

Agenda Item	12
Report No	HC/36/20

Committee: Highland Council

Date: 29th October 2020

Report Title: Highland Council Capital Plan 2018/19 to 2022/23- update report

Report By: Executive Chief Officer – Resources and Finance

1. Purpose/Executive Summary

- 1.1 Members approved the Council's current capital plan in March 2018. This plan includes projects with a gross expenditure value of £481.9m over the five-year period 2018/19 to 2022/23. The continuation of certain of those projects into the period 2023/24 to 2027/28 requires further gross expenditure of £66.1m.
- 1.2 Since the onset of the Coronavirus pandemic earlier this year and the ensuing pressures on the Council's budgets an extra step of governance has been added to the normal process where Members have been asked to approve contractual commitments to any programmed projects. The Council reports of the 25th June and 1st October saw the Council approving to the commitment of £47.2m of general fund projects deemed urgent and essential. This report brings a further £34.7m of projects for which Member approval to enter into contractual commitments is sought.
- 1.3 Whilst work to deliver the existing plan will continue Members are keen to start developing a plan for capital investment that extends beyond the end of financial year 2022/23. This report suggests a timeline for that development work as well as indicating the reporting arrangements for the delivery of the existing capital plan.
- 1.4 This report also provides updates to Members on the Council's submission to phase 2 of the Scottish Government's Learning Estate Improvement Programme, the North Coast Care Facility project, and the Scottish Government's recently published 'Draft Infrastructure Investment Plan for Scotland 2021-22 to 2025-26'.

2. Recommendations

- 2.1 Members are asked to:
 - i) Approve the commitments to projects of £34.706m as outlined in **Appendix 1**;
 - ii) Note the Council's submission to the Scottish Government putting forward Broadford Primary School and Nairn Academy as the Council's bids for phase 2 of the Learning Estate Improvement Programme as seen in **Appendix 3**;
 - iii) Agree that an options appraisal of the possible build solution for the North Coast Care Facility is taken to the Health and Social Care Committee on the

12th November with a recommendation sought which provides best value for money and an expedient timescale for delivery owing to the urgent requirement for the new facility; and that the recommended solution is brought back to Council on December 17th for approval

- iv) Note the updates provided on the current capital programme, capital strategy and the Scottish Government's Draft Infrastructure Investment Plan

3. Implications

- 3.1 Resource- Capital investment in the Council's assets is funded through Government grants, borrowing or the use of capital receipts from the disposal of assets. Any element funded through borrowing requires annual repayment through the loans fund- part of Council's revenue budget.

Commitments to projects not budgeted for in the current capital programme will require to be incorporated into the next iteration of the capital plan. Committing to these items now may mean other priority projects may not be affordable or that projects already committed to may need to slip into later years than originally planned. If no reprioritisation is possible then additional borrowing would be required to support these projects.

- 3.2 There are no specific Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications arising directly as a result of this report.

- 3.3 Risk- The delivery of a capital plan in the current environment has an increased level of risk in terms of project cost and delivery timescale. The complete lockdown seen earlier this year has caused delays in expected completion dates of many projects and in many cases there are additional projects costs associated with these delays or new Covid-safe ways of working. Future changes in guidance for the construction sector may also impact on project budget or timescales.

With regard to the Early Learning and Childcare (ELC) programme, it is essential that all of the capital projects approved in June 2019 continue to be progressed to meet the Council's commitment to deliver the 1,140 hours expansion programme. This will ensure the best use of the ELC funding allocation by maximising the benefits of the combined capital investment programme and contribute to essential improvements across the school estate.

Any decision to commit to a capital project now means that there will be less funding available for other projects. Whilst the current capital programme should include projects considered to be the most necessary there is a risk that investment is required in other assets that are not included in the programme. That investment will need to be funded either by slipping already approved projects into later years or by increased borrowing.

4. Project approvals

- 4.1 In light of the financial challenges provided by Covid all planned capital contractual commitments have been brought back to Council for further sign off to ensure that the spend is considered essential and remains a Council priority.
- 4.2 Reports have been presented to Council on the 25th June and 1st October providing details of projects for which Member approval was sought in order to enter into contractual commitments. In total Members have approved the contractual commitment of £47.2m of capital projects across those two Council meetings.
- 4.3 **Appendix 1** of this report provides details of further projects for which Member approval is sought to enter into contractual commitments. In all cases it is expected that these contractual commitments will need to be made before the end of the current financial year. The actual profile of expenditure will be different for each project, with some requiring spend in the current year and others requiring spend in future years. The gross value of projects for approval is £34.706m, supported by external funding for early years projects of £18.182m.
- 4.4 Of the projects included in **Appendix 1** all but two reflect projects in the approved capital programme. The project in respect of the Corran Ferry reflects unforeseen and urgent work and approval to progress with this work is now sought. The property condition surveys are required as part of the shift to a corporate landlord model and tie in with the strategic approach to capital investment as outlined in section 9. The cost of these projects will be factored into the update of the current capital programme as described in section 7 of this report.
- 4.5 **Appendix 1** lists all the essential Early Learning and Childcare Expansion Programme projects that are either wholly or partially funded from the Scottish Government capital allocation for the 1,140 hours expansion programme, but that have not yet been brought back to Council meetings for further sign-off as described in section 4.1. There are a number of settings where we are also increasing the primary school capacity as part of the project or addressing some of the most immediate condition/suitability issues by completely replacing dilapidated units. As agreed in June 2019 Council funds will be used to fund this element of works. The 10 remaining “critical” projects (as defined in previous reports to the Education Committee) are also listed with estimated project budgets.
- 4.6 For the other 23 projects, a global budget allocation, based on the entire funding framework approved in June 2019, is shown. Work is ongoing to finalise the budgets and programme delivery dates for these projects and to take account of the delays experienced to date and the potential ongoing impact of the pandemic. The financial implications for the Council’s capital programme will be included in the report to the Corporate Resources Committee in November, as outlined in section 7.
- 4.7 A report on the overall ELC expansion programme will be brought to the Education Committee meeting in November and this will include an update on the planned completion dates for all the capital projects. All these projects are being taken forward in line with the approach agreed by the Education Committee.

5. Learning Estates Improvement Programme- update

- 5.1 On the 1st October at a Special meeting of The Highland Council Members received a report on the Learning Estate Improvement Programme (LEIP), the Scottish Government's new funding model for school investment projects.
- 5.2 As part of that report Members agreed to continue the progression of the Tain 3-18 Campus which was the Council's successful bid into phase 1 of the LEIP. Since that meeting the Scottish Government have shared documentation with Directors of Education which reflects the final agreed funding model for phase 1 projects. That documentation is contained within **Appendix 2** to this report and, as expected, demonstrates that the funding model will be outcome based and linked to specific outcomes around energy efficiency, building condition, digitally enabled learning and economic growth. Formal confirmation of the detailed funding package associated with the Tain 3-18 campus is expected to be received imminently.
- 5.3 Also, as part of that Council report of the 1st October Members agreed that Broadford Primary School would be nominated as the Council's priority project for phase 2 of the LEIP, with Nairn Academy also nominated as the Council's next priority. The Council's formal response to the Scottish Government identifying these priorities can be seen in **Appendix 3** to this report. An announcement on which phase 2 funding bids have been successful is expected in December.

6. North Coast Care Facility

- 6.1 On the 1st October Members also reaffirmed their commitment to a replacement care facility to serve the Sutherland North Coast area and agreed that an options appraisal be carried out on the alternative capital or revenue funding approaches and brought back to the Council meeting today with recommendations to ensure delivery of this commitment.
- 6.2 Work has been ongoing between Council and NHS Highland staff to produce this options appraisal but given the volume of work involved this has not yet been completed. The options appraisal will incorporate aspects pertaining to the finances of both organisations, the running costs of the facility from the NHS Highland side and the capital financing costs from the Council's perspective.
- 6.3 There are three possible options being explored : a 15 bed care facility which will include specialist nursing and living care ; a 15 bed facility which will encompass two concepts :some care beds with specialist nursing and living care and a separate wing which will contain the opportunity for on-sight supported living and housing accommodation providing more flexible support packages for adults of all ages in the North Coast ; these first two concepts would be wholly delivered by a partnership agreement between the Council and NHSH .The third option would be one of these two models but would also include a potential agreement with Wildlands which extends the concept into a greater footprint within the village of Tongue incorporating the possibility of a new medical centre and 'complete health HUB' within the community. This would also include the change of the site for the proposed Care and Nursing facility. The Options appraisal will be taken to the Health and Social Care Committee on the 12th November with approximate costings and a recommendation of the concept to be delivered then brought back to the December Council meeting for decision. It is essential that whatever emerges as the preferred option that it is fully supported by NHS Highland from an operational perspective and Highland Council from a funding perspective.

7. Quarter 2 capital monitoring and update on the 2018/19 to 2022/23 capital programme

- 7.1 At its meeting on the 11th November the Corporate Resources committee will receive the 2020/21 quarter 2 capital monitoring statement. As part of this monitoring statement it is officers' intention to provide an update against the full approved capital programme for 2018/19 to 2022/23 as well as details of spend to date and forecast spend for the current financial year.
- 7.2 Members should expect this year's monitoring statement to show significant amounts of slippage as work planned for the current year has been delayed due to Covid. It is also to be expected that these delays, and new working practices, will have adverse cost impacts. In some cases, these cost impacts may be contained within existing project contingencies however other projects may spend above budgeted levels as a result.
- 7.3 This update on the current programme will provide a starting point for the development of a new capital programme with an assessment of revised project spend profiles. For any projects in the current programme not yet contractually committed it is expected that the new arrangements to obtain Member approval to progress the projects will continue.

8. The Scottish Government's Draft Infrastructure Investment Plan

- 8.1 On the 24th September the Scottish Government published 'A National Mission with Local Impact', its draft infrastructure investment plan for Scotland for the period 2021/22 to 2025/26. Alongside that the Scottish Government also published 'Investing for Jobs: Capital Spending Review Framework 2021-22 to 2025-26'. Links to both publications can be found below:

<https://www.gov.scot/publications/national-mission-local-impact-draft-infrastructure-investment-plan-scotland-202122-202526/>

<https://www.gov.scot/publications/investing-jobs-capital-spending-review-framework-2021-22-2025-26/>

The contents of both publications are likely to impact on the Council's own aspirations for any new capital investment over the same period.

- 8.2 The draft infrastructure investment plan is a comprehensive document but particular items that Members may wish to note are briefly summarised below.
- 8.3 The plan has a clear vision for future infrastructure- 'to support and enable an inclusive net zero emissions economy'. Three themes within the plan underpin this vision:
- Enabling net zero emissions and environmental sustainability;
 - Driving inclusive economic growth;
 - Building resilient and sustainable places.
- 8.4 The plan also notes the need to respond to Covid and long-term trends and highlights the following three areas of particular significance:
- Climate- adapting to climate change as well as mitigating emissions;
 - Technology- enhancing digital services and platforms; and increasing support for data handling and storage;

- Demography- meeting the needs of a greater share of older people in our population; focusing services and homes where people choose to live; and regenerating areas of working-age population decline.

8.5 The executive summary on page 7 of the plan highlights a number of key investments many of which may impact locally within the Highlands including:

- Over £500m to be invested in active travel;
- A £95m programme to decarbonise the public sector estate;
- Investing up to £75m to improve local authority recycling collection infrastructure;
- Strengthening connectivity through the £500m R100 programme;
- £30m in delivering the National Islands Plan, supporting a range of areas including tourism, infrastructure, innovation, energy transition and skills
- Investing £275 million to support community-led regeneration and town centre revitalisation as part of a new Place Based Investment Programme;
- Invest over £2.8 billion in direct capital grant funding, over 5 years, to deliver more affordable and social homes, continuing to ensure the right types of homes in the right places reflecting and supporting Local Housing Strategies and regional development priorities;
- Together with Councils, fund an ambitious £2 billion Learning Estate Improvement Programme, using an outcomes-based revenue finance approach.

8.6 The Scottish Government has also developed an ‘investment hierarchy’ which prioritises enhancing and maintaining existing assets over new build. An illustration of the hierarchy can be seen on page 9 of the plan but the four tiers are as follows:

- Determine future need;
- Maximise use of existing assets;
- Repurpose and co-locate;
- Replace or new build.

The plan states ‘In practice, the hierarchy means that each step would need to be considered, in turn, before deciding the right new approach. For example, something new might only be built if there is still a demonstrable service need for a facility, and an existing asset can’t be re-purposed. In future, a higher proportion of investment is likely to be directed towards the initial steps in the hierarchy than in previous years. As part of that we will be addressing backlogs by working towards doubling investment in maintenance and asset enhancement over the next 5 years.’

8.7 The Capital Spending Review Framework aims to show how funding and finance is matched to the draft infrastructure investment plan and as such is a key document. The document highlights the huge uncertainty over capital funding that will accrue to Scotland based on UK capital spending decisions and appears to have been finalised prior to the Chancellor of the Exchequer deciding to cancel his Autumn budget. As such the figures included in the report may be subject to significant variation.

8.8 The report usefully highlights three different future funding scenarios based on different assumptions. In the most optimistic scenario £30.7bn of funding will be available to the Scottish Government over the period 2021/22 to 2025/26. In the least optimistic scenario the available funding reduces to £25.3bn. The significant variations in these scenarios could have a very significant impact on the level of capital funding passed on to local authorities.

8.9 The report does not go into the detail of the core capital grant that will be distributed to local authorities over the period to 2025/26 however one of the financial planning

assumptions is listed as '*Level cash capital grant across Scottish Government as a whole, rolling forward Scottish Budget 2020-21 baselines into future years to 2025-26*'. The Council may have to use this information to make assumptions around its own levels of capital funding into the future- which suggests that flat cash allocations, consistent with 2020/21 funding levels may be a central scenario assumption, possibly supplemented by funding for low carbon investment and revenue funded capital schemes.

- 8.10 Both reports touch upon the concept of 'capital maintenance' and boosting spend on 'asset maintenance' alongside future asset creation. Capital maintenance is described as including '*asset enhancement, ensuring asset compliance with regulatory requirements, major equipment and fleet*'. Given the size and condition of Highland Council's existing asset base this concept of 'capital maintenance' is one that resonates very strongly with Highland's investment needs.

9. Highland Council's Capital Strategy

- 9.1 As referenced earlier in this report the Council's current capital programme covers the period up to, and including, 2022/23. Certain projects commencing in this period will continue into 2023/24 and beyond. Officers remain focussed on the delivery of this programme, and as outlined in section 7, will bring an update report on delivery of the programme to the Corporate Resources Committee in November.
- 9.2 Once an updated profile of expenditure linked to programmed projects is available, work will then be undertaken to model the impact of this expenditure on the annual loans charges budget. This work will also reflect updated assumptions around capital grant funding receivable from the Scottish Government.
- 9.3 Members are understandably keen to see investment in the Council's assets however, in setting the current programme it was clear that the required level of investment in the Council's assets was not affordable in the context of the level of repayments required through the Council's revenue budget. As such, a prioritisation of projects was undertaken as reflected by the approved programme.
- 9.4 As outlined in section 8 the Scottish Government have put forward their strategic approach to capital investment in their draft infrastructure investment plan and capital spending review framework. It is planned that the Council develops its own strategic approach to capital investment which considers both this national framework and how key principles contained therein can be reflected in the Council's own strategy, along with Highland's local considerations.
- 9.5 It is suggested that as part of Highland's developing strategy Members may wish to consider adopting the 'investment hierarchy' as outlined in section 8.6, factor in the three considerations of climate, technology and demography as described in section 8.4, and include the three themes of net zero, inclusive growth and resilient and sustainable places as outlined in section 8.3. Other local considerations may also be factored into the strategy.
- 9.6 Another key consideration in the development of the Council's capital strategy is ensuring it fits in with the Council's own wider strategic priorities. A key part of this will need to reflect a planned approach to asset rationalisations as well as echoing the Scottish Government's concept of capital maintenance and ensuring assets are safe and

fit for purpose. The capital strategy will therefore require to set a long term strategic direction for how the Council invests in its assets.

- 9.7 If the Council has its own clear capital strategy that should help the Council prioritise its limited financial resources whilst at the same time optimising the potential for receiving additional Government funding support.
- 9.8 The current capital programme was predicated on being affordable by maintaining the loans fund budget at its current level and government grant funding continuing on a 'flat cash' basis over the life of the programme. That affordability assumption will be revisited as part of the review detailed in section 9.2 and incorporated into the revenue budget planning for 2021/22 and beyond.

Designation: Executive Chief Officer- Resources and Finance

Date: 15th October 2020

Author: Edward Foster, Head of Corporate Finance

Background Papers:

https://www.highland.gov.uk/download/meetings/id/73257/item_3_capital_programme_201819_to_202223

https://www.highland.gov.uk/download/meetings/id/77128/item_4_revenue_budget_update_report-october_2020

https://www.highland.gov.uk/download/meetings/id/77129/item_5_learning_estate_improvement_programme_and_capital_priorities

https://www.highland.gov.uk/download/meetings/id/76701/item_6_annual_accounts_201920_and_revenue_budget_202021

Project Name	Category	Total Project Cost
Early Learning and Childcare/School Estate Improvement Programme (projects approved in June 2019)		
"Critical" Projects		
Arisaig Primary	ELC Expansion	500
Bun-Sgoil Shlèite	ELC Expansion/Condition	950
Crown Primary	ELC Expansion	750
Gairloch Primary	ELC Expansion/Condition/Suitability	1,000
Kyle Primary	ELC Expansion/Condition	725
Miller Academy Primary	ELC Expansion/Condition	1,300
North Kessock Primary	ELC Expansion/Roll Pressure	1,150
Pennyland Primary	ELC Expansion	250
Raigmore Primary	ELC Expansion	875
Reay Primary	ELC Expansion	400
Other Essential Projects		
Ardgour Primary	ELC Expansion	23,147
Balloch Primary	ELC Suitability	
Beaully Primary	ELC Expansion/Condition	
Ben Wyvis Primary	ELC Expansion/Roll Pressure	
Bridgend Primary	ELC Expansion/Roll Pressure	
Central Primary	ELC Suitability	
Coulhill Primary	ELC Expansion/Roll Pressure	
Cromarty Primary	ELC Suitability	
Dingwall Primary	ELC Expansion/Condition	
Dunvegan Primary	ELC Expansion/Condition	
Glenurquhart Primary	ELC Expansion	
Grantown Primary	ELC/Free School Meals	
Hilton Primary	ELC Expansion	
Kiltearn Primary	ELC Expansion/Roll Pressure	
Kinmylies Primary	ELC Expansion/Roll Pressure	
Lairg Primary	ELC Suitability	
Millbank Primary	ELC Suitability	
Mount Pleasant Primary	ELC Suitability	
Muirtown Primary	ELC Expansion/Condition	
Newton Park Primary	ELC Suitability	
Shieldaig Primary	ELC Expansion/Condition	
St Joseph's Primary	ELC Suitability	
Strathconon Primary	ELC Expansion/Condition	
Sub-Totals		31,047
Less SG Capital Allocation		-18,182

Project Name	Category	Total Project Cost
Total HC funded element		12,865

School Estate Improvement Programme (HC Funding Only)		
Bun-sgoil Ghàidhlig Loch Abar	Roll Pressure	550
Sub-Totals		550

Property Capital		
Energy Saving Works	LED Lighting - Phase 2 (Various Properties)	150
Property Condition	Condition Surveys	750
Sub-Total		900

Flood Protection		
Knockbain Burn, Dingwall	Coarse debris screen and screen improvements	250
Sub-Totals		250

Vehicles and Plant		
Roads vehicles	Ordering of 13 roads vehicles for delivery pre-winter 2021. Approx. 9 month lead-in time	1,659
Sub-Totals		1,659

Corran Ferry (not in current capital programme)		
MV Maid of Glencoul	Steering system replacement	250
Ardgour Slipway	Urgent improvement works	50
Sub-Totals		300

GRAND TOTAL- NET HC FUNDING	16,524
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Learning Estate Investment Programme Outcomes Funding Model

Summary of the funding model

1. The principles of the outcomes funding model for the new LEIP are different from the previous mechanism used for the Scotland's Schools for the Future (SSF) Programme and were approved by COSLA Leaders in August 2019. The funding model is designed to uphold the principles of the co-produced Learning Estate Strategy published in September 2019.
<https://www.gov.scot/publications/scotlands-learning-estate-strategy-connecting-people-places-learning/>
2. Local authorities and Scottish Government will jointly invest in a sustainable, suitable, digitally enabled, energy efficient learning estate which will support a broad range of National Outcomes agreed in the National Performance Framework. Local authorities will fund upfront new (or refurbished) assets such that young people, educators and the wider community can benefit from a range of outcomes which this improved estate will enable.
3. Scottish Government funding will be provided via an annual payment over 25 years to local authorities to recognise the outcomes achieved.
4. The programme is based on the premise that Scottish Government and Local Government funding is 50:50 by reference to investment in 'like for like' provision that is capable of delivering the outcomes set for the programme.
5. The outcomes funded by Scottish Government are linked to the Learning Estate Strategy and to the National Performance Framework and support a well-maintained learning estate to keep students in good condition learning environments which are sustainable and fit for the future.
6. The methodology will require to be approved by the Learning Estate Investment Programme Board.

Outcomes to be achieved

7. The outcomes to be achieved are aligned to the principles of the Learning Estate Strategy.
8. Through engagement, the outcomes to be funded fall under four categories:

Category	Learning Estate Principle
Condition	The learning estate should be well managed and maintained so that it continues to provide a high-quality learning environment over its lifetime;
Energy Efficiency	Learning environments should be greener and more sustainable contributing to net-zero carbon commitments
Digitally enabled learning	Learning environments should be digitally enabled to prepare learners for the workplace and society they will encounter through their lives
Economic Growth	Investment in Scotland's learning estate should contribute towards improving learning outcomes and support sustainable and inclusive economic growth

9. The outcomes must be measurable to enable them to be evidenced as being achieved.

10. The outcomes to be achieved are set out in the table below:

Category	Outcome to be achieved
1. Condition	<p>Scottish Government’s manifesto commitment is that no child should have to learn in a school that is in poor or bad condition. To help achieve this vision and to deliver a well- managed and maintained estate, local authorities must provide evidence, through their annual returns that the facility is kept in condition A or B for a period of 25 years.</p> <p>This is intended to be a binary funding condition. However in recognition of the potential for survey issues to be identified, removal of funding would be suspended for one year to allow for rectification of any issues leading to a C condition rating. The funding would be reinstated, the next financial year, once it could be demonstrated that the facility was in A/B condition again.</p> <p>If the building drops into condition C more than once during a five-year period, the condition funding element will be suspended without the one-year grace period, until the condition is rectified to A/B.</p> <p>In the event of exceptional circumstances such as fire or flood resulting in the condition of the building being unable to be rectified to an A/B condition within 1 year of becoming a C, or meaning that the facility drops into condition C for a second occasion, this will be reviewed on a case by case basis between the authority and SG.</p>
2. Energy Efficiency	<p>Scottish Government has declared a global climate emergency and therefore it is essential that all new facilities are energy efficient to help SG deliver their ambitious goals.</p> <p>In line with the programme energy target, authorities must provide evidence that the target of 67/kWh/sqm/p.a for core hour/facilities use of the facility is achieved.</p> <p>Core Facilities To provide consistency of definition across the variety of projects in the programme, the following facilities are excluded from the total energy consumption target:</p> <ul style="list-style-type: none"> • Dedicated community/health facilities • Swimming pool/hydrotherapy pool • External sports flood lighting • Production kitchens (serving multiple sites) • Data centres (serving multiple sites) • Electric Vehicle Charging Points • Other (e.g. specialist vocational/industrial facilities, councils to propose) <p>Within the remaining core facilities, all energy uses relating to the building and users are included in the energy target. The target</p>

includes all used energy regardless of source e.g. energy provided from renewable sources is included in the same manner as gas or electricity from the mains or grid.

Core Hours

To recognise that councils and individual schools have different operational hours and term dates, the target is anticipated to cover all energy uses during a bank of 2000 operational hours per annum. If the facilities are operational for more or less hours then a pro rata approach should be taken to compare against the target.

Building use purely for cleaning, maintenance or security tasks will not be considered as operational hours.

This is recognised as being an ambitious target, therefore it is not anticipated that this will be a pass/fail outcome for funding but that a sliding scale will be attached.

From feedback and discussion with Directors of Finance, ADES Resources and SHOPs the sliding scale is grouped into ranges with a corresponding alteration to funding depending on which range is demonstrated as being achieved:

Energy Consumption kWh/sqm/p.a.	Energy Funding %
A 67- 83	100%
B 84- 99	90%
C 100 - 115	60%
D 116 -130	30%
E 131+	0%

If the facility exceeds 130/ kWh/sqm/p.a for core hour use of energy use – no funding will be available for that outcome.

As there may be a period of normalisation for the building the energy consumption will be measured at the end of year 1 and then again at end of year 2 with the full funding for this outcome being received over a 23-year period (from year 3), if evidenced as achieved.

[Frequency of energy assessment not yet fully agreed]

The energy outcome will be assessed [every year/every three] years. In the event of a change of performance from the previous measurement, there will be a 1-year grace period to allow Councils to rectify or consolidate the change and bring back to the original target or maintain improved energy performance, before any required changes, both positive or negative, to funding are implemented.

3. Digitally enabled learning

Digital is an evolving and fast-growing area and one that is becoming more prevalent in every-day learning as digital learning and teaching strategies continue to develop.

	<p>To ensure facilities are future proofed and able to continue to support high quality digital learning and teaching, regardless of technology advancement, the local authority must provide evidence that the underlying facility infrastructure is capable of supporting 1Gbps. This underlying infrastructure should extend to at least one point within every learning and teaching space throughout the facility.</p> <p>If the cost of providing the initial connection speed to the facility is prohibitively expensive due to geographic location or it is not physically possible yet in that location, this can be reviewed on a case by case basis to establish an appropriate solution.</p>																												
4. Economic Growth	<p>Investment in infrastructure is synonymous with economic growth. The Construction Industry Training Board (CITB) has published benchmarks on how many new jobs should be supported from investment in the education sector.</p> <p>The authority will require to collate and provide evidence that they have met the target for jobs supported as per the CITB benchmarks published July 2017. The number of jobs to be supported depends on the size of investment:</p> <table border="1" data-bbox="632 1048 1430 1283"> <tr> <td>£1-3.5m</td> <td>£3.6-6m</td> <td>£6.1-10m</td> <td>£10.1m-15m</td> <td>£15.1-20m</td> <td>£20.1-30m</td> <td>£30.1-40m</td> </tr> <tr> <td>1</td> <td>4</td> <td>5</td> <td>10</td> <td>11</td> <td>12</td> <td>14</td> </tr> <tr> <td>£40.1-50m</td> <td>£50.1-60m</td> <td>£60.1-70m</td> <td>£70.1-80m</td> <td>£80.1-90m</td> <td>£90.1-100m</td> <td></td> </tr> <tr> <td>15</td> <td>18</td> <td>19</td> <td>19</td> <td>21</td> <td>22</td> <td></td> </tr> </table> <p>Funding will be available if the relevant target is achieved. If this is not achieved in full, funding will be adjusted accordingly. e.g. if 12 jobs is the target but only 11 are evidenced as being achieved then 11/12ths of the funding for that outcome will be available.</p> <p>This outcome could be multi-faceted and also provide a measure to ensure training places are supported and learner engagement is embedded in the design and construction process through site visits and work experience placements.</p> <p>It is proposed that because the achievement of this outcome will happen in the design and construction phase of the project that the funding for it, if achieved, is received in the first two years of operations, rather than extend over the 25-year period.</p>	£1-3.5m	£3.6-6m	£6.1-10m	£10.1m-15m	£15.1-20m	£20.1-30m	£30.1-40m	1	4	5	10	11	12	14	£40.1-50m	£50.1-60m	£60.1-70m	£70.1-80m	£80.1-90m	£90.1-100m		15	18	19	19	21	22	
£1-3.5m	£3.6-6m	£6.1-10m	£10.1m-15m	£15.1-20m	£20.1-30m	£30.1-40m																							
1	4	5	10	11	12	14																							
£40.1-50m	£50.1-60m	£60.1-70m	£70.1-80m	£80.1-90m	£90.1-100m																								
15	18	19	19	21	22																								

Funding Mechanism

11. The local authority is responsible for the upfront cost of any enabling infrastructure (e.g. a new learning facility) required to deliver the agreed outcomes.

12. The SG funding for the outcomes that are enabled to be achieved through the new infrastructure, is primarily based on how many 'like for like' pupils, on a capacity basis, will be taken out of poor/bad condition facilities, to now be taught in modern high-quality facilities capable of delivering the funded outcomes.
13. Each of the four outcomes, has a value attached to it which is comparable over facility type.
14. The setting of the condition funding rate for outcome 1 has been informed by data collated on 26 projects contracted through the SSF programme. This information has been used to establish a benchmark rate for Facilities Management (FM) and Lifecycle (LC). Whilst informed by the private sector rates contracted for the Design Build Finance Maintain projects through the hub programme, this rate has been increased to include services that LAs may provide in addition to the scope for DBFM projects including window cleaning, pest control and grounds maintenance.
15. The condition funding rates to support the maintenance of the facilities have been set at 2019 prices. It is recognised that the cost of maintenance will inflate over time. In the model this is set at 2.5% in line with industry norm. This will derive a total nominal cost over the 25 year period, which will be smoothed to provide a fixed annual condition outcome payment.
16. The condition funding rates are applied on a per pupil basis and take cognisance of the fact that learning facilities require different space depending on their size to deliver the outcomes, such that the condition rates will be multiplied by the number of like for like pupils on a capacity bases and then multiplied by the relevant space standard.
17. The space standards used in the calculations are in line with the space metrics approved for the programme, as per the table below:

High School		Primary School		ASN		ELC	
No. Pupils	Sqm/pupil	No. Pupils	Sqm/pupil	No. Pupils	Sqm/pupil	No. Pupils	Sqm/pupil
<400	13	<231	8.5 (reduces to 8 if part of campus)	Any	30-33	Any	5.8
401-800	12	232-463	7.5 (reduces to 7 if part of campus)				
801-1200	11	464+	6.5 (reduces to 6 if part of campus)				
1201+	10						

18. These space metrics will be adjusted to take cognisance of additional like for like facilities such as community facilities, which require to be maintained:

Additional like for like facility	Facility Type	Space adjustment to standard metric
Community	Campus, >800 place HS, 2+ stream primary	1sqm*
Community	<=800 place HS, 1 stream PS	2sqm

Swimming Pool	Campus	1sqm
Swimming Pool	Standalone HS	2sqm

*This is only applied if the replacement community facilities are more than 5% of the metric compliant area of the school building. If the community facilities are in a campus and they are less than 5% of the metric compliant school area the additional 1sqm will apply to the High School element of the campus only.

19. The funding rates associated with the other three outcomes reflect investment in the overall infrastructure required to achieve these outcomes and are scaled to recognise the value of the outcome to be delivered.
20. The funding rates for the energy, digital and economic outcomes have been set as per the table below. This is a fixed rate per pupil, on a "like for like" capacity basis, for schools completing in FY22/23 and will be indexed at 2.5% CPI for facilities completing in future years. This table does not include the condition outcome the premise of which is explained in points 27-30 above.

Outcome	Campus/800 + HS/2+ stream PS	1-2 Stream PS and <= 400 HS	ASN*
Energy Efficiency rate/pupil	£3,625	£4,750	£23,750
Digital rate /pupil	£2,875	£3,765	£18,825
Economic rate /pupil	£1,000	£1,310	£6,550
Total/pupil	£7,500	£9,825	£49,125

*ASN rates may vary

21. These rates will be reviewed periodically to ensure they still reflect market conditions and could support delivery of the outcome. The ability to review the rates is necessary as construction costs may inflate at a higher or lower rate than CPI. As such the cost to deliver the outcomes may not increase proportionally and it is important that the provision of 50:50 programme-level funding is maintained.
22. The rates will also be reviewed on a specific project by project basis, if the cost of delivering and achieving the outcomes is considered to be higher for a narrow set of project specific reasons such as location.
23. The condition funding rate plus the other outcomes funding rates will provide a total funding package for the project.
24. The funding will be received over a 25-year period once it has been evidenced that the outcomes have been achieved (covered in the evidence section below).
25. If one outcome is not achieved, it will just be this proportion of the funding that is not received.
26. SFT will develop exemplar calculations and work with each authority to demonstrate how the funding package for outcomes (on the assumption all outcomes are achieved) is in line with the 50:50 funding agreement that was reached between SG Ministers and COSLA Leaders.
27. In line with the previous programme, SG funding will be paid separately from the overall Revenue Support Grant.

28. An example of how the funding will work can be seen as part of the accompanying model.

Measurement/Evidence

29. It has been agreed with COSLA that the LEIP will not establish a reporting “industry” – reporting on condition will utilise the current annual reporting to Scottish Government. The measurement of the achievement of the other outcomes will be based on input from the local authorities at appropriate times.

30. Year 1:

- Providing confirmation and evidence that the facility is in Condition A/B as part of the handover of the new facility.
- Providing confirmation and evidence of the number of jobs supported by the construction phase of the project (this releases access to this outcome payment which is made in years 1 and 2).
- Providing confirmation and evidence that the underlying facility infrastructure is capable of supporting at minimum a 1Gbps service to at least one point in every learning and teaching space throughout the facility. (this releases access to the 25-year flow of annual payments).
- Initial annual return in relation to energy outcome, although this will not form the basis of funding.

31. It is not proposed further evidence for the digital or economic outcome is obtained in future years.

32. Year 2-25:

- Providing confirmation and evidence of the actual delivered energy in kWh/sqm for that year for core hour, core facility use to enable calculation of the funding in relation to that outcome, which will flow from year 3 onwards.
- Providing confirmation as part of the annual school estates return that the facility is in Condition A or B (or equivalent if the measurement method changes over the years)

Timing for payments

33. It is anticipated that the payments from Scottish Government will be paid on a 6 monthly basis and commence in the March or September immediately following the construction completion.



Andrew Drought
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Victoria Quay
Edinburgh EH6 6QQ

Your Ref:
Our Ref: DM/RC/II
Date: 14 October 2020

Dear Andrew

Learning Estate Investment Programme – Phase 2

Thank you for your letter dated 15 September 2020 regarding the next phase of the above programme.

I have set out in this letter the background to the Council arriving at its current position in relation to its Learning Estate Strategy and the priorities that have been agreed for consideration as part of any future funding bids. The Council is well placed to participate in Phase 2 of the Learning Estate Investment Programme (LEIP) with a clearly defined list of priorities for investment and a commitment to provide the capital funding necessary to support this approach.

As I stated in my letter to Clare Hicks in August 2019, we are of the view that Highland is in a unique position to the rest of the country and requires to be dealt with differently in order to achieve the outcomes we all share. Highland has the largest number of schools in Scotland, across the largest land mass area and in some of the most challenging environmental conditions. Furthermore, the presumption against rural school closures in the Schools (Consultation) (Scotland) Act (2010), due to the potential impact upon the sustainability of remote, rural and fragile communities, means the Highland Council will continue to have the most challenging school estate infrastructure for the foreseeable future.

Background

The Council approved a new 5-year capital programme at a meeting in March 2018 and agreed the priorities for any funding bids for the successor to the Schools for the Future programme.

A subsequent report was approved in August 2019 (included as Appendix 1) that agreed the new Tain 3-18 Campus project as the priority for Phase 1 of the LEIP and updated on the other agreed priorities with some ranking of these priorities. It also recommended that the capacity issues in Inverness should be assessed as part of a review of provision across the City.

A special meeting of Highland Council was convened on 1 October 2020 and the report (included as Appendix 2) was approved with the following recommendations:

- Agree that, following its formal inclusion in Phase 1 of the LEIP, the Tain 3-18 Campus project continues to be developed to meet the August 2024 completion date expected for all Phase 1 projects, with a commitment to fund the project from the capital programme and deliver it in line with the Scottish Government's outcomes-based revenue funding model.
- Agree that Broadford Primary School is nominated as the Council's priority for consideration by the Scottish Government for inclusion in Phase 2 of the LEIP with Nairn Academy also nominated as the next priority.

The report also includes the estimated capital cost of all 3 projects based on the LEIP cost and space metrics and projected to the estimated base dates. Although your letter does not state the expected completion dates for the Phase 2 projects, it is assumed at this stage that it will be August 2025. It also includes a summary of the current status of all the previously agreed priorities.

Current Position

Appendix 3 summarises the Council's approach and current position relative to the 10 key principles of the new Learning Estate Strategy. As can be noted, there is very strong alignment between these principles and the Council's current work and strategic planning for the learning estate.

Appendix 4 summarises how each of the two nominated projects will respond to the strategic outcomes of the LEIP and the Phase 2 criteria outlined in your letter.

The Council now has a clearly defined list of future investment priorities and a commitment has been given to provide the necessary capital funding for the nominated projects through the extended capital programme, and in line with the LEIP revenue funding model.

Summary

The information included in this letter and the Appendices along with the Council's current strategic investment approach and planning align well with the principles of the Learning Estate Strategy and is already well advanced in relation to consultation and the development of proposals and options in these locations. It should be noted that each of the two nominated projects are relatively 'clean' proposals where statutory consultation or further land acquisition is not necessary.

Highland Council therefore wishes to put forward Broadford Primary School as the Council's priority for consideration by the Scottish Government for inclusion in Phase 2 of the LEIP, with Nairn Academy also nominated for consideration as the next priority.

I look forward to hearing from you in due course but please let me know if you require any further information in the meantime.

Yours sincerely

A black rectangular redaction box covering the signature of Donna Manson.

Donna Manson
Chief Executive