

CHILDREN'S SERVICES SCRUTINY COMMITTEE
25TH JULY 2007

NORTH WILTSHIRE SCHOOLS PPP/PFI PROJECT
WHITE HORSE EDUCATION PARTNERSHIP - ANNUAL REPORT

Purpose of Report

1. To:
 - (i) Present to Members the Annual Service Report prepared by the White Horse Education Partnership (WHEP) reviewing their services provided to the three North Wiltshire PFI schools.
 - (ii) Comment on service and contract developments raised in the report and from the recent visit by Members to the schools.

Background

2. The Corporate Procurement Regulations 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 services schools accommodation at Chippenham (Abbeyfield), Malmesbury and Wootton Bassett.
4. The Project Agreement was entered into under the Government's Private Finance Initiative and included the design, build, finance and operation of the three schools. The school sites are leased to WHEP for the duration of the project who then 'lease-back' the accommodation to the County Council and is in effect the 'Landlord' to the schools.
5. Although not a contractual requirement, WHEP have produced annual reports covering the services provided to the schools in each of the previous years. The latest covering the fourth full year of service is **attached** to this report and covers the service year 2006.

Main Considerations For The Council

6. The WHEP report covers the range of services provided to the individual schools and delivered under the main project agreement. This means WHEP is not only responsible for the supply and the upkeep of the school buildings but also many of the support services the schools would normally have to provide for themselves. These include:

Core Furniture and Equipment
Site Security and Site Management
Building Maintenance and Life Cycle Maintenance
Building Cleaning
Grounds Maintenance
Catering
Community Lettings.

7. These services have now reached “*Steady State*” and are provided in accordance with an operating specification and service level agreement agreed between the County Council, the schools and WHEP at the start of the contract.
8. The services are provided to the schools in accordance with the following categories:
 1. *“During a School Day - this is from 8.00 am to 6.00 pm during Monday to Friday during term time, together with use up to 10.00 pm on 90 occasions of agreed areas during term time;*
 2. *Use of the administration areas of the schools between 9.00 am and 5.00 pm on non-term working days and;*
 3. *Out of term concessionary use; the schools may have the right to use the facilities out of term time at a concessionary rate. The schools can also book this time on behalf of other parties. In relation to this category of concessionary use, the schools do not have first options as against third parties which may wish to book the school facilities for functions.”*
9. Additional ad-hoc arrangements can be made available to nominated staff out of hours.
10. The provider, WHEP is responsible for making all the school facilities available during the school day. If the facilities are unavailable for any reason deductions will be made from the monthly payment. WHEP are able to mitigate any loss that would potentially be caused by unavailability of an area by providing a suitable alternative accommodation.
11. To be available an area must meet certain requirement including:
 - safe in accordance with Health and Safety Regulations
 - is fully accessible
 - has appropriate power, lighting etc.
 - has an appropriate and save sewage and drainable system
 - has appropriate ICT cable infrastructure
 - has adequate and appropriate furniture.
12. The Council will not be able to make an unavailability deduction where the unavailability or service shortfall has been caused by staff, pupils etc., causing damage or interfering with WHEP’s performance of the service.

Performance

13. Since becoming fully operational, the performance of the buildings and the support services have been subject to regular monitoring carried out on behalf of WHEP with the Council having a right of verification and inspection of their results and the right to carry out additional monitoring on behalf of the schools.
14. Monitoring of the performance of such a long term contract needs to be approached in the spirit of partnership where all parties are able to share information fully and openly and work together to solve problems as quickly as possible.

15. Generally performance in all service areas continues to be maintained to the required standards and during the past year no formal default or rectification notices have been issued. Therefore, no availability or performance standard deductions have been made during the period covered by the WHEP Annual Report.
16. At the instigation of this Committee, WHEP carried out a survey of Parents and Pupils during the past year to gain an indication of how well the schools and their facilities were perceived and whether they made a positive contribution to the educational environment. Despite the incentive of an entry into a prize draw the level of response was very poor and was of little statistical value. This is covered in section 2.6 (page 13) of the WHEP Annual Report. Other ways of trying to undertake this evaluation are now being explored.

WHEP Annual Report

17. As in previous years, the WHEP Annual Report provides Members with an overview to the services provided to the schools under the contract and introduces a number of key staff responsible for the work. The quality of the services provided will have been evident during this Committee's recent site visits to the three schools.
18. In response to comments from this Committee when considering the last WHEP report, they have included a breakdown of showing community usage of the facilities. From the information provided it is clear that the hire of the hard sports facilities continues to be most popular but little or no use is made of the grass facilities and catering facilities.
19. Overall, when compared to the figures in the 2005 Report it should be noted that, with the exception of the sports areas, the community use of the facilities has declined. Possible explanations for this might be the increase in letting's costs due to the rise in utility costs, or the lack of positive promotion of the facilities. This area remains a concern to the schools who are being encouraged to actively seek broader links with communities through the extended schools agenda and the more flexible approach to the school day and curriculum.
20. Another departure from last year's report is the lack of information regarding commercial activity. A surprising omission appears to be the lack of any information regarding the acquisition of WHEP by SMIF Ltd., and any discussion regarding their aims and objectives for the future of the project. Members may wish to raise this with the WHEP representative attending the Committee Meeting.

Key Issues

21. In considering the 2005 WHEP Report and the Interim Progress Report presented to this Committee on the 8th March 2007 and also the views of the Headteachers from the recent site visits, a number of key operational issues have been identified. These are outlined below:
 - (i) Management Fee Rise - All three schools have expressed concern regarding the level of the rise in the WHEP management fee on request for works by the school. The new fee structure is as follows:
 - (a) Request for works of capital value of under £3,000 will be priced by GSL for capital value to which GSL will add their fee for the works to come to a "*Full Cost*". For these items GSL will calculate the monthly FM Cost and Lifecycle Cost. This is then added to the monthly unitary charge at the appropriate time.

- (b) For works with a value of over £3,001 WHEP charge a management and risk fee of 15.5%.

The WHEP Fee covers amongst other items:

- WHEP manage time, travel and subsistence for overseeing work.
- WHEP consideration of CDM, Building Regulations, Planning etc.
- WHEP professional advice re lifecycle building issues etc.
- WHEP credit risk.
- Risk in terms of delivery failure.
- Increase risk on insurances etc.
- Service not subject to Benchmark provisions.
- Acceptance and Certification of works.

The fees had not been reviewed since the start of the contract and are seen to be in line with industry norm.

- (ii) Poor Air Circulation - This is a problem experienced at all schools from time to time according to climatic conditions. Where appropriate non-mechanical solutions are used. The Design Building Bulletins and Government Funding did not allow for forced systems.
- (iii) Completion Certificates - These are currently being 'chased' by the Technical Adviser, Currie and Browne. The two issues that seem to be outstanding relate to the whereabouts of the original commissioning reports and the sign-off and agreement of site boundaries (these changed during construction).
- (iv) Mound – Malmesbury School - The school has currently made this area 'out of bounds' to students on safety grounds. Although the school would prefer to have the mound removed there is no contractual reason for requiring WHEP to do the work.

The mounds were accepted as part of the original design and form part of the project Planning Permission. Removal would require an amendment to the planning permission and a formal instruction to WHEP which would incur significant costs.

This seems to be more of a site management problem rather than a design issue.

- (v) Roof Leaks - A number of leaks have occurred at the three schools and these are being treated as latent defects by WHEP. The schools have not logged these as 'unavailability issues' through the helpdesk which would put pressure on WHEP to resolve.

This matter is subject to ongoing review.

- (vi) Flooding of Car Park – Malmesbury - This appears to have been caused by bark mulch being washed into drains and 'soakaways'. GSL have arranged to have them cleared and the car park gullies regularly swept.

We will put this into our regular monitoring visits.

- (vii) Project Meetings - A schedule of project review meetings has been agreed and these will be held 6 times a year. The meetings are between WHEP, WCC and School representatives.

These are supplemented with an annual meeting between the WHEP Board Directors, WCC Project Director (Dr Carlton Brand), WCC Responsible Officer (Mike Swabey), and school representative.

Regular meetings between WCC monitoring staff and school representatives will be set up to help support schools through operational issues. (These meetings have lapsed during the past year through lack of capacity through long-term sickness, etc. to staff).

- (viii) Malmesbury School – Food Technology Room - WHEP have trialled alternative points to cover the areas affected by flaking and grease damage, this appears to have been successful. The trial has obliterated grease stains and has provided a 'wipe clean' surface. GSL have added this repainting to the fabric lifecycle plan for 2007. WHEP have been asked to confirm whether the work will be undertaken as part of the planned maintenance programme during the school holidays.
- (ix) Abbeyfield School – Playing Fields - A programme of remedial works has been prepared for WHEP by a firm of specialist sports field construction consultants. It is anticipated that this work will be undertaken during the summer. WHEP will be contacted for a progress report.
- (x) Malmesbury School & Abbeyfield School – Gas Boiler Flues - Earlier in the year the schools raised concerns that the flues may not meet current regulations. Rectification work was undertaken during the Easter holiday period and all services now appear to be working satisfactorily. (This was lodged as a latent defect with the builders).
- (xi) All Schools – Chewing gum on carpets - Large numbers of tiles have been damaged at all the schools through discarded chewing gum. GSL have attempted to clean the tiles with mixed results. A programme of replacement tiles has been introduced but WHEP feel that the schools should bear some costs as they see the damage as 'vandalism'. The long-term resolution of the problem is partly a school management issue.

Capital Build Programme

Abbeyfield

- 22. The formal tender process has now been completed and following full evaluation the school has appointed Cowlin Construction as contractor. The bidding process was managed on behalf of the school by the Project Managers, Provelio, and achieved a price some £0.5m less than the original budget price.
- 23. However, the revised price is still more than the original allocation from the Learning and Skills Council (LSC) and the school have now made a revised bid. Unfortunately, the school application has been delayed and is now expected to be considered at the LSC Capital Board meeting on the 2nd August. This means that formal appointment of the Contractor and a start on site cannot now be achieved until the middle of August.

24. Discussions regarding the formal changes required to the original project agreement are continuing and most items have now been agreed with the provider, White Horse Education Partnership (WHEP). These changes will take the form of a supplemental deed to the original Project Agreement. Specifically the agreement (i) enables the provision of a new sixth form accommodation at the school site (ii) enables WHEP to expand the support services provided under the Project Agreement to include the new sixth form, (iii) resolves certain interface issues between the Project Agreement and the building contractor for the new building.
25. These changes are necessary as Abbeyfield School is part of the wider PFI Project and no changes can be made to the school site, buildings or the services unless the Council and WHEP agree a notice of change.
26. The new deed will provide for:-
- Maintenance and Lifecycle services provided by WHEP;
 - Payment Mechanisms – School to be responsible for all capital and revenue costs of the new building;
 - Availability and Performance regime for the new building;
 - Relief for WHEP from the provision of the main contract if work and operation of the sixth form affects the main school buildings;
 - Utilities Power, etc.
27. The project needs to be covered by a Certificate issued under the Local Government (Contracts) Act 1997 and arrangements to brief the Chief Executive prior to his signing of the certificate has now been agreed for the 2nd August 2007.
28. Cabinet authorised Mr Noeken to agree the change notice for the Abbeyfield sixth form project, in consultation with the Member for Education and Youth Development, the Local Members and the Director of Environmental Services. A draft of the consultation report and delegated action is being prepared and will be available by the end of August 2007.
29. The two major issues still requiring agreement with WHEP relate to the payment of Sewage and Utilities for the new building and more seriously, the acceptance following completion of Latent Defects and Full Lifecycle maintenance. These issues, if not resolved, could delay the start beyond the middle of August.

Wootton Bassett

30. The Wootton Bassett scheme is some way behind the Abbeyfield Project but a number of key actions have taken place. These include:-
- Order placed for temporary accommodation (necessary during construction phase);
 - Council Change Order agreed with WHEP for temporary accommodation;
 - Confirmation of the Section 106 funding from housing developer;
 - Completion of the installation of the upgraded power service;
 - Agreement with the school of the Tender List;
 - Completion of the tender pack;
 - Drafting of the outline Change Notice for the amendment of the Project Agreement.

31. A progress meeting was due to be held at the beginning of July, but unfortunately this has been cancelled due to the Headteacher's unavailability. A new date has yet to be agreed.
32. The Project Manager appointed by the school has confirmed that the priced tenders were due back on the 19th July. These will then be evaluated over the following week before the school makes a formal appointment. At this stage the school will know if the project has a funding shortfall and whether there is a need to make a supplementary bid to the LSC. If a further bid is necessary it will not be considered until September's Capital Board, causing a delay of 4-6 weeks in the appointment of the contractor.
33. A number of outstanding issues may still affect the progress of the project owing to the complexity of building at the Wootton Bassett site. The principle issues to resolve include:-
 - Insurance during the Build Phase
 - Warranties on the new Build
 - Facilities Management Charges
 - Equipment and ICT infrastructure charges
34. Agreement with WHEP/GSL is awaited on all of these issues before drafting can begin on any of the main project reports, certificates and delegate decision papers.

Environmental Impact of the Proposal

35. There are no direct impacts of the proposals but the environmental impact of the school buildings is monitored as part of the contract. The new build projects at Wootton Bassett and Abbeyfield will have their environmental performance considered as part of the planning process.

Risk Assessment

36. A full risk assessment was carried out at the time of the letting of the original contract. Risks associated with the Capital works projects at Abbeyfield and Wootton Bassett Schools will be fully evaluated as part of the Project Plan and will be considered prior to the formal Council Change Order being placed.

Financial Implications

37. The contracted services continue to be provided within the agreed funding model and agreed affordability gap funding. A summary of the financial position for the past financial year is as follows:

<u>Expenditure</u>	<u>Total</u>	<u>Comment</u>
WHEP Invoice:	£	
- Basic Annual Payment	4,696,021	
- Change Orders (Capital)	371,407	School requested changes
- Change Orders (Lifecycle Cash)	1,045	As above
- Change Orders (FM Cost)	43,604	As above
- Non-Performance Deductions (-)	0	
- Additional Costs	100,565	Telephone, photocopying, vandalism etc.
- Additional Meals Payment	0	
- Rates	422,781	Recharged to schools
Additional costs that schools cannot recover	3,626	
Net contribution to Sinking Fund Reserve	399,888	
TOTAL	6,038,938	

<u>Income</u>	<u>Total</u>	<u>Comment</u>
	£	
Government Grant (PFI)	3,250,797	
Schools Contributions:		
- Change Orders (Capital)	370,373	School recharge
- Change Orders (Lifecycle Costs)	1,045	School recharge
- Change Order (FM Costs)	44,414	School recharge
- Governors Agreement Contribution	955,020	
- Affordability Contributions	600,000	DSG Funding
Performance Deductions	0	
Other recharges	100,507	School recharge
Rates	422,781	School recharge
Sinking Fund Interest	294,000	
TOTAL	6,038,938	

Options Considered

38. As the contract is being delivered to the required standards and within agreed budget no other option has currently been considered.

Conclusion

39. The services provided by WHEP and described in their Annual Report continue to meet the requirements of the Project Agreement. This covering report highlights a number of key issues outlined above and will be the subject of ongoing discussions with WHEP.

Reason for Proposal

40. To provide the Committee with an opportunity to consider the WHEP Annual Report and the current issues raised by the three schools during the recent site visit and whether it wishes to make comments to the Cabinet Member in due course. Meets the requirements of the Corporate Contract Regulations.

Proposal

41. That the Committee:
- (i) Notes the contents of the White Horse Education Partnership Annual Review;
 - (ii) Notes the key issues outlined above and asks the WHEP representative to resolve the major maintenance issues swiftly to the satisfaction of the schools; and
 - (iii) Considers whether it wishes to forward comments on the performance of WHEP to the Cabinet Member for Procurement ICT and Partnerships when he receives the report in due course.

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

PFI Project Agreement
Contract Correspondence
Contract Monitoring Information