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**To: Local Authorities
Academy Trusts
Sixth Form Colleges
Dioceses/Faith Bodies**

26 August 2011

Dear Colleague

Priority School Building Programme

1. The Department for Education is commencing a privately financed programme to provide school facilities. The programme is intended to address those schools in the worst condition. Ministers may also take into account pressing cases of basic need (the requirement for additional school places) and other ministerial priorities.¹
2. This letter provides information and sets out the application process for local authorities, sixth form colleges, trustees, dioceses/faith bodies and academies that wish to be considered for inclusion in the programme on the basis of the poor condition of their school premises. Where a school in poor condition also has basic need, then the process will invite supporting detail.
3. We anticipate that the programme will cover the equivalent of building or rebuilding approximately 100 secondary schools. The full scale of the programme is still to be finalised, but is likely to include a mix of primary schools, secondary schools, special schools, sixth form colleges and alternative provision and so could cover between 100-300 schools in total. It is expected that 20% of the total programme will be delivered each year, with the first schools scheduled to open in the academic year of 2014-15. Those schools included in the initial group for procurement are expected to commence procurement during the second quarter of 2012.
4. The part of the programme to which this letter relates is intended to address the needs of those schools in the very worst condition provided that they are also suitable for funding through a privately financed programme. A brief explanation of private finance is included at Appendix 1, and some of the factors that indicate suitability for public private procurement are given at Appendix 2.

¹ In this letter the term "schools" refers to primary schools, secondary schools, special schools, sixth form colleges and alternative provision.

5. Given competing priorities and that the funding available is finite, not all schools in poor condition that would be suitable for this procurement can be included in this part of the programme. Schools should therefore be aware that, even if eligible for this part of the programme as described below, the condition of their school will be compared to those of others.
6. Local authorities will be responsible for co-ordinating and submitting applications from all maintained schools (including VA, VC and foundation schools without a religious character) in their area. Dioceses and other faith bodies may submit their own applications for individual schools and if so no application should be made for the same school through the local authority. Academies² may wish to be included in their local authority's submission, or may alternatively apply on their own behalf. Academy chains may apply on behalf of their schools. Individual sixth form colleges should apply on their own behalf.
7. Completed applications should be submitted electronically as per the instructions set out in this letter. The deadline for applications is **1200 on Friday 14 October 2011** though applications may be submitted from 0900 on 3rd October 2011. The key dates relating to this process are summarised at Appendix 3.

Eligibility

8. This part of the programme is open to all maintained schools (as described above) and academies subject to the requirements set out below.
9. To be considered for inclusion in the programme, sixth form colleges, academies, trustees, dioceses/faith bodies, local authorities and the schools on behalf of whom a local authority, diocese, faith body or academy chain is applying must accept:
 - being part of a long-term (approximately 27 year) private finance arrangement where the building maintenance including soft services (e.g. cleaning, pest control, waste management, caretaking, security and grounds maintenance) will be provided by a third party. Please note that over the course of the programme the private finance model used will be developed and improved to deliver more flexibility, better risk transfer arrangements and improved value for money;
 - that the contract will be procured by a central body (or by a centrally determined alternative value for money route) and that, for procurement purposes, each school will be batched together with a number of other schools not necessarily in the same geographic area. The detailed arrangements for the procurement and contract management have not yet been determined.

² Including UTCs, Free Schools and Studio Schools

Whilst the procurement will be centralised it may be that local authorities or individual schools are the contracting parties, rather than the Department for Education. Similarly, whilst local authorities and/or schools will have a role in managing the contracts (at a minimum reporting shortfalls in performance and availability), and whilst there will be an element of central support, the detail of how much of the contract management role will be carried out centrally will be determined along with the detailed procurement process before schools are selected for inclusion;

- that the procurement will be based on standardised designs (subject to site constraints, planning requirements and a limited amount of local choice); and
- that schools will be required to make a contribution to the annual revenue payments of the private finance contract (to cover, for example, facilities management and maintenance costs, anticipated to be around £55 per m² in 2010 prices). Schools will continue to pay for utilities, anticipated to be around £15 per m² in 2010 prices, and rates and will carry responsibility for some elements of contract management.

In addition, VA schools may be required to make a further contribution to the cost of the scheme. We are currently considering the link between a public private partnership (which is funded through revenue) and the legal requirement that VA schools make a 10% contribution to capital schemes. As soon as this issue is resolved we will indicate the nature and scale of any contribution if one is required.

10. Applications in respect of schools which have received major investment in the last 15 years (e.g. a new or replacement school or refurbishment of more than 50% of the existing buildings) are unlikely to succeed.
11. Schools may not be eligible for inclusion in the programme where buildings Listed under Planning Regulations in any form comprise more than 30% of the school's gross internal floor area. This is because for VfM reasons the programme is only suitable for schools which have to be substantially rebuilt.
12. Only schools which show sufficient long term pupil demand will be considered for inclusion in the programme. Where pupil demand is expected to be sustained but at a lower level than the school's current capacity, applicants can propose a reduced capacity for the rebuilt school. Conversely, where basic need or pupil demand shows long term demand for greater capacity at a school, applicants can propose increased pupil numbers for the rebuilt school.
13. Schools selected to be taken forward will, once notified, be required to provide a signed statement by the head teacher, the Governing Body, trustees, any diocese or faith body and the local authority (for maintained schools) that they accept the conditions set out in this letter.

The Application Process

14. Applications can only be made online. All application forms will be hosted on a secure website, enabling applicants to log in, complete and submit the application. No hard copies or email versions of the application will be assessed; please do not submit hard copies of the electronic application as these will not be considered.
15. An application form must be submitted for each school. This, together with associated documentation is available at:

<https://sharepoint.partnershipsforschools.org.uk/PSBP/>

Completed applications should be submitted electronically as set out in this letter.

16. Applicants can view the application form without registering on the PfS website, but will need to register to be able to submit the application. Applicants can register from 25 July 2011. Once registered, any updates or clarifications will be sent to the registered email address and will also be published on the PfS website. Once registered, applicants should check this area to ensure they are aware of any updates or clarifications which have been published prior to the date of registration.
17. Applicants must register at before **1200 on 7 October 2011**. For key dates in the process please see Appendix 3.
18. Local authorities, dioceses/faith bodies, sixth form colleges and academy chains are able to submit applications on behalf of as many eligible schools as they consider suitable for the programme. However, only one application form should be submitted per school.

Applications can be submitted from **0900 on 3rd October 2011** but the deadline for submission of applications is **1200 on Friday 14 October 2011**.

Information required for applications on grounds of condition

19. The application form requires the following information:
 - Demand: schools must have a sufficient long-term pupil demand requirement. In order to demonstrate such demand, local authorities, sixth form colleges, dioceses/faith bodies and academies selected to be taken forward will be asked at a later stage to provide school level pupil place projections for same phase (i.e. primary or secondary) schools in the local area.

- Condition: schools must be able to demonstrate that they are in a poor condition, where condition is defined as the physical state of the building fabric. Applications will need to be supported by data extracted from a building condition survey obtained or updated within the two years prior to the date of the application. The survey must be carried out by a suitably competent professional. Local authorities may hold this information in relation to academies as well as maintained schools in their area, and dioceses/faith bodies may similarly hold this information in respect of VA schools. The applicant must bear the costs of preparing the application, updates to surveys or new surveys as required, irrespective of whether the school is selected for inclusion in the programme. The building condition survey does not need to be submitted with the application form but schools should ensure that such surveys are available on request.

The online application form will automatically calculate whether the cost of addressing the current condition of the school will exceed 30% of the notional rebuilding cost. This threshold is being used as an indication to help schools considering whether to apply, but a condition need above this level will not guarantee inclusion in the programme. If condition need is below 30% then it is unlikely that it would be value for money to include the school in the programme. To avoid abortive costs and false expectations, an applicant might therefore decide not to proceed if the school condition need falls below this threshold.

The application requires estimates of Priority 1, 2 and 3 maintenance requirements:

- Priority 1 is urgent work;
- Priority 2 is work needed within two years; and
- Priority 3 is work needed within three to five years.

These categories are explained in the DfE condition assessment guidance for the data last requested from local authorities in 2005. A link to the relevant - part of the guidance can be found at <https://sharepoint.partnershipsforschools.org.uk/PSBP/>.

- Shortcomings: please identify any shortcomings of the existing premises in providing for the needs of users, for example in the range of accommodation, comfort of the building environment or provision for health, safety and welfare.
- Site issues: please provide indications of any site constraints, conditions or planning issues which you are aware of to inform views on project delivery. It is not necessary for additional surveys to be carried out to provide this data for the application form - an overview of the relevant issues is sufficient.

- Equalities information: please provide any equalities information relevant to the application.
- Although the focus of this programme is to address schools in the worst condition, if a local authority feels that a separate new school is required in order to relieve basic need pressures, then the local authority should complete Section G of the online application form and PfS will contact the local authority to discuss the proposal in more detail.

Please note that PfS will also refer to centrally held data when assessing returns.

Review of Applications and Prioritisation

20. Following receipt of applications:

- schools will be ranked. The ranking will be determined in accordance with the condition information submitted, with those in the worst condition ranked highest;
- the shortcomings of the existing premises for each school in providing for the needs of its users will then be considered with its condition to assess whether the project would be likely to represent value for money as a privately financed procurement. If the assessment demonstrates that the project is unlikely to represent VfM for this type of procurement then that proposal will not be taken forward;
- Cases of severe and pressing basic need may be considered alongside the worst condition schools and other programme priorities.

21. Further work will then be carried out with those schools in the worst condition that are considered likely, from the information provided, to meet the requirement for value for money to be delivered through a privately financed procurement. These schools will be most suited to inclusion in the first group in the programme, to be launched in the first half of 2012. This work will involve detailed analysis to confirm whether they are appropriate for this procurement and a more general assessment of the project's deliverability and suitability for inclusion in the first group. This may include consideration of such issues as:

- site issues that may prevent the project being delivered in the timescales necessary, for instance the need to acquire further land or other title issues, planning constraints, etc.;
- school re-organisation issues or other statutory processes that cannot be resolved within the requisite timescales;

- any relevant equalities considerations that should be taken into account in accordance with the Equalities Act 2010;
 - affordability constraints;
 - availability of information required to progress procurement preparation;
 - suitability for batching of schools into projects; and
 - any other relevant issues.
22. Academies, schools, local authorities, trustees, dioceses and other faith bodies (as appropriate) will be asked to co-operate fully in providing information, site access and resources to allow this assessment to be carried out.
23. Schools considered unsuitable to be delivered in the first group under this process will remain eligible for inclusion in future groups unless they are considered unsuitable for privately financed procurement.
24. Schools selected for inclusion in the first group will be notified and will then be asked, along with local authorities, trustees, dioceses and other faith bodies (as appropriate) to assist in the preparation and development of the Outline Business Cases for the projects and thereafter during the procurement process. Schools and other relevant bodies will be notified further of these requirements once they have been identified but should expect to provide:
- access for surveys to be carried out;
 - relevant employee information;
 - title information; and
 - other assistance as required during the procurement process.
25. It is currently anticipated that applicants will be informed in December whether their application has been successful and whether they are expected to participate in the first group of the programme, or in later groups.

If you have any queries in respect of the application process please contact:

psbp@partnershipsfor schools.org.uk

Yours faithfully



Paul Milner
Commercial Director

Appendix 1 – Brief explanation of Private Finance

Privately financed schemes use a procurement model through which a public sector procuring body engages a private sector contractor to design, build, finance and operate a facility (including providing facilities management, maintenance and lifecycle services) for the life of the contract, which is typically 27 years. As no money is paid by the procuring body until construction is complete, the contractor borrows the capital needed to construct the facilities from commercial lenders and then, once the school is operational, earns a monthly fee (referred to as a 'unitary charge'). The contractor uses this to repay the commercial debt and cover the cost of operating the facility. It may in addition earn a profit.

Key features of the model:

- **Construction at risk** – the procuring body pays nothing to the contractor until the build is completed to the standards set out in the contract, which ensures a high degree of certainty as to the time of completion;
- **Maintenance (often referred to as 'hard FM') services** – are provided by the contractor throughout the life of the agreement – the contractor is being paid to ensure that the school is available for use;
- **Cleaning, security and grounds maintenance (often referred to as 'soft FM') services** – are typically provided by the contractor and the costs for these services are tested against costs in the market at intervals throughout the term of the agreement. The soft services may include other services such as catering, pest control and waste management;
- **School contribution** – schools participating in a privately financed contract are usually required to contribute revenue funding during the 25 year term operational period of the contract for the provision of facilities management services, a proportion of which will be index-linked. Schools would usually also continue to pay for utilities and rates;
- **Performance regime** – the contractor's performance (and ability to earn the full Unitary Charge every month) is governed by a performance regime which measures availability of areas within the school and performance against set standards. Performance issues (and spaces not being available) can lead to deductions being made from the unitary charge. This process is designed to incentivise the contractor to rectify problems early and ensure a good level of service;
- **Long-term arrangement** – contracts typically last 27 years and, with little opportunity for early exit, schools need to be aware that this represents a long-term commitment;

- **Handback** – the contractor is required to hand the school back in good condition to the public sector procurer at the end of the contract term, thus ensuring that the school is well maintained and designed to last;
- **Value for money** – in order to ensure that a privately financed contract represents good value for money the contract needs to include a sufficiently high value of construction work and it will typically be the case, therefore, that schools will be batched together with other schools in order to create a viable contract.

Appendix 2 – Suitability for Public Private Procurement

Some of the factors that indicate a school's suitability for using public private procurement:

- **Land ownership** – certainty that the local authority or school holds or will be able to hold title to all of the land required by the start of the procurement, and that the school (where applicable, such as for academies) holds a long term lease;
- **New build proportion** – private finance is generally better-suited to new build than refurbishment. As a guide, private finance is unlikely to be the best value procurement route if the refurbishment element is more than 30% of the gross internal floor area;
- **Listed status** – any parts of the school which have listed building status will have to be refurbished rather than rebuilt. Hence if more than 30% of a school's gross internal floor area has listed building status, private finance is unlikely to be the best value procurement route as the refurbishment proportion will be too great; and
- **Value for money** – the procurement will be tested for value for money at various points during the process – if these tests are failed at any point, the school will no longer be part of this procurement.

Appendix 3 - Summary of Key Dates

Information available	19th July 2011
Registration opens	25th July 2011
Window opens for submission of applications	0900 on 3rd October 2011
Deadline for registration	1200 on 7th October 2011
Deadline for submission of applications	1200 on 14th October 2011
Target date for informing applicants of the outcome of their application	December 2011

