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**REPORT TO: CHILDREN AND YOUNG PEOPLE'S SERVICES COMMITTEE ON  
24 SEPTEMBER 2014**

**SUBJECT: PPP SCHOOLS: OPERATIONAL PERFORMANCE REPORT**

**BY: ACTING CORPORATE DIRECTOR (EDUCATION AND SOCIAL  
CARE)**

**1. REASON FOR REPORT**

- 1.1 To update Committee on the operational performance of the Public Private Partnership (PPP) project involving Elgin Academy and Keith Primary School.
- 1.2 This report is submitted to Committee in terms of Section III (D)(1) of the Council's Administrative Scheme relating to all the functions of the Council as Education Authority within the terms of relevant legislation with regard to nursery, primary, secondary, further, community education and lifelong learning.

**2. RECOMMENDATION**

- 2.1 **The Committee is invited to scrutinise and note the contents of this report.**

**3. BACKGROUND**

- 3.1 On 22 June 2010, this Council signed the project agreement for the construction and operation of Elgin Academy and Keith Primary School. Under the terms of the agreement, IPP Schools (Moray) are responsible for most aspects of both buildings operation (with the exception of education) up to 2042. This responsibility includes things such as maintenance, janitorial duties and security of the building.
- 3.2 For this IPP Schools (Moray) receives a monthly payment (unitary charge) which is influenced by the quality of their performance. IPP Schools (Moray) has subcontracted the operational element of the contract to a facility management company FES FM. It is intended that reports on the performance of the contract will be submitted bi-annually to this Committee.

#### 4. SUMMARY OF CONTRACT PERFORMANCE

- 4.1 The contract is operating within the gross unitary charge budget with the overall performance rated as 'good'. In the first year of the contract, significant deductions were made against IPP as a consequence of failures against both performance and availability (suitability of rooms for use) standards. The majority of these deductions were as a result of construction defects and the facility management operator (FES) becoming accustomed to the delivery of the standards required. Since December 2012, the performance has improved considerably and, for the first 7 months of this financial year, few deductions have been made.

	Keith Primary	Elgin Academy
	£	£
Annual Unitary Charge	1,255,806	3,440,531
Unitary Charge 2014/15 for 4 months to 31 July 2014	418,602	1,146,844
Deductions 2014/15 for 4 months to 31 July 2014	0	-(133)
Net Charge	418,602	1,146,711

- 4.2 During the first year of the contract, concerns were expressed about levels of energy consumption at both schools. Targets were agreed with IPP to bring consumption within the benchmark for Scottish Schools. Consumption has now improved to the point where it is below the target levels (**APPENDIX 1**). Under the terms of the contract, energy consumption targets are set, together with Total Upper Consumption and Total Lower Consumption limits. Actual consumption is compared to the agreed targets/limits and variances in consumption shared. Thus the financial savings resulting from energy consumption below the agreed target are split between the Council and IPP. Energy targets will be reviewed in April 2015.
- 4.3 The relationship between the schools and facility managing operator FES is regarded as good. Effective communication mechanisms are in place to address any issues. These include monthly operational meetings with the monitoring team and termly meetings with the schools' head teachers.
- 4.4 The main outstanding issues at present are:
- (i) Elgin Academy - Sports Field Drainage: Heavy showers during June and August have highlighted problems with pooling water around the edges of the sports field. Instructions have been given to improve the drainage in these areas.
  - (ii) Elgin Academy - Drama Lighting: Recent changes to the Higher Drama curriculum require increased participation of students in the

technical aspects of drama. An element of this includes operating and adjusting lighting. The lighting rigs at Elgin Academy are inaccessible to students and consequently, one rig will be upgraded to allow it to be raised and lowered automatically. The cost of this upgrade is being met through the capital programme for school improvements.

- (iii) Keith Primary - Pooling Water: Areas of the playground at Keith Primary are subject to extensive puddling. Whilst these puddles are shallow, there is concern that in the winter, children may have restricted access to large parts of the playground due to ice. The contractor has made efforts to improve drainage but these have not been entirely successful. The surface is still regarded as unsatisfactory and instructions have been given to improve the situation further.

## **5. SUMMARY OF IMPLICATIONS**

### **(a) Moray 2023: A Plan for the Future/Service Plan**

There are no implications for the Moray 2023: A Plan for the Future/Service Plan. The replacement of the two schools was a key priority in the Educational Service Improvement Plan.

### **(b) Policy and Legal**

The contract for the operation of the schools will run until 2042.

### **(c) Financial implications**

The agreed budget for the year is £4,661,337 comprising Gross Unitary Charge £4,696,337 and estimated service deductions of £35,000. The budget is overspent to July 2014 by £11,500 as the improved contract performance has resulted in fewer deductions. The reduction in energy consumption for the year 2013/14 referred to at paragraph 4.2 amounted to £24,000. Under the terms of the contract £12,000 is owed to IPP.

### **(d) Risk Implications**

There are no significant risks arising from this report

### **(e) Staffing Implications**

There are no significant staffing implications arising from this report.

### **(f) Property**

There are no property risks arising from this report

### **(g) Equalities**

There are no equality issues arising from this report.

**(h) Consultations**

Consultations have been undertaken with Margaret Forrest, Legal Services Manager, Deborah Brands, Principal Accountant; William Anderson, Energy Officer; David Barnett, Head Teacher, Elgin Academy; Elizabeth Beattie, Head Teacher, Keith Primary School and Education and Social Care SMT. Where comments have been received, these have been included within the report.

**6. CONCLUSION**

- 6.1 The Schools PPP contract is operating within the gross unitary charge budget although budgeted service deductions are less than projected. The standard of performance is regarded as 'good'. There are some ongoing issues against which action is being taken.**

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Background