



Leicester  
City Council

**WARDS AFFECTED**  
All Wards

**Appendix AOUB 1**

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Cabinet**

**7<sup>th</sup> March 2011**

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**Building Schools for the Future Crown Hills Community College and City of Leicester  
College Joint PFI Scheme: Risks and Issues**

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**Report of the Strategic Director Children**

**1. Purpose of Report**

- 1.1 This report sets out the case for continuing to progress the two-scheme PFI project (Crown Hills Community College and City of Leicester College).

**2. Recommendations**

It is recommended that:

- 2.1 The scheme for Crown Hills Community College and City of Leicester College are progressed into 'Stage 2' of BSF and that instruction is given to LMEC to progress the scheme to completion of stage 2. This stage of the process is paid for by the client (LCC) and is entered into once stage 1 approval has been given to the private sector partner (LMEC).
- 2.2 This item is considered since urgent action between meetings has been taken under rule 14 of Cabinet Procedure Rules; the matter is required, under that rule, to be reported to the next meeting of Cabinet, specifying the grounds for urgency. Urgent action was required because the Crown Hills and City of Leicester project needs to be progressed quickly to avoid cost drift.
- 2.3 In accordance with the provisions of Cabinet Procedure Rule 12(d), it be approved that no call in be permitted on this item of business to ensure that the Crown Hills and City of Leicester project be progressed quickly to avoid cost drift.

**3. Summary**

- 3.1. These two schemes are the next programmed in the Building Schools for the Future (BSF) programme and are the only two remaining projects earmarked for Leicester to be funded under the Private Finance Initiative (PFI) arrangements. These schemes were detailed in the Outline Business Case submitted to Partnership for Schools (PfS) and approved by

Cabinet in December 2009 and formed part of the efficiency savings exercise carried out in November 2010 as a response to the Secretary of State for Education's instruction to find savings from the BSF programme.

- 3.2. In December 2010 Leicester's efficiency savings were approved for all remaining Design and Build (D and B) schemes however approval for the PFI schemes was not given at this time with PfS advising the Divisional Director that this approval would follow once the Department for Education had considered its own spending commitments. Approval for these PFI projects to proceed was received from PfS on Friday 18<sup>th</sup> February with the efficiency savings for City of Leicester (12.88%) approved however further efficiencies for Crown Hills are to be sought in consultation with PfS and where practicable and so that the schemes are not delayed.
- 3.3. Since these two schemes are the next in the BSF programme to be progressed, considerable amounts have been spent already in design development (approximately £1m) as detailed in the Outline Business Case, BSF Report to Cabinet on the 15<sup>th</sup> February 2010. The schemes are ready to submit for planning and the medium-term financial viability of the Local Education Partnership (LEP), Leicester Miller Education Company (LMEC) is dependent on achieving Financial Close on these schemes by August 2011.
- 3.4. The table below summarises spend to date and what the proposed spend covers over the months from February to August 2011.

Stage 1 Development costs already spent	£949K
Stage 2 costs expected	£4,149K
Final contract close following decision to proceed to FBC	£1,595K
<b>Total expected costs</b>	<b>£6,693K</b>

#### 4. Report

- 4.1. As indicated above it is recommended to proceed into stage 2 of BSF with this two scheme PFI and the rationale for this recommendation is as follows:
  - 4.1.1. Continuation of the programme through further strengthening of the contractual position with LMEC with regard to Crown Hills and City of Leicester is in the best interest of both the Council and the schools since it demonstrates commitment to the programme.
- 4.2. In order to progress the BSF programme and derive maximum benefit in the shortest possible time for the local economy, local communities, school pupils and staff, it is important that Crown Hills and City of Leicester schemes are progressed quickly.
- 4.3. On 25<sup>th</sup> February 2011 a letter was sent to LMEC approving stage 1 of the 2 scheme PFI and giving instruction to proceed into stage 2 with a proviso that spend did not exceed a further £2m. This instruction was given pending Cabinet approval to proceed to stage 2 completion on the scheme. Stage 2 completion will culminate in financial close where all

contracts and agreements will be signed and this will cost a maximum of £5.7m which will be recoverable on approval by PfS of capital spend. The letter of instruction to LMEC is attached as Appendix 1 and makes clear that further instruction will be given once Cabinet approval to proceed to Stage 2 completion has been received. The letter was issued under constitutional regulations 'urgent action under rule 14 of the cabinet procedure rules'.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1 As set out in the report, it is proposed that the Council instructs LMEC to continue design and development work on the BSF PFI schemes for Crown Hills and City of Leicester schools.
- 5.1.2 Assuming that the schemes proceed as planned, LMEC would recover its costs from the PFI contracts (or if the schemes were to be switched to Design and Build by the Government, from the capital grant funding). However, the Council would bear the risk for LMEC's costs should the schemes not proceed (or require any significant change) due to national (or indeed local) policy or funding changes.
- 5.1.3 These costs and the consequent risks could be significant and would increase incrementally as design and development work continues. This is the usual approach for BSF.
- 5.1.4 Notwithstanding the financial risks, it should be noted that the BSF programme is an exciting and "once in a lifetime" opportunity for Leicester and the Government expects councils to bear such risks in order to deliver the benefits of BSF at local level.

Colin Sharpe, Head of Finance, Investing in Children, ext 29 7750

### **5.2. Legal Implications**

- 5.2.1 My previous comments about the contractual background to BSF and the Councils' powers, contained in particular in the reports to Cabinet about the financial close of the Phase 1 BSF schemes and the revised Strategy for Change apply.

"New Projects" are required to be developed and contracted in accordance with the new projects approval procedure in the Strategic Partnering Agreement (SPA) that the Council has with LMEC.

Design development costs, once an approval to outline proposals has been given, are at the Council's risk if our requirements change. The main element of these costs will be project management fees and design costs. A substantial portion of these would be "thrown away" if a full re-build (ie PFI) scheme could not proceed.

Joanna Bunting  
Head of Commercial Property and Law  
Ext. 29 6450

### 5.3. Climate Change Implications

5.3.1 Providing more energy efficient school buildings should help to reduce the Council's carbon emissions however, this is reliant on energy efficiency measures being implemented as planned and staff and pupils being given the necessary understanding of the energy saving features of the new buildings to be able to use these to the greatest benefit. Work is currently taking place to develop a revised policy which will adopt the best elements of BREEAM for adoption by the BSF programme but this work is still in progress and has not been formally adopted by the council.

Helen Lansdown, Senior Environmental Consultant - Sustainable Procurement

### 6. Other Implications

OTHER IMPLICATIONS	YES/ NO	Paragraph/References Within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

### 7. Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1. Failure to progress the Leicester BSF programme increases the risk of losing the capital allocation due to reduced confidence in LCC ability to deliver.	L	H	Progress with the two scheme PFI as planned
2. Failure to progress the Leicester BSF programme puts viability of LMEC in question with consequent risk of LCC requiring to further bank roll pending Government	H	M	Progress with the two-scheme PFI as planned.

decisions/re-planning of the programme.			
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**8. Background Papers – Local Government Act 1972**

- 8.1. OBC November 2009
- 8.2. All other reports to Cabinet and Scrutiny over the past 2 years.
- 8.3. Minutes and records of all TLE Portfolio Board.

**9. Report Author**

Helen Ryan  
 Divisional Director, Property  
 Ext 29 8006

<b>Key Decision</b>	Yes
<b>Reason</b>	Is significant in terms of its effect on communities living or working in an area comprising more than one ward
<b>Appeared in Forward Plan</b>	No
<b>Executive or Council Decision</b>	Executive (Cabinet)

## Appendix 1

Please ask for: Helen Ryan  
Direct Line: 29 8003  
Direct Fax No: 252 8192  
Email Address: Helen.ryan@leicester.gov.uk  
Our Ref: HR/DM/0181  
Date: 25<sup>th</sup> February 2011



Mr Chris Spencer  
Leicester Miller Education Company  
1st Floor Sovereign House  
17 Princess Road West  
Leicester  
LE1 6TR

Dear Chris,

I write to confirm that both the Crown Hills and City of Leicester College projects have successfully passed the stage 1 process. Please proceed with the development of the New Project Final Approval Submission (Stage 2) as per the instructions below and we look forward to working with you to achieve Stage 2 sign off by early/mid August 2011.

Leicester City Council Cabinet have agreed further expenditure on these projects to a value of £2m pending approval of a further report to be submitted on 11th April 2011 which will set out the expenditure and funding available for all Children's Capital programmes including BSF for the Financial year 2011/12. Following approval of this report further instruction will be issued by way of a letter to LMEC to complete the remainder of the work to achieve a compliant Stage 2 submission. Total project development costs at risks will not exceed £4.9m, assuming the projects remain as PFI schemes, the Project Agreement follows the form as per schedule 26 of the SPA, there are no significant scope changes and in close adherence to the programme. It is noted any delay of work will have an impact on the dates recorded within this letter and the development costs contained within the stage 2 submission.

### **Submission of a New Project Final Approval Submission**

For clarity, the LEP should work towards submission of by no later than 22<sup>nd</sup> July 2011 a New Project Final Approval Submission in relation to Crown Hills and City of Leicester Colleges which will contain, as a minimum, the information listed within paragraph 4.3 (Content Requirements in relation to a New Project Final Approval Submission) of Schedule 3 of the SPA, adjusted to take account of designing to RIBA Stage E. For ease of reference the detailed requirements are set out in appendix 3.

Whilst we have accepted your stage 1 offer, Stage 2 development will need to take account of the specific efficiency savings submitted to PfS as part of the BSF programme efficiency exercise and identify further efficiencies on the Crown Hills scheme where practicable and as directed by PfS. Schedules are attached to this letter as appendices 4-5 which detail how efficiencies to the value of 12.88% for City

of Leicester and 4.76% so far for Crown Hills will be developed from Stage 1 to Stage 2. It has been agreed that the efficiency savings will be recorded as technical amendments during the Stage 2 development process

We will be taking forward into the stage 2 process the Phase 1 FM and ICT proposals aligned with the recent efficiency saving exercise to achieve an acceptable PFI compliant project solution. For ICT the proposal should be based on the £82pppa and capex of £1305pp as notified by the Authority to LMEC and Northgate on Rushey Mead and for future D&B schemes.

You will recall that the evaluation of your stage 1 submission was carried out by four individual workstreams reporting to a core evaluation group. The four workstreams were; Transformation and ICT, Technical and Building, Commercial and Legal and Cost. At the end of this process, each workstream found responses to the NPP letter to be satisfactory but with a number of items requiring further clarification or amendment in Stage 2.

The tables included within appendix 1 and 2 summarise the elements from the evaluation process which the workstreams collectively considered satisfactory but require further clarification in Stage 2. We ask that addressing of these elements is clearly identified within the NPAP process to ensure full compliance by the due date.

I would be grateful for your confirmation in writing to the matters detailed above; in summary:

1. Date of submission 22<sup>nd</sup> July 2011.
2. Proposed date for reaching financial close 9<sup>th</sup> September 2011.
3. The submission will include all items listed in Paragraph 4.3 of schedule 3 of the SPA (including the changed RIBA stage requirement).
4. Total Stage 2 interim project development risk of LMEC and its supply chain to the Council will not exceed £2m and the Authority agree to underwrite this risk until the OBC is approved and Treasury approval is given. On confirmation of the above approvals all risks will revert to the principles as laid out in the SPA. Further instruction will be given after April 11<sup>th</sup> following approval of the Children's Capital programme by LCC Cabinet to proceed with the remainder of the scheme development up to maximum of £4.9m
5. Items listed in Appendix 1 and 2 attached to this letter will be fully addressed and signed off by LCC staff or agents as part of the Stage 2 submission, where appropriate, subject to the results of the efficiency saving exercise.
6. LMEC will submit to LCC a revised financial model incorporating the agreed post efficiencies MCK D&B price for Crown Hills to be agreed following consultation with PfS and for City of Leicester of £23,145,394.

Please let me know if you require any further information at this point and I look forward to your response in due course.

Yours sincerely



Helen Ryan

**Divisional Director Property**

## City of Leicester School

### Review of Stage 2 deliverables

The table below summarises the elements which the workstreams collectively considered satisfactory but require further clarification in Stage 2.

NPP Reference and description of requirement	Aspect requiring clarification in Stage 2
h. A statement detailing proposals and options for sustainability at the school to meet the Council's sustainability requirements. The LEP is therefore to produce a list of sustainability options for both schools together with a cost-benefit analysis for each option detailing the carbon reduction that might be achievable. The LEP is also to provide a completed DCSF Carbon Calculator spreadsheet for the school.	Further development required following full design of the M+E proposals to enable full assessment to be made. Full energy model to be provided by the LEP (G4S)
i. A statement detailing innovations within the project.	Further detailed assessment required in Stage 2 and in particular should address what the educational outcomes will be from the FM innovation
p. How the LEP will work collaboratively with LCC and all school stakeholders to ensure the final design is fully fit for purpose and will support the schools' educational vision.	The engagement from G4S to be detailed at the start of Stage 2 plus an FM steering group to be established. Further description on new governance arrangements referred to in the Submission to be clarified.
6) Details (plans and written) of how the design incorporates flexibility to accommodate future need change.	Has the LEP had a dialogue with the school in the management of the dining experience? Please confirm the outcome of this and how FM arrangement will manage the various options described by the school? The learning zones are currently the size of 3 classrooms, can these be reduced?  Address flexibility in ICT during Stage 2
11) Accommodation schedule detailing all rooms (descriptions, sizes and numbers).	Revised Accommodation Schedule to be developed during Stage 2 to closer align with BB98.
13) Concept building elevations and sections.	Further development of concept buildings and elevations required during Stage 2 to refine elements such as daylight modelling to show daylight levels are being met in accordance with the Authority's Requirements.
14) Details (plans and written) of proposed ICT infrastructure and a clear statement of how construction teams and ICT teams will work together with stakeholders to ensure that the ICT solution drives and supports educational transformation.	How will the ICT solution support the proposed storage accommodation that will enable the school to achieve a 'paperless office' vision? Will there be data management support or training for the school? Further detail on ICT required.
20) A statement detailing the M&E design philosophy.	M&E Design philosophy to be developed during Stage 2 to meet the Authority's Requirements



NPP Reference and description of requirement	Aspect requiring clarification in Stage 2
	and address the comments noted.
33) A statement detailing the ICT strategy and solution for the school, including how ICT will be utilised to develop and support educational transformation as set out in the Strategy for Change.	Please clarify Change Management and SIMS LG costs, and include a breakdown of what this figure represents. What does 'fund the additional AR's for change management' refer to? Which Change management AR's are not being accounted for? SIMs and LG costs should be included in the model. Could this be included in the MLE development? Which enhanced change management requirement cannot be met?
34) the proposed managed ICT service including an appropriate analysis/risk appraisal of the preferred investment solution in terms of its integration /replacement of current ICT services and delivery of educational trans-formation.	Further development work required to ensure that the educational needs are achieved by Northgate  Ensure that any risks and issues to ICT are managed in Stage 2.
35) options appraisal of the different ICT service solutions, building and design solutions including refurbishment, remodelling and new build together with a justification for the preferred option (with the preferred option to be selected on the basis of an appropriate cost benefit analysis after having consulted the Local Authority as appropriate in relation to the scoring of different alternatives). This is to include the following deliverables:-	Appraisal needs to be developed further in Stage 2 ?
a) Details of the options considered and the options appraisal process undertaken in order to select the preferred solution. This is to include both qualitative and quantitative option appraisals, details of the scoring analysis and evidence of the consultation/engagement with stakeholders process followed. Please note that the minimum information provided must be sufficient for a PfS Stage '0' submission.	Please clarify the aims and objectives of the train the trainer programme? What will the programme consist of
36) the proposed FM service including an appropriate analysis/risk appraisal of the preferred option contemplated in terms of support of the education transformation and service delivery, its succession to current FM services and its integration with current provision;	FM costs needs to be reviewed during this phase to ensure that value for money is being achieved.
38) a completed and PfS approved Abnormals Proforma for the school including an interpretive report providing justification for the abnormals and externals funding requests contained therein.	Further work required for Stage 2 to ensure that all abnormals are captured and justified
48) an assessment of the legacy ICT hardware and software which can be integrated into the preferred solution for a managed ICT service;	An assessment of the ICT legacy hardware and software still required
49) completed PfS template cost proformas (reference numbers 3, 3.1, 3.1.1, 3.2, 3.3, 3.4 and 3.5)(to be found at <a href="http://www.partnershipsforschools.org.uk/">http://www.partnershipsforschools.org.uk/</a> ) with supporting evidence to all proformas broken down into detail following	Supporting evidence to be provided in Stage 2

NPP Reference and description of requirement	Aspect requiring clarification in Stage 2
agreement with LCC quantity surveyors and finance officers incorporating detail on assumed contingencies and a statement of understanding regarding authorisation from LCC in advance of a contingencies commitment.	

### Crown Hills School

### Review of Stage 2 deliverables

The table below summarises the elements which the workstreams collectively considered satisfactory but require further clarification in Stage 2. Items currently highlighted in yellow require further clarification from the Legal team.

NPP Ref	Description of the requirement	Aspects requiring clarification in Stage 2 and why
3h	what land (including Local Authority land) is required to be used in the New Project together with an assessment of additional title information which may be required from the Local Authority and indicative value of that land and any consents that may be required;	T&ICT- Submission to be updated to include ECB Development in Oct 2010
3a1	A clear statement detailing how the design meets the educational vision of the school and school specialism, as well as the overarching principals and objectives stated within the Council's Strategy for Change.	Engagement with G4S to be described at start of Stage 2.
3b(i)	How the LEP will work collaboratively with LCC and all school stakeholders to ensure the final design is fully fit for purpose and will support the schools' educational vision.	Please clarify if LCC include ISH, LEC?
3b10	A statement detailing how the preferred option delivers the vision and objectives of the school and how all stakeholders will be engaged in the ongoing project development.	The response is from an ICT perspective only – how will the remaining LEP partners ensure that the intended engagement activities will deliver the educational vision and objectives.
3a6	Plans for any community resources and third party income generators for the school.	The response is from Northgate only – how will FM (including security) support the delivery of life long learning?  C&L- Full details on third party income generators required e.g. ECB Show on a plan how adult learning elements are provided / transformed from principle statements into design statements Terms and future income commitments to be signed off at Stage 2 for the Cricket Board facility (as applicable). Progress to date is acceptable.
3a7	A statement indicating where plans for co-located and community features will be included in the initial construction works (funds available) and where co-located and community facilities are proposed should additional funds be secured.	Statement to be signed off at Stage 2 by the school Further work may be required during Stage 2 to refine and sign off milestone payments (timing of payments) with funders (JB) Info on Funds e.g. ECB A plan showing areas of community features and adult learning areas
3a9	A statement detailing innovations within the project.	Further work required on how

NPP Ref	Description of the requirement	Aspects requiring clarification in Stage 2 and why
		the proposed innovations will improve educational outcomes.
3n	A feasibility report on investment and funding options and the affect of those options on the capital and revenue cost of the New Project to Leicester City Council.	Please provide full information regarding Data Centre investment, equipment purchased so far, including dates of purchase, and information as to why the initial refresh date has decreased by 2 years.
3b(iv)1	Details of the options considered and the options appraisal process undertaken in order to select the preferred solution. This is to include both qualitative and quantitative option appraisals, details of the scoring analysis and evidence of the consultation/engagement with stakeholders process followed. Please note that the minimum information provided must be sufficient for a PfS Stage '0 submission.	Options to be clarified in Stage 2
3b(iv)2	Commentary on the preferred option along with full cost benefit analysis with a focus on delivery of educational transformation.	VFM to be demonstrated. Which Change management AR's are not being accounted for SIMs and LG costs should be included in the model. Could this be included in the MLE development? Which enhanced change management requirement cannot be met? Does this impact on the schools ability to function? Does it require additional funding that falls outside of the capital budget? How will refresh of the DC be accounted for?
	Technical	
3a4	The planning solution detailing how specific planning issues have been or will be dealt with.	Car Park numbers and tracking for service access to be addressed.  Response provided to technical queries raised during clarification process.
3b25	Details of preliminary discussions with planners and planning requirements that have been determined for each school.	As above
3a8	A statement detailing proposals and options for sustainability at the school to meet the Council's sustainability requirements, as mentioned above, up to £1 .5m in sustainability funding is being sought for Rushey Mead School from DCSF but confirmation of this will only be achieved at the end of March 2009. The LEP is therefore to produce a list of sustainability options for both schools together with a cost-benefit analysis for each option detailing the carbon reduction that might be achievable.	Sustainability statement/energy strategy to be developed during stage 2 as gas CHP not acceptable as a renewable to LCC Planning Dept.
3b29	A detailed condition survey for all buildings to be retained.	Necessary surveys to be undertaken during Stage 2 to inform demolition, visual structural survey, demolition and refurbishment asbestos survey etc.
3i	An estimate of the current state of repair of the existing buildings. This is to include a report on the current state of repair of the existing facilities on a block by block basis including schedules of surveys undertaken and surveys that	As above.

NPP Ref	Description of the requirement	Aspects requiring clarification in Stage 2 and why
	need to be carried out and if any surveys could not be achieved due to teaching or other school/Authority requirements;	
	Architectural	
3b15	High level specification for the works (specific in key areas).	Specification to be reviewed during development work in Stage 2 as detailed.
3b7	Details (plans and written) of the security strategy for the school. Including information on how safety and security of young people will be maintained at the same time as the schools offers full community access.	To be developed during stage 2 to provide a coherent document linking architectural and M&E elements and including discussions during the stage 1 review. Document to illustrate that AR's are being achieved.
3b8	1:200 scale floor plans detailing all learning, staff, social and admin areas.	Refine during Stage 2: <ul style="list-style-type: none"> <li>• What is function of LRC and is it appropriately sized?</li> <li>• Is the internal staff base (PA.28 no natural light or vent) an appropriate space?</li> <li>• Tight circulation space at entrance to wet changing, dining layout – could be multi-use as IT rich independent learning area with alternative table and enclosure layouts</li> </ul>
	Civil & Structural	
3b23	A utilities infrastructure capacities study detailing the location of existing utilities, their capacity and proposals for new utilities/services, including details of any site specific challenges and how these will be addressed.	Location of substation to be confirmed during Stage 2.
	ICT	
3b31	A statement detailing the ICT strategy and solution for the school, including how ICT will be utilised to develop and support educational transformation as set out in the Strategy for Change.	Which Change management AR's are not being accounted for? SIMs and LG costs should be included in the model. Could this be included in the MLE development? Which enhanced change management requirement cannot be met?
3b(iv)	options appraisal of the different ICT service solutions, building and design solutions including refurbishment, remodelling and new build together with a justification for the preferred option (with the preferred option to be selected on the basis of an appropriate cost benefit analysis after having consulted the Local Authority as appropriate in relation to the scoring of different alternatives). This is to include the following deliverables:- (3b(iv)1, 3b(iv)2, 3b(iv)3)	Issues still remain with VfM. This will need to be further addressed and demonstrated in Stage 2
3b(iv)3	Details of the options appraisal for the ICT solution and commentary on the preferred option along with cost benefit analysis and evidence of the stakeholder engagement/consultation process followed.	Commitment to develop ICT options appraisal further in Stage 2
3f	An explanation of the effect (if any) on any employees and/or contractors of Leicester City Council employed at the schools including any potential transfer of any such employees to the Service Provider. This is to include proposals for dealing with staff issues including how employee representatives and trade unions will be engaged through a collaborative process and strategy for resourcing future staffing requirements;	To continue working with HR

NPP Ref	Description of the requirement	Aspects requiring clarification in Stage 2 and why
3b24	A high level project programme.	Updated Project Programme
3j	an estimated programme indicating the likely timescale in respect of taking the project through to financial close; programme plan to show clearly how the efficient and effective delivery of education will be maintained;	Project programme to be developed further in Stage 2
	Quality & Environmental Management Proposals	
3b19	A statement detailing the environmental design philosophy.	The Environmental Design Philosophy to be developed further in Stage 2
	Cost Data	
3b(vi)	The designs and indicative costing (including whole life costing) for the preferred investment solution for the New Project. This is to include an elemental cost breakdown as well as a description of how the Stage 2 final price will be developed. The cost breakdown is to include FM cost, whole life costs and ICT costs. A comprehensive risk register is also to be included together with commentary on risk management and assumptions made in developing the costs.	Site specific risk register and elemental cost plan required
3d	An assessment of the estimated outturn costs from choosing the recommended contract option together with the assumptions behind these costings and a commentary as to how the risks and assumptions used in preparing the outturn costs estimate might be managed in the later development phase. Note that all prices should be to a 1 <sup>st</sup> quarter 2010 base;	Commentary on risk management required at Stage 2
	Facilities Management	
3b(v)	the proposed FM service including an appropriate analysis/risk appraisal of the preferred option contemplated in terms of support of the education transformation and service delivery, its succession to current FM services and its integration with current provision;	Stage 2 – to revise and review again the AR's for reduced hours and reduced operating requirements (eg evenings, community hours) in order to reduce costs. This will be subject to agreement by the school.

## Appendix 3

Paragraph 4.3 (Content Requirements in relation to a New Project Final Approval Submission) of Schedule 3 of the SPA. Adjusted to take account of designing to RIBA E.

- (a)
  - (i) *(a) draft(s) of the relevant Project Agreement(s) identifying (if relevant) any material changes or amendments proposed to the form of the relevant Project Agreement(s) in respect of the relevant Stage 1 Approved Project, together with the reasons for any such changes or amendments proposed and an analysis demonstrating value for money in accordance with the procedure set out at clauses 8.2 to 8.4 of this Agreement;*
  - (ii) *a draft of any Management Services Agreement proposed in relation to the New Project in respect of the services to be provided by the LEP to the Project Company;*
  - (iii) *(a) draft relevant Interface Agreement(s) or a draft Interface Issues Paper, in either case covering as a minimum all the issues relevant to that Interface Agreement as set out in Schedule 16;*
  - (iv) *details of the facilities management proposals in relation to the New Project together with the relevant draft contract documentation;*
  - (v) *specific amendments to the output specification that reflect issues of ethos arising out of the requirements of a VA School;*
- (b) *detailed design solutions (to RIBA Level E)\* reflecting an integrated approach to ICT and building services);*
- (c) *appropriate plans and drawings;*
- (d) *a detailed solution for a managed ICT service;*
- (e) *relevant detailed planning permissions and any other relevant planning approvals (or such lesser confirmation or information in relation to planning as may be agreed with the Local Authority;*
- (f) *a financial model including the detailed price estimates for the Stage 1 Approved Project based on the agreed contractual route for the New Project (e.g. unitary charges for PFI Project Agreements, payment profile under D&B Contracts and FM Contracts and a mixture of installation payments and service charges for ICT Contracts) identifying any provisional sums (such as insurance costs) together with the proposed "Annual Value" for each Project Agreement for the purposes of clause 13.1(b);*
- (g) *commitment letters as required from all relevant schools governing bodies;*

- (h) an explanation (together with appropriate supporting evidence) as to why the New Project Final Approval Submission meets the Approval Criteria (as defined in paragraph 4.4);*
- (i) confirmation (or details of any requested variations to (with supporting justification)) of the Project Management Fee referred in paragraph 3.1(f);*
- (j) a value for money assessment explaining why the LEP's proposals represent value for money taking into account both estimated Capital Cost and Whole Life Cost;*
- (k) an assessment of the progress made by the LEP against the value for money and Continuous Improvement Plan submitted by the LEP as part of the original selection of the PSP;*
- (l) an assessment of the effect (if any) on any community groups or on any employees and/or contractors of the Local Authority, including any potential transfer of any such employees to any LEP Party and the cost implications of such transfer;*
- (m) a timetable and method statement setting out the stages and timescales for the period between achieving Stage 2 Approval (as defined in paragraph 4.5(b)(i)) and the execution of the relevant Project Agreements (or each of the Project Agreements, if more than one) and how the relevant New Project will be delivered which shall include (but not be limited to):*
  - (i) proposals for the effective management of the building programme;*
  - (ii) proposals for the decanting of pupils so that teaching is not disrupted;*
  - (iii) proposals for the migration from the current ICT service to the new managed ICT service which minimises any disruption to the education service;*
  - (iv) confirmation that latent defect risk, if any, is fully addressed and priced;*
  - (v) confirmation that title issues have been resolved and the LEP is satisfied with the same;*
  - (vi) an explanation as to how the LEP will address the interface issues arising on the New Project so that all issues set out in Schedule 16 (Interface Issues) are addressed;*
  - (vii) an assessment of environmental implications including compliance with any conditions relating to minimising pollution of the environment or harm to human health and maximising recycling*
  - (viii) an assessment as to how any benchmarking or market testing within the New Project will coincide with any other Approved Projects;*



- (ix) an assessment as to the savings to be generated across the New Project and any Approved Projects with the introduction of the New Project particularly on staff costs and lifecycle replacement and maintenance and operation of services;
- (x) an explanation as to how the LEP will address and deal with any existing contractual arrangements that may affect the delivery or operation of the New Project;
- (xi) confirmation of proposed changes to this Agreement (if any) such as the grounds of default;
- (xii) details of the Project Service Providers and sub-contractors together with evidence and explanation of the benchmarking and Market Testing undertaken by the LEP in relation to the New Project;
- (xiii) a completed risk register for the project showing the potential risks identified in relation to the delivery of the project the occurrence of which are capable of adversely affecting the time for completion, cost and/or quality of the project, the probability of such risks occurring and a financial estimate of the most likely consequences of each risk occurring together with the prioritisation of all continuing risks and an action plan in respect of, and risk owners for, all risks prioritised as serious risks;
- (n) a draft certificate of title addressed to the LEP in respect of the land proposed to be used for the New Project (this certificate shall be procured by the Local Authority where such land is owned by the Local Authority);
- (o) all surveys and investigations and associated reports that are reasonably necessary to ascertain (in relation to projects involving the construction of additional buildings) information as to the nature, location and condition of the relevant land (including hydrological, geological, geotechnical and sub-surface conditions) together with information relating to archaeological finds, areas of archaeological, scientific or natural interest and (in relation to the refurbishment of any existing buildings) information on the condition and quality of existing structures and, in particular, the presence of any latent defects;
- (p) completed PfS template cost proformas (reference numbers 3, 3.1, 3.1.1, 3.2, 3.3, 3.4 and 3.5) (to be found at <http://www.partnershipsforschools.org.uk/>) in relation to the Stage 1 Approved Project;
- (q) a draft of the side letter, which will be issued to the Local Authority upon the completion of the relevant Project Agreement containing warranties in the form appearing at Schedule 6, together with confirmation from the LEP that, as far as it is aware, there is no reason why such a letter may not be granted upon such completion;
- (r) a statement confirming that the LEP has considered the terms of any Trust Deed which affects all or any parts of the existing School Site and setting out details of any restrictions, requirements or

*other issues laid down by the Trust Deed which will need to be addressed in order to implement the New Project.*

(\* Note Change)

## Appendix 4

### **BSF Schemes - Options Appraisal**

<b>Local Authority</b>	Leicester City Council		
<b>Construction Partner</b>	LMEC		
<b>ICT Partner</b>	Northgate		
<b>PfS Project Director</b>	James Stuart-Mills		
<b>School name</b>	Crown Hills	<b>Current Planned FC date</b>	May 2011
<b>Next milestone</b>	Stage 2		

#### **Option 1 - VALUE ENGINEERED EXISTING OPTION**

<b>Brief description of the scheme – emphasising key differences to original</b>		
<p>Crown Hills is a 100% new build school that is being procured jointly through PFI with City of Leicester. The school is at an advanced stage of design with MCKU ready to submit planning permission as soon as it gets the relevant approval on the current scheme from PfS and LCC.</p> <p>There have been significant savings identified in this school due to an ability to descope the build, however, the savings are limited in comparison to City of Leicester due to a building already being designed with a steel frame and less area. It should also be noted that when considering the cost, that there is an additional £3.3 of funding allocated to this scheme (see breakdown below).</p> <p>The value engineering of this scheme has reduced the original cost from £22.7m to 21.6m.</p>		
<b>Identified savings – please provide a brief explanation</b>		
<b>Element</b>	<b>Brief commentary</b>	<b>Estimated savings £</b>
Capex	The current new build scheme is based on achieving a BREEAM excellent rating – reducing this to a very good rating would achieve a saving, although achieving the BREEAM requirement is a KPI under the SPA.	55,000
Capex	Current allowance for data points is 1.6 per pupil, a reduction to 1.3 per pupil would generate a saving.	37,500
Capex	Current allowance for disposal of surplus arisings is £100,000 – if this could be retained on site and re-used for filling within final stages a saving could be achieved, however, the school would not have the completed external works to the bottom of the site until the demolition and external works were completed - this would require changes to the	50,000

	phasing and delivery programme.	
Capex	Reduction in spec from MOT Type 1 stone to a lower spec or recycled material	10,000
	Possible change from replacement to driven pile solution	12,000
	4 folding partitions included within the design to class rooms – reduced to 2	12,000
	Remove rooflight construction over learning zones and replace with proprietary system (ie Polycarbonate Cox Dome)	10,000
	Reduction of brick parapet height by 600mm over 80m of run	4,000
	Remove high level windows to main hall incl remove blinds and control	1,800
	Remove balconies and over-sailing roofs	25,000
	Review of feature stairs 7 feature stairs, Review balustrades Change glass infill to punched steel, Review need for all stairs Possible increase in some stairs to remove the need for others.	30,000
	Omit plaster to internal skin of external blockwork and leave as fair face - this may require a BB93 derogation. Say 75% of area	50,000
	60 no panels adjacent to doors.	40,000
	£122,000 – reduced to £72,000 as a soft landscape budget	50,000
	Split pedestrian and vehicle areas and adjust spec accordingly in line with actual fire access requirements	50,000
	Re-specing paving finishes to teaching areas in line with other block paved areas	50,000
	External hard landscaping other than hard access surfaces, Review specification in line BL	50,000
M&E	A saving of 20% has been assumed across the peace.	324,278
Other	Overheads and Profit	58,210
Other	Redesign fees	(30,000)
<b>Total</b>		<b>889,788</b>
<b>Issues to note</b>		
<b>Element</b>	<b>Explanation</b>	
Derogation	The above assumes that LCC take on cost risk of asbestos above £50k	
M&E	No M&E surveys have yet to take place and therefore, the above figure is a generic saving M&E have been advised to seek rather than one they can stand behind.	
<b>Additional information</b>		
<b>Element</b>	<b>Explanation</b>	
Additional Funding	The current Value engineered option is resulting in a cost / m2 of £1,439 which is within the average new build cost of £1,458/m2. This	

	<p>is despite the additional work and specification as a result of additional funding for the school of £3.3m, which includes money for the following:</p> <p>Carbon 60 funding £582,000 (£50/m2)</p> <p>Kitchen Improvement at £583,377 (£50/m2)</p> <p>ICT funding £270,000 (£23/m2)</p>





**BSF Schemes - Options Appraisal**

<b>Local Authority</b>	Leicester City Council		
<b>Construction Partner</b>	LMEC		
<b>ICT Partner</b>	Northgate		
<b>PfS Project Director</b>	James Stuart-Mills		
<b>School name</b>	City of Leicester	<b>Current Planned FC date</b>	May 2011
<b>Next milestone</b>	Stage 2		

**Option 1 - VALUE ENGINEERED EXISTING OPTION**

<b>Brief description of the scheme – emphasising key differences to original</b>		
<p>City of Leicester is a 100% new build school that is being procured jointly through PFI with Crown Hills. The school is at an advanced stage of design with MCK ready to submit planning permission as soon as it gets the relevant approval on the current scheme from PfS and LCC.</p> <p>There have been significant savings identified in this school due to an ability to descope the build spec from a concrete frame to a steel frame and also the ability to reduce the area of the building.</p> <p>The value engineering of this scheme has reduced the original cost from £29m to 25.2m</p>		
<b>Identified savings – please provide a brief explanation</b>		
<b>Element</b>	<b>Brief commentary</b>	<b>Estimated savings £</b>
Capex	In the development of this scheme it was noted that the school has the use of a 4 court sports hall adjacent to the school site, but within the agreed accommodation schedule we have the allowance for a 4 court sport hall on the basis that should the school lose the use of the adjacent sports hall, this area will convert to a sports hall. This area is currently down for use as a gym, fitness and dance studio, but is additional to BB98 requirements. If this area could be omitted a saving of 400m2 would be achieved.	500,000
Capex	The current new build scheme is based on achieving a BREEAM excellent rating – reducing this to a very good rating would achieve a saving, although achieving the BREEAM requirement is a KPI under the SPA.	55,000
Capex	MCK's current cost plan includes a figure of £84k	84,000



	for drama equipment – if yjos figure was included within the FF&E budget the £84k would be a saving, although this would reduce the amount of new FF&E the school could afford, increase legacy and have a negative effect on lifecycle.	
Capex	Current allowance for data points is 1.6 per pupil, a reduction to 1.3 per pupil would generate a saving.	45,000
Capex	Reduction in spec from MOT Type 1 stone to a lower spec or recycled material	5,000
Capex	Change concrete frame to steel frame	350,000
	7 folding partitions in class spaces included within the design to class rooms - half removed	20,000
Capex	Remove rooflight construction over main roof of office/dining block	60,000
Capex	Reduction of glazing down to minimum requirement – reduction of 1.5% off daylight factor – saving of 36m2 of glazing	15,000
Capex	Omit side screens to classroom doors	60,000
Capex	894m2 of BB98 additional areas - removal of 3 of 5	938,700
Capex	Reduction in need for canopies as independent work areas are removed and to front of building – retaining entrance colonnade and return at entrance – reduction of 250 m2. This is subject to planning approval.	45,000
Capex	Changes to window shading in detail and rationalisation to match Crown Hills solution	100,000
Capex	Omit plasterwork to blockwork	37,500
Capex	Change of M&E spec to suite steel frame in lieu of concrete frame - £40/m2 (12485m2)	500,000
Capex	£88,000 – reduced to £72,000 as a soft landscape budget	16,000
Capex	Reduction in specification for hard paving material	100,000
M&E	A general assumption has been that the the M&E can be reduced by 20%.	427,105
Other	Overheads and Profit	231,301
Other	Redesign fees	(60,000)
<b>Total</b>		<b>3,529,606</b>
<b>Issues to note</b>		
<b>Element</b>	<b>Explanation</b>	
Derogation	The above assumes that LCC take on cost risk of asbestos above £50k	
M&E	No M&E surveys have yet to take place and therefore, the above figure is a generic saving M&E have been advised to seek rather than one they can stand behind.	

Additional information	
Element	Explanation
Additional Funding	The current Value engineered option is resulting in a cost / m2 of £1,643 which appears approx £185/m2 higher than the average new build cost of £1,458/m2. This is due to the additional work and specification that had additional funding as follows: Carbon 60 funding £677,300 (£49/m2) ICT funding £358,254 (£26/m2)
Abnormals	The attached report highlights that there are additional abnormals associated with this scheme, greater than one would normally expect, ie the benchmark figures would indicate %5, whereas this scheme has 10%, this equates to a cost of £50/m2
FF&E	The attached report highlights that the FF&E is greater than would normally be expected at 14% whereas the benchmark indicates 10%, this equates to a cost of £62/m2
Summary	When taking into account the above additional costs, the overall cost per m2 is reduced to £1,456 which is comparable to the average.



