

Tower Hamlets PFI Scrutiny



Introductions



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Service Head
(PASS)

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– Head of
School
Buildings

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Officer



Introduction To PFI



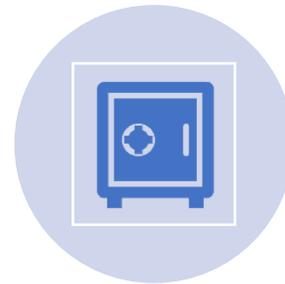
LBTH entered two Private Finance Initiative (PFI) agreements in 2002



The Council and Schools pay contributions to the financing of the PFI agreement;



Facilities providers are to meet minimum standards set out in the Project Documents



Ensures assets are well maintained and are kept compliant.



PFI Expiry

The Council's PFI contracts consist of 2 framework agreements

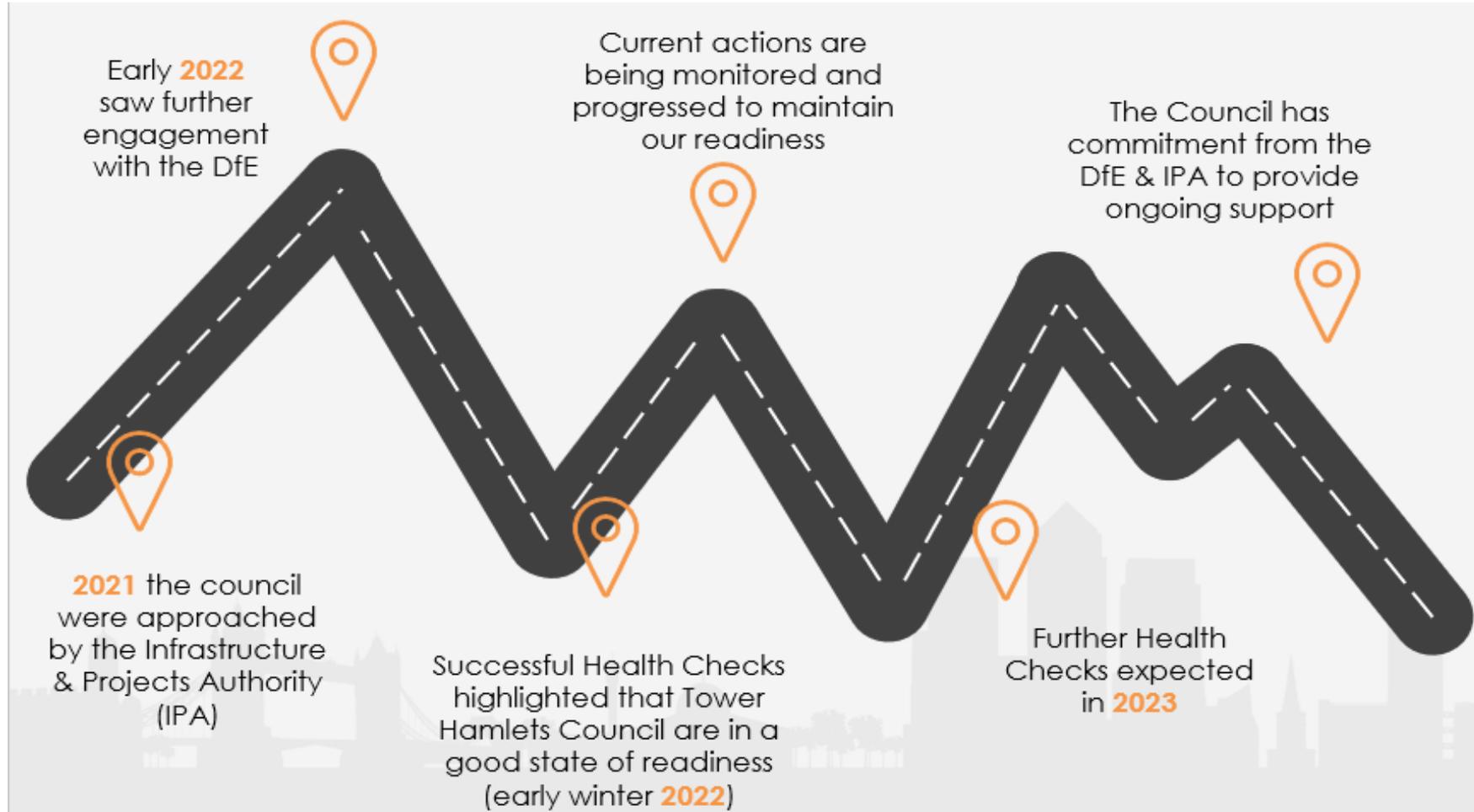
Grouped Schools with a 25-year term expiring in 2027

Mulberry School for Girls with a 27-year term expiring in 2029

The Council are engaged with the IPA and DfE regarding readiness for contract expiry.



Current Engagement



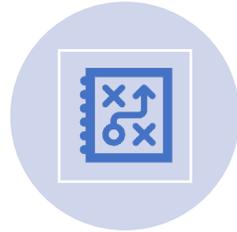
We Have:



ENGAGED WIDER
COUNCIL DEPARTMENTS
TO ESTABLISH CROSS
WORKING
PARTNERSHIPS



ESTABLISHED A
STEERING GROUP TO
LEAD THE PFI EXPIRY
PROCESS



DEVELOPED AN EXIT
STRATEGY TO GUIDE US
TO A SUCCESSFUL HAND
BACK



IDENTIFIED A NEED FOR
ADDITIONAL RESOURCES



SECURED FUNDING FOR
ADDITIONAL RESOURCES
THROUGH THE PFI
RESERVE



We Are Committed to:



Providing support and guidance to school leadership teams



Removing the financial burden of PFI Expiry using PFI reserves (C. £0.5m)



Alleviating current pressures on school budgets through our Annual Charge adjustments (C. £0.9m)



Supporting schools by funding the recent PFI Benchmarking uplift (C. £0.4m)



Post Expiry



Schools will regain full control of their premises management estate



Schools will receive assets in a good condition reducing the need for Conditions & Improvement funding



Reduction in school maintenance costs



Freedom to engage in capital works without costly mark-ups



Options for ongoing Facilities Management support through cost effective SLAs



Key Risks & Mitigations



- Cross Department Working - It is essential that all departments work collaboratively and to set timelines to ensure that all elements of the expiry process are executed on time. Failure to receive regular engagement from other departments could impact the success of the expiry process.
- Mitigation – A dedicated Steering Group has been established to ensure regular updates are provided and that key milestones remain on track for completion.



Key Risks & Mitigations



- Failure To Agree – It is possible that the management parties to not initially agree on the hand back clauses and a difference of interpretation is likely. This could delay progress and result in Dispute Resolution Procedures being engaged.
- Mitigation – Children’s Services have made sufficient funds available to procure an outsources contract review. The intention of this review is to identify key hand back clauses which will help to establish The Council’s contribution to a Joint PFI Expiry Plan



Key Risks & Mitigations



- Insufficient School Knowledge & Funding – It is apparent that currently the majority of school lack the knowledge and financial capacity to proceed with future services which replicate the existing level of service provided. This would result in an increase in risk to all areas such as Health & Safety Management, Building Maintenance and Compliance Management.
- Mitigation – The Council are committed to supporting schools during this transition period and have developed options for an affordable managed service for consideration. The Council are aware of the need to provide ongoing training and support to future Responsible Persons and SLTs. We will establish a series of workshops which will be available to schools leading up to and post expiry.



Value For Money (VFM)



Recent increases to the Annual School Charge has raised questions relating to the Value For Money (VFM) of the PFI contract. We have undertaken a VFM review using three of the Tower Hamlets PFI Schools.



Value For Money (VFM)



Value For Money Review (36 Month Total)		
Total Annual Charge Due	Total FM Expenditure	Loss/Gain
£2.9m	£3.5m	£0.6m



Value For Money (VFM)



	Value For Money Review (Year on Year)		
	Total Annual Charge Due	Total FM Expenditure	Loss/Gain
2023	£0.95m	£0.9m	£48,000
2022	£1m	£1.16m	£0.15m
2021	£0.96m	£1.51m	£0.55m

* Reoccurring performance failures levy financial deductions via the recovery mechanism set out in the contract documents. Examples of these deductions are not included in this data.

