

## **WIRRAL COUNCIL**

### **WIRRAL SCHOOLS FORUM 18<sup>TH</sup> JANUARY 2017**

#### **REPORT OF THE DIRECTOR BUSINESS SERVICES**

##### **Private Finance Initiative Support Costs**

###### **EXECUTIVE SUMMARY**

This report describes the work of the PFI team within Asset Management and the support provided to monitor the PFI contract on behalf of the Council and Schools.

###### **BACKGROUND**

The Wirral Schools PFI project agreement was signed by the Council, school governing bodies, and the PFI contractor in March 2001. The scheme involved the rebuild / refurbishment of one primary and eight secondary schools in Wirral.

Variations were subsequently agreed for the construction of two City Learning Centres (CLC's) located on PFI sites.

The contract was originally for 25 years to July 2029, but in September 2004 it was extended by 2 years and will expire in July 2031. Construction works were completed in August 2006. The PFI contract also provides for facilities management (FM) support services in schools. These services include building and grounds maintenance, catering, cleaning and caretaking, security, waste, minibuses, utilities and telecommunications.

An annual sum is paid to the PFI contractor Wirral Schools Services Ltd. for the cost of PFI. This "unitary charge" represents the repayment of capital costs for rebuilding / refurbishing the schools and a payment for the cost of providing facilities management services. The contract makes provision for the total costs to increase each year by the December Retail Prices Index, less 10% of that RPI.

In 2016 -17 the annual PFI contract cost (excluding CLC's) will be £12.3m. PFI is the Council's biggest contract and is funded by:

	£m
PFI grant	5.5
Individual school contributions	3.9
Schools Budget (central)	2.3
Council Contribution	0.6
<b>Total</b>	<b>12.3</b>

###### **PFI SUPPORT**

The role of the PFI team is to manage the contract by offering day to day support on all contractual aspects of the various legal agreements which define the scheme. In addition to this the PFI Team offer services which are tailored to accommodate the obligations of the PFI Scheme including:

###### **Finance**

To verify and agree contract payments –on a monthly basis

To collect contributions from schools.

Checking financial data to ensure accuracy  
Forecasting future budget requirements for the PFI scheme overall

#### Contractual

To ensure contract performance and compliance in terms of service delivery against service standards and Project Agreement schedules. This includes change orders, Benchmarking / Value for Money Testing, Summer works, Planned Preventative Maintenance, Life Cycle Works, Utility targets and reconciliation, Catering and profit sharing, management of Loose Furniture Budgets (FF&E) and Service Provider Operational Reports

There is a detailed service specification for PFI support that has been developed with the 9 schools this includes:

- Regular meetings with the individual schools at each site with the, PFI Authority Representative , PFI provider, Facilities Management Company and Catering Services Provider
- Regular Contract wide meetings between the Authority, the PFI Provider, Facilities Management Company and Catering Company to ensure the PFI partners meet the requirements of the Contract, both on a day to day and strategic level
- Monthly dissemination of utility data and forecast of financial implications for each individual school
- Regular discussions re performance and financial deductions

During the year the team has :

- supported the closure of 2 of the 3 CLC sites and the consideration of alternative uses for the buildings. Change of use is a complex process requiring consultation with the PFI Provider and amendments to contract agreements/leases
- Assured a Catering profit share to schools relating to the 2014/15 of £57,466.
- Ensured a number of penalties at various sites under the Performance and Payment regime
- Secured a credit for the late delivery of minibuses for a number of sites Overseen Lifecycle delivery programme of £850,000
- Finalised a consistent approach for the Annual User Satisfaction Surveys
- Contested a claim for a 'Change in Law' proposed by the PFI Provider, (ongoing)
- Attended Keep in Touch meetings held twice per term at each of the nine sites – ensuring the minutes of the meetings reflect the action points and monitoring performance of the PFI Contractors
- Administered the change order process
- Overseen the restructure of both the Facilities Management Company and the Catering Provider
- Managed reconciliation of a new tranche (8) of annual costs for change orders
- Negotiated a process for CDM for change orders following a recent change in legislation

In 2017 the focus will be:

- To secure amendments to agreements regarding the PFI AffordabilityGap.
- Prepare for contract benchmarking which commences in 2018

- Resolve the outstanding dispute on Performance and payment reports with the PFI Provider and implement a mechanism to improve the process
- Ensure the utilities Reconciliation and target setting is managed in a more timely and accurate way by the PFI Provider
- Ensure the recent re-structure of the Facilities Management Provider brings about improvements – particularly in the delivery of change orders
- Finalise a consistent approach for the Annual User Satisfaction Surveys carried out by the Catering Provider, ensuring any service failures are incorporated into the Performance regime.
- Ensure the latest tranche for annual costs for change orders (tranche 9) is completed
- Resolution of ongoing discussion with PFI Provider of the recent implementation of the need for ‘Deeds of Variation / Indemnity’ for a number of school change order requests

### **PFI SUPPORT BUDGET**

The PFI team has a net budget of £44,700

This can be summarised as:

	2016/17
	£
Staff	56,200
Professional Fees	26,900
Other costs	29,000
Schools Income	(61,800)
Academy Income	(5,600)
<b>Net Cost</b>	<b>44,700</b>

### **RECOMMENDATION**

That the report is noted

**David Armstrong**  
**Director Business Services**