

Gateshead Schools PFI Questions.

1. Who controls school premises?

The contract will specify what rights the contractor and the school have to use school premises. There will be a clear hierarchy of use, ie:

1a. What rights does the contractor have to use school premises?

- Use during school hours. The contractor must ensure they do not interfere with school procedures. For instance they must arrange services such as cleaning to avoid any disruption during school hours.
- Use for school purposes outside school hours. Use such as after-school clubs, governors' meetings, school plays etc, will all take precedence over any other use the contractor might wish to make of school premises. In practice the contract is likely to define for each school the extent of use required outside school hours.

1b. Will there be a conflict with community use?

- Community use of the school. The contract will require the school be made available in certain defined legal circumstances, eg for use as a polling station or as an emergency centre. The contract will also require schools to be available for use by other parts of the education service, eg adult education and the youth service. The contract may also require the contractor to provide for wider community use, eg to encourage parental use of ICT facilities.
- Other use outside school hours. In principle the contractor could be left to make their own decisions about what lettings to arrange. However, the contract is likely to put restrictions on such use, eg requiring the consent of the school to any external lettings. Such contract restrictions are likely to mean payments required by the contractor are slightly higher, ie there will be a trade-off between the control exercised by the school and the contract cost. The contract will also need to reflect existing legal requirements and agreements about use of facilities, eg use of VA/VC schools and any requirements laid down as a condition of receiving grants.

2. Is PFI consistent with local management?

Governors' control over teaching and other educational staff are not affected by PFI. PFI may actually give governors more time to concentrate on the educational provision in the school by freeing them from worries about building issues.

3. Will we regain our services when the contract ends?

The contract will provide for a number of options at the end of its 25 or 30 year life. These will include rolling forward into another contract with the consortium, going out to tender for a new contract with another consortium

or simply ending the PFI and reverting to the same arrangements as other schools. Only the governors and the Council would have the power to commit a school to rolling into another PFI arrangement.

4. Who owns the school at the end of the contract period?

At the end of the contract the "ownership " of the school returns to the LEA, or the Diocese in the case of a VA school.

5. What happens to a school in special measures or one where the LEA takes back delegation?

Neither of these events would have any effect on the PFI contract.

6. What happens if a school is reorganised during the PFI contract?

A reorganisation, which does not involve the statutory closure of a school, would have no effect on a PFI contract. However if the school were closed this would end the contract.

7. What will happen to existing staff in schools?

Staff delivering PFI services would be covered by The Transfer of Undertakings (Protection of Employment) Regulations 1981 (legislation usually known as TUPE). This legislation provides protection for contract terms and conditions of existing staff in a transferred service. This will include all aspects of current contracts; including for instance pension rights. TUPE will apply if a member of staff is transferred to a new employer.

Any transfer of current employees will be undertaken following Government guidelines and in full consultation with the employees and their trades union representatives.

8. What does the contractor charge?

The contractor charges the LEA with a single payment each month - called the unitary charge. This charge covers all services provided at all schools. The single payment covers all costs, ie costs of delivering services, financing charges on the cost of initial capital improvements and profit.

9. Where does the money come from?

The funding to meet the unitary charge comes from two main sources:

1. DfES. The DfES have agreed to support our PFI scheme and, subject to the successful completion of a contract, they will provide us with support (termed PFI credits) roughly based on the capital cost of all work included in the project. This support would come to us in the form of an annual payment covering interest and capital calculated in exactly the same way as funding support for capital improvements done under traditional LEA funding methods.

2. Schools. Schools would pay for the cost of the ongoing services. The

aim would be to ensure that the cost of services under the PFI was roughly the same as schools are currently paying for services. Once our contract is signed the DfES funding will continue automatically. Even if the government decided at some time in the future not to support any new PFI projects, this would have no effect on existing PFI schemes.

10. How much will our school have to pay?

The contractor will present the LEA with a single bill - the unitary charge - each month. This will cover the cost of all services at all schools. Part of this charge will be met by the DfES funding. The remaining cost would be split among all schools in the contract. The basis for this split needs to be agreed with schools. Options used in schools PFI elsewhere in the country include:

1. Basing payments on pupil numbers each school, ie if a school loses pupils in one year they would pay less towards the PFI contract.
2. Basing payments on schools' historic expenditure. In effect this would lock in low payments for schools currently in good condition and high payments for those worse off. This may not be fair in the longer term as all schools will be being maintained to the same standards.
3. A mixture of the above, eg using historic expenditure for initial payments to ensure no schools had sudden budget changes, but moving towards payments per pupil which more fairly reflects the common level of service under the PFI contract.

The aim will be to negotiate a contract where schools are paying, on average, no more than at present for the services covered by the PFI scheme. In existing schemes schools typically pay a little bit more, say 5%-10%. The exact cost to an individual school will depend on a number of factors, eg the extent of competition between private sector firms for the contract, the standard of services specified by schools and the basis of splitting the total cost between schools.

11. Does the type of school make any difference to the financial arrangements?

The financial arrangements are the same for all Community and Foundation schools, but there are some differences for VA schools. The major ones are:

1. Governors are responsible for paying their contribution towards the cost of any capital works done at the school as part of the PFI scheme. Normally this payment would be done over the whole contract period, although it is possible for the amount to be paid up front as a lump sum. At present the governors' contribution is 10% of the capital cost.
2. All payments by governors for a PFI contract are subject to VAT. This cost could be reclaimed by the LEA under a normal contract, but this is not possible when using PFI. The DfES provide a special grant to offset this cost and make sure that governors do not suffer any extra cost due to the VAT.

12. Will the cost of the contract be fixed over time?

A basic PFI principle is that the contract cost will be fixed for the contract

period. However, some adjustments are likely. The main factors affecting this will be:

- price changes - costs will increase over time to allow for general inflation (tied to the Retail Prices Index);
- benchmarking/Best Value - costs will be compared with services elsewhere in the country to ensure the contract is still providing value for money. This process could lead to changes in the contract cost;
- new requirements - if the LEA requires changes in service specifications or adds new provision (such as a new school) this would affect the contract cost;
- legislative changes - the risk of general changes, eg an increase in the minimum wage, is borne by the contractor. However, costs would reflect changes in specific education legislation, eg school building requirements.

13.What about other DfES Funding?

What will the impact of PFI be on devolved formula capital and any future capital funding devolved to schools?

The DfES current view is that schools in PFI schemes will lose the element of formula capital relating to condition - to avoid any doublefunding as all maintenance costs will be covered by PFI. Schools will still receive directly the elements of formula capital relating to sufficiency and suitability.

The DfES have made it clear that there is no guarantee that formula capital will continue for any schools and that governors should not make the assumption that it will continue when considering the costs and benefits associated with PFI.

At present it seems likely that the same principle of avoiding doublefunding would be used for any other future capital funding given directly to schools.

14.What will the headteacher's responsibility for PFI staff be?

The responsibility for staff delivering PFI services will lie with the private sector provider. Thus the headteacher's responsibility for a problem would only be to report it. The Head will be able to order a particular member of the contractor's staff off site straightaway if he/she feels there is a concern.

15.How will PFI staff be vetted and trained?

Arrangements for vetting (including police checks) and training will be built into the contract. It could be required for instance that all contractor staff would undergo an induction session about the dos and don'ts in schools.

16.Will existing staff lose their jobs?

No. Staff currently providing PFI services will continue to do so, although they may transfer to a new employer - see "What transitional arrangements would be needed" above. Transfer may not always occur as a result of PFI. For instance an existing supplier may continue to provide

the same service as a sub-contractor to the private sector provider under the PFI.