

**WIRRAL COUNCIL
SCHOOLS FORUM – 7th November 2018
REPORT OF THE ASSISTANT CHIEF EXECUTIVE**

PFI Update

1. EXECUTIVE SUMMARY

This report updates the Forum on PFI matters, inclusive of the developments with two PFI City Learning Centres, an update on the PFI Budget, an update on Kingsway Academy, following the recent closure of the school, and the ongoing developments with the PFI Provider and the DfE with regards to future use.

It also includes a brief update on progress made on the five yearly Value for Money Testing exercise.

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 2001, 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 30 years and will expire in July 2031.

From 2017 PFI agreements have also been arranged for Bedford Drive Primary School and Ridgeway High School. These are entirely separate contracts arranged directly with the DfE and do not include facilities management costs or any Authority involvement in the Operations.

2. PFI FUNDING FORMULA AND COSTS

The budgeted PFI costs for the 9 school scheme in 2018-19 are:

	£m
Contract Payments of	13.2
Funded by:	
PFI grant	5.5
Individual school contributions	6.6
Council Contribution	0.9
Ex CLC's	0.2
Total	13.2

Funding continues to reflect 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.

As part of the National Funding Formula the PFI element within the previous years' school funding formula will be uplifted annually by inflation (using RPIX data published by ONS which in August 2018 was 3.4%). No further changes are planned to the funding formula for PFI at this time.

3. EX CITY LEARNING CENTRES

West Wirral Works

The lease and cost arrangements drawn up between the Council and Hilbre High school have been operating for some time, and the arrangement is working well. The minor adaptations needed to accommodate the school's needs were completed during the summer, and The Home Education Team continues to occupy part of the CLC site.

Learning Lighthouse

A short term agreement has been reached between Clare Mount School and the Council to allow Clare Mount Sixth Form to utilise the Learning Lighthouse CLC building attached to Kingsway Academy at no rental cost. A number of minor repair works were carried out to the building during the summer – at the request of the Head of Sixth Form. The staff and pupils are really pleased with the facilities and the Head of Clare Mount Sixth form very recently commented that the number of students going to college has increased significantly since they took occupation of the site.

4. PFI – VALUE FOR MONEY TESTING

As briefly mentioned in the previous Forum Report, 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 31st August 2013 and the second was 31st 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. 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 have been held over the year. In terms of the Benchmarking process with SPIE (the Facilities Management Provider), the PFI team engaged with Wirral non-PFI schools in order to gather comparable benchmarking data.

The outcome of the exercise was favourable, resulting in there being no financial increase for the PFI Schools for the Facilities Management Tested Services, other than the regular annual inflation adjustment. The assistance of the Non-PFI schools was greatly appreciated.

Value for Money Testing of the Catering Service is ongoing. Proposals have been put forward by Chartwells Ltd., the incumbent service provider and both joint and individual meetings as required have taken place with the PFI Schools and all parties. The PFI Team remains optimistic that an agreement can be reached and the exercise will be concluded over the coming weeks.

6 PFI - KINGSWAY ACADEMY

Following the decision last year by the Minister for Education to close Kingsway Academy, the school officially closed on 31st August.

The Local Authority worked with the Trust to offer a number of surplus school resources to local non-PFI schools.

In addition, the school's library books were offered to a number of charities in the area and were gratefully accepted by The Hive Youth Centre, The New Beginnings Project in Rock Ferry, The Rotary Club and an organisation named "Change a Child's Life" which is building a library in Kenya.

As the Council is committed through the PFI Agreement to pay for the Kingsway building until 2031, discussions have been ongoing with the PFI Provider, Senior Management and the ESFA to look at alternative options and to make savings where possible, during the period when the building remains closed.

RECOMMENDATION

That the Forum notes the report

David Armstrong
Assistant Chief Executive