

# Building Schools for the Future

## Final Business Case



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## Introduction

### Satisfaction of OBC Conditions Precedent

1. Project to reach financial close by the end of December 2009

Subject to the approval of this FBC, Rochdale's BSF Programme remains on target to achieve financial close prior to the end of December 2009.

2. Interfaces - further work to be undertaken to ensure that interface risk is fully understood and mitigated in respect of both St. Anne's Academy and Impact (LA strategic partner)

St Anne's Academy : From the appointment of *inspiredspaces* as our Selected Bidder meetings have been ongoing between *inspiredspaces* and the Academy to agree the approach to facilitate full ICT installation by, and operation from, September 2010. A large part of this dialogue has been to review and update the ICT infrastructure requirements to reflect *inspiredspaces*' ICT solution (e.g. confirming the number and location of data points within individual rooms) and to ensure that the installation of such is fully co-ordinated within the building contractor's wider construction programme. Mobilisation requirements have also been considered as part of these discussions so as to facilitate the provision of full ICT operational services from September 2010, in accordance with the Authority's requirements.

Impact : Regular meetings have taken place between the BSF Transformation Manager and Impact to keep them up to date with regard to progress on ICT procurement. Following financial close, a series of meetings will be arranged to ensure that the ICT provider's obligations to provide a system which is compatible with existing Council and primary school ICT systems are worked through in detail and any issues resolved in line with the ICT implementation programme.

3. Risk register – further work to be undertaken to develop the risk register, in particular to reflect fully interface risks

Detailed risk registers are included at Appendices 3 & 4 of this FBC.

4. School specific risk registers – ensure that these are included in FBC

Risk registers for the sample schemes have been agreed jointly with *inspiredspaces* and are included within the joint risk register at Appendix 4.

5. Maintenance of D&B schools – in order to develop an affordable commercial proposition that will enable bidders to put forward their optimum VFM proposals the LA should, with the support of its advisers, develop in more detail its requirements in respect of the maintenance of D&B schools to a common standard across the Authority secondary school estate

At ITCD stage, the Authority requested shortlisted bidders to provide bid proposals for the provision of a maintenance/lifecycle service to D&B schools, however after discussion with schools we concluded that bid proposals did not demonstrate value for money, with schools expressing a preference to continue to have responsibility for this area. The provision of maintenance/lifecycle services to non-PFI schools is therefore not included as part of the LEP's responsibilities at this stage, although we have agreed that Schools will be able to secure proposals for a planned and reactive building maintenance service from the LEP as an Additional Service, if they wish to do so. To ensure a common standard across the Authority's secondary school estate, wording has been included within the Governing Body Agreements for D&B schools which requires such schools to maintain their facilities to a standard equivalent to PFI and which secures for the Authority the ability to take steps to ensure that the required standards are met should any school fail to do so.

6. LA investment in SPV – the LA should provide the details of the reasoning behind its decision not to invest directly into the PFI SPVs

The rationale for the Authority's decision not to invest directly into the PFI SPVs is covered in a report which was provided to BSFI and PfS, a copy of which is attached as Appendix 10. Given that there has been no further response from BSFI following close of Dialogue, it is our understanding that BSFI intend to take up the Authority's 10% stake to maintain the 20% public sector shareholding.

#### **A. Responses to Table 1 (not attached)**

#### **B. Responses to Table 2**

##### **1 Project Background and Scope**

- 1.1 In December 2006, the Department for Education and Skills (now DCSF) announced that Rochdale MBC had been included in Wave 4 of the Building Schools for the Future Programme.
- 1.2 The Authority recognises that BSF is a long-term programme of investment and change that will help transform education for secondary aged pupils by providing 21<sup>st</sup> century learning environments. The Authority's key BSF priorities are:
  - To continue to improve standards of teaching and learning, narrowing the achievement gap, measured through new improvement targets
  - To improve ICT
  - To recruit and retain a higher percentage of more able pupils through reducing outward migration at 11 and 16
  - To ensure a better match of provision to need through system wide restructuring at post 16 and through broadening the curriculum offer
  - To make more robust provision of 14-19 which ensures the roll out of specialist diplomas across providers by 2013
  - To contribute to community development and support regeneration.

- 1.3 Since the approval of our OBC, there have been some minor changes to the proposed age ranges of 3 schools. A new 150-place 6<sup>th</sup> form centre was opened at Middleton Technology School and the Governors of Wardle High School and St. Cuthbert's RC High School have made a decision to retain their current post-16 provision. There is no BSF funding allowed at this point to cover investment in any design and build element in respect of post-16 provision at these schools given the construction of a new LSC-funded Sixth Form College in Rochdale, which is due to open in September 2010. Any application for funding would be subject to a Stage 0 submission. In respect of ICT funding, PfS has agreed that funding can be provided for post-16 pupils subject to the school retaining its sixth form at the point of funding allocation. The FAM has been adjusted accordingly (see Appendix 5).
- 1.4 There have been no corporate or educational strategy changes to the Project since the approval of OBC, as confirmed by the letter from the Authority's Director for Children's Services (see Appendix 1). The context and background to the project remains as presented at OBC.
- 1.5 To confirm, the schools included within this Final Business Case are:
- Hollingworth Business and Enterprise College – new build (PFI)
  - Siddal Moor High School – D&B
  - Cardinal Langley RC High School – D&B
  - Matthew Moss High School – D&B
  - Falinge Park High School – new build (PFI)
  - Holy Family RC/CE College – new build (PFI)
  - Middleton Technology School – D&B
  - Kingsway Park High School (Springhill site) – D&B
  - St Cuthbert's RC High School – D&B
  - Wardle High School – new build (PFI)
  - Brownhill Special School – D&B
  - Darnhill Pupil Referral Unit – new build (D&B)
  - Saxon Hall Pupil Referral Unit – D&B
- 1.6 In addition two secondary schools, Oulder Hill Community High School and Language College and Redwood Special School, opened as PFI schools in September 2007. Their involvement in the BSF programme is restricted to ICT provision (through the LEP) and some additional minor building alterations at Oulder Hill Community High School, which will be undertaken by the existing PFI provider.
- 1.7 St Anne's Academy is under construction through the Academies Framework, and is due to be completed in September 2010. As for the existing PFI schools, St Anne's involvement in the BSF programme is restricted to ICT provision only.

### Scope of Partnering Services

- 1.8 The Authority is following the standard LEP model. Through procurement, we have selected a partner, *inspiredspaces*, who will provide the specific Partnering Services as included within our OBC and supporting documentation. We have confirmed with *inspiredspaces* that the LEP's scope of exclusivity will extend to the secondary school estate only, although we have discussed potential opportunities for the LEP to deliver other major capital projects.
- 1.9 The key partnering services are set out in Schedule 14 (Partnering Services Specification) to the Strategic Partnering Agreement.

### Scope of Works

- 1.10 The scope of the construction works, together with the phasing of such works and procurement model (PFI/Conventional), is set out in the Table below:

Scheme	Scope of works	Procurement Model	Phase
Balderstone High School	School to close in September 2013. Demolition funded through BSF. Pupils to transfer to Kingsway Park High School	n/a	n/a
Brownhill Special School	School to be remodelled on existing site	Conventional	3
Cardinal Langley RC High School	School to be remodeled on existing site	Conventional	1B
Darnhill PRU	New build on existing site	Conventional <sup>1</sup>	2
Falinge Park High School	New build on existing site	PFI	2
Heywood Community High School	School to close in September 2010. Demolition to be funded through BSF. Pupils to transfer to Siddal Moor Sports College	n/a	n/a
Hollingworth Business and Enterprise College	New build on existing site	PFI	1A (sample)
Holy Family RC/CE College	New build on existing site	PFI	2
Matthew Moss	School to be remodelled on existing site	Conventional	1B
Middleton Technology	School to be remodelled on existing site	Conventional	2

<sup>1</sup> Given the small size of this scheme, it was agreed with PfS at OBC stage that Darnhill PRU would be procured through the conventional route

Kingsway Park High School	New Trust school to be established from September [2013] on the current Springhill School site. Kingsway Park High School will be an amalgamation of the existing Balderstone and Springhill Schools	Conventional	3
Oulder Hill Secondary School and Language College	Existing PFI school. To receive some minor refurbishment funded through BSF, which will be carried out by the existing PFI provider	n/a	
Redwood Special School	Existing PFI school, no construction works required	n/a	
Saxon Hall PRU	PRU to be refurbished on existing site	Conventional	2
Siddal Moor Sports College	School to be remodelled on existing site	Conventional	1A (sample)
Springhill High School	School to close in September 2013. New Trust school (Kingsway Park High School) to be established on this site. Pupils to transfer to New Trust School from Balderstone and Springhill Schools	(as for Kingsway Park)	
St Anne's Academy	Academy procured through PFS National Framework	n/a	n/a
St Cuthbert's RC High School	School to be remodelled on existing site	Conventional	3
Wardle High School	New build on existing site	PFI	3

## Sample Schemes

- 1.11 There are two sample projects. One is a new build project delivered through the Private Finance Initiative (PFI) - **Hollingworth Business and Enterprise College**, Cornfield Street, Milnrow, Rochdale OL16 3DR. This is a 1200 place 11-16 school which is to be re-built on its existing site. The scheme involves the retention of the existing Sports Hall which has been built in the last 10 years.
- 1.12 The second is a design and build project - **Siddal Moor Sports College**, Newhouse Road, Heywood, Rochdale, OL10 2NT. This is a 1050 place 11-16 school which is to be remodelled on its existing site. The scheme includes elements of new build, remodelling and refurbishment.
- 1.13 Final designs for both sample schemes were passed to CABE for final review on 27<sup>th</sup> October 2009. Neither scheme was judged to have improved its rating from the previous review (undertaken on 23<sup>rd</sup> June 2009). The outcomes for each sample school are set out below:
- Hollingworth – Not Yet Good Enough (9 “Good”, 1 “Mediocre”)  
Siddal Moor – Mediocre (9 “Mediocre”, 1 “Poor”)
- 1.14 The Authority has reviewed the contents of the reports with Planning Officers who have confirmed that none of the issues raised would, in their opinion, result in a planning objection for either scheme. Both sample scheme projects received full planning approval at the respective Planning Committee meetings on 17<sup>th</sup> and 18<sup>th</sup> November, and copies of the planning decision notices are included at Appendix 9.
- 1.15 We recognise and welcome the positive spirit of the recommendations made within the CABE reports to help to realise the schemes’ potential to be high quality places to learn (e.g. planning conditions around landscaping, elevation detailing, resource strategies). Planning Officers have reflected the appropriate recommendations within the conditions attached to the planning decisions for both schemes (Appendix 9).
- 1.16 The Authority remains committed to ensuring good design quality for all its BSF schemes and we will reflect on and take account of the further CABE comments where we can as we move forward. For future schemes, the selected bidder has confirmed that it has internal peer review arrangements in place whereby architects from its wider design panel independently critique new scheme design proposals. This design panel approach also offers benefits in terms of offering access to a broader range of architectural resource and expertise in the development of new designs. Ongoing design quality will be supported on the client side by design reviews carried out by the Authority’s client design adviser, 3DReid, and with input from the Authority’s BSF team and CABE enabler, thereby also ensuring continuity and a consistency of approach.

## Scope of ICT services

- 1.17 The Authority is committed to the provision of an ICT managed service developed and delivered through the LEP. The ICT managed service will complement the education visions of the Authority and individual schools, and will interface with the Authority's corporate ICT systems. All risk for delivery of the ICT managed service will be borne by the service provider, taking full account of any existing and ongoing interface arrangements (as described in more detail below).
- 1.18 The ICT service provision has been determined by the key transformational drivers for the Authority as outlined in SfC1 and SfC2, which have been revisited and reconfirmed through Dialogue. The central role of ICT as a key enabler is recognised in these documents. This vision has been articulated on a school-by-school basis in their individual School Strategies for Change (SSfCs).
- 1.19 The Authority has an existing strategic partnership with Mouchel Parkman/Agilisys (collectively, the "Impact Partnership") that is responsible *inter alia* for the corporate ICT systems as well as aspects of delivery to primary schools and collection of data from all schools. There is no requirement for the BSF service provider to partner with the Impact Partnership or implement the same solutions, but the ICT provider will need to ensure that all necessary interfaces are managed and existing systems maintained.
- 1.20 The service provider will be responsible for delivery of a full managed service to all our secondary schools (including St Anne's Academy) as defined in the ICT Output Specification. This specification is as submitted at OBC stage. Our schools are committed to securing Borough-wide functionality and integration to support multi-site working for staff and pupils which will require an integrated Management Information System (MIS) and learning platform including common registration and presence-recognition systems linked to back office functions.
- 1.21 The service provider has committed dedicated funding to contribute to the implementation of a change management strategy in partnership with local delivery mechanisms such as Rochdale's REAL Trust, the national strategy consultants and the E-learning and Transformation Teams.
- 1.22 Rochdale has two existing City Learning Centres. The service provider has committed to work in partnership with the CLCs as key deliverers of the change agenda and to provide a platform within which future technologies can be anticipated, tested and evaluated to inform the continued development of the service provided. The CLCs will host the data centre and will also provide a base for the ICT transformational support. To facilitate this, the CLCs will have access to the WAN in order to support training and change management.

- 1.23 The Authority's ICT vision is predicated upon secure and effective connectivity. Secondary schools and CLCs have a separate WAN based on the CLCs' infrastructure with a year-on-year connectivity contract with a commercial provider (Zen Internet). Through BSF, the selected bidder has negotiated an alternative connectivity contract as an additional service. The Authority is minded to take this service in order to facilitate an end-to-end complete managed service.
- 1.24 The Authority is procuring ICT services through a single contract which will cover all schools within the BSF Programme (including the 2 existing PFI schools and the St Anne's Academy). The ICT contract will be structured through the LEP. All schools will therefore sign up to the ICT contract at Financial Close in December 2009.
- 1.25 The ICT services are split into "Core Services" and "Full Services". The Core Services comprise provision of the Virtual Learning Environment (VLE), Management Information Service (MIS) and a central data centre. Core Services will be available to all schools from September 2010. The Full Service additionally comprises provision of the new ICT devices and equipment, transfer of school ICT technical staff and the application of the payment mechanism. The Full Service will apply on a phased basis between September 2010 and September 2012, in some cases this will be before construction works to the schools in the later phases have been completed.
- 1.26 The ICT services are designed specifically to meet the Authority's requirements but are not substantially different from those offered elsewhere within the BSF market. Our approach is one of using tried and trusted (leading edge) solutions rather than cutting edge, more riskier solutions. The chosen ICT provider, Capita IT Services, has a proven track record in schools IT and, with the takeover of Carillion IT, has developed a BSF portfolio.
- 1.27 Within the LEP, the Strategic Transformation Manager will have overall responsibility and accountability for the ICT service. There will be a designated ICT liaison officer within the Authority's Schools Service to oversee implementation and delivery.

### *Scope of FM Services*

- 1.28 The Authority recognises that the LEP will deliver hard FM services to all PFI schools. In addition, the LEP will also provide soft FM services comprising caretaking, cleaning, grounds maintenance, security, waste management, portorage, helpdesk facilities, utilities (excluding rates which will remain the responsibility of the school), health & safety and third party use. Catering is not within the scope of the FM Services.

- 1.29 The provision of hard and soft FM services to non-PFI schools is not included as part of the LEP's responsibilities at this stage. However, schools will be able to secure proposals for a planned and reactive building maintenance service from the LEP as an Additional Service. Wording has been included within the Governing Body Agreements for D&B schools which requires such schools to maintain their facilities to a standard equivalent to PFI and which secures for the Authority the ability to take steps to ensure that the required standards are met should any school fail to do so. This strengthens the Authority's statutory duty to ensure the proper maintenance of its schools and confirms the schools' agreement to such.
- 1.30 Currently full hard and soft FM service delivery is provided by an existing PFI provider at Oulder Hill and Redwood Schools. This arrangement will continue and, other than ICT, the LEP will not provide any services to these two schools.
- 1.31 As noted in Section 1.8 above, the scope of the LEP's exclusivity will be limited to the secondary school estate, with other Additional Services identified. It is not intended that the LEP will provide any direct educational or other support services such as teaching or administration support for BSF schools.

## 2 Procurement

- 2.1 The Authority has adopted a standard LEP model approach, with a combination of PFI new build and D&B, with an ICT managed service across all secondary schools. Table 1 sets out the preferred procurement route (PFI / D&B / ICT only) for each School within the Authority's BSF Programme.
- 2.2 Expressions of interest for the overall BSF Programme were sought through the publication of a single OJEU notice, in accordance with EU Procurement Regulations. Five initial expressions of interest were received, of which 4 pre-qualified to submit ITPD documentation. Following evaluation, a shortlist of 3 bidders were invited to Commence Dialogue. Through Competitive Dialogue and a further round of evaluation, one bidder was de-selected and final Dialogue continued. Final Bids were received on 4<sup>th</sup> August 2009 and the Authority appointed its Selected Bidder, *inspiredspaces*, on 21<sup>st</sup> August 2009. Financial Close is planned for December 2009. Competition has been appropriately maintained at all stages of the procurement.
- 2.3 The Authority's key BSF procurement milestones are set out in the table below. At all stages of procurement, the Authority has followed guidance and standard documentation provided by PfS, in addition to taking advice from its external legal advisers, Bevan Brittan LLP, and internal procurement team.

Key Milestone	Completion Date
Strategy for Change Part 1	May 2007
Strategy for Change Part 2	October 2007
Bidders Day	9 November 2007
Outline Business Case	Approved 20 May 2008
Issue of Official Journal of European Union (OJEU) Notice to prospective bidders	29 May 2008
Issue Memorandum of Information, Pre Qualification Questionnaire, (PQQ) Initial Project Submission documentation	29 May 2008
Evaluation and longlisting	June/July 2008
Issue Invitation to Participate in Dialogue (ITPD) to longlisted bidders	29 July 2008
Evaluation and shortlisting	August/September 2008
Issue full Invitation to Commence Dialogue (ITCD) to shortlisted bidders	17 September 2008
ITCD submission date (Initial Bids)	12 January 2009
Active Competitive Dialogue evaluation and clarifications to refine Initial Bids	January – March 2009
Deselect 1 (of 3) bidders & issue Invitation to Submit Final Bids (ITSFB) to remaining 2 bidders	16 March 2009
Close of Dialogue	31 July 2009
Receipt of Final Bids	4 August 2009
Selection of Preferred Bidder	21 August 2009
Alcatel period	2 –12 September 2009
Programme to Close (establishment of shadow LEP, Planning Approvals, FBC Approval etc.)	August – December 2009
Commercial/Financial Close	December 2009

### 3 Resource Management

- 3.1 A resource management plan was considered and approved by Cabinet on 26<sup>th</sup> October 2009, a copy of which is attached at Appendix 2 (cf. section 16). The resource management plan identifies the required level of resources to be retained within the Authority together with a contingency for external adviser costs. The Cabinet has initially allocated £600,000 in both 2010/11 and 2011/12 to support the development of New Projects. However this is a shared responsibility with the LEP where certain activities have been undertaken and funded through BSF in line with the Partnering Services Specification which has been amended to reflect the likely transfer of staff currently employed in the Authority's BSF team to positions within the LEP.

## Risk Management

- 3.2 The Authority's headline strategic risks are incorporated within a risk register, a copy of which is attached at Appendix 3. Many of the risks identified have been transferred into a jointly agreed risk register for the LEP
- 3.3 In addition, school/site level risks and issues are held at a lower level and are monitored by designated project managers within the BSF Project Team. In each case, all risks have been identified and quantified, for both retained and allocated PFI and conventional funded schools, as high, medium and low (impact / probability).
- 3.4 The risk register is regularly reviewed and updated, and this will continue post financial close. Any key changes to the risk register are highlighted and reported at both Project Team and Project Board level.

## 4 Derogations

- 4.1 The Authority confirms that it has not sought any material derogations from the Standard Form documentation, and that all proposed derogations from the latest version (version 4) of the Standardisation of PFI Contracts guidance issued by HM Treasury have been approved by Partnerships UK (PUK). We have maintained close contact with our designated PfS Project Director and Commercial Manager throughout Dialogue and all derogations in respect of the key BSF contracts have been submitted to PfS for approval. We are currently working through PfS' comments with them and our external legal advisers. We anticipate that all comments will be resolved by the end of November. We confirm that the Authority has not moved away from the recommended contractual risk allocation position as set out in the standard PfS documentation.

## 5 Delivery Programme

- 5.1 We are pleased to advise that the original project timetable has been upheld, with planned start on site in January 2010 for the first 2 sample schemes. Phase 1B schemes are already the subject of Stage 0 approval applications in the New Projects Approvals procedure. We anticipate that Phase 1B projects will start on site in July 2010, Phase 2 projects in January 2011 and Phase 3 projects in January 2012. All construction work within the Authority's BSF Programme is due to be completed by January 2014.
- 5.2 Maintaining the delivery programme was a key issue for discussion during Dialogue and one of the reasons we chose *inspiredspaces* as our Selected Bidder was the confidence they gave in respect of delivering the non-sample schemes to a very robust timetable.

- 5.3 Like all BSF projects, some individual school schemes have risks associated with site issues etc which result in a need to rephrase and this may be the case in Rochdale. However our intention is not to delay project delivery but where there is a project that may need to be delayed we will look to bring another school forward in the delivery programme.

## **6 Approved Funding Allocation Model**

- 6.1 A copy of the FAM, as approved by PfS on 21<sup>st</sup> July 2009, is set out at Appendix 5.

## **7 Section 151 Letter**

- 7.1 A letter from the Authority's Section 151 Officer underwriting the Authority's BSF Programme and confirming that the remainder of the Wave remains affordable is attached as Appendix 6.

## **8 School and other stakeholder approvals**

- 8.1 Each School has signed a Governing Body Agreement confirming their commitment to the Programme in respect of ICT, FM and Lifecycle proposals (where applicable). Copies of the signed Governing Body Agreements are attached as Appendix 7.
- 8.2 The D&B sample scheme, Siddal Moor, confirmed its commitment to indicative FM and lifecycle figures at OBC stage and a copy of the school's commitment letter is attached as Appendix 11. These indicative FM and lifecycle figures have not changed from OBC.
- 8.3 We confirm that there are no capital contributions to be made from either of the sample schools or any other stakeholders. The Authority's capital contributions are dealt with at section C9 (Responses to Table 3 - Capital Contributions) below.
- 8.4 There are no Diocesan approvals required for the sample projects.
- 8.5 Foundation / Trust issues have been addressed through the Governing Body Agreements for the relevant schools.

## **9 Cabinet / Member Commitment**

- 9.1 Cabinet on 17<sup>th</sup> March 2008 agreed the affordability parameters for the BSF Programme. This was revised in respect of the Hollingworth PFI sample scheme on 26<sup>th</sup> October 2009. Cabinet also affirmed its approval of the proposed project resourcing to March 2012 on 26<sup>th</sup> October 2009. Copies of the Minutes of both Cabinet meetings and relevant Reports are attached at Appendix 2.

## **10 KPIs / Benchmarking**

- 10.1 The completed PfS templates setting out the required KPI data for the PFI and D&B sample schemes (as extracted from the selected bidder's financial and technical proforma) are attached at Appendix 8.

## **11 Planning Process**

- 11.1 Full Planning Applications have been submitted and are currently subject to the formal planning consultation process. Public consultation events have been held at both schools, with an opportunity to comment on the displayed drawings. Full planning approvals for both sample schemes were obtained at the Township Planning Committee meetings on 17<sup>th</sup> and 18<sup>th</sup> November 2009. Copies of the planning decision notices are attached at Appendix 9.
- 11.2 Copies of the final design drawings for the sample schemes have been submitted to CABE and were reviewed on 27<sup>th</sup> October 2009. Details of the outcome of the review are set out at sections B1.13 – 1.16 (incl) above.

## **12 Evidence of other statutory approvals**

- 12.1 There are no other statutory approvals required for the sample schools.

## **13 Responses to Table 3**

- 13.1 Please see Section C (Responses to Table 3) below.

## **14 Letter from Director of Children's Services**

- 14.1 A letter from the Authority's Director of Children's Services, confirming the Authority's continued commitment to the educational transformation strategy as set out in the Authority's Education Vision and Strategy for Change, is attached at Appendix 1.

## **C. Responses to Table 3**

### **1 Changes in scope / phasing**

- 1.1 There are no changes to the scope of the Authority's BSF Programme or phasing proposals for the sample schools since OBC. Three of the schools in later phases have new or retained post-16 provision, as outlined in section 1.3 above, with no ICT funding provided within the FAM for such. This will be raised in future Stage 0 submissions and FBC documentation for those schools.

## **2 Budgets for the whole Wave**

2.1 The Authority has confirmed it has approved and realistic budgets in place to complete the approvals (New Project Development) processes for all projects within the whole Wave, i.e. to April 2012. The management arrangements beyond that date will be subject to a future report to Cabinet (see section B3.1 (Resource Management)).

## **3 Contingency arrangements**

3.1 The Authority has made provision for a contingency for the non-sample schemes by using the proceeds from the disposal of two surplus school sites. If not required before works are commenced for phase 3 schemes, it has been agreed with PfS that the Authority will use all available proceeds from these sales to enhance the funding available for the final projects.

3.2 The section 151 letter included at Appendix 6 commits to returning any unspent elements of the BSF funding allocation at the end of the whole Wave procurement.

## **4 Client / delivery phases**

4.1 The arrangements for managing the client side and delivery phases of the Programme are outlined in the Cabinet report dated 26<sup>th</sup> October (cf. section 10).

## **5 Finance and Affordability**

### **5.1 Value for Money (PFI)**

5.1.1 The Authority has adopted the revised Treasury (November 2006) approach to the assessment of Value for Money during procurement. In particular the Authority confirms that it believes that there has been no market abuse during the procurement process.

5.1.2 The VfM guidance issued by the Treasury (November 2006) clarifies that an updated quantitative analysis is not generally required at the FBC stage. In order to demonstrate that this is the case the Authority can confirm the following:

- That there have been no significant scope changes since the OBC was approved and the project costs remain broadly in line with the estimates included in the OBC.
- That there has not been market failure during the procurement process as four PQQs were received allowing three bidders to proceed with the competitive dialogue process.
- That the overall procurement programme, including the Selected Bidder period, has remained broadly as anticipated at the outset of the procurement process.

5.1.3 The Authority therefore confirms that it considers the PFI sample scheme to continue to offer Value for Money as compared to a Public Sector Comparator.

5.1.4 The remaining Phase 2 and Phase 3 schemes remain as set out in the OBC. Whilst the Authority recognises that there are external factors such as funding costs and inflation that would impact on the quantitative analysis undertaken at OBC, it does not consider that it is necessary at this stage to undertake any further work on these schemes from a Value for Money perspective. This is because the qualitative arguments at OBC stage in favour of PFI were very strong and because the crude PFI VFM benefit at 13.00% IRR was over 5% for Phases 2 and 3. The Authority will continue to monitor and review at Stage 0 for future phases of PFI.

## **6 Value for Money (Conventionally Funded Schemes)**

6.1.1 The HM Treasury guidance on VFM is not applicable to D&B contracts in BSF.

6.1.2 The Authority can confirm that the cost of the D&B sample scheme solution offered by the Selected Bidder is 'on market' and the target cost remains within the original approved OBC affordability envelope.

### **Value for Money (ICT Projects)**

6.1.3 As per the VFM assessment on conventional projects, the HM Treasury guidance on VFM is not applicable to ICT contracts in BSF.

6.1.4 The Authority can confirm that the cost of the ICT solution offered by the Selected Bidder is 'on market' and the capital and revenue costs remain within the original approved OBC affordability envelope.

6.1.5 The Authority has undertaken a rigorous and highly competitive ICT procurement, through which bidder catalogue prices were benchmarked by the Authority and its external advisers. As such, the Authority is confident that the VFM test will be met from the outset of the ICT contract.

6.1.6 The Authority has also established mechanisms to ensure that value for money for ICT equipment is maintained between financial close and the purchase of equipment for individual schools, including:

- The implementation of a revised specification process to ensure that the device catalogue continues to reflect changes in prices and specifications. The Authority requires that the provider undertakes benchmarking as ongoing evidence of VFM, thus demonstrating that equipment continues to represent best value. It is anticipated that each school will determine its final device selection no earlier than six months prior to device delivery and installation.
- During contract operations the provider is required to prepare an annual service report, including customer satisfaction surveys. Under Section 12 of the ICT contract the Authority may serve a "Best Value" notice if it is not satisfied that prices and specifications remain attractive and competitive. The Authority requires the provider to use this annual report to provide evidence of ongoing VFM through appropriate benchmarking.

## **7 Affordability**

- 7.1.1 This section sets out the affordability position for all schemes in the Authority's BSF programme.
- 7.1.2 The affordability position of the sample schemes is based on the final selected bidder unitary charge (PFI), target price (D&B) and ICT Managed Service Provider costs.
- 7.1.3 The Authority has undertaken an initial review of the external factors that will have impacted Phases 2 and 3 since the OBC analysis was undertaken.
- 7.1.4 For both PFI and D&B schemes, the estimated construction costs will have been impacted by the downward movement in construction indexation. However the Authority also recognises that the underlying funding will reduce due to the reduction in the Pubsec indices. The Authority's current strategy is that any inflationary increases and decreases will be passed on to the LEP in the affordability envelope. It however recognises that this will need assessing on a scheme by scheme basis on the approach to Stage 0 for each phase.
- 7.1.5 For the PFI schemes, funding costs have increased since OBC stage. As the next phase of PFI is not due to reach financial close until January 2011, the Authority has not undertaken any further detailed analysis at this stage however the Authority will continue to monitor the factors impacting affordability and keep Members updated on this over the next year.
- 7.1.6 The Authority can confirm that no DCSF capital funding is being used for revenue purposes in any of the following affordability positions.

## **7.2 The PFI Projects**

- 7.2.1 This section sets out the Unitary Charge and affordability position of all PFI projects in the Wave in the following tabular format highlighting any movements from those stated at OBC: (not attached)

The Authority confirms that, subject to note 1 and note 2 above, the Authority contributions approved at OBC remain sufficient to meet the financial requirements of each phase of PFI. As such, the Authority confirms that the PFI schemes remain affordable.

## **7.3 Conventionally Funded Design & Build Projects**

- 7.3.1 This section sets out for all conventionally funded projects in the Wave:

*Capital Costs (not attached)*

- 7.3.2 In relation to the sample D&B scheme, the Authority has achieved an affordable solution. The Authority requests to draw down the full amount of committed funding in order to manage any contingency requirements.

- 7.3.3 The Authority can confirm that it remains committed to funding the capital contributions required to deliver the future phases of D&B.
- 7.3.4 The schools have agreed to fund a level of D&B maintenance as set out in the Governing Body Agreements (see Appendix 7).

## **7.4 ICT projects**

- 7.4.1 This section sets out the agreed costs (capital and revenue) for the ICT managed service contract. The Authority is seeking approval for the ICT funding for the whole Wave in order to support a single contract covering all schools, including St Anne's Academy. The ICT contract will contain appropriate schedules covering delivery of a core service (until the point of refurbishment/rebuild), followed by full ICT Operational Services.
- 7.4.2 The Authority and Headteachers are keen to secure the maximum benefits of the managed service for all schools as swiftly as possible. A key feature of the Authority's requirements is the creation of a strong, robust central infrastructure providing common platforms to all our schools. This will facilitate the further development of multi-site working for staff and pupils which is required to support the rapid expansion and roll out of our diploma offer from 2010. It will also ensure that the DCSF aspirations of schools providing mutual support and challenge is more easily realised by ensuring there is a reliable infrastructure available to all schools to allow them to benefit from and to deliver collaborative learning, remote support and reliable inter-site communications.
- 7.4.3 The provision of services to all schools from September 2010 also greatly eases the change management strategy by ensuring that all schools can engage in and benefit from the economies of scale to be gained through a blended programme of Authority-wide training, school specific training and support and peer workshops.
- 7.4.4 The Authority recognises that a phased entry into the full managed service is unavoidable for most schools. However, we are keen to avoid the difficulties which arise from a phased exit (e.g. the potential need to scale down the service progressively). In particular, the creation of a single end point for the contract greatly eases the renegotiation of the contract or the development and implementation of an exit strategy should that prove necessary. A central benefit of BSF is realisation of an estate wide solution with a commonality of provider and approach. The extension of this benefit beyond BSF funding relies upon all schools being actively involved in the design and negotiation of such an extension. The Authority believes that a series of staged contracts linked to the construction programme on each site would result in schools exiting the contracts at different times and would act as a powerful disincentive to the whole estate approach to the sustainability of the BSF benefits.
- 7.4.5 This single end point also enables any necessary supporting services for all schools (e.g. WAN connectivity contract) to be aligned to the BSF contract and its extension.

7.4.6 The development of a single contract covering the first 5 years of the BSF managed service with a Schedule covering the full operational service and related Schedules covering the core services and the transfer between the full and core is the basis on which the OBC was submitted and approved and on which the subsequent commercial and legal negotiations were conducted. In so doing, we believe that we have maximised the benefits for pupils and schools and eliminated some potential difficulties.

7.4.7 We therefore seek approval for funding as outlined in Para 7.4.1 above.

7.4.8 *St Anne's Academy (not included)*

## **7.5 Authority investment in the LEP and PFI**

7.5.1 In respect of the investments into the LEP and PFI:

- The Authority confirms that it intends to become an equity partner in the LEP.
- As agreed with PfS and BSFI, the Authority will not invest directly in the PFI SPV.

7.5.2 The agreed investments are summarised below: (not attached)

## **8 BSF Affordability Models**

8.1 The affordability position for PFI, D&B and ICT projects is included within section 7 above.

### *Other resources available*

8.2 The schools are committed to making their contribution to ICT revenue funding as set out in the Governing Body Agreements. In addition, the Governing Body Agreement for Hollingworth includes their agreed committed funding to the PFI scheme to cover the FM costs of the project. Copies of the Governing Body Agreements for all schools are set out in Appendix 7.

8.3 In addition, Cabinet approval to the revenue contributions and investments is included at Appendix 2.

## **9 Capital Contributions**

9.1 No Capital Receipts are being used to fund the sample schemes, although as per the OBC the Authority has agreed with PfS to retain full capital receipts from land disposals to enable Phases 2 and 3 to be delivered.

## **10 Risk allocation**

10.1 There has been no change to the risk allocation since OBC.

## **11 Contractual documentation**

- 11.1 The Authority confirms that it has used the latest PfS standard documentation and that all proposed derogations to the key BSF contracts have been reviewed and approved by PfS and PUK (as appropriate).

## **12 ICT Contract**

- 12.1 The Authority confirms that ICT is being procured as part of the LEP.

## **13 Project Management Structure post-financial close**

- 13.1 The Authority's project management arrangements post-financial close are set out in section 10 of the Cabinet report dated 26<sup>th</sup> October (Appendix 2).

## **14 Section 77 approvals**

- 14.1 The Authority is not seeking to dispose of playing fields which require Section 77 approval.

## **15 Other statutory processes**

- 15.1 See response to Table 2, section 13 above.

## **16 Change Management Strategy and Plan**

- 16.1 The change management strategy and plan have been developed through Dialogue with Inspiredspaces, taking account of School requirements and experiences of bidders on earlier projects.

## **17 School SfCs / Design options**

- 17.1 The Authority confirms that the sample school designs reflect the requirements of the Schools' Strategies for Change (SSfCs) and offer opportunities for future flexibility to accommodate different teaching models and organisational structures.

## **18 Educational KPIs**

- 18.1 The educational KPIs proposed for this Project match the principal intents of the Authority's Education Vision and strategy and have been developed through Dialogue taking account of experiences elsewhere.

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