

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 16 DECEMBER 2002 AT 2.00 PM**

Agenda item No.

10

**PRIVATE FINANCE INITIATIVE SCHEME FOR
CHILDREN, SCHOOLS AND FAMILIES**

Report of the Director of Children, Schools and Families

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1. Purpose of report

To present a proposed Private Finance Initiative bid for Children, Schools and Families projects.

2. Summary

- 2.1 The report proposes a PFI bid to the DfES to secure substantial improvements to the in-county provision for children and young people in care and schools for pupils with emotional and behavioural difficulties. Additional accommodation for Children's Centres, for key workers and for socially excluded 16-18 year olds leaving all types of schooling is also proposed, as are improvements to Youth Justice Service, Education Support Centre and Family Centre buildings.
- 2.2 Any comments of the CSF Resources Panel on 12 December 2002 on the proposed PFI Bid will be reported to Cabinet.

3. Conclusion

Cabinet is invited to consider the proposed PFI scheme stage one bid.

4. Background

- 4.1 The scope over the next few years to secure funding for very large projects through borrowing, capital receipts or grant is limited. This is one of the main reasons for suggesting that a bid is made for the PFI funding.
- 4.2 Nationally £3 billion of PFI funding has been allocated to school projects since 1997-98. PFI funding will amount to around a quarter of the total available for school buildings projects in 2004/05 with the DfES making it very clear that LEAs should push for PFI funding.
- 4.3 For Community and Voluntary Controlled Schools the County Council (LEA) would normally hold the freehold of the site. For the period of the PFI contract (usually 25 years) the LEA leases the buildings/facilities/equipment from the contractor at a fee. At the end of the contract the LEA could let a new contract, extend the contract or run the facilities itself. The contract could provide for the assets to be transferred to the LEA at nil cost or at an agreed market value. These and various other options will have different implications for the fee to the contractor.
- 4.4 The statutory responsibilities of the Head and the Governing Body remain unchanged throughout the period of the contract. School governors are a key stakeholder in any schools PFI scheme. A project at an existing school cannot proceed without the governors' agreement. Part of this agreement will be to pay back to the LEA the part of their delegated budget that relates to services to be provided under the contract.
- 4.5 An aspect of the proposed PFI bid for CSF includes non-school based developments. The implication of this is that the bid for PFI funding will need to be supported by a number of Government departments.
- 4.6 Discussion with the DfES (the relevant department for PFI) indicates that the DfES would welcome a bid from Hertfordshire on the lines of the proposal.

5. The PFI Bidding Process

- 5.1 There is a two-stage bidding process, with the deadline for Stage 1 set as 3 January 2003. If successful at Stage 1, (announcement: March 2003), the Authority will be asked to prepare an "Outline Business Case (OBC)" for submission to the Treasury as early as possible in 2003. If the OBC is accepted contract documentation will be drawn up and tenders placed. The aim is to sign contracts with the preferred contractor in the financial year 2004/05.

6. DfES criteria for considering PFI Bids

6.1 The criteria are put into four groups by the DfES and have a relative weighting:

- “How the project will help to transform educational attainment and address wider DfES priorities” (40%)
- “How the project will transform the school estate. The Department is looking for projects which will support a radical change in the pace of progress across a large area ” (40%)
- “How the project will address wider Government priorities” (10%)
- “Project deliverability and Public Private Partnership development” (10%)

7. Data and Data Analysis

7.1 The data and data analysis which leads to the proposal is set out in below. The estimates of cost are Category A but exclude the cost of any land purchases as PFI funding does not cover this.

	Element	Data Analysis	Proposed Property Solution	Estimate of cost £
(i)	Additional In-County Residential Secondary EBD Places (Boys and Girls).	The data shows that 75 children and young people with a Statement who are placed in out-county residential provision have behavioural difficulties. Based on an examination of those placements some 50 children could have been retained in-county for educational purposes if the provision had been available. The remainder of the proposed places (14) in the proposed new 64 place residential special school would need to be filled by other similar pupils in the region.	64 additional residential (boys and girls) EBD places in a new school.	11.5m
(ii)	Additional day and extended-day places at existing Primary and Secondary EBD Schools.	The data shows that 77 primary EBD pupils are, currently, supported through day provision but there is a requirement for 85 places (i.e. an expansion of 8 places is needed). Similarly, there are 217 secondary and a further 12 secondary EBD pupils, currently, supported through day and extended day provision, but the demand is for 237 and 18 places respectively (i.e. an expansion of 20 day and 6 extended-day places is needed).	34 additional day and extended day places at 3 existing secondary and 1 existing primary EBD schools.	0.6m
(iii)	Upgrading of the teaching and residential accommodation of existing EBD Schools.	The boarding accommodation at Boxmoor House School needs upgrading to meet the minimum standards of the Care Standards Act. New teaching provision is required for Batchwood (a new gym) and Falconer Schools (a new Sports Hall shared with Bushey Hall School) because these schools do not have on-site indoor PE spaces.	Upgrading work at each of the existing EBD schools, with additional accommodation at Batchwood and Falconer Schools.	3.5m
(iv)	Upgrading the accommodation at existing Education Support Centres.	There are no proposals to expand the number of places at the 8 Education Support Centres which cater for 180 pupils currently. However, the new requirement to provide education for 25 hours a week per pupil will require some upgrading of the facilities.	An indicative amount of £150,000 upgrading work for each ESC is proposed.	1.2m

	Element	Data Analysis	Proposed Property Solution	Estimate of cost £
(vii)	Additional In-County Residential Places for Looked After Children.	<p>The data shows that, currently, there are 950 looked after Hertfordshire children (including asylum seekers) which represents an 11% increase over the last year. 730 are provided for in Hertfordshire, some 600 are with foster carers and 50 are in children's homes.</p> <p>There are currently 220 looked after children accommodated out-County of whom 26 are in an educational place in-County. Those 220 may be divided into four main groupings:</p> <ul style="list-style-type: none"> • those with foster carers – 129 • those in residential accommodation – 33 • those in a residential special school – 22 • those living independently – 17 <p>The remaining 19 are in either secure units or some other form of accommodation.</p> <p>The proposal is to make in-County provision for those currently placed out-County for residential accommodation. This will entail building 6 new children's homes.</p>	6 new six bedded children's homes	6.0m
(viii)	Replacement Children's Homes Accommodation	<p>The Gables Children's Home is not 'fit for purpose' and will not meet the standards set by the Care Standards Act. The current siting of the Children's Home at Brocket Road is not ideal and causes difficulties for management of pupils. A replacement for Brocket Road would enable The Gables to be moved to that site.</p> <p>The two units at Stanfield are not 'fit for purpose' and will not meet the standards set by the Care Standards Act.</p>	A replacement children's home for the eight residents of Brocket Road to enable that home to be more suitably located and to facilitate the move of The Gables to Brocket Road plus replacement accommodation for the 12 residents at Stanfield Children's Home.	3.1m

	Element	Data Analysis	Proposed Property Solution	Estimate of cost £
(ix)	Pre-School Children's Centres	<p>A number of indicators of need have been mapped:-</p> <ul style="list-style-type: none"> • Achievement at Key Stage 1 • Child Protection and Looked After Children • DETR Index of Deprivation • Childcare and Early Education Provision <p>This leads to a proposal to establish two centres per Quadrant serving a local community of 450/500 families in each Quadrant. Each centre will be based round a core of an existing nursery class or school.</p>	Establish 7 new Children's Centres.	3.2m
(x)	Family Centre Accommodation	The Ware Family Centre is not 'fit for purpose' and is not accessible under the requirements of the Disability Discrimination Act. The other 8 Family Centres are in need of some upgrading.	Replacement of the Ware Family Centre on another site. Also refurbishment of the other Family Centres.	0.9m
(xi)	Youth Justice Service Accommodation	The Youth Justice Service's premises at The Valley site are not 'fit for purpose' with interviews of young people and their parents taking place off site. Site security is also a problem.	Move of the Youth Justice Service from The Valley site, Stevenage, to the former courthouse in Hitchin.	0.4m
			TOTAL	45.4m

8 The Proposal

8.1 As can be seen, the elements of the proposal comprise :

residential and day EBD provision;
housing units for teachers and social workers;
residential and vocational provision for socially excluded 16 – 18 year olds;
residential provision for looked after children;
provision of new Children's Centres;
improved accommodation for Family Centres;
Youth Justice Service premises.

8.2 The proposal is likely to be of a scale (some £45m plus) and type that is attractive to investment by the private sector because of the capital value and the income streams it would produce from the accommodation for key workers and for young people i.e. residential schools, children's homes and hostels.

8.3 The additional accommodation for key workers will be offered at an affordable rent. This will complement a number of other initiatives underway for key workers:

- shared equity schemes;
- affordable and rented housing through certain District Councils;
- mortgage subsidy;
- better information about the availability of housing.

8.4 The bid is unusual because it is dealing with both care and education functions. Early discussions with the DfES indicate that this is acceptable and that the DfES will co-ordinate consideration of the bid with other Government Departments. Discussions have also been held with private sector contractors.

8.5 The scheme will facilitate bringing back children and young people in-county with the potential for lower costs and better cost control. The additional accommodation for key workers will help the retention and recruitment of teachers and social workers. The proposal also improves the existing poor stock of buildings for the Youth Justice Service, Education Support Centres and schools for pupils with emotional and behavioural difficulties.

8.6 The scheme will contribute to meeting key priorities of the draft Children, Schools and Families Service Plan for 2003/04 and the criteria set by the DfES, as set out in 5.1 above, ie, it will help to transform educational attainment and the school estate and address wider DfES and Government priorities.

8.7 Officers also investigated and evaluated two other alternative PFI bid options:

- Sports Hall - this option would provide Sports Halls (21 in total) at secondary schools, of at least 5 Form Entry, with only one badminton court sized (or less) gym and two special schools without indoor P.E. provision
- Sports Halls Plus – as above but linking additional provision for non-school elements such as health access and/or one – stop community information points.

These were not pursued because they do not contribute as strongly to meeting the key priorities of the draft CSF Service Plan for 2003/04. It was also felt that they do not match the DfES criteria as closely.

9. Financial Implications of proceeding with the preferred option

9.1 Consultants' Fees

1.	Preparation of Outline Business Case	50,000
2.	Procurement of a PFI Contractor, financial negotiations and closure of the scheme	430,000
3.	Total	480,000
	Cash Flow	
	2003/04	180,000
	2004/05	300,000

It is possible, however, to include these costs as part of the PFI contract so that they can be paid back over the lifetime of the contract through the Unitary Charge. However, as outlined in section 9.1 below, the Authority will need to make provision in the budget in case the bid is unsuccessful.

Consultants' fees totalling £480,000 will give rise to an additional revenue cost in the order of £35,000 per annum.

9.2 PFI Credits

PFI Credits are issued by the Treasury via the DfES. In principle, the capital element of a PFI bid will be funded by the PFI credits, although the cash flow of credits does not match Unitary Charge payments, but does balance over sixty years. As indicated in paragraph 7.2 above PFI Credits are not available for the cost of purchasing land. Most of the proposals relate to educational and care provision (ie statutory provision for the County Council) and which therefore could be located on County Council owned land. The housing proposed is not a statutory requirement on the County Council to provide but, clearly, the recruitment and retention of teachers and social workers is essential for the delivery of statutory provision.

9.3 Unitary Charge

The Unitary Charge is the annual amount the County Council will pay (over the 25 years) to the PFI contractor for building work and for running the facilities and maintaining them.

9.4 Revenue Costs

- (i) The total revenue costs will need to be met from existing budgets where premises are being replaced or upgraded. For the consultants' fees, the additional EBD places and the additional 6 bedded Children's homes there may be offsetting savings in the out-County placement budget, otherwise growth will be needed in the 2005/06 revenue budget.
- (ii) The running costs of the housing units for key workers and residential units for socially excluded young people will be met by the rental payments made.

10. Risk Analysis

10.1 Financial

- There is the risk that having accepted the Stage 1 proposal the DfES rejects the Outline Business Case – total of £50,000 of investment at risk.
- There is the risk that following the acceptance of the OBC it does not prove possible to appoint a preferred contractor – total of £180,000 of investment at risk.
- The remaining £300,000 of Consultants' Fees to the completion of the building project relates to agreeing the details with the preferred contractor and is regarded as having a very slight risk only.
- There is a risk that the Governing Bodies of existing schools refuse to agree to the withdrawal of delegation for premises related costs. Discussions will be held with any existing schools affected by the bid.

10.2 Non-Financial

- The DfES may not support the final project, which runs across a number of Government departments, although initial discussions suggest they will.
- Final applications for Town Planning approval may not succeed, particularly for accommodation for socially excluded young people and children and young people in public care.

11. Timetable for the period from the Stage 1 Bid to the completion of the buildings

On the assumption that the proposed scheme is accepted by the DfES and is built, the likely timetable would be as follows:

Submission of Stage 1 Bid	3 January 2003
Approval of Stage 1 Bid	March 2003
Approval of Outline Business Case	by September 2003
Appointment of Contractor and preparations for start of building contract	by September 2004
Construction period	September 2004 to May 2005
Completion of building work	June 2005

12. Further Work

- Meetings have been arranged with the Department of Health and the Home Office and with private sector contractors.
- Work continues to identify potentially suitable sites for the elements of the scheme.
- Work continues to refine the estimates of cost for each element in the scheme.

A report will be given at the meeting of any further information arising from the above work.