

Annex B

Key assumptions underpinning affordability

1.0 Introduction

- 1.1 This note has been developed to support the basis of the costs and school and Council funding assumptions used in the BSF programme affordability modelling.
- 1.2 The FM costs rates presented have been developed only to support the population of an affordability model for use by the Authority as the basis for confirming scheme affordability. The data presented is not an assessment of Value for Money - this would require detailed benchmarking analysis comparing service delivery costs with other schemes on a like for like and parallel basis.
- 1.3 Development of the FM cost rates has used data from up to three principal sources: Mott MacDonald, the Council's Technical Advisors to the project, benchmarked phase 2 data supplied by the LEP as part of the Rushey Mead and Crown Hills submissions, and phase 1 schemes actual cost data.
- 1.4 Assumptions around capital costs are summarised in Paragraph 5

2.0 Lifecycle Costs

2.1 Recent MM Lifecycle benchmark data for schemes in the South East (mixed spec)

New Build (all costs per m2 per annum)	Refurbishment
£25.07	£28.17
£23.24	£26.61
£24.77	£29.41

2.2 LEP / G4S Lifecycle CH & RM (recent submission actual proposed rates) (LCC spec).

New Build	Refurbishment	No Work	Sports Halls
£21.70	£24.50	£26.04	£20.70

2.3 The LEP figures benchmark favourable against other schemes and have consequently been adopted for the purpose of the model as there is no basis for change and/or downward revision. It was agreed with the LEP that, for the purposes of a programme-wide affordability review, there was no basis to revise these figures.

Therefore the lifecycle benchmark figures used for modelling were:

New Build	Refurbishment	No Work	Sports Halls
£21.70	£24.50	£26.04	£20.70

Annex B

3.0 Facilities Management Costs

3.1 Recent MM FM cost data for schemes across UK (mixed specifications)

Blended rates – national spectrum of schemes £40 - £51 per m2 per annum

PFS cost data for schemes across the UK (mixed specifications)

Blended rate based on national spectrum of schemes £43.64

LEP / G4S FM Data CH & RM (LCC Specification)

FM Cost (all costs per m2 per annum)	New Build	Do Nothing	Refurbishment	Remodel
Cleaning	£19	£19	£19	£19
Administration	£8	£8	£8	£8
Hard Maintenance	£22	£27	£25	£24
Grounds Maintenance	£3	£3	£3	£3
Security	£3	£3	£3	£3
Totals	£55.00	£60.00	£58.00	£57.00

3.2 The FM rates are higher on a per metre squared basis than the PFS benchmark and MM Benchmark rates. This probably (at least in part) reflects the extended opening hours required as part of the FM service provision in Leicester relative to other schemes (i.e. not a like for like comparison).

3.3 On this basis the technical group in consultation with the LEP considered that the following rates were reasonable for inclusion in the Authorities affordability model.

FM Cost	New Build	Do Nothing	Refurbishment	Remodel
Totals	£52.00	£55.00	£52.00	£52.00

Cost rate reductions may be achieved through a more considered and bespoke approach to school availability.

4.0 Utilities

4.1 Recent MM cost data for utilities from schemes across the UK (mixed specifications)
£6 - £15 per m2/annum

PFS Benchmark for utilities and rates costs across the UK (mixed specifications)
£8.48 per m2/annum

Total Utilities Cost per m2 – LCC Phase 1, (LCC specification) £17.25 per m2/annum

Annex B

4.2 The current phase 1 figure is heavily distorted by prescribed payments set out in the contract for the initial service period. The actual usage of utilities is known to be lower. It is assumed the model used to determine utilities payments in the initial service period has assumed a high percentage of utilisation relative to opening times. As utilisation is lower than opening times and the energy required to run the schools has been substantially lower than the modelled demand.

4.3 In consultation with the LEP the technical group have adopted:

£12 / m² per Annum

The technical group considered this to be an achievable cost rate and a reasonable basis for developing the affordability model. Fuel cost inflation is not incorporated into this figure. Based on this advice, the Grant Thornton cost models have incorporated this lower amount for future cost forecasts.

5.0 Capital Cost Assumptions

5.1 Scope of works.

The national BSF programme is predicated on an assumption that every local authority will, on average, be able to afford to rebuild, remodel and refurbish its school building stock in the proportions 50%:35%:15%. In almost every case, without funding constraints, it would be desirable to rebuild every school completely but this is not possible and there must therefore be an equitable method of agreeing the scope of works to be undertaken at each school.

5.2 Option appraisals

The LEP was commissioned to carry out option appraisals for every school and they produced three to four options, varying from a minimum option through to a complete rebuild. The options were assessed by considering the condition and potential of each separate building within each school. Buildings in good condition and meeting modern design standards were earmarked for 'do nothing', buildings in poor condition with limited life were earmarked for demolition and buildings in reasonably sound condition but requiring modernisation were earmarked for remodelling or refurbishment. These criteria were then used to judge the preferred option for each school.

5.3 Cost estimates

The estimated costs of each category of work (rebuilding, remodeling, refurbishment, etc.,) was evaluated using a combination of Leicester's Phase 1 outturn costs, an analysis of recent tender prices from across the Country and PfS funding rates (which in themselves were based on a large number of tender prices). In general terms the analysis showed that the capital costs should be able to be matched by PfS funding and therefore PfS funding rates were used as a basis for estimating the cost of each of the preferred options.

5.4 Reconciliation of costs and funding

Annex B

The Council has to work within an indicative funding envelope which is calculated by applying the presumed 50%:35%:15% model of work to the Leicester school estate. The preferred options were selected so as to keep costs within the envelope.

6.0 School and Council funding assumptions.

6.1 Secondary school funding contributions have been calculated by considering the schools section 52 budget, excluding protected elements such as 'personalised learning', excluding pass through elements such as business rates then calculating 11% of the remainder. This is the basis that was used previously and agreed with schools for Phase 1. 11% around 2% above the assessed average proportion of school budgets that was previously spent on premises and facilities management before BSF. A further agreement with schools was that any affordability gap would be bridged jointly by the Council and schools on a 70:30 split basis. A key assumption in the affordability model is that school funding settlements will increase in line with inflation and the future cost of FM services.

6.2 Funding for Special schools and pupil referral units has been assessed in a different way, by analysing the proportion of each school's budget historically attributable to facilities management.