

# LEEDS PRIMARY SCHOOLS PFI PROJECT

## CONTENTS

1. FORWARD	2
2. PROJECT SUMMARY	4
3. OPTION APPRAISAL	20
4. AFFORDABILITY	27
5. PROJECT BANKABILITY	29
6. PROJECT MANAGEMENT AND PROJECT TIMETABLE	30
7. OUTPUT SPECIFICATION	35
8. RISK ALLOCATION AND ACCOUNTING TREATMENT	39
9. TERMS AND CONDITIONS OF THE PROJECT AGREEMENT	51
10. COMMITMENTS OF SPONSORS AND STAKEHOLDERS	52

## APPENDICES

1 CAPEX COSTS
2 OPERATING COSTS
3 PUBLIC SECTOR COMPARATOR
4 PFI OPTION
5 FINANCING ESTIMATE
6 ANNUAL DEBT REPAYMENTS FOR THE CONTRACTOR
7 NPV OF THE UNITARY CHARGE
8 VFM METHODOLOGY
9 VFM APPLICATION
10 AFFORDABILITY TO THE COUNCIL
11 DFES TOOLKIT OUTPUT

# LEEDS PRIMARY SCHOOLS PFI PROJECT

## 1. FORWARD

### 1.1 Background

Leeds is the second largest Metropolitan District in England, with a population in excess of 720,000. It is acknowledged as being one of the most successful cities in the UK over the last ten years. Despite this, the Council key concern is that not all people are sharing in its success and that within its boundaries are multiple deprived communities.

In its Corporate Plan 2002 - 2005, entitled 'Closing the Gap' the Council continues to seek to address this issue as raised by the local people through the 'Vision for Leeds' initiative and to respond to the Government's agenda for change.

This is summarised in the Council's Mission statement:

*'The Council seeks to bring the benefits of a prosperous, vibrant and attractive city to all the people of Leeds'*

This mission statement is contextualised in the 6 priority themes of the 2002-2005 corporate plan:

1. Creating better neighbourhoods & confident communities
2. Making the most of people
3. Competing in a global economy
4. Integrated transport
5. Looking after the environment
6. Planned approach to technology

Within the 'Making the most of people' theme are the Council's priorities for Education and improving the prospects of young people in the city.

The Council considers that poor educational attainment and under performing schools not only trap individuals and communities in a web of low achievement and poverty but can be a breeding ground for social problems. The Council therefore has set the raising of educational attainment as its highest priority.

Education Leeds, a company wholly owned by the Council and created following the 1999 OFSTED inspection, has reflected this priority in all the Education Development Plans (EDP) since its inception and the 2003 - 2007 EDP is no exception to this. In this latest EDP it acknowledges Early Years and Primary Education as being one of four key areas identified as requiring the targeted resources and activity of the LEA.

In support of this priority the Council has taken every opportunity to invest in Education. The Council recognises that the condition and suitability of buildings

## LEEDS PRIMARY SCHOOLS PFI PROJECT

has a direct impact on educational standards, affecting both the way children work and learn and how teachers teach. The provision of new accommodation is integral to the Council's raising attainment priority.

The schools in this PFI project are included as they fall below the recognised Asset Management criteria of condition, suitability and sufficiency. Some of the schools are on split sites, some have limited, if any, external space and buildings in extremely poor conditions, all of which means a detrimental effect on the delivery of the curriculum.

The main objective of this project is therefore to provide schools with the highest quality learning and teaching environment, fit for purpose at all times.

In addition, a number of surplus places will be removed, as a result of the merger of the separate Infant and Junior schools at Yeadon South View into a smaller Primary School and the reduction in size of Cookridge Primary School.

The Council faces a significant challenge in the area of reducing surplus places across the city and consequently this project will assist the Council in achieving that objective.

In response to Government initiatives, all the schools will be built to permit fully integrated early years provision to operate flexibly within the buildings and to permit out of school hours and community activities to increase and be adequately accommodated.

# LEEDS PRIMARY SCHOOLS PFI PROJECT

## 2. PROJECT SUMMARY

### 2.1 Project Aims

The main aims of the project are:

- to continue to address the most urgent condition, suitability and sufficiency needs in the Primary school sector in Leeds;
- to deliver a first class, fully accessible, learning environment allowing high quality education to be delivered, contributing to the raising of educational standards;
- to ensure designs fully embrace the requirement of the DfES, as expressed in its 2003 publication 'Building Schools for the Future' that:

*“schools must be designed to meet the needs of pupils and teachers in the 21st Century. We want to promote the best designs for all schools. Good design raises educational standards and improves the quality of life within a school”;*

- to ensure designs are based on the CABE design principles, supported by the DfES of:
  - Functionality in use
  - Build quality
  - Efficiency and sustainability
  - Designing in context
  - Aesthetic quality;
- to ensure building design and delivery meets all the requirements of appropriate DfES Building Bulletins and guidance, both general (e.g. BB82 - July 2002) and specific (e.g. BB93, Acoustics in school);
- to ensure the facilities provided meet all the spatial consequences of recent Government Education initiatives;
- to ensure the facilities provided are fully compliant with the requirements of the Disability Discrimination Act and provide fully inclusive facilities for all users at all times;
- to provide fully integrated early years provision, in accordance with the Care Standards, providing more flexible and extended facilities to parents;
- to provide available resources, through flexible, accessible and appropriately equipped premises to the wider community;
- to ensure internal finishes and fittings, together with loose furniture, are of high quality and are durable, sustainable and always fit for purpose;

## LEEDS PRIMARY SCHOOLS PFI PROJECT

- to achieve an affordable solution which gives good value for money, through the Private Finance Initiative;
- to assist the Council in reducing surplus Primary places;
- to provide external hard and soft play areas in accordance with DfES guidance to encourage the outdoor curriculum through direct access from classrooms to outdoor teaching areas wherever possible;
- to provide a safe yet stimulating external environment for all pupils;
- to adhere to all planning and highways requirements to ensure safety in approaching the schools and in the access and egress from school sites for all school users;
- to ensure all sites are secure, providing appropriate safety for children and other users and that building security and integrity can be maintained at all times;
- to ensure the ongoing Facilities Management of the schools ensures they are available and fit for purpose at all times;
- to open all 10 schools in a phased period through July and August 2005 ready for full service commencement from September 2005 (Autumn Term 2005/2006).

### 2.2 Project Scope

**To replace 12 existing primary, junior and infant schools (some with sessional nursery provision) with 10 Primary schools to include fully integrated early years provision on sites in the ownership of the Council. To accomplish this through a new build solution in partnership with the private sector, who will be required to design, build, finance and operate the new premises for a substantial contractual period.**

- 2.2.1. **Delivery:** The Local Education Authority (LEA), through Education Leeds and in conjunction with the School Governing Bodies intend to deliver this as a single project through the Government's Private Finance Initiative (PFI).
- 2.2.2. **Risk:** The preferred private sector partner will be required to take on the associated risks and responsibilities inherent in this process will operate a range of ancillary services allowing teaching staff to focus on pupil needs and raising standards rather than on building and operational problems.
- 2.2.3. **Main Objective:** The objective of the LEA is to enable Governing Bodies, staff and pupils at each of these schools to have access to a quality teaching and learning environment, suitable and fit for purpose at all times.

This accommodation, both internal and external, must be such as to ensure the full curriculum can be delivered, at all times. Access to this curriculum must be to

## LEEDS PRIMARY SCHOOLS PFI PROJECT

all pupils in a fully integrated environment which does not discriminate in any way against any user.

In addition, the premises should be suitable and accessible for use by the wider community for a variety of functions, from fully integrated early years provision to out of school hours, evening and weekend activities.

- 2.2.4. **Spatial principles:** In order to ensure 2.2.3 above can be fully delivered and to take account of other government initiatives which have the effect of requiring additional space in Primary schools, such as the DfES 'Time for Standards', provision of Learning Mentors, SEN integration, the size guidance expressed in the revised draft BB82 issued in July 2002 has been used.

However, following discussion with DfES officials in October 2002 it was accepted that the net effect of the revised BB82 draft over and above the working totals being used by the DfES at the time of the OBC was in fact 5%.

Ensuing from those discussions was the understanding that an additional 5% increase, above the 1996 BB82 guidance plus 10% was appropriate.

- 2.2.5. **Accessibility & Inclusion:** Pursuant to the DfES Schools Access Initiative 2002/03 (Jan 03), DfES BB91,94 and 95 and specific new advice from Inclusion experts, each school (with the exception of Kippax Ash Tree) is to be equipped with a Care Suite rather than simply an accessible toilet. The Care Suites contain:

- a disabled toilet (sufficient space to allow assistance from 3 sides);
- a disabled shower;
- a sink;
- a storage cupboard.

Kippax Ash Tree Primary School is to have resourced facilities to accommodate up to 12 physically disabled pupils. The 2002/03 Schools Access Initiative and advice on current best practice from Inclusion experts means this school has an increased requirement to 2 hygiene rooms and a physiotherapy room. The hygiene rooms are required to contain:

- a disabled Toilet (sufficient space to allow assistance from 3 sides);
- a disabled shower;
- a sink;
- a sluice;
- a changing trolley;
- a hoist;
- a storage cupboard.

- 2.2.6. **Use by Community:** For some time Local Authorities have been encouraged by government to ensure that assets such as school buildings are available out of hours for the use by the Community. This is traditionally, largely thought of as a Secondary school issue, where the more advanced facilities (sports facilities, gymnasium, drama and music facilities and ICT facilities) attract use by the community.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

Commonly it has been thought that Primary Schools have much less community use potential. However, Leeds City Council, has for some time recognised that primary schools are very much at the heart of local communities and has encouraged the out of hours use of primary schools, through its Community Use Policy and other local area initiatives.

Unfortunately, the lack of available space and adult sized facilities in a primary school is a limiting factor to local community use. The Council has therefore, determined that new primary schools should be built with appropriate community facilities. These facilities are designed to be multi functional and will therefore enable their use for such activities as: local meetings; surgeries and forums; parental gatherings and functions; out of school club use. The facilities will be central to creating and maintaining links between the school and its local community.

2.2.7. **Community room:** The publication of DfES Building Bulletin 95 in summer 2003 confirmed that a community room and facilities should be part of new Primary schools. All these schools include a community room facility.

2.2.8. **Changing facilities:** Further to BB95 and in accordance with:

- Sport England;
- the requirements of planning consents;
- the Council's objectives to permit and encourage community use of the school facilities.

Some changing accommodation within these Primary Schools will be built to adult size and standards. This will meet the requirement of having adequate private changing accommodation available for use by Year 6 pupils and will also permit schools to be able to enter teams into competitive sports which require such facilities as a condition of entry.

2.2.9. **Fully Integrated Early Years Provision:** Government initiatives and plans encourage extended school facilities to develop more flexible and integrated childcare facilities which will allow parents to access training and employment while their children are benefiting from facilities and care which optimises their social and educational achievement.

In response to local stakeholder consultation, Leeds City Council has accepted and approved that each school in this project and all future projects involving the building of new Primary Schools, should contain provision for fully integrated Early Years provision (FIP). This provision may be managed by the school, voluntary or private providers within the school premises or, in accordance with the 2002 Education Act, by the Governing Body under the new powers granted to it. In this project there will be 2 sizes of Early Years provision:

- 26 place sessional care with 8 of those places (16 children) being FIP
- 39 place sessional care with 12 of those places (24 children) being FIP

This means provision allowing for up to 34 pupils and 51 pupils respectively to be in the provision at any one time with the FIP children requiring lunch each day. For FIP children, this facility will be available for 50 weeks each year (as opposed to the more traditional 39 weeks of a sessional nursery).

## LEEDS PRIMARY SCHOOLS PFI PROJECT

This increased requirement throughout the school day and increased use during school holidays requires that each school in the project provides additional teaching space with associated non teaching space and circulation in the early years area with the consequent lifecycle and facilities management implications and costs.

The Care Standards direct the former and BB82 principles have been applied to determine non-teaching additions.

The precise amount of increased space is dependent on whether the school has 34 or 51 fully integrated place provision (see Project Outline below). Appropriate additional furniture and fittings are also required.

- 2.2.10. **Fire sprinkler systems:** It has become a condition of the Council's insurers, and the insurance industry generally, supported by the strongest recommendations from the West Yorkshire Fire Authority, that all new schools are fitted with fire protection sprinkler systems. These systems are required to be to a property protection standard with life protection required in certain named areas. All these school will be fitted to this standard.
- 2.2.11. **Acoustics (BB93):** The impact of the publication of DfES Building Bulletin 93 (Spring 2003) 'Acoustics in Schools' has been significant across the school design and building industry on a wide range of issues including, cavity widths, insulation standards, window design & construction, roofing weights, ventilation systems and even building placement. All have significant cost implications.

As a consequence of the publication of BB93, the Council has had to alter its design output standards and subsequent performance standards for this project to ensure the requirement that BB93 is fully met.

Cookridge, Horsforth St Margaret's, Yeadon South View and Rawdon Littlemoor are directly under the daily flight path of Leeds Bradford airport and Lower Wortley will be located on a site which borders the Leeds Ring Road. The effect on the design, materials required to be used and subsequent costing on these four schools in the project is considerable.

### 2.3 Project Outline

The Project Scope (see section 2.2 above) applies equally to all the schools in the project. However, each school site is unique and poses different challenges as regards such matters as size, shape, topography, access, drainage, soil type, environmental features, planning requirements and restrictions and adjacencies. Additionally the schools are of different size intakes and one is a resourced school for physically handicapped pupils.

The following is a brief analysis of the schools and the development proposals at each site through this PFI Project.

#### 2.3.1. Cookridge Primary School



## LEEDS PRIMARY SCHOOLS PFI PROJECT

Cookridge Primary School is located in the North West wedge (the city is divided into 5 wedges). Its existing buildings permit a 2FE capacity limit, the new school is to be built to 1.5FE with a 34 place Fully Integrated Early Years Provision (FIP).

The required facilities need to accommodate:

- 315 pupils aged 4 - 11 years
- 1 Headteacher
- 11 Teaching staff
- 13 Non teaching staff
- 34 Early years places for 3 - 4 year olds
- 5 Early years staff.

The replacement school is to be built within the existing school site. In order to ensure minimum disruption to the pupils education during construction it is proposed that the new school be built on the existing playing field. Then, once the new school is operational, the contractor will demolish the existing buildings, reinstating the land to soft and hard play, with appropriate site landscaping.

In accordance with DfES guidance, the site is sufficient for a school of this size, however the site has a substantial slope which is likely to require designers to opt for a split level solution.

A split level solution must still ensure that the building is completely accessible to all users and consequently will contain a lift and required infrastructure.

Cookridge Primary is fewer than 1½ miles from the runway of Leeds Bradford Airport and is directly under the approach path. A far higher standard of acoustically secure materials will be required for the roof, insulation and windows. In addition as opening windows would lead to breaches in BB93, a greater use of mechanical, as opposed to passive, ventilation is also anticipated.

### 2.3.2. East Ardsley Primary School

East Ardsley Primary School is located in the South wedge of the city. The current admission limit is 50 with a 39 place sessional nursery. The new school will regularise to a 1.5FE with a 51 place fully integrated early years provision.

The required facilities need to accommodate:

- 315 pupils aged 4 - 11 years
- 1 Headteacher
- 11 Teaching staff
- 13 Non teaching staff
- 51 Early years places for 3 - 4 year olds
- 6 Early years staff.

The existing school is located on a split site divided by a main road. The new school will be located on one site.

The current infant site is not large enough to accommodate the replacement school, however the Junior site is, provided that a substantial piece of currently

## LEEDS PRIMARY SCHOOLS PFI PROJECT

untended and overgrown land (formerly a nature area and part of the school site) is converted into the school's playing pitch.

The existing school building and immediate surrounding hard play space mark the border with the Greenbelt. The school's existing playing field and the proposed new field are in the greenbelt.

It is a planning requirement that no building work crosses into the greenbelt. Only enhancing work to existing greenbelt land is permitted (the development of a pitch from current untended land is regarded as an acceptable enhancement).

The consequence of this is that the new school building has to be located on the existing school footprint. Therefore the pupils have to be decanted into temporary accommodation on the Infant site (from Easter 2004 to September 2005) to enable the existing building to be demolished before new build can start.

The cost of temporary accommodation and associated works (estimated at £400,000) is to be met by the Council as part of PFI enabling works. This will ensure that the contractor is not delayed in commencing work on site following contract close.

The new building will need to be a 2 storey structure. As a 2 storey structure the building is required to be fully accessible to all users at all times. It will require at least 1 lift, with all related infrastructure, and enhanced sub-structure work to handle the additional height and massing.

### **2.3.3. Horsforth St. Margaret's C of E (VC) Primary School**

Horsforth St Margaret's is a Voluntary Controlled Church of England Primary School located in the North West wedge of Leeds.

It will remain a 2FE school but the new school will additionally contain facilities for a 34 place fully integrated early years provision.

The required facilities need to accommodate:

- 420 pupils aged 4 - 11 years
- 1 Headteacher
- 14 Teaching staff
- 17 Non teaching staff
- 34 Early years places for 3 - 4 year olds
- 5 Early years staff.

The existing school is located on a split site, 1 mile apart. The new development will bring the school onto the Junior School site. The Infant site is only big enough to accommodate reception and year 1 and is shared with St James' church, its church rooms and scout hut. The remainder of the Infants and the Junior School are located on the St Margaret's site.

The new development will therefore be on the St Margaret's site. However this site is well below DfES size guidance but has been an established school for many years. Inspection by the DfES School Assets Team (Darlington) has

## LEEDS PRIMARY SCHOOLS PFI PROJECT

confirmed that no relaxation order will be needed because of this previous historical use.

Parts of the school building date to 1786 and adjoin the Town Centre Conservation Area. It is a Planning requirement that these buildings be conserved and any design should integrate them. All materials used in the new build must match the conserved building.

This conservation issue will greatly increase the costs of provision on this site and the nature of including conserved buildings which internally are not necessarily ideal but already have a fixed mass and space means that the size guidance of BB82 will be exceeded.

The need to address the conservation requirement coupled with the tightness of the site means that the new school will need to be built as a 2 storey structure on the existing footprint of the school. All the pupils will be decanted to a temporary school on part of the nearby Horsforth (High) school site.

As with East Ardsley the Council will bear the cost of this decanting (estimated at £450,000) within its PFI enabling works budget.

As a 2 storey structure the building is required to be fully accessible to all users at all times. It will require at least 1 lift with all related infrastructure and enhanced sub-structure work to handle the additional height and massing.

The school governance is covered by a 19<sup>th</sup> Century trust, with the trustees being the vicar and churchwardens. This old trust has restrictive clauses not compatible with the operation of a school under PFI. It is agreed by all parties that, with the approval of the Charity Commissioners, this trust will need to be set aside in favour of a new trust which will permit PFI to function smoothly but retaining some helpful features of the trust.

Horsforth St Margaret's is located 1½ miles from the southern approach to Leeds Bradford airport and subject to low overflying as aircraft both approach and circle after take off from the airport. As with Cookridge Primary, a far higher standard of acoustically secure materials will be required for the roof, insulation and windows, further complicated by the need to conserve and integrate existing buildings which were never designed to achieve such standards.

In addition, as opening windows would lead to breaches in BB93, a greater use of mechanical, as opposed to passive, ventilation is also anticipated.

### **2.3.4. Kippax Ash Tree Primary School**

Kippax Ash Tree is located in the East Wedge of the city. The school is currently 2FE with a 39 place session nursery. The new school will remain at 2FE with a 51 place fully integrated early years provision.

The required facilities need to accommodate:

- 420 pupils aged 4 - 11 years
- 1 Headteacher

## LEEDS PRIMARY SCHOOLS PFI PROJECT

- 14 Teaching staff
- 17 Non teaching staff
- 51 Early years places for 3 - 4 year olds
- 6 Early years staff.

The existing school is located on a split site about ½ mile apart and across a main road. The intention is to build a new school on a single site.

The Infant building is self contained with a small hard play area surrounding it and could not accommodate the new school. The existing Junior site is sufficient in size and has the benefit of its pitch being located alongside the main school site allowing it to remain largely undisturbed by the new development.

The existing school buildings are set back a considerable distance from the road from which is the main access to the site. The school's formal hard court and play area is located at the front of the school.

Behind the existing building is the school's informal soft play area and nature area. This whole area begins flat but after a few metres slopes severely down to the Northern boundary.

As with Cookridge, to ensure minimum disruption to the pupil's education during construction, the new school will be built behind the existing building on the flat and sloping area. After the new school becomes operational the existing buildings will be demolished by the contractor and the footprint area reinstated becoming play area. This will then link into the existing formal hard play area at the front of the existing site.

The substantial slope will require designers to adopt a split level solution. A split level solution must ensure that the building is completely accessible to all users at all times. Usually such a building would require a lift but Kippax Ash Tree may require 2 lifts (as it is a resourced school for Physically Handicapped pupils - see below) with the required infrastructure.

Kippax Ash Tree will be a fully resourced school for up to 12 physically handicapped pupils.

Consequential to this the interior design and fittings, e.g. door widths, circulation areas, additional fittings to such as toilets, robustness of finishes, have to be designed appropriately and to the acceptable standard. This is additional to the provision of the 2 resourced hygiene suits and physiotherapy room which need to be specifically provided in this school.

Externally the school approaches within the site have to allow for several equipped vehicles to be parked, drop-off and collect at different times of the day, but especially at the key times at the beginning and end of the school day. The grounds will need special consideration in order to be fully accessible to physically handicapped pupils, some of whom may be severely so.

### 2.3.5. Lower Wortley Primary School

## LEEDS PRIMARY SCHOOLS PFI PROJECT

Lower Wortley Primary school is located in the West wedge of the city. The school is currently 1.5FE with a 26 place sessional nursery. The new school remains 1.5 FE and has a 34 place fully integrated early years provision.

The required facilities need to accommodate:

- 315 pupils aged 4 - 11 years
- 1 Headteacher
- 11 Teaching staff
- 13 Non teaching staff
- 34 Early years places for 3 - 4 year olds
- 5 Early years staff.

The existing school is located in two 19<sup>th</sup> century, listed, buildings, adjacent to each other. The annex is 1-2 split storey and houses nursery and reception, the main building is 2-3 split storey building housing the remainder of the school.

The new development will bring the whole school into one new building located be on Council land immediately adjacent to the existing school buildings. That land has been unused for many years since demolition of pre -war housing and a wireless factory.

Surveys reveal that the presence of the latter means the ground will require additional decontamination work.

A completely new site access, fully compliant with Highways and Planning authority requirements, needs to be constructed into the site from a main road. That access has to be built in such a way to reduce the slope to, ideally 1 in 40, but not below the absolute maximum of 1 in 25, for a distance of 10 – 15 metres measured back from the actual junction with the main road. This is in order to give vehicles a 'safety' platform at the point of access/egress. Substantial cut and fill will be required to achieve this specific safety requirement.

The school is built on the side of a severe East to West slope (Wortley Valley). The new site is part of that same valley side. It is the most severely sloping site of a number within this project.

It is essential, that given the site challenges, the new building is located carefully to ensure that the, at a maximum, only 2 storeys are required. This requires the building be moved towards the lower Western Boundary which is in fact the busy Leeds Ring Road.

The topography means the building will either be split level or full 2 storey in design.

Whatever the final design outcome, the building is required to be fully accessible to all users at all times. It will require at least 1 lift with all related infrastructure and enhanced sub-structure work to handle the additional height and massing.

The nature of the site will mean a substantial amount of cut and fill and creation or reconstitution of existing, substantial retaining walls. In addition to allow external areas to be designed to allow full accessibility significant work will be

## LEEDS PRIMARY SCHOOLS PFI PROJECT

required which will need to encompass the solution of how to ensure physically challenged persons can access the building from the considerably higher level of the car park.

The new siting of the school will mean it is adjacent to the Leeds Ring Road. In order to ensure that BB93, 'Acoustics in schools' is fully complied with, a higher than usual standard of acoustically secure materials will need to be incorporated in the building and additional mechanical ventilation will be required to a greater degree.

### 2.3.6. Methley Primary School

The school will be located in the South wedge of the city. Methley Primary school will come into existence in September 2004 as a result of the merger of Methley Infant and Nursery School and Methley Junior school. The school will initially function as a split site school from the existing sites, before moving to the new school to be constructed through this project, on the Junior school site.

Currently the schools have admission limits of 50 and 52. The infant school has a 39 place sessional nursery. The new school will become a 2FE school with a 51 place fully integrated early years provision.

The required facilities need to accommodate:

- 420 pupils aged 4 - 11 years
- 1 Headteacher
- 14 Teaching staff
- 17 Non teaching staff
- 51 Early years places for 3 - 4 year olds
- 6 Early years staff.

The Methley Junior school site is below the DfES guidance for a 2FE school The new school will be located on the existing school playing field with the footprint being reinstated back to play area. However, this would leave the new school with virtually no formal grass play area.

Adjacent to the school site is a substantial recreation ground facility, which includes a full football pitch which physically adjoins the school boundary. The Council's Leisure Services Department has agreed to transfer this pitch to Education, to become the school pitch. However, as the pitch is regularly used by a local team at the weekend, third party use must continue and the school must be able to provide adult changing facilities for 2 teams and referee.

The DfES Schools Asset Unit (Darlington) on visiting the site are content that the addition of the football pitch to the school site more than compensates for any space lost and also takes the whole site above the DfES guidance for a 2FE school.

Archaeological activity has been discovered adjacent to the Methley Junior site, in addition the schools existing dining block is built over World War 2 air raid shelters not previously excavated and recorded.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

Agents on behalf of the West Yorkshire Archaeological Society have undertaken a preliminary dig on the schools site and have reported on the findings. However, the PFI contractor will have to agree to a 4 day excavation of the air raid shelters as soon as they demolish the existing dining block.

Construction access to the site requires the dining block be demolished along with some unused outbuildings before any site work can begin.

In addition a bus shelter requires re locating to allow the construction access to be made from the main road.

### 2.3.7. Pudsey Bolton Royd Primary School

Pudsey Bolton Royd Primary is located in the West wedge the city. The school is 2FE with a 52 place sessional nursery. The new school will remain 2FE with a 51place full early years provision.

The required facilities need to accommodate:

- 420 pupils aged 4 - 11 years
- 1 Headteacher
- 14 Teaching staff
- 17 Non teaching staff
- 51 Early years places for 3 - 4 year olds
- 6 Early years staff.

Pudsey Bolton Royd was substituted into the scheme with the approval of the DfES when the proposed merger of Rodley Primary and Aireview Primary was withdrawn.

The new school will be built on the existing school playing fields. Following completion and transfer of the pupils to the new building, the existing buildings will be demolished and the footprint reinstated to play area by the PFI contractor.

The site is of sufficient size for a school of this size.

A temporary construction access is required to be made across the adjacent public open space and playing field which borders the school's southern boundary. This will require about 100 metres of temporary road, whilst retaining one of the pedestrian accesses to the school, which currently also follows that route. There will need to be special safety features incorporated to ensure construction traffic and pedestrians do not mix.

It is a planning requirement that the contractor reinstates the area used for the construction access to public open space and a pedestrian route as soon as possible after construction is complete.

The existing entrance to the school will be remodelled to become the entrance to the new school. It is a Highways concern that improvements potentially include a parental drop off facility within the school site to ease severe congestion in surrounding streets. Designs should respond to this.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 2.3.8. Rawdon Littlemoor Primary School

Rawdon Littlemoor Primary is located in the North West wedge of the city. The current admission limit is 40. Under the new development the school will become 1.5FE with a 34 place fully integrated early years provision.

The required facilities need to accommodate:

- 315 pupils aged 4 - 11 years
- 1 Headteacher
- 11 Teaching staff
- 13 Non teaching staff
- 34 Early years places for 3 - 4 year olds
- 5 Early years staff.

The current school site is located in a main building dating from 1878 with over 25% of the school now being located in temporary classrooms. This has left the school site with severely restricted hard play, particularly for the foundation stage.

The school field is located a short distance away from the school buildings and consists of a small sloping grassed area of 0.9 hectares. The entrance to the field is through a one vehicle wide gateway between fixed stone gate posts, at the end of a cul de sac. The entrance is shared with the statutory allotments which continue down the hill from the school field and a public right of way which crosses the site along the boundary between field and allotments.

Allotment holders use the entrance for deliveries to their smallholdings and to park their own vehicles.

Although many years ago the existing school field was earmarked as a potential site for a new school, at 0.9 hectares it is far below the DfES guidance for a school of 1.5FE. In addition, the Planning and Highways concerns are such that consideration of the site for a school is no longer an option.

Approximately 300 metres west of the current school site, across the main A65 arterial road is a large 5 acre green space site in the Council's ownership. The use of part of this site for the new school is considered the most appropriate option, as it will permit both the new school buildings and external areas to be designed to fully accommodate all DfES guidance.

In winter, the site has a number of football and rugby pitches for general use but there are neither changing facilities, nor are the pitches protected from dogs.

There is a public footpath across the land, however there is no demarcation of this. In addition a small open stream runs across part of the land. To the East of that stream the land is overgrown and not in recreational use.

The Environment Agency has informed the Council that it would not support that stream being culverted and would require the land immediately surrounding to it being considered as an environmental area.



## LEEDS PRIMARY SCHOOLS PFI PROJECT

Sport England and the Council's Leisure Services have been consulted about the siting of the school and the preservation of the playing pitch areas. The outcome of that is that the school should be sited on the eastern side of the area, leaving much of the pitch areas untouched and that one pitch area should become the school pitch which should be protected from dogs but be available for use by the community. This will require the ground standard and drainage to be improved to permit it to be robust enough to cope with the additional hours of use.

As part of the encouragement of community use and to satisfy the Sport England requirement that the overall amenity is improved as a result of this development, the school will need to be designed to include changing facilities which are suitable for adult usage.

As a completely new school site, it will need to be adequately fenced and made secure.

Designers will be required to make use of or divert the small stream and to allow for the diversion of the public footpath.

Although the site is considered the best option for the new Rawdon Littlemoor Primary School, surveys reveal that the ground conditions are such that foundations to the new school will have to be piled. This type of foundation is substantially more expensive than a more usual method, such as a raft.

Rawdon Littlemoor Primary is situated just over 1 mile to the South West of Leeds Bradford Airport. This means it is subject low overflying as aircraft take off and circle from the airport. A far higher standard of acoustically secure materials will be required for the roof, insulation and windows.

In addition, as opening windows would lead to breaches in BB93, a greater use of mechanical, as opposed to passive, ventilation is also anticipated.

As the A65 is a main arterial route from the city it carries a substantial amount of traffic throughout the day. In order to meet Highways requirements stated in the Planning process, the school site access requires to be designed to encourage parents and others delivering children by car to turn into the site and not stop on the A65. The entrance therefore needs to accommodate access as well as parental drop off and adequate turning facilities.

### **2.3.9. Rothwell Primary School**

Rothwell Primary is located in the South wedge of the city. Currently the school's admission limit is 50 and the school has a 39 place sessional nursery. The new school will become 1.5FE with a 34 place fully integrated early years provision.

The required facilities need to accommodate:

- 315 pupils aged 4 - 11 years
- 1 Headteacher
- 11 Teaching staff
- 13 Non teaching staff

## LEEDS PRIMARY SCHOOLS PFI PROJECT

- 34 Early years places for 3 - 4 year olds
- 5 Early years staff.

The school is currently operating on a split site. The Infant building is Victorian surrounded by small hard play areas and a small square of grass. The 1960's Junior school buildings are ½ mile away along a main road. The Junior site is a large flat site which will adequately accommodate a combined new school of the required size.

It is therefore the intention that the new school will be located on this single site, the new development being constructed on part of the existing playing field. Following completion and transfer into the new buildings the contractor will demolish the existing buildings and reinstate the footprint to play area.

It is a requirement of planning that the a new school access is created some 50 metres above the existing access, taking it further away from a major road junction. However this may bring conflict with access to sheltered housing being adjacent to it. The need for emergency and other vehicles at the same time as potential parental arrivals at the beginning of the school day is bringing pressure through Highways to provide a specific parental drop off zone within the school site.

Such a development will require an additional access/egress in order to make a safe one way system.

This site is over 3 hectares in size and the security of its perimeter will need to be specially addressed.

### **2.3.10. Yeadon South View Primary**

Yeadon South View Primary will be located in the North West wedge of the city. Yeadon South View Primary school will come into existence in September 2004 as a result of the merger of Yeadon South View Infant and Nursery School and Yeadon South View Junior school. The school will initially function as a split site school from the existing sites, before moving to the new school to be constructed through this project, on the Junior school site.

The schools are currently 2FE and as a result of the agreement following full consultation in the Council's primary review process, the schools will merge as a 1FE Primary with a 34 place fully integrated early years provision.

The required facilities need to accommodate:

- 210 pupils aged 4 - 11 years
- 1 Headteacher
- 7 Teaching staff
- 9 Non teaching staff
- 34 Early years places for 3 - 4 year olds
- Early years staff.

The Junior school site slopes, North to South, as well as being long and narrow. The existing building, itself very long and thin, is sited towards the Northern end

## LEEDS PRIMARY SCHOOLS PFI PROJECT

of the site where the slope is least severe, however, from the buildings to the South boundary the slope is very severe, so much so that the school playing pitch, which is located some 150 metres from the buildings adjacent to the southern boundary, can not be seen from the school buildings themselves.

The intention is to build the new buildings immediately to the south of the existing building on the current main hard play area to avoid the most severe part of the slope. However, in order to do so, the southern most rooms of the existing building will need to be demolished before new construction can begin, as the new footprint will overlap that portion of the existing buildings.

Because the school is currently not full, the loss of these rooms can be managed and pupils accommodated elsewhere in the existing building, without disruption to the curriculum, although further consideration is to be given to the addition of 1 temporary classroom which the Council would meet as part of PFI enabling works.

The slope, even though least severe at the point of new build will mean the building will be split level. Whatever the final design outcome, the building is required to be fully accessible to all users at all times. It will require at least 1 lift with all related infrastructure and enhanced sub-structure work to handle the additional height and massing.

A new site access, fully compliant with Highways and Planning requirements, will need to be constructed into the site. This access will have to cut across the natural slope of the site which means it will need to negate the land falling away severely in 2 directions. Highways require the access to be built in such a way as to reduce the slope to, ideally 1 in 40, but not below the absolute maximum of 1 in 25, for 10 metres, in order to give vehicles a platform at the point of access or egress. On this site that will require considerable cut and fill to achieve this specific safety requirement.

Leeds Bradford Airport is situated at Yeadon and, of the 4 schools in this project directly affected by it, Yeadon South View is geographically closest to the airport. It is subject to low overflying as aircraft take off and circle from the airport and to noise from landing aircraft. A far higher standard of acoustically secure materials will be required for the roof, insulation and windows.

In addition, as opening windows would lead to breaches in BB93, a greater use of mechanical, as opposed to passive, ventilation is also anticipated.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 3. OPTION APPRAISAL

The City Council has three theoretical options available to it:

- Do minimum
- Traditional procurement
- Procurement through the Private Finance Initiative

#### 3.1 Do Minimum

The “Do Minimum” option is not considered to be realistic option. If the Council adopted this approach it would not be achieving one of the highest of its priorities and a key constituent of its corporate plan. It would be failing the people of Leeds and in particular the young people in the schools identified within this project.

The schools included within this Project have been identified as having the highest priorities in respect of condition, suitability and sufficiency. The present condition and location of the buildings, many of which date from the 19<sup>th</sup> Century, renders them unsuitable for the delivery of the demands of the curriculum in the 21<sup>st</sup> Century. The schools within this Project suffer from split-sites or multiple buildings with severe building condition problems. These present significant management and logistical problems for the schools.

The buildings are a restriction on the Council’s desire to encourage the wider use of Primary school facilities by the wider community and to ensure that in so doing the buildings are accessible to all users at all times.

A “Do Minimum” option would involve expensive repairs and maintenance, which would perpetuate the problems of sufficiency and suitability that these schools currently face. Such continuing expenditure of this nature would give poor value for money.

#### 3.2 Traditional Procurement

Rebuilding and rationalisation is considered to be the appropriate solution to the problems of sufficiency and suitability.

To undertake this work through traditional procurement will involve capital investment in excess of £35m. The City Council’s Basic Credit Approval for 2003/04, (i.e. non-directed Capital Investment) is considerably less than this sum and therefore cannot accommodate a project of this scale.

The City Council also considers that traditional procurement, if capital resources were available, would not offer better value for money than through the PFI option.

#### 3.3 Private Finance Initiative

Issues relating to the sufficiency of each the schools for their communities and the suitability of each school for the delivery of the curriculum in the 21<sup>st</sup> Century have been set out in the previous section.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

These schools have been identified as the highest priorities in the Primary School sector. The possibility of a PFI solution has been discussed with Chairs of Governors and Head Teachers of the schools concerned. All parties consider the PFI rebuild solution to be the most appropriate and understand the long term implications regarding the voluntary surrender of a proportion of their Individual School Budgets. Each Governing Body has issued a letter to the City Council confirming their acceptance of the PFI proposals and the consequences for their respective school budgets.

The City Council has a long experience of working in partnership with other sectors, including the voluntary sector and the private sector. Its partnerships with the Private Sector take several forms but already include 2 schools PFI projects:

- Cardinal Heenan High School
- The Leeds 7 Schools group project

both of which are now fully operational.

The Council is committed to using the PFI as one of its methods of procurement in different areas of its management and is actively working towards completing projects in some of these, e.g. Housing, Street Lighting, Leisure.

Through its experience of partnerships including the PFI and as a consequence of its option appraisals, the City Council considers that a PFI solution is the most appropriate route for the rebuilding of these schools.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 3.4 ECONOMIC APPRAISAL

#### 3.5 Approach

The rebuilding of ten new primary schools has been tested for value for money against a Public Sector Comparator, which is attached as Appendix 3. The Public Sector Comparator (PSC) has been compiled on the basis of traditional procurement but by applying the same output specification that would be required of a private sector partner under PFI. The base capital expenditure costs are summarised in Appendix 1 and Operational Costs in Appendix 2.

The basis of the Value for Money (VFM) comparisons follows the guidance set out in the revisions to the HM Treasury Green Book. Costs are taken from the base PSC table (Appendix 3) excluding any risk element. Inflation has been assumed at 2.5% per annum and all cashflows have been discounted by a nominal 6.0875%, from a real discount rate of 3.5%, as currently set out in the HM Treasury Green Book.

The base Unitary Charge has been derived from the estimated cashflows the PFI contractor would incur over the life of the contract. These costs are also derived from the capital and operational cost summaries (Appendices 1 and 2 respectively). These cashflows, which are illustrated in the PFI Pro-forma (Appendix 4) produce the baseline Unitary Charge required by the PFI Contractor to meet these cashflows.

Appendix 7 illustrates, in Net Present Value terms, the cost to the Council of the Unitary Charge over the life of the contract. The Council has taken a cautious approach to the proportion of the Unitary Charge subject to indexation (30%). The PFI Pro-forma model indicates that the ratio between capital and operational costs is in the region of 68:32. The Council will, during negotiations with the shortlisted bidders, seek to ensure that the proportion of the Unitary Charge subject to annual indexation is closely aligned to the Bidders' models.

#### 3.6 Value for Money Methodology

The methodology, and assumptions the Council has made for this project, for applying Optimism Bias to both the PSC and the PFI cost and the taxation adjustment are set out in detail in Appendix 8.

Sensitivity analysis for the different rates for the expected Optimism Bias for standard buildings and for the expected taxation effect for this project is shown as Appendix 9. The analysis shows the combination of the Optimism Bias and taxation for the lower range of expected outcomes, the mean range and the upper range. In the lower range Optimism Bias is 2% and taxation is 3%, at the mean range the values are 11% and 6% respectively, while at the upper range the values are 24% and 9% respectively.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

The PFI cost also includes a “cost control” element, to include the City Council’s project management costs, including external legal and financial advisers. In NPV terms this is estimated at £0.44m.

The application of the methodology, over the low, mean and higher sensitivity levels of Optimism Bias are set out in Appendix 8, and are summarised in the table below.

	Low Sensitivity	Mean Sensitivity	High Sensitivity
<b>Public Sector Comparator</b>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Baseline PSC, excluding risk</b>	<b>55,979</b>	<b>55,979</b>	<b>55,979</b>
<b>Optimism Bias</b>	<b>2%</b>	<b>11%</b>	<b>24%</b>
<b>PSC with Optimism Bias</b>	<b>57,099</b>	<b>62,137</b>	<b>69,415</b>
<b>Tax Adjustment (from PFI cost)</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>
<b>Value</b>	<b>1,973</b>	<b>4,025</b>	<b>6,155</b>
<b>Revised Public Sector Comparator</b>	<b>59,072</b>	<b>66,162</b>	<b>75,570</b>
<b>PFI Contract Cost</b>			
<b>Net Present Value of Contractor Payments over the life of the Contract</b>	<b>65,334</b>	<b>65,334</b>	<b>65,334</b>
<b>Optimism Bias</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>
<b>NPV + Optimism Bias</b>	<b>65,334</b>	<b>66,641</b>	<b>67,947</b>
<b>Cost of Control</b>	<b>444</b>	<b>444</b>	<b>444</b>
<b>Revised VFM Comparator</b>	<b>65,778</b>	<b>67,085</b>	<b>68,391</b>
<b>Value for Money Margin</b>	<b>(6,705)</b>	<b>(922)</b>	<b>7,179</b>
	<b>(11%)</b>	<b>(1%)</b>	<b>9%</b>

The ten new school buildings will be required to be constructed to a high standard, incorporating facilities to meet the demands of the school curriculum and the Commission for Architecture and the Built Environment (CABE). A number of the school site have difficult ground conditions, site constraints meeting DfES area requirements, access challenges or are required to be built on brown field sites (including possibly affected by mining activities).

## LEEDS PRIMARY SCHOOLS PFI PROJECT

Consequently the Council takes the view that while these are standard buildings there remains a higher than normal degree of risk, beyond the mean optimism bias, beyond the third quartile.

The Councils previous recent experience of schools projects has shown that once the project is scoped, to take account of planning requirements; site conditions and changes in specifications that occur during procurement, costs increase. Previous projects show that these increases range from 30% to 40% from project inception to detailed project specification for secondary schools and between 15% to 30% for Primary Schools. A sensitivity analysis at 20% optimism bias shows a value for money margin of £3.6m, 5.1%.

The Summary Public Sector Comparator, (Appendix 3) which excludes the cost of any risk transfer details the following:

	NPV £000
Capital Costs	30,812
Lifecycle Costs	7,132
Operational Costs	18,035
<b>Total Public Sector Comparator</b>	<b>55,979</b>

### 3.7 Public Sector Comparator Assumptions

#### 3.7.1. Capital Costs

The estimated capital costs of building of these new schools are summarised in the Capital Expenditure table in Appendix 1. These are derived from the recommendations of the DfES School Building And Design Unit. The capital investment costs utilised in the PFI Pro-forma have also been derived from the same source. Building cost inflation has been derived from the "General Building Cost Index" published by the Royal Institute of Chartered Surveyors. The index in the year to the third quarter 2003 amounted to 8.0%.

#### 3.7.2. Lifecycle Costs

Lifecycle costs are based upon 1.5% of capital costs including major boiler and electrical modification during the life of the contract.

#### 3.7.3. Operating Costs

The operating costs are based upon experience gained by the Council from the Leeds 7 Schools PFI Project (which includes two High Schools) and benchmarking data obtained from a number of sources within and external to the Council. The PFI Contractor's operational costs, based on the expected costs in the Public Sector Comparator, has been utilised as the base to assess the likely operating costs for the ten primary schools. Operational costs, summarised in Appendix 2, have been inflated by 2.5% per annum, which is about the current prevailing rate of inflation.



## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 3.7.4. The PFI Pro-forma

The PFI Pro-forma is included in the Outline Business Case to represent the likely bid from the Private Sector and is attached as Appendix 4.

The base capital costs, summarised in Appendix 1, amount to £32.1m at current prices, £34.6m at outturn prices.

The assumptions in the PFI Pro-forma can be summarised:

- The ratio between debt and equity is 90:10.
- Initial bank borrowing during construction at base rate (3.5% at October 2003) plus 2% anticipated increase in interest rates at Financial Close = 5.5%. Financing costs during construction are referred to as “interest drawdown”.
- Longer term borrowing to replace the short-term borrowing during construction. This is based upon the 25 year SWAP rate on the 15th October 2003 of approximately 5.14% plus 100 base point margin = 6.14%.
- Return on the Shareholders’ Equity of 15% per annum.
- Lifecycle costs are the same basis as in the Public Sector Comparator.
- Operational costs are also the same as derived in the PSC.
- Additional (third party) income is assumed to be nil.

The estimated PFI Contractor’s costs, in cash terms, over the life of the Project are summarised below:

	£000
<b>Interest Roll-Up</b>	<b>1,009</b>
<b>Debt Servicing</b>	<b>59,996</b>
<b>Financing costs</b>	<b>61,005</b>
<b>Shareholders’ Equity Return</b>	<b>12,614</b>
<b>Initial set-up costs:</b>	
<b>Debt Commitment / Arrangement Fee</b>	<b>303</b>
<b>Funder’s Due Diligence</b>	<b>100</b>
<b>SPC Legal and Financial Adviser costs</b>	<b>300</b>
<b>Other Development costs</b>	<b>150</b>
<b>SPC Formation Fees</b>	<b>20</b>
<b>Other Set Up Costs</b>	<b>500</b>
<b>Lifecycle costs</b>	<b>16,427</b>
<b>Annual Operational Costs</b>	<b>41,583</b>
<b>Management, Professional and other charges</b>	<b>4,798</b>
<b>Total Project Costs (over 27 years)</b>	<b>137,800</b>

In line with the Public Sector Comparator, the PFI Pro-forma assumes annual inflation of 2.5% per annum. The NPV of the total estimated cash flows over the life of the Project amount to £62.17m. These cashflows have also been discounted by 6.0875%, nominal, 3.5% real.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

In order to recover these cash-flows the PFI Contractor's headline Unitary Charge is calculated to amount to £4.87m. A cautious view has been taken in this Business Case and it has been assumed that 30% of the Unitary Charge will be subject to annual of 2.5% per annum. Appendix 7 illustrates the profile of these Unitary Charge payments over the life of the contract. In NPV terms these amount to amount to £65.3m.

### **3.8 Additional Authority Works**

As the project timetable is challenging, the Council has taken the view that a considerable quantity of preparatory works will be undertaken in advance of the PFI contractor being appointed and the Authority will fund these works from its own resources. This includes temporary classrooms and decanting at certain schools, traffic calming and access highways works, remedial works to caretakers' houses and archaeological surveys. The current estimate for the outturn cost of £0.75m.

The Council has also determined that to assist in the affordability of the project, £1m in lump sum payments will be paid to the contractor. This will reduce the PFI contractors borrowing and as a result the Unitary Charge.

### **3.9 Resources Allocated by the Department for Education and Skills**

The level of PFI Credit support of £32m for the project has been calculated using the DfES PFI Toolkit. The DfES has assessed the Council's input assumptions and costs which have been used to generate this level of Notional Credit Approval support for the project. The DfES has agreed that the costs estimated by the Council are directed to achieving relevant policy changes since the original Outline Business Case for this project was approved. On this basis the DfES has agreed to support this additional level of PFI Credits.

Attached, as Appendix 11 is a completed copy of the DfES PFI Toolkit which demonstrates the level of PFI Credits which the DfES has agreed to support for this project as £32m.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 4. AFFORDABILITY

The City Council has examined the financial implications of the Project on the basis that it is funded out of the Council's revenue budget. This is because the Project is assessed as being "off-balance sheet" in accordance with Regulation 40 of the Local Authority (Capital Finance) Regulations 1997 (as amended).

The revenue implications of the PFI Project are the product of the Unitary Charge payable to the PFI Contractor; the revenue support from Central Government as set out in the Special Grant Report and the relevant proportions of the schools budgets currently delegated to the schools but which will be surrendered under terms set out in the Governors' Agreements and the contributions from the Early Years providers.

As a result of considering the financial impact of the three previous Schools PFI Projects, Elected Members of the Council, and members of the PFI Project Board are aware of the affordability structure of a PFI transaction and that the cost can be borne within the City Council's Revenue Budget. The affordability of this Project is likewise assured by the City Council on the basis that the appropriate level of PFI Credits are approved and released by the Department for Education and Skills.

The PFI Contractor's cash flows and shareholder returns through the life of the Project have been assessed at £137.8m. In order to meet these cashflows, it is calculated that the Contractor would levy a Unitary Charge of £4.9m in the first full year of the Contract.

Based upon an anticipated level of £32m of PFI Credits and an estimated 2004/05 statutory discount rate of 6.8%, and the 4% notional minimum revenue provision, this produces £3.432m of PFI Grant in the first full year.

Appendix 7 sets out the estimated cashflows for the City Council over the life of the Contract, summarised in the table below. By making annual contributions to, and maintaining a Sinking Fund, the Council will be able to ensure that the annual cost is equitable to Council Taxpayers over the life of the Contract.

The PFI Contractor will be required to undertake all lifecycle maintenance and replacement during the life of the Contract. These are estimated at 1.5% per annum of capital investment costs. Under conventional procurement these costs would remain with the City Council and would have to be met through City Council and School financial resources. Although not reflected in a cash-flow analysis, these costs, which will be avoided by the Council are significant, which, over the life of the contract are estimated to amount to £16m, an Opportunity cost saving for the Council.

The table below summarises the overall funding position for this Project.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

	<b>TOTAL CASHFLOWS</b>
	<b>£000</b>
<b>Unitary Charge</b>	<b>135.1</b>
<b>Financed from:</b>	
<b>PFI Revenue Support Grant</b>	<b>57.1</b>
<b>School Governor Contributions</b>	<b>29.9</b>
<b>Early Years Contributions</b>	<b>11.9</b>
<b>Contributions to Sinking Fund</b>	<b>35.6</b>
<b>Interest earned on Sinking Fund Balances</b>	<b>0.6</b>
	<b>135.1</b>

The City Council's Executive Board will consider this Outline Business Case at the next available date and a copy will be forwarded following that meeting.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 5. PROJECT BANKABILITY

The market for Grouped School PFI Projects is now well developed, with over 61 projects either operational or currently under construction and some 35 projects in the procurement stage. Leeds City Council has experience of both single school PFI project and a larger grouped school PFI project and has demonstrated that PFI can be managed to give a successful solution in both of these projects. Drawing from this experience it is considered that a grouped schools PFI project is extremely bankable.

The City Council issued an OJEC notice for this project on the 1st November 2002. In response to this notice the Council received six good quality expressions of interest from consortia interested in responding to the Council's proposed Invitation to Negotiate. These were received on the 6<sup>th</sup> January 2003. The Council evaluated these expressions of interest and in the interests of an efficient and effective, and to secure a competitive procurement, the Council chose to invite the three consortia to respond to an Invitation to Negotiate. The Invitation to Negotiate was issued on the 12 August 2003. These bids from the three consortia are currently being evaluated by the project team.

The council is confident that the project will deliver value for money and will be delivered within a rigorous timetable. This will produce maximum benefit to all parties, allowing the new facilities to become available to school Governors and to the LEA at the earliest opportunity.

In addition the City Council received considerable interest for its two existing Education PFI Projects, both of which differ considerably in size and content and is in the process of entering the procurement process for its Primary Schools PFI Project.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 6. PROJECT MANAGEMENT AND PROJECT TIMETABLE

The Project management arrangements will cover the procurement, pre-construction and post-construction phases of the Project.

#### 6.1 Leeds City Council's Management Arrangements for Education

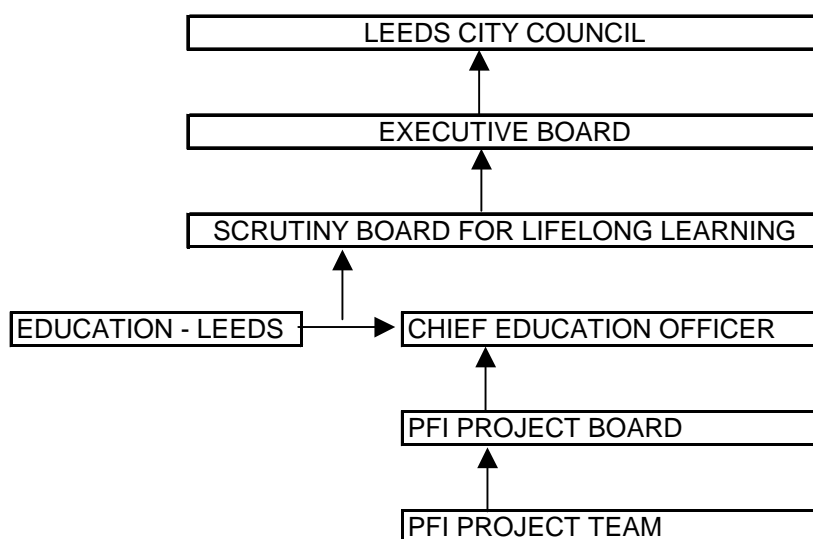
On 1<sup>st</sup> April 2001, following a Direction by the Secretary of State for Education and Skills, the support services for schools in Leeds has been undertaken by an 'arms length not for profit company' limited by guarantee and wholly owned by the City Council, known as "Education Leeds".

The Board of Education Leeds comprises five directors. Mr. Peter Ridsdale, was appointed as the Chair of Education Leeds by the Secretary of State. The City Council Deputy Chief Executive and the Director of Lifelong Learning and Leisure, have been appointed as non-executive directors to the Board. The City Council's partner, CAPITA, has nominated two of their employees to serve on the Board, also as non-executive directors. The Chief Executive to Education Leeds is Mr. Chris Edwards.

The responsibility for the management of PFI projects related to Education was excluded from the Secretary of State's directive and remains the responsibility of the City Council, the Chief Learning Officer, as the Chief Education Officer, being the Council's lead Chief Officer for such projects.

The City Council has established a framework for the management of its PFI projects, a framework which applies to any project in any sector of its responsibility.

The framework for management, co-ordination, communication and performance monitoring of this Project is illustrated below:



# LEEDS PRIMARY SCHOOLS PFI PROJECT

## 6.2 Education PFI Projects Board

Leeds has established a PFI project management model, which was successful for the Leeds 7 Schools PFI Project.

The original model of a Project Board for the specific 7 schools project has been extended, so that Project Board has now become the 'Education PFI Projects Board'. This Projects Board will manage and oversee this and all future Education PFI projects for the city

By extending the remit of a Project Board which has seen a major group schools PFI project through to completion, the City Council is taking advantage of the significant experience gained by each of the Board members, which can be used to distinct advantage in the management of this and future projects.

A similar Project Board has been established for Social Housing PFI Projects.

The City Council's Executive Board has provided the Education PFI Projects Board with full delegated authority to take decisions relating to the Project up to Contract signature where the Executive Board's approval is required.

The Project Board meets monthly or more frequently if this is required, particularly towards contract close.

The Chair of the PFI Project Board reports to the Executive Board at strategic points during the project approval and procurement stages.

The Education PFI Projects Board consists of Chief Officers of the City Council:

- Deputy Chief Executive (Chair);
- Chief Learning Officer (the Chief Education Officer);
- Director of Legal and Democratic Services (the monitoring officer);
- Director of Corporate Services (the Section 151 Officer);
- Director of Development.

## 6.3 PFI Project Team

The City Council has a number of PFI Projects at varying stages in the approval and procurement process.

As part of its strategy to manage all these projects effectively and to allow the considerable expertise on PFI within the Council to be used most effectively and to best advantage, the Council has established a core Facilities Development Unit.

This core team, which specialises in the delivery of PFI / PPP projects, is located within the Council's Development Department and works alongside and in close liaison with the City Council's Asset Management Unit.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

The Facilities Development Unit consists of a team from a range of professions, including Project Management, Financial, Legal and Technical who have had experience in delivering PFI Projects.

The Project Management of the Leeds Primary Schools PFI project is being undertaken 'in house' within the Council. Derek Howell the Executive Manager (Projects) within the Facilities Development Unit has been appointed Project Manager. Derek is a member of CIPFA and has worked for the City council for 34 years. Until taking up this post he worked as a senior manager in the former Department of Education and Education Leeds for 15 years. He was the Council's representative on the Cardinal Heenan PFI project and the client representative on the 7 schools PFI project.

He has considerable experience of the workings of the Council and in particular Education at a senior level and of PFI from commencement to completion.

The client function in the Project is of crucial significance and includes regular contact with all stakeholders, including Governors, Headteachers and staff. Education Leeds undertakes this client function on behalf of the Chief Learning Officer and has established a small PFI Team for this and other client based functions

Sarah Hall has been appointed as Project Co-ordinator for this project and works in that Education Leeds PFI team. She is an experienced teacher and immediately prior to taking up this appointment was the Deputy Headteacher at one of the schools in the Leeds 7 schools PFI Project.

She has the experience of seeing a school through the PFI process from the operational side and is able to bring this experience to bear at all stages of the project but especially in her link role with each of the 10 schools.

The other core members of the PFI Project Team consists of other members of the Facilities Development Unit all of whom have experience of delivering PFI projects:

Fintan Bloomer (Finance Manager)

Tim Hoskin (Legal Manager)

Philippa Toner (Programming & Performance Manager)

John Rhodes (Technical Manager)

Peter Anderson-Beck (Project Accountant)

The Project Manager and Project Co-ordinator work full time on the project the other core members are programmed in to deal with their specialities throughout the process.

In addition, to the core team and client role, there will, from time to time during the procurement process, be a requirement for more specialist input to the



## LEEDS PRIMARY SCHOOLS PFI PROJECT

Project, for example to advise on insurance, taxation, pension and TUPE issues etc.

A representative of the schools is also drafted into the core project team to deal with specific issues, e.g. evaluations. This representative is determined by the Headteachers themselves

The approved communications and consultation strategy for the project, administered by the project co-ordinator, allows for the full contributions of each Headteacher or school representative to be input to all stages of the project process, e.g. output specifications.

In brief, the Project Team is responsible for:

- Scoping the Project;
- Preparation of the Outline Business Case;
- Consultation and discussions with stakeholders throughout the process;
- The procurement process, including:
  - OJEC Notices.
  - Preparation of the Information Memorandum and Pre-Qualification Questionnaires.
  - Organising and leading the Information day.
  - Management of the longlisting and shortlisting processes.
  - Preparation and issuing the Invitation to Negotiate Documentation.
  - Clarification meetings with Bidders.
  - Evaluation of Bidders' submissions.
  - Preparation and issuing Best and Final Offer Documents (if appropriate).
  - Evaluation and proposing selection of the Preferred Bidder.
  - Final negotiations with the Preferred Bidder leading to Contract and Financial Close.
  - Preparation and submission of the Full Business Case for approval by the DfES/PRG.
  - Establishment of post contract management arrangements.

### 6.4 External Legal and Financial Advisers

Much of the work on the Project can be undertaken by specialist staff within the City Council, but the Council recognises the need to recruit external Legal and Financial Advisers to assist it to deliver its PFI Projects. These Advisers will undertake work of a specialist nature, particularly relating to commercial issues with the Preferred Bidder and their Bank partner(s) through to Contract and Financial Close.

The City Council has undertaken a procurement process for both legal and financial advisers to be involved in this projects and future PFI projects, in all sectors, over the next 5 years.

As a result of this procurement DLA are the Council's external legal advisers and PricewaterhouseCoopers (PwC) its external financial advisers. The lead advisors for the project are Nick Maltby and Dave Batty respectively.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

Both appointments bring a wealth of PFI and commercial experience to the Council's Team.

The Council will also liaise closely with Partnerships UK through the procurement process, and particularly at Preferred Bidder stage.

### 6.5 Project Timetable

The Project timetable is as follows:

	<b>Activity</b>	<b>Date</b>
1	<b>Finalise Project Team arrangements</b>	<b>September 2002</b>
2	<b>Publish OJEC Notice</b>	<b>November 2002</b>
3	<b>Complete Information Memorandum / PQQ</b>	<b>September - December 2002</b>
4	<b>Information Day and Visits to Schools</b>	<b>December 2002</b>
5	<b>Receive Expressions of Interest</b>	<b>December 2003</b>
6	<b>Evaluation and Longlisting</b>	<b>January/February 2003</b>
7	<b>Shortlist and Interview</b>	<b>March/April 2003</b>
8	<b>Prepare Invitation to Negotiate Documents</b>	<b>March / July 2003</b>
9	<b>Issue ITN Documents and Full Contract Terms</b>	<b>April 2003, June &amp; July 2003</b>
10	<b>Clarification with Bidders</b>	<b>July – August 2003</b>
11	<b>Receive Bids</b>	<b>September 2003</b>
12	<b>Evaluate Bids</b>	<b>September/October 2003</b>
13	<b>Negotiations with Bidders</b>	<b>November – December 2003</b>
14	<b>Select Preferred Bidder</b>	<b>December 2003</b>
15	<b>Negotiations with Preferred Bidder to Contract Close</b>	<b>January – March 2004</b>
16	<b>Contract and Financial Close</b>	<b>March 2004</b>
17	<b>Schools completed</b>	<b>August 2005</b>

# LEEDS PRIMARY SCHOOLS PFI PROJECT

## 7. OUTPUT SPECIFICATION

### 7.1 Buildings

The City Council requires the PFI Contractor to provide the following with regard to the buildings:

- Design of the schools in accordance with the project aims;
- Construction of the schools;
- Financing of the Project;
- Compliance with all planning conditions;
- Demolition of existing buildings and re-instatement of sites and playing areas;
- Decanting of pupils at the conclusion of the construction process;
- Provision of all fixtures and fittings, including fixed furniture and equipment;
- Lifecycle maintenance of the buildings;
- Building Insurance;
- All building security;
- All building maintenance;
- Compliance with all Health and safety requirements;
- Fully accessible.

### 7.2 Outputs

The design of a school building has a crucial effect on the teaching of the curriculum and the ability of the pupils, especially those at Primary School age, to enjoy the experience of learning and to achieve the required standards. The design of the buildings can also have an effect upon behaviour, on the feeling of community, pastoral care and the way a school seeks to meet its mission statement and development plan. The City Council, Governors and Headteachers, whilst looking for innovation, particularly in the use of space, seek solutions which will address these issues and will enable each of the schools to develop further their respective communities and aspirations. Any design must be sufficiently flexible to accommodate the rapid changes, which will inevitably take place in Education over the years ahead.

The City Council will wish to see the following outputs addressed:

Space, capable of being isolated, both physically and for sound, for each class grouping. Traditionally a distinct classroom, with each classroom served by all utilities would provide this.

- Fully Integrated Early Years Provision to the specified numbers.
- Inter-relationship of space between year groups and specialist areas.
- Community room and facilities for the wider community.
- An ICT suite.
- Areas where more specific tasks can be carried out,
- An area capable of meeting the requirements of whole school collective worship.
- An area capable of providing the catering and dining needs of the school.
- An administrative area.
- A reception area.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

- A staff area, which can be excluded from pupils, this may include a specific area for the Deputy Headteacher.
- Headteacher area which can be made private and confidential.
- Safe storage for cleaning equipment and substances, science substances, PE and other large equipment as well as outdoor equipment.
- Toilet facilities, appropriately situated and designed for all pupils and adults.
- An SEN room capable of both administrative and curriculum use.
- A medical room.
- All users should be able to access all parts of the building.
- Robust, attractive but low maintenance fixtures and fittings.
- Noise management.
- Suitable temperatures within the schools at all time of the year, with buildings that are energy efficient.
- As much natural light as possible.
- Hard play areas with demarcation as required by each school.
- General storage and storage for staff and pupils coats and belongings.
- Parking facilities for staff and visitors on site, designed to ensure safety for all users.

### 7.3 Use of Facilities

These Primary Schools will have a complex usage timetable which will be built into the schedules of the contract documentation.

Most significantly, the fully integrated early years facilities will be open for 50 out of 52 weeks and the early year's day will be from 8 am to 6 pm.

The school day will also be elongated to ensure school activities can be addressed fully with it. This is likely to include the provision of before and after school clubs.

School holiday usage is also anticipated through the development of out of school activities and holiday clubs.

As with all schools, a number of additional school functions will be programmed and will be agreed through the contract. These functions will include governor's meetings, PTA and other organisation meetings, staff meetings, parents evenings, concerts, sports etc.

Staff access during holidays will also be required, within acceptable bounds.

In accordance with the Council's Community Use policy, each of the schools will be required to make allowance for a number of community use hours each month.

Beyond this contacted usage, third party lettings can be arranged by the school or contractor, with each other's agreement, and the income shared once appropriate building costs have been defrayed from that income.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 7.4 Services to be provided

Leeds City Council and Governors will require the following services to be carried out by the PFI Contractor once the new accommodation is provided:

- Ongoing building repair and maintenance;
- Replacement of furniture and equipment;
- Grounds maintenance;
- Energy supply, heating, lighting and other utilities;
- Caretaking and cleaning;
- Waste Management, with appropriate recycling facilities;
- Fire prevention measures, approved for Insurance purposes and by the Fire Authority;
- Security both during and outside school hours and during school holidays;
- Provision of IT and Telecommunications infrastructure;
- Catering for pupils;
- Catering for staff and visitors, where appropriate;
- Insurance.

Building performance standards will be set to comply with Department for Education and Skills recommended guidelines.

Fire Prevention is of the utmost importance to the City Council and the inclusion of Fire Prevention Sprinkler Systems, approved for both Insurance and Fire Authority purposes, will be a mandatory requirement of the Contract.

The security of staff and pupils, and their property, is of particular importance to the City Council and Governing Bodies. The safety of pupils, parents and staff at the start and conclusion of the school day is of particular concern. Particular attention will be paid to the movement of vehicular traffic at these and other times, at the design stage of the Project, including the consideration of Green Travel Plans.

ICT Provision - The new school buildings should incorporate an infrastructure which meets all the requirements of DfES guidelines and initiatives and with guidance issued by the LEA. This infrastructure may include two separate networks, one to service the curriculum and one for administrative use. The building design would need to be sufficiently flexible to allow developments or future alternatives to be installed.

Employment Issues – TUPE rules will of course apply for any staff requiring to be transferred to the new school provider. This could affect caretaking, cleaning and catering staff at any or all of the schools. In addition, for those staff in this category, who are members of, or wish to be members of the West Yorkshire Local Government Pension Scheme, should be guaranteed the right to remain or to join this Pension Scheme or to transfer to another Pension Scheme which will guarantee them at least the same benefits they currently enjoy in their present Scheme. The City Council will consider the satisfying of these requirements as of the highest importance and would wish to see a statement addressing this in any submission from prospective PFI partners.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 7.5 **Services not included in the Contract.**

Teaching and curriculum delivery and the associated Financial Management are excluded from the list of services, which will remain the responsibility of the Local Education Authority.

# LEEDS PRIMARY SCHOOLS PFI PROJECT

## 8. RISK ALLOCATION AND ACCOUNTING TREATMENT

### 8.1 Approach to Risk Analysis

This PFI Project is part of the proposals to bring about a significant change in Primary School provision in the City. The Council is aware of the risks associated with a major school reorganisation, particularly involving the closure of established schools. Some of the significant risks relate to the statutory provisions for school closures, school admissions etc. The Council however, through this PFI Project is seeking to match the supply of primary school places in a number of areas of Leeds with the anticipated future demand for places. This reorganisation will reduce surplus school places and therefore the risk of building surplus places will be low.

The project includes a number of discrete but related risk analysis exercises, which will develop during the progress of the relevant project stages. The three main elements of the work on risk are:

- the evaluation of property risks (following the Treasury Task Force Technical Note on Application Note F to FRS5, as adopted in the CIPFA/LASACC Statement of Recommended Practice (SORP)) for our opinion on the correct accounting treatment for the transaction;
- the justification for the risk elements included in the value for money and affordability assumptions used in the financial models;
- the analysis of project and procurement risks to ensure adequate control of the project.

### 8.2 Property Risk Analysis

The apportionment of risk between the PFI Contractor and the City Council is essential to achieving good value for money for the Public Sector. The Council will retain the risks relating to educational demand and supply, and attainment, it will seek to transfer a high proportion of the property risks to the PFI Contractor.

Leeds City Council undertook a detailed risk analysis as part of the Full Business Case for the Leeds 7 Schools PFI Project in partnership with Deloitte & Touche, the Council's Financial Adviser for that Project. This entailed detailed statistical analysis of the relative risks for the City Council and the Council's PFI Partner. The conclusion was that the overwhelming balance of risk lay with the PFI Partner and in their view, this satisfied the Local Authority (Capital Finance) Regulations 1997, and in particular, Regulation 40. They also confirmed that the value of risk contained within the Public Sector Comparator reflected the balance of risks transferred to the Council's PFI Partner. The City Council's External Auditors, District Audit, reviewed this approach and Deloitte & Touche's conclusions and confirmed the accounting treatment. The Council intends to follow this approach in establishing its opinion on the appropriate accounting treatment for this project. During the negotiation of this contract, the Council aim to ensure that the balance of risks will meet the requirements of FRS5 for the assets to be off the Council's balance sheet.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

The Council's assessment of the balance of risks will be based on an assessment of who, in commercial terms, has access to the benefits of the property and exposure to the associated risks. Our assessment of whether the assets provided under the PFI contract are off the Council's balance sheet will be made in relation to FRS5 and in particular the Application Note F "Private Finance Initiative and similar contracts" as adopted in the CIPFA Statement of Recommended Practice (SORP). Relevant guidance as recommended by the SORP (the Treasury Task Force technical note "How to Account for PFI Transactions") and other central government sources, including guidance from the DfES, will also be followed.

The analysis will identify the separable elements of the contract to identify those parts which will attract property risks and will then go on to review the qualitative and quantitative indicators to assess the balance of risk. The appraisal will involve an assessment of the principal factors identified in FRS5 to determine who will bear variations in property profits (or losses). For this project these are initially taken to be:

- demand risk;
- third party revenues;
- who determines the nature of the property (design and construction risks);
- penalties for under performance or non-availability;
- potential changes in relevant costs;
- obsolescence (including the effects of changes in technology);
- the arrangements at the end of the contract and residual value risk.

Our initial assessment of who bears these risks under the proposed PFI contract is as follows:

<b>Property Risk</b>	Who Bears the Risk
<b>Demand Risk</b>	Retained by the Council
<b>Third party revenues</b>	Limited scope under this project but predominantly transferred to the contractor
<b>Design Risk</b>	Exclusively transferred to the contractor based on them meeting and performing to the agreed output specification
<b>Construction Risk</b>	Not generally relevant but exclusively transferred to the contractor, based on them meeting and performing to the agreed output specification, as specified under the application note (F37) as evidence of the transfer of design risk.
<b>Performance and Availability</b>	Exclusively transferred to the contractor based on them meeting and performing to the agreed output specification
<b>Changes in relevant costs</b>	Predominantly transferred to the contractor
<b>Obsolescence</b>	Limited scope under this project but predominantly transferred to the



## LEEDS PRIMARY SCHOOLS PFI PROJECT

	contractor
<b>Residual Value Risks</b>	Retained by the Council

It is proposed to apply the same rigour, as applied by the Council under the Leeds 7 Schools PFI Project, to this Project to ensure that the appropriate level of risk is transferred to the PFI Contractor, whilst at the same time ensuring good value for money for the Public Sector. Proposed risk apportionment is set out below, in terms of their allocation between the City Council and the PFI Contractor. The estimated value of these risks at an Optimism Bias level of 20%, as included in the Public Sector Comparator is a Net Present Value of £11.2m.

### 8.3 Summary of Project Risk Management Strategy

<b>RISK</b>	<b>MANAGEMENT</b>
<b>Education Delivery</b>	The City Council will, as set out in its policy strategies, continue to improve academic standards.
<b>Management of School Places (Demand)</b>	The City Council will continue to manage the demand for school places.
<b>Change in Requirements</b>	Any change in requirements at the construction or operational stages will be dealt with by the change mechanism in the contract agreement.
<b>Material Damage</b>	A risk sharing mechanism will be developed with the PFI Contractor under which the Contractor will be responsible for required insurances.
<b>Changes in Education Legislation</b>	The City Council will be liable for costs arising from any changes. It would be usual for such changes to be funded by Central Government. The City Council would carry out an impact analysis if such changes occurred.
<b>General Law Change</b>	The risk will be shared on the basis of the Office of Government Commerce guidelines.
<b>Residual Value</b>	The schools will revert to the City Council at the end of the contract period at nil residual value.
<b>Inflation</b>	The City Council will expect to use Central Government approved indices (RPIx, Labour Cost indices etc.) for the proportion of the Unitary Charge that will be subject to indexation.

### 8.4 Risks Retained by the City Council

It is anticipated that some risks will be retained by the City Council, the most significant of which are:

- Changes to the specification instigated by the City Council;
- Qualifying changes in Law;
- Compensation events;
- Force Majeure events;
- City Council default;

## LEEDS PRIMARY SCHOOLS PFI PROJECT

- Inflation on the indexable proportion of the Unitary Charge.

The detailed risk analysis is set out below.

**LEEDS PRIMARY SCHOOLS PFI PROJECT**

**Summary of Risk Transfer**

**Educational Risks**

<b>RISK</b>	<b>DESCRIPTION</b>	<b>PFI RISK ALLOCATION</b>		
		<b>CITY COUNCIL</b>	<b>SHARED RISK</b>	<b>PFI CONTRACTOR</b>
<b>Education Delivery</b>	<b>Additional funding required to implement the City Council's strategy</b>	<b>Yes</b>		
<b>Pupil Numbers</b>	<b>Loss of pupils to schools within Leeds and to neighbouring authorities as a result of poor academic standards</b>	<b>Yes</b>		
<b>Loss of Staff</b>	<b>Poor quality of Education / difficult to manage results in lower morale, increased absence and loss of staff</b>	<b>Yes</b>		
<b>Future School Closures</b>	<b>Change in requirement / demographic factors result in lower demand</b>	<b>Yes</b>		
<b>Change in School Status</b>		<b>Yes</b>		

**LEEDS PRIMARY SCHOOLS PFI PROJECT**

**Building Risks**

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
Availability of School Sites		Yes		
Outline Planning Permissions		Yes		
Detailed Planning Permissions	PFI Contractor to obtain detailed Planning permissions in advance of Contract Close to enable construction to commence as soon as possible after contract signature.			Yes
Compliance with Planning Conditions				Yes
Design				Yes
Construction Cost	Due to unforeseen events, including higher than anticipated costs, industrial action by own employees and problems with sub-contractors.			Yes, Save for Compensation events
Construction time and	Not completed to schedule resulting in late			

## LEEDS PRIMARY SCHOOLS PFI PROJECT

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
Commissioning	handover of schools			Yes
Quality of Build	Meeting planned long term requirements of the schools			Yes
Ground Conditions				Yes
Decanting during Construction				Yes
Latent Defects	Contractor to ensure that adequate surveys undertaken			Yes
Supply of Furniture and Equipment				Yes
Installation of IT Infrastructure				Yes
Future Changes to IT Infrastructure		Yes		

**LEEDS PRIMARY SCHOOLS PFI PROJECT**

**Building, Maintenance and Operational Risks**

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
Availability of the Schools	100% of the Unitary Charge is at risk if the Schools are unavailable.			Yes
Performance	Proportion of the Unitary Charge at risk for poor performance			Yes
Cost of Service Delivery	Benchmarking of services during the course of the Contract			Yes
Routine maintenance of the School buildings	Ongoing preventive and reactive maintenance of the School buildings			Yes
Long term maintenance of the School buildings	Contractor responsible for ongoing lifecycle costs			
Supply of school furniture and equipment	Contractor to be responsible for school furniture and building related equipment. The schools remain responsible for academic equipment			Yes
Replacement of school	Contractor responsible for lifecycle costs			

## LEEDS PRIMARY SCHOOLS PFI PROJECT

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
furniture and equipment				Yes
Utilities availability and energy efficiency				Yes
Utilities consumption			Yes	
Utilities price risk	Currently, energy prices are very volatile, contractor taking piece risk may not be good value for money	Yes		
Caretaking and cleaning				Yes
Provision of catering				Yes
Free School meals	Contractor to provide, Council to pay		Yes	
Grounds Maintenance				Yes
Security	Internal and external			Yes
Health and safety	The Council also has statutory duties		Yes	
Insurance	Project Agreement to reflect OGC Guidance on insurance		Yes	

### LEEDS PRIMARY SCHOOLS PFI PROJECT

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
Vandalism	Outside school usage			Yes
Vandalism	During school usage		Yes	
Third Party usage				Yes



## LEEDS PRIMARY SCHOOLS PFI PROJECT

### Legal and Financial Risks

RISK	DESCRIPTION	PFI RISK ALLOCATION		
		CITY COUNCIL	SHARED RISK	PFI CONTRACTOR
<b>Inflation</b>	<b>Council risk limited to the proportion of the Unitary Charge subject to indexation. Contractor risk for the fixed element of the Unitary Charge</b>		<b>Yes</b>	
<b>Interest rates to Financial Close / Contract Signature</b>	<b>SWAP Rate not fixed until financial close</b>	<b>Yes</b>		
<b>Interest rates after Contract Signature</b>				<b>Yes</b>
<b>Refinancing Gains</b>	<b>Project Agreement to reflect OGC Guidance on share of Refinancing gains</b>		<b>(Yes) Benefit</b>	
<b>Residual Value</b>	<b>Schools to be returned to the City Council at nil cost at the end of the Contract</b>	<b>Yes</b>		
<b>General Legislation</b>			<b>Yes</b>	
<b>Change to Education Legislation</b>	<b>For example, new requirements for schools, reduction in class sizes, school starting and leaving age's etc.</b>	<b>Yes</b>		

**LEEDS PRIMARY SCHOOLS PFI PROJECT**

<b>RISK</b>	<b>DESCRIPTION</b>	<b>PFI RISK ALLOCATION</b>		
		<b>CITY COUNCIL</b>	<b>SHARED RISK</b>	<b>PFI CONTRACTOR</b>
<b>Change in UK Taxation</b>		<b>Yes</b>		
<b>Change in International Taxation (excluding UK)</b>				<b>Yes</b>

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 9. TERMS AND CONDITIONS OF THE PROJECT AGREEMENT

The City Council has experience of delivering PFI Projects to Contract signature and Financial Close. It is fully aware of the value of the Office of Government Commerce Guidance on the Standardisation of PFI Contracts and will, throughout the procurement process, make full use of the standard drafting and guidance and related guidance from HM Treasury. Any attempt by the Bidders to make adverse departures from Guidance will be identified and resisted.

The Council will also make full use of the Department for Education and Skills schools specific contract and guidance, subject to taking account of changes consequent on the development of the general guidance. The Council will also observe the DfES Guidance on the Payment Mechanism and on the agreements between the LEA and School Governors. Further, the Council will take full account of the Local Authorities standardisation guidance.

The contract terms developed by the City Council and DLA together are drawn largely from these sources and include appropriate legal and contractual terms. The terms allocate risks between the parties in accordance with the Guidance and will be prepared so as to present bidders with a commercially reasonable and bankable draft contract from the start of the procurement process.

The City Council also developed , with the help of its advisers, a payment mechanism to satisfy the accounting requirements of PFI Transactions. The payment mechanism will cover two core elements:

- Deductions amounting to 100% of the Unitary Charge if the schools are unavailable;
- Deduction from the Unitary Charge for poor performance.

This is designed to provide adequate incentive to the PFI Contractor to perform the services in accordance with the Output Specification, and to demonstrate the necessary risk transfer, whilst at the same time being commercially reasonable and bankable.

## LEEDS PRIMARY SCHOOLS PFI PROJECT

### 10. COMMITMENTS OF SPONSORS AND STAKEHOLDERS

During the development of the proposals for these schools, discussions have been held with the Chairs and Headteachers of the schools. All schools have now discussed the proposals within their own Governing Bodies and are enthusiastic over the proposed PFI solution to their respective building, management and sustainability problems.

The issue of the voluntary surrender of the relevant proportion of their Individual Schools Budgets has been discussed with them and they have agreed to this. Attached to this Outline Business Case are copies of letters from each School Governing Body giving their support and financial commitment to the development of this Project.

Consultation has also taken place with the Childcare and Early Development Service (CEDS), which has identified the need for the Fully Integrated Early Years provision of the sizes determined for each school. They will have responsibility for determining the appropriate management arrangements for this provision and for establishing the arrangements in each of the schools.

OFSTED registration of the new facilities is also being sought.

Most of the schools already operate some form of Out of Hours activity such as before and after school clubs and playschemes. However CEDS will be working with the existing providers to ensure optimum use is made of facilities as soon as they are available.

This Project has the full support of the City Council.