

11. CITY REGION DEAL - WINCHBURGH AND CALDERWOOD CORE DEVELOPMENT AREAS SCHOOL ESTATE INVESTMENT

The Council Executive considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration seeking approval for the submission of a formal request to the Scottish Government to enter into a risk sharing agreement with the Scottish Government and Winchburgh Development Ltd (WDL) in relation to the council's borrowing costs for the delivery of a non-denominational secondary school at Winchburgh.

The report recalled that on 10 October 2017 Council Executive had approved an option for funding for the delivery of new denominational and non-denominational secondary schools at Winchburgh, together with a denominational primary school. The report set out that the Heads of Term to the City Region Deal had identified that a risk sharing facility would be developed with the Scottish Government to deliver up to £150m of infrastructure investment in Winchburgh to support delivery of up to 5,000 houses. Given the terms of the proposed City Region Deal, Council Executive had agreed, in principle, to borrow to deliver the non-denominational school subject to the Scottish Government providing a risk sharing facility in relation to the debt service costs.

Since that time council officers had been working with the Scottish Government, Scottish Futures Trust and WDL to complete the Business Case for the overall approach.

It was proposed that given the scale of the projects these would be delivered through the council's development partnership (Hubco) as this would provide greater certainty on delivery timescales and financial risk controls over traditional procurement routes. Through the joint procurement of these schools via Hubco economies of scales would be delivered.

A copy of the draft Business Case was attached to the report at Appendix 1. The Business Case estimated the borrowing costs of the first phase of the non-denominational secondary school, with interest charges over 25 years, as £20.621m based on a borrowing cost of £15.18m plus interest over 25 years. This cost was net of developer contributions already received or expected to be received prior to construction of the school.

The report continued by providing information in relation to the operation of the facilities including the call-in procedure if less than 150 houses were occupied in any one year. Information was also included in relation to the proposed schools themselves and other infrastructure.

It was proposed that officers would submit the proposed Business Case and funding submission to the Scottish Government to seek their approval and obtain assurances over the deliverability of the other infrastructure. Following receipt the Scottish Government would progress the request for support through its own governance and approval arrangements.

Officers were recommending engagement with Hubco to progress the bundle of projects through the appropriate initial design development, procurement and cost appraisal stages. Upon approval commissioning of Hubco would take place to progress the project to the New Project Request Stage.

It was recommended that Council Executive :-

1. Notes the update on negotiations with the Scottish Government and Winchburgh Developments Ltd (WDL) with respect to funding agreements for the delivery of two secondary schools and a denominational primary school at Winchburgh;
2. Notes the update on negotiations with the lead developer at Calderwood with respect to funding arrangements for a new, wholly developer funded, non-denominational primary school at Calderwood;
3. Notes that it was proposed that the first phase of the non-denominational secondary school in the Winchburgh and East Broxburn Core Development Area would be funded by a 'per house contribution' (also known as a roof tax) with the council undertaking borrowing for the required capital investment and with that borrowing underwritten partly by the Scottish Government, through the City Region Deal, accelerated developer contributions and guarantees and security delivered by Winchburgh Developments Ltd;
4. Notes that it was proposed that the first phase of the denominational secondary school in the Winchburgh and East Broxburn Core Development Area would be funded by a 'per house contribution' with the council undertaking borrowing for the required capital investment;
5. Approves the Business Case, which was appended to this report, as the basis for a funding arrangement for the schools at Winchburgh and for submission of this to the Scottish Government as a formal request for support;
6. Notes that the Business Case outlined that the cost of borrowing would be fully recoverable from developer contributions, with the exception of the council's £4m contribution towards the non-denominational secondary school;
7. Delegates the Head of Planning, Economic Development and Regeneration, in consultation with the Leader of the Council, to make any non-material changes to the Business Case, prior to formal submission to the Scottish Government;
8. Delegates the Head of Planning, Economic Development and Regeneration to present the case to the Scottish Government and to accept any offer of support from the Scottish Government,

provided that the offer of support met the terms of the submitted Business Case;

9. Agrees that a further extension of St Margaret's Academy to increase denominational education capacity was not progressed given the proposal for a new denominational secondary at Winchburgh;
10. Notes that a report would be presented to Education Executive to consider the statutory consultations required as a consequence of the new school proposals outlined in the report;
11. Notes the council's participatory relationship as a partner in the Hub South East Territory Partnership;
12. Instructs officers to commence engagement with Hubco and their supply chain to provide strategic support services to progress the design development and cost appraisals of the new schools required at Winchburgh and Calderwood; and
13. Notes that officers would present a report to Council Executive prior to formally issuing a new project request (NPR) to Hubco which would confirm the affordability cap for each of the schools.

Decision

To approve the terms of the report