

**BUILDING SCHOOLS FOR THE FUTURE (BSF) – CONTRACT AWARD**

*To:* Cabinet

*Date:* 27 April 2010

*From:* Executive Director: Children & Young People's Services

*Electoral division(s):* All

*Forward Plan ref:* 2010/003 *Key decision:* Yes

*Purpose:* To seek approval to award the BSF contracts and invest in the Local Education Partnership (LEP) joint venture company

To seek endorsement for the budget strategy proposed for funding the BSF schools in Fenland and the governance arrangements proposed for the operational phase of BSF.

*Recommendations:* Cabinet is recommended to:

- i. Confirm the award of the contract, in accordance with the Competitive Dialogue Procedure as set out in Regulation 18 of the Public Contracts Regulations 2006, to Equitix Ltd (subject to statutory standstill requirements);
- ii. Note and endorse the budget strategy set out at paragraphs 3.1-3.10 of this report;
- iii. Note and approve the Authority's investment in the LEP set out at paragraphs 3.11-3.12 of this report;
- iv. Confirm that the BSF Contract Documents listed at Annex 2 of this report and any other related contracts, agreements and instruments required to give effect to the Project (including, but not limited to, collateral warranties and direct agreements) may be entered into once (a) final confirmation of BSF funding has been received from Partnerships for Schools; and (b) any final outstanding issues have been addressed to the satisfaction of the Executive Director: Children & Young People's Services and the Corporate Director of Finance, Property and Performance in consultation with the Cabinet Members for Learning and Resources;

- v. **Confirm: (a) that the Corporate Director of Finance, Property and Performance be authorised to give certificates of vires under the Local Government (Contracts) Act 1997 in respect of the Private Finance Initiative (PFI) Project Agreement, Funder's Direct Agreement and Strategic Partnering Agreement (and for any other of the BSF Contract Documents as may be considered necessary by the Head of Legal Services); and (b) that the Director or Finance, Property and Performance be indemnified by the Authority in accordance with the provisions of the Local Authorities (Indemnities for Members and Officers) Order 2004 in respect of any liability arising from his/her signing of such certificates and that the terms and form of such indemnity be finally settled by the Head of Legal Services;**
  
- vi. **Note the principal business risks associated with entering into the BSF contracts which are summarised at Annex 3 of this report;**
  
- vii. **Confirm that the Executive Director: Children & Young People's Services shall be the Authority's Local Education Partnership (LEP) Director;**
  
- viii. **Note and endorse the arrangements proposed for the establishment of the Strategic Partnering Board.**

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## **1.0 PURPOSE**

- 1.1 In December 2009 Cabinet decided to appoint Equitix Ltd as the selected bidder for the Cambridgeshire Building Schools for the Future (BSF) programme. This report seeks approval to award the BSF contracts and invest in the Local Education Partnership (LEP) joint venture company and notes the principal business risks associated with entering into these contracts.
- 1.2 The report also seeks endorsement for the budget strategy proposed for funding the BSF schools in Fenland and the governance arrangements proposed for the operational phase of BSF.

## **2.0 BACKGROUND**

- 2.1 Since July 2008, the Authority has been engaged in a major procurement exercise to select the Private Sector Partner (PSP) for the LEP in Cambridgeshire. The LEP is the prescribed delivery model for BSF and will be a joint venture company between the Authority (10%), BSFI (the investment arm of Partnerships for Schools) (10%) and the PSP (80%).
- 2.2 Equitix Learning Community Partnerships was appointed as the Selected Bidder on 15<sup>th</sup> December 2009. Since then, the principal activities have included finalising the suite of contract documents; preparing and submitting planning applications for the two "Sample Schools"<sup>1</sup>; agreeing Governing Body Agreements with the governing bodies of each of the BSF schools in Fenland; establishing the structures and resources associated with moving from the procurement to the operational phase of BSF; and preparing and submitting the Final Business Case (FBC) to Partnerships for Schools (PfS) for approval.
- 2.3 The FBC was submitted to PfS on 5<sup>th</sup> March 2010. FBC approval is a pre-requisite for contract and financial close and provides the promissory note for Private Finance Initiative (PFI) credits and capital grant drawdown for the PFI and Design & Build (D&B) Sample Schools respectively.
- 2.4 Among other things, the FBC confirms that:
  - the objectives set out in the Outline Business Case (OBC) have been (or will be) delivered by the procured solution;
  - there are no material changes from the OBC in respect of the Sample Schools, value for money, affordability or risk transfer; and
  - a comprehensive and robust procurement process has been carried out to select the PSP.
- 2.5 In particular, the FBC confirms that:

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<sup>1</sup> Thomas Clarkson Community College in Wisbech – the PFI Sample School  
Neale-Wade Community College in March – the Design & Build (D&B) Sample School

- the two Sample School building contracts and the FM contract and Information and Communication Technology (ICT) contract are considered to be affordable within the funding available;
  - risk transfer is in line with the standard form BSF contracts and established market practice in which design and construction risk is borne principally by the contractor whilst the Authority retains risk in relation to certain title matters, planning judicial review risk and certain latent defect risks; and
  - the structure of the LEP joint venture vehicle is consistent with our objective to create a “lean” LEP with a clear education focus and strong delivery capability.
- 2.6 The expected scope and start dates for each of the Fenland BSF schools are summarised in Annex 1. The current programme plan assumes that contracts will be completed in late May/early June 2010, with work starting on site at the two Sample Schools in July 2010 to maximise use of the school summer holiday period. In order to facilitate the main works programme starting at Neale-Wade Community College in July, an Enabling Works Agreement was signed with Galliford Try Construction (the building contractor for Neale-Wade College) on 15<sup>th</sup> February 2010 to remove a number of trees, carry out additional archaeological investigations and design and order the temporary accommodation units.
- 2.7 The planning applications for both Sample Schools were submitted on 6<sup>th</sup> January 2010 and are due to be determined by Cambridgeshire County Council Development Control Committee on 27<sup>th</sup> April 2010.
- 2.8 In the period up to contract close at the end of May, the principal outstanding issues relate to finalising the contract documentation, agreeing the final contract derogations with PfS and securing credit committee approval from the funders (Nationwide and Co-operative Bank).

### **3.0 IMPLICATIONS**

#### **Resources and Performance**

##### *PFI Sample School*

- 3.1 The PFI Sample School is affordable with the inclusion of:
- a £3m capital contribution from the Authority. At the OBC stage, Cabinet agreed a £3m contribution to add to the BSF funding for Thomas Clarkson Community College. This allocation is identified and approved in the CYPS capital programme. In order to avoid making a capital contribution to the PFI scheme (which presents accounting difficulties) PfS have agreed that the Authority’s £3m investment should be made available as a capital contribution to the D&B schools in return for an additional £3m (plus the impact of the PFI credit multiplier, which provides some provision for lifecycle costs) of PFI credits for the PFI school. This achieves the original objective of investing £3m at Thomas Clarkson Community College but with some added value;
  - an annual contribution from the Authority of £70k per annum. This contribution was approved by the Cabinet on 26<sup>th</sup> February 2008; and

- a capital contribution from Fenland District Council (FDC) of £0.4m. The FDC capital contribution has been converted into additional PFI credits in the same way as the Authority's £3m capital contribution and, specifically, has funded a larger and better equipped hall/performance space at Thomas Clarkson Community College which will provide high quality facilities suitable for community use.
- 3.2 As with all PFI schemes, there is a potential risk to affordability depending on the swap rates available at the time of financial close. To mitigate this risk officers have modelled the PFI unitary charge on the prudent assumption of swap rates being roughly 0.5% above current market rates. If the overall cost of PFI funding (including swap rates) exceeds our modelling assumptions at financial close PfS have agreed to provide additional PFI credits to resolve any affordability gap caused by movements in market funding terms. If the swap rates remain below those modelled, there will be an affordability benefit which will be held as contingency against the contract risks and affordability pressures borne by the Authority.
- 3.3 Officers have also recognised the 'demand risk' issue faced by PFI schools if actual pupil numbers are less than those upon which the school's contributions are based. To address this, the Cambridgeshire Schools Forum has agreed that above a certain threshold additional financial support for PFI schools will be provided through a call on the secondary quantum of the Dedicated Schools Grant.

#### *Conventionally Funded Schools*

- 3.4 The remaining projects in the Fenland BSF project are conventional Design and Build schemes funded by capital grant. The fixed bid price for Neale-Wade Community College (the D&B Sample School) is within the target cost identified in the OBC of £25.8m and is considered to be affordable. The Non-Sample Schools have not at this stage been developed and priced in detail by Equitix. This work will be progressed as part of the new projects approval procedure in the first 12-18 months of the operational LEP.
- 3.5 A particular risk in respect of the Non-Sample Schools is the downward movement in the Public Sector (PUBSEC) indices, which informs the funding values from PfS for the Non-Sample Schools. Between the period in which the funding for these schools is confirmed (likely to be late 2010) and the construction start date (likely to be Spring 2012 in most cases) the risk is that the indices that drive the construction costs (e.g. Building Cost Information Service (BCIS) indices) will not decrease by a similar magnitude, the effect being a potential funding pressure. It would be prudent to hold a sensible contingency from the final capital allocations for the Non-Sample Schools against the risk that construction inflation will start to rise again after the recent period of negative inflation.

#### *FM Services*

- 3.6 The Governing Body Agreements agreed with the Governing Bodies of the BSF schools in Fenland<sup>2</sup> commit the D&B schools to make revenue and capital

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<sup>2</sup> Fenland Junction Pupil Referral Unit has a different status to the other BSF schools and has a management committee rather than a Governing Body

contributions to the lifecycle costs of their modernised schools. However, schools modernised through BSF receive 50% less Devolved Formula Capital (DFC). In order to meet the realistic lifecycle maintenance costs of BSF schemes over time, additional capital contributions will be required from the Authority to ensure that schools modernised through BSF are appropriately maintained thereafter. For the five D&B schools in Fenland, the capital contribution is estimated to be approximately £11.5m (nominal) over 25 years. This will be a call on the capital programme and, for the most part, would be expected to replace normal capital schemes, including major capital repairs, at these schools over the equivalent period.

- 3.7 The precedents set in Fenland in respect of capital support to schools will potentially also apply to subsequent waves. There is a risk that any further reduction to the Authority's school capital allocations will compound this issue and would be a particular concern given the demands on these resources from the significant infrastructure development required to meet our targets for new housing in the Greater Cambridge Area and the potential reductions in central government funding in the current economic climate. This risk can only be managed by ensuring that priority is given to capital support to current and future BSF schemes within the capital programme. It nevertheless remains the case that BSF potentially relieves the Authority of a considerable capital burden in terms of investment in the secondary school estate which it would otherwise have to make over the next 25 years.
- 3.8 The financial strategy for the lifecycle costs will be to establish a sinking fund to meet the lifecycle commitments. When the costs exceed the balance of school contributions in the sinking fund the Authority will provide capital resources up to the value noted above as required to restore the balance.

#### *ICT Services*

- 3.9 The LEP will provide an ICT managed service to the six Fenland BSF schools paid for from BSF capital grant and revenue contributions from the BSF schools of £110 per pupil per annum (at April 2008 prices). The ICT managed service contract will provide "Early Services" to all BSF schools from January 2011 and then roll out "Full Services" to each BSF school as the modernised schools are handed over. Early Services include the provision of a web-based Learning Platform, some training and professional development services and a catalogue from which schools can purchase ICT equipment and services. Full Services include, additionally, the installation of new ICT infrastructure and devices, on-site technical support and a performance and availability regime under which deductions are levied if the required standards are not achieved.
- 3.10 The financial strategy for paying for the ICT managed service will be to establish a sinking fund using the school contributions. No additional Authority contributions are required in the delivery of this service. However, as with the PFI school, we have recognised the 'demand risk' issue faced by BSF schools' contributions to the ICT managed service if actual pupil numbers are less than those upon which schools' contributions are based. To address this, the Cambridgeshire Schools Forum has agreed that above a certain threshold additional financial support for BSF schools will be provided through a call on the secondary quantum of the Dedicated Schools Grant.

### *Risk Capital Investment*

- 3.11 The Authority will invest 10% of the LEP equity as a partner in the LEP with a further 10% being invested by Building Schools for the Future Investments (BSFI) and 80% by Equitix. The investment will be injected at Financial Close and no further equity injections will be required from the Authority. The Authority will also invest 10% of the subordinated debt in the LEP required for its investment in the PFI project but will not be investing in the LEP working capital. The Authority's total investment in LEP equity and sub-debt will be £43,100. The Director of Finance, Property and Performance has confirmed that these investment funds are available.
- 3.12 The Authority will not be investing in the PFI special purpose company. Officers have discussed this position with BSFI who have indicated that they are likely to invest the Authority's share in order to maintain the public sector investment at 20%.

### *Value for Money and Risk Transfer*

- 3.13 Value for money (VFM) and risk transfer has been tested through the use of standard form contracts with agreed derogations where a better balance of risk and price can be achieved locally, benchmarking of costs and, in the case of the PFI school, confirming that the VFM assessment carried out for the OBC (in which the Public Sector Comparator test demonstrated that the PFI route represented better value for money) remains valid.
- 3.14 The standard form contracts on which the Cambridgeshire BSF contracts are based envisage some risk being retained by the Authority. These include additional costs for asbestos removal for asbestos not identified in the Type II asbestos surveys commissioned by the Authority and warranted to the LEP, those latent defect risks in retained buildings not identified as contractor's risk in the contract documents and risks associated with title, planning and compensation events in certain circumstances. Any or all of these could have an impact on programme and price. Some contingency is being held against these risks.

### *Human Resources*

- 3.15 Approximately 40 staff currently employed by the schools in a facilities management (FM) (PFI school only) or ICT capacity will transfer to the employment of the FM or ICT provider as appropriate. For those transferring employees currently in the Local Government Pension Scheme, their new employer will seek Admitted Body status to the LGPS. The Authority will retain pension contribution rate risk above a fixed rate calculated by the pension fund actuary and also the risk of historic scheme underfunding. After the transfer date, the scheme will be closed to new employees.

### *Property*

- 3.16 There are no significant property implications at either of the Sample School sites other than the planned schemes themselves. Additional land is being acquired to facilitate the future expansion of Cromwell Community College in Chatteris. A site in the Authority's ownership has been identified as a possible new location for the

Fenland Junction Pupil Referral Unit. However, planning permission has yet to be secured at this site.

### *Risk Management*

- 3.17 BSF Programme risks are recorded on the BSF Risk Register and the risk probability and mitigation measures are monitored by the BSF Board on a regular basis. Key risks recorded on the register which are not otherwise addressed in this Implications section include:
- Educational outcomes do not improve as a result of the BSF investment. BSF requires a significant commitment from schools in time and resources and during the design development and construction phases in particular there is the added risk that standards could fall during this period.
  - The performance of the LEP is inadequate and/or the value for money of schemes developed by the LEP is poor.
  - BSF Policy - the LEP vehicle will provide maximum benefit and value for money if there is a regular pipeline of projects. Future public spending decisions, and the prospect of a new Government this year, could have a significant impact on the timing and extent of future BSF investment in Cambridgeshire.
- 3.18 A summary of the principal business risks associated with entering into the contracts with the LEP is set out in Annex 3.
- 3.19 A Gateway Review of the Cambridgeshire BSF programme in early March 2010 by a review team from Local Partnerships (formerly 4Ps) assessed the project as “Green” meaning that “Successful delivery of the programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly”.
- 3.20 In respect of risk management in particular the Gateway report concluded that:
- “The Review Team was impressed with the way risk management is conducted as part of this project. We found strong evidence of proactive use and escalation of risk, which is embedded as part of the Programme Board’s remit. The Project Team’s attitude to risk is indicative of its strong project management skills and commitment to delivery.”*

### **Statutory Duties Requirements and Partnership Working**

- 3.21 BSF is a national programme to modernise all 3,500 secondary schools in England. All local authorities have been invited to participate and to prioritise their eligible secondary estate into groups of 6-8 schools. Fenland is in Wave 4 of the national programme. Entry into the programme for subsequent groupings of schools is dependent on meeting certain Readiness to Deliver criteria as defined from time to time by PFS. There is a degree of uncertainty about both the timing and prospects for future waves of BSF in the medium and long term.

- 3.22 To date, Cambridgeshire's BSF programme has demonstrated some good examples of partnership working with, among others, the Governing Bodies of BSF schools, Fenland District Council, the College of West Anglia and the constituent companies within the Equitix consortium.

### **Climate Change**

- 3.23 BSF will assist the Authority to meet its climate change objectives by replacing old, inefficient school buildings with modern facilities which meet far higher environmental standards. BSF schools will meet or exceed the Authority's policy of BREEAM "Very Good" and deliver significant carbon reduction savings through higher standards of energy efficiency and greater use of renewable energy systems.
- 3.24 Both Sample Schools include bio mass boilers and other design features which will deliver significant carbon reduction performance and achieve a high "Very Good" BREEAM rating based on a relatively conservative preliminary assessment.

### **Access and Inclusion**

- 3.25 BSF will assist the Authority to meet its access and inclusion objectives by providing modern school facilities which meet relevant Special Educational Needs (SEN) and Disability Discrimination Act (DDA) standards and by providing school based facilities which can be used by the community. Note that whilst designs for BSF schools will include improved community and extended use facilities, such facilities must have a curriculum use to qualify for BSF funding and the costs of making these facilities available for community use (heating, lighting, cleaning etc) cannot be met from school budgets.
- 3.26 The development of exciting new schools at the heart of local communities is also likely to stimulate a new interest in learning and education.

### **Engagement and Consultation**

- 3.27 Consultation with local communities and other stakeholders is an important part of BSF in terms of identifying local needs and aspirations and through the design development and town and country planning processes.

## **4.0 FUTURE GOVERNANCE ARRANGEMENTS**

- 4.1 As a shareholder in the LEP, the Authority is entitled to nominate one of the six LEP Directors. It is proposed that the Executive Director: Children & Young People's Services should be the Authority's LEP Director.
- 4.2 The Strategic Partnering Agreement (the contract between the Authority and the LEP) requires the establishment of a Strategic Partnering Board (SPB) the primary purpose of which is to:
- Review the financial and operating performance of the LEP;
  - Provide guidance on which new projects should be progressed;
  - Develop and update the Strategy for Change.

4.3 The membership of the Strategic Partnering Board (SPB) is proposed to include, as a minimum:

<b>Local Authority members</b>	<b>Other members</b>
Director of Learning and/or Director of Strategy and Commissioning	LEP General Manager
Cabinet Member for Children (or Learning)	Cambridgeshire Secondary Heads representative
BSF Programme Director	Headteacher from Cambridgeshire Special Schools and Pupil Referral Units
Head of Property Commissioning	Diocesan representative(s)
	Governor representative
	Partnerships for Schools Project Director

4.4 The existing BSF Programme Board, which has provided advice and oversight during the procurement phase of BSF, is proposed to be retained with a reduced membership and slightly different remit to complement rather than duplicate the SPB by providing ongoing strategic oversight of the BSF programme during the operational phase of BSF from the very particular perspective of the Authority.

## **5.0 POWERS TO ENTER INTO THE BSF CONTRACTS**

5.1 Among the documents necessary for financial close, in respect of certain of the BSF Contract Documents (in particular the Strategic Partnering Agreement and the PFI Project Agreement and related Funder’s Direct Agreement), the Authority’s Section 151 Officer is required to provide a certificate under the Local Government Contracts Act 1997 (“LGCA”) confirming that the Authority has the necessary statutory powers (vires) to enter into those contracts. Amongst other things, the LGCA provides “safe harbour” for contractors and their funders in entering into long term contracts of this nature with a local authority by (a) creating a strong presumption that, once certified, they are entered into lawfully by the Authority and (b) providing certain protections and remedies to the private sector contracting parties in the unlikely event of a certified contract being declared unlawful in judicial review or audit review proceedings.

5.2 Because LGCA certificates are signed by the certifying officer in a personal capacity, local authorities typically provide an indemnity to that officer against any claims that might in theory arise in respect of such certification, including, for example, a claim for negligence by the contractor or its funders. Local authorities are empowered to give such indemnities under the Local Authorities (Indemnities for Members and Officers) Order 2004. Recommendation (v) seeks Cabinet approval to provide this indemnity.

<b>Source Documents</b>	<b>Location</b>
<p>Previous Cabinet Reports</p> <p>Final Business Case. The Final Business Case is a confidential document which contains commercially sensitive information. For background Cabinet Members may request a copy from the BSF Project Office.</p>	BSF Project Office

## Annex 1 – Fenland BSF: Timetable and Scope

Table 1 - Timetable

School	Construction Start	Services Start	Final Completion
<i>Sample Schools</i>			
Thomas Clarkson Community College	Jul 2010	Jan 2012	Dec 2012
Neale-Wade Community College	Jul 2010	Sep 2012	Feb 2013
<i>Non Sample Schools</i>			
Cromwell Community College	Apr 2012	Jan 2014	tbc
Sir Harry Smith Community College	Apr 2012	Jan 2014	tbc
Meadowgate School	Apr 2012	Jan 2014	tbc
Fenland Junction PRU	Oct 2012	Jan 2014	tbc

Services Start means that a significant part of the school has been handed over and ICT and/or FM services are being provided under the BSF contracts.

Final Completion dates for the Non-Sample Schools will be agreed as part of the New Project Approval Process

Table 2.1 - Scope of Sample School projects

PHASE 1: Sample Schools					
Category	Details				
	Name	Scope of works	Capacity	Service start	Capital investment
PFI	Thomas Clarkson Community College, Wisbech (Foundation School with Trust)	Construction: 84% New build 16% remodel  Services: • All FM except catering • Managed ICT service	1950  1650 11-16 300 16+	Jan 2012 (Phase 1 handover)	£33.35m
D&B	Neale-Wade Community College, March (Community School)	Construction: 55% new build 45% remodel  Services: • Hard FM • Managed ICT service	1780  1500 11-16 280 16+	Sep 2012 (Phase 2 handover)	£25.8m

Table 2.2 - Scope of Non-Sample School projects

PHASE 2: Non-Sample Schools <sup>3</sup>					
Category	Details				
	Name	Scope of works	Capacity	Service Start	Capital investment <sup>4</sup>
D&B	Sir Harry Smith Community College (Foundation)	38% New; 62% remodel / refurbish Services: • Hard FM • Managed ICT service	1250 1050 11-16 200 16+	Jan 2014	£17.2m
D&B	Cromwell Community College (Community)	47% New 53% remodel / refurbish Services: • Hard FM • Managed ICT service	1325 1125 11-16 200 16+	Jan 2014	£19.4m
D&B	Meadowgate (Community Special)	67% New 33% remodel / refurbish Services: • Hard FM • Managed ICT service	140 100 11-16 40 16+	Jan 2014	£11.1m
D&B	Fenland Junction (Pupil Referral Unit)	100% new build Services: • Hard FM • Managed ICT service	45 KS4 / KS3	Jan 2014	£3.3m

<sup>3</sup> The Scope of Works, Capacity and Capital investment remain as per the Outline Business Case. The Scope of Works percentage new build, refurb etc is likely to change from those specified (which relate to the OBC reference schemes) as the projects are developed through the New Project Development Process.

<sup>4</sup> Figures refer to the OBC construction start date (April 2011) values. This funding allocation will be subject to indexation through the Stage 0 process.

## Annex 2 – BSF Contract Documents

The principal contracts to be executed at Financial Close to which the Authority is a party include the following.

<b>Contract</b>	<b>Parties</b>	<b>Description</b>
Strategic Partnering Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	The primary contract between the Authority and the LEP for the provision of 'Partnering Services' for a period of 10 years with an option to extend for a further 5 years by agreement
Shareholder's Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) BUILDING SCHOOLS FOR THE FUTURE INVESTMENTS LLP (3) PARTNERSHIPS FOR SCHOOLS LIMITED (4) EQUITIX LIMITED (5) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	The agreement establishing the LEP joint venture company and regulating the way in which it is operated
PFI Project Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) EQUITIX EDUCATION (CAMBRIDGESHIRE) LIMITED	Contract with the PFI special purpose company to design, build and operate the PFI school for a period of 25 years.
Funder's Direct Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) NATIONWIDE BUILDING SOCIETY (3) THE CO-OPERATIVE BANK PLC (4) EQUITIX EDUCATION (CAMBRIDGESHIRE) LIMITED	Contract setting out certain agreements between the Authority, Funders and PFI special purpose company
ICT Services Contract	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	Contract with the LEP for the provision of ICT services to the Fenland BSF schools for a period of 5 years with an option at the discretion of the Authority to extend for up to a further 12 months. The parties may also extend by agreement for a period of up to 5 years. The overall maximum length of the agreement is limited to 10 years.
Design & Build Contract (Lump Sum)	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	Contract with the LEP for the design and build of Neale-Wade Community College
Facilities Management Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	Contract with the LEP for the provision of 'Hard FM' services to the non-PFI BSF schools in Fenland for a period of 5 years with an option at the discretion of the Authority to extend for up to a further 12 months.

Contract	Parties	Description
		The parties may also extend by agreement for a period of up to 5 years. The overall maximum length of the agreement is limited to 10 years.
Initial Services Agreement	(1) CAMBRIDGESHIRE COUNTY COUNCIL (2) CAMBRIDGESHIRE LEARNING AND COMMUNITY PARTNERSHIPS LIMITED	Contract with the LEP for the provision of some FM services to Thomas Clarkson Community College by the LEP between Sep-2010 and Jan-2012. FM services delivered by the PFI Contractor under the PFI Project Agreement start in Jan-2012

### Annex 3 – Principal Business Risks

Risk	Risk Description	Mitigation
Impact of Inflation – PFI School operational phase	The proportion of costs payable by the Authority to the PFI contractor which is subject to inflation adjustment is not matched by equivalent inflation adjustment in the Authority’s revenue	<ul style="list-style-type: none"> <li>• School contributions are indexed and may also be adjusted to reflect benchmarking / market testing provisions partially offsetting the risk.</li> <li>• Residual general inflation risk that Central Government funding does not increase in line with inflation.</li> </ul>
Impact of Inflation – Build contracts	BSF grant is awarded at a point in time and ‘frozen’ at that point. The actual movement in construction indices during the design development and construction phases may differ (adversely) from the indexation assumption on which the grant is based	<ul style="list-style-type: none"> <li>• Work with Partnerships for Schools to better reflect this risk in the funding model.</li> <li>• Assume a greater proportion of contingency within the allocated funding to set against this risk.</li> </ul>
Authority Capital programme	Future reductions in (non-BSF) capital allocations to the Authority and/or unavoidable calls on capital reduce the Authority’s ability to support future lifecycle costs in BSF schools	<ul style="list-style-type: none"> <li>• Ensure appropriate level of school contributions to future lifecycle costs from Devolved Formula Capital and the Dedicated Schools Grant</li> <li>• Ensure proper attention to lifecycle issues during the design process</li> <li>• Sweat assets</li> </ul>
Scope creep – design phase	Changes to design compromise affordability	<ul style="list-style-type: none"> <li>• Inclusive design development process</li> <li>• Robust “adds and omits” process</li> </ul>
Scope creep – operational phase	Excessive charges levied by the LEP for minor changes, equipment replacement etc	<ul style="list-style-type: none"> <li>• Enforce benchmarking and market testing provisions</li> <li>• Non-PFI FM contract has a works ordering process which requires competitive quotes above a de minimis threshold</li> </ul>
Furniture, Fittings & Equipment	Unrealistic expectations and/or inadequate budget for FFE	<ul style="list-style-type: none"> <li>• Maximise use of existing equipment</li> <li>• Greater proportion of funding allocation used for FFE</li> </ul>
‘Demand Risk’ at the PFI school	Student numbers on roll do not match the forecasts on which the fixed PFI costs are based	<ul style="list-style-type: none"> <li>• Schools Forum has agreed that demand risk can be managed through a call on the secondary quantum of the DSG</li> </ul>
LEP performance	Poor performance of the LEP	<ul style="list-style-type: none"> <li>• Enforce contractual safeguards which culminate in loss of exclusivity</li> </ul>
Future BSF policy	Government does not continue with BSF	<ul style="list-style-type: none"> <li>• Re-negotiate contract with LEP to mothball the LEP or terminate early</li> <li>• Consider delivering non-BSF projects through the LEP</li> </ul>