



Tain Campus

Stakeholder Group Update

28th June 2022

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Background/Current Position

- The Tain Campus project is included in Phase 1 of the Scottish Government's (SG) new Learning Estate Investment Programme (LEIP).
- The funding model for the LEIP is based on the local authority providing the capital funding for the project, with revenue from SG over a 25 year period.
- The planning application for the scheme was approved by the North Planning Applications Committee on 26th April.
- Previous reports to Council and the Housing and Property Committee have highlighted the potential impact of rising construction cost inflation.
- This position has deteriorated rapidly in recent months, and the cost of the project has increased significantly as the tender returns from the market testing process were received.
- A report will be considered at the meeting of the Highland Council on 30th June seeking approval to proceed with the project.
- The report will be considered in private so we are unable to share all of the details, such as cost information, during this meeting.

Capital Cost Pressures

The following are the main factors impacting on construction costs.

1. General inflation/tender cost increases; high local and national demand.
2. Extraordinary increases in costs of certain materials or products.
3. Local supply chain – limited number of sub-contractors in Highland for certain types of work, or sizes of project.
4. Central belt supply chain – already busy so further inflated cost of working on Highland projects, effectively a higher location factor.
5. Passivhaus/other energy or design standards – the cost metrics for new schools in the LEIP were increased by 12% to take account of these requirements; feedback from tender returns is that this is insufficient.
6. Risk management – contractors, sub-contractors and suppliers are factoring in additional risk allowances to cover potential further increases, thus exacerbating the overall position, particularly for projects such as this that will take over 2 years to construct.

Feedback from SFT

- Officers have discussed the position with colleagues from the Scottish Futures Trust to seek guidance on the way ahead, discuss possible mitigation measures, and obtain feedback from any discussions with other Local Authorities.
- The following are the main items discussed.
 1. Other Local Authorities appear to be in a similar position with their LEIP projects.
 2. The approach to cost risk management will be crucial in arriving at a position where there is as much cost certainty as possible in the current environment. This would be achieved by ensuring that risk items sit with the most appropriate party.
 3. SFT agreed to review the revenue funding calculations for the 3 Highland projects included in the LEIP.

Recent Developments

- It was agreed at a recent COSLA meeting that Local Authorities should proceed with all projects included in Phases 1 and 2 of the LEIP.
- Officers have met with colleagues from other Councils in a similar position to seek assurance that our proposed approach is in line with theirs.
- Consideration was given to other potential options, including delaying the project. While some of the current cost pressures may reduce over time, the underlying inflationary trend forecasts would suggest that this may not result in a reduction in cost in the short to medium term, and that the cost could potentially increase even further.
- The key outcomes that would be achieved from this project mean that it remains a viable proposal. The buildings at the Academy and the two primary schools are all rated as “C-Poor” for both Condition and Suitability, and St Duthus is housed in a modular building. There would also be educational benefits from the proposed campus approach and the new facilities, along with a significant long term cost saving from replacing 4 properties with one new energy-efficient building.

Programme/Next Steps

- If the report is approved at the Council meeting on 30th June then construction work could start on site in August.
- The project team are working with Kier to ensure that all necessary information is in place to allow a contract award in July.
- The current construction period is 117 weeks, which would result in a building handover in November 2024, with a transition period thereafter.
- It may be possible to improve on this programme, but this would be subject to factors outwith the control of the contractor.
- There will be ongoing discussions with school management teams over the course of the construction period to review progress and to consider the transition arrangements once the actual completion date is clearer.
- For example, the new primary school may need to be established from August 2024 before moving to the new building later in that session.
- Regular meetings of the Stakeholder Group will resume after the school summer holiday period.