

PERTH AND KINROSS COUNCIL

21 DECEMBER 2022

PERTH HIGH SCHOOL REPLACEMENT - UPDATE REPORT

Report by Executive Director (Education and Children's Services)
(Report No. 22/312)

1. PURPOSE

- 1.1 This report provides the Full Business Case and an update on the project to replace Perth High School in advance of reaching Financial Close and seeks the Council to consider the decision on whether to:
- proceed with an increased capital budget of £80.2m or;
 - to pause and review the project due to the current financial position of the Council.

2. RECOMMENDATION

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| 2.1 | <p>It is recommended that Council:</p> <ul style="list-style-type: none">• notes the current situation and consequential financial impact for the project to replace Perth High School;• notes the contents of the Full Business Case for the project (attached as Appendix A); and• makes the decision to approve an increase of £11.5m to the project budget giving a total for the project of £80.2m. This ensures that the Council will receive £40.6m of funding from the Scottish Government through its Learning Estate Investment Programme (LEIP) Phase 2 and authorises the Head of Legal Services to enter into a Letter of Intent with the main Contractor prior to Financial Close to secure prices. |
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3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:
- Section 4: Background
 - Section 5: Current Situation
 - Section 6: Financial Impact
 - Appendices

4. BACKGROUND

- 4.1 The Council had surveys of Perth High School undertaken by external agents in 2015 which determined the lifespan of the current Perth High School building at between 10 and 20 years. The risk of failure of the largest secondary school in Perth and Kinross, which has a roll of approximately 1600 pupils, and which has 139 (128.54 full time equivalent) staff, required action to be taken.

Perth High School was rated as “Poor” for Condition of the building and “Poor” for Suitability. Due to the risk of failure of the building, the subsequent complexities of arranging a decant of 1600 pupils and the magnitude and costs associated with a decant, a replacement building was approved by Council.

Perth and Kinross Council approved and budgeted for a replacement Perth High School as part of the Capital Budget setting process in 2018 with an indicative budget of £50m for a 1600 pupil capacity school. The need for a like for like replacement had been identified during analysis of the overall secondary capacity within Perth City.

A strategic brief for the project was developed in 2019. This was a result of a programme of engagement activities with Council officers, Property Services stakeholders and the Perth High School leadership team, pupils, and staff. A target space budget (to determine the correct size of accommodation) was produced, and this has been used as the Schedule of Accommodation, including bespoke teaching spaces and learning plazas which has generated a design that will provide a flexible, inclusive, and fit-for-purpose teaching environment. This was also subject to robust utilisation analysis ensuring that the scoping of the accommodation requirements is efficient and effective.

- 4.2 This project was budgeted based on a feasibility study and Scottish Futures Trust (SFT) space and cost metrics. These included the anticipated accommodation size and relevant building standards at the time of the study. Designing to these metrics is a key factor in achieving the LEIP Phase 2 funding.
- 4.3 In September 2020, recognising climate change as a priority, Council confirmed its commitment to meeting climate targets by giving approval to proceed with Passivhaus construction methods to achieve energy efficiency and quality in the new Perth High School ([Report No. 20/175/Appendix 3 refers](#)).

Council subsequently increased the Perth High School budget to £58.3m.

- 4.4 Perth and Kinross Council made a bid to the Scottish Government for LEIP Phase 2 funding and was successful, which will provide revenue funding to the Council over 25 years to the value of £40.6m (50%) of the capital cost of the project. LEIP Phase 2 funding is subject to meeting specified conditions

including energy performance standards which will be satisfied by the Passivhaus construction specification.

- 4.5 In February 2022, Council approved the 2022/23 – 2027/28 Capital Budget including increasing the project budget for Perth High School to £68.7m as a consequence of inflation within the construction sector as well as supply chain issues and increased demand for commodities ([Report No. 22/36 refers](#)).

5. CURRENT SITUATION

- 5.1 Perth High School remains rated as 'C' 'Poor' in terms of both Suitability and Condition. Condition 'Poor' is defined as showing major defects and/or not operating adequately.

In general, the building fabric, windows and doors at Perth High School are currently in a satisfactory condition but the building fabric is beyond its design life and in need of significant investment over each year that the building remains in operation in order to prevent deterioration to the extent where significant investment is required to bring the building back to an acceptable standard. The majority of the existing mechanical and electrical infrastructure is now over 50 years old and as such, is beyond its original design life.

Given the age and condition of the electrical installation at Perth High School, the frequency of inspection and testing has been increased in order to identify any electrical related defects at an early stage. This approach has been put in place to reduce potential disruption of service delivery and ultimately to avoid failure of the electrical infrastructure. Over the last 5-year period there has been an average of 284 calls logged on the Property Helpdesk relating to breakdowns and repair works.

Necessary investment has been made to maintain and improve the condition of the building over the last 5 years at Perth High School totalling £3.2m.

Based on the spend profile over the last 5-year period and taking into consideration of both the current condition of Perth High School and the known areas of investment need, the estimated annual spend required to maintain Perth High School in a satisfactory condition is estimated to be in the region of £800k - £1m. This investment is needed across the fabric of the building and a range of services. This assumes that the building would be kept in operation for a further 5-year period and allows for the anticipated inflationary cost increases.

In the latest questionnaire of staff and pupils, 715 of the learners and 58 staff responded about the current school environment.

- 65% of learners and 96% of staff said the existing school building “is not fit for purpose” or “needs to be improved greatly”.
- 77% of staff said noise levels were “poor” or “extremely poor”.
- 60% said their ability to work in groups was “poor” or “extremely poor”.
- 83% said that student social space was “terrible” or “poor”.

- 87% said that student study space was “terrible” or “poor”.

The building does not provide the flexible learning spaces which facilitate collaborative learning and inter-disciplinary learning; access to technology; independent learning and the social environment. The school has very poor adjacencies and narrow circulation space. This severely inhibits any refurbishment which would aim to improve the suitability with modern, flexible teaching spaces.

- 5.2 The project has continued as approved in September 2020 as a Passivhaus project. The complexity of the design process to meet Passivhaus accreditation, which requires all elements of the design to be fully detailed and costed prior to reaching Financial Close combined with construction sector volatility, has led to increased prices and have prolonged the process of securing tender packages. The effects of the COVID-19 pandemic, Brexit and the war in Ukraine, have resulted in continued intensified inflationary pressures, and the unavailability of materials and labour. This has caused increased uncertainty within the construction market.

As a result of the latest cost estimate, the project budget now required is £80.2m. The project requires an additional £11.5m capital funding to meet the increased costs.

There is a risk of further costs escalation due to the volatility of the market and high rate of inflation prior to the programmed date for Financial Close in February 2023. The Council could minimise this risk by agreeing to the increase in the budget and authorising the Head of Legal Services to enter into a Letter of Intent with the main Contractor prior to Financial Close thus securing prices and mitigating against further cost escalation.

6. FINANCIAL IMPACT

- 6.1 In advance of Financial Close, the costings received from contractors are resulting in a total project cost of £80.2m. This recent increase has arisen due to the continued inflationary increases within the construction sector. While this cost includes contingency and is based on the latest information, it is not the final contract sum and may be subject to change up until Financial Close is achieved.
- 6.2 The shortfall in the current approved project budget is £11.5m. To facilitate a timely Financial Close and enable the project to progress to the construction phase, approval of the increased capital budget is required.

Although the cost of the Council's overall capital programme has risen considerably and it is now unaffordable to deliver all the approved capital projects within the existing funding available, the replacement of Perth High School has remained a priority for the Council. The approval of its replacement is based on the drivers of the Condition and Suitability of the existing building. The subsequent successful grant award of £40.6m (index linked, drawn down over 25 years to support the maintenance of the facility) supports Council investment by meeting 50% of the project cost. Any

decision to not proceed with the project would mean that this funding would be lost.

- 6.3 The table below is an extract from the Full Business Case detailing budget movements to date:

Date	Link to Papers	Decision/ Narrative	Approved Budget
22 February/ 19 April 2017	Minutes Council Mtg 22 Feb 2017 /Report 17/153	Approval of additional capital expenditure proposals including significant investment in Perth High School (£10m).	£10m
20 June 2018	Report No. 18/212	Approval of Composite Capital Budget 2018- 2028 including funding for 1600 capacity school replacement by re-allocation of budgeted expenditure from projects formerly included in the Capital programme.	£50m
30 September 2020	Report No. 20/175 Appendix 3	Approval of Investment Blueprint & Capital Budget 20/21 – 28/29 including approval to proceed on the basis of a Passivhaus design with the budget subsequently uplifted.	£58.3m
23 February 2022	Report No. 22/36 Appendix 1	Approval of Capital Budget 2022/23 - 2027/28 including increased project budget as a consequence of inflation within the construction sector as well as supply chain issues and increased demand for commodities.	£68.7m

The following table reflects the budget increase requested:

Date	Link to Papers	Decision/ Narrative	Proposed Increased Budget
21 December 2022	TBC	Approval to fund increased costs and increase the Project Budget by £11.5m	£80.2m

Authors

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Approved

Name	Designation	Date
Sheena Devlin	Executive Director (Education and Children's Services)	13 December 2022

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes/None
Community Plan/Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan/Single Outcome Agreement

- 1.1 This section sets out how the proposals relate to the delivery of the Perth and Kinross Community Plan/Single Outcome Agreement in terms of the following priorities:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

This report relates to all of these objectives.

Corporate Plan

- 1.2 This section sets out how the proposals relate to the achievement of the Council's Corporate Plan Objectives:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

This report relates to all of these objectives.

- 1.3 The report also links to the Education & Children's Services Vision, Values and Priorities in respect of the following key Priority area:

- Learning and Achievement

2. Resource Implications

Financial

- 2.1 The Financial implications arising from this report are detailed within the body of the main report and within the Full Business Case (Appendix A).

Workforce

- 2.2 The current staff within the existing Perth High School will transfer to the new Perth High School. The cost of the staff working on the Perth High Replacement Project, are in the main, funded from within the Perth High School capital budget.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 3.1.1 The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

- 3.2.1 However, no action is required as the Act does not apply to the matters presented in this report. This is because these matters relate to the Learning Estate Strategy which has been considered under the Act as part of the Council's Asset Management Plan.

Sustainability

3.3 Under the provisions of the Local Government in Scotland Act 2003, the Council has to discharge its duties in a way which contributes to the achievement of sustainable development.
Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:

- In the way best calculated to delivery of the Act's emissions reduction targets.
- In the way best calculated to deliver any statutory adaption programmes.
- In a way that it considers most sustainable.

3.3.1 The building will be designed and constructed to meet the Passivhaus standard. This sets a high specification for a low operational energy/sustainable building with a low carbon footprint and a properly ventilated environment conducive to pupil wellbeing and learning. The target is 67kwh/m2/per annum which is better than the Council average of 160kwh/m2/per annum, the target being a criterion to enable draw down of LEIP Phase 2 funding from the Scottish Government.

Legal and Governance

3.4 The Head of Legal and Governance Services has been consulted in the preparation of this report.

3.5 N/A

Risk

3.6 Key risks associated with the recommendations contained within this report are outlined in the body of the report and appended Full Business Case document. A risk profile is in place for the project and is managed by the Project Board.

4. Consultation

Internal

4.1 The Head of Finance, Head of Legal and Governance Services and the Head of Property Services have been consulted in the preparation of this report.

External

4.2 Participation and involvement of the community is critical to the ongoing and future success of Learning Estate investment and an emphasis is placed on ensuring consultation, over and above that which might be required in terms of planning requirements and statutory consultation requirements.

4.2.1 A User Reference Group (URG) has been set up for the project. The purpose of the URG is to assist with providing relevant local input to allow the Design Team to develop the outline concept design into an operational design. The formation of a URG is an invaluable source of information, and any project is reliant on this level of local detail.

5. Communication

- 5.1 A stakeholder communication plan has been developed for the project. The plan aims to support effective communication and engagement with all project stakeholders.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above report.

3. APPENDICES

- 3.1 Appendix A – Full Business Case – Perth High School Replacement