

**WIRRAL COUNCIL  
SCHOOLS FORUM – 27<sup>th</sup> SEPTEMBER 2017  
REPORT OF THE ASSISTANT CHIEF EXECUTIVE**

**PFI Update**

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**1. EXECUTIVE SUMMARY**

This report updates the Forum on PFI matters, inclusive of the funding formula, the developments with two PFI City Learning Centres, an update on Kingsway Academy, a brief report on the five yearly Value for Money Testing exercise and a summary of the service currently provided to schools by the PFI Team.

**2. BACKGROUND**

Previous Forum reports have summarised the position with regard to the Wirral Schools PFI project agreement, which was signed by the Council, school governing bodies, and the PFI contractor in respect of the rebuild / refurbishment and facilities management of nine Wirral schools:

- Leasowe Primary
- Bebington High
- Birkenhead Park School
- South Wirral High
- Weatherhead High
- Hilbre High
- Prenton High
- Kingsway Academy
- Wirral Grammar Girls

The contract also supports two former City Learning Centres. The contract is for 27 years and will expire in July 2031.

From 2017 PFI agreements are also in place for Bedford Drive Primary Schools and Ridgeway High School. These are separate contracts and do not include facilities management costs.

**3. PFI FUNDING FORMULA AND COSTS**

The budgeted PFI costs for the 9 school scheme in 2017-18 are:

	£m
Contract Payments of	12.7
Funded by:	
PFI grant	5.5
Individual school contributions	6.3
Council Contribution	0.7
Ex CLC's	0.2
<b>Total</b>	<b>12.7</b>

Funding now reflects the delegation of most of the PFI affordability gap to the 9 schools concerned together with an amount of £400,000 to reflect additional FM costs.

The PFI Government grant is fixed for the duration of the contract, whereas other costs and income sources are increased by the Retail Prices Index (less 10%) annually.

The National Funding Formula to date proposes that the PFI element within the school funding formula will be uplifted annually by inflation (RPIX all items excluding mortgage interest rates, currently 4.1%). This is still subject to confirmation. No further changes are planned to the funding formula for PFI at this time.

#### **4. EX CITY LEARNING CENTRES**

##### **West Wirral Works**

Since the last Schools Forum, an agreement on costs and terms has been completed between the Council and Hilbre High Academy School. A lease has now been drawn up between the Council and the Academy, for the remaining duration of the PFI Agreement and is in the final stages of completion.

In addition, as part of the PFI Project Agreement, a Licence to Underlet was required from our PFI Provider, which is now also in the final stages of completion. Some minor adaptations have been made to the accommodation to enable Hilbre Academy to teach Art within the CLC. The Council's Home Education Team will also occupy a small section of the building.

##### **Learning Lighthouse**

A short term agreement on cost and terms has been reached between Claremount School and the Council to allow Claremount Sixth Form to utilise the Learning Lighthouse CLC building attached to Kingsway academy. The agreement is for 12 months initially.

As Claremount is a maintained school, there is no need to amend the PFI documents, nor arrange a Licence to Underlet. Some minor redecoration works have been carried out by our PFI Provider.

There is a central "combined budget" of £68,500 to meet the part year PFI costs for the former CLC's which are not funded by the schools

#### **5. PFI – BENCHMARKING AND MARKET TESTING**

The PFI contract provides that from the first "Price Adjustment Date" and every five years thereafter, the PFI Provider, Wirral Schools Services Ltd. is given the opportunity to revise the annual price charged for specific facilities management (FM) services in line with current market prices. This price is then fixed for the next five years.

The first "Price Adjustment Date" for Wirral was 31<sup>st</sup> August 2013 and the second will be 31<sup>st</sup> August 2018, by which time the revised price has to be agreed and implemented.

Schedule 4 Part 8 Value for Money Testing from the PFI Agreement sets out the process in detail and explains both the Benchmarking and Market Testing regimes in legal terms.

Benchmarking is the process by which WSSL (Wirral School services Ltd) compares the costs of its FM subcontractor (SPIE Ltd.) against the market price of equivalent FM services.

Market Testing means the re-tendering by WSSL of the FM services, to test the value for money of each service in the market. Any decisions will need to be made by the PFI Schools on a collective basis. The Wirral Schools' PFI Scheme is a multi-school contract and as such, it is not possible for example, for one school to elect to Benchmark a service, whilst another pursues a Market Test – it has to be a majority decision, to which all schools subscribe.

Many meetings will be required over the coming year to complete the Benchmarking / Market Testing process and the PFI Schools will be kept updated at every stage. An invitation is also being extended to those schools for a representative of their group to join those meetings.

## 6. PFI SUPPORT TO SCHOOLS

The main services currently provided through the PFI Team are:

- **“Keep in Touch (KIT)” Meetings** – meetings cover all PFI matters (premises, grounds, waste, catering, insurance, PPM, audits, performance monitoring, cleaning, caretaking, FM management, audit and quality) and are attended by WSSL/Authority/FM provider/Catering Provider/School Headteacher/Premises Manager/Business Manager
- **Performance & Payment Reports** – there is a rigorous regime of checking details, formulas and line serials for each SLA area of the Project Agreement Performance and Availability criteria. Reports are sent to schools and agreed on a monthly basis, these have resulted in monetary credits and more accurate reporting and monitoring of performance.
- **Catering** – In addition to processing the catering charges and ensuring they are received in a timely way, there are monthly meetings with the Catering provider to fully scrutinise data and ensure it is correct before sent out to schools.
- **Managing the Change Order Process** – the team scrutinises costs and provides technical assistance i.e. planning, architects or engineers. All Change Order meetings at site are attended and a monthly meeting is held with the PFI Company and their sub-contractors to chase progress on works and to ensure compliance.
- **Summer works/Lifecycle Management** – Lifecycle information is received, disseminated to schools and the programme itself agreed between the parties in good time. Site visits are carried out during the summer in order to monitor progress.
- **Benchmarking/Market Testing** – the PFI Team ensures this extensive process is carried out in accordance with the Project Agreement.
- **Utilities** – The Council manages both Utility Target Setting and the annual Utilities Reconciliation process on behalf of schools.
- **Training** – for Headteachers, Business and Premises Managers.

- **Quality Checking** – All documents received from the PFI Provider and subcontractor companies is checked with any queries / questions / error corrections being raised ahead of dissemination to schools.
- **Finance** – the PFI Team verifies, agrees and collects Contract payments. There is a rigorous process in place to ensure all financial data is checked to ensure. Future overall PFI budget requirements for unitary charge contributions are forecasted
- **FF&E** – the PFI Team calculates the financial allocation of the Loose Furniture and Equipment budget for each site on a monthly basis.
- **Changes in Law** – the PFI Team oversee any claims from the PFI Provider in respect of changes in law, which may in turn have a financial impact on the PFI Schools.
- **User Satisfaction Surveys** – the PFI Team ensures the annual surveys are compliant and consistent with the contract
- **Service Provider Operational Reports** – a monthly Operational Report is provided by both the Facilities Management and Catering companies and issued them to all sites.

### **Performance January 2017-August 2017**

During this period, the PFI Team has:

1. Checked and distributed a Catering Profit Share of £68,586 to schools.
2. Pursued and received a late interest payment for the profit share.
3. Due to the late/incorrect delivery of Utilities Target Setting in 2016, pursued and received over £8k in penalties.
4. Received a refund for the late delivery of minibuses
5. Instigated a new regime for Performance and Payment reporting.
6. Challenged a “change in law” claim from the PFI Provider with proposed initial costs of around £10k direct to schools (Discussions are ongoing)
7. Managed a further re-structure from the FM Provider and from Wirral School Services Ltd..
8. Lifecycle Plan agreed four months earlier, resulting in many works being programmed for Easter. This in turn eased the Summer Programme.
9. Negotiated agreements on Change Orders.
10. Ensured the payment of performance related service failures.
11. Instigated a new process for Utilities Reconciliation and target setting to ensure this is managed in a more timely way by the PFI Provider.
12. Ensured the latest tranche of annual costs for Change Orders (Tranche 9) was verified and corrected, before issuing onto schools.

The Forum contributes through a “Combined Budget” the sum of £61,800 to support the costs of this work.

## **6 PFI - KINGSWAY ACADEMY**

In July this year following a meeting with the Northern Schools Trust (NST – the Multi Academy Trust that runs Kingsway Academy), the Authority, the Education Skills Funding Agency (ESFA), and the Department for Education (DfE), the Minister confirmed his intention to close Kingsway Academy.

It has been agreed that full closure will be delayed until August 2018. This allows time for a transitional period to support pupils continue their education and to identify alternative places at local schools. A formal announcement was made on 3<sup>rd</sup> July. The Council is committed through the PFI Agreement to pay for the building until 2031, regardless of whether it is occupied or empty. Discussions have / will start with the PFI Provider and the ESFA to look at alternative options.

### **RECOMMENDATION**

That the Forum notes the report

David Armstrong  
Assistant Chief Executive