



Notice of meeting of

Executive

To:	Councillors Steve Galloway (Chair), Sue Galloway, Jamieson-Ball, Macdonald, Orrell, Reid, Runciman, Sunderland and Waller
Date:	Tuesday, 10 April 2007
Time:	2.00 pm
Venue:	The Guildhall, York

AGENDA

Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

10:00 am on Thursday 5 April, if an item is called in *before* a decision is taken, *or*

4:00 pm on Thursday 12 April, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

1. **Declarations of Interest**

At this point, Members are asked to declare any personal or prejudicial interest they may have in the business on this agenda.

2. Exclusion of Press and Public

To consider excluding the public and press from the meeting during consideration of agenda item 8a on the grounds that it contains information relating to the financial affairs of companies. This information is classed as exempt under Paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to information) (Variation) Order 2006.

3. Minutes (Pages 1 - 8)

To approve and sign the minutes of the Executive meeting held on 27 March 2007.

4. Public Participation

At this point in the meeting, members of the public who registered their wish to speak regarding an item on the agenda or an issue within the Executive's remit can do so. The deadline for registering is **5:00 pm on Thursday 5 April 2007**.

5. Executive Forward Plan (Pages 9 - 10)

To receive an update on those items that are currently listed on the Executive Forward Plan.

6. Highways Maintenance Procurement Process and PFI (Pages 11 - 40)

This report presents the final report for part A of the remit of the Highways PFI Ad-hoc Scrutiny Sub Committee in regard to Highways Maintenance and the recent Private Finance Initiative (PFI) bid.

7. Reference Report: Progress Report on Major Capital Schemes in York Secondary Schools (Pages 41 - 52)

This report asks the Executive to consider the recommendations of the Executive Member for Children's Services and Advisory Panel in respect of a proposal by Fulford School to enter into a prudential borrowing arrangement with the Local Authority.

8. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972

a) **Joseph Rowntree School - Appointment of Technical Consultants** (Pages 53 - 60)

This report requests Members to approve the appointment of technical consultants to assist in the development of the outline business case for the Joseph Rowntree One School Pathfinder project. The appointment is required as a matter of urgency, in order to prevent delay on the overall programme.

Democracy Officer:

Name: Simon Copley

Contact details:

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For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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City of York Council

Committee Minutes

MEETING	Executive
DATE	27 March 2007
PRESENT	Councillors Steve Galloway (in the Chair), Sue Galloway, Jamieson-Ball, Macdonald, Orrell, Reid, Runciman, Sunderland and Waller
IN ATTENDANCE	Mark Kirkham, District Auditor and Relationship Manager

186. Declarations of Interest

The Chair invited Members to declare at this point any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

187. Exclusion of Press and Public

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex A to agenda item 8 (Concessionary Travel Scheme) and Annex 2 to agenda item 9 (Waste PFI – Updated Outline Business Case), on the grounds that they contain information relating to the financial or business affairs of particular persons, which is classed as exempt under Paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

188. Minutes

RESOLVED: That the minutes of the Executive meeting held on 13 March 2007 be approved and signed by the Chair as a correct record.

189. Public Participation

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

190. Executive Forward Plan

Members received and noted an updated list of items included on the Executive Forward Plan at the time the agenda for this meeting was published.

191. Minutes of the Local Development Framework Working Group

Members received a report which presented the minutes of the meetings of the Local Development Framework (LDF) Working Group held on 4

December 2006, 1 February 2007 and 6 March 2007. The minutes were attached as Annexes A, B and C to the report.

The report asked Members to consider the advice offered by the LDF Working Group in its capacity as an advisory body to the Executive. It was noted that the specific recommendations to the Executive regarding the Local Development Scheme (Minute 31) and the North West Area Action Plan (Minute 32) had already been dealt with via direct reports to the Executive meeting on 27 February 2007.

With reference to the concerns raised by some members of the Working Group regarding the delayed adoption of the Regional Structure Plan, it was noted that work was in progress to ensure this would not leave a gap in the policy framework. In particular, policy E8 from the North Yorkshire Structure Plan would be retained, thus safeguarding the Green Belt.

RESOLVED: That the minutes of the LDF Working Group be noted.

REASON: In accordance with the requirements of the Council's Constitution in relation to the role of Working Groups.

192. Future York Race Meetings - Traffic Management Arrangements

Members considered a report which presented the results of the traffic management arrangements adopted in York during the 2006 racing season and made recommendations regarding arrangements for future York race meetings.

The Plan used in 2006 had worked extremely well, with the notable exception of an accident which had occurred at the point where the cycle route crossed Knavesmire Road. Planning for the 2007 race season needed to address this safety issue, as well as taking into account other lessons learned since hosting Royal Ascot, as set out in paragraph 18 of the report. The available budget was also an issue. A set of traffic management measures, designed to take into account the criteria outlined in paragraph 18 and to be affordable within the £30k funding available, made up the suggested Plan for 2007. These measures were detailed in Annex A to the report.

Officers had considered the following options regarding the safety issue on Knavesmire Road:

Option A – close the cycle route and require all users to stay on the main roads. Discounted, on safety grounds

Option B – reduce the width of the route at the point of connection with Knavesmire Road, introduce chicanes either side of the road and large signs advising cyclists to dismount. This was the option chosen by Officers and included in costings.

Option C – permanently move the central island so as to allow its retention on the 4 days when the cycle crossing would be affected. This would cost £12k, a spend that was not considered justified in the current budget circumstances but might be considered in due course.

Members were asked to endorse Officers' decision in respect of Option c.

With regard to the traffic management arrangements for 2007, the following options were presented:

Option A – take no action. Not recommended as it would leave the Council open to potential legal challenge in respect of its duties under the Traffic Management Act 2004.

Option B – adopt the traffic management plans as set out in Annex A to the report, or subject to any modifications Members might wish to make. This was the recommended option.

With reference to recent press reports on this issue, it was emphasised that the proposals were the same as those operated last year, save for some reductions on those days where experience had shown that particular measures were not needed.

RESOLVED: (i) That Option B (narrowing at junction, chicanes and extensive signing) be adopted with regard to the measures to be used at the crossing of the Knavesmire cycle route and Knavesmire Road.

(ii) That the traffic management arrangements described in Annex A to the report be endorsed as appropriate for the 2007 racing season.

REASON: For the efficient and effective management of the highways of the City on race days, in accordance with the Council's statutory duty under the Traffic Management Act 2004.

193. Concessionary Travel Scheme for Elderly and Disabled Persons – Implications of Appeal by First York

Members considered a report which advised them of the outcome of an appeal made by the First York bus company to the Department for Transport (DfT) for additional reimbursement payments in respect of bus travel concessions, and the likely implications of this for the Travel Concession Scheme.

The appeal decision had been received from the DfT on 17 February. In summary, the decision maker had accepted some of First York's claims but had also supported some of the Council's arguments. As a result, the Council had been directed to pay increased reimbursements to First York in 2006/07 and subsequent years, but the increase was less than that sought by First York. Following the appeal, it was anticipated that the costs of reimbursement for bus pass use would rise to £2,149k, an increase of £439k over budget. This would be partly offset by a reduced take up of bus tokens, leaving a budget gap of £189k. At this late stage in the year, these additional costs could not be met from the City Strategy budget. The Executive was therefore requested to approve a call on reserves to fund the extra cost.

To determine the effects of the increase in 2007/08, further analysis of information provided by First York was required, in order to ascertain the actual increase in passenger trips and take into account the impact of the fare increase announced in January. A report would then be brought to

Members as part of the ongoing monitoring process, seeking a release from contingency to fund the increase. By this time, Officers would also have a clearer idea of other potential calls on contingency.

It was noted that a number of other councils had been affected by similar claims and the Local Government Association (LGA) was seeking feedback on the outcome of appeals. Members commented that, due to the formula used to calculate the funding provided to local authorities for the implementation of bus travel concessions, many authorities had been under-funded in the first place. This issue should be highlighted.

RESOLVED: (i) That the release of reserves to fund the projected overspend of £189k arising from the result of the concessionary fares appeal be approved.

REASON: In accordance with the Executive's powers to release such provision in appropriate circumstances.

(ii) That Officers be asked to undertake further analysis of the usage data and determine an appropriate reimbursement methodology for 2007-08, reporting back to Members when the full financial impact is clear.

REASON: To ensure proper financial management of Council funds.

(iii) That the Leader of Council write to the Local Government Association requesting that they campaign for a fair funding regime for free travel.

REASON: To highlight the need to ensure that councils receive sufficient funding to implement free bus travel for elderly and disabled persons.

194. Waste PFI – Updated Outline Business Case

Members considered a report which provided updated financial information on the Waste Private Finance Initiative (PFI) project, identified a revised affordability position for the Council and sought confirmation of Members' commitment to finding the additional resources required to make the project affordable.

On 12 September 2006, the Executive had approved the submission of an Outline Business Case (OBC) to DEFRA for joint procurement of future waste treatment services with North Yorkshire County Council. Since then, the OBC had been updated in accordance with revised DEFRA requirements for PFI projects and both councils' recent budget setting processes. In addition, DEFRA had requested that Members be made fully aware of the affordability of the project, including appropriate sensitivity analysis.

Estimates of future growth in waste had been revised downwards since submission of the OBC, to reflect more accurately recent experience and trends. This had resulted in reduced operating costs, although prices of

the capital infrastructure and associated life cycle costs had increased. The revisions had significantly decreased the 'affordability gap' and the latest estimated affordability gap for York over the life of the project was £123,559k. This still represented a significant challenge to the Council, in the context of spending pressures and Council Tax capping. Due to changes to the procurement strategy, key dates within the project had changed. These changes were detailed in paragraph 10 of the report. To test the robustness of the costs, sensitivity analyses had been carried out on a number of assumptions. These had identified that the overall net cost for York could range between £106,952k (best case) and £135,928k (worst case).

Officers reported at the meeting that, due to the £8 per tonne increase in Landfill Tax reported in the recent Budget (compared to the expected £3), projected landfill costs for the Council would increase by £375k in 2008/09, thus strengthening the case for the PFI project.

RESOLVED: (i) That it be confirmed that the Council is committed to finding the additional resources required to make the project affordable over its life, as set out in paragraphs 14 to 28 of the report, subject to any further obligations and financial parameters that may be directed by DEFRA or any other government department.

REASON: To progress the PFI application for funding to DEFRA.

(ii) That the revised timescales identified in paragraph 10 of the report be noted.

REASON: For information.

(iii) That the substantial savings that have been achieved due to the dramatic increase in recycling rates in the last four years, and the successful waste minimisation campaigns run by City of York Council, be noted, and that the Council's commitment to reducing the need for residual disposal through the waste hierarchy be re-affirmed.

REASON: To recognise the achievements already made in this area, as well as the need for continued action.

(iv) That the Executive's support for Mechanical Biological Treatment as the preferred residual waste treatment process for York's waste be re-affirmed.

REASON: In view of the need to take proactive steps to treat residual waste.

(v) That the Local Government Association campaign to have Landfill Tax rises returned to local government in full be supported.

REASON: To reduce the burden on local authorities and boost the minimal support grant received for recycling services.

(vi) That the Retail Packaging Bill before Parliament, presented on 6 March 2007, be supported.

REASON: In order to support efforts to address the problem of excess packaging, which cannot easily be re-used or recycled.

195. Corporate Asset Management Plan

Members considered a report which asked them to consider approving and adopting a Corporate Asset Management Plan (AMP) for the Council for the period 2007-2012.

The Council had adopted a corporate approach to the management of its property assets for several years and it was now a requirement of the comprehensive performance assessment (CPA) to have a Corporate AMP. Together with the capital strategy approved by the Executive on 12 September 2006, the Corporate AMP formed one part of the Council's Asset Management Planning Structure.

The draft AMP attached as Annex A to the report had been prepared in consultation with members of the Corporate Asset Management Group, Property Services, section heads, Corporate Finance and other stakeholders. Once approved, it would be reviewed annually and the results reported to the Executive.

It was noted that the list of assets set out in Table C in the draft AMP was now out of date. An updated list would be inserted prior to formal publication of the AMP.

RESOLVED: That the Corporate Asset Management Plan 2007-2012, attached as Annex A to the report, be approved and adopted for the City of York Council.

REASON: To ensure a consistent, Council-wide approach to the process of asset management, which accords with best practice.

196. Annual Audit Letter

Members considered a report which summarised the key findings and conclusions of the District Auditor on the Council's arrangements in respect of the 2005/06 audit year. These were contained in the Annual Audit and Inspection Letter, attached as Annex A to the report. The Letter would be published on the Council's website before 31 March 2007. The District Auditor was in attendance to present the Letter and answer Members' questions.

In summary, the Letter indicated that the Council was "improving adequately and demonstrating a 3 star overall performance" for CPA purposes but that preparing for the corporate assessment in January 2008

presented “challenges for the Council”. It also noted that the Council had maintained strong financial management and “sustained a strong focus on value for money, with very good performance across a range of services whilst containing overall service costs in line with the lowest spending councils nationally”. It identified various improvements made across a wide range of services as well as areas in need of improvement, some of which remained outstanding from the previous year.

Members commented that, while the general thrust of the Letter was positive, the ‘Direction of Travel’ statement did not appear to reflect the actual improvements achieved by the Council over the past three to four years. In fact, performance had improved since 2003/04 in every area except for housing, where the picture was more mixed. It was noted that public satisfaction levels had declined despite improved service levels and that this could be related to the way in which information was provided to residents.

RESOLVED: (i) That the District Auditor’s letter be noted.

REASON: To comply with the statutory requirements for the external audit of the Council.

(ii) That Officers be asked to prepare a report indicating the options for further improving performance in the Housing activity area.

REASON: In order to address the performance issues in this area highlighted by District Audit.

197. Comprehensive Performance Assessment Refresh 2006

Members considered a report which provided details of the Council’s 2006 Comprehensive Performance Assessment (CPA) score and explained why block scores had changed since 2005.

Overall, the Council’s star rating remained at 3 stars (“good”) and its direction of travel rating at “improving adequately”. However, there had been a degree of change at the service block level. The Environment service block had achieved an improved score (from 2 to 3), while the Use of Resources and Housing blocks had each dropped a rating point. The scores for the other four service blocks – Adults Social Care, Benefits, Children & Young People, and Culture – had remained unchanged from 2005.

It was noted that, since one of the aims of CPA was to drive improvement across local government, the CPA framework was made tougher each year, thus requiring a better performance each year to maintain the same score. This was most apparent within the Use of Resources block, although it applied to all the service blocks.

RESOLVED: That the report be noted.

REASON: In accordance with the Executive's role in monitoring the Council's performance.

S F Galloway, Chair

[The meeting started at 2.00 pm and finished at 2.40 pm].

Executive Meeting 10 April 2007

EXECUTIVE FORWARD PLAN

Table 1: Items scheduled on the Forward Plan which were due to be submitted to this week's meeting			
None			

Table 2: Items scheduled on the Forward Plan for the Executive Meeting on 24 April 2007			
Report	Author	Current Position	Likely Revised Date
Education Scrutiny Committee – Final Report on Home to School Transport Contracts in York	Barbara Boyce	On schedule	N/a
Responses to Statutory Notices Proposing Development of Land for Affordable Housing at Dane Avenue, Morritt Close and Chapelfields Road	Steve Waddington	On schedule	N/a
Sale of Lendal Bridge Sub Station	Paul Fox	Deferred from November 2006	N/a
Update on Equal Pay Issues	Steve Morton	On schedule	N/a
Hungate – York Bedding Company CPO	Derek Gauld	On schedule	N/a
Should York be a World Heritage Site?	John Oxley	On schedule	N/a
Draft Sustainable Development Strategy for CYC	Kristina Peat	On schedule	N/a
Legal Services Framework Contract	Suzan Hemingway	May be deferred / deleted, depending on outcome of tendering process.	tba

Table 3: Items scheduled on the Forward Plan for the Executive Meeting on 12 June 2007			
Report	Author	Current Position	Likely Revised Date
Parking Review	Peter Evely	Deferred from 27/2/07	N/a
Admin Accommodation Project Update Report	Maria Wood	Deferred from 13/3/07	N/a
Corporate Procurement Strategy	Liz Ackroyd	Deferred from November 2006	N/a
Monk Bar Garage – Future Use of Site	John Urwin	Deferred from 30/1/07	N/a

Efficiency Programme – Including Strategy Procurement Programme	Liz Ackroyd	Deferred from 13/2/07	N/a
Thin Client / Competition Strategy	Simon Wiles	Deferred from 27/3/07	N/a
easy@york Update Report	Tracey Carter	On schedule	N/a
IT Strategy 2007/2012	Tracey Carter	On schedule	N/a
Local Public Service Agreements (LPSA2)	Simon Hornsby	On schedule	N/a



Executive**10 April 2007****Final Report for Part A of the Remit for the 'Highways PFI Ad-hoc Scrutiny Sub Committee'****Highways Maintenance Procurement Process & PFI****Summary**

1. The purpose of this report is to present to the Executive the final report for part A of the remit of the Highways PFI Ad-hoc Scrutiny Sub Committee in regard to Highways Maintenance & the recent Private Finance Initiative (PFI) bid. At its meeting on 26 March 2007, Scrutiny Management Committee endorsed this report for referral to the Executive.
2. The main findings arising from the work carried out by the Scrutiny Sub Committee are as follows:
 - The identified efficiencies and other potential benefits to be gained from a PFI arrangement include:
 - i. Clearing the backlog of repairs
 - ii. Improving maintenance services to allow the right maintenance at the right time
 - iii. Lower future maintenance requirements
 - iv. Effective and efficient network management resulting in improved traffic flows, accessibility and reliability
 - v. Improvements in congestion, air quality and ecological footprint
 - vi. A safer and secure environment
 - vii. The provision of sufficient investment to contribute to the development of broader Council objectives
 - There are two alternative options to PFI i.e. the traditional approach or working in partnership with a contractor. Both have merits and drawbacks and there are potentially many possibilities for combining elements of each. Many local Authorities have been operating a hybrid approach incorporating aspects of each of the two alternatives. Careful consideration would need to be given to achieve the optimum solution for each particular aspect of work to be undertaken.
 - the Council could not expect to receive sufficient alternative funding on the scale of PFI to finance all of the identified remedial works required to the highways infrastructure.
 - It is impossible to identify all possible risks involved with such a long-term PFI contract but the two main risks identified are project risk and contract

risk. Alternatively, there are risks associated with failing to maintain and repair the highways infrastructure e.g. an increase in the number of insurance claims made against the Council.

- A decision to proceed with the next stage of the PFI bid, i.e. submitting an Outline Business Case will have an effect on the 2007/08 budget but the largest proportion of cost is likely to be incurred in 2010/11.

Background

3. The background to this scrutiny review is presented in the final report at Annex A.

Consultation

4. Relevant officers from City Strategy, in particular those responsible for the preparation of the Expression of Interest previously submitted in relation to the PFI, have been heavily involved throughout the review process. Recognition of those consulted has been made at the end of the final report – see Annex A.

Options

5. The options available to the Executive are:
 - i. to approve the recommendations arising from the scrutiny review in full or part, or;
 - ii. reject the proposed recommendations and outline alternative proposals, where applicable

Analysis

6. All analysis is presented in the body of the final report.

Corporate Priorities

7. It was recognised that this review could contribute to improving ‘the actual and perceived condition and appearance of the city’s streets and open spaces’ by helping to improve the Council’s procurement arrangements for highways maintenance. In rationalising our procurement arrangements, it could also help to improve our organisational effectiveness.

Implications

8. At this stage of the PFI process it is not possible to quantify the Financial, HR, Equalities, Legal or other implications which may be incurred should the Council’s PFI bid prove successful, or if an alternative approach is adopted. As the recommendations made within the final report only seek to ensure full consideration is given to each stage of the process there are no associated implications with the recommendations made in Annex A.

Risk Management

11. There are no risks associated with the recommendations contained within the final report but the report acknowledges the significant risks associated with PFT or its alternative, as summarised in paragraph 2 above.

Recommendations

12. Members of the Executive are requested to endorse the recommendations and agree that they be used to inform any future decisions taken in relation to the ongoing PFI bidding process.

Contact Details

Author:

Melanie Carr
Scrutiny Officer
Scrutiny Services
Tel No. 552063

Chief Officer Responsible for the report:

S. Hemingway
Head of Civic, Democratic and Legal Services

Report Approved



Date 26.10.06

Wards Affected: List wards or tick box to indicate all

All



For further information please contact the author of the report

Background Papers

Local Government Private Finance Initiative (PFI): CYC Expression of Interest

Annexes

- Annex A: Final Report on Highways Maintenance & PFI – Part A
- Annex B: Service Delivery Options
- Annex C: Timetable for remaining stages of PFI process
- Annex D: Budget Pressures

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Scrutiny Management Committee

26 March 2007

Highways Maintenance Procurement Process & PFI– Final Draft Report

Background

1. In September 2006, Scrutiny Management Committee (SMC) agreed to proceed with a review of topic No.135, into Highways Maintenance Procurement and the Private Finance Initiative (PFI)¹ bid. SMC were informed that the Expression of Interest (EoI) associated with the PFI bid had already been submitted to the Department of Transport (DfT). They therefore requested that the original topic registration registered in April 2006 by Cllr Tracey Simpson-Laing, be revised to take this development into account.
2. In November 2006 SMC considered the revised registration together with a draft remit which proposed the issues raised be dealt with in two parts. SMC agreed that part A of the review should centre entirely on how scrutiny could help prepare for the procurement of highways maintenance when the outcome of the PFI is known and consequently, how it could contribute to maximizing the Council's efficiencies and improving its procedures. It was felt that this would contribute proactively to the ongoing development work in anticipation of the outcome of the PFI bid in January 2007.

Corporate Priorities

3. It was recognised that this review could contribute to improving 'the actual and perceived condition and appearance of the city's streets and open spaces' by helping to improve the Council's procurement arrangements for highways maintenance. In rationalising our procurement arrangements, it could also help to improve our organisational effectiveness.

Options

4. Scrutiny Management Committee can support all, some or none of the recommendations proposed as a result of this review, for submission to the Executive.

Remit

5. In coming to a decision to review this topic, the Scrutiny Management Team recognised certain key objectives and the following remit was agreed:

¹ A PFI is a scheme where the Government contracts a private company to carry out an agreed programme of works involving a public service over a fixed term.

Aims

To contribute to the development and establishment of a strategic and effective highways maintenance procurement strategy in York

To understand the cost implications associated with the PFI bid and its outcome if successful.

Objectives

- examining the potential efficiencies from a PFI arrangement;
- making recommendations with regard to available alternative options in the event that a PFI outcome is unsuccessful;
- looking at the cost effectiveness of those options, including improved ways of working;
- profiling expenditure over the lifespan of the PFI and any associated secondary costs.
- To understand the cost implications associated with the PFI bid and its outcome.

Examining the potential efficiencies from a PFI arrangement

Consultation

6. Prior to the commencement of this scrutiny review, the Council had already submitted an Expression of Interest in relation to the Highways PFI. As part of that process officers had fully examined the potential efficiencies which could be gained from a PFI arrangement.

Information Gathered

7. The identified efficiencies and other potential benefits to be gained from a PFI arrangement include:
 - Clearing the backlog of repairs
 - Improving maintenance services to allow the right maintenance at the right time
 - Lower future maintenance requirements
 - Effective and efficient network management resulting in improved traffic flows, accessibility and reliability
 - Improvements in congestion, air quality and ecological footprint²
 - A safer and secure environment
 - The provision of sufficient investment to contribute to the development of broader Council objectives

Issues

8. Members of the Committee studied the EoI previously submitted. This highlighted the problem facing City of York Council as it identified a substantial

² York is the only city in the country with an Eco Footprint model and a target of 70% reduction on carbon emissions over the next 50 years.

backlog of maintenance works on the highway network valued at an estimated £127.5m. It recognised the council's inability to fund whole life cycle asset management principles through intervention maintenance, resulting in an accelerated decline in asset value and network conditions. To be able to rehabilitate the asset and meet the central Government target of eliminating highways backlog by 2014/15, it is estimated that an additional £155m of capital life cycle replacement would be required to maintain the rehabilitated asset over the next 20 year period.

9. Members considered the options available to the Council listed in the EoI and were confident that consideration had been given to the possible efficiencies to be gained from a PFI arrangement, and that no further work was necessary in relation to this objective.
10. It was recognised that in order to decide whether to proceed to the next stage of the PFI process, the Council would need to weigh up the recognised efficiencies against the annual commitment in terms of budget which would be required over the 25-year term of the PFI³.
11. Members acknowledged that PFI has the greatest potential to deliver an holistic approach across the entire unitary authority area, compared to other schemes, because of the generous PFI credit arrangement.

Recommendation

12. That the efficiencies and other benefits gained through the PFI approach, as highlighted within the EoI be weighed against any budgetary inflexibility in future years, when deciding whether or not to proceed with the PFI process.

Reason: To ensure the most effective and financially viable outcome for highway repairs and maintenance, within the overall City of York Council budget is achieved.

Implications

13. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

Available alternative options in the event that a PFI outcome is unsuccessful

Consultation

14. The Assistant Director of City Development & Transport provided the Committee with information on two simplistic alternative options to PFI – see Annex B.

Information Gathered

15. In considering these two alternatives, it was recognised that:

³ The Council would be committed to the PFI irrespective of any future budget constraints

- a. both had merits and drawbacks
- b. between these two different approaches there were potentially many possibilities for combining elements of each.
- c. many Local Authorities have been operating a hybrid approach which incorporates aspects of each of the two alternatives outline in Annex B.
- d. careful consideration would need to be given to achieve the optimum solution for each particular aspect of work to be undertaken

Issues

16. The Committee were drawn towards the partnership approach but recognised the complexity of calculating the optimum solution for procuring service delivery. The Committee agreed that, given the timescale, it would be better to look at the key principles which should be taken into account at the time of selecting an alternative approach, rather than attempting to determine which approach should be used. It also recognised that the work undertaken to produce the EoI would assist any other work required if the PFI outcome was unsuccessful. Members identified the following key principles which they felt would need to be considered when deciding how to proceed:

- (a) Affordability

The level of funding available will influence which work method is adopted. Any work programme should be accurately costed as far as possible at the outset to avoid any overspends.

- (b) Value for Money

Historically, some local authorities engaged in partnerships for efficiency savings which did not ultimately materialise. Some in-house arrangements in the past were not always efficient which led to CCT and current evolution. Any contract should ensure that perceived efficiencies are realistic and are delivered.

- (c) Sustainability

The Transport Asset Management Plan (TAMP) should be reviewed on a regular basis to ensure that the most sustainable working practices and materials are used.

- (d) Risk Management

Members were particularly concerned regarding this issue. It was acknowledged that the balance and transfer of risk is central to any procurement consideration. If a partnership route is adopted, it should be ensured that the appropriate level of risk is borne by each party.

- (e) Degree of Control

Regardless of the approach undertaken, the Council should ensure that control of any project is suitable to the selected approach. Where work is held in house, it was acknowledged that there were might be less flexibility in how work was carried out. It was also noted that Members control would have to be exercised differently and probably at a more strategic level. These would not be applicable in a partnership approach.

(f) Innovation

Any contractor should embrace new innovative approaches in working practices, machinery and materials to ensure that any construction is undertaken to the optimum benefit of the Council, contractor and residents and this needs to be contractually encouraged.

(g) Residents Priorities

Priorities of residents should be considered in any undertaking and in the planning and construction of any development. Issues raised should be catered for as much as possible bearing in the mind contractual restraints and provided neither the quality nor the efficiency of work are detrimentally affected.

(h) Long Term Consequences

Members recognised these would exist in any partnership approach and would not necessarily be apparent at the outset of any contractual arrangement. They appreciated, however, that selecting the 'right' partner in any contractual arrangement could help minimise adverse consequences.

Recommendation

17. That in the event that the PFI outcome is unsuccessful, the key issues identified should be taken into consideration when deciding upon an alternative approach.

Reason: To ensure the best alternative option for procuring service delivery.

Implications

18. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

The cost effectiveness of alternative options to PFI, including improved ways of working

Consultation

19. Officers from the Council's Resources Directorate provided information on various sources of alternative funding. It was recognised that some of the different sources would only be applicable to certain approaches. Some were unlikely to fund maintenance works and others would not provide funding on the large scale required.

Information Gathered

20. The alternative sources of funding identified were:

- (a) Venture Capital⁴
This would only be available for partnership working if a case could be made for this.
- (b) Venture Fund
It was understood that funds could be drawn down from the Fund (part of the Council's Reserves) with the Fund expecting return of profit. However, it was acknowledged that the Venture Fund was inadequate for the programme under scrutiny.
- (c) Prudential Borrowing⁵
This would provide funds with which to undertake a works programme, but this would not have the advantage of PFI credits and it would be necessary to identify where savings could be made in future years to repay the loan.
- (d) Yorkshire Forward⁶
It was considered that there would need to be an identifiable improvement to the economic wellbeing of the city over and above the Council's normal maintenance programme, in order to access funding from this source. It was also considered that there would probably have to be a benefit to the region.
- (e) National Lottery
It was considered that the amounts of funding would be relatively small and that it would be a support but not a major source. Funding from the Lottery would be for very specific purposes, e.g. heritage, arts, sports, Conservation Areas etc, and would not be available for maintenance programmes.
- (e) European funding sources
It was considered that any EU funding would need to be linked with partnership working between countries. Access to funding from this source was likely to be tied to specific projects, separate from normal maintenance and would not necessarily depend solely upon the scheme but also how it would be implemented and what new innovation was involved.

Issues

21. The Committee acknowledged that on the basis of the information received, the Council could not expect to receive sufficient alternative funding on the scale of PFI to finance all of the identified remedial works required to the highways infrastructure. This in turn would result in it's further decline.

⁴ Venture capital (VC) is funding invested, or available for investment, in an enterprise that offers the probability of profit along with the possibility of loss.

⁵ Prudential Borrowing allows local authorities to raise finance for capital expenditure – without Government support - where they can service the debt without extra Government support.

⁶ Yorkshire Forward is the Regional Development Agency charged with improving the Yorkshire and Humber economy

22. In order to complete all of the remedial works required and sustain a full maintenance programme, the Council would have to make a much larger annual commitment in terms of budget than that which would be required over the 25-year term of the PFI. This again would have far reaching financial implications.

Recommendation

23. That in the event that the Council's EoI is successful, the decision to proceed to the next stage of the PFI process, i.e. submitting an Outline Business Case⁷ (OBC), be weighed against the resulting greater annual budget commitment required from the Council if the highways repair and maintenance works are to be carried out.

Reason: To ensure the most cost effective method for funding the required works.

Implications

24. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

Profile of expenditure over the lifespan of the PFI and any associated secondary costs

Consultation

25. The Assistant Director (City Development & Transport) provided information on some of the factors which will affect the overall cost of a PFI arrangement to the Council. One of the main factors would be managing the risks involved. As part of the process of drawing up a PFI contract between a potential partner and the Council, an appropriate level of risk should be considered and agreed by each party.
26. Contract costs would be influenced by the level and amount of risk accepted by the partner. Therefore, the Council will need to take account of this within the negotiations.

Information Gathered

27. Two main risks were identified as follows :

(a) Project Risk

i) Not achieving a signed contract at the end of the PFI bidding process. This is a pathfinder project i.e. the Department of Transport (DfT) want to identify a best practice approach for future use. As a result, it is recognised that the whole process could take longer to complete which would result in higher costs than the £2.5m previously identified. It is

⁷ The term "outline" refers to the fact that in the initial stages of a project, a business case can only be drawn up in outline form. The intention is, that as the project progresses it will become a "living document" and be subject to further iterations and refining of the content.

expected that the DfT will provide advice, resources and possibly financial support to assist the process.

The investigative works are likely to have significant cost which would be beneficial for a PFI contract though, if unsuccessful, the benefits from the information gained would not necessarily outweigh the costs incurred. The survey may also highlight unforeseen problems generating additional work and costs.

(b) Contract Risk

There are several areas within the contract where the amount of risk to be transferred would need to be carefully considered:

i) Latent Defects⁸

The cost of latent defect risk will be priced by the Service Provider (SP) dependant on the level of transfer the Council attempt to pass down in the PFI contract. In general the market is willing to accept uncapped liability for Carriageways and Footways on the basis that the highway network is mature and works associated with their rehabilitation and on-going maintenance will not involve major excavation below the existing construction layers. There are two areas which cause concern to the market:

- Drainage - Structural failure on the Council network e.g. collapsed gully connections in the carriageway which did not occur through improper maintenance by the SP. The position the SP adopts in respect to the Council drainage is largely dependant on the availability and size of asset data, existing maintenance regime, and records of past works undertaken resulting from latent defect failure. Should the negotiation of the contract result in risk being taken by the Council, the assessment of the engineering scenarios and relative costs suggest this exposure will be low risk low cost.
- Structures - an inherent fault resulting in major structural failure of a bridge which did not occur as a result of inadequate maintenance by the SP. The contract will contain a liability cap on the SP to cover latent defects in structures which can be limited to the Council's key structures, i.e. those structures of high capital replacement value in light of major catastrophic failure. The caps are operated on an individual and aggregate basis. The adequacy of the cap and exposure to risk will be informed by the technical review of the data room information and priced accordingly. Ultimately, the value of caps will be set to represent a commercially affordable solution and demonstrate sufficient risk transfer to offer value for money.

ii) Legislation

No contractor would accept risk related to changes in legislation. This is a non-transferable risk and the effects are unforeseeable.

⁸ A latent defect is a hidden or dormant fault/defect that could not be discovered by observation or by a reasonable thorough inspection.

iii) Inflation

Any contract will allow for a certain level of inflation but over such a long term project it is impossible to completely cater for extreme variances. Any contract will be vulnerable to higher inflation in the early years.

iv) Vandalism

It is impossible to foresee what effect this may have on any contract and any partner would be reluctant to accept this risk without some form of indemnity from Council.

v) Breach of Contract

A breach could stem from a deterioration of service over a period of time. This could have a significant impact on the level of management and maintenance. Although there is recourse through contractual and financial arrangements, there would be a level of disruption while a satisfactory solution was achieved.

In the unlikely circumstances of a company liquidation the Council will have the additional protection of the bank's involvement, including early warning, which is more secure than the current private arrangements.

vi) Affordability

The long term nature of this type of contract raises questions regarding the level of funding which the Council could and would commit with the internal and external funding pressures and legal constraints it faces.

vii) Insurance

The risk would be where the contractor would accept the risk, to a certain limit, after which point the Council would be expected to bear the balance, though there could be a cost-sharing basis to a certain level.

viii) Climate Change

Over such a long-term project the impact of climate change cannot be quantified. The potential for global political, financial and environmental changes may have far-reaching and unforeseen consequence which may impact on the contract. This would not be a risk that the partner would accept.

Issues

28. It is clear that it is impossible to identify all possible risks involved with such a long term contract but failure to maintain and repair the highways infrastructure carries its own risks. For example, the Council presently self insures against claims, and has an extremely successful repudiation rate, but it is considered that the number of claims would be likely to increase as the infrastructure continued to deteriorate. Also, as central Government has set a target of eliminating highways backlog by 2014/15, the Council may incur costs if this work is not completed on time.

Recommendation

29. That it be noted that the total expenditure over the lifespan of the PFI cannot be properly identified.

Reason: There are too many unknown quantities at this stage in the process.

Implications

30. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

The cost implications associated with the PFI bid and its outcome**Consultation**

31. The Assistant Director (City Development & Transport) presented information on the timetable for the remaining stages of the PFI process – see Annex C. This included information on each stage and the points at which a decision would need to be taken on whether or not to proceed.
32. Information was also presented on a number of procurement risks which could impact on the PFI scheme:
- Time – the longer the negotiations are, the more expensive the cost.
 - Cost
 - Change of Rules
 - Attractiveness of Contract –the contract must be attractive to bidders otherwise the scheme will be a waste
 - Challenge and Withdrawal – a bidder could challenge the procurement process and withdraw from the negotiations

Information Gathered

33. The Director of Resources presented a summary of the budget for 2007/08 which highlighted expected pressures – see Annex D. It was recognised that a decision to proceed with the next stage of the PFI bid, i.e. submitting an OBC would have an effect on the 2007/08 budget. The summary also recognised that the largest proportion of cost would be likely to be incurred in 2010/11, as the majority of cost occurs in the last few months.

Issues

34. Although there are recognised cost implications associated with a PFI bid, costs would be reimbursed when the PFI scheme commenced. It is clear that the overall cost to the Council of the PFI approach would be less than completing the same amount of work of the same quality and standard via alternative methods. The Council could only finance the same amount of remedial and maintenance works as done through a successful PFI, by putting severe constraints on other budget commitments over the 25-year period.

35. The drawback of the PFI route would be that the Council cannot predict what else may occur during the next 25 years that may result in further budget pressures and once a PFI contract is signed, the Council could not reduce its financial commitment to the repairs and maintenance works to allow the budget to be reassigned. The Council would have little room to manoeuvre with regard to its financial commitments.
36. The current variance is £0.5m - £1.0m, though until detailed calculations have been undertaken, to assess the affordability of the scheme, the actual variance will not be known. It was also acknowledged that the difference between the current allocated budget and the notional budget assumed in the EoI was in the region of £1.25m, and members were concerned that the OBC should identify a means of addressing the shortfall.
37. Members also acknowledged that other unquantified known short to medium term budget pressures (e.g. Waste PFI) exist, and recommended that an holistic view of the financial constraints of the Council will have to be taken.

Recommendation

38. That in the event that the EoI is successful, careful consideration should be given when deciding whether to proceed to each of the following stages of the process.

Reason: To ensure a full understanding of the cost implications.

Implications

39. There are no quantified Financial, HR, Equalities, Legal or other implications associated with the above recommendation.

Acknowledgements

The Committee would like to record its thanks to the various officers who have supported its work. The assistance and advice received has been appreciated, and without this support it is unlikely that the scrutiny could have been completed in the timescale. In particular thanks go to:

Damon Copperthwaite, Assistant Director (City Development & Transport)

Paul Thackray, Head of Highway Infrastructure, City Strategy

Simon Wiles, Director of Resources

Patrick Looker, Resource & Business Manager, City Strategy

Simon Town, Grants & Partnership Accountant

David Walker, Risk & Insurance Manager

Brian Gray, Legal Services

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Final Report Approved **Date** 22 February 2007

Councillor Richard Moore
Chair
Highways Maintenance Scrutiny Ad-Hoc Sub-Committee

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Local Government Private Finance Initiative (PFI): CYC Expression of Interest

Annexes

- Annex B – Alternative Procurement Options for 2010
- Annex C - Timetable of remaining stages of PFI process
- Annex D – Budget Pressures (working document)

Basic Service Delivery & Procurement Options for 2010

Approach	Traditional	Partnership
Scope	Broken into components i.e. Surfaces Street Lighting Routine / Reactive Technical i.e. traffic signals, CCTV	All inclusive with one partner
Client	Large	Small

Contract Arrangements

Specification	Input - where an exact job specification is agreed with the contractor prior to work commencing.	Output - Having agreed the outcome, the partner decides how to achieve this and then carries out the work. For this to be successful the partnership would need to be based on trust, openness and honesty. To achieve this level of compatibility, the two partners have to be confident that they both have the same work ethos and standards, therefore much time will be spent at the contract stage to ensure both parties fully understand the requirements of the other. They are equal partners and must both deliver on their side of the bargain
Risk to Council	Retained - risk remains with CYC	Transferred - a majority of the risk is transferred to the partner. The partner will not accept unknown risk i.e. inflation, insurance, changes to legislation.
Cost	Medium, there could be some increase due to variations	High - Initial high cost because partner takes on majority of risk including the biggest risk of all - construction risk. Partner has limited ability to come back for extra money
Term	Medium (5-7 yrs)	Long (7-10yrs) - Partner covers his costs over a longer term.
Incentive	No - The contractor has agreed a price before the work commences therefore they is no incentive to be more efficient	Yes -With a longer term there is more incentive/benefits to be more efficient

Procurement Arrangements

Evaluation	80% price / 20% "quality" - Tenders received are considered mainly on the cost as the specification set by CYC would have been written in terms of the required levels of quality	40% price / 60% "quality" - As the partner will be wholly responsible for the standard of work carried out it is important to consider the "quality" of the partner (e.g. whether the work ethos is compatible) when agreeing a contract. This becomes a much more important factor and outweighs the issue of cost.
Method	EU restricted standard tender	EU restricted or competitive dialogue (if the rules for competitive dialogue are met)

Cost	Medium - specifications are drawn up for each aspect of work	High - More time and resources are spent at the procurement stage to ensure the partnership is solid and will achieve the required outcomes.
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City of York CouncilPrivate Finance Initiative : Highway Maintenance Pathfinder ProjectDraft Timetable and Decision Making Points

Expression of Interest : Annex 10

<u>Activity</u>	<u>Timescales</u>	<u>Decision</u>	<u>Time</u>
<u>Preliminary Phase</u>			
Development of Eol	June 06 – Sept 06		
		Urgency Committee: To approve submission of Eol	5 Sept 06
Submission of Eol to DfT	10 Sept 06		
		Approval of Eol by DfT Project Review Group	April 07
		Executive Report: Implications of the project including risk, submission of OBC, funding of the project	July 07
Appointment of a project team	June 07		
Preparation of Outline Business Case	June 07 – April 08		
		Executive Report: To approve submission of OBC and agreement to procurement process	April 08
Submission of OBC to DfT	April 08		

Approval of OBC
by DfT Project
Review Group Aug
08

Procurement

Advisors Develop advisor contracts April 08

Issue OJEU Notice May 08

Issue PQQ June 08

Appoint short list,
seek proposals July 08

Advisor interviews Aug 08

Executive Report: Aug 08
To approve
appointment of
advisors

Appointment of
advisors Sept 08

Service
Providers Development of
Contract Details June 07 – May 09

Issue OJEU Notice Oct 08

Issue PQQ and
seek Expressions
of Interest Nov 08

PQQ Evaluation
and Short Listing Dec 08

Executive Report: Jan 09
To approve stage
1 short list of
service providers

Invite Submission
of Outline Solutions Jan 09

Submission of
Outline Solutions Mar 09

Evaluation and April 09

dialogue of Outline
Solutions

Executive Report: May 09
To approve Stage
2 short list of
service providers

Invite Submission of Detailed
Solutions May 09

Submission of Detailed Solutions June 09

Evaluation and dialogue of Detailed
Solutions June 09 – Jan 10

Close dialogue Feb 10

Invite Final Tenders Feb 10

Evaluation of Final Tenders May 10

Clarification of Final Tenders May 10 – Aug 10

Executive Report: Sept
To approve 10
selection of
preferred Service
Provider

Final clarification,
due diligence. Sept 10 – Nov 10

Preparation of Final
Business case to DfT Sept 10 – Nov 10

Executive Report: Dec 10
To approve the
Final Business
Case for
submission to DfT

Submit FBC to DfT
PRG Dec 10

Approval of FBC
by DfT Project
Review Group Feb 11

Financial Close and Award of contract Feb 11

Mobilisation and start of Contract Feb 11 – July 11

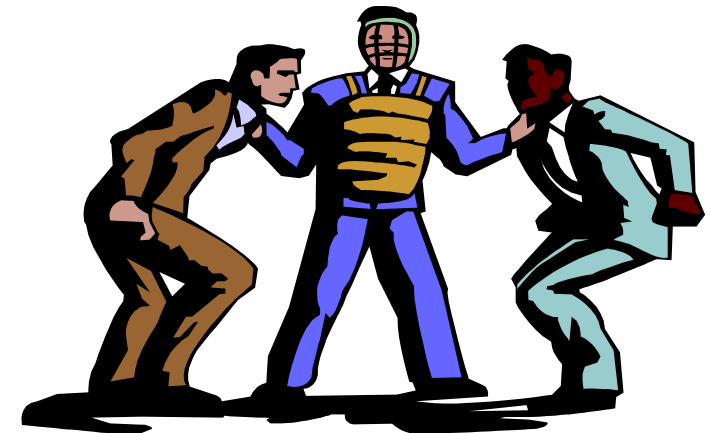
Damon Copperthwaite
19 February 2007

Budget Summary 07/08

	£'m
Unavoidable Growth	7.98
Reprioritisation of resources	5.93
Total Growth Requirement	13.91
FUNDED BY	
Savings	5.05
Council Tax	4.18
Changes in Funding	2.04
Pressures offset by Contingency	1.50
Use of Reserves	1.14
Total Funding	13.91

Key 2007/08 Budget Pressures

- Pay and Prices £4.269m
- Job Evaluation £1.250m
- Supporting People £0.897m
- Waste Management £0.822m
- Social Care Cost Pressures £0.785m



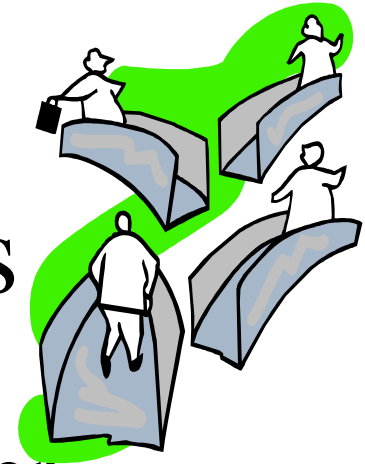
Current and Future Pressures

Area	2007/08	Onwards
Pay and Prices	Yes	Yes
Job Evaluation	Yes	Decreasing
Supporting People	Yes	Yes
Waste Management Strategy	Yes	Increasing
Social Care	Yes	Yes
Highways PFI	No	2010/11
The White Paper & Lyons	No	Yes
Comprehensive Spending Review	No	Yes
Admin Accom	No	Long term saving

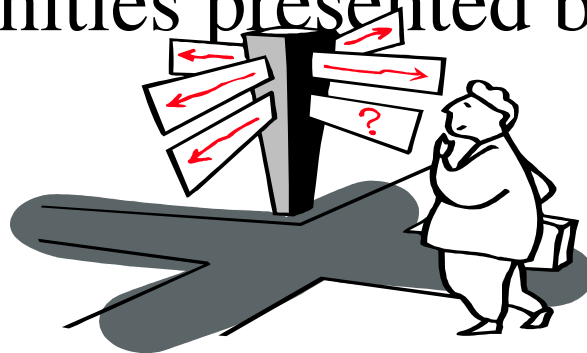
PROJECTIONS

- 08/09 Growth Pressures £11.1m
- 08/09 Net Pressure after grants and C Tax rises £5.8m
- 09/10 Growth Pressures £11.7m
- 09/10 Net Pressure after grants and C Tax rises £5.9m

Key Future Uncertainties



- What the White Paper, Lyons and other reviews will really mean?
- Comprehensive Spending Review 2007 (July! Sept???)
- Meeting waste targets.
- Remodelling services to meet the opportunities presented by Easy and Admin Accom.



CSR 2007



- When will it be?
- 2% for pay?
- Deduction for Efficiency target / 3% cash???
- Confusion over population figures and other data
- 3year fixed grant (with adjustments) + set 3 year Council Tax???
- Lobbying on area cost adjustment, visitor numbers.
- Unwinding of damping extra £870k - when?

Longer Term Savings

- Efficiency Programme
 - Council wide/big issues
 - Departmental
- Strategic Procurement Programme
- Approach to efficiency/efficiency culture
- Awareness raising
- Contribution of Total Systems and IT
- Benchmarking Services to Identify and Challenge ‘High Cost’



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Executive

10 April 2007

Report of the Head of Civic, Democratic and Legal Services

REFERENCE REPORT: PROGRESS REPORT ON MAJOR CAPITAL SCHEMES IN YORK SECONDARY SCHOOLS**Summary**

1. This report requests that Members consider a decision referred by the Executive Members for Children's Services and Advisory Panel on 14 March 2007. This referral was made in accordance with the delegation scheme detailed in the Council's Constitution.

Background

2. At the meeting of the Executive Members for Children's Services and Advisory Panel on 14 March 2007, Members considered a report which advised them of recent progress with four major secondary school capital schemes and a proposal from Fulford School to enter into a prudential borrowing arrangement with the Local Authority in order to finance a scheme that would significantly improve teaching facilities.

The following resolutions were made by the Executive Members.

- i) To note the updates to the major schemes within the Children's Services Capital Programme
- ii) Approve the amendment to the capital programme reported and summarised in paragraph 25 of the report
- iii) **Recommend to the Executive for approval the request from Fulford School to use prudential borrowing of £607k to fund part of the cost of the building project and to include this in the capital programme.**
- iv) **Recommend to the Executive for approval the revised capital programme summarised in the report**

Members are asked to consider the Executive Member's recommendations, as indicated in Resolutions (iii) and (iv) above, to approve the request for Fulford School to use prudential borrowing of £607k and to approve the revised capital programme summarised in the report.

Consultation

3. No further consultation has taken place in addition to the consultation detailed in paragraph 3 of the report attached as Annex 1.

Options

4. The Executive can either approve or reject the proposal of the Executive Members.

Analysis

5. Members need to consider the details in the report attached as Annex 1 and make a decision based on the information therein.

Corporate Priorities

6. The aims in facilitating this referral to the Executive accord with the key principles of improving the Council's organisational efficiency and complying with the requirements of the Council's Constitution.

Implications

7. The implications of the original decision are set out in paragraph 26 of Annex 1.

Risk Management

9. There are no risk management implications in relation to the referral to the Executive of this matter. The risk management implications of the original decision are outlined in paragraphs 27 to 31 of Annex 1.

Recommendations

10. That the Executive consider the recommendations in respect of the proposal from Fulford School to enter into a prudential borrowing arrangement with the Local Authority and to approve the revised capital programme summarised in the report.

Reason: In line with Constitutional requirements.

Contact Details

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Suzan Hemingway
Head of Civic, Democratic and Legal
services
01904 551004

Report Approved



Date 20/3/07

Specialist Implications Officer(s)

N/A

Wards Affected: Fulford



For further information please contact the author of the report

Background Papers:

Decision Sheet of the Executive Members for Children's Services and Advisory Panel 14 March 2007 (published on the Council's website on 15 March)

Annexes

Annex 1 – Report to the Executive Members and Children's Services Advisory Panel – Progress Report on Major Capital Schemes in York Secondary Schools – 14 March 2007.

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Meeting of Executive Members and Children's Services Advisory Panel

14 March 2007

Report of the Director of Learning, Culture and Children's Services

Progress Report on Major Capital Schemes in York Secondary Schools

Summary

- 1 The report informs Members of recent progress with four major secondary school capital schemes in York (Huntington, York High, Manor and Joseph Rowntree Schools). The report also details a proposal from Fulford School to enter into a prudential borrowing arrangement with the LA in order to finance a scheme that will significantly improve teaching facilities.

Background

- 2 Members will be familiar with the regular capital monitoring reports that are brought to EMAP. This additional report is prompted by the significant size of the current programme and the intensive work being undertaken to deliver various major schemes. The report describes the progress on each of the schemes, the estimated timescales to completion and the latest financial profiling. The report also includes a proposal for a capital scheme at Fulford School for which the school is seeking to borrow funds from the Local Authority.

Consultation

3. All of the major schemes have been, or will be, subject to extensive consultation as proposals are developed.

Analysis

4. Progress updates on each of the four schemes are contained in the following paragraphs.

Huntington School

5. The new £5.5 million Community Arts and classroom blocks are nearing completion and will open to pupils on 16 April 2007. This will enhance facilities for both the school and the local community and gives the entrance to the school an attractive new focus.

York High School

6. Work is progressing well to establish the York High School. The scheme is a complex and ambitious project that includes the merger of Lowfield and Oaklands schools in September 2007. An interim Governing Body was established in 2006 which managed the recruitment of the Senior Leadership Team. The recruitment of teaching and support staff is now substantially complete.
7. In the first year of the new school's life it is planned to provide accommodation for all students and staff on the existing Lowfield site, whilst work is undertaken on the Oaklands site to undertake refurbishment and new building work. This approach seeks to minimise disruption to the education of children in the school and will avoid the difficulties of staff and students having to travel extensively between the two sites. This approach will assist effective health and safety management of building works on the Oaklands site. The whole school will then move back to the Oaklands site when the work is completed, which is expected to be in January 2009.
8. The capital scheme will also incorporate a new public swimming pool facility on the Oaklands site.
9. Constructors and a design team were appointed last year. Work on the detailed design of the school and pool facility is progressing and the necessary planning applications are being prepared. If permission is granted, construction work is planned to start on the Oaklands site in July 2007.
10. The capital expenditure profile for this scheme needs to be revised given both the integration of the Swimming Pool into the scheme and the additional time that has been needed to secure an agreed design for the school building within the available budget. The current and revised expenditure profiles are set out in the table below:

York High School Expenditure Profile	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	Total £m
Current approved scheme profile	0.500	5.400	6.050	0.250	12.200
Revised scheme profile	0.150	5.750	6.050	0.250	12.200
Pool Scheme profile (in Leisure Programme)	-	1.000	4.000	0.400	5.400

Joseph Rowntree One School Pathfinder

11. The Joseph Rowntree One School Pathfinder (OSP) was announced in June 2006. One school pathfinders are significant projects, funded by "Building Schools for the Future" capital. The DfES budget for this scheme is £25.5m.

OSP funding gives selected local authorities the chance to test how they will approach educational transformation in their area.

12. Since last summer, the school has made good progress in developing the project, supported by the authority and the Joseph Rowntree Trust. The Trust has provided valuable and enthusiastic support and has also sponsored a local architect to provide expert advice and guidance in the early stages of this project. The directorate is providing dedicated project management for the scheme. Various well-attended consultation events have been held with the local community, students, staff, governors and parents in order to develop a vision for the new school. The DfES approved the Council's initial submission in January 2007 and work is now underway to complete a Business Case. This document will need to be approved by the DfES and Partnership for Schools before the project can progress to the next stage of procurement. PfS is a Non-Departmental Public Body (NDPB), wholly owned by the DfES but jointly funded with Partnership UK.
13. The project will be procured via a national framework for the design and construction of Academies and One School Pathfinders that has been established by PfS.
14. The process will include a competition element which will result in the appointment of one of six construction companies that have already been shortlisted nationally by PfS. On 22nd February, a familiarisation day was held at Joseph Rowntree School where all six of the framework companies had the opportunity to visit the school and to meet key members of the Project team. The overall programme is to have the outline business case (OBC) approved by mid May 2007 so that a design and build partner can be selected by October 2007 at which time a full planning application will also be submitted.
15. The scheme will need to be added to the Children's Services Capital Programme once the DfES approves the OBC.

The allocations from DfES will probably be as shown in the table below, but the spending profile has yet to be determined.

Joseph Rowntree OSP	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	Total £m
Estimated funding profile	0	35%	50%	15%	25.5

Manor School

16. Members will be aware that the Diocese was successful in a targeted capital fund (TCF) bid to replace the existing Manor School with a new and enlarged school. Grant funding of £13.5m was announced by the DfES in 2006 with the LA contributing £3.5m to the scheme from capital receipts arising from the eventual disposal of the existing Lowfield School and/or Manor Sites. The success of this bid and the TCF grant awarded to York High School made it possible for the Authority to implement the proposals agreed by members following the review of secondary education on the west side of the city.

17. The school and the Diocese, with support from the local authority, have now developed design proposals for the new school building. A detailed planning application has been submitted and is due to be considered on 5 March 2007. If planning permission is approved, and that decision is supported by the Secretary of State, the project will move forward with a constructor appointed and building work commencing later this year.

Fulford School – proposed capital scheme

18. Fulford School has recently approached the LA requesting to borrow funds from the LA in order to secure the finance necessary for a proposed building project that will provide new science laboratories suitable for KS3, KS4, and sixth form teaching. The scheme will also allow the school to develop modern and appropriate facilities and to remove a double mobile classroom.
19. The total cost of the scheme is estimated at £1.266m. The table below details the funding proposal that has been agreed by the Governing Body.

	£'000's
Proposed Capital Scheme cost	1,266
Funded by: Devolved Capital – 2006/07, 07/08, 08/09	454
School Capital	205
Borrowing from LA	607
Total:	1,266

20. The proposal assumes a loan for £607k, with the repayment of principal and interest over 4 years (year 1 being 2009/2010) and assumes that the principal is met from future years' Devolved Capital, with the interest being met from the school's revenue budget, as required by accounting regulations. The annual interest costs reduce from £28,286 in year 1 to £7,072 in year 4.
21. In the event that Devolved Capital is withdrawn beyond 2007/2008, the school will be required to repay the loan over a longer term, as allowed by the regulations, with combined principal and interest repayments of £65,451 per annum for 17 years. This cost would have to be met from the school's revenue budget. This position would only be triggered in the unlikely event that the DfES withdraws Devolved Capital Funding.
22. The figures are based on the Council's current consolidated interest rate of 4.66% but the rate would be fixed at the time the loan is drawn down in 2008/2009 at the prevailing rate, which will determine the interest payments due.
23. The headteacher has confirmed that he and the chair of Governors have considered the figures carefully and are aware that the borrowing proposal will commit devolved capital for this year (2006/2007) and for the next 6 years, together with the interest payments set out above.

24. This project would provide four new classrooms and two laboratories in permanent accommodation by September 2008 and remove some elderly temporary classroom units from the site. It would add to the coherence of the faculty arrangements in the school, relieve some of the pressure on space and enhance the learning experience for pupils by providing an up to date environment.

The Local Authority is able to make use of Prudential Borrowing powers to fund the capital cost of the work via a loan to the school, which will then be repaid from the schools budget.

Corporate Priorities

25. The schemes described support two of the corporate priorities: increase people's skills and knowledge to improve future employment prospects, and improve the life chances of the most disadvantaged and disaffected children, young people and families in the city.

Financial Implications

26. The amendment described above (para 10) and its effect on the overall Children's Services Capital Programme is summarised in the table below.

Summary of Amendments to the 2006/10 Capital Programme

Gross Children's Services Capital Programme	2006/07	2007/08	2008/09	2009/10	Total
	£m	£m	£m	£m	£m
Current Approved Capital Programme	12.879	16.485	9.550	0.250	39.164
<u>Adjustments: -</u>					
York High School Reprofiling	(0.350)	0.350			-
Revised Capital Programme 2006/10	12.529	16.835	9.550	0.250	39.164

- **Human Resources (HR)**

none

- **Equalities**

none

- **Legal**

none

- **Crime and Disorder**

none

- **Information Technology (IT)**

none

- **Property**

Property implications for each scheme are dealt with within the main body of the report.

- **Other**

none

Risk Management

27. The risks associated with major capital schemes relate to:
 - a. actual costs exceeding budget
 - b. funding not being spent within the allocated timescale and therefore being withdrawn
28. Costs associated with the proposals are currently estimates. In order to minimise the risk of overspending on budget:
 - a. all individual projects are costed in detail before being put out to tender and any adjustments brought for approval in the quarterly monitoring reports
 - b. once designs are agreed and work starts, variations are kept to an absolute minimum
 - c. risk funds are built in to all budgets
29. Careful monitoring of spending and movement of funding streams between projects ensures that spending is within time constraints.
30. For all capital projects that are approved, a risk management approach is adopted. Large and complex projects will require a risk register that will be considered and monitored by the project board.
31. The Fulford scheme includes a risk that the DfES will withdraw devolved capital funding. The Governing Body has considered the risks and has agreed to an alternative repayment model should this occur.

Recommendations

32. The Executive Member is recommended to:
 - note the updates to the major schemes within the Children's Services Capital Programme
 - approve the amendment to the capital programme reported above and summarised in paragraph 25 above

- recommend to the Executive for approval the request from Fulford School to use prudential borrowing of £607k to fund part of the cost of the building project, and to include this in the capital programme
- recommend to the Executive for approval the revised capital programme summarised above

REASON: in order to allow the effective monitoring of the capital programme.

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Patrick Scott
Director of Learning, Culture and Children's Services

Report Approved Date 27 February 2007

Patrick Scott
Director of Learning, Culture and Children's Services

Report Approved Date 27 February 2007

Specialist Implications Officer(s) *List information for all*

Financial	Financial	Property
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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

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Meeting of the Executive**10 April 2007**

Report of the Director of Learning, Culture and Children's Services

JOSEPH ROWNTREE SCHOOL – Appointment of technical consultants**Summary**

1. There is a need to appoint technical consultants to assist in the development of the outline business case for the Joseph Rowntree One School Pathfinder (OSP) project. The selection process has identified a preferred bidder. The costs of the preferred bidder are not the lowest. This report requests Members to approve the appointment as a matter of urgency, in order to prevent delay on the overall programme. The overall programme to deliver the new Joseph Rowntree School is extremely tight. In order to keep on time, the technical consultants need to be ready to begin work with the school directly after the Easter half-term. This will give the consultants the necessary time to undertake the immediate tasks required for the completion of the outline business case on time, to prevent any further delay with the procurement of the design and build contractors.

Background

2. Work to develop the Joseph Rowntree One School Pathfinder has been on going since October 2006. We are required by the DfES to have the new school ready for occupation by September 2009. In order to meet the timescale, the project will be procured using Partnership for Schools' (PfS) national procurement framework. The PfS criteria require the submission of an outline business case (OBC) for approval, prior to commencing the full competition process. So far, the OBC has been developed using in-house resources. The project is now at the stage where external resources are needed in order to develop and finalise the OBC. Input is needed from technical consultants to ensure that the OBC meets all of the PfS criteria. PfS have a national consultants framework that gives access to pre-tendered consultancy services. Six consultants were approached from the PfS framework and invited to submit an expression of interest. Two consultants declined to bid and the remaining four were evaluated. Two bidders were short listed and invited to make a presentation to the evaluation panel. The two short listed bidders, their costs and scores are attached in confidential annex 1.

As this is a pathfinder project, there is not as yet a standard procedure for the level of work required to produce an OBC. Therefore, the bidders were asked to submit costs based on rates per day, for a generic work plan for a £25.5m OSP project. The rates per day of the two consultants are similar but Mott MacDonald have allocated more time to the project. Whichever consultant is appointed will need to work out the exact details of the work required and it is expected that the final costs would be similar.

Mott MacDonald scored higher on quality because:

- The people in the team are locally based (York and Leeds rather than London)
- They were better communicators
- They had a wider variety of skills in-house
- They clearly demonstrated a team approach, working with us rather than for us
- They were enthusiastic and knowledgeable about our project
- They demonstrated realism, issuing cautions rather than reassurances
- That they inspired us with confidence that they were the team who would deliver.

The scoring was done individually and without consultation with other panel members.

Consultation

3. The Procurement Unit were consulted throughout the process. All procedures were checked and approved to ensure that financial regulations were adhered to. The evaluation panel comprised:
 - Hugh Porter, Headteacher of Joseph Rowntree School
 - Frank Dixon, Chair of Governors, Joseph Rowntree School
 - Ian Atkinson, Design Architect, Joseph Rowntree Trust
 - Neil Hindhaugh, Head of Property Services
 - Maggie Tansley, Head of Planning and Resources, LCCS
 - Ali Kelly, Joseph Rowntree OSP Project Manager
 - Anna Evans, Joseph Rowntree OSP Project Director

Options

4. The options are to:
 - a. Appoint the consultant with the lowest tendered costs, Gardiner and Theobald.
 - b. Appoint the consultant with the higher costs, Mott MacDonald.

Analysis

5. If Gardiner and Theobald are appointed, based on the tendered costs, there would be a financial saving. However, their approach to team working is likely to generate more days work at the start of the project, in order to agree a common strategy and clear understanding of project deliverables. Their remote location in London will incur more travel time and less working time per day.

Mott MacDonald are prepared to commence work immediately and already have a clear understanding of what is required. Once a detailed work plan has been agreed, it is expected that their original quote will be slightly reduced. However, the benefit of using Mott MacDonald is clearly linked to the added value that they will bring to the project in terms of team working, experience and detailed knowledge of what is required by PfS.

Corporate Priorities

6. Improve the way the Council and its partners work together to deliver better services for the people who live in York by facilitating a swift and effective appointment of a contractor to build the new school. Delivering the new building on time will help the school achieve its educational transformation and enhance the City's reputation with government.

Implications

7.
 - **Financial** - As referred to in the body of the report.
 - **Human Resources (HR)** – There are no human resources implications.
 - **Equalities** – There are no equality implications
 - **Legal** – There are no legal implications.
 - **Crime and Disorder** – There are no crime and disorder implications.
 - **Information Technology (IT)** – There are no IT implications.
 - **Property** – There are no property implications.
 - **Other**

Risk Management

8. The risks are:
 - We do not get the correct output specification within the OBC, that best reflects the school, the local authority and the community's aspirations.
 - We do not achieve an approved OBC within the necessary timescale

- We miss the optimum date to appoint constructors and find that we are left with little or no choice

Recommendations

9. The Executive Leader is asked to approve Option b of the report, that Mott MacDonald are appointed as technical consultants for the Joseph Rowntree School OSP.

Reason: That the preferred bidders will add value to the project beyond the financial benefits of the lowest tendered bid.

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Report Approved **Date** 05.04.07

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Wards Affected: Huntington and New Earswick

All

For further information please contact the author of the report

Background Papers: None

Annexes – Annex 1 CONFIDENTIAL

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