

# The 2022/23 audit of Renfrewshire Council

School accommodation for Dargavel Village



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit  
December 2023

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# Introduction

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- 1.** The Code of Audit Practice requires auditors to produce an annual report summarising the significant matters arising from their work at the conclusion of each year's audit. For local authorities, these reports are addressed to elected members and the Controller of Audit.
- 2.** I have reviewed the 2022/23 Annual Audit Report for Renfrewshire Council (the council) from Azets, the appointed auditor. The auditor's Annual Audit Report was considered by the council's Audit, Risk and Scrutiny Board (ARSB) on 6 November 2023 and by the full council on 16 November 2023. The report has also been published on [Audit Scotland's website](#). The auditor issued an unmodified opinion on the council's 2022/23 annual accounts.
- 3.** In June 2023, the council received the findings of an independent report (the Bowles report) that highlighted significant failings of leadership, oversight and risk management in relation to the provision of school accommodation for Dargavel Village. The consequences of this for both the community and the council are far reaching and a significant cause for concern. The council has developed an action plan to respond to the issues identified and is, and must continue, to work hard to rebuild the trust of the communities affected and demonstrate that lessons have been learnt.
- 4.** I have therefore decided to use the reporting powers available to me under s102 (1) of the Local Government (Scotland) Act 1973 to bring this issue, and the action the council is now taking in response to the Bowles report, to the Commission's attention.

## Background

- 5.** The development of the new village of Dargavel, in Renfrewshire, is a large and complex project, which has evolved into one of the largest housing developments in Scotland. The land at Dargavel Village is being developed by BAE Systems who were initially granted planning permission for the development of a maximum of 2,500 houses in 2009. This was increased, through a range of further planning applications between 2014 and 2018, most notably by 1,350 as part of two major additional applications in 2018. The council in 2023 formally acknowledged that the historically consented planning permission was for 4,322 units on the Dargavel site.
- 6.** It is common practice for local authorities, when considering planning permission for new housing developments, to enter into an agreement with the developers to contribute to the additional public costs associated with delivery of any new housing development, including costs associated with schools, health, roads and other infrastructure. These legally binding agreements are made under Section 75 of the Town and Country Planning (Scotland) Act 1997. A new primary school (Dargavel Primary) was built by

BAE systems in Dargavel Village as part of a Section 75 agreement with BAE systems. It opened in January 2022 with an expected capacity for 430 pupils.

**7.** In May 2022, as part of the 2022/23 intake, council officers recognised that they had substantially underestimated the demand for primary school places in Dargavel Village. At the same time the council recognised that the demand for secondary education was also likely to have been significantly underestimated.

**8.** Following analysis over the summer period to quantify and understand both the scale and time critical nature of the problem, a special meeting of the council's Education and Children Services Policy Board was held in November 2022. The main purpose of the meeting was to discuss Dargavel Primary School capacity. It was reported that the current school roll was 463. The council projected a potential school roll of up to 620 pupils by August 2023 and 705 pupils by August 2024. The board concluded that the existing school capacity would be materially insufficient to meet the future demand profile of the catchment area.

**9.** Additional work by the council to create a robust long-term estimate of pupil numbers (further confirmed by more detailed projections from the council's consultants, Edge Analytics) identified a need for a core primary school capacity of 1,130 pupils and high likelihood of breaching the existing 430 capacity in the 2023/24 school intake requiring circa 60 per cent more pupil spaces.

**10.** The Education and Children Services Policy Board has approved planning for an additional primary school in Dargavel and an extension to Park Mains High School. The council had planned an extension to Park Mains High School as part of its section 75 agreement with BAE Systems in 2018 and confirmed the size of that extension in its 2023 agreement. The Bowles report highlights that the council's failure to appreciate the risks that they were taking in the original contract they negotiated, which allowed BAE to cap their contributions<sup>1</sup> means that it is the council that will need to meet the additional costs over and above this cap associated with increasing capacity.

<sup>1</sup> BAE Systems have contributed the primary school at Dargavel Village and land for the building of a second primary school. They have capped their contributions for secondary school capacity to 200 pupil places.

# Dargavel School – Timeline of key events

Date	Event
2006	The original masterplan application for the Dargavel development is submitted by BAE Systems
Aug 2009	Outline planning consent approved
2009	Section 75 agreement signed between the council and BAE Systems for 2,500 houses and 340 primary school pupils spaces
2013	Dargavel Village construction commences
Sep 2014	Concerns expressed as to the size of the planned school by the community council
Apr 2016	The council updates the school capacity requirement to 430 places for extending Dargavel Village development to 3,850 homes
Jan 2017-2021	Community concerns over low school capacity continue to be raised
Oct 2018	Section 75 Agreement signed. Planning consent for 3,850 houses granted by the council. BAE Systems formally obligated to build Dargavel Primary School with capacity for 430 pupils
2020	Dargavel Primary School construction commences
Jan 2022	Dargavel Primary School opens
May 2022	During the 2022/23 intake, the council becomes aware that pupil admissions are higher than expected
Nov 2022	The council appoints Edge Analytics to provide support for school capacity estimates
Dec 2022	The council's chief executive appoints Mr David Bowles to undertake an independent review of Dargavel Primary School capacity issues
Mar 2023	The EPCB approve planning for an additional school in Dargavel with a minimum capacity for 700

<b>May 2023</b>	Updated projections recommend additional primary school capacity requirement of 800 The ECPB approves an extension to Park Mains High School to create capacity for an additional 400 secondary school places
<b>Jun 2023</b>	'The Bowles report' is published and presented to the full council. The council accepts all recommendations in full
<b>Aug 2023</b>	The council instals six modular classrooms in Dargavel school as an interim capacity solution
<b>Sep 2023</b>	The council secures a land transfer from BAE systems to build a new primary school and, in exchange, the council clarifies that a maximum of 4,322 homes are consented to be delivered as a part of Dargavel Masterplan.

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# Independent examiner's report – the 'Bowles report'

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**11.** Following the special meeting of the council's Education and Children Services Policy Board in November 2022, the council gave authority to the chief executive to establish an independent assessment of the circumstances which led to the significant error in school capacity planning for Dargavel School. David Bowles, a former local government director and chief executive, was appointed directly by the chief executive following a search for suitable candidates for the role supported by SOLACE.

**12.** The overriding conclusion of the report was that:

'...the council was completely unaware of, and therefore unprepared for, the impact that a development such as Dargavel would have upon the education service.'

**13.** The report further concluded that:

'Regardless of considerable uncertainty of estimating pupil need 20 years ahead, before detailed consents had been given and the housing mix known, the council allowed BAE to cap its contributions in both agreements, leaving all of the risk with the council. It is difficult to see how both of these agreements, involving potentially millions of pounds of investment in primary and secondary education, could have been handled in a more incompetent manner.'

**14.** The 'Bowles report' was published and presented at the June 2023 full council meeting and identified the following key factors (with summarised extracts) which contributed to the Dargavel School outcomes:

- **A failure of leadership in the education service.** Senior education management were both incompetent and not sufficiently engaged in the project.
- **Limited corporate oversight of the project.** There is no evidence of corporate intervention to provide internal support or seek external advice.
- **Lack of clarity about the size of the development.** Different parts of the council have been working on different housing numbers and BAE have quoted different numbers.
- **A complete and repeated failure to test data for reasonableness.** The council had numerous opportunities to test data for reasonableness and it failed to do so.

- **Ignoring conflicting data.** There are frequent instances of conflicting data being disregarded.
- **Not either understanding or planning to manage the risk associated with large developments.** The lack of understanding of (estimation) risks can be highlighted by the inept decision of the council to reduce the size of the Dargavel School site.
- **Focussing on capacity problems at Bishopton Primary School.** At no time did officers question why there was a 'spike' in children from the Dargavel development being admitted to Bishopton school.
- **Ignoring emerging problems when agreeing to a 2-form entry primary school in 2018, which increased the capacity of the planned Dargavel school by about 100 places.** There was ample evidence the council had seriously underestimated primary school demand before the original planning application in 2018.
- **A failure to recognise the growing school capacity problem until May 2022.** The (school place demand) error was so obvious it is difficult to see how it remained undetected for six years.
- **A failure to take any concerns expressed by others seriously.** The response by council officers to numerous examples of concerns being expressed by a range of stakeholders showed professional arrogance.

15. The Bowles report recommended that the council:

- **Builds a more robust model of primary school need for Dargavel.** The council should update and refine the existing model of pupil numbers and the potential range of demand and continue to work with experts in this area. It should also review the mix of housing approvals and extend the time period of the forecasts for primary to assess whether there is likely to be a peak in demand or just a plateau then a decline.
- **Reconsider catchment areas.** The earlier decision on catchment areas was made on the assumption the developer would be meeting all of the costs of primary education, without needing to use the surplus capacity at Bishopton. That is no longer the case. In its future plans the council should reconsider how surplus capacity at Bishopton can be used effectively.
- **Produce robust supplementary guidance on developer contributions.** The council should be clear about who has responsibility for this area of work and ensure they have the appropriate skills available to them, either internally or externally. The council should review how data flows between planning and education and that they both understand its import.
- **Seek to work co-operatively with BAE.** Unless the council and BAE can work together to resolve the current problems, BAE may face



accusations, whether founded or not and regardless of council incompetence, that it has financially benefitted at the expense of council taxpayers.

- **Corporate working and organisational culture.** The council needs to consider a significant change programme, not just on the of issue of corporate working and personal responsibility, but also its organisational culture and values. It needs plans to build a stronger organisation where constructive challenge is welcomed and there is a clarity of what is expected of all of those in a leadership role.
- **Risk management.** The council needs to review how it both identifies risk and manages it. The identified risk in council documents related to delivering the school on time, not that the size of the school may prove to be inadequate. The failure to identify that risk has had two consequences; first the council has been slow to react to the increase in pupil numbers and second the council did not negotiate with BAE, with that risk in mind.
- **Involvement of members.** While protecting the integrity of the planning process, the council needs to ensure the appropriate involvement of members in such developments.
- **Public confidence.** The council should work in an open and transparent manner in the resolution of these issues and particularly with the residents of Dargavel, who have legitimate concerns about the implications for their children, during both their primary and secondary education.

Source: Dargavel Primary – Independent External Review, The Bowles report

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# The council's response

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**16.** The council accepted in full the recommendations of the Bowles report at its meeting of 22 June 2023 and apologised to the local community for the significant errors made. Since then, it has supplemented its initial response with a more detailed action plan, however it is clear that the implications of this issue will be felt for some time to come. The council is, and must continue to, work hard to rebuild the trust of the affected communities and demonstrate that it has learnt lessons. The council's progress in implementing agreed actions is monitored by the Audit, Risk and Scrutiny Board.

**17.** The council has engaged external consultants, Edge Analytics, to provide expert support in estimating demand for places across its school estate and has taken forward an analysis of how other local authorities manage developer contributions ahead of the development of updated guidance.

## Addressing capacity issues in the short term

**18.** The council have implemented transitional arrangements to address immediate capacity issues in Dargavel Primary School. These interim measures have included the creation of new modular classrooms and the utilisation of available capacity in the neighbouring Bishopton School. The council has assessed, with the support of external consultants, that these interim measures will be sufficient to accommodate primary and secondary school demand until the anticipated new schools are developed by August 2027 but this will require to be kept under careful review.

**19.** The council assesses the impact of these transitional arrangements on the standard of teaching delivery and pupil attainment as part of its regular monitoring arrangements. At this stage, the council assesses that, while there has been some disruption, there has been no detriment to either teaching delivery or pupil education in the Dargavel and Bishopton areas.

**20.** The council will continue to monitor the quality of educational delivery and measures of pupil attainment closely through its existing quality monitoring arrangements. It is critical that the council ensures that it robustly assesses educational impacts and continues to report publicly on this to maintain community confidence.

## Addressing capacity issues in the medium term

**21.** The council had limited options for addressing the medium-term primary school capacity issues in faced in Dargavel Village given the size of the capacity shortfall (around 800 places) which meant that extension of the existing site was not an option and the surrounding land is owned by BAE systems.

**22.** As a result, the council entered into negotiations with BAE Systems to explore options for addressing the education needs of the Dargavel community. These negotiations resulted in an agreement with BAE Systems to transfer a parcel of land to the council for £1 in August 2023 that could enable the building of an additional new primary school within Dargavel village. This final decision on the building of a new school will be subject to a full statutory consultation process in due course.

**23.** Section 75 agreements often require developers to include affordable housing and housing available for the social rented sector as part of the planning permission process. In reaching agreement with BAE Systems to transfer the land that could accommodate the construction of an additional primary school, the council also formally acknowledged that the historically consented planning permission was for 4,322 units on the Dargavel site and agreed to reduce the affordable housing requirement at stage 2 of the development. Consequently, there will now be 243 social rented units as opposed to 336 as part of the overall development. Equally though, the revised agreement anticipates that there will be circa 1,271 lower market sector units against the earlier obligation to build 681 units.

**24.** The council recognised that the Dargavel Village development would also create an increased demand for secondary school places. The council worked with Edge Analytics to develop an estimate of the impact of this increased demand on secondary school capacity and provision across the whole school estate. The council concluded at a meeting of the Education and Children's Services Policy Board on 18 May 2023 to continue with plans to extend the existing Park Mains High School at an estimated cost of £30 million to provide an additional 400 secondary school places required.

**25.** The council did not present any formal options appraisal on provision of secondary school places in its public report to support its decision-making, but had considered an alternative solution and informally estimated that the cost of building a new secondary school in Dargavel/Bishopton (an alternative favoured by some community groups) at around £90 million. The adoption of this new build option would also create surplus capacity of 40% to 60% within the existing Park Mains High School and result in significant additional net annual revenue costs. The council subsequently communicated and explained the rationale and data underlying its decision to the Park Mains Liaison Group and other community group meetings.

## Financial impact

**26.** The council currently estimates that it will require £75 million of new capital investment to create the required capacity to fully meet the primary and secondary education needs of the Dargavel and Bishopton communities. The council and the housing developer have agreed that the housing developer (BAE systems) has fulfilled its obligations under the Section 75 agreement in relation to the provision of primary school capacity.

**27.** BAE systems have capped its contributions for secondary school places to 200 pupils meaning they are still required to meet almost 50% of the costs of the proposed 409 pupil place extension to Park Mains High School.

**28.** The estimated net additional costs of £60 million must therefore be met by the council. The council plans to fund these capital costs from borrowing, and estimates it will add around £4 million to the council's annual revenue budget. Council debt is normally written down over the estimated lifetime of the asset which is currently an average of 40 years for the Renfrewshire school estate.

**29.** The council estimates that the net revenue cost of running the new primary school when it becomes operational in August 2027 will be around £0.5 million per year, as additional running costs will largely be offset by increased grant funding provided through the overall Scottish Government grant distribution process. The council has not yet included an estimate for the net running costs of the Park Mains High School extension.

**30.** In context, the council is already facing a significant financial challenge and recently updated its Medium-Term Financial Plan to include the additional £4.5 million borrowing and operating costs identified above. The council is now projecting a budget deficit of up to £50 million by 2026/27 and will have to make difficult decisions on spending priorities in the near future.

## Community engagement

**31.** The council recognises that it faces a significant challenge to rebuild the trust and confidence of local communities. A recent report to the Education, Children's Services Policy Board notes the desire of the community to better understand the rationale for the council's decision to extend (rather than replace) an existing secondary school serving the Dargavel and Bishopton areas. It is critical that the council proactively engages the local community in its school estate decision making.

**32.** In October 2022, the council introduced a specific Dargavel communication and engagement strategy which included the creation of a dedicated mailbox for the community to ask questions and raise concerns and the development of a regular community newsletter. The council's senior team have also attended a number of public meetings with residents of the Dargavel and Bishopton communities and attended Community Council and Parent Council meetings. The council also created the Park Mains Liaison Group which is attended by senior council members and representatives from the local community.

**33.** The council has used these forums to communicate, explain and engage with local communities on its plans to address school capacity issues in Dargavel and Bishopton and to address any local concerns. It is important that the council robustly assesses the effectiveness of its community engagement to understand how best to continue its efforts. The council has not yet undertaken any formal assessment of its arrangements.

## Governance

**34.** The findings of the Bowles Report, although restricted to the historical handling of the Dargavel Development, raises a legitimate line of concern in relation to the effectiveness of the council's governance arrangements,

particularly in relation to corporate working and organisational culture, effective risk management and member involvement in decision making on major projects. I have sought to understand the extent to which these issues are also representative of the council's overall governance and decision-making arrangements.

**35.** The council's auditors have concluded, overall, that the council has appropriate governance arrangements in place with improvements over the years in member and officer relationships and effective leadership overall. The auditors have not highlighted any concerns over the wider organisational culture or in its approach to managing major capital programmes but have identified that the role of the Audit, Risk and Scrutiny Board in ensuring effective scrutiny is not sufficiently clear.

**36.** In response to both the Bowles report and the auditors recommendations, the council have committed to review their overall governance and scrutiny arrangements as part of a wider review of corporate governance. The council will also undertake a review of the effectiveness of its Audit, Risk and Scrutiny Board against CIPFA good practise guidelines.

**37.** The council has also committed to review its approach to risk management across all council projects. The council has also committed to delivering a comprehensive leadership development programme for all chief officers and senior managers and has committed to evaluate this programme before rolling it out to the next management cohort. The council understands it must progress these actions in order to assure itself and others that its governance and scrutiny arrangements are robust and that it is able to demonstrate a strong organisational culture.

**38.** Learning the lessons from the school capacity issues in the Bishopton and Dargavel communities continues to feature prominently in council meetings. The audit team have observed an appropriate level of involvement of members at the Education, Children Services Policy Board who scrutinise the delivery of education across the council. The council recently adopted a Strategic Learning Estate Work Programme, which brings together officers from different departments to oversee educational estate delivery and ensure joint working going forward.

**39.** The council did not include a formal options appraisal in the report on the provision of secondary school places to support its decision-making on the extension of Park Mains High School in May 2023. The council also did not articulate in that report why it felt an option appraisal was not required or how it planned to engage with local communities on the underlying data and rationale that supported the decision. Whilst this approach is consistent, in specific circumstances, with Scottish Government guidance on managing consulting on changes to the school estate and education provision, it remains a significant omission in the decision-making process. The council should have been more open and transparent on the range of available options in relation to the school estate, the process through which views could be heard and the basis on which any future decisions would be taken.

**40.** Finally, the auditor has concluded that the council has obtained appropriate external legal advice and determined there is no potential for any form of action against former senior employees involved in the Dargavel School decision-making. No disciplinary action has been taken against any senior officer involved in decision-making relevant to the Section 75 approval process for the Dargavel Village development.

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# Conclusions

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**41.** The Bowles report highlights significant historic failings in leadership and risk management and a disregard of concerns expressed by the local community. I note the council's acceptance in full of the Bowles report recommendations and their apology to the local community. The council has developed an action plan setting out its response to the issues identified, and the council must work hard to rebuild trust and respond to the issues identified.

**42.** Progress against this action plan will be reported to the council's Audit Risk and Scrutiny Board. The council has committed to review its overall governance and scrutiny arrangements, including the effectiveness of its Audit Risk and Scrutiny arrangements against CIPFA good practise guidelines. It must progress this in order to assure itself, and others, that its governance and scrutiny arrangements are robust.

**43.** The council should have explained its decision-making process more clearly and transparently when finalising its decision to extend Park Mains High School. It is essential that the council is open and transparent on the range of available options in relation to the school estate, the process through which stakeholder views can be heard and the basis on which future decisions will be taken.

**44.** The council has now engaged expert consultants to advise on school capacity requirements and has developed plans for a new primary school and extension to the existing high school. These significant school infrastructure projects are not expected to be completed until August 2027 and will require strong governance arrangements to ensure they are completed on time and budget and meet the educational needs of the local community. I will continue to monitor the council's progress in managing these projects.

**45.** The council has not yet reached the stage of engaging with contractors to build the new Dargavel Primary School and the proposed extension to Park Mains High School but has estimated costs of £75 million, with £60 million of these costs due to be met by the council. These costs will add over £4.5 million<sup>2</sup> to the council's annual revenue budget and add to the already significant financial challenge faced by the council. The council needs to make some difficult spending priority decisions going forward.

**46.** While the council has assessed that the short-term transition arrangements have caused no detriment to either teaching delivery or pupil

<sup>2</sup> The council has yet to include an estimate for the additional annual running costs for the proposed Park Mains High School extension in its medium-term financial plan.

education, this is an issue they will need to monitor closely and report on publicly. The council faces a significant challenge to rebuild trust and confidence with the affected local communities and must take steps to assess the effectiveness of its community engagement programme.

**47.** The council's appointed auditors will continue to monitor and report on progress in addressing the recommendations contained within the Bowles report through the annual audit process. The council has taken steps to respond to the recommendations of the independent Bowles report but there is still more to be done. Both the community and council will be dealing with the consequences of this error for some time.



# The 2022/23 audit of Renfrewshire Council

## School accommodation for Dargavel Village



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