

**REPORT TO: CHILDREN AND YOUNG PEOPLE'S SERVICES COMMITTEE ON
17 FEBRUARY 2010**

SUBJECT: EDUCATIONAL SERVICES PPP BUDGET MONITORING REPORT

**BY: DIRECTOR OF EDUCATIONAL SERVICES AND CHIEF FINANCIAL
OFFICER**

1. REASON FOR REPORT

- 1.1 The purpose of this report is to provide a summary monitoring statement for the PPP Budget as at 31 December 2009.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme relating to the consideration of Capital and Revenue budgets and long-term financial plans.

2. RECOMMENDATION

- 2.1 **It is recommended that Committee considers and notes the actual expenditure to 31 December 2009 and the revised forecast revenue budget position at 31 March 2010, detailed in the report and in Appendix 1.**

3. BACKGROUND

- 3.1 The budget of £408,000 per annum for the three year period to 31 March 2010, was approved at the meeting of The Moray Council on 13 September 2006 (para 24 refers). The PPP Budget has been managed over a three year cycle and the details in **Appendix 1** reflect this. The figures do not include costs incurred before 31 March 2007 when the current Outline Business Case was written. They also do not include any recharges of costs incurred by Financial and Legal Services in supporting the PPP project.
- 3.2 The monitoring statement shown as **Appendix 1** details the expenditure on the project to 31 December 2009. This currently shows 103% of the budget for 2009/10 as spent and shows an overspend of £18,060 to 31 December 2009.
- 3.3 An additional column has been added to **Appendix 1** to show the forecast spend for the year to 31 March 2010. Although an overspend of £432,000 is now anticipated for 2009/10, over the 3 year period this overspend is anticipated to be £276,216 by 31 March 2010.

- 3.4 This forecast overspend is higher than previously reported in earlier monitoring reports. It is noteworthy that the budget was set in 2006, before it was known that the project would have to be procured using the competitive dialogue process and using the Non-Profit Distributing (NPD) model as required by the Scottish Government. These changes have increased the need to use consultancy resources resulting in higher costs for consultants than had been envisaged at the outset of the project.
- 3.5 The forecast overspend over the 3 year cycle has increased from £100,000 to £276,000 since the last monitoring report was submitted to this Committee. The additional overspend is therefore £176,000 of which £166,000 relates to fees from legal advisers. Following discussion between the Chief Executive, Chief Financial Officer, the Director of Educational Services and Head of Financial Services, the Chief Financial Officer wrote to the legal advisers requesting a detailed explanation of these increased costs.
- 3.6 The explanation provided is summarised below.
- (a) Each of the Final Tender milestones was achieved much later than anticipated with the selection of the preferred bidder requiring more input from legal advisers than expected, including involvement at partner level and specialist procurement advice to assist with queries from the financial advisers relating to satisfaction of Pre-Qualification Questionnaire (PQQ) and the financial evaluation methodology to reduce the Council's risk of possible challenge.
 - (b) Since selection of the Preferred Bidder, further work relating to funding of the project had to be undertaken and also the need to attend debriefing meetings and provide written feedback to the unsuccessful bidder, PMC, which necessitated both partner and specialist procurement adviser involvement. This work is still on-going.
 - (c) The NPD model presented complications and some delays particularly since we were not apprised by the Scottish Government, of the detail of the new NPD model or its drafting until July 2009 (despite efforts by the Project Manager and advisers to accelerate the provision of it months before). In July 2009 the Council was provided with NPD drafting from the Tayside Mental Health Project which then had to be revised by our legal advisers to reflect the schools market.
 - (d) The Key Stage Review and NPD aspects were then submitted to Scottish Futures Trust (SFT) at the end of August 2009 and the Council was only able to issue the Invitation to Final Tender on 24 September 2009 after a debate on points with the SFT where policies on NPD had changed since it was provided to the Council.
- 3.7 Council Officers have reviewed the points above and can confirm that all of the work was necessary and the time involved appears reasonable. The Council does not have the required skills to undertake the work done by the legal advisers.

- 3.8 Our advisers have also stated that their estimates of fees are based on experience of working with similar projects but invariably matters arise which cannot be predicted and therefore require additional resource. They have given the Council the assurance that where this happens, they will work closely with the Project Manager and the PPP team to ensure that we mitigate the impact of their fees.
- 3.9 **Appendix 1** provides an estimate of project costs up to 31 March 2010. It is now anticipated that the contract will be finalised in April 2010. On the assumption that the final contract is affordable, estimates for the cost of the PPP team up to completion are as follows:

	2010/11 £	2011/12 £	2012/13 £
PPP Budget Requirement	240,000	£210,000	£95,000

These costs relate to the team finalising the contract, supervising the build of the schools and include an education liaison officer to ensure that the two schools involved are kept informed of development and are consulted wherever possible. The budget in 2012/13 includes a sum for the contract monitoring officer. These figures have been allowed for in the proposed budget to be agreed on 11 February 2010.

4 **SUMMARY OF IMPLICATIONS**

(a) **Single Outcome Agreement/Service Improvement Plan**

The Single Outcome Agreement local priority 10 – Efficiencies is evidenced by performance management, and the Service Improvement Plan commits to monitoring progress and reporting to this committee.

(b) **Policy and Legal**

None.

(c) **Resources (Financial, Risks, Staffing and Property)**

These are detailed in the report and in **Appendix 1**.

(d) **Consultations**

Consultations have taken place with the PPP Project Manager, the Chief Financial Officer and the Senior Management Team within Educational Services whose comments have been incorporated in this report.

5. CONCLUSION

- 5.1 The latest revenue monitoring statement to 31 December 2009 shows a total cumulative spend of £1,242,060 over 2007/08, 2008/09 and 2009/10 resulting in an anticipated overspend of £276,216 to 31 March 2010.**

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Background Papers: Held in Accountancy Section
Ref: DMD/JR/Reports/Children and Young People's Services
Committee/17 February 2010/Educational Services PPP Budget Monitoring
Report

Schools PPP Budget Monitoring for the period 1 April to 31 December 2009

	Cumulative Spend 2007/08 and 2008/09	2009/10			Cumulative Spend to Date	Forecast for 2009/10	Forecast for 3 year to 31 March 2010
	Actual to 31/03/09 £	Annual Budget £	Actual to date £	Percentage	Total £		
Staffing:							
Project Manager	108,236	88,543	66,394	75%	174,630	88,496	196,732
Adviser Technical	19,267	4,400	1,516	34%	20,783	4,000	23,267
Administrative	16,926	7,300	5,154	71%	22,080	6,900	23,826
Adviser Education	31,430	52,500	39,374	75%	70,804	52,379	83,809
Other Employee Costs	1,488	0	0	0%	1,488	0	1,488
Consultants	452,694	257,337	463,745	180%	916,439	673,825	1,126,519
Other Costs							
Property Costs	11,827	4,900	0	0%	11,827	4,900	16,727
Supplies and Services *	16,765	10,000	4,094	41%	20,859	7,000	23,765
Travel	1,583	3,000	1,567	52%	3,150	2,500	4,083
	660,216	563,784	581,844	103%	1,242,060	840,000	1,500,216
Budget					1,224,000	408,000	1,224,000
Available Balance to 31 March 2010					(18,060)		
Overspend for 2009/10						432,000	
Overspend for 3 years to 31 March 2010							276,216
* Administration and Supplies and Services have been amalgamated.							