

**Wiltshire Council**

**Cabinet Capital Assets Committee**

**15 November 2011**

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**Subject: Priority Schools Building Programme**

**Cabinet member: Lionel Grundy – Children’s Services**

**Key Decision: No**

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**Executive Summary**

This report summarises the key elements in the government’s new Priority Schools Building Programme which will support the rebuilding of existing schools or the development of new school buildings where there is a shortage of places. It considers the implications and opportunities for Wiltshire Council and includes proposals for the submission of Expressions of Interest (EOI) under the scheme. The report includes a risk assessment on the Priority School Building Programme in general and on the Private Finance Initiative (PFI) funding mechanism in particular.

**Proposal**

- a) That Cabinet notes that the Expressions of Interest for the Priority Schools Building Programme have been submitted and the future time scales.
- b) That Cabinet approves the delegation of authority to the Corporate Director (Children and Education) in consultation with the Cabinet Member for Education to agree the submission of any final bid to the Priority Schools Building Programme should proceed to the next stage subject to clarity and affordability related to costs across the life of the project, if the Expression of Interest is accepted by the Department for Education (DfE),.

**Reason for Proposal**

For Cabinet to note a decision on bidding for funding through the government’s Priority Schools Building Programme for additional education capital funding as a consequence of the timescales and the future need for a rapid response.

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**Purpose of Report**

1. To brief Cabinet of the purpose and scope of the Priority Schools Building Programme and the related PFI possibilities.
2. To inform Cabinet that the first stage for bidding for funding through the government’s Priority Schools Building Programme for additional education capital funding has taken place and that Expressions of Interest have been submitted for five schools.

**Background**

3. During the summer, DfE informed all Local Authorities that they will commence a privately financed capital programme, called the Priority Schools Building Programme, to fund re-building for those schools across the country which are in the poorest condition.
4. DfE have set out a timescale and bidding process to access this funding which will see around 100-300 schools nationally rebuilt in total over the next five years. Their expectation is that the schools will be a mix of primary, secondary, special schools, sixth form colleges and alternative provision facilities. The programme would be phased with around 20% of schools delivered each year, and DfE anticipate that the first schools would be completed in time for opening in the academic year 2014-2015.
5. The programme invites bids from Local Authorities on behalf of the maintained schools in its area, which can include Voluntary Aided, Voluntary Controlled and Foundation schools without a religious character. It also invites bids directly from Dioceses and other faith bodies independently of Local Authorities along with bids from individual sixth form colleges and academies. Sixth form colleges are required to bid directly while academies have the option of being part of an LA bid or submitting directly.
6. The process for submission of bids opened on October 3<sup>rd</sup> 2011, with registration of an intention to submit a bid by October 7<sup>th</sup> 2011 and the deadline for receipt by DfE of final submissions by 12.00 on Friday October 14 2011.
7. DfE intends to fund the programme through a PFI scheme. This is essentially a Private Public Partnership (PPP) in which the private sector partner “provides” the new school buildings and then subsequently recovers an income through the

provision of certain services (maintenance, caretaking, security etc). The key difference in PFI as opposed to the PPP is that there is an additional contractual arrangement with banks providing the finance and effectively “underwriting” the private sector partner. This is why the private sector partner will have a 25 year contract to provide services to the school and to collect a fee for the facility.

### **Main Considerations for the Cabinet**

8. The process will require bidding in competition with other Local Authorities and providers and the selection process and evaluation criteria will be carried out by Partnership for Schools on DfE’s behalf.
9. Through Partnership for Schools, DfE will manage all subsequent aspects of the process up to the point of delivery. This will mean more limited engagement for the Council should a bid from Wiltshire be successful. All aspects of the procurement, including the design, will be managed through PfS. Although there will be some ability for the Council and schools to influence a design, there will be significant constraints. Similarly, because of the national management of the contracts there will be no scope to influence the contracts or to have any say over the risks to be retained. Local issues and requirements will be factored in through engagement between the Local Authority and a PfS nominated design and technical lead.
10. At this point the information available on the process for contract management after build completion is unclear. DfE have confirmed that the school itself will have some involvement, at a minimum, in reporting and in identifying shortfalls in service provision by the contractor but beyond that the details at the moment are limited.
11. The process determining which risks in the contract are “taken back” by either Local Authorities or schools is also not yet fully clarified. At present DfE suggest this will be decided by their central negotiating team on a case-by-case basis.
12. There are risks to be considered with the PFI funding scheme which is proposed for this programme. There has been negative publicity about the performance and the costs involved in the contractual management arrangements connected with some other PFI developments. In addition, there will be revenue budget implications for any school Governing Body involved in a PFI re-build and these will need to be considered prior to any final agreement of a bid.
13. The risks above need to be considered alongside the need to invest further in the school estate which the Council has identified. This programme may represent the only feasible source of significant capital funding for the Council to address some of the condition issues in its schools. The specific set up of PFI will mean that the successful bids are much more likely to be for new builds rather than refurbishment.
14. The Council will need to ensure it has specialist resources in place, particularly in legal and project management, to ensure that it ensures the best possible provision through any PFI development. DfE have confirmed that there will be no additional revenue funding to support the LA to manage the process. The DfE

judge that the use of central procurement and central contract management and negotiation will largely negate the requirements for Local Authority specialist resource and capacity.

15. Three secondary schools have been identified as suitable for submission. Matravers School, Westbury, Stonehenge School, Amesbury and Wyvern College, Salisbury. These schools have condition surveys that would support their application and were seen as a priority under the previous rebuilding scheme, Building School for the Future (BSF). A similar scheme for primary schools, the Primary Capital Building Programme, had identified the rebuilding of St Peter's and St Mary's in Marlborough as a key priority.

### **Environmental Impact of the Proposal**

16. These will be assessed further for an individual project if the bid is successful.

### **Equality and Diversity Impact of the Proposal**

17. Provision of some new school buildings to replace some aging stock will have benefits to all members of the communities that the schools serve and the county as a whole but will benefit the most vulnerable members of the community by raising aspirations and achievement. Closing the "attainment gap" for particular groups of young people is both a national and local priority.

### **Risk Assessment**

18. There are risks related to school organisation and place planning for other local schools in the area through possible parental preference of choosing a new school build compared to a local school that has not been rebuilt.
19. The planning process represents a risk which will be managed through careful pre-application consultation, and a thorough review of the contents of the planning application, which will ultimately be prepared by the contractor.

### **Financial Implications**

20. A PFI scheme would offer the opportunity to rebuild schools without capital investment, and therefore the initial financial implications are minimal, and could offer the opportunity to divert available capital to other projects, in a period where capital resources are very limited.
21. The revenue costs associated with any PFI school are modelled over the life of the contract. In addition to the PFI credit (funded by Government Grant) there are two elements of the cost that directly affect schools. The first is the contribution towards the facilities management (FM) costs of the school and for Wiltshire's current PFI schools this is calculated by way of a formula updated each year for changes in pupil numbers and the retail price index. The fixed level of FM costs in a PFI school gives the school reduced flexibility, compared with non PFI schools, to influence its costs. The contribution is charged to the school's individual budget share and this methodology currently applies to maintained schools and academies.

22. The second element of the cost to schools is the PFI Supplement and this cost arises to account for any affordability gap expected in the cost of the contract over the full period. Currently, according to the Schools Funding regulations, this amount is funded through a top slice on the overall Dedicated Schools Grant and so represents a cost to all schools in a local authority area. The methodology for funding the PFI supplement may change for Academies in future years with the DfE funding this element directly.
23. In general terms it is important to identify, as far as possible, all of the potential costs of this project at the outset so that the Council has a clear understanding of any costs involved. While it is understood that Partnerships for Schools (PfS) will, in broad terms, fund the core of the project, there are certain caveats that are as yet unclear and will need to be known and understood before final assessment of any scheme is undertaken. There will be a need for consideration therefore also in the future of the impact on internal resources to support this work, or whether these will be provided externally.
24. The DfE are currently consulting on significant changes to Education funding, however, the continuation of schools revenue funding being ring fenced is underwritten within the consultation.
25. At present no indicative level of overall funding has been provided by DfE or PfS. On approval of an Expression of Interest, an indicative Funding Allocation Model (FAM) will be issued and it is this stage that the LA has to understand any financial commitment.

### **Legal Implications**

26. Cabinet will be advised of any significant legal issues and risks at the time approval is sought for the authority to enter into any legally binding commitment.

### **Options Considered**

27. At present there are no other capital build programmes for schools available from DfE.

### **Conclusion**

28. Although there are risks in the PFI model of delivery, the Priority School Building Programme would offer the Council the opportunity to make significant capital investment in new build school/schools and address some of the condition issues in the Authority.
29. In particular the programme is likely to be the only feasible opportunity for the Council to secure significant central government funding in school re-builds in the near future and consequently the report considers that this consideration outweighs the concerns on the PFI risks and it therefore recommends a continued engagement in the bid process for Wiltshire schools.

**Carolyn Godfrey**  
**Director, Department for Children and Education**

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### **Background Papers**

No unpublished documents have been relied on in the preparation of this report.

### **Appendices**

There are no Appendices to this report.