



CABINET

10 JANUARY 2017

CORPORATE DIRECTOR FOR PLACE COMMISSIONING: TONY CIABURRO

**CABINET MEMBER WITH RESPONSIBILITY FOR CHILDREN’S SERVICES AND
EDUCATION: COUNCILLOR MATT GOLBY**

Subject:	NCC Schools PFI Project: authorisation of variations to the schools PFI contract for the purpose of delivering savings and delegation of Authority to sign and enter into variations.
Recommendations:	<p>Cabinet is asked to:</p> <ol style="list-style-type: none"> 1) Give approval to enter into three separate variations to the PFI contract for the purpose of delivering savings to the Council’s budgets (as detailed in paragraph 3.7). 2) Authorise delegated Authority to the Corporate Director for Place Commissioning to sign the documents as required to enter into variations for the delivery of savings, and to enter into any other variation of the contract that has been approved by the parties to the contract to achieve the same purpose. 3) Authorise delegated authority to make decisions to approve future variations of the same contract and that such delegated authority be given to the Corporate Director for Place Commissioning, in consultation with the Portfolio Holder. 4) Authorise the signing of any necessary certificates under the local Government (Contracts) Act 1997 in relation to any of the documents required to facilitate the PFI contract variations, again to achieve the savings set out in this report.

1. Purpose of Report

- 1.1 The purpose of the report is to seek approval of the recommendations so that the Corporate Director for Place Commissioning has the delegated authority to enter into variations of the contract as the authorised signatory. And secondly to make provision for the Corporate Director for Place Commissioning to approve future variations in consultation with the Cabinet member, where such variations are for the purpose of achieving cost savings.
- 1.2 In addition to entering into deeds of variation, PFI Contract Variations attract a requirement for certificates under the Local Government (Contracts) Act 1997 which will be entered into by an appropriate officer as provided for within the revised constitution.
- 1.3 Authorisation of delegated Authority to the Corporate Director for Place Commissioning is requested as signatory because the management of PFI contracts now falls within the responsibilities of the Place Directorate.

Part of the rationale for the reorganisation of PFI contracts into a single business area was to enable more effective monitoring and management of the contracts, and to give opportunity for savings and generation of efficiencies. Approval of the recommendations will enable the Corporate Director for Place Commissioning to be able to achieve this with the necessary legal documentation i.e. variation agreement.

1.4 There is an immediate requirement for the approval so that savings as described below may be transacted once the necessary variations have been signed off by the Council and contractor.

2. How this decision contributes to the Council Plan

The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing ensuring that:
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| <ul style="list-style-type: none">• Resources are utilised effectively and efficiently, in coordination with partners and providers. |
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3. Background

3.1 The Schools PFI contract has been under review to identify savings. Negotiations with the contractor have resulted in a series of savings being developed and progressed for transaction by way of variation, as provided for within the contract.

3.2 The variations which are currently in the process of being contracted are included within section 3.7 below. Approval is required to enable the savings to be implemented and provide the officers with the authority to enter into the necessary variation agreements.

3.3 The contract provides for delivery of services to 43 schools and has 22 years left to run. The contractual arrangements provide for a turn key services solution whereby the contractor receives a unitary charge for delivery of the service and provision of requirements such as insurance.

3.4 The review of the contract has involved a detailed consideration jointly with the contractor of the different aspects of the make up of the cost of the Unitary Charge with the objective of securing considerable savings without adversely impacting on services.

3.5 The Councils budget for 2016-17 makes provision for savings from this contract.

3.6 General agreement to vary the contract has been received from the contractor and the parties have with legal advice raised respective deeds of variation to enable the changes to be implemented and savings to be delivered. In addition to the agreement of the contractor, consent is also required to the proposed variations from the contractor's funder.

- 3.7 The following savings through variation are in development for which the approvals and recommendations as set out in this report are requested, each are agreed in principle with the contractor, subject to lender consent:
- One off saving of £350,000 through amendment to the Change in law share arrangements. The deed has been agreed and approved by funders subject to confirmation of the authorisations as recommended and provided for in this report.
 - One off saving of circa £900,000 through amendment of the contract in relation to the contractors lifecycle expenditure plan, with specified items allocated for management by the Council. The Deed of variation is agreed with the contractor but subject to lender consent, and confirmation of the authorisations as recommended and provided for in this report.
 - Annual savings through changes to insurance arrangements, and limited changes to services to provide a saving of circa £1m per annum ongoing. The basis of the Authority change has been established and the deed of variation is in development, subject to lender consent and confirmation of the authorisations as recommended and provided for in this report.

3.8 In addition, further annual savings from the base budget are to be discussed with the contractor relating to services and lifecycle items which are yet to be agreed, but for which the approvals as recommended within this report are required. A value of circa £1m is targeted.

4. Consultation and Scrutiny

There are no Consultation or Scrutiny implications, this proposal is limited to delegated Authority approvals and signatory matters as required for the Corporate Director for Place Commissioning to be able fulfil contract variation and budgetary obligations relevant to this PFI contract.

5. Equality Screening

Reason that no EqIA is required	as appropriate
The paper is for information only	
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (please explain further) There are no equalities implications, this proposal is limited to delegated Authority approvals and signatory matters.	

* where a proposal affects staff, the appropriate HR processes will be followed, which have already been subject to the EqIA process and will be compliant with HR legislation

6. Alternative Options Considered

6.1 The approvals recommended provide the natural solution, delegated authority is recommended for the Corporate Director for Place Commissioning as the head of the business responsible for the contract. Recommendation for delegated authority to any other party would be in contravention of this, as the responsibilities for the management of PFI contracts now falls within the Place Directorate.

6.2 It is likely that the PFI Contractors funders will insist on the resolution for approval and delegated authority for signatory being passed and minuted as part of their consent process.

7. Financial Implications

7.1 The budget for 2016-17 already assumes savings from this contract of £2m and approval of the recommendations herein will enable this to be achieved through a combination of the implementation of one-off savings.

7.2 The annual base adjustment as already identified and agreed in principle contributes to the ongoing base budget saving, and the future further savings target the remainder. Approvals as recommended are required for these.

7.3 Where the Council has proposed responsibility for delivery of services there may be some revenue costs which are currently assumed in the net savings value.

What benefits will the proposal deliver?	*Savings of up to £2m per annum. *Improved VfM from the contract *Cost effectiveness
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8. Risk and Business Continuity Management

8.1 Should approval of the recommendations not be given the risk to the Council will be the non delivery of savings and the consequential impact on the related financial budgets.

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Increased movement of risk to the Council from the PFI contractor	Officers will identify any potential risks, quantify these and take steps to ensure these are minimised.	Amber

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Should approval of the recommendations not be given the risk to the Council will be the non delivery of savings and the consequential impact on the related financial budgets. The approval being requested is to enable authorisation for the deeds of variation to be entered into. And for approvals on a delegated basis jointly with the cabinet member to agree any future changes to meet budget needs.	Red
Should approval of the recommendations be delayed the risk is that the savings identified for 2016-17 are unlikely to be achieved.	Red

9. List of Appendices

None

Author:	Name: David Kirk/Laurie Gould Team:
Contact details:	Tel: 01604 367118 Email: lgould@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	NO. The General Exception Rule has been applied.
Will further decisions be required? If so, please outline the timetable here	The recommended approval if accepted provides for future decisions to be made by the Director of Place in consultation with the cabinet member.
Does the report include delegated decisions? If so, please outline the timetable here	For 17/18 further delegated decisions may be made to enable delivery of savings from this contract.
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager? Have any capital spend implications been cleared by the Capital Investment Board	YES Name of SFM: Damon Lawrenson, Finance Director/Rosemary Pallot, Strategic Finance Manager N/A
Has the report been cleared by the relevant Director?	YES Name of Director: Tony Ciaburro
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Councillor Matt Golby
Has the relevant scrutiny committee been consulted?	NO
Has the report been cleared by Legal Services?	YES Name of solicitor: Laurie Gould Solicitor's comments: The approval of the recommendations is required to achieve the stated savings and enable the Council to sign off the necessary variations with the contractor.
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	NO Name of officer:
Are there any community safety implications?	There are no community safety implications, this proposal is limited to delegated Authority approvals and signatory matters.
Are there any environmental implications:	There are no environmental implications, this proposal is limited to delegated Authority approvals and signatory matters.
Are there any Health & Safety Implications:	NO
Are there any Human Resources	NO

Implications:	
Are there any human rights implications:	NO
Constituency Interest:	None specific