

Penicuik High School Refurbishment and Expansion – Update Report.**Report by Derek Oliver, Acting Executive Director – Children Young People & Partnerships****Report for Decision****1 Recommendations**

It is recommended that the Council:

1. Approves the provision of a revised capital expenditure budget in the General Services Capital Plan (GSCP) of £55.378m, an increase of £10.668m from the existing £44.710m (the previous estimated capital cost of the refurbishment and extension of Penicuik High School) and notes the net notional capital cost of £33.395m once Scottish Government LEIP funding is taken into account.
2. Notes the progress made with the Refurbishment and Expansion of Penicuik High School and that the current design proposal differs from the original proposal.

2 Purpose of Report/Executive Summary

The purpose of this paper is to update Council on the progress of the Penicuik High School refurbishment and expansion project. It outlines key developments since the initial approval in June 2023, including changes to the design strategy, financial implications, contractor appointment and site surveys. The paper seeks Council approval for an additional £10.668 million in capital funding to support the delivery of the revised scheme, bringing the total approved budget to £55.378 million.

Since the Council approved the initial proposal in June 2023, the Penicuik High School project has undergone a strategic review to ensure the budget is closely monitored while meeting educational requirements. The original decant strategy, which involved modular accommodation at Montgomery Park, proved financially unviable. As a result, the existing 1960s building was adapted to accommodate pupils during construction, providing a practical and cost-effective alternative.

Date: 01 December 2025

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3 Background/Main Body of Report

3.1 Programme

The Penicuik project was originally scheduled for completion in August 2026, as set out in the approved Council paper from June 2023. Since then, several factors have impacted the programme, resulting in a revised completion date.

Following Council approval, additional time was required to review decant options and appoint an architect. The programme originally planned for RIBA Stage 1 to run from January to March 2024. However, this stage extended until May 2024 due to prolonged stakeholder engagement and additional design development. These activities were necessary to ensure that the brief fully reflected user requirements and project objectives but added extra time to the schedule.

Stage 2 was originally expected to conclude by mid-June 2024 but extended into early August 2024 following the extended Stage 1 and further design refinement to address feedback from stakeholders.

Overall, the delays in Stages 1 and 2 were driven by the need for thorough engagement and design development to achieve a robust and agreed brief. While these steps were essential for project quality and stakeholder alignment, they resulted in a later start for subsequent stages and significantly delayed contractor procurement, contributing to overall programme slippage.

Primary issues of the programme slippage which has shifted the midpoint of construction further are market volatility and inflation. These have driven up the cost of materials, labour, and services beyond what was originally forecast. This has been brought about due to the budgetary challenges which extended the pre-construction period to carry out significant a value engineering exercise.

Following the contractor appointment, a series of design sprints and a value engineering exercise were undertaken to optimise the design and align with budget requirements. This process also reduced the building footprint, requiring further design adjustments and coordination to allow the revised design to be considered under the original planning application. Following the completion of the design sprint sessions the project identified potential savings of £4.665m. This saving required further validation through the market testing process. Following these activities, the projected Phase 1 (School) completion was January 2028.

The planned 'Decant Works' to facilitate the move for all pupils and staff from the 1930's building to the 1960's building were completed on programme in August 2025, and 'Advance Works' were able to proceed within the now unoccupied 1930's building.

These works comprised intrusive 'Refurbishment and Demolition' Asbestos Surveys, Structural Surveys, sample rooms and a series of diversions of services to facilitate commencement of demolition to the

1930's block. As a result of these cumulative delays, financial close and the start of main construction moved from mid-2025 to spring 2026.

The delays have been driven by extended planning and design reviews, value engineering changes, and slower-than-expected approvals. While these steps were necessary to ensure safety, cost control, and quality, they have pushed the programme back.

Following the receipt of the final agreed tender figure, the next major milestone will be the contract award in April 2026. This marks the transition from project planning into delivery. Ahead of this, early works mobilisation will begin in March 2026. Mobilisation will run for four weeks leading to the start on site April 2026.

Phase 1 mobilisation will follow immediately after the contract award starting in April 2026 continuing until May 2026. This ensures all resources and logistics are in place for the main works. The site will then be ready for Phase 1 works to begin in May 2026.

Early works, focused on demolition and groundworks, will run from April to July 2026. These activities will prepare the site for the new school building and refurbishment. Advanced works, such as asbestos removal and utility diversions, will have been completed by March 2026.

The main construction programme will start on July 2026 and continue through to 2028. Phase 1, which involves building the new school, is scheduled for completion and occupation by March 2028, although this remains a risk. Phase 2 will then address the demolition of the 1960s block and landscaping, with practical completion expected by November 2028.

This timeline below shows the critical path for the project. It commences with asbestos work instructions on 05 December 2025. Asbestos removal occurs in the West Wing by 12 February 2026, then in the East Wing by 12 March 2026. Following these removals, temporary works in the 1930's building require to be completed by 16 March 2026, followed by demolition on 26 June 2026.

The courtyards and new extension construction completed 28 January 2028. Commissioning and handover are forecast to be 3rd March 2028. The decant date is still to be confirmed. Finally, Phase 2 landscaping completes the project on 30 October 2028.

flexible teaching and support spaces, designed to meet current educational standards and improve connectivity across the site.

Alongside the new extension, the 1930s building will undergo extensive refurbishment, both internally and externally. Works will include upgrades to mechanical, electrical, and plumbing systems, improvements to insulation and airtightness, and restoration of key architectural features. The refurbishment will ensure the building meets modern performance and accessibility standards while respecting its listed status.

Once pupils have been successfully decanted back into the completed 1930s building and new extension, the 1960s block will be demolished. This will free up space for the final phase of the project, which includes the delivery of new hard and soft landscaping across the site. These external works will enhance the school's outdoor environment, improve access and circulation, and support outdoor learning and recreation.

Together, these works will deliver a high-quality, future-ready learning environment for the Penicuik community.

3.4 Asbestos Management

The asbestos surveys carried out at Penicuik High School and the earlier demolition survey identified a range of asbestos-containing materials (ACMs) across multiple areas of the site. The planned remediation works aligns with these findings and breaks down the removal and decontamination works into phases. Compliance with statutory notifications and safety protocols is essential to ensure the project is delivered safely and in accordance with regulations.

The building where all pupils and staff currently occupy is fully safe to use, with relevant documentation maintained

Regular inspections and updates to the asbestos register ensure that the building remains safe for daily use. The health and safety of pupils and staff is our highest priority, and the current management approach eliminates risk from asbestos when left undisturbed and properly controlled and managed.

To provide reassurance, staff, pupils, and the wider community were provided with a set of FAQs which detailed all issues relating to asbestos and assured these stakeholders that the school was safe to use. The FAQ were communicated through the school's website and Group Call to ensure that all parents received the information.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

Capital Expenditure

The total expected development costs are now forecast to be £54.617m, phased as per the table below. This represents an increase of £9.907m from the existing capital expenditure budget in the General Services Capital Plan.

Table 1: General Services Capital Plan Budget Requirement

Financial Year	To 31/03/2024 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's	Total £000's
Existing Budget	1,869	7,702	16,207	17,612	1,320	44,710
Revised Budget	1,869	7,702	20,992	23,107	1,708	55,378
Variance	0	0	+4,785	+5,495	+388	+10,668

Funding of Capital Expenditure

The forecast Penicuik School total capital costs of £55.378 million are expected to be funded through a mixture of funding sources as follows:-

- The Council will need to prudentially borrow £55.378 million of capital costs;
- The project is included in Phase 2 of the Learning Estate Investment Programme, where the Scottish Government will provide a revenue support grant payable over 25 years following the completion of the building, to support operational/revenue costs of the school, based on the Council meeting the delivery of strategic outcomes (energy, condition, digital and economic). Whilst this is payable as a cash revenue grant over 25 years (and therefore does not impact/reduce the requirement for the Council to borrow during the construction phase), it equates to a theoretical capital cost support of £21.983 million

The capital cost of £55.378 million will be partly offset by the Scottish Government revenue support grant available (payable over 25 years and theoretically supporting £21.983 million of capital costs) subject to the successful achievement of outcomes over that 25 year period, thereby reducing the notional capital account impact to the Council to £33.395 million.

Penicuik Refurbishment & Extension – Impact on Revenue Budget

The 'direct consequences of capital' impact on the Council's revenue budget (Loan Charges net of Scottish Government LEIP Revenue Grant Funding) is as set out in Table 2 below:-

Table 2: Direct Consequences of Capital Impact on Revenue Budget

Financial Year	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's	2029/30 £000's	2030/31 £000's
Loan Charges	269	868	1,769	2,620	2,622	2,622
SG LEIP Revenue Grant	0	0	0	-1,815	-1,815	-1,446
Net Revenue Budget Impact	269	868	1,769	805	807	1,176

4.2 Digital

There are no digital implications of this report.

4.3 Risk

See Risk Assessment below. These Risks have been closely monitored throughout the pre-construction period, and their mitigation measures ensure that cost impacts are being minimised.

Risk	Description and Mitigation
Budget	The budget reconciliation advises a significant gap between the advised budget and the current projected costs. Whilst attempts have been made to mitigate through focused VE, reviewing Abnormals and Maintenance budget, the risk of the budget being insufficient remains ongoing. Ongoing monthly reporting on budget position is in place on the lead up to this committee.
Utilities – Drainage Solution	There is a risk that the existing foul and/or surface water drainage or combined drainage does not have sufficient capacity to deal with the new load from foul and surface water for the alterations to the 1930s building. Etime have been engaging with Scottish Water for approval following the CCTV survey and are continuing to chase for updates
Programme Slippage	Contractor / Design Team / MLC are refining programme options that take into account early / advanced works to mitigate the effects of programme slippage, while also protecting MLC's financial position.

Substructure	Etive have advised piling is required due to the poorer than expected ground conditions. This will be mitigated through early engagement with a specialist gas subcontractor. Obtaining advice quickly, coordinating with Morrison Construction and building in time to the programme to review and incorporate advise will further mitigate this risk
Existing Building Condition	Elements of the existing 1930s building are found to be significantly lacking in regard to energy efficiency, meaning the requirement for substantial upgrades to meet LEIP standards. Mitigations include in-depth building surveys to determine which elements can remain in situ and which elements require replacement, and which elements can still be repaired.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

This report does not have equalities implications.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

APPENDIX A – Report Implications

APPENDIX B – Critical Path Programme

A.1 Key Priorities within the Single Midlothian Plan

A.2 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child**
- Improving opportunities in Midlothian**
- Sustainable growth
- Business transformation and Best Value
- None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern**
- Innovative and Ambitious**
- None of the above

A.4 Delivering Best Value

The Stage 1 process of appointing a contractor is designed to ensure the delivery of a project that represents best value for money as the design is tested and priced to ensure it can be delivered within budget.

A.5 Involving Communities and Other Stakeholders

Consultation with a wide range of stakeholders including neighbours, Community Councils and residents has been undertaken through the statutory catchment review, design development process and the planning application process.

A.6 Impact on Performance and Outcomes

These proposals respond to key outcomes in the Single Midlothian Plan.

A.7 Adopting a Preventative Approach

This has been considered as part of process of developing visions and objectives for the Penicuik Refurbishment and Expansion Project.

A.8 Supporting Sustainable Development

Appendix B – Critical Path Programme



Penicuik High School Redevelopment Construction Programme Option 1

