
Report to
Cabinet

15 November 2005

Report of

Director of Education and Libraries, Director of Finance and ICT, Director of Legal and Democratic Services

Title

Caludon Castle Secondary School – PFI Contract

1 Purpose of the Report

This report provides details of the financial implications of the contract signed with Coventry Education Partnership Ltd (CEP) on 7th December 2004 to deliver the new Caludon Castle PFI Secondary School. The report also provides details of issues arising since contract close and confirms the final position on external advisor costs.

2 Recommendations

The Cabinet are asked to:

- 2.1 Note the financial implications of the contract signed with CEP on 7th December 2004;
- 2.2 Note the final expenditure regarding the work undertaken by external advisors in relation to the project which has been initially met from within existing Education and Library Service budgets;
- 2.3 Note the outstanding financial issues and the proposals for funding these items as set out in paragraph 5 of this report;
- 2.4 Authorise your officers to apply for any necessary consents for change of use of school playing fields;
- 2.5 Note that your officers will submit quarterly monitoring reports to the Cabinet Member (Children's Services) when the scheme becomes fully operational in April 2007;
- 2.6 Receive a further report on the change of use of school playing fields and the development of a community riverside park.

3 Information/Background

- 3.1 At your meeting on 19th October 2004 you agreed to enter an agreement with Coventry Education Partnership Ltd (CEP) as the preferred bidder to the scheme. You further agreed to receive a further report on the final outcome of negotiation after financial close.
- 3.2 CEP is a consortium that has been specifically established to deliver the new School (refer to Appendix 1). The main project sponsors are Billfinger Berger. The building contractor is Galliford Try. The consortium funders are the Sumitomo Mitsui Banking Corporation (SMBC). The facilities management (FM) services are to be provided by Integral UK Ltd, formerly part of Staveley Industries Plc. The original contracts signed with Staveley will now need to be novated over to Integral UK Limited. Extended uses at the School will be managed by Bryanston Square, an education consultancy.
- 3.3 Following the formal appointment of CEP on 5th March 2004 as preferred bidder your officers were engaged in detailed negotiation with the consortium to finalise the terms and conditions of the contractual arrangements, which were finally agreed and signed in London on 7th December 2004. These negotiations were extensive and your officers were supported by the three external advisors appointed to this project: Nabarro Nathanson (Legal), RSM Robson Rhodes (Financial) and Gardiner & Theobald LLP (Technical).
- 3.4 A number of issues arose during the final negotiations, which delayed financial close. These are discussed in paragraph 5.2.13 of this report.
- 3.5 Work has now commenced on the construction of the new school, the first phase of which will be completed in February 2006.

4 Proposal and Other Option(s) to be Considered

- 4.1 Under the signed Project Agreement, CEP will design, build, finance and operate (sometimes referred to as 'DBFO') the replacement Caludon Castle School over a 30-year concession period. A unitary charge is payable by the City Council to CEP over the same period for the provision of this fully maintained and serviced facility.
- 4.2 The specific terms have now been established in a contract between CEP and the City Council, at the core of which is a performance related payment mechanism with agreed deductions for failure to meet prescribed standards.
- 4.3 The scheme replaces a set of deficient and obsolete School buildings with a new purpose built 1,500 place 11–18 Secondary School with community sports and library facilities. Within the School site there will also be provided a 96 place childcare facility operated by Tender Loving Childcare (TLC), who are also currently operating from premises at the Walsgrave Hospital. This is subject to TLC obtaining the necessary planning permission, which has yet to be applied for. TLC will offer priority for 25 places to the children of staff employed at the School and will offer a 5% discount on their standard costs. This will help support the recruitment and retention of staff at the School.
- 4.4 Overall the project will provide a modern and high quality purpose built state of the art secondary School in which the following services will be delivered by CEP and their sub-contractors:
 - Management of Premises

- Repair and Maintenance, Security i.e. Site Services Officer (SSO) duties
 - Cleaning
 - Waste Management
 - Utilities
 - Grounds Maintenance
 - Catering
- 4.5 The site area upon completion of the construction phase of the project will be reduced from 29.45 hectares to 16.65 hectares, within DfES Area Guidelines. This will enable the School site to be rationalised onto the school side of the River Sowe, which will then form a natural boundary. Your officers are in discussion over the development of the surplus playing fields as a Community Riverside Park, a condition attached to the planning consent for the new school to mitigate for the loss of open space as part of the new school development.
- 4.6 Upon the completion of the project, the Wyken Community Library, which is currently located temporarily in the Wyken Community Centre, will relocate into the new facility under a joint management arrangement with the School. Discussions are currently underway between the School and the Library and Information Service to finalise the management and operational arrangements for the new library.
- 4.7 Coventry Education Partnership (CEP) have appointed Bryanston Square to deliver extended uses that provide a range of services and activities beyond the School day, to help meet the needs of its pupils, their families and the wider community. The services are likely to include:
- Sports and Leisure
 - Lifelong/Family Learning
 - Arts and Cultural events
 - Community Services e.g. social events
- 4.8 Bryanston Square is primarily an education consultancy not a specialist sports and leisure operator and has been in discussion with the Coventry Sports Trust (CST) to subcontract the sports and leisure element of extended uses. These discussions have to date not resulted in any agreement being reached. Indeed Bryanston Square have recently indicated that they are likely to undertake the operation themselves, given the success of a similar involvement in the Exeter Grouped Schools PFI Project which is due to become fully operational in January 2006.
- 4.9 The School Governing Body and staff were fully consulted on the details of the project and specifically on the legal agreement that they entered into with the City Council. Under this agreement the Governing Body hands back to the City Council a proportion of their delegated School budget equivalent to approximately 9.5%. This equates to a sum of approximately £435,000 in a full operational year, which will be used as a contribution towards the Unitary Charge, and represents those budgets covering FM services. This contribution is subject to annual review. The Governing Body is also entitled to receive a proportion – 50% - of any unavailability or performance deductions made from the Unitary Charge. This reflects the proportion of the revenue element of the Unitary Charge to be met by the Governing Body.

5 Other specific implications

	Implications (See below)	No Implications
Neighbourhood Management		✓
Best Value	✓	
Children and Young People	✓	
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Community Plan	✓	
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety	✓	
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology	✓	
Legal Implications	✓	
Property Implications	✓	
Race Equality Scheme		✓
Risk Management		✓
Sustainable Development	✓	
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

5.1 Best Value

- 5.1.1 This project has been developed in the context of these priorities and also taking into account feedback your officers received from consultation on the School Organisation and Asset Management Plans. The work confirmed the need to replace the School and procurement through a long term PFI contract was considered to be the most appropriate way for the City Council to meet its Best Value duty.
- 5.1.2 Given the importance of the Best Value Duty to the City Council, a specific performance standard has been developed to incentivise CEP to assist the City Council in meeting its Best Value Duty. Failure to provide the necessary information to enable the City Council to meet its reporting obligations under the strategic assistance and reporting requirements will have an impact on the Unitary Charge as detailed in the Payment Mechanism.

5.1.3 Your officers also recognise that in order to meet the City Council's Best Value obligations in this long term PFI contract, additional capital investment may be required by CEP at some future date. Where new investment is the only option available to meet any necessary changes, such as the improvements resulting from a Best Value review or CPA, this will be dealt with through a change mechanism as set out in the contractual documentation.

5.2 Finance

5.2.1 In summary there are some additional costs associated with the project totalling £1.157m and a reduction in the budget contribution from the school totalling £0.7m. However, the change in the way in which the government pays PFI grant has led to the Council receiving an increased level of grant which will be sufficient to fund the above shortfall and create approximately £0.380m of additional corporate resources.

5.2.2 The financial implications of this project can be summarised as follows:

- The PFI contract itself;
- Project Phasing;
- Furniture and Equipment
- Variations;
- Decant;
- Planning Conditions;
- The costs of the external advisors in developing the project.

PFI Contract

5.2.3 The total cost and resourcing of the project over the full contract period is summarised in appendix 2. The information is presented in three sections for comparative purposes:

October 2004: Previously reported position to Cabinet on 14th October 2004

December 2004: Position at financial close;

April 2005: Position upon switch from declining balance to annuity basis.

5.2.4 In October 2004 the total unitary charge payable by the City Council to CEP over the 30 year concession period was estimated at £91.33 million. This was to be resourced by PFI special government grant on a "reducing balance" basis, an interest bearing ear-marked reserve and a contribution from the Education and Library Services budget. Your officers sought to optimise the financial position for the City Council by:

- Arranging that the contract provided interim catering services so that the PFI special government grant will be paid before commencement of full services;
- Paying a one off lump sum capital contribution of £1.6million reducing the unitary charge by £48,000 per annum in net terms (taking account of lost interest);
- Paying a "sculpted" unitary charge reducing the unitary charge by £75,000 per annum in net terms.

5.2.5 The position reached at financial close (7th December 2004) resulted in a reduction in the unitary charge payable over the 30-year concession period from £91.33million to £88.49 million, a reduction of £2.84 million. This reduction was as a consequence of:

- a favourable swap rate (4.85%) at the point of financial close;
- optimisation of the financial model.

The reduction in the level of special government grant (reduced by £0.27million) reflects the impact of part month payment of grant. The higher level of interest compared with the October 2004 model (increased by £1.24 million) reflects a higher interest rate assumption of 5%. Overall there was a consequential reduction in the amount to be resourced from Education and Library Service from £38.96 million to £35.15 million, a reduction of £3.81 million.

5.2.6 The methodology for paying PFI Special Grant to Local Authorities has now changed from a reducing balance method to an annuity profile. Under the new method, the City Council will receive payment of PFI Special Grant on an annuity basis from the current financial year. The level of unitary charge will therefore remain at £88.49 million, but the level of special government grant paid over the 30 year concession period increases by £10.81 million to £56.3 million. The level of interest received is lower (by £2.06 million) under this method due to:

- The level of special government grant received by the City Council in each year being broadly a similar amount (compared with the reducing balance method where more grant than required to meet the unitary charge was received in the early years of the contract period);
- The interest assumption has been reduced from 5% to 4.77% to reflect the current market rate.

Assuming the same level of resources from Education and Library Services, the overall level of resources available to the project over the contract period is therefore £97.29 million under the annuity model. This would result in a surplus of £8.8 million at the end of the contract period.

5.2.7 Appendix 3 shows the revised affordability position based on the annuity profile.

5.2.8 There are however a number of financial pressures that need to be resolved:

Project Phasing

5.2.9 The financial information contained in the October 2004 report was based on the school being fully operational. Given the complexities of this project it has been necessary to phase the project – phase 1 will be completed in February 2006 and the second and final phase in July 2007. This means that for the financial years 2004/05, 2005/06 and 2006/07, the school will be operating partly in new buildings and partly from existing accommodation. The school will therefore be unable to make its full contribution in each of these three financial years. It will therefore be necessary to progressively increase the school contribution to coincide with the project phasing and TUPE transfer of staff.

Table 1: Estimated school contributions

School Contribution (£'000)	2004/05	2005/06	2006/07	2007/08	2008/09 onwards
	Nil	35	135	435	435

This means that in 2005/06 and 2006/07 taking into account contributions from the Library Service (£50,000) and other Education and Library Service budgets (£293,000), there is an estimated budgetary shortfall of approximately £400,000 and £300,000 respectively.

Furniture and Equipment (including ICT)

5.2.10 Loose items of furniture and equipment such as tables, chairs and ICT hardware (Interactive whiteboards and projectors) are not covered under the PFI Contract. These are to be provided either through transfer of existing furniture and equipment from the old school or from purchasing new. Your officers have prepared an inventory, the cost of supplying which will be approximately £1 million. Other contractual works are to be undertaken with regard to the relocation of some existing equipment which will be funded by the school. The value of these works is estimated at £20,000. The estimated cost of decanting into the new school is estimated at £50,000. This includes the cost of procuring a specialist removals contractor to assist with the decant.

Contract Variations

5.2.11 There is provision within Schedule 8 of the Project Agreement for the Authority to issue contract variations should these be necessary. Since financial close your officers have worked with school representatives to ensure that the detailed design reflects the needs of the school throughout the lifespan of the contract period. This will avoid the need for expensive works to be undertaken later in the contract. To this end a number of additions and omissions have been identified. These are identified together with their respective additional costs or savings in Appendix 4. A number of these have arisen from the school recently acquiring Business and Enterprise Specialist College status.

A further variation that was submitted and then withdrawn is that of the site perimeter security fence – this is currently under discussion with CEP. It appears that the bidders proposal for the site to be secured with a new perimeter fence was excluded from the contract by CEP. Your officers have therefore requested CEP to explain how the output specification is to be met without such provision. CEP are currently investigating alternative options for providing a fence at a cost that is acceptable to the City Council.

Planning Conditions

5.2.12 Two conditions have been attached to the planning approval which will have financial implications not presently budgeted for:

- Condition 4(f) An open space accessible to the general public shall be provided south of the river (i.e. the Community Riverside Park). A management plan will be required for approval by the Local Planning Authority;
- Condition 4(g) A new footbridge shall be provided across the River Sowe between the existing woodland and the proposed riverside open space.

These planning conditions are in mitigation for the loss of open space resulting from the construction of the new school and will have both capital and ongoing revenue (maintenance) implications. A further report will be brought to Cabinet on this issue.

External Advisor Costs

5.2.13 At your meeting on 19th October 2004, you received a report, which estimated total external advisor costs at £587,000 an increase of £157,000 on the position previously reported to you in February 2004. The final total fee for all advisory services was £673,490. The main reason for this increase in cost was as a

consequence of the protracted negotiations process between the City Council and CEP, arising from three key issues:

A. Derogations from SoPC3 (Standardised Contractual Arrangements)

The City Council appointed CEP on the basis of a tender based on SoPC2 (the former standardised contract documentation). This was superseded in April 2004 by SoPC3, at a time when commercial terms had already largely been determined with CEP and their funder, the Sumitomo Mitsui Banking Corporation (SMBC). The City Council therefore submitted a total of 17 derogations ('variations' from the standardised documentation) for consideration by DfES and Partnerships UK (PUK) on 22nd October 2004. In brief:

- PUK will accept derogations that are project specific;
- PUK will expect all other aspects to be SoPC3 compliant.

Through further lengthy discussion with DfES and PUK and negotiation with CEP, the number of project specific derogations was reduced to five. Further clarification with PUK, resulted in the Project Agreement at that time being approved as SoPC3 compliant. This enabled the DfES to give approval to the Final Business Case and release the PFI Credits awarded to the scheme.

B. Financial Services Authority (FSA) accreditation of CEP as an Insurance Mediator

New legislation introduced in April 2004 required insurance intermediaries to be registered with the Financial Services Authority (FSA) by 14 January 2005. There was a lack of clarity as to whether this legislation specifically applied to consortia's in a PFI situation. DfES guidance suggested that SPV's should seek clarity direct from FSA. The registration process takes up to six months to complete and therefore it was unlikely that CEP would be registered by the required date. Without registration any insurance policies held by CEP may have been null and void. CEP proposed that if FSA approval had not been obtained by 14th January 2005, then the '*Uninsurable Risk*' clauses within the Project Agreement would have come into effect – this was unacceptable to your officers, in that effectively the City Council would have been liable to meet the proceeds of any insurance claims until registration had been completed. CEP and their funders were subsequently able to obtain sufficient 'comfort' from the FSA, to allow the issue to be dropped.

Since financial close definitive guidance has now been issued by the FSA that any contractor who takes on contractual obligations in relation to the arranging of insurance on its own behalf and those of other parties involved in PFI and other Project Finance Arrangements should not be regarded as providing insurance mediation services to third parties for remuneration.

C. TUPE and changes to the pensions legislation in 2004.

Integral UK Ltd, the facilities management contractor, raised issues relating to changes in the pensions legislation proposed for introduction in 2004. These related to two main areas for which they sought to transfer the risk back to the City Council:

- A capped employer contribution rate;
- 'Rolling' Indemnity – Integral required the City Council to accept any liability for under performance within the West Midlands Superannuation Fund for future underperformance.

Following further negotiation a capped employer contribution rate to the Pension Fund of 18% was agreed and the rolling indemnity clause dropped. This means that if the rate exceeds 18%, the City Council will be required to pay CEP an amount equivalent to the difference between the capped rate and the new rate. The current employer contribution rate is 11.8% and it is difficult to predict when (if at all) the agreed cap is likely to be reached.

Your officers negotiated an indemnity whereby the City Council accepted liability for underperformance in the Pension Fund as it relates to the pensionable service of employees before they were transferred to Integral. The significant turnover of staff on the TUPE list means that this is unlikely to be a problem. Integral have accepted the liability of underperformance post TUPE transfer.

Additionally Integral raised a number of issues relating to TUPE at a late stage in the negotiations process, which took a long time to resolve.

5.2.14 Benchmarked information from 4P's, a PFI/PPP advisory agency, indicates that the external advisor costs for a single school PFI scheme should not normally exceed £600,000 (at current prices). The Caludon Castle PFI scheme, however is not a typical single school PFI, as it also includes community sports, library and childcare facilities that will be provided. In overall terms, the total external advisor costs represent less than 1% of the overall value of the PFI contract over the 30-year concession period (approximately £90 million). A breakdown of external advisor costs is shown in Table 2 below:

Table 2: Summary of External Advisor Costs

External Advisor	Final Costs (£)	Breakdown (%)
RSM Robson Rhodes	190,600	28
Gardiner & Theobald LLP	170,590	25
Nabarro Nathanson	312,300	47
TOTAL	673,490	100

5.2.15 The final financial position for each advisor is as follows:

RSM Robson Rhodes (Financial)

A capped fee of £119,900 was originally negotiated by your officers for the procurement phase up to financial close on an agreed level of support. The final cost of financial advice however was £190,600 or 28% of the total external advisory fee level. The increase in cost was due mainly to the extended procurement process and specific unforeseen financial issues such as FSA registration that arose during the final stages of negotiation.

Gardiner & Theobald LLP (Technical)

The estimated value of external technical support for the procurement phase of the project was £93,000. In the Cabinet Report of 19th October 2004, reference was made to the potential difficulties in gaining outline planning permission for the development in the context of the site's designation as Green Belt under the Coventry Development Plan. Gardiner & Theobald LLP played a pivotal role in developing a masterplan for the site, on the basis of which outline planning permission for the development was secured followed by the successful application for full planning permission. Further detailed advice was also provided in relation to design development and FM services during the negotiations process. Final expenditure for the procurement phase was £170,590, in line with the position reported to you at your meeting on 19th October 2004.

Nabarro Nathanson (Legal)

The initial cost of external legal services for the procurement phase was estimated at £147,000. Your officers were able to fix fees for only 27% of the total cost, because for some elements, such as contract negotiations, costs cannot be predicted with any great certainty. Your officers always considered that these estimated costs should be regarded as a minimum and reported at your Cabinet meeting in October 2004 an estimate for legal fees of £240,000.

Final legal costs were £312,300 (i.e. £72,000 higher than previously reported) which represent nearly half of the overall external advisory fee and were some £72,300 higher than previously estimated. The increased costs are the result of significant amendments to project documentation arising from updated/revised guidance from the Office for Government and Commerce (OGC) and further review by CEP's funder. In addition during the final stages of negotiation significant issues arose requiring extensive input from Nabarro's. This involved negotiation with CEP, Integral and the funders in relation to the three issues identified in paragraph 5.2.13 above.

In March 2005 a letter was received from HM Treasury expressing concern that the Project Agreement signed by both the City Council and CEP, did not conform to SoPC3 regarding uninsurability clauses. The Treasury was concerned that this could set an unwanted precedent for other PFI schemes yet to sign. Your officers immediately asked Nabarro's for an explanation for this non-compliance. Following further investigation it was clarified that due to a miscommunication between PUK and Nabarro's, provisions were included in the contract document which PUK had not accepted as derogations from SoPC3. HM Treasury have now accepted our explanation and the matter is resolved. The additional legal costs arising from this issue have been 'absorbed' by Nabarro's.

Your officers however, have raised a concern at the total bill for legal advice having regard to (1) the initial quotation; and (2) the justification for additional charges in respect of compliance with SOPC3. In regard to the overall cost, the rates used to charge for this work were already the subject of a discount, but Nabarro's have now agreed to a further discount of £10,000, which is reflected in the costs shown in table 2 above. However, having discussed the matter, it is quite clear that the costs incurred in seeking to resolve the SOPC3 issues were likely to have been incurred whether it was at the beginning of the Project or at the end of the Project. In some respects the SoPC3 issue may have been more expensive and prolonged if it had been raised at an earlier stage - in other words a desire to reach financial close helped to shorten the discussion that would otherwise have occurred in respect of some of those issues.

Proposed Financing of Outstanding Project Issues

- 5.2.16 The £700,000 school contributions which the school cannot afford in the first two years of the contract because the old buildings are still in operation (refer to paragraph 5.2.10) will be funded as a first call on the overall business case surplus of £8.8m.
- 5.2.17 The estimated cost of furnishing and equipping the school of £1m (refer to paragraph 5.2.11) will form the second call on those resources.
- 5.2.18 The additional spend on professional advisors compared to that last reported to Cabinet (£157,000 – paragraph 5.2.13) will also be funded from the business plan resources.
- 5.2.19 The financial model will be adjusted to reflect this strategy to generate a revised contingency balance of approximately £200,000 at the end of the 30-year period. Any additional savings will be returned to the corporate centre reflecting the fact that the change in PFI Special Grant to annuity basis could be regarded as a windfall gain.
- 5.2.20 The principle underlying these adjustments is to completely fund all elements of the scheme from surpluses within the scheme itself and then return any balance to the corporate centre. This will mean there will be no further calls on other schools budgets for the Caludon scheme while at the same time allowing a small corporate benefit to be realised (approximately £380k in total).
- 5.2.21 The ear-marked reserve which was created at the end of 2004/05 for the Caludon Scheme will be used to fund unforeseen costs arising from the detailed implementation of the contract – a list of issues estimated at approximately £130,000 has already been identified and included at appendix 4.

5.3 Human Resources

- 5.3.1 The majority of FM related staff will transfer to the employment of the PFI facilities management sub-contractor (Integral UK Ltd) under TUPE (Transfer of Undertakings Protection of Employment Regulations). Dependent upon the outcome of negotiations, a smaller number of staff may transfer over to Bryanston Square. TUPE is designed to protect the terms and conditions of employees whose work is transferred to another employer. It provides for the transfer of those employees together with service and pay and terms and conditions of service. Staff being transferred to private sector employers should have access to good quality pension schemes on a broadly comparable basis to the pension they had in the public sector. The Integral Board have applied to the West Midlands Superannuation Scheme for Admitted Body Status. As part of the application process, the City Council are required to undertake a risk assessment on the premature termination of the contract with Integral. The risk assessment based on information provided by the City Council will be undertaken by Wolverhampton MBC on behalf of the West Midlands Superannuation Fund, who will charge the cost of this assessment to the City Council.

5.3.2 Statutory requirements provide that the City Council issues information to potential contractors about the number of employees involved and their terms and conditions of employment. TUPE Regulations require that staff transferring should retain their current entitlements. Your officers have prepared a TUPE list of those staff transferring to Integral.

5.3.3 The current proposal includes the transfer of the following groups of support staff under the TUPE arrangements:

- cleaning;
- caretaking;
- community clerk

There will be no transfer of teaching and other School administrative/support staff. The existing School catering contract is already outsourced to Redcliffe, who are also the catering contractor under the PFI contract.

5.3.4 The staff who are currently identified on the TUPE list include 17 cleaners, 3 Site Services Officers and 1 community clerk. The list is however, kept under constant review and will ultimately include those City Council employees occupying the identified posts at the point of transfer.

5.3.5 The TUPE transfer date has been set at 10 February 2006, when Phase 1 of the new School will have been completed and FM services will need to commence.

5.4 Trade Union Consultation

5.4.1 The City Council actively involved the trade unions in progressing the scheme. Your officers established a joint Management and Trade Union Forum, which is attended by accredited representatives of unions, recognised by the City Council, together with representatives of Integral UK Ltd.

5.4.2 Consultation has also taken place with the Education and Library Service Consultative Group, which comprises departmental officer representatives and Trade Union officials which meets on a regular basis.

5.5 Information and Communications Technology

The project only includes the necessary ICT infrastructure (cabling etc) and not PC hardware, equipment, consumables and peripheral devices relating to IT, videos, telephones, terrestrial and satellite televisions etc

An ICT Working Group has been established and following a tendering process a specialist ICT contractor, European Electronique, was appointed to review the ICT components of the output specification, to design the new ICT infrastructure for the new school and work alongside the main building contractor, to ensure ICT services continued to be delivered throughout the construction phase. The procurement of the ICT hardware will be subject of a separate tendering process.

5.6 Children and Young People

This project will have a significant impact on children and young people. The new accommodation will create a positive and stimulating teaching and learning environment, which is inclusive and encourages an atmosphere of lifelong learning. The project will support priorities 1 to 4 within the Coventry Community Plan. Priority

4 relates to investment in young people through the provision of high quality education and training.

5.7 Coventry Community Plan

The Coventry Community Plan (CCP) sets out the City's priorities for investing in young people, with targets to reduce the number of young people who leave School without any qualifications and to meet the Government's educational attainment targets for young people. Specifically this project will support priorities 1 to 4 of the CCP.

5.8 Health and Safety

The project will deliver a safe and secure environment established and maintained for all the users of the School during the construction and operational stages, and the protection of the School building, its users and contents and the School grounds at all times.

5.9 Sustainable Development

The output specification sets out that the facilities are designed and operated, so far as is reasonably possible, to deliver benefits to the environment. Sustainability will be considered in all the aspects of design and operation of the facilities to be provided.

5.10 Property Implications

Under the PFI scheme the contractor provides, pays for and operates the building over the period of the contract. The City Council holds the freehold of the site. The contractor has a 30 year licence to use or occupy the site. At the end of the licence period and contract the ownership of the school buildings will revert to the City Council.

It is a condition of the planning permission that a Riverside Community Park is laid out on the surplus playing fields that are in the Green Belt when they are released (2008). Your officers will be discussing with the DFES any consents necessary for the change of use of this land. Whilst officers are progressing this, no capital or revenue resources have been identified to lay out and run this facility, and it does not form part of the PFI proposals.

There are 2 Site Service Officer Houses at the School but these will not be transferred to the new contractor. These have now been identified as surplus to requirements and will be disposed of once the Human Resource implications of the transfer are resolved.

6. Monitoring

Consideration is currently being given to the mechanisms that need to be put in place within the Education and Library Service to manage and monitor the contract during its operational phase.

6.1 Monitoring of the construction phase of the project is being undertaken through a number of mechanisms:

- **Weekly school liaison meetings**, involving the PFI Project Manager, school representatives and Galliford Try. These meetings are an opportunity to identify issues relating to the operational aspects of the build element of the project. An excellent working relationship has developed between the school and Galliford Try. Where issues have arisen, these have been dealt with promptly and effectively.
- **Monthly Project Review Meetings** are attended by the PFI Project Manager, school and governor representatives, CEP, Galliford Try, Integral UK Ltd, Bryanston Square and Gleeds (Independent Certifier). The purpose of this forum is to review progress with the programme of works, consider changes to the design through the Review of Design Data (RDD) and Request for Design Information (RFDI) procedures within the contract and quality issues. The meetings will continue throughout construction and early operation and will in the future consider testing and commissioning, inspections, snagging and operational and latent defects (post occupancy).
- **Monthly Contractors Progress meetings** are attended by the PFI Project Manager, CEP and Galliford Try at which Galliford's monthly contractors site report is submitted and considered. This covers health and safety, security programme, procurement resourcing, environmental and quality issues.

6.2 It is proposed that a quarterly monitoring report be submitted to the Cabinet Member (Children's Services), once the scheme becomes operational in April 2007.

7. Timescale and expected outcomes

Phase 1 of the new school which comprises the main three storey crescent teaching block is contractually due for completion on 10th February 2006 and will become operational on 21st February 2006. The second and final phase of the scheme will be completed by July 2007.

Table 3: Construction Phasing

Construction Phase	Building Availability	Completion date
Phase One	Three Storey Crescent Block	20 January 2006
Phase 2A	Administration, Sixth Form, Performing Arts	17 November 2006
Phase 2B	Sports and Library	22 January 2007
Phase 3	External Works	11 June 2007

The construction programme will involve some critical decants from the existing buildings into new buildings as they become available. There has been significant consultation with the School and contractor to ensure that the decants can be managed without significant disruption to the School. Nevertheless it is likely that the Governing Body will need to consider the issue of additional closure days to facilitate the decants. Any subsequent request would need to be approved by the Cabinet Member (Children's Services). Likewise demolitions to existing blocks are timed to occur outside of the major examination periods to again minimise disruption. Final handover is scheduled to take place in June 2007, although there may be some sports pitches that will not become available until May 2008.

	Yes	No
Key Decision		x
Scrutiny Consideration (if yes, which Scrutiny meeting and date)		x
Council Consideration (if yes, date of Council meeting)		x

List of background papers

Proper officer: Chris West, Angie Ridgwell, Christopher Hinde

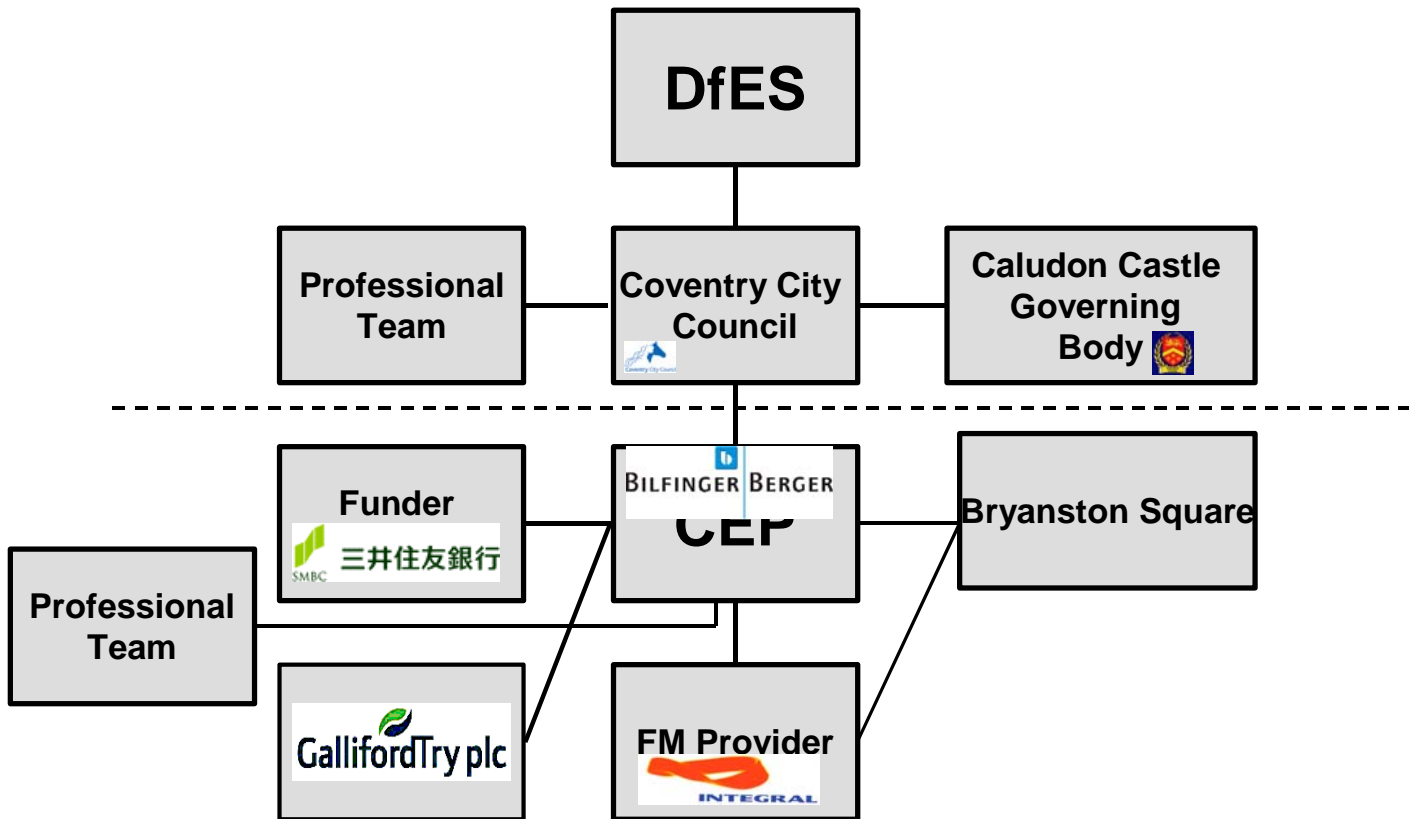
Author: Ashley Simpson, PFI Project Manager Telephone ext 1508
(Any enquiries should be directed to the above)

Other contributors:
Roz Lilley, Nigel Clews, John Daly, Andrew Green, Neelesh Sutaria, Richard Brankowski

Papers open to Public Inspection

Description of paper	Location
None	

The CEP Consortium



Comparative Financial Analysis of Impact of Switch to Annuity Profile

	October 2004 Reducing Balance Basis		Financial Close (December 2004) Reducing Balance Basis		Annuity Basis (April 2005)	
	Capital (£m)	Revenue (£m)	Capital (£m)	Revenue (£m)	Capital (£m)	Revenue (£m)
Capital Contribution	1.6	0	1.6	0	1.6	0
Unitary Charge	0	91.33	0	88.49	0	88.49
TOTAL COST	1.6	91.33	1.6	88.49	1.6	88.49
RESOURCED FROM:						
Resources previously allocated to sinking fund	1.6		1.6		1.6	
Special Government Grant		45.76		45.49		56.30
Interest on Balances		6.66		7.90		5.84
Education and Library Services Budget		38.96		35.15		35.15
Total Resources	1.6	91.38	1.6	88.54	1.6	97.29
Surplus		0.05		0.05		8.80

APPENDIX 3

Coventry City Council
Schools PFI
Affordability Model - Preferred Bidder

Affordability Summary

Year	Balance Brought Forward	PFI Special Grant	Education & Library Services Budget	Unitary Charge	Interest on Balances	Balance Carried Forward
2004 / 2005	0	752,134	196,470	12,892	79,358	1,015,070
2005 / 2006	1,015,070	1,875,048	805,527	448,079	162,645	3,410,211
2006 / 2007	3,410,211	1,875,048	825,665	3,049,379	160,479	3,222,023
2007 / 2008	3,222,023	1,875,048	846,307	3,138,935	151,253	2,955,697
2008 / 2009	2,955,697	1,875,048	867,464	3,112,107	139,563	2,725,664
2009 / 2010	2,725,664	1,875,048	889,151	3,081,527	129,644	2,537,980
2010 / 2011	2,537,980	1,875,048	911,380	3,054,517	121,692	2,391,583
2011 / 2012	2,391,583	1,875,048	934,164	3,039,298	115,512	2,277,009
2012 / 2013	2,277,009	1,875,048	957,518	3,010,878	111,105	2,209,803
2013 / 2014	2,209,803	1,875,048	981,456	2,994,095	108,756	2,180,969
2014 / 2015	2,180,969	1,875,048	1,005,993	2,980,574	108,198	2,189,633
2015 / 2016	2,189,633	1,875,048	1,031,142	2,978,388	109,239	2,226,674
2016 / 2017	2,226,674	1,875,048	1,056,921	2,963,062	111,889	2,307,469
2017 / 2018	2,307,469	1,875,048	1,083,344	2,958,952	116,435	2,423,344
2018 / 2019	2,423,344	1,875,048	1,110,428	2,957,867	122,619	2,573,571
2019 / 2020	2,573,571	1,875,048	1,138,188	2,967,866	130,258	2,749,200
2020 / 2021	2,749,200	1,875,048	1,166,643	2,964,576	139,369	2,965,684
2021 / 2022	2,965,684	1,875,048	1,195,809	2,972,283	150,243	3,214,501
2022 / 2023	3,214,501	1,875,048	1,225,704	2,982,839	162,628	3,495,042
2023 / 2024	3,495,042	1,875,048	1,256,347	3,004,417	176,346	3,798,366
2024 / 2025	3,798,366	1,875,048	1,287,756	3,012,360	191,419	4,140,229
2025 / 2026	4,140,229	1,875,048	1,319,950	3,031,266	208,147	4,512,107
2026 / 2027	4,512,107	1,875,048	1,352,948	3,052,901	226,279	4,913,481
2027 / 2028	4,913,481	1,875,048	1,386,772	3,085,673	245,638	5,335,265
2028 / 2029	5,335,265	1,875,048	1,421,441	3,104,272	266,250	5,793,733
2029 / 2030	5,793,733	1,875,048	1,456,977	3,133,973	288,427	6,280,212
2030 / 2031	6,280,212	1,875,048	1,493,402	3,166,333	311,917	6,794,246
2031 / 2032	6,794,246	1,875,048	1,530,737	3,210,112	336,537	7,326,456
2032 / 2033	7,326,456	1,875,048	1,569,005	3,238,991	362,320	7,893,838
2033 / 2034	7,893,838	1,875,048	1,608,230	3,279,277	389,591	8,487,431
2034 / 2035	8,487,431	1,171,905	1,236,327	2,503,026	406,440	8,799,077
Total		56,300,426	35,149,167	88,490,713	5,840,197	

Variation Notices

Variation Number	Originator	Variation Title	Description	Cost/ Saving Estimate (£)
001	CCC	Temporary Cleaners Cupboard	Temporary cleaners cupboard to be created in room ref G179 (Disabled WC) for Phase 1. To revert to Disabled WC when Phase 2 completed.	Withdrawn
002	CCC	Creation of Temporary Staffroom	A temporary staffroom is required at the end of Phase 1, pending the completion of the staffroom proper in Phase 2. The temporary staffroom is to be created in room refs G164 (E-Learning Suite) and G165 (Video Conferencing Suite). Partition wall separating these two rooms not to be constructed in Phase 1, thus creating a single, large open space.	10,112
003	FM	Creation of Temporary FM Office	A temporary FM office is required at the end of Phase 1, pending completion of the FM office proper in Phase 2. The temporary FM office to be located in room ref G030 (Staff Resource).	Withdrawn
004	CCC	Business and Enterprise Suite	Fixed partition wall separating room refs G164 (E-Learning Suite) and G165 (Video Conferencing Suite) to be replaced by sliding partition to enable space to be either used as a single or two separate classrooms.	22,002
005	CCC	Creation of Additional Administrative Office Accommodation	Room ref F118 to be redesignated as office accommodation for 6 persons.	2,423
006	CCC	Conversion of Plant Room (Room ref F136) to Sixth Form Teaching	Room ref F136 to be converted into additional Sixth Form teaching space.	9,711
007	CCC	Fixed Fume Cupboards	With the exception of the fixed fume cupboard in the Science Prep Room all other fixed fume cupboards to be replaced by mobile fume cupboards.	-6,608

008	CCC	ICT Infrastructure (Phase 1)	CAT6 specification to be replaced by CAT5. Numbers of data points to be increased. Telephony system to be IP based.	23,905
009	CCC	Perimeter Security Fencing	2.4m high weldmesh fence to be erected around perimeter of new school site.	Withdrawn
010	CCC	Room Layout revisions to Room G018 (Control Technology)	Re-designation from Control/ CAD/CAM Workshop to Control Technology Room	5,327
011	CCC	Room Layout revisions to Room G038 (Food Technology2)		629
012	CCC	Room Layout revisions to Room G035 (Food Technology1)		21,916
013	CCC	Room Layout revisions to Room G022 (2D Art/ Graphics)		-4,276
014	CCC	Room Layout revisions to Room G002 (3D Art)		860
015	CCC	Room Layout revisions to Room G005 (Pupil Art Store)		708
016	CCC	Room Layout revisions to Room G006 (Photographic Studio)		332
017	CCC	Room Layout revisions to Rooms F023, F036 & F037 (Chemistry Labs)		6,585
018	CCC	Room Layout revisions to Rooms F034 & F035 (General ICT Rooms)		1,313
019	CCC	Room Layout revisions to Room S002 (General Teaching Spaces – English, Maths and Humanities)		806

020	CCC	Room Layout revisions to Rooms G019 and G033 (Resistant Materials 1 and 2)		32,500
021	CCC	Room Layout revisions to Room G029 (Prep and material Store)		2,100
TOTAL				130,345

