

CHILDREN'S SERVICES SCRUTINY COMMITTEE
29th NOVEMBER 2006

NORTH WILTSHIRE SCHOOLS PPP/PFI PROJECT
ANNUAL REPORT

Purpose of Report

1. To:
 - (i) Present to Members the Annual Service Report reviewing the performance of services provided under the PPP/PFI contract by the White Horse Education Partnership Ltd. (WHEP).
 - (ii) Advise Members of major changes and contract developments affecting the contract.

Background

2. The Corporate Procurement Strategy requires all contracts with an annual value in excess of £1 million to be reviewed annually by the relevant Scrutiny Committee.
3. In October 2000 following a comprehensive tender procedure, the County Council entered into a 32 year contract with WHEP for the provision of fully serviced secondary school accommodation at Chippenham (Abbeyfield), Malmesbury and Wootton Bassett. The contract was awarded under the Government's Private Finance Initiative (PFI) and included the design, build, finance and operation of the three schools. It also included arrangements for provision of full facilities management and repair and maintenance services throughout the life of the contract.
4. Contract documentation remains flexible throughout the contract period to allow the Council and the schools to vary operational matters such as the curriculum, hours of operation, community usage and any required building development. However, such alterations may have an effect on the contract payment regime.
5. The Committee previously reviewed performance on this contract in June 2005 when the Annual Report for 2004 was considered. The present report covers a review of performance during 2005 which is the third full year of service since the completion of the new schools.

Main Considerations for the Council

Scope

6. The contract delivered three new schools that were open on time and within the budget limits set. The WHEP solution provided an outcome that exceeded the Council's original expectation of a new school at Chippenham

(Abbeyfield) and refurbishment and extension at the two existing schools by delivering three new single site schools.

7. As stated in paragraph 3 above, the project provided three fully serviced schools. This means that WHEP is responsible for the provision of not only the maintenance and care of the building but also many of the support services schools would normally have responsibility for. These include:
 - Most furniture & equipment
 - Site security
 - Building maintenance and life cycle maintenance
 - Building cleaning and caretaking
 - Grounds maintenance
 - Catering
 - Community lettings
8. Although not specifically required by the contract, WHEP continues to produce an Annual Report as part of its overall communication and partnership strategy. This year's report highlights key achievements and improvements made during the past year across the broad range of services provided under the contract. For the first time it provides an overview of some of the commercial issues associated with the project. It also touches on some of the current challenges of providing services to the contract standards.

Performance

9. The services provided by WHEP have been important in ensuring that the three schools have a learning environment which not only meets statutory requirements but provides a modern, clean and stimulating environment for pupils to achieve their full educational potential. Throughout the period covered by the report the contracted services have continued to operate well and have generally met the contract standards.
10. Where problems with performance or quality of work have been encountered, these have been dealt with by recourse to the Help Desk or via the regular Monitoring and Progress meetings attended by the Headteacher and Contract Monitoring staff. These meetings are supplemented by regular Facilities Management Meetings between the County Council's Contract Monitoring staff and the WHEP facilities management team. An Annual Review meeting is also held attended by WHEP Directors and Provider's Agent, the Director of Environmental Services (as Project Director) and the Head of Procurement and Partnership.
11. Generally performance in all service areas continues to be maintained at a good standard and no formal default or rectification notices have been served. Some problems of service delivery have occurred but these have been rectified quickly at the local level.
12. During the period covered by the report the schools have expressed concerns regarding the level of contract monitoring provided by the County Council and there has been a view that overall standards, albeit still meeting performance thresholds, had dropped from the previous service year. Recent changes to our monitoring arrangements have now increased the support to the schools

and have ensured more robust monitoring in the form of unannounced spot checks and site visits.

13. Apart from developing a 'partnership' approach to contract monitoring, WHEP has continued to work with schools to ensure maximum benefit from the buildings and the contract is achieved.

WHEP Annual Report

14. The WHEP Annual Report provides Members with an overview of the approach to service provision within the contract. It also includes information relating to staffing levels and the retention of staff transferred under Transfer of Undertaking Protection of Employment (TUPE) regulations at the start of the contract. Retention levels continue to be high for this type of contract.
15. The report also highlights a number of areas where WHEP has identified the need to work with the schools to ensure that contract standards continue to be met. Examples include resolving the extremely high volumes of litter and increasing amounts of damage through discarded chewing gum.
16. A disappointing aspect of the Annual Report is the high level of content which seems to be reproduced from last year's report. This presents little evidence to any added value or innovative partnership working. The report also does little to explain WHEP's aspirations and improvements for following years.

Previous Annual Service Report

17. At the last Annual Service Report Members questioned the recharge of the 'affordability gap' of £600,000 on the central schools budget. This has been considered by the Acting County Treasurer and an explanation note is attached at **Appendix 1** to this report.
18. This Committee also considered a number of key operational issues raised in last year's Annual Service Report. WHEP has acted on the areas of concern raised by Members and this year's report outlines the progress made, particularly the improvements to the catering and grounds maintenance services. As indicated in paragraph 14 above, the conditions for transferred staff continue to be monitored.

Key Issues

19. During the past year the performance of both the buildings and support services has met or exceeded the requirements of the contract. Levels of performance deduction have been at their lowest since the operational phase commenced. However, the Headteachers of the schools have expressed some concern regarding an apparent fall in standards associated with some of the support services such as building cleaning for example. Recently introduced changes to monitoring support and procedure will assist in resolving this problem.

20. A number of other key issues affecting both the running of the contract and service delivery have been identified and include the following:

(i) Abbeyfield School - sports pitches

During the past year the performance and availability of sports pitches adjacent to the school have given rise for concern. For considerable periods the pitches have remained unavailable due to waterlogging. WHEP has provided alternative facilities at no charge to the school and has been investigating remedial action.

Action - The remedial action being undertaken by WHEP will be monitored. Alternative facilities will be provided by WHEP during the recovery period.

(ii) Abbeyfield School - extension to building

The school has been successful with its bid to the Learning and Skills Council (LSC) for grant funding to provide additional accommodation for the newly established Sixth Form. Discussions are continuing with WHEP to ensure that the funding can be passported into the provisions of the contract to ensure that the building is ready for occupation in September 2007.

Action - Continue to work with the school and WHEP to ensure that acceptable project funding arrangements are put in place as a matter of some urgency.

(iii) Utilities Benchmarking

Members will be aware of recent rises in utility costs and these have affected the project. Benchmarking of the services will be completed in the near future. This will have an effect on the charges associated with the project.

Action - Complete the Benchmarking exercise and investigate the possibility of including the three schools within the County Council's Corporate Contracts.

(iv) Sale of Bilfinger Berger BOT Ltd. Equity Stake

A decision is expected in the near future on the proposed sale by Bilfinger Berger BOT Ltd. of its equity stake in the holding company of WHEP to an established secondary market under SMIF UK LP. This sale arises from a wider restructuring of the Bilfinger portfolio. Under the terms of this sale Bilfinger Berger BOT will retain contracts for the provision of the Employers Agent to WHEP for two years.

Action - Ensure that contracted services continue to be provided to the schools and contract standards are met. An evaluation of the contractual position is being conducted to establish whether any benefits will accrue to the County Council.

(v) Wootton Bassett School - extension to building

The school has prepared a bid for submission to the LSC to enable the construction of additional Sixth Form accommodation.

Action - Continue to work with the school and WHEP to ensure that acceptable project funding arrangements are put in place as a matter of some urgency.

(vi) Help Desk and reporting procedures

Problems continue to exist with both the Help Desk reporting procedures and monitoring arrangements causing frustration to the schools and delays in corrective actions.

Action - Revised procedures are being introduced to ensure all reports meet the contract requirements.

Environmental Impact of the Proposal

21. There is no direct impact of the proposal but the environmental impact of the school buildings is continually monitored. WHEP procurement and recruitment practices continue to bring benefits to local small and medium enterprises.

Risk Assessment

22. A full risk assessment was carried out at the time of the letting of the original contract. Operating risks and those associated with new build projects are continually reviewed.

Financial Implications

23. The contracted services continue to be provided within the agreed project funding model and availability gap funding.

Options Considered

24. As the contract is being delivered to required standards and within the agreed funding model, no other option is currently necessary.

Conclusion

25. The services provided by WHEP during 2005 continue to meet the Council's and schools' needs and budget requirements. A number of key improvements have been implemented during the past year and have contributed to the good working relationship established with WHEP, its service providers, the schools and the County Council.

Reason for Proposal

26. To provide the Committee with an opportunity to consider the performance of this major contract and whether it wishes to make comments or recommendations to Cabinet in due course. Meets requirements of the Corporate Contract Regulations.

Proposal

27. That the Committee:
- (i) Considers the White Horse Education Partnership Annual Service Report for 2005.
 - (ii) Notes the progress made in resolving the issues from last year's report.
 - (iii) Notes the key issues within the project outlined in paragraph 20 above.
 - (iv) Considers whether it wishes to forward comments on the performance of the White Horse Education Partnership to Cabinet when the annual progress report is received in due course.

GEORGE BATTEN

Director of Environmental Services

Report Author

MIKE SWABEY

Head of Procurement and Partnership

The following unpublished documents have been relied on in the preparation of this Report:

PFI Contract documentation
Contract correspondence
Contract monitoring information