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## **EARLSTON PRIMARY SCHOOL NEW BUILD PROJECT – UPDATE REPORT**

**Report by Director Infrastructure & Environment**

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### **SCOTTISH BORDERS COUNCIL**

**25 May 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update on the progress with the new Earlston Primary School and Health Centre following the procurement stage.**
- 1.2 The Executive Committee on 16 April 2019 approved that the project to deliver a new primary school in Earlston should proceed to detailed design and procurement stages. Discussions with NHS Borders about a combined Primary School and replacement Health Centre took place. The detailed design and planning stages have been completed for this combined facility during 2021 and 2022.
- 1.3 The procurement stage is nearing conclusion and is showing a budget pressure. This report proposes a phased construction beginning with the Primary School, Early Years and Community space.
- 1.4 In light of the revised costs of £5.4m for the replacement Health Centre (based on May 2023 prices), a final decision on the affordability, timescales and resultant funding sources needs to be considered fully by the Board of NHS Borders. However, to minimise disruption to the existing primary school; ensure that there is no adverse impact on the school curriculum; minimise build timescales; and avoid further inflationary cost pressures, it is important to proceed with the primary school build at this stage. The design of the building is such that a phased construction can be undertaken.

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that the Council:-**

- (a) Notes the progress of the project through the statutory planning stage and the completion of the detailed design and procurement stage.**
- (b) Notes the current budget position that is, as a result of the procurement stage, above the budget for both the Primary School and Health Centre elements.**
- (c) Notes that NHS Borders require to assess the affordability,**

**timescales and funding source for the Health Centre element of the project given the increased costs.**

- (d) Delegate authority to the Director Infrastructure & Environment in conjunction with the Chief Financial Officer the authority to conclude the contract with Hub South East Scotland Ltd at a project budget no greater than £16.6M allowing the Primary School project to proceed to construction.**
- (e) Provide Update Reports as the project proceeds.**

### **3 BACKGROUND**

- 3.1 The report to Executive Committee on 16 April 2019 approved that the new replacement primary school in Earlston should proceed to detailed design and procurement stage.
- 3.2 Since then, positive community engagement has taken place. Discussions have also taken place with NHS Borders to develop a proposal that allows for a combined Primary School, Early Years Centre and new Health Centre.

### **4 COMMUNITY ENGAGEMENT AND STATUTORY PLANNING PROCEDURES**

- 4.1 In September 2019, community engagement took place in Earlston. At this time, plans for the new school were presented. Feedback from the community was that the plans for the school were generally well received but the community were concerned about the lack of community space within the proposals.
- 4.2 The project reflected on this and developed further plans that included for community space. In addition, the project was able to be clearer on the proposal to relocate the public library that is currently included within the Secondary School in Earlston.
- 4.3 The revised plans also allowed for a combined Primary School, Early Years Centre, Health Centre following discussions with NHS Borders. The discussions noted the current condition of the existing Health Centre in Earlston and of the opportunity to consider a new and combined facility. The plans were placed on display within the community at an engagement event in September 2021 and were generally supported within the community.
- 4.4 Following a further design stage, a full planning application was made in November 2021 and approval was granted under delegated powers on 28 April 2022.
- 4.5 A post planning approval community engagement event was held on 20 June 2022.

### **5 DETAILED DESIGN AND PROCUREMENT**

- 5.1 At the conclusion of the statutory planning stage, the project progressed to detailed design stage to prepare for procurement and tendering stages.
- 5.2 To develop the procurement, Council Officers have turned to Hub South East Scotland Ltd (HubSE) as the Council's private sector development partner. HubSE have a track record of delivering school projects for the Council over recent years (Kelso HS and Jedburgh Grammar Campus) and currently engaged to deliver Galashiels Academy and Peebles High School. Given the geographic proximity between Galashiels and Earlston and that the delivery timeline is generally the same, HubSE and Council Officers agreed to appoint Morrison Construction as the Tier 1 Contractor for both projects. Once Hub SE and Morrison Construction were appointed, they, along with the design team, project and cost managers have undertaken design value management through each stage of the design process to ensure that proposals deliver optimal value for money whilst ensuring that they contribute to delivering educational outcomes.

- 5.3 To facilitate the construction of the new primary school, the internal layout of the building has been refined to ensure that the curriculum can be delivered in a more efficient footprint. This has allowed for an Enabling Works demolition contract to be undertaken. The Enabling Works was undertaken during the first few months of 2023 and completed recently. Completing preparatory works to enable the new build to begin.
- 5.4 The design team and Morrison Construction developed procurement information to obtain tender prices for the main works from the end of 2022 through to the Spring of 2023. In a project of this size, the construction is broken down in to key works packages such as groundworks, structural frame, roof, windows etc all the way through to the decorating and floor finishes.
- 5.5 During 2022, construction inflation was being reported in double figures through national indicators such as the Building Cost Information Service (BCIS). In particular, national bodies and cost advisors have indicated that this cost inflation over the second half of 2022 was tracking higher than the forecasts.
- 5.6 This has had a significant impact on the returned tenders which are higher than anticipated. During the spring of this year, the design team and Morrison Construction are further reviewing proposals to consider ways to reduce cost pressures and avoid delays, largely through variations to specification and materials. This process is ongoing.
- 5.7 Discussions have been taking place with colleagues in NHS Borders during this time to make them aware of the returned tenders. NHS Borders remain committed to delivering the new Health Centre but as a result of higher than forecast tender returns, they need to take through their governance process with an updated assessment on funding, affordability and timescales. Having reviewed the options available to both organisations, it is proposal that construction will be phased, beginning with the Primary School, Early Years and Community space. A phased construction will minimise disruption to the existing primary school; ensure that there is no adverse impact on the school curriculum; minimise build timescales; and avoid further inflationary cost pressures on that element of the building.
- 5.8 While the overall plans for the Primary School and Health Centre are enclosed within a single building, the two functions are quite separate with a mutual boundary running through the building. This enables a clean separation and phased construction, with only a minor adjustment to form a new external wall. The Health Centre will be constructed separately, at a later date, once NHS Borders have concluded their governance process. This will have a minimal impact on what will be an operational school. To clarify, the phased delivery of the Primary School, Early Years and Community space does not prevent the future provision or construction of the Health Centre.

## **6 CAPITAL BUDGET AND AFFORDABILITY**

- 6.1 The total approved budget for the Primary School, Early Years and Community part of the project is £12.312M. Of this, costs of £2.308M have been incurred to 31 March 2022 including the Enabling Works Costs to redesign the existing school and undertake demolition works.

- 6.2 Paragraph 5.7 states that procurement of the works packages is ongoing and will conclude in the next few weeks. At the time of writing this report it is forecast that the overall cost for the Primary School, Early Years and Community space will be £16.6M. This cost includes fit out costs prior to opening that will be delivered direct by the Council such as IT commissioning, loose furniture and removal costs. It is recommended that delegated authority is given to the Director Infrastructure and Environment, in conjunction with the Chief Financial Officer, to conclude the construction contract within that overall cost of £16.6M. This is proposed as a maximum, not to exceed value allowing officers to agree a final contract sum that provides best value to the Council. For completeness, the cost of the Health Centre is £5.4m, based on prices at May 2023.
- 6.3 Budget pressures are being experienced across all projects in the Capital Investment Plan that have not yet reached contract stage. Reports on Galashiels Academy and Peebles High School projects will be presented to Council over the coming months.
- 6.4 The inflationary pressures presented within 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.
- 6.5 Cost increases are being experienced across a significant proportion of Local Authority projects across Scotland. Council Officers, advisors from Hub SE, the design and delivery team have held a number of discussions to consider how best to manage inflationary pressures. The appointment of Hub SE will enable the Council to achieve a fixed price contract prior to the beginning of construction, whilst this is typical in major projects; it is unusual in the current market. For a fixed price contract, inflation is applied to the mid-point of construction timeframe and puts the Council in a strong position to protect against further inflationary pressures. It also provides the Main Contractor and their supply chain greater surety on programme and reduce risks associated with that. Our consultancy team have visibility on pricing and the allowances made and these costs are benchmarked against other projects nationally to ensure we realise value for money. Finally, whilst we expect inflation to fall, prices will continue to increase albeit at a lower rate. Taking the approach outlined allows for several key projects to proceed to construction in 2023/24. In doing this, future exposure to inflationary cost increases is minimised.
- 6.6 Taking this action to commence with the primary school at Earlston without further delay also recognises the current partial demolition, the condition of the remaining building and minimises the impacts on the curriculum delivery.

## 7 IMPLICATIONS

### 7.1 Financial

- (a) The table below shows the costs incurred to date along with the budget, pending approval of 2022/23 Capital Out-turn by the Executive Committee, for Earlston Primary School, excluding the Health Centre:

Costs to 31	Budget	Budget	Budget	Total
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March 2022	2023/24	2024/25	2025/26	Budget
£'000	£'000	£'000	£'000	£'000
2,308	1,944	7,887	173	12,312

- (b) Given the outputs from the procurement process 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, the approved planning consent or the community facilities.
- (c) To allow this strategic Council priority project to proceed, it is recommended in this report that the Council commit to commencing the construction at a maximum not to exceed budget of £16.6M. The implications of this will be reviewed as part of the 2024/25 Capital Investment Plan.

## 7.2 Risk and Mitigations

- (a) The project is required to be undertaken in a phased arrangement given that the new build is on the same site as the existing school. Risks to this delivery approach have been mitigated by the enabling and preparatory works involving compressing the existing school and undertaken a demolition contract.
- (b) There are no land or statutory consent issues with the project.

## 7.3 Equalities

- (a) An Integrated Impact Assessment has been carried out on the project and will be published at a point when the detailed design is complete.
- (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.

## 7.4 Acting Sustainably

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

## 7.5 Carbon Management

It would be planned that the new building will seek to minimise the use of fossil fuels.

## 7.6 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.

## 7.7 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.

# 8 CONSULTATION

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, the Clerk to the Council and Communications have been consulted and their comments have been incorporated into the final report.

**Approved by**

**John Curry**

**Service Director Infrastructure & Environment**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
Steven Renwick	Projects Manager – 01835 826687

**Background Papers:** Report to Executive – 16 April 2019

**Previous Minute Reference:** Nil

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