (14/00768/PPM) was granted at planning committee in March 2017 for the creation of new settlement at Blindwells comprising 1,600 homes, a new primary school, employment and commercial uses with park and ride and rail halt facilities.
- 3.2 The proposed primary school pupil peak roll was projected to be 700 (across 24 classes) and nursery roll of 110, totalling an end state requirement of 810 pupils/places.
- 3.3 The S75 Agreement with the Housing Developers required £15,795,000 developer's financial contribution towards the provision of the primary school at Blindwells. The contribution amount is indexed from Q4 2016 and based on the

SFT space and cost metrics current at that time. The developers were also required to transfer a serviced and remediated school site of a minimum of 4ha for nil value. There is no mention within the S75 of the size of the school to be built.

- 3.4 Planning permission 22/00682/AMM was granted on 6 December 2022 for the erection of a primary school campus and associated works. This planning permission is for Phase 1 of the school development and comprises a new 14 Nr classroom primary school (to cater for 420 pupils), an early years facility/nursery (to cater for 100 2-5 year olds), associated playgrounds, playing fields, car parking etc. The decision to build in phases rather than constructing the whole three stream school at once was taken to reduce up-front costs and protect against the risk of housebuilding stalling and the subsequent impact on S75 payments and the need for that additional capacity. Phase 2 will be subject to a separate planning application, noting that the core accommodation (main kitchen and dining) will be built to end state capacity in Phase 1 to facilitate Phase 2 works and to future proof the Phase1 design proposals.

Craighall Primary School S75 Background

- 3.5 Planning permission in principle (18/00485/PPM) was granted at planning committee in March 2019 for 1,500 homes, around 41 ha of employment land, a new local centre, a new primary school and community uses as well as infrastructure and associated works on 116.5 hectares of land at Craighall to the south of Musselburgh.
- 3.6 The proposed primary school pupil peak roll was projected to be 577 with nursery roll of 100, totalling an end state requirement of 677 pupils/places.
- 3.7 The S75 Agreement with the Housing Developers required £13,201,500 developer's financial contribution towards the provision of the primary school at Craighall. The contribution amount is indexed from Q3 2018 and based on the SFT space and cost metrics current at that time. The developers are also required to transfer a serviced and remediated school site of a minimum of 3.1ha for nil value. The S75 contribution is £2.59m lower than Blindwells due to the total capacity of the school being some 133 pupils/places fewer for Craighall when the projection was undertaken. There is no mention within the S75 of the size of the school to be built.
- 3.8 Planning permission for the school was obtained in November 2022 under 22/00681/AMM for a two-stream school catering for 420 school pupils and 100 spaces for early years provision. The school has been designed to be developed in two stages; the timing of phase 2 will be dependent on the build out rate of the residential development but is estimated for the early/mid 2030s. Phase 2 will add a third stream providing capacity for a further 180 pupils. This will be subject to a separate planning application, noting that the core accommodation (main kitchen and dining) will be built to end state capacity in Phase 1 to facilitate Phase 2 works and to future proof the Phase1 design proposals

Background Generally

- 3.9 The two new school facilities will be delivered as a single contract through the partnering agreement with Hub South East Scotland. Hub has provided valuable project management expertise throughout the pre-construction stages of the projects to date and will oversee the works to completion and handover to the Council. The Council will manage the process for fitting out the new schools once the construction is complete. The fit out process will include the provision and installation of all loose furniture and IT equipment to the new accommodation.
- 3.10 The Hub process was initiated by the Council on 1 June 2022 by signing the New Project Request (NPR) which set an Affordability Cap of £38m (£19m for each school) as a maximum capital payment for the design and construction of the new schools. The Affordability Cap at that time was within the Council's budget provision for the delivery of the two schools.
- 3.11 Inflation was, at this time, high and construction costs were still increasing as a hangover from Covid pandemic, war in Europe, labour shortages, material shortages and goods transportation issues. By August 2022 Hub's Affordability Cap figure for the two schools had increased beyond the Council's budget provision.
- 3.12 A significant value engineering exercise was therefore adopted to run alongside the design process for each school in an attempt to offset the inflationary increases. The value engineering process served to reduce the floor area, simplify the roof design and reduce the level of specification in certain areas at both schools. All of which saved substantial sums without impacting on the quality and sustainability of the proposals at each site. However, the introduction of unexpected off-site roadworks and the impact of ongoing inflationary increases over the 16 month design period outstripped any savings realised by the Design Team.
- 3.13 By December 2023, when the final Stage 2 Submission was presented, the Council was faced with an overall budget shortfall of £5.7m.
- 3.14 Hub South East submitted a Value For Money Statement as part of their Stage 2 Submission which compared the build rate per m² GIFA for each school with those of a number of comparator schools. The Statement concluded that the build rates for Blindwells and Craighall were within the parameters for being considered Value for Money in the current economic climate.

	<u>Low Range £/m²</u>	<u>Mid Range £/m²</u>	<u>High Range £/m²</u>
<u>Comparator Rate /m²</u>	£5,236 - £5,301	£5,744 - £5,809	£6,591 - £6,655
Blindwells Rate per m ²		£5,803	
Craighall Rate per m ²		£5,666.	

- 3.15 In anticipation of the Stage 2 costs and the likely budget shortfall, the Council's senior management team along with Hub SE and SACPM officers debated and considered the Council's options prior to the Stage 2 Submission. Amongst the options considered were:
- a. Adjust the Capital programme to accommodate the budget pressure resulting from providing the two schools together.
 - b. Adjust the Capital programme to accommodate the budget pressure resulting from providing the two schools together. Thereafter mothball Craighall Primary on completion of construction for a 1-year period with a view to realising revenue savings.
 - c. Delay the construction of Craighall Primary school by one year with a view to realising revenue savings.
- 3.16 Option C was discounted due to the anticipated increase in capital costs required to build the two schools separately and without the benefit of the economies of scale. This option would also have had a significant impact on the delivery programme for Blindwells as the market testing process would need to be repeated for a single stand-alone school. In addition, ongoing inflation rises over the delay periods for both schools would further increase the final contract costs.
- 3.17 Given the requirements for providing the schools and the financial benefits of construction them as a single contract, option A was approved with option B still being considered further.
- 3.18 The Hub Stage 2 Submission provides a detailed assessment of the proposals, including a Pricing Report of project costs, based on more than 80% of work packages being exposed to market tendering to ensure that costs are robust, competitive and able to withstand scrutiny.

Programme

- 3.19 The relevant key milestones for the project are as follows:

Stage 2 Submission	18 December 2023
Stage 2 Approval Date	20 December 2023
Execution of DBDA contract with HUB SE	21 December 2023
Main Works Construction Start (both schools)	5 February 2024
Practical Completion (both schools)	25 April 2025

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial:

The Hub Stage 2 submission sets out the Business and Economic case for the design and construction of the new school and provides a Value for Money Assessment included as part of the Pricing Report.

As well as the design and construction costs for the two schools the Council's Capital Budget provision for the two schools will be required to fund the fit out of the schools along with costs associated with statutory fees, internal fees and Planning Conditions for the provision of road crossings etc. In addition, a risk pot contingency has been added to the overall development costs on the advice of Hub SE. This allowance is to cover potential unforeseen site and Developer risks that could occur post contract.

The total development cost is summarised below:

	Blindwells Costs	Craighall Costs	Total Overall Costs
Hub SE Stage 2 Submission	£22,998,970.00	£22,455,437.00	£45,454,407.00
Client Risk Pot	£161,817.00	£194,324.00	£356,141.00
Pre-construction Site Security Fence	£100,000.00	£50,000.00	£150,000.00
Loose Furniture	£558,250.00	£558,250.00	£1,116,500.00
Cleaning Equipment	£50,000.00	£50,000.00	£100,000.00
Removal Costs	£30,450.00	£30,450.00	£60,900.00
IT Equipment	£446,600.00	£446,600.00	£893,200.00
Statutory Fees	£76,125.00	£76,125.00	£152,250.00
Internal Fees	£51,000.00	£51,000.00	£102,000.00
Design Development Allowance	£355,250.00	355,250.00	£710,500.00
Planning Condition Roadworks (off site)	n/a	£507,500.00	£507,500.00
Totals	£24,828,462.00	24,774,936.00	£49,603,398

The total development cost of £49,603,398.00 will be funded from the capital budget allowance of £49,603,398.00 contained within the Council's approved Capital Plan for 2024/25 and 2025/26 and prior year's expenditure for Phase 1 of the development of new primary schools at Craighall and Blindwells

6.2 Personnel: Additional revenue costs for staffing together with maintenance of IT equipment, school resources, utilities and other operational costs will also be required.

6.3 Other: None.

7.0 Community Benefit

7.1 Hub SE and the tier 1 contractor, Balfour Beatty, have already engaged with the Council regarding CBIP options for the local area and will continue to engage to explore further suitable employability, training, and entrepreneurship possibilities. They will liaise with the Council and local groups to deliver satisfactory Community Benefits.

8.0 Background Papers

8.1 None.

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