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To: CABINET – 11 January 2010

Subject: Kent Building Schools for the Future Wave 5 Part 1

Classification: UNRESTRICTED

Summary: This report updates Cabinet on current progress in relation to the Kent BSF Programme LEP 2 procurement and the Wave 5 BSF Project.

Introduction

This report covers:

- **A short update on current activity in respect of Kent's first Local Education Partnership (LEP1) and its Wave 3, 4 and 6 projects**
- **the current position in respect to Wave 5, LEP 2 establishment**

1. Update on LEP1, Waves 3,4 and 6

1.1 As you are aware, Kent County Council entered into a Local Education Partnership (LEP1) with Land Securities Trillium, Northgate Information Systems and BSF Investments on 24 October 2008.

1.2 In accordance with the requirements of DCSF/PfS and our contract with LEP1, KCC have granted them the exclusive right to develop and deliver all BSF and Academy projects within the Gravesham, Thanet and Swale areas, subject to the Authority's approval to proceed. This equates to 36 schools spread over three Waves of the national BSF programme, including one Academy. Attached at Appendix 1 is a list of the schools by Wave.

1.3 Construction began immediately after the 24 October contract signature on the first 10 school buildings (Wave 3), and the feedback to date from the schools has been very positive and the performance of the contractors [both building and ICT] is good although on occasions not without its challenges.

1.4 Works at all schools are progressing well on site. Phases of works have been completed and handed over for school use at the following schools:

- Herne Bay High School, Herne Bay
- Northfleet Schools for Girls, Gravesham
- St Georges, Gravesham
- Community College Whitstable, Whitstable

- Dane Court Grammar School, Thanet
- King Ethelbert, Thanet
- Charles Dickens, Thanet

1.5 Northgate have successfully implemented the ICT managed Service within these phases.

1.6 Following the acquisition of Trillium by Telereal [a significant privately owned company] at the beginning of the year, Trillium/Telereal announced that it would be refocusing its business and that it would no longer be bidding for PFI contracts. As a result of this change in focus, Telereal/Trillium has subsequently withdrawn from actively bidding for new BSF projects. On the 11th September 2009 Telereal/Trillium transferred its shares in the LEP to The Kier Group Plc who were already in the supply chain.

1.7 The Wave 4 schemes, see appendix 1 for a full list of schools, were issued to the LEP in October 2009 in accordance with the decision taken by Cabinet on 13th July 2009 and are currently being progressed through the New Project Approval Process. The wave 4 Outline Business Case is currently going through the approval process with Partnerships for Schools. The Wave 4 schemes are included within the updated Capital Programme.

1.8 Partnerships for Schools have confirmed that KCC can start work on Wave 6, a list of schools is set out in appendix 1. This wave starts with a Pre-engagement meeting which is scheduled to take place this month.

2. Procurement Strategy

2.1 BSF combines public and private finance through the formation of a joint venture company called a Local Education Partnership (LEP). 80% of the shares in the LEP are taken by a Private Sector Partner with the remaining 20% split equally by the Local Authority and Partnerships for Schools (Pfs). This is illustrated in the diagram attached at Appendix 2.

2.2 It is assumed that by taking 10% of the shares in the LEP, KCC will invest a commensurate proportion of the set-up costs..

2.3 The advantages to KCC of investing working capital in the LEP are that:

- It creates a vehicle where the economic interests of the PSP, Pfs and KCC are aligned. The long-term delivery of future projects distinguishes BSF from a straight partnering agreement. For this reason a joint venture, with investment from all parties, provides a more effective delivery mechanism which mitigates against the more adversarial relationship that is prevalent in a straight PFI contract.
- It establishes a transparent relationship between KCC and the delivery vehicle. KCC forming part of the LEP and investing in its operations fosters trust and an open working relationship.
- The LEP will be judged on educational targets and KCC's investment would instill confidence that the Council has fully bought into the partnership structure.

2.4 The advantages to KCC of investing project equity in the PFI SPVs of the LEP are that:

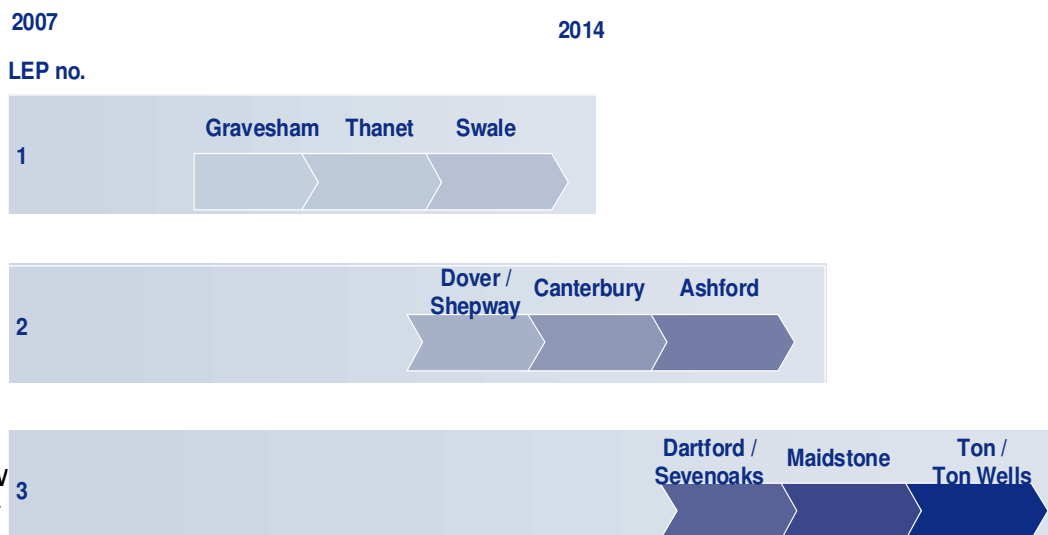
- It would benefit from a more open relationship in the delivery of the contracts, due to their position in the SPV. Importantly, KCC would form part of the SPV Company and so would have immediate routes of access to its accounts and other commercial information, enabling KCC to exercise 'back stop' controls if it is concerned about the direction and delivery of the SPV.
- It would share in the equity returns from the PFI scheme.
- Negotiations surrounding any necessary contractual alterations would be easier because the parties involved would have a greater understanding of the environment in which each other operate.

2.5 It is assumed that KCC **will** invest in equity and the working capital in the LEP **and** may invest project capital into the SPV for the PFI projects. KCC will consider proposals for investing in the PFI SPV with the private sector as part of the dialogue process during procurement and final approvals will be sought from Cabinet as part of the Final Business Case.

2.6 Kent has already established LEP1 on the basis of a full 10% equity shareholder and has invested in the SPV project capital for the PFI projects as well as the working capital of the LEP.

Multi-LEP Strategy

2.7 As part of the initial submission of interest in BSF Kent developed a multi-LEP strategy with the overall allocation of districts as determined as per the diagram below:



2.8 How the way will no longer be solely based on geographical clusters of investment. The multi LEP strategy limits KCC to only being able to pull forward projects which are within an existing LEP area. The integration of LEP2 and 3 would allow KCC greater flexibility in future waves of BSF. Furthermore there would be significant procurement savings by merging the two remaining LEP's. As the award of projects within the LEP 3 area would be an based on an assessment of performance, if KCC were not satisfied as to the performance of the LEP they would be free to run a separate procurement. It is therefore proposed that the Kent second LEP will cover the remaining secondary school estate.

2.9 The LEP is a joint venture between KCC, BSFi and a Private Sector Partner. The LEP will be in place for 10 years and has first refusal (exclusivity) to deliver BSF investment within the LEP2 area. The LEP could also deliver other projects within the LEP 2 area if required by KCC. The anticipated value of LEP2 is in excess of £1billion with over 60 schools. Appendix 3 sets out the anticipated LEP2 programme by wave and notional timings as allocated by the DCSF and PFS. The prioritisation is based on areas with high deprivation (measured by uptake of free school meals) and low educational attainment (measured by 5 GCSE's obtained A*-C) prioritised first.

Wave 5 Summary

2.10 In March 2009 PfS confirmed that Kent was formally able to start work on the preparation of its Wave 5 Scheme which covers schools with secondary age pupils in the Shepway and Dover area. The BSF, PFI and Academies team under the direction of the BSF, PFI and Academies Programme Board prepared, submitted and was successful in securing approval for the Wave 5 Strategy for Change Part 1 and 2 Business Cases. These documents set out the educational strategy for transforming teaching and learning in the wave 5 area based upon the principles of the Kent Secondary Strategy. Wave 5 triggers the procurement of Kents second Local Education Partnership.

2.11 Wave 5 contains 16 schools with a capital value in excess of £250million. The key objectives for investment in wave 5 and the delivery if the Kent Secondary Strategy are set-out below:

1. A Transformation of Learning in Schools will be delivered as a result of the investment in wave 5 through:

- The establishment of high-tech, fully-inclusive, agile learning environments that are purpose-built to support 21st Century Learning, and incorporate a variety of learning spaces, diversified in terms of size (individual “quiet spaces”; spaces for small groups; lecture-based spaces etc.), flexibility and functionality. This will enable the delivery of different modes of learning and allow for learning to be adapted to the personalised learning journey of each individual child, with spaces capable of actively responding to learning styles, providing access to learning in different ways within the same period of time. Flexibility will be built into the design of learning spaces to ensure that they are adaptable to future demands. Personalisation will drive the design of *all* schools.
- The development of innovative approaches to teaching and learning, including (as core elements) cross-curricular, project-based learning (that emphasises skills acquisition and independent learning) and the integration of meta-cognitive pedagogies, e.g. “learning how to learn” and AfL. Personalisation is the founding principle of this approach and will be underpinned by the learning environments described above.
- Personalisation will be complemented by a rigorous focus on the core subjects of English, Maths, Science and ICT as a central tenet of all W5 schools, especially those with *National Challenge* status.
- Personalisation will be enhanced by a greatly extended range of curricular pathways and vocational opportunities, supported by bespoke 14-19 facilities and learning environments designed with a more professional, “real world” feel. “Blurred” technical/specialist areas will encourage inter-disciplinary working and fully support Project Based Learning (PBL). This provision is being planned

strategically and collaboratively to ensure over-delivery relative to the Learner Entitlement, with this being an essential component in Kent's strategy to engage the previously disengaged. The extended curriculum offer will be further enhanced by the development of a new Maritime Academy in Dover and Vocational Centre on Walmer site.

- Personalisation and enhanced choice will be extended by BSF schools' commitment to work towards a second specialism by 2018. By strategically planning school specialisms, and embedding robust partnership working to share specialism expertise, Kent will greatly increase its capacity to engage learners in their personalised goals, drive-up post-16 retention and reduce the incidence of NEETs.
- The Managed Learning Environment (MLE) will facilitate a more independent and interactive approach to learning for pupils, enabling further personalisation in terms of how, when, where and at what pace individuals choose to learn, including: online PBL; learner-directed extension and diversification of their programme of learning; user-generated content; and the universal provision of electronic portfolios.
- The MLE will also provide a core route of access to robust Information, Advice and Guidance (IAG) that will provide a platform for universal access to the 14-19 Curriculum Pathways.
- The MLE will enable and support a robust methodology for the use and evaluation of performance and attainment data across W5 schools, enabling schools to proactively identify improvements to teaching and learning and support the sharing of best practice from high-performing areas.

The key outcomes arising from the proposals will be:

- A step-change in GCSE attainment, with W5 schools expected to achieve and exceed the 30% National Challenge baseline. Kent's aspirational target is for W5 schools to achieve a baseline of 60% of learners attaining 5+ A*-C at GCSE (incl. E&M) by 2018. This will close the attainment gap between schools, whilst maintaining and building-on existing high-performance. The attainment gap will also be reduced by establishing a CVA "floor" of 1010.0 for all W5 schools.
- More engaged and aspirational learning communities that take ownership of their own learning journey. Learners will be at the centre of a personalised education system, which employs a variety of learning methods to meet the needs of the individual learner. Personalisation will be an entitlement for all W5 learners by 2018, with each pupil receiving a tailored curriculum offer from Year 7, fully supported by ICT at all levels. Increased course choice and flexibility will be coupled with a robust system of AfL, administered by a network of Learning Mentors, who will support pupils' individual learning needs and employ cyclical feedback mechanisms on a continuous basis. Kent's target is that these factors will result in a 95% baseline attendance at W5 schools.
- Increased engagement through mass personalisation will support Kent in meeting its 2018 targets for post-16 education in W5, i.e. an overall increase in school-based post-16 retention rates to 66% (in line with the pupil planning projections) and a reduction of NEETs within the 16-18 population to as near to 0% as feasible.
- In addition to mass personalisation, all pupils will receive a robust core offer of education in English, Maths, Science and ICT, to ensure that pass rates in these subject areas are brought in line with overall GSCE pass rates. PBL will be targeted to ensure that these priority areas are threaded through all forms of learning.

- The enhanced 14-19 curriculum, coupled with flexible, anytime, anyplace learning and improved access, will support learners in becoming more independent and economically active and ease the transition from school to employment/further education opportunities.
- By 2018, all W5 schools will have fulfilled the necessary criteria for second specialism accreditation.
- The MLE will also generate efficiency savings and streamline business processes, ensuring greater teacher focus on improving learner outcomes.

2. Placing Schools at the Heart of Their Communities will be supported by the Wave 5 BSF investment through:

- School facilities will be open out-of-hours and, amongst other things, host activities aimed at engaging young people in making a constructive, positive contribution and in taking ownership of their personal development. Extended community engagement will be supported by the intelligent zoning of shared facilities.
- Communication between schools, parents and the local community will be improved by ensuring all key stakeholders have appropriate input into the design process. The W5 MLE will also significantly improve links between schools and parents by making available online reports and assessments to support parental involvement in their children's education.
- BSF investment in ICT will provide a virtual heart-space to support the needs of disadvantaged families living on the edge of this digital society, enabling them to take full advantage of Home Access funding.
- Through BSF, all schools will be equipped with amply-sized dining facilities, with a general shift to dispersed, casual eating areas, as well as ensuring that the authority meets Government requirements for the provision of at least 1 technology area that includes a practical cooking space.
- School sports facilities will be significantly improved in terms of their quality, quantity and the range of activities they support, with a baseline commitment for all W5 schools to have a dedicated four-court sports hall. Through regular PE & Sports Stakeholder (PESS) Group consultation, the authority is ensuring that sports facilities are planned strategically and are tailored to the needs of the curriculum and the community.
- Through BSF, there will be an increased emphasis on sustainability. All W5 schools will be developed in line with Kent's vision for sustainability and designs will be expected to meet the BREEAM 'excellent' standard.

The key outcomes arising from the proposals will be:

- Establishing a basic entitlement for all children, young people and their families to a "core offer" of extended schools provision fully supported by well-designed facilities and integrated ICT. This entitlement will be exceeded by 2018, with the authority supporting schools to achieve 'Advanced' Quality in Extended Schools Status.
- By diversifying and extending the range of out-of-school-hours activities, Kent envisages a reduction in anti-social behaviour by young people, with all children & young people being supported to make a positive contribution to their local communities and develop into productive, healthy adults.
- Significant improvements in communications between schools and parents will ensure that early targeted support can be provided to pupils who are not achieving, having difficulties or behaving badly.

- W5 schools will see significant improvements in health outcomes for pupils by fulfilling the Government's target of access to 5 hours of school sport and PE a week. Pupils will also be encouraged to adopt healthy lifestyles through the promotion of healthy eating, sustainable behaviours and walking and cycling to school.
- In addition, by making sport and culture an integral element of the out-of-school extended schools offer, BSF will contribute to the Youth Cultural Offer of access to five hours of quality culture per week.
- The extended schools offer will result in improved outcomes for local communities through the provision of adult learning, skills acquisition and engagement in sustainable, healthy lifestyles. BSF will help by forging links with local communities, organisations and businesses, with the reciprocal benefit of encouraging their increased engagement in the operation of learning communities.
- W5 schools will work towards eco-schools accreditation, with the authority target of a baseline of all schools having achieved the Silver Award by 2018. In addition to sustainable design, this will involve the development of learning communities that have sustainable behaviours at their core and ones that nurture future "citizens of the world".
- As a consequence of these combined proposals, BSF will result in significant improvements in both parental and community perception of W5 schools.

3. A Restructuring of Schools is facilitated by the Wave 5 investment through the following:

- A reorganisation of schools (including two new academies, a new trust school and the federation of two schools) will improve attainment, increase diversity, address surplus places, enhance collaboration and ensure that schools are of the right size and location to meet the needs of their communities. This reorganisation is founded upon firm collaborative arrangements between schools throughout the BSF visioning and 14-19 planning processes, with schools assuming collective responsibility for all children and young people in the area.
- To support this reorganisation and maximise curriculum choice/accessibility, ICT (in enabling anytime/anyplace learning) and multi-institutional teachers will be used strategically across schools in W5.
- It is the authority's intention to integrate PRU provision within schools, with the Brook acting as a 'hub' for best practice.
- The reorganisation will enhance the delivery of the five ECM outcomes, with schools becoming the focal point for the integration and/or co-location of children-focussed services. W5 schools will be designed to integrate both flexible and dedicated facilities to ensure that Team Around the Child (TAC) arrangements are central to the school environment through 'virtual' TAC arrangements supported by ICT or multi agency centres.
- W5 schools will be designed to eliminate bullying hotspots (e.g. in narrow corridors and in toilets) and increase the capacity for passive supervision. In addition, schools will be designed to ensure DDA compliance and incorporate Care Suite facilities, whilst specialist technologies (such as alternative pointing devices and touch screens) will enable LDD/PD pupil's greater ease of access to ICT.
- Enhanced pastoral care will result from the development of the schools-within-schools model, the adoption of "stage not age" forms of organisation and the embedding of various vertical tutoring arrangements across W5. In addition, all W5 learners will be assigned a Learning Mentor. Mentors working with underachieving

pupils/groups (such as LAC) will have special responsibilities, including liaising with carers and coordinating the involvement of multi-agency teams.

The key outcomes expected from the above are:

- Kent’s vision for W5 is for “all schools to be a first choice school”. The reorganisation of schools will fulfil this vision by “building-in” increased collaboration, school sustainability and, ultimately, universal levels of high-attainment. Curriculum choice will also be enriched and diversified through the proposed federation of the Dover Grammars, the amalgamation of the Deal schools and the strategic 14-19 collaboration embedded throughout Kent’s BSF process.
- This enhancement of choice, diversity and access will support Kent’s target of 90% of parents securing places at their first preference school.
- Kent’s proposals for dissipated, integrated PRU provision will be integral to W5 schools meeting their own target of eliminating permanent exclusions by 2010.
- Improved, targeted pastoral care and a broader, more needs-focused curriculum choice will result in a significant reduction of the attainment gap between groups of learners. The strong, sustained relationships with adults and peers resulting from improved pastoral care, coupled with thoughtful design, will also serve to reduce the incidence of bullying in W5 schools.

4. The Creation of an Appropriately Resourced Infrastructure will be supported by the wave 5 BSF investment through the following:

- Continuous Professional Development (CPD) – Kent’s pioneering change management programme (developed in partnership with Professor David Hargreaves, Professor Stephen Heppell and SSAT) will facilitate the transition into new forms of learning, whilst also supporting schools during the build process.
- Kent’s Secondary Transformation Team (SecTT) is a small group of ex- and serving headteachers seconded to work with schools to implement the Secondary Strategy, lead change and develop and disseminate innovative educational practice. SecTT play a central role in ensuring School Strategy for Changes cohere with and contribute to the overall vision for the Wave.
- State-of-the-art Learning Spaces – The design of innovative learning spaces, incorporating the intelligent use of ICT, will also represent a fundamental element in driving and supporting change in W5.

The combination of the above factors will drive the implementation of Kent’s Wave 5 strategy forward, thereby realising delivery of the envisaged outcomes, whilst also ensuring that no community, no school and no child is left behind in the process.

The table below sets out a high level summary of the proposals in relation to each of the schemes:

School Name	Key Impact of BSF
The Harvey Grammar School	<ul style="list-style-type: none"> • Creation of a coherent building estate designed to create opportunities to combine continued high academic standards with ground-breaking approaches to teaching and learning. • Removal of buildings that are not fit for purpose, bringing the rest

School Name	Key Impact of BSF
	<p>up to the standards needed to transform the life chances of young people.</p> <ul style="list-style-type: none"> • A more open, flexible approach to learning • A welcoming aspect to students from other schools & the wider community state of the sports & leisure / fitness facilities
Dover Grammar School for Girls	<ul style="list-style-type: none"> • Proposal for a hard federation with Dover Grammar School For Boys (subject to consultation). • New buildings with shared facilities to be constructed on new site. • More intensive focus on meta-cognitive pedagogies & approaches to schooling, as per Kent Secondary Strategy & DDfG SFC. • Greater use of project-based learning and multi-disciplinary enquiry to support humanities specialism.
Astor College for the Arts	<ul style="list-style-type: none"> • In a hard federation with 3 feeder primary schools. • Spaces designed to manage issues that underpin KS 2/3 transition / federation with primaries; • Spaces that promote flexible approaches to teaching and learning, and positive social interactions; • Specialist areas, especially those relating to 14-19 vocational provision;
Aspen II Unit	<ul style="list-style-type: none"> • Funding claimed through Wave 5 but to be delivered as part of the Archers Court Academy Proposal.
Walmer Science College	<ul style="list-style-type: none"> • Proposal to discontinue both schools and replace with a single school on the Castle site (subject to consultation). • Develop facilities that build on the schools' semi-urban location and enhance its role as a community school including: • Outstanding sports facilities • Flexible spaces that promote personalised learning • A wide range of facilities for community use. • Some buildings to be retained at the Walmer site for a vocational centre
Castle Community College	
Sir Roger Manwood's School	<ul style="list-style-type: none"> • Largely new facilities that reflect the long-established tradition of academic excellence and bring a clear focus on 21st century education. • Develop state of the art maths and computing as a pervading feature of the school experience and appearance • Provide outstanding sporting facilities
The Folkestone School for Girls	<ul style="list-style-type: none"> • An iconic building reflecting both the school's commitment to innovation. High quality design to convey a sense of value and purpose in learning with the removal of buildings no longer fit for purpose. • Spaces that promote flexible approaches to teaching and learning, and positive social interactions. • An ICT rich feeling pervading the school, reflecting the school's commitment to innovation in teaching, learning and management
St. Edmund's	<ul style="list-style-type: none"> • Design that reflects the school's religious character. The removal

School Name	Key Impact of BSF
Catholic School	<p>of buildings no longer fit for purpose.</p> <ul style="list-style-type: none"> • Spaces that facilitate the school's unique approach to pastoral care and the Catholic ethos • Spaces that promote the vision of flexible learning outlined the SFC and Kent Secondary Strategy.
Pent Valley Technology College	<ul style="list-style-type: none"> • Substantial re-building of the school campus. • Design to support the school's well established focus on ECM and 'the whole child' with the new accommodation providing opportunities to bring in non-educational professionals and other student support services.
Dover Grammar School for Boys	<ul style="list-style-type: none"> • Proposal for a hard federation with Dover Grammar School For Girls (subject to consultation). New buildings with shared facilities to be constructed on new site. • New facilities to support the Business and Enterprise Specialism • Development of a new curriculum providing greater choice to learners by taking advantage of hard federation with Dover Girls.
Sandwich Technology School	<ul style="list-style-type: none"> • Completion of school campus following substantial investment by school and KCC. • Technology will continue to feature strongly as an iconic feature of the buildings. • Community facilities will be given a high profile to reflect the school's location and longstanding commitment to serve local people
Brockhill Park Performing Arts College	<ul style="list-style-type: none"> • Facilities that build on the school's semi rural location and enhance its already well-established role as a community school including: • Outstanding sports facilities • Flexible spaces that promote personalised learning • A wide range of facilities for community use. •
Highview School	<ul style="list-style-type: none"> • In a hard federation with Foxwood School. Propose federated school 'under one roof' with Foxwood school (subject to consultation) • Both schools to offer a holistic, inclusive education provision for learners with moderate and special learning difficulties, and autistic spectrum special educational needs. •
Foxwood School	<ul style="list-style-type: none"> • In a hard federation with Highview school. Propose a federated school 'under one roof' with Highview school (subject to consultation) • Both schools to offer a holistic, inclusive education provision for learners with moderate and special learning difficulties, and autistic spectrum special educational needs. •
Harbour Special School	<ul style="list-style-type: none"> • Harbour special school has already received some investment under the Kent Special Schools Review Programme and BSF

School Name	Key Impact of BSF
	investment will enable Kents existing investment to be enhanced and improved ICT
Brook Education Centre	<ul style="list-style-type: none"> • Management devolved to local Children’s Trust • Much closer links to main stream using support programmes • Improved ICT to support their existing personalised agenda.

3. Affordability

3.1 A separate confidential report later on the agenda sets out the affordability and commercial matters in relation to wave 5.

4. Indicative Project Timescales

Wave 5 timescales

4.1 Indicative timescales for the wave 5 BSF programme in accordance with the timescales set by the DCSF/PfS.

Stage	Indicative Timetable
Strategy for Change Part 1 Submission	19 th May 2009
Strategy for Change Part 2 Submission	September 2009
Outline Business Case Submission	December 2009
Outline Business Case Approval	January 2010
Issue OJEU notice	February 2010
Prequalification Phase	March 2010 – May 2010
Announce Bidder Shortlist of 3	May 2010
Dialogue Phase 2 with 3 Bidders	May 2010 – October 2010
Announce shortlist of 2	October 2010
Dialogue Phase 2 with 2 Bidders	October 2010 – March 2011
Announce Preferred Bidder	April 2011
Introduce Phase 2 Schools to Bidder	April 2011
Preferred Bidder Stage	April 2011 – September 2011
Financial Close Phase 1	September 2011
LEP Establishment	September 2011
Construction Start Phase 1 Wave 5	September 2011
Construction complete Phase 1	September 2013
Financial Close Phase 2	December 2011
Construction Start Phase 2	December 2011
Construction Complete Phase 2	December 2013
Wave 5 phase 3 issued to LEP	September 2011
Wave 5 phase 3 Financial Close	December 2012
Construction Start wave 5 Phase 2	December 2012
Construction complete for wave 5 phase 2	December 2014

5. Risks

5.1 The key risks associated with this transaction are set out in the table below, along with the high-level strategies that could be deployed to mitigate them. For clarity the risks are divided between conventionally financed projects, PFI projects, and the procurement programme risks. A full risk register has been compiled and is set out in appendix 4.

Risks associated with conventionally financed projects	
Risk	Mitigation
An affordability gap exists on conventionally financed projects at the end of the competitive dialogue.	<p>KCC has four options:</p> <ul style="list-style-type: none"> i.) Scale-down the scope of the works to ensure projects are affordable; ii.) Close the gap through school's own capital resources; iii.) Close the gap through capital receipts generated in these or other projects within the CFE portfolio; or iv.) A combination of the above.
Risks associated with PFI projects	
Risk	Mitigation
An affordability gap exists on the PFI projects at the end of the competitive dialogue.	<p>KCC has four options:</p> <ul style="list-style-type: none"> i.) Close the gap by top-slicing it from the total, county-wide school's budget; ii.) Scale-down the scope of works to ensure projects are affordable (accepting that they will remain PFI projects and will not be scaled below the 70% new-build threshold); iii.) Close the gap through school's own capital resources; iv.) Close the gap through the CFE capital and revenue budgets; or v.) A combination of the above.
A PFI school closes	<p>A PFI school could close if there was insufficient demand for pupil places.</p> <p>We have undertaken a demand risk analysis for all three schools which suggests this risk is minimal. This analysis has been shared with the external auditor (PWC) and central government.</p> <p>In the highly unlikely event that a PFI school faced serious demand risk, KCC has two options:</p> <ul style="list-style-type: none"> i.) re-organise the allocation of pupil places in the area such that the PFI school is protected. This could

	<p>include changing the designation and type of school.</p> <p>ii.) Alter the usage of the facility – i.e. to deliver other / additional public or private services.</p> <p>In the very unlikely event that a PFI school did close, KCC would be liable for the on-going cost of the PFI contract.</p> <p>The asset would remain within KCC's ownership.</p>
The PFI provider performs poorly	<p>The LEP model incorporates checks and balances to incentivise the PFI provider. These include:</p> <p>i.) continuous improvement targets</p> <p>ii.) national performance monitoring and benchmarking</p> <p>The PFI provider is liable to penalty payments should it fail to meet agreed performance standards.</p>
Risks associated with the procurement programme	
Risk	Mitigation
Insufficient market interest / lack of competition	KCC has undertaken intensive market testing over the 8 months to assess the likely level of interest in the project. The feedback to date from both central government and the market suggests a very high level of market interest – including multi-national construction and ICT firms, and lenders.
A change of government part way through the procurement and the programme is stopped. (in this eventuality KCC would have lose any development costs incurred)	KCC continues to be in discussion with PFS and the DCSF as to any likely changes that may happen should there be a change in government with a view to ensuring that the any losses are minimised.

6. Wave 5 BSF Project Development Costs

6.1 The continuing BSF, PFI and Academies team running costs and the development costs are to be formally agreed as part of the authorities budget in February 2010 to take forward the Wave 5 scheme. This includes the cost of the Secondary Transformation Team.

6.2 In relation to Wave 5 the estimated development costs to reach Financial Close are set out in the table below:

Development Costs	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
External	£668,923	£1,270,000	£1,495,000	£30,000	£30,000	£30,000

Advisors						
Agency Fees	£57,330	£98,280	£181,700	£107,800	£0	£0
KCC legal	£240,000	£300,000	£300,000	£60,000	£0	£0
KCC property	£39,000	£39,585	£40,575	£41,589	£42,629	£43,694
Total	£1,025,253	£1,707,865	£2,017,275	£239,389	£72,629	£73,694

7.. Recommendations

Cabinet is asked TO:

- 1) NOTE current progress in respect of LEP 1
- 2) NOTE current progress in respect of the Wave 5 BSF Proposal and the procurement of Kents second Local Education Partnership.

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BSF SCHOOLS – LEP 1Wave 3 BSF Schools

- Charles Dickens School, Broadstairs
- Community College Whitstable, Whitstable
- Dane Court Grammar School, Broadstairs
- Herne Bay High School, Herne Bay
- Ifield School, Gravesend [the School was rebuilt as part of Kent's Special School Review, but is funded by BSF and is receiving the ICT Managed Service provided by KLEP1]
- King Ethelbert School, Birchington
- Northfleet School for Girls, Gravesend
- Northfleet Technology College, Gravesend
- St George's CE Foundation School, Broadstairs
- St John's Catholic Comprehensive School, Gravesend
- Thamesview School, Gravesend

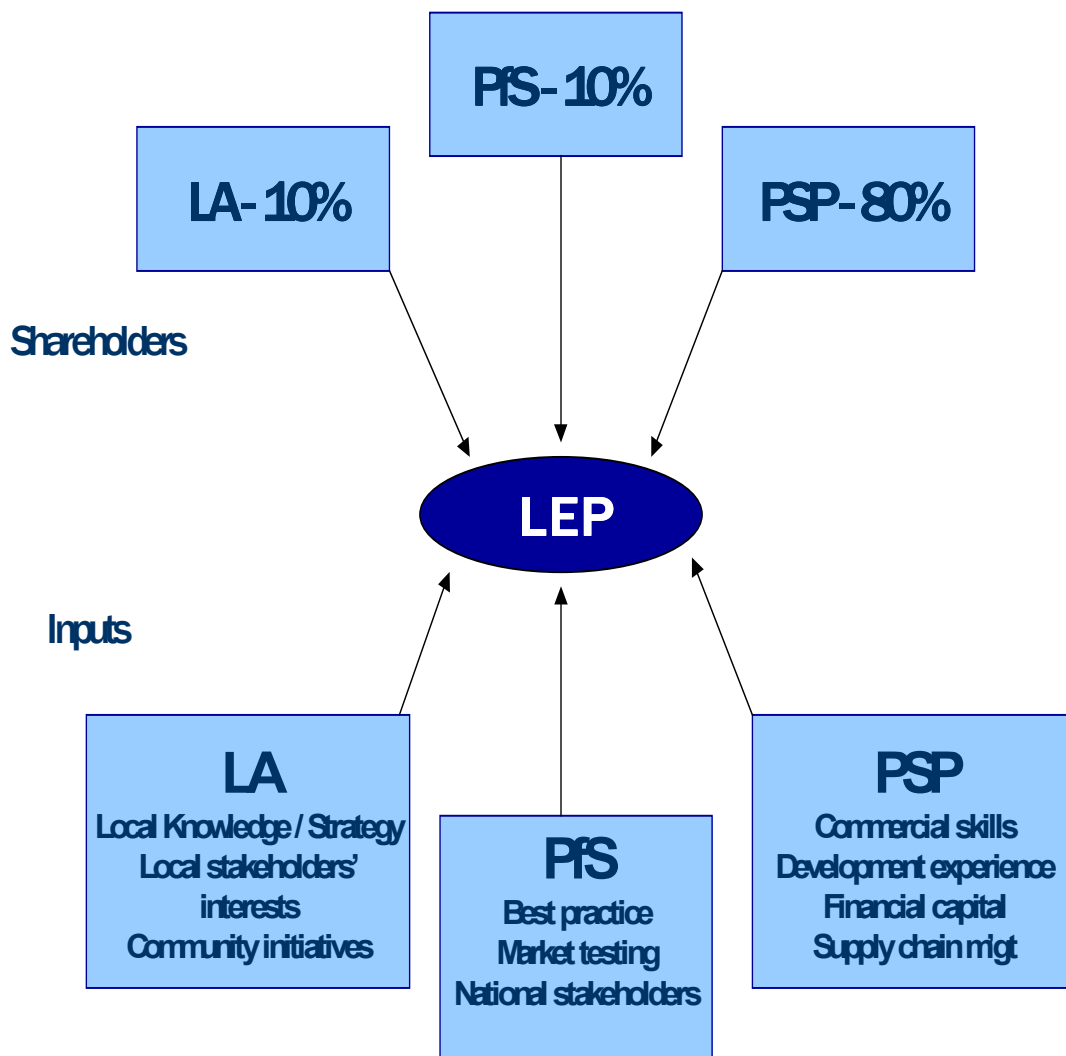
Wave 4 BSF Schools

- Clarendon House Grammar School, Ramsgate
- Chatham House Grammar School, Ramsgate
- [The] Foreland Special School, Broadstairs
- Gravesend Grammar School, Gravesend
- Gravesend Grammar School for Girls, Gravesend
- Hartsdown Technology College, Margate
- [The] Hereson School, Broadstairs
- Laleham Gap School, Margate
- Meopham School, Gravesend
- Northwood Centre, Ramsgate
- Sheppey Academy, Minster-on-Sea
- St Anthony's School, Margate
- St George's CE School, Gravesend
- Stone Bay School, Broadstairs
- Ursuline College, Westgate-on-Sea
- Portal Special School, Dover

Wave 6 BSF Schools

- Abbey School, Faversham
- Borden Grammar School, Sittingbourne
- Challenger Centre (PRU), Sittingbourne
- Fulston Manor School, Sittingbourne
- Grosvenor House, Herne Bay
- Highsted Grammar School, Sittingbourne
- Queen Elizabeth's Grammar School, Faversham
- Sittingbourne Community College, Sittingbourne
- [The] Westlands School, Sittingbourne

The Local Education Partnership Model



SEE ATTACHED SHEET MASTER BSF PROGRAMME

KCC BSF Risk Register

APPENDIX 4

	High Risk/Immediate/ Bi – weekly monitoring
	Medium Risk/ contingency plan/ monthly monitoring
	Low risk/ quarterly monitoring

KCC Risk Register						To be borne by			Suitable advisors to be used on issues identified in risk register where appropriate	
No.	Major risk category	Definition	Probability (Low, Medium, High)	Impact (Low, Medium)	KCC	Share d	Partn er	KCC mitigation strategy	Risk owner	
KCC Programme risks										
Governance Stakeholder buy in and strategic issues										
1	Project Management and governance arrangements	Risk that arrangements do not deliver decisions in timely way	Low	High	♦			KCC governance and management arrangements agreed and kept under review for efficiency	Project Director	
2	Stakeholder buy in – schools	Risk that schools confidence wavers over course of procurement	Medium	High	♦			Effective communications strategy and integrating schools properly into project management and	Project Director	

								procurement processes. Support via the secondary transformation team	
3	Stakeholder buy in – Members	Risk that Members are not able to make decisions in timely way	Low	High	◆			Continued regular dialogue. Regular updates to cabinet and Programme Board.	Project Director
4	Stakeholder buy in - others e.g (diocese)	Risk that other stakeholders are not engaged in a timely way	Medium	High	◆			Effective communications strategy and making key stakeholders a formal part of the management structure through the Local Partnership Board	Project Director
5	School Organisation Committee (SOC) (streams 4/5)	Risk that SOC decisions are not achieved in timely way	Low	Medium	◆			Clear timetable and early preparation	Area Education Officers
6	Cross Boundary issues	Risk cross-boundary issues could impact on secondary school places	Low	Medium	◆			Need to work closely with neighboring clusters (in later bsf waves) to manage supply and demand on supply places.	Area Education Officers
7	Land shortage	Reduced choices for reconfiguration, decant, purchases, land swaps and closure	Medium	High	◆			Ensure early negotiations with vendors (Dover Grammar site)	Project Director
Education Vision									
8	Adequate funding level	Level of funding not sufficient to deliver vision/transformation	High	High	◆			Ensure options are strong, with high level of stakeholder buy in and work	Project Director Supported by Bernard Clarke

								closely with PFS	
9	Pupil Place Planning	Risk that pupil place demand incorrectly calculated	Low	High	◆			Regularly review figures in line with latest trends	Area Education Officer
10	Impact on SFC2	Risk that SBF2 will not get approval	Medium	High	◆			Effective communications with PFS to ensure issues are recognised and dealt with early.	Project Director
11	Partnership infrastructure	Failure or delay in agreeing with schools the processes for developing new forms of partnership structure	Low	High	◆			LA, schools and advisors to develop partnerships	Project Director supported by Project and Procurement Managers
12	Insufficient capacity	Insufficient capacity of KCC staff to LAd and facilitate or loss of momentum by secondary transformation team	Low	Medium	◆			LA to manage resources/human resources closely	Project Director
13	Not achieving educational outcomes		Low	High		◆	PSP has some responsible to deliver this	Continual monitoring of performance throughout project	Project Director
14	Not achieving ICT transformation		Low	High		◆	PSP has some responsible	Continual monitoring of performance throughout project	Project Director

						to deliver this			
15	Failure to deliver	LA does not achieve its vision	Medium	High		◆ PSP has some responsible to deliver this		Need to benchmark and regularly monitor performance	Project Director
16	Stakeholders object to vision during implementation		Medium	High	◆			Ensure adequate communication and explanation of strategy	Project Director
17	SEN review integrated into BSF objectives		Low	Medium	◆			Ensure adequate communication and explanation of strategy. Regular review to ensure that objectives are aligned	Project Director
Finance									
18	Adequate development budget	Adequate budget required for the deliver of the OBC	Medium	Medium	◆			Set realistic budgets for team and advisors	Project Director
19	Market fluctuations pre-financial close	Funding Indices fluctuate causing uncertainty on affordability position	High	High	◆			Indices to be closely monitored so that any cost creep can be mitigated as soon as possible. Agree strategy with PFS	Partnership for Schools
20	Market fluctuations post financial close	Funding Indices fluctuate causing benchmarked pricing to represent poor	High	High			◆	Need to ensure that financial models and contracts for PFI/D&B contracts	Project Director

		value for money or LEP to decline new follow on projects.						are robust to avoid disputes soon after contracts are signed. Agree a sophisticated benchmarking regime that accurately tracks market to make sure partnership is equitable financially to all parties.	
21	Tax /interest/insurance rate changes pre-financial close	Costs escalate beyond worst case assumptions in OBC's financial model	Medium	High	◆			Careful monitoring so that remedial action can be taken quickly	Project Director Supported by KCC Finance LAd
22	Tax /interest/insurance rate changes post-financial close	Costs exceed contractually agreed model assumptions	Medium	High		◆		Need to ensure that financial models for PFI/D&B contracts are robust to avoid disputes soon after contracts are signed if partner tries to make up shortfall in other ways	Project Director Supported by KCC Finance LAd
23	Irrecoverable VAT issues	VAT position changes over course of procurement	Medium	Medium	◆			Take expert advice in a timely manner	Project Director Supported by KCC Finance LAd
24	Delay in securing DFCS funding	Delay in securing OBC/FBC approval	Medium	High	◆			Need to ensure that business cases are as robust as possible and properly quality – assured	Partnerships for Schools
25	Not used								
26	Difficulty bridging	Affordability gap	High	High	◆			Tight management if	Project Director

	affordability gap (includes schools contributions)	grows over course of procurement beyond members agreed position						the procurement process and contractual negotiations so that partner delivers within the funding envelope. Review scope of scheme	
27	Equity for strategic partner	Difficulties in raising funding	Low	High			◆	Capacity to raise equity will be an evaluation criteria at ITPD stage	Project Director
28	Ensure value for money	Make sure options appraisal delivers best solutions as this impacts on OBC approvals	Medium	High	◆			Keep financial advisors up to date with developments	Project Director
29	Deliver PFI off balance sheet	Ensure accounting treatment is robust	Low	High	◆			Need to ensure early input of financial advisors and preliminary accounting treatment assessment	Project Director
30	Whole life cost maintenance and facilities management (OBC)		Medium	Medium	◆			Ensure sufficient information in AMP to inform financial modelling	Project Director Supported by procurement manager
Procurement of a strategic partner									
31	Partnering specification not drafted tightly enough	Insufficiently defined specification	Medium	High	◆			School/LA sign off to specification	Project Director Supported by procurement manager
32	Observe EU Directives	Quality of bid response to OJEU documents results in	Low	High	◆			Ensure legal advice sought throughout the procurement	Project Director Supported by procurement

		non-compliant bids and/or a need to issue further guidance to bidders						process	manager
33	Poor quality of response to OJEU notice	Quality of bid response to documents results in non-compliant bids and/or a need to issue further guidance to bidders	Medium	High	◆			Clear specification of bid requirements, well thought through evaluation criteria, well drafted legal documents, robust financial model and realistic payment mechanism	Project Director Supported by procurement manager
34	Challenge by aggrieved party	Challenge about the conduct of the process	Low	High	◆			Document control, transparent audit trail of decisions and their supporting evidence	Project Director Supported by procurement manager
35	Information not provided to bidder	Data room not adequately stocked, procurement documentation of poor quality etc..	Low	Medium	◆			Create a checklist of information to be provided. Make sure schools understand requirements and timetables. Begin data room stocking early.	Procurement manager
36	OBC not viable	OBC not attractive to private sector partners	Medium	High	◆			Provisionally explore with planning all options as they are presented in development of the business case.	Project Director Supported by procurement manager
37	Delays in decisions by key third parties relating to standard documentation	E.g., external advisors, pfs, DFCS	Medium	High		◆	share d between KC and	Engage in issue resolution in timely fashion. Seek early guidance on necessary derogation's from	Project Director Supported by procurement manager

						PfS		standard documentation	
38	Effective use of advisors	Ensure that advisors are available for all project issues	Low	High	♦			Appoint and agree terms of reference	Project Director Supported by procurement manager/ project manager
Contractual compliance issues									
39	Change requirements in	Schools, council require design change to buildings or services such as ICT	High	High	♦			Robustly prepared specifications developed with the schools with expert support	Project Director Supported by procurement manager/ project manager
40	Poor sub contract performance	Services not provided to contractually agreed specifications	Medium	High			♦	Rigorous procurement that reduces the risk of selecting a partner that cannot deliver the programme through effective programme and supply chain management. Robust incentivised SPA and supply chain contracts to be put in place.	Project Director Supported by procurement manager/ project manager
41	Contractor/ sub disputes/claims	Supply chain disputes	Medium	Medium			♦	As above	Project Director Supported by procurement manager/ project manager
42	Non availability of facilities/failure to meet performance standards	Services not provided to contractually agreed specifications in a way that affects	Medium	High			♦	As above	Project Director Supported by procurement manager/ project manager

		agreed definition of availability							
43	Contract default/termination – council	Breach of contractual conditions	Low	High	♦			Strong contract management function	Project Director Supported by procurement manager/ project manager
44	Contract default/termination – PSP	Breach of contractual conditions	Low	High			♦	As above	Project Director Supported by procurement manager/ project manager
45	Poor contract management client side	Poor management LAds to contract becoming unenforceable and a drop in service standards	Low	High	♦			Recruitment of a strong team to manage the strategic partner and the individual contracts, and sufficient consideration of long term management issues during the procurement and negotiation of contracts	Project Director Supported by procurement manager/ project manager
Design									
46	Site constraints/contamination/abnormals	No further definition required	Medium	Medium		♦ (shared risk pfs/kcc/psp)		Arrange adequate surveys/site investigations	Project Director supported by Project Manager
47	Failure to design to brief	No further definition required	Low	High			♦	Evaluation of prospective partner at each stage of the procurement process to take account of their	Project Director supported by Procurement Manager

								ability to manage the design process. Appoint Independent Certifier	
48	Design changes caused by LA/DFCS	No further definition required	Low	Medium	◆			Tight variation control process	Partnerships for Schools/DFCS
49	ICT specification not adequate	No further definition required	Low	High	◆			ICT specification to be tested in the marketplace once developed with expert help	Project Director supported by Project Manager
50	Design non functionality	No further definition required	Low	High			◆	Architects must have demonstrable track record in designing high quality schools	Project Director supported by KCC Design Champion
51	Failure to build to brief	No further definition required	Low	High			◆	Ability to manage supply chain is a key evaluation criteria. Key supply chain members selected on the basis of track record.	Project Director supported by Project Manager
52	Poor initial design options from Bidder	No further definition required	Low	Medium			◆	Provide architects with comprehensive range of surveys and studies. Appoint Client Design Advisor and structure meetings with Bidders during procurement.	Project Director supported by KCC Design Champion
53	Approval of design options	No further definition required	Medium	High			◆ (will be shared after LEP up	Ensure options reflect education vision to bring about transformation	

						and running			
54	Failure to obtain outline planning consent	No further definition required	Low	Low	♦			Ensure ongoing consultation of planners and stakeholder buy in to projects	Project Director
55	Failure to obtain detailed planning consent	No further definition required	Medium	High			♦	Ensure ongoing consultation of planners and stakeholder buy in to projects. Ensure that designs met planning requirements	Project Director

Construction

56	Poor project management	No further definition required	Medium	High			♦	Ensure that partner and supply chain have track record in delivering to time, budget and brief	Project Director supported by Procurement Manager
57	Poor sub contract performance	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
58	Contractor /sub dispute/claims	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
59	Subcontractor insolvency	No further definition required	Low	High			♦	As above	Project Director supported by Procurement Manager
60	Decant estimates wrong	No further definition required	High	High			♦	As above	Project Director supported by Procurement

									Manager
61	Commissioning estimates wrong	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
62	Latent defects	No further definition required	Low	Medium			♦	As above plus robust surveys	Project Director supported by Procurement Manager
63	Health and safety	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
64	Capacity of services during construction	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
65	External noise	No further definition required	Medium	Medium			♦	As above	Project Director supported by KCC legal
66	Archaeology	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
67	Public Liability	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
68	Security	No further definition required	Low	Medium			♦	As above	Project Director supported by KCC legal
69	Contamination/asbestos	No further definition required	High	High			♦	Ensure design excellence and robust financial modeling/robust surveys	Project Director supported by Technical Advisor
70	Contractor insolvency	No further definition required	Low	High			♦	Bond and parent company guarantee	Project Director supported by KCC legal
Contractual delivery									
71	Incorrect	No further definition required	Low	High			♦	Ensure contractual	Project Director

	estimated opex costs	required						financial models are realistic	supported by Procurement Manager
72	Legislative change – school specific	No further definition required	Low	High		♦		Specifications to future-proof as much as possible and to optimise building flexibility	Project Director supported by Procurement Manager
73	Legislative change – general – PFI	No further definition required	Medium	Medium		♦		Ensure bids take account of any known changes	Project Director supported by Procurement Manager
74	Legislative change – D&B	No further definition required	Medium	Medium		♦		Ensure bids take account of any known changes	Project Director supported by Procurement Manager
75	Changes in taxation/VAT - PFI	No further definition required	Low	Medium			♦	Ensure bids take account of any known changes	Project Director supported by KCC Finance
76	Changes in taxation/VAT - D&B	No further definition required	Low	Medium		♦		Ensure bids take account of any known changes	Project Director supported by KCC Finance
77	Incorrect lifecycle maintenance cost estimates PFI	No further definition required	High	High			♦	Ensure that lifecycle provision built into contractual model is realistic	Project Director supported by Procurement Manager
78	Incorrect lifecycle maintenance cost estimates D&B	No further definition required	High	High	♦			Ensure that lifecycle provision built into contractual model is realistic	Project Director supported by Procurement Manager
79	Incorrect estimate of energy used volume	No further definition required	Low	High			♦	Ensure that strategic partner takes into account utilities in design process	Project Director supported by Procurement Manager
80	Incorrect estimate of energy used tariff	No further definition required	Low	High	♦			Ensure that strategic partner takes into account utilities in design process	Project Director supported by Procurement Manager

81	Incorrect estimate of staff restructure costs	No further definition required	Low	High			◆	Accurate staffing information to be provided to Bidder	Project Director supported by Procurement Manager
82	Incorrect estimate of ICT costs	No further definition required	Medium	High			◆	Specification to be worked up with Clear funding envelope and to be market tested	Project Director supported by Project Manager
83	Incorrect estimate of third party income	No further definition required	Medium	Low			◆	Robust justification of third party income to be demanded from bidders	Project Director supported by Procurement Manager
84	Emergency/disaster recovery	No further definition required	Low	High			◆	To be built in as contractual provision on basis of a Clear specification of our requirements	Project Director supported by Procurement Manager
85	Equipment obsolescence – ICT/FF&E	No further definition required	Medium	High	◆			Clear contractual provision as to the life of initial installations. Adequate consideration given of refresh requirements	Project Director supported by Procurement Manager
86	Vandalism/pilfering	No further definition required	Medium	low			◆	Ensure Clear contractual provision as to risk sharing arrangements	Project Director supported by Procurement Manager
87	Health and safety	No further definition required	low	High			◆	Clear allocation of responsibilities	Project Director supported by Procurement Manager
88	Public liability	No further definition required	low	High			◆	Ensure contracts cover insurance arrangements fully	Project Director supported by Procurement Manager

89	Utility upgrades	No further definition required	low	Medium			◆	Get best survey information	Project Director supported by Procurement Manager
90	Incorrect delivery vehicle	Whether the LEP is the best delivery vehicle	Low	High			◆ shared between KCC and PFS	Examine legal implications and work closely with pfs	Partnerships for Schools
Human Resources									
91	Staffing and resource	Lack of staff with adequate time or skills could impact on delivery of OBC	Low	High			◆	Regularly reviewed to ensure availability	Project Director
92	Staff retention	Staff Leaving could impact on the delivery of the OBC	Low	High			◆	Requires close monitoring	Project Director
93	Advisors do not deliver to time or quality	No further definition required	Medium	High			◆	Requires close monitoring	Project Director supported by Procurement Manager
Policy									
94	Adhere to local/central government policy on PFI/ICT/Education	Ensure all policy guidelines are communicated that may impact on approval of OBC	Medium	High			◆	List out all relevant policy documents	Project Director supported by Project Manager
95	React to changes to above policy	Establish procedure to identify new policy	Medium	High			◆	Continually monitor reLase of relevant policy	Project Director supported by Project Manager
Communications									
96	Schools don't	School does not	Low	High			◆	Keep open	Project Director

	agree with options	agree to favoured control options – could impact on vfm/scheme viability						discussion/consultation with schools	supported by Project Manager
97	Kept informed	All internal parties to be advised of progress	low	medium	♦			Develop robust communications strategy & review – set up regular forums to report progress	Project Director supported by Project Manager