

Derby Grouped Schools PFI – Interim Service Arrangement

RECOMMENDATION

1. That Council Cabinet approves the development of an Interim Service Arrangement with the Preferred Bidder which would permit the Preferred Bidder to assume responsibility for facilities management in the existing schools from 1 September 2004.

REASONS FOR RECOMMENDATION

- 2.1 There are financial benefits to the Council in terms of overall affordability of the PFI Project.
- 2.2 It would provide a 'bedding in' period during which the contractor can develop relationships with the workforce and school managers prior to the opening of the new schools.

SUPPORTING INFORMATION

- 3.1 The PFI Project Board agreed to proceed with the development of an Interim Service Arrangement at its meeting on 10 October 2003.
- 3.2 Interim Service Arrangements are a common feature of PFI schemes and are usually favoured by the bidders themselves.
- 3.3 An Interim Service Arrangement would permit the Preferred Bidder to assume responsibility for facilities management in the existing schools from 1 September 2004. This would require an Interim Services Specification to be drawn up and the TUPE transfer of all facilities management employees in the schools to the employment of the Preferred Bidder from 1 September 2004.
- 3.4 All PFI schemes involve a bedding-in period during which time the contractor develops relationships with the workforce. This might include issues to do with working arrangements and practices, health and safety and the identification of strengths, skills and training needs within the workforce. It would be beneficial if this bedding-in process took place prior to the opening of the new schools so that any difficulties have been identified and dealt with and it will be unnecessary for the contractor to seek a relaxation of the deductions regime during the early weeks of the new schools' operation.

- 3.5 An Interim Service Arrangement will also provide a period for the development of working relationships between the contractor and the school managers, during which systems for communication and resolving problems can be developed, tested and refined.
- 3.6 The payment of special grant to the Council is determined by the service commencement date. An Interim Service Arrangement means that the grant is payable one month after services commence i.e. when the first month's unitary charge becomes due. This is one year earlier than originally envisaged. However although the Council receives the full amount of the grant in the first (and subsequent) years that the Interim Service Arrangement is operating, payment of the unitary charge is based on the Interim Service Arrangement only. The assumption is that the unitary charge will be lower in the first year as it broadly matches the costs of operational services and then it increases to reflect the phased handover of the completed schools. This enables the Council to build up surpluses which, together with the interest earned on them, contribute to the overall affordability of the scheme. An Interim Service Arrangement could potentially reduce the Councils contribution by around £40,000 a year over the lifetime of the Project.

OTHER OPTIONS CONSIDERED

4. None.

For more information contact:	Mike Melliush Tel 01332 255533 e-mail mike.melliush@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 An Interim Service Arrangement could potentially reduce the Councils contribution to the scheme by around £40,000 a year over the lifetime of the Project.
- 1.2 The schools will have to contribute a portion of their delegated budgets toward the unitary charge and this will need to be reflected in the Governors Agreement.
- 1.3 The contractor would be liable to financial penalties as a result of failure to provide services in accordance with the Interim Service Specification.

Legal

- 2.1 The Interim Service Arrangement will be incorporated into the formal contractual arrangements to be agreed with the Preferred Bidder.

Personnel

- 3.1 The number of employees who would transfer their employment to the Preferred Bidder is currently 50, of which two are on temporary contracts. Of these 26 are employees of Merrill College, 14 are employed by Commercial Services and 10 are recruited directly by schools.
- 3.2 Meetings have been arranged with the employees who will transfer to inform them of the proposals prior to this report going into the public domain.
- 3.3 The transfer of employees is dependent on the contractor obtaining admitted body status to the Local Government Pension Scheme by 31 August 2004.

Corporate Themes and Priorities

- 4.1 The Grouped Schools PFI Project contributes to the Council's themes of Success through Learning and a Sustainable Environment.
- 4.2 The Project furthers the priority of Improving Children's and Young Peoples Prospects and Improving the Physical Environment of our City and Streets.