
**Please find attached the report in respect of Item 12 on
the agenda for the above meeting**

12.	Peebles High School New Build Project Update (Pages 3 - 12) Consider report by Director Infrastructure and Environment. (Copy attached.)	15 mins
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PEEBLES HIGH SCHOOL NEW BUILD PROJECT – UPDATE REPORT

Report by Director Infrastructure & Environment
SCOTTISH BORDERS COUNCIL

31 August 2023

1 PURPOSE AND SUMMARY

- 1.1 This report provides an update on the progress with the new Peebles High School project following the statutory and procurement stages and recommends proceeding to construction.**
- 1.2 The report to Council on 17 December 2020 provided an update on the project following the fire in November 2019 and of the range of options that were considered to return the school to full condition.
- 1.3 The report to Council on 29 January 2021 recommended that the project should proceed as a new build rather than a refurbishment and extension to the existing building. The report recommended that the project should proceed to the statutory planning stage.
- 1.4 Planning consent was granted in July 2022. This allowed the project to proceed to develop the detailed design, undertake community engagement and conclude the procurement. These stages are now complete and the project is ready to proceed to construction.

2 RECOMMENDATIONS

- 2.1 **I recommend that the Council:-**
 - (a) Notes the progress of the project through the statutory planning stage, community engagement and the completion of the detailed design and procurement stage.**
 - (b) Notes the current budget position that, as a result of the procurement stage, is £10.9M above budget.**
 - (c) Delegates to the Director Infrastructure & Environment in conjunction with the Director Finance & Procurement the authority to conclude the contract with Hub South East Scotland Ltd at a project budget no greater than £61.0M allowing the project to proceed to construction.**
 - (d) Agrees that the projected costs are in excess of the approved budget and that this will be addressed within the capital planning process for 2024/25 and future years consistent**

with the strategy adopted previously for Galashiels Academy and Earlston Primary School projects.

- (e) Requests update reports as the project proceeds.**

3 BACKGROUND

- 3.1 The fire in November 2019 affected a large part of the existing high school in Peebles. Parts of the school were lost altogether. Parts were smoke damaged badly enough to make them unusable. Despite the major fire, Educational delivery on a range of alternative sites was re-established within 2 weeks in 7 locations across Peebles and Galashiels with the assistance of the Council's IT provider CGI.
- 3.2 A recovery plan was put in place for the usable parts of the school and with the provision of temporary units, the school was able to reopen on site in early 2020. In February 2020, Council agreed to bring forward a project to make good the damage caused by the fire.
- 3.3 A report to Council on 17 December 2020 identified that a range of options to refurbish and extend parts of the school had been assessed. The report identified that there were concerns about the disruption that a programme of refurbishment and new works would have on young learners. The report recommended that consideration should be given to a completely new build project.
- 3.4 A further report to Council on 29 January 2021 considered a range of options for the location of the new build within the existing school grounds. The report identified that there were benefits to the learning and teaching in the existing school given that the new build would be separate from the day-to-day activities in the school. The report concluded that a new build would provide better benefits overall. The approved report recommended that the project should proceed to the statutory planning stage.

4 STATUTORY PLANNING PROCEDURES

- 4.1 Following the report to Council on 29 January 2021, the project moved forward to the statutory planning stages.
- 4.2 In June 2021, a Proposal of Application Notice (PAN) was published given that the school would be processed as a major planning application. This procedure was completed and included further community consultation.
- 4.3 Following this PAN stage, a full planning application was able to be made in February 2022. Given the scale of the project, a significant volume of technical plans, surveys and reports were prepared and submitted as part of the application. Details of the application were assessed by a range of Council Officers and external statutory consultees.
- 4.4 On 4 July 2022, the Planning and Building Standards Committee approved the application subject to a range of conditions.

5 DETAILED DESIGN AND PROCUREMENT

- 5.1 Approval of the planning consent on 4 July 2022 allowed the project to proceed to detailed design, further stakeholder engagement and the commencement of the procurement exercise.

- 5.2 A project of this nature and size will be used by a large range of education and community users and other Council services.. A series of design development engagement sessions allowed the design team to update the planning stage drawings and floor layouts to respond to the needs of the people that will make use of the building. In addition, the design team have been able to complete the design of the more building services and functional elements of the school. At times, specialist design advisors have also been brought in to assist with the acoustics in the school and fire engineering solutions.
- 5.3 The Council has appointed Hub South East Scotland Ltd (HubSE) to act as the private sector development partner for the delivery of this detailed design, procurement and construction stage. This is a tried and tested relationship and used to deliver Kelso High School and Jedburgh Grammar Campus and Galashiels Academy. Through HubSE's pre-procured framework arrangement, the Council was able to appoint BAM Construction Ltd to act as the main design and build contractor for the project. BAM Construction have a strong track record of this type of project and were the main contractor for Jedburgh Grammar Campus.
- 5.4 A range of other advisors have also been appointed to ensure that technical and legal aspects of the proposed contract are set up and managed appropriately.
- 5.5 Completion of the detailed design by late 2022 enabled BAM Construction Ltd to obtain market tested packages of works. In a project of this size, the construction is broken down into key works packages such as groundworks, structural frame, roof, windows etc all the way through to the decorating and floor finishes. This process has taken place through to the spring/summer of 2023 given that there are over 40 separate packages of works.
- 5.6 During 2022, construction inflation was reported in double figures through national indicators such as the Building Cost Information Service (BCIS). The project team includes external cost advisors and in the summer of 2022, the project was reporting a revised cost of £50.1M. This was included within the budget setting process through to the approval of the Capital Investment Plan on 23 February 2023.
- 5.7 However, several of the key package returns have shown a cost increase beyond that which had been allowed for through the inflationary increase in 2022. Following a review and scrutiny of the packages, the cost manager's advice is that we are seeing evidence of a volatile construction market given the inflationary pressures that have resulted from a range of worldwide events. This has made it difficult to predict with a high degree of certainty what tender returns will be.
- 5.8 Given these volatile construction market conditions, the overall tender return figure by BAM Construction Ltd is some £10.9M above the budget included within the February 2023 Capital Investment Plan. The project team has undertaken a review of specifications and materials within the project to see if changes can be made. At the time of writing this report, this process continues.

6 COMMUNITY ENGAGEMENT

- 6.1 The approval of the planning application in July allowed the design team to progress to the next level of detail. In Autumn 2022, SBC Officers and the external design team held a drop in event at the High School for the school staff, parent council and wider community to go along and see the developing design. In particular, further design work had been undertaken on the internal layout of the 2-storey building and this was presented at the event.
- 6.2 The event in October 2022 saw a range of challenges being presented by the staff and wider community in terms of the proposed extent of semi enclosed teaching spaces, especially on the first floor where all of the non-practical subjects would be taught. The audience also had concerns about the nature of the assembly/performance space within the building. Concerns were also raised in relation to the dining spaces.
- 6.3 Several follow-on meetings and engagement sessions were held during the latter part of 2022 to try and resolve these concerns. In February 2023, further community drop in events were held in Peebles at the Eastgate Theatre, West Linton and Innerleithen. At, and very soon after these events, changes were made to the internal layout to seek to address the concerns expressed by the staff, parent groups and wider community.
- 6.4 The project website was updated and in April 2023, a summary report was published that captured all of the post planning engagement, including revised floor plans of the internal layout within the school.
- 6.5 In June 2023, an updated Integrated Impact Assessment was published following the conclusion of the current design stage. This can be found on the Council website.

7 FUNDING FROM SCOTTISH GOVERNMENT

- 7.1 At the time of writing the report to Council on 17 December 2020, it was noted that a bid had been made to the Scottish Government's Learning Estate Investment Programme (LEIP) - Phase 2.
- 7.2 Shortly after that meeting, the Council were formally informed that this bid had been successful and the project would benefit from revenue based financial support over a 25 year period subject to certain terms being met. In approximate terms, the calculated revenue payments amount to about 50% of the capital costs.
- 7.3 The structure of the Learning Estate Investment Programme funding is different from previous 'Schools for the Future Programme' using a Design, Build, Finance & Maintain (DBFM) form of arrangement which brought in private finance at agreed terms. The Council used this form of finance for Kelso HS and Jedburgh Grammar Campus in line with applicable regulations at that time.

7.4 The new LEIP requirements will see the Council use the Public Works Loan Board (PWLB) abilities to fund the capital borrowing. SBC will receive revenue support from Scottish Government for the project, subject to the project meeting specified targets on a sliding scale.

7.5 At a high level, the Scottish Government has set targets on all LEIP Projects covering;

- Minimised energy consumption
- Digital connectivity
- Preserving the building at condition rating A or B for 25 years
- Social value

The assessment of the project at this stage identifies that SBC will be able to secure the maximum funding from the Scottish Government based on their sliding scale.

7.6 The other significant funding condition is that the project has to be complete and open to young learners by December 2025. Subject to a Autumn 2023 start to the project, this funding term will also be met.

7.7 The inflationary pressure referred to in section 5 is being recognised nationally and has resulted in discussions with Scottish Government about increased funding support to the projects that are in this current round of LEIP. The Scottish Government/Scottish Futures Trust have very recently confirmed that this project, and the Galashiels Academy project, will receive an increase in the revenue funding of 11%. This recognises the current volatile market conditions. It must be stressed within this report however that the SG/SFT funding is revenue based. The Council will continue to fund the construction phase of the project using capital borrowing separate from the revenue contributions to running costs provided by the Scottish Government.

8 ENABLING WORKS

8.1 In October 2022, an enabling works contract was agreed with BAM Construction Ltd. This saw the construction of the 3G rugby/football pitch, the relocated 100m running track and an extension to the games hall. This extension would provide for the gymnasium and changing rooms lost in the November 2019 fire. The extension to the games hall building would see all of the sporting facilities contained within the same building.

8.2 Completing this work earlier than the main construction allows for some continuity of sporting facilities within the school given that the new school building will be located on one of the current grass rugby pitches.

8.3 At the time of writing this report, the enabling works contract is drawing to a close so that the school can get the benefit and use of the gymnasium complete and open for the beginning of the 2023/24 academic year and the external 3G pitch/running track due to complete early in the 2023/24 academic year. Completing the 3G pitch should also be seen as a significant achievement in the town given that there was

widespread opposition to the locations of a stand alone 3G pitch in 2015 resulting in that project not proceeding at that time.

9 CAPITAL BUDGET AND AFFORDABILITY

- 9.1 The total approved budget for the Peebles High School project is £50.1M. Of this, costs of £5.9M have been incurred to 31 March 2023 including the Enabling Works undertaken to get the project prepared and ready for the main construction.
- 9.2 Section 5 of this report identifies that the procurement stage is largely complete. However, following the tender returns, the project team and main contractor BAM Construction Ltd have been working to minimise the over budget position. This work is ongoing with a target date for reaching contract close at a date very soon after the approval of this report. In this sense, Officers will conclude and agree the final contract amount. To allow for this, it is a recommendation of this report that Officers are delegated authority to agree a final contract sum within an overall budget maximum of £61.0M.
- 9.3 Members have been presented with reports on Earlston PS in May 2023 and Galashiels Academy in June 2023. These reports identified similar budget pressures given the volatile construction market. It is noted that a number of Local Authorities in Scotland are also seeing an impact on their investment programmes. The Peebles building projected roll 1400 is designed to cater for a much larger roll than Galashiels which is designed for 1000 pupils.
- 9.4 The budget pressures associated with this report will have the greatest impact in 2024/25 and 2025/26 financial years. An overall resolution to this pressure will be reflected in the 2024/25 Capital Investment Plan presented to Council in February 2024. The rate per sqm of each building is comparable at "£4,917" for Galashiels and "£5,159" for Peebles.
- 9.5 Commencing with the project at this stage will minimise the impact of future inflationary pressures which continue to show little sign of easing off.

10 IMPLICATIONS

10.1 Financial

- (a) The table below shows the costs incurred to date along with the budget, after approval of the 2022/23 Capital Out-turn by the Executive Committee.

Costs to 31 March 2023 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
5,894	18,260	22,723	3,265	0	50,142

- (b) Given the tender returns and the cost pressure on the project a review of the project has been undertaken by both Council officers and external cost managers. While there have been some cost savings, the review identified that the project costs were value for money. Further changes to the project would impact on educational functionality or the approved planning consent.

To allow this strategic Council priority project to proceed, it is recommended in this report that the Council commit to commencing the project at a maximum not to exceed budget of £61.0M. The implications of this will be reviewed as part of the 2024/25 Capital Investment Plan given that the budget pressures will be seen in 2024/25 and 2025/26 financial years.

10.2 Risk and Mitigations

- (a) The report to Council in December 2020 and January 2021 identified the risk to young learners' education if a refurbishment option had been chosen. While this risk has largely been mitigated with the new build option, the project team have further mitigated the disruption risk by undertaking an Enabling Works and a Main Works contract for the new build.
- (b) There is a risk that the design of the internal layout of the school does not have staff, parent and community support. This risk has been mitigated through the engagement from October 2022 to June 2023 and the alterations made to the layout during that period.
- (c) The risk of securing planning consent for the project has been overcome through the pre-planning and planning application stage concluding with the planning approval in July 2022. At the time of writing this report, the conditions associated with this planning consent are being discharged by the project team.
- (d) The risk associated with the Schools (Consultation) (Scotland) Act 2010 is not present in Peebles given that the new build is being built entirely within the existing school boundary.
- (e) There is a risk that the revenue based funding for the school from the Scottish Government is not as anticipated. This risk is being mitigated at the design stage. In particular the environmental performance of the school through the mechanical and electrical systems is intended to minimise energy consumption. There is a residual risk that the operational use of the school is not in keeping with the design intent. This risk will be mitigated with the school prior to and after opening to ensure that the building is used as intended.
- (f) There is a further risk to the revenue based funding from the Scottish Government in relation to maintaining the school in a category A or B condition. This risk is being assessed at this stage through consideration of a lifecycle replacement programme, planned preventative maintenance and appropriate revenue budget for the maintenance of the school including grounds maintenance, cleaning and janitorial services.

10.3 **Integrated Impact Assessment**

- (a) An initial Integrated Impact Assessment was undertaken at the time that the project was included for the first time in the Capital Investment Plan of 2020. A developed IIA has been prepared for the project following the completion of the pre-construction design. This was published in June 2023.
- (b) It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

10.4 **Sustainable Development Goals**

The preferred option will have a positive impact on energy consumption when compared to the existing building.

10.5 **Climate Change**

The new building will minimise the use of fossil fuels to that required for educational purposes and the consumption of power will be minimised through the mechanical and electrical design being specifically focused on this. This is a funding condition from the Scottish Government.

10.6 **Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

10.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

10.8 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals contained in this report.

11 **CONSULTATION**

- 11.1 The Director (Finance & Procurement), the Director (Corporate Governance), the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and their comments incorporated into the final report.

Approved by

John Curry

Director – Infrastructure & Environment

Author(s)

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Background Papers: Report to Council – 17 December 2020, 29 January 2021

Previous Minute Reference: Nil

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