

d) Note the information provided in regard to the Economic, Community & Educational implications relative to the proposed Mull Campus

- 4.1.6 LEIP funding will also cover some costs if there are challenging ground conditions once a site has been selected and ground investigations have been undertaken if both parties agree there are maximum SG will underwrite is 50% of these costs. Dealing with abnormal site conditions is well established industry practice for major projects and can include scenarios that may arise if there is substantial rock cutting required, issues with utility connections, peat removal for example. None of this can be clarified at this stage as no site has been selected and no ground investigations undertaken.
- 4.1.7 The SG and Scottish Futures Trust (SFT) have also intimated that a project on Mull may be eligible for additional funding due to its island location, recognising it costs significantly more to construct major complex buildings in remote locations is not currently written into the conditions of funding or LEIP agreement they have confirmed there is precedent with other rural and island LEIP projects and it is likely a similar approach could be applied to the Mull Campus project. Locational factors would cover the known additional costs that relate to construction in island or rural areas such as cost of raw materials, costs of labour, travel, extra build time, extreme weather and waste disposal.
- 4.1.8 An indicative table of eligible costs is provided in **Appendix A** for ease of reference.
- 4.1.9 The Mull Campus Team and Financial Services have met with SG and SFT since the Council meeting on 22nd February. They have confirmed that based on current information relating to the Mull Campus Project and LEIP Funding Model at present that the scenarios outlined in this report and at the Members Seminar are reasonable assumptions to be attributed to SG funding that would be provided. referenced at para 4.1.7 above may improve the situation however, it must be stressed these are theoretical forecasts at this stage and the costs and percentages will change as the project develops, site and design are progressed and costs crystallise. The final cost will not be confirmed until financial close and contract awards currently programmed for FQ4 2026.

4.2 Financial Modelling

- 4.2.1 At the time of writing this report, the estimated total project cost for developing a new Campus on Mull is £43m, with £41m considered to be an eligible LEIP cLEonsideres

community facilities and availability of infrastructure. Any delays or unforeseen increases in inflation or construction materials (ie global factors as we have seen in recent years) would also impact cost estimates.

services, for example, toilets, library services, swimming pools, amenity services, roads maintenance. None of these alternatives are easy or would be what we would like to reduce, however, the reality of the future budget outlook means that difficult decisions will be required to balance the budget without the new school, but even more difficult decisions will be required to balance the budget with the additional cost that a new school brings.

- 4.2.9 A decision is required as to whether to progress with the plans for a new school campus on Mull with a final decision expected once the Final Business Case and tender prices are known. If Council do agree to progress, then there will be significant expenditure incurred prior to the final decision, for example, project team, consultations, outline business case, site selection and full business case. It is estimated that costs could be in the region of up to £5m and would be funded from the current earmarked reserve set aside for the school. This is not additional to the project costs outlined in paragraph 4.2.1 but Members need to be aware that should the Council, after tender prices are known, decide not to proceed, these costs will be abortive costs and would therefore reduce the level of funding available for any refurbishment.

4.3 Community, Economic & Education Implications

- 4.3.1 Given the financial implications of LEIP the main purpose of this paper is to outline the possible financial scenarios and in order to consider affordability. However, as signposted in the bid and acknowledged during debate at the Council meeting on February 22nd February, finance is only one factor, albeit an important one, that needs to be considered in reaching a decision. The paragraphs that follow outline the other issues to be considered.

Community Implications

- 4.3.2
to not simply function as schools but be available for the community much more facilities in Rothesay and Lochgilphead with all the Secondary Schools providing varying degree of community facilities some bookable through Live Argyll.
- 4.3.3 Community spaces that would be included within the LEIP funding would be a comparable sized to existing sports hall, pitches (MUGA, 3G and grass), library and further education facilities that the community could access. These would be modern and enhanced facilities in comparison to those currently at Tobermory. A range of other community spaces which are unlikely to be LEIP eligible may be identified through the design process and if agreed would required to be funded 100% by Council or other funding sources.
- 4.3.4 A modern campus plus the indirect achievement increases that a new building can bring - also has potential to be a wider attraction for families wishing to stay on, or relocate to the island and thereby having positive impact on socio-demographics. Some families who currently board their secondary school age children in Oban or plan to do so in the future may reconsider this if a new

4.4 Programme

4.4.1 There has been approximately 1 year delay in the funding announcement from the SG, however the Mull Campus Team have updated the project delivery plan which can be found at **Appendix C** with key milestones being as follows if the project is considered affordable and proceeds at today's meeting:-

- Q2 2024 Engagement/Consultations begin (community / statutory)
- Q2 2024 Site Selection process begins
- Q2 2025 Design development, cost plan begin
- Q4 2025 Planning, detailed cost, contracts to construct
- Q4 2025 Outline Business Case Approval*
- Q4 2026 Full Business Case Approval (approve tender)*
- Q4 2026 to Q4 2028 Construction
- Q4 2028 new campus open

**Subject to full Council meeting and gateway or key decision point (see para 4.4.3)*

4.4.2 Members must note that the original requirement to open the campus by December 2027 remains in place in the funding letter received in October 2023. This does not have regard to the delay occasioned by the delay in the

been expended on the buildings in the last 7 years however suitability remains buildings which were provided for education of a previous era. There is no, low cost option and

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APPENDICES

Appendix A – Eligible Costs

Appendix B – Financial Scenarios

APPENDIX A – ELIGIBLE COSTS

ELIGIBLE LEIP COSTS (50% Funding)

NOT LEIP ELIGIBLE (Council 100%)

'Like for Like' Learning Spaces

Condition Project / not expansion

Part of existing school

Classrooms, indoor sports facilities,
ELC, ASN

Production kitchen

Outdoor sports

APPENDIX B – FINANCIAL SCENARIOS

<u>Cost of Project</u>	Scenario A SG Fund 50% £000	Scenario B SG Fund 45% £000	Scenario C SG Fund 40% £000	Scenario D 10% increase in costs and SG Fund 50% £000	Scenario E 10% increase in costs and SG Fund 45% £000	Scenario F 10% increase in costs and SG Fund 40% £000
Cost of Construction	40,121	40,121	40,121	44,133	44,133	44,133
Estimated cost of Project Team	800	800	800	800	800	800
<u>Costs not eligible for SG funding:</u>						
Estimated Cost of Land	1,000	1,000	1,000	1,000	1,000	1,000
Estimated Cost of Moveable Fixtures and IT	1,000	1,000	1,000	1,000	1,000	1,000
Total estimated Project Cost	42,921	42,921	42,921	46,933	46,933	46,933
Funding previously Earmarked for LEIP	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Total estimate Project Cost still to be funded	33,921	33,921	33,921	37,933	37,933	37,933
Estimated Funding from SG	20,460	18,414	16,368	22,467	20,220	17,973
<u>Council Funding Required:</u>						
Costs payable by Council in excess of earmarked reserve	13,461	15,507	17,553	15,467	17,713	19,930
Earmarked Reserve	9,000	9,000	9,000	9,000	9,000	9,000
Interest cost of borrowing over 60 years	75,405	75,405	75,405	84,324	84,324	84,324
Funded by Council	97,866	99,912	101,958	108,791	111,037	113,284
Overall Funding	118,326	118,326	118,326	131,257	131,257	131,257
Percentage Funded by Council (including borrowing)	83%	84%	86%	83%	85%	86%

<u>Annual Borrowing Costs</u>	Scenario A SG Fund 50% £000	Scenario B SG Fund 45% £000	Scenario C SG Fund 40% £000	Scenario D 10% increase in costs and SG Fund 50% £000	Scenario E 10% increase in costs and SG Fund 45% £000	Scenario F 10% increase in costs and SG Fund 40% £000
Net cost of borrowing first 25 years	1,004	1,085	1,167	1,139	1,229	1,319
Net cost of borrowing remaining 35 years	1,822	1,822	1,822	2,038	2,038	2,038
Smoothed cost of borrowing over 60 years	1,481	1,515	1,549	1,663	1,701	1,738