

SLOUGH SCHOOLS' FORUM
15 November 2013

PFI Financial Position 2013-14
(Directorate of Wellbeing)

1 PURPOSE OF REPORT

- 1.1 To inform Schools' Forum of the increase of £180,334 in the PFI contract costs and to suggest a possible way of dealing with the shortfall.

2 RECOMMENDATIONS

- 2.1 That Schools' Forum agrees that the PFI increase of £180,334 should be charged to the 2012-13 carry-forward and considers how the on-going shortfall of £180,334 plus inflation should be addressed from 2014-15 onwards.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The PFI project cost has increased by £180,334 in 2013-14. The explanation is as follows:

It is a requirement of the PFI project agreement that benchmarking is undertaken for cleaning, grounds maintenance, caretaking and catering and this happened for the first time starting in April 2012 and following a series of meetings and negotiations version 7 of the benchmarking report was accepted by the Authority in August 2012. Council officers believed that re-tendering would have led to higher costs. The benchmarking adjustment to the unitary charge was made from 05/11/2012 and the indexed portion of the unitary charge (including the benchmarking adjustment) will, in accordance with the project agreement subsequently be uplifted by RPIX for February each year. The benchmarking exercise will be undertaken again in five years time when the Authority can decide to accept the benchmarking adjustment or require that the relevant services are tendered if agreement cannot be reached or if the contractor fails to undertake the benchmarking exercise.

The benchmarking exercise is undertaken to ascertain the relative quality and competitiveness of each of the four services and is carried out in good faith by the Contractor with SBC's cooperation on the basis of an objective and like for like comparison by comparing the standards and prices of the benchmarked services and the costs of providing them with the standards and prices of equivalent services in similar circumstances provided by reputable organisations possessing an appropriate degree of skill, resources, reputation and financial

standing. Costs are also benchmarked against appropriate national indicators, e.g. the Buildings Cost Information Service of the Royal Institute of Chartered Surveyors, which is a nationally and internationally recognised source of information and benchmark data for the Construction, Premises and Facilities Management industries in both the Private and Public sectors.

- 3.2 There is enough unspent DSG from 2012-13 to cover the cost of the 2013-14 increase (see Appendix 1).
- 3.3 The three schools covered by the PFI contract are Arbour Vale, Beechwood and Penn Wood. The schools' contributions are calculated using their floor area as the broad basis. The total of the schools' contributions in 2013-14 is £1,001,779.
- 3.4 The approximate percentages attributable to each school are:
- Arbour Vale 46%
Beechwood 39%
Penn Wood 15%
- 3.5 Because of the large increase falling on to the three PFI schools, it is proposed that the cost from 2014-15 is funded jointly by the three PFI schools and the DSG as a whole. This would mean the three schools sharing a cost of £90,167 between them and the DSG increasing its contribution to the PFI contract by £90,167. The cost to the DSG over four years would therefore be £360,668.
- 3.6 The benchmarking exercise happens every five years and the next one is due in November 2017. This arrangement will therefore be reconsidered following the next benchmarking exercise.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The two alternatives would be for either the three PFI schools or the DSG to bear the full cost of the increase.

5 SUPPORTING INFORMATION

None.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

- 6.2 The financial implications of the report are outlined in the supporting information.

Access Implications

- 6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None.

Method of Consultation

- 7.2 Not applicable.

Representations Received

- 7.3 Not applicable.

Background Papers

Appendix 1

Contact for further information

Steve Elson (Interim Finance, ECS)
(01753 477209)
steve.elson@slough.gov.uk