

## WIRRAL COUNCIL

### WIRRAL SCHOOLS FORUM - 20 OCTOBER 2015

#### REPORT OF THE DIRECTOR OF CHILDRENS SERVICES

#### REVIEW OF SCHOOL PFI AND PPM COSTS

---

##### 1. EXECUTIVE SUMMARY

This report updates the Forum on School PFI and Planned Programmed Maintenance (PPM) costs from within the centrally managed school budget.

##### 2. PFI COSTS

2.1 The Council is now in its fourteenth year of a 30 year PFI Agreement, originally signed by the School Governing Bodies and the PFI Contractor in March 2001. The scheme involved the rebuild of one Primary and one Secondary School and extensive refurbishment at seven other Secondary schools. The Contract is due to end in July 2031.

2.2 The major investment to those schools that were in the worst condition in the late 1980's, the grouped PFI scheme has allowed the redirection of subsequent capital funding to the remaining school estate which has seen significant improvement over the years and continues to do so.

2.2 An annual sum continues to be paid to the PFI Contractor for the cost of the PFI Services. This "Unitary charge" payment represents the repayment of Capital costs and a payment for the provision of Facilities Management, Catering and Grounds Services for the nine Schools. The contract makes provision for the total costs to increase each year by the Retail Prices Index less 10%.

The summarised School PFI costs for 2015-16 are as follows:

	£000s
Contract payments	11,037
PFI Grant	5,472 cr
School Contributions	3,025 cr
<b>PFI Net Cost (Affordability Gap)</b>	<b>2,703</b>

The PFI Affordability Gap is partly funded by the central schools budget (£2.3m) and partly by the council (£0.4m). In addition Schools Budget contributes £61,800 to the cost of a small team administering the PFI contract.

##### 3.0 KEY PFI ACHIEVEMENTS 2014/15

3.1 It has been a busy year for PFI with the completion of the first Benchmarking exercise, which is carried out every five years for the life of the contract, on the "Tested Services" i.e. caretaking, grounds, cleaning. The process involved an eighteen month negotiation period between the Council and PFI partners to ensure we achieved an agreement that delivered best value to the schools and also satisfied the requirements of the contract.

The largest increase as part of the benchmarking process impacted on cleaning charges, however, the Council managed to offset the cost of this uplift with a credit note of £137,000 which was refunded directly to schools for costs they had been paying for additional services procured since the contract started in 2001. The PFI team also managed to secure an additional one off £20,000 discount for schools as part of this process.

3.2 The first reconciliation of Profit Sharing which is an aspect of the contract whereby a budget is set as part of the Benchmarking Process and then each year, a Profit and Loss account based on actual cost is shared by the Catering provider, with any profit being shared on a 50:50 basis. The PFI team agreed a profit share of £40,365 with the PFI Catering Provider, this was split amongst the PFI schools for the 2013-14 financial year, and are due to meet to discuss the profit share for 2014-15 imminently.

3.3 A utilities reconciliation has recently been completed, and due to the PFI team negotiating an advantageous Utilities Target for Schools, this has generated a refund of £44,000 for the 2014-15 financial year.

3.4 A small piece of work has recently been commissioned by the LA to compare the FM unit costs in PFI schools (cleaning, caretaking etc.) with equivalent costs in non-PFI schools. The aim of this is to better understand the differences in costs between similar schools and the reasons why they may have arisen. The findings from this exercise will be reported to the Schools Forum when the work is completed.

#### **4.0 PPM £249,000**

4.1 The Planned Preventative Maintenance (PPM) £249,000 school budget supports a range of projects and unforeseen costs arising from general school maintenance including; school closures, ground maintenance, safeguarding issues, health and safety requirements and structural works. Whilst there has been a significant reduction in this budget this is being managed successfully.

A three year DfE Capital Maintenance allocation has allowed better project planning at schools which in turn reduces the burden on reactive and emergency maintenance funding. Significant investment in school building fabric has also resulted in a decrease in the demand on this budget.

#### **5.0 RECOMMENDATION**

It is recommended that this report is noted and that further reports be brought for further discussion and consideration as required.

Julia Hassall  
Director of Children's Services