

Cabinet

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Building Schools for the Future (BSF) Facilities Management Service Provision for PFI Schools and Policy for and Co-located Schools

Report of David Williams, Corporate Director, Children and Young People's Services and Stuart Crowe, County Treasurer

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Purpose of Report

1. To make policy recommendations for PFI schools in respect of cleaning and catering service provision and the provision of primary schools on the same sites as PFI schools.

Background

2. New build BSF schools are expected to be procured as PFI schools and the first new build schools in the Durham BSF project will be procured in this way. PFI contracts will run for 25 years, during which time the contractor will be responsible for the maintenance of the school buildings. This responsibility will include caretaking and security. The provision of cleaning and catering services is optional and could either be provided by the contractor or by schools. The first two BSF schools in the Durham project are Sedgefield Community College and Shotton Hall School.
3. It is likely that there will be a number of instances where there is a need to replace a primary school on the same site as a PFI secondary school development. It is possible to have the primary school rebuilt as part of the main PFI contract, but this does not have to be the case. This situation has arisen at Shotton Hall School where the Council is consulting on plans to replace Shotton Hall Infants and Shotton Hall Junior schools with a single primary school in a new building on the same site as the secondary school..

Cleaning and Catering Services for PFI Schools

4. The consortium bidding to be Durham's private sector partner in its BSF project is *inspiredspaces* (IS). IS have submitted two sets of proposals, one with the provision of these services and one without. It is now necessary to determine which proposals to proceed with, so that we can continue dialogue with the bidder.
5. The BSF Project Team have evaluated the proposals and the outcome of this evaluation is summarised below.

Cleaning Service

6. If schools were to retain responsibility for cleaning they would have very little discretion to vary the standard and method of cleaning from that required by IS. This is because

of the implications of cleaning for the maintenance of the buildings and lifecycle replacement of building components (for example flooring), which would remain IS responsibilities.

7. In addition schools would lose some of their flexibility in providing the service, because they would not be able to use caretaking staff to assist with or supervise cleaning. Schools would have to liaise with IS where the cleaning service impinged upon the responsibilities of IS which and this would also limit the flexibility of schools in running this service.

Catering Service

8. If schools were to retain responsibility for catering they would either provide a catering service themselves or use a contractor to do so. Most secondary schools use a contractor to provide catering services, but there is an increasing trend for secondary schools to run their own in-house catering services. None of the special schools in the BSF project use a contractor.
9. Schools with responsibility for catering would have more flexibility over service provision than they would have for cleaning. There would still be a need to liaise with IS where the service impinged upon the provision of services by IS, and where the school used a catering contractor to provide the service it would need to ensure that the contract met the requirements of IS.
10. The schools would also have to accept a risk in respect of any additional costs incurred by IS because of the activities of the catering service, which might include costs of higher than expected energy usage. IS would provide the initial catering equipment in the catering facilities, but would not take responsibility for maintenance, repair or replacement of these items and schools would have to manage these requirements without the benefit of assistance from caretaking staff.

Financial Implications

11. A comparison of existing school costs and the costs submitted by IS suggests that there would not be a significant difference in costs between provision by schools and provision by IS. Potential additional costs in respect of job evaluation regradings and increases in employer pension contributions will be a cost to the Council and / or schools' delegated budgets, regardless of whether services are provided by schools or IS.
12. Schools will pay for services that they retain out of their delegated budgets. For services provided by IS, schools will be asked to agree to annual contributions from their delegated budgets. The Council will also need to agree with schools as to how additional costs in respect of job evaluation regradings and pension contributions will be shared. Other than in PFI schools these risks are normally borne by the schools in their delegated budgets and there is a need to ensure equity of treatment between PFI and non-PFI schools.

Employees

13. Under the standard bid employees providing the cleaning and catering services would transfer to the employment of IS in accordance with TUPE requirements. Employees' terms and conditions, including pension provision would be protected.

Consultation

14. A sample of secondary headteachers have been consulted and two headteachers have visited a PFI school in Redcar and Cleveland built and maintained by IS. The headteacher of the PFI school gave a positive view of the services provided by the PFI contractor, but expressed concern about the lack of financial flexibility that schools have when they run their own services. The Durham headteachers, whilst noting the quality of services, were concerned about the impact on financial flexibility.
15. As already noted, schools running their own FM services would not have the same flexibility that they would otherwise enjoy, particularly in respect of cleaning. This lack of flexibility reflects the nature of a PFI contract which is specific in terms of the standards to which areas have to be maintained and does not allow for flexibility in maintenance. Whilst this is a concern for headteachers, it would not be solved by having schools retain cleaning services.

Conclusions and Recommendations in Respect of Cleaning and Catering Services

16. There is no clear advantage to schools in retaining control over cleaning services. Schools would have only limited flexibility in respect of the provision of this service.
17. Schools would have more flexibility over the provision of school catering services. The increasing importance of school catering is making more schools interested in running this service. All of the special schools run their own service.
18. Given the difference between cleaning and catering, **it is recommended** that the Council adopts a standard position that the contractor provides cleaning services, but that schools retain responsibility for catering services.
19. This would form a standard position for all PFI schools, but if there was a convincing argument for varying this position, then it would be possible to review this for individual schools. One factor that would need to be taken into account in such a review is that it is likely that PFI contracts will cover more than one school, and the review would need to consider the disadvantages of having two schools in the same contract with different service provision.

Co-located Primary Schools

20. This would be an issue where there was a proposal to rebuild a primary school on the same site as a PFI secondary or special school.
21. There are two options for a new primary school in this situation:
 - a) The school is rebuilt as a PFI school, constructed and maintained as part of the main PFI contract with IS or
 - b) The school is rebuilt as a Design & Build (D&B) school for which IS takes no maintenance responsibility
22. Rebuilding the school as a PFI school would have some advantages in respect of construction costs, shared services and funding, but PFI might not always be appropriate for primary schools.

Construction Costs

23. Constructing the schools at the same time would allow for the sharing of costs, e.g. project management and sub-contracts. These savings are likely to be greater if both schools are PFI schools.

Shared Services

24. There would be advantages to sharing infrastructure, such as access roads and the provision of utilities (heat, power and water), which would reduce the overall cost of infrastructure. This would be easier to achieve if both schools were PFI schools. In particular, if the primary school was a D&B school it would be necessary to ensure that the provision of these services to a primary school was given sufficient priority compared to provision to the PFI school where service failure could lead to financial penalties.
25. Sharing of maintenance services would be more efficient and cheaper than separate provision, but would only be possible if both schools were PFI schools.
26. It is expected that a D&B primary school would still be able to use the facilities of a PFI school, e.g. sports pitches or gyms. From the point of view of the IS, there is unlikely to be any difference to maintenance requirements if facilities were sometimes used by a primary or special school instead of use by the secondary school.

Funding

27. There would be a financial advantage to the primary school being a PFI school, because PFI funding includes an element to pay for lifecycle maintenance of the buildings. This is usually 65% of the initial capital expenditure funding, and for a £4m school would be worth £2.6m in additional funding. Lifecycle maintenance (Capitalised Structural Maintenance) is the responsibility of the local authority and is not delegated to schools.

Site Issues

28. The nature of a site may make it more difficult to build a primary school as a D&B School:
- For a primary school to be a D&B school it would be essential to be able to delineate those areas of the site that were the responsibility of the IS, and those that were the responsibility of the D&B school. This might be difficult on a restricted site.
 - The interaction between areas maintained by the PFI school and the D&B school would need to be considered: if there was a significant risk to the PFI areas arising from maintenance of the D&B areas then IS would be likely to seek indemnities from the Council in respect of the damage to the PFI areas. Equally, the Council might be concerned about damage to a D&B school caused by the actions of IS.

Consultation

29. Whilst it has not been possible to carry out a fully structured consultation in the time allowed by the procurement process, we have undertaken a limited consultation on this aspect..
30. The preference of primary schools is to retain control over who works in the school. In this context it should be noted that the staff employed by a contractor would be limited to caretaking and cleaning staff and the latter would be unlikely to be in the school during

the time when pupils were onsite. All other school onsite staff would be either employed by the school or its own contractors.

Summary and Recommendation in Respect of Co-located Schools

31. There is a clear financial advantage to these schools being PFI schools, due to the efficiencies generated by having both schools in the same contract, and also because of the additional funding for lifecycle maintenance.
32. Consultation with primary schools has identified concerns about PFI in respect of having staff employed by a contractor on site. The number of staff onsite, particularly during the school day, would be limited.
33. Taking account of these considerations, **it is recommended** that the standard position for co-located primary schools is that they are constructed as part of a PFI contract, which would normally include cleaning services, but not catering services. This position would be reviewed for each project and if there were compelling reasons for doing so, the co-located school could be the subject of a separate D&B contract.

Summary of Recommendations

- 34.34 The Project Team has evaluated a variant bid submitted by IS, which does not include the provision of cleaning or catering services to the PFI schools. The outcome of the evaluation is a recommendation that the Council's standard position should be that IS provide cleaning services, but not catering services.
35. The Project Team has also considered the situation where a co-located primary school is to be rebuilt at the same time as a PFI secondary school. The Team's recommendation is that the co-located school should be part of a single PFI contract with the secondary school, with cleaning provided by IS.
36. Both of these recommendations represent standard positions, which could be reviewed on a school-by-school basis.

It is therefore recommended that:

- i) Schools rebuilt as PFI schools have cleaning services provided by the PFI contractor, but retain responsibility for catering, subject to review on a school-by-school basis.
- ii) Where a primary school is to be rebuilt on the same site as a PFI school, it is constructed as part of the PFI contract, subject to review on a school-by-school basis.

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Appendix 1

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

No impact on transition or outcome.

Finance

No additional funding is required, but the provision of services through a PFI contract will create a contractual commitment to pay for cleaning services for 25 years.

Staffing

Staff currently providing the cleaning service in PFI schools would transfer to IS under TUPE

Equality and Diversity

Not applicable (bidders have to provide satisfactory evidence of appropriate employment policies)

Accommodation

Cleaning of school buildings provided by a private sector partner

Crime and disorder

Not applicable

Sustainability

Building a co-located primary as a PFI school could result in greater sharing of infrastructure and services, which could make the buildings more sustainable

Human rights

Not applicable

Localities and Rurality

Provision of cleaning services for PFI schools used by the community out of school hours

Young people

Provision of cleaning services for PFI schools used by young people

Consultation

Consultation with headteachers of secondary and primary schools

Health

Not Applicable