

ANGUS COUNCIL
EDUCATION COMMITTEE
20 JANUARY 2011
BRECHIN HIGH SCHOOL: FUNDING POSITION
REPORT BY THE DIRECTOR OF EDUCATION

ABSTRACT

This report outlines recent correspondence from the Scottish Government and Scottish Futures Trust regarding funding for the Brechin High School project.

1. RECOMMENDATIONS

It is recommended that the Education Committee:

- (i) note the recent correspondence from the Scottish Government;
- (ii) note that the Scottish Government and Scottish Futures Trust (SFT) have indicated this should not impact on the programme or the quality of the project; and
- (iii) instruct the Director of Education to seek information from the Scottish Government/SFT as a matter of urgency on the detail of the updated proposals for funding the project.

2. BACKGROUND

- 2.1 Reference is made to report 750/10 which provides details of the Scottish Government grant funding parameters, and identifies the preferred option to progress the project to achieve the Best Value outcomes for the Council and Community Planning Partners, subject to carrying out a consultation exercise with the Brechin community.
- 2.2 The consultation with the Brechin community with regard to the potential for a community campus approach has been extended to 31 January 2011 due to the adverse weather conditions during December enforcing a cancellation of the final public meeting on 7 December 2010. This meeting has now been re-arranged for Monday 24 January 2011.

3. CURRENT POSITION

- 3.1 Following a brief conversation on 2 December 2010, I received an e-mail from a Scottish Government (SG) Civil Servant which indicated that:
 - Angus Council will, with SFT's assistance, be required to set up a Not for Profit Distributing (NPD) model to build and maintain their school (possibly in collaboration with other Local Authorities). Funding for the school will then come from a mixture of private finance and local authority finance;
 - as with those schools being funded entirely by capital, the Council's share of funding can still be provided via direct capital, through Public Works Loan Board (PWLB) borrowing, existing capital resources or a combination of both;

- the SG share of funding will be provided via private finance. The project will need to be off-balance sheet, so that at least 50% of the funding must come from private finance (i.e. from SG). As now, Angus Council will still be able to build larger schools than what the SG is funding, providing your share does not exceed 50% of the total;
- SG will provide 100% revenue support for the element of the Unitary Charge arising from the private financing costs (i.e. interest and fees) up to the equivalent of the already agreed capital allocation; and
- as with the existing capital offer, SG will not pay for land acquisition, life cycle maintenance, hard FM or insurance costs.

This approach was surprising given Council officers had undertaken a significant level of work on the basis that the project would be funded through capital and procured through the East Central Hub Co.

- 3.2 Notwithstanding this, officers have sought to seek assurances from the Scottish Government/Scottish Futures Trust about details of the proposal. In particular, whether this will impact on the delivery of the project in terms of quality, cost and timescale and how it is anticipated this alternative approach will achieve best value considering the potential for a more complex procurement process.
- 3.3 Clarification is also required on the financial details in respect of calculation of the Scottish Government contribution to a unitary charge and the implication of this for the Council.
- 3.4 In addition, from an accounting standards perspective, the Scottish Government have yet to confirm that this methodology will ensure the project can be kept 'off balance sheet'. Moreover Finance division officers have reservations about how such an off balance sheet treatment can be achieved on a basis that would be acceptable to the Council.
- 3.5 From an Angus Council position, this situation is far from satisfactory. Taking forward a capital project of this value and importance is a complex process, and it is important all stakeholders are involved and working with clear and unambiguous terms of engagement. Indeed, it was only in June last year, following an initial announcement by the Scottish Government on 28 September 2009, that the Council was given clarity on the funding parameters and timescale. That purported clarity now appears to be changing and, at this crucial stage in the project's development, to fundamentally change the methodology for funding the project work, without providing details, is untenable. Not only does this create uncertainty, it potentially results in work which has been undertaken to date being unnecessary (particularly regarding procurement options).

4. SCOTTISH GOVERNMENT/SCOTTISH FUTURES TRUST POSITION

While no detail has been provided, both organisations (i.e. the SG and SFT) have provided assurances that this change will not impact on the project in terms of quality, and financially the Council should be in a broadly neutral position. Accordingly, at this stage, there is no requirement to suspend the consultation exercise or revise current plans. This is undoubtedly helpful, but nevertheless, it is essential that more details are provided as a matter of urgency.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

6. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications arising from this report.

7. EQUALITIES IMPLICATIONS

The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An [equalities impact assessment](#) is not required.

8. CONSULTATION

The Chief Executive, Director of Corporate Services, Director of Neighbourhood Services, Head of Finance and Head of Law and Administration have been consulted in the preparation of this report.

**NEIL LOGUE
DIRECTOR OF EDUCATION**

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.