

## Use Our School Guidance sheet

### PFI Schools and Community Use

This guidance aims to support all those involved in community use of PFI schools, including: Head Teachers, School Business Managers, Community/Sports Centre Managers, PFI Contract Managers, PE staff and Community Groups and Sports Clubs.

Every PFI contract will be different but this sheet provides some generic tips and guidance to help deal with common issues and identify further opportunities for community activity.

### Section One: Overview of PFI and the Implications for Community Use

#### What is PFI?

The Private Finance Initiative (PFI) involves private companies being contracted to build and maintain a school (or other public building) over a long term period – generally around 25 – 30 years. The PFI contract is between the Local Authority and the Contractor. The School enters an agreement with the Local Authority to give up part of their delegated budget in return for the services it receives under the PFI contract.

The PFI Provider documents differ widely from school to school and from contract to contract. However, under a PFI Contract the private partner generally provides:

- The design and construction of the new school
- Fittings, fixtures and equipment in the new school

Over the agreed period the private partner, often through its sub-contractors, may also provide the Facility Management and ICT of the building/s generally including:  
'Hard FM' – maintaining the building, fixtures, furniture and equipment  
'Soft FM' – services such as cleaning, security, caretaking and catering for the school

ICT service – managing the ICT hardware, network and systems for the school  
Every PFI project includes a Project Agreement (PA); a contractual agreement between the Local Authority and the Provider. The PFI schools then sign a Governing Body Agreement which outlines their responsibilities in ensuring the PA is administered effectively.

It is vitally important for the school to understand the terms they have signed up to and not to make any assumptions. In order to develop a sustainable community offer that is well matched to the school's vision, a school will need to be a well-informed PFI client.

## How does a PFI contract work in practice?

There are three contract schedules important to the successful running of a PFI School:

- The Output Specification – what services will be provided by the Contractor and how performance will be measured
- Payment Mechanism – how payments will be made adjusted and any penalties applied to the Contractor
- Change Protocol – how any changes to the contract will be addressed and priced (a change has financial implications)

## Output Specification

This is a really important document as it sets out the specifications for facilities and services. The PFI provider must provide services based on an 'output' rather than an 'input' specification; meaning as long as the standard is met, they can decide how the service is delivered.

**For example**, the output specification for Grounds Maintenance might specify that grass should be 'no longer than 25mm long at any time'; rather than specifying how often the grass should be cut.

Each service, (for example cleaning), will be given a performance standard and key performance indicators with details of how the service will be measured and monitored. If there is a 'service failure' then there is an agreed 'rectification period'

for the contractor to resolve the issue. If the problem is not resolved within the agreed period then financial penalties can apply.

The Local Authority are responsible for managing and enforcing the contract, but the school also play an important role in monitoring the contract as they are at the 'front end' of any service failures.

The Private Contractor issues reports and data to the local authority based on the Key Performance Indicators they have agreed to measure against.

The school report any issues or problems via the 'Helpdesk' which is run by the PFI contractor. It is important that the school use the correct mechanism (rather than speaking directly to the Caretaking staff etc.). As soon as an issue is logged this starts the clock ticking on the rectification period, and the PFI contractor becomes liable for resolving the problem within the contracted time.

## Payment Mechanism

The Local Authority pay a fixed monthly charge to the Private Contractor, this includes a share from the school's delegated budget (which has been agreed in advance). The charge is based on the capital investment and the scope of the FM and ICT services and is known as the Unitary Charge.

If the Private Contractor does not meet the Key Performance Indicators then financial penalties are applied each month. The Payment Mechanism is a system which works out how much needs to be deducted from the Unitary Charge. Each service failure has an agreed tariff which is based on a set of priorities (low medium and high) encompassing:

- The type of service that has failed and how important it is
- The area of the school that has been affected and how important it is (if a room is unavailable as a result then an agreed deduction is applied)
- The length of time the problem continues
- The agreed rectification periods will vary depending on the type of issue

**For example**, an urgent problem that could cause a health and safety issue may have a 1 hour rectification period, and a minor matter, a 15 day rectification period.

## Type of Service

Performance Deductions are used for issues such as a room not being adequately cleaned, and Unavailability Deductions if a space cannot be used. For example if the room was too cold (a minimum temperature would have been agreed in the output specification) then it is classed as unavailable. For obvious reasons, unavailability deductions are higher in value.

### Area of the School

Each area of the school will be allocated a priority based on its function. For example, if a meeting room is out of use then this might hold a £20 fine per core session, but for a specialist area such as a Sports Hall the deduction could be £55 per session.

## Length of Time

If the issue is not resolved within the agreed rectification period, then a daily deduction applies until it is resolved.

**For example**, a cracked tile in the shower cubicle does not prevent the shower from being used safely but is not aesthetically pleasing. The PFI Provider is allocated 15 days to rectify the problem, but it takes them 3 months to repair the damage. They are charged a daily deduction rate during this period which may be very small. Therefore there is often a balance made between logging every minor issue on the Helpdesk and working with the FM provider, so that a list of items may be drawn up for completion in a timely manner.

Each month, the Private Contractor submits a performance report which details any deductions to the Unitary Charge due to service failures. The Council then pay the invoice submitted by the Contractor. In the original contract, the Private Contractor has agreed how many service failures they are allowed over a period of months. Therefore, if the Contractor frequently underperforms the Council can issue a warning notice and ultimately replace a sub-contractor or terminate a contract.

## Change Protocol

Over the PFI contract period, the school are understandably going to require flexibility regarding the equipment, services and facilities that support them in delivering education. The mechanism for dealing with changes and variations within a PFI contract is known as the Change Protocol.

The school must request a change through the Local Authority, then the PFI Contractor provides a price to implement the change. There are generally three categories:

1. Low value changes: generally for the purchase and installation of new equipment
2. Medium value changes: Usually less than £200k
3. High Value Changes: Usually more than £200k and requiring a two stage process – outline proposal and detailed plans (which the Contractor can charge for). Price is usually calculated based on benchmarking/competitive tendering process

Implementing changes can sometimes be a difficult process in a PFI school. Often schools report that they could gain better value for money if they could procure via a traditional route, rather than having costs dictated by the PFI Contractor. The budget costs presented by the PFI provider will include capital costs plus any increase or decrease in the Unitary Charge (due to changes in maintenance, utility costs etc.).

There are techniques for measuring value for money that PFI schools can use as a negotiation tool. These include:

- Comparing costs with similar types of PFI schools (ensuring costs are broken down by soft FM service), using informal networks
- Benchmarking – soft FM services are generally benchmarked every 2- 5 years on an individual basis (security, catering, cleaning)
- Soft Market Testing – identifying what the cost would be to provide the same service via an external supplier or local authority

The Local Authority can remove the Soft Facility Management Services from a PFI contract if performance is poor and/ or costs are prohibitive. However, this process involves the local authority initiating a dispute resolution which can be costly (incurring legal costs).

## PFI Implications of Community Use

It is important to understand how community use has been defined in the Project Agreement and what hours are 'free' (included in the Unitary charge) and what are 'paid for' (in addition to the payments made within the Unitary charge).

For example School A has three categories:

1. Core Hours – The 'School day' 7am – 6pm Monday to Friday in term-time, where access and availability of the facilities to students staff and parents is included within the Unitary Charge
2. Community Use – which are the additional hours that the school is used by the local authority for adult learning. These hours are also included within the Unitary Charge and are therefore 'free'
3. Third Party Use – Events and Lettings to sports clubs etc. which are in addition to the core hours and community use. There is an additional charge for the facilities to be kept open which in this case is an hourly rate for the caretaking service of £28.50 per hour with increased rates after 8pm and on a weekend and bank holidays. There will also be an hourly rate charged for cleaning above and beyond the Project Agreement, which could be for example £10 per hour

Contracts often have a caveat that the school can nominate an agreed additional number of school use periods in the year, so it is important that schools do not forget to use these.

Some contracts may require the additional costs of community use calculated as a room rate rather than a rate for the FM service provider to support community use.

There are some PFI contracts that include the delivery of the community service within the Unitary Charge; sometimes with the school gaining a share from the income once it reaches a certain threshold. This arrangement may not always be in the PFI Contractors financial interests and therefore they may not actively encourage community use.

There are financial implications to the school of monitoring a PFI contract and this becomes relevant to community use as well. The school will need to identify who is monitoring any community use related services and ensure they are appropriately trained. Failure by the PFI contractor to rectify a community use issue could have implications for the school's relationship with a community organisation/club. For example, if the Sports Hall is not available for a club event due to a maintenance or cleaning issue then the club may choose to not pay the school for the booking, withdraw repeat bookings or find another venue. It needs to be clear in the school lettings contract with the club what they can expect.

If community use requires you to implement any changes to your output specifications, this could have financial implications. As a result, these may need to be considered within your community use pricing policy.

## **Section Two: Tips and Guidance for Community Use at PFI Schools**

### **Catering Contract**

It may be appropriate to request your catering contractor to extend their opening hours to provide refreshments during community use. The benchmarking period provides a good opportunity to introduce major changes.

Survey your community users to ascertain which days and times would be most profitable and start with those. If refreshments are booked for a school evening or weekend event then consider offering them to community users as well.

It could be an opportunity for catering students to try out their skills in a real work experience setting. Developing this partnership with the catering provider could lead to future apprenticeships. Alternatively you may choose to install a healthy vending machine near to the community foyer area with the agreement of the PFI/Catering provider.

**For example,** School B are extending their catering contract from two evenings a week to opening their Bistro seven days of the week. As part of the benchmarking process they renegotiated the catering contract to a 50% profit share

arrangement between the Catering Contractor and the school. This incentivises the school to promote the Bistro to the wider community to ensure it is a success.

## Cleaning Contract

You may need to balance the financial implications of extra cleaning with the need to provide a professional service to community users. **Things you can consider:**

- Changing times of current cleaning schedules to benefit community use
- The Community Use Manager/Sports Centre Manager and/or Assistants carrying out a light clean-up prior to community use, such as litter picking etc.
- Request the Caretaker/Site Manager to empty bins, renew any consumables etc. if they are being paid to be on site as well

Encourage community users to leave the facilities as they have found them to minimise additional cleaning costs. A clause can be added into the lettings contract which enables you to charge a community users if they have left facilities in an unsuitable condition.

**For example**, at School C a 'loose' clean is carried out at 4pm of the toilets and shower block before community use begins. The main deep clean then takes place early morning before the students arrive. This arrangement has minimised additional cleaning costs.

## Utilities (heating/lighting)

Accurately measure your utility costs and ensure you can cover them via one of these options: your community income through one of the following options:

- Through your community use income. The DfE recommend facilities to be used for community use be separately metered. This ensures you can accurately measure the additional costs and ensure your community use income can cover the additional outgoings
- The community use budget to pay an agreed percentage of the utility bills



- A 'pay as you go' type arrangement for fuel bills whereby heating is turned off unless requested by the community team and the date and time is noted and then paid back annually.

In order to balance the additional cost of utility bills you may consider charging a higher fee during winter for some facilities to cover the cost of floodlighting, heating, hot showers etc.

All schools are legally required to undertake an Energy Assessment every year. Use your Energy Consultant to advise you on how to save money and improve your energy management (included within your output specification). They may advise sub-metering your sports/community facilities or a payback scheme for installing energy saving lights. Depending on the contract, the school or Local Authority may have a facility to share 50% of the savings with the PFI provider for reducing energy costs. This provides an additional incentive for all parties.

## **Caretaking (opening up, locking up, on-site issues, health and safety)**

Utilise your site staff efficiently and effectively to ensure the smooth running of your community activities. Consider if a site manager is necessary to open and close your facilities during community use hours.

It may be a requirement of your Insurance or the PFI Insurance to have caretaker/site management cover, so ensure the correct protocol is followed. In order to avoid additional costs, one option is for the site manager or equivalent role to incorporate their regular school duties such as maintenance and repairs during the community use hours.

If the Caretaker/Site Management are required to be on site for maintenance or servicing activities, ensure you are aware of this and not paying for their time twice by checking the transmittals sheet or live access to the helpdesk.

**For example**, at School D the Caretaker is required to open up for a club which has been using the school site for over 20 years and is very self-sufficient. Once the necessary checks have been completed, it is agreed that the Caretaker will carry out some jobs from their maintenance list such as putting up shelves, checking emergency lighting etc. This means the school are only paying minimal additional

costs for the Caretakers time, as the maintenance jobs are included within the Unitary Charge.

If you are an Academy or Foundation School then you are the duty holder in legislation and are bound legally as the 'Employer' to deal with and report any Health and Safety issues. Therefore failure to log issues with the helpdesk could have considerable legal implications if an accident were to occur as a result.

## **Management (bookings, development, customer care, invoicing)**

Manage your community bookings to enable you to balance the costs of the FM contract. The following are worth consideration:

- Investing in a software system that will enable you to manage bookings and raise invoices efficiently. The ability to chase up payments will be important to enable the school to pay for any additional soft FM costs.
- Encourage simultaneous bookings of parallel facilities on the same day (rather than opening up for one club at a time).
- Provide incentives for clubs and groups to make long term bookings, (by encouraging a group to book more than 10 sessions in one year will also mean there is no VAT charge).
- Fill up quiet spots by offering high income commercial lettings such as parties and 5 aside.
- Offer training facilities for clubs out of season.
- Don't spread yourself too thinly, start at a level you can manage well then consider scaling up as you get busier and if you can resource this.
- Ensure there is someone whose responsibility it is to sustain and develop your community users.
- Offer a personalised service which encourages groups and clubs to support the school and students, for example a Basketball Club receive a competitive booking rate and in return provide specialist coaching for Students.
- Provide opportunity for community users to feedback comments to help improve your service and have a clear customer complaints policy.

- Involve your PFI contractor in the customer service process. For example encourage them to view and do walk round checks with you on a regular basis during community hours as part of their own monitoring process.
- Continue to advertise and promote your facilities and services using a range of free and low cost methods such as your website, local free press, newsletters, via partner schools, through community publications, on billboards and banners.
- Use the sporting networks available within your local authority and region such as County Sport Partnerships and link with National Governing Bodies of sport.

In addition, there may be opportunities for accessing funding to improve and develop facilities and programmes.

**For example**, School E does not advertise their facilities as open on a Friday as this is traditionally a quiet day due to clubs often having fixtures on a Saturday Morning. However, if they are approached to host a large event then they will open on a Friday as the additional income will be worthwhile.

## **Maintenance/repairs**

PFI schools have a more complex process for dealing with repairs and maintenance.

Encourage community users to report maintenance or cleaning issues to support you in the monitoring process. There will be clear procedures outlined in your output specification which include reporting and rectification periods depending on severity of the failure. It is important to report any maintenance issues promptly so that the rectification process can begin.

It is good practice to reimburse a club/group for any issues which prevent them from using a facility safely and where there is no alternative available. Allow a mechanism in your community lettings contract with the club to enable you to cancel at short notice and offer a refund for extreme cases. The PFI payment mechanism will include a substantial unavailability deduction that should cover your reimbursement costs.

**For example**, School F have faulty showers that only run cold, as a result the local Football Club are unable to use them. The school apologise to the club and offer

them one free session. The showers are reported on the Helpdesk as Unavailable and the Business Manager ensures the penalty charge is used to cover the resulting shortfall in the community use budget.

## **Selling benefits to PFI contractor**

Gaining support from the PFI Contractor for your community programme will help the negotiation process.

Encourage your PFI contractor to become involved with the community use element, for example by sponsoring a team or presenting awards at tournaments. They may have a requirement to work with the community as part of their Corporate Social Responsibility.

Enter your school into any relevant awards and competitions relating to community use which may be viewed as kudos for the PFI contractor.

Consider offering to speak at conferences, share your experiences with other PFI schools and join local PFI working groups. This will improve your skills and knowledge as a client and will ultimately improve your relationship with your PFI partner.

## **Contracts and Lettings policies**

Your contracts and Lettings policy should reflect the systems and procedures that you use as a PFI school:

- Consider offering one hour booking slots (including set up time) as a minimum to ensure you are financially viable.
- In your contracts with your community groups, you may wish to include a penalty for damaging equipment or leaving facilities not as they found them. This should promote good care and reduce your FM service costs.
- It is advisable to include an induction programme as requisite to ensure your community groups understand emergency procedures, reporting mechanisms for service failures etc.
- Most clubs registered with their Sport Governing Body will have their own insurance; ensure you see a copy of this. Alternatively you may need to

charge them for insurance through your own Local Authority insurance policy where appropriate.

- Check references of new users – where have they come from and why did they leave? This ensures you avoid any clubs or groups that may cause problems to your school.
- Consider formalising any long term, mutually beneficial arrangements with a club through a Service Level Agreement. This helps you to forward plan and negotiate requirements well in advance with your PFI Contractor.

**For example**, School H has a service level agreement with a Sport Governing Body accredited Athletics club. The agreement is reviewed on an annual basis but forms a long term partnership between the club and school. The athletics club agree to support the school and partner primary schools by offering support during the curriculum as well as providing after school clubs for students and contributing to key sporting events during the academic year. In return, the Athletics Club benefit from use of the athletics track, sports hall and fitness suite at a concessionary rate and their booking requirements are prioritised each year.

## **Financing – balancing income and expenditure, pricing policy**

In order for community use to be sustainable it is important to at least balance income and expenditure. Outgoings can be more expensive when a PFI contractor is involved.

By developing a pricing policy with a range of prices for different types of users this will help you to make community use more sustainable. Consider lower prices for: Junior teams, clubs that are supporting you deliver your curriculum, and clubs/groups that make regular long term bookings.

Consider higher prices for: Winter use when costs are more expensive, private/commercial groups and teams such as 5 aside, events, parties etc.

Consider discussing with your PFI provider a reduction in their charges for local groups as a sign of commitment to the local community. This might include differential pricing for poorer clubs or community groups that are working with target audiences etc.

Many PFI contracts require the school to submit an annual schedule in June/July providing an indication of the bookings for the next academic year. This may seem onerous, but is a useful mechanism that assists in financial planning and forecasting bookings.

## **Relationship building / Negotiating**

Over a 25/30 year period the relationship with the PFI Contractor will evolve. There will understandably be changes of staff within the PFI Contract Management and sub-contractors may change hands.

**For example**, Liverpool Council and PFI Schools have jointly produced a Handbook for new School Staff, Governors and Contract Managers who are working for the Local Authority, FM providers and PFI Contractor. The Handbook explains how the schools use and work with the various contracts. It provides new staff with an overview without having to wade through all the contract documentation. It explains how all parties interpret the contract and therefore avoids a dispute resolution which can incur legal costs.

Sometimes to get the best deal you will have to enter into a challenging negotiation process to achieve your desired outcome.

The 5 yearly benchmarking processes can provide a good opportunity to negotiate changes with an FM subcontractor and make service improvements. If another FM provider demonstrates better value for money, either they can be brought in or a sub-contractor may get bought out by another company during the lifetime of the PFI contract.

There is a defined change protocol and variation requests which should be kept separate from any local negotiations/agreements as long as they don't affect the integrity of the contract.

It may prove beneficial to link up with other PFI schools also under a contract with your FM provider. You can swap what is working and not working, any differences between how they are working with their provider and draw on this within your negotiation process.

If a group of schools are requesting the same contract changes then this could help the FM provider make the changes efficiently.

Consider dealing with any minor issues, directly with the FM service provider, as long as it does not affect your liability or service. That way you will generate some good will and develop a stronger relationship with your soft FM providers.

The Benchmarking process is an ideal time to view any issues you have with your current FM contractors and threaten to go to market testing. This then provides an incentive for your PFI Contractor and FM providers to negotiate with you and make changes.

If you need to play 'hard ball' then review the FM output specifications – it will be extremely difficult for your provider to fulfil the complete output specification on a daily basis, for example 'no dust on the skirting boards' 'no smears on the windows', 'grass no longer than Xmm in length' etc. You could make their situation very difficult by logging on the helpdesk every little issue and also prioritising unavailability criteria which could cause your PFI contractor an administration crisis. This will get their attention and provide you with a strong position to negotiate from.

**For example**, at School F the PFI cleaning sub-contractor had a number of staff off sick, so the main early morning deep clean was not carried out as thoroughly as outlined in the output specification, however there were no major issues which caused the school concern. Rather than log the issues with the helpdesk individually, and incurring the contractor financial penalties, the school negotiate with the PFI provider/FM provider. The school say they understand the KPIs were not achieved due to a difficult session and on this occasion will overlook the issues. In return the school request support with an additional request and the improved working relationship started to develop.

## **Rectification and Monitoring Performance**

Schools generally have two crucial monitoring periods during the school day, usually the first is 5 minutes before the school is due to open for students, and the second is usually 5 minutes before the students resume lessons after lunch. These are the important times at which any major service failures are captured to ensure they can be rectified as soon as possible. If they are not rectified, the deduction will apply at each monitoring period, particularly for an unavailability event.

It is important that there is a member of staff with specific responsibility for logging Community Use issues and checking they have been rectified. This can be quite a

time-consuming process so you need to resource this appropriately to offer good customer service for your community users.

Encourage clubs and organised groups to report any defects promptly and offer a clear and easy protocol for this. E.g. a designated email / text message or posting a form in a box which is checked every day.

Ensure all issues are logged promptly with the helpdesk – doing this by email will provide you with an audit trail.

You may choose to prioritise the logging of unavailability issues (where a facility becomes unavailable due to the service failure) as they incur the largest financial penalties and most inconvenience to your community user

Understand your output specification so that you can be specific and assign the correct rectification for any issues with your helpdesk. For example, in the output specification it may state that lux levels in the Sports Hall should be no lower than 70% of the agreed levels. It is about knowing how and when to report the issue.

**For example**, School H have a separate email 'info@' which is just for staff and community users to log issues with facilities. The emails are filtered by the Business Manager as some can be resolved locally, and some are not relevant to the PFI provider. Those issues that need attention are then logged with the helpdesk. This is an efficient method of dealing with FM issues and provides an audit trail.

## **Guidance from External partners**

Your Local Authority PFI Contract Management Team may be able to provide you with support and help in any PFI related issues. In order to be an informed client, it is advisable to attend relevant working parties (E.g. Health and Safety, Benchmarking etc) or identify an appropriate member of staff to represent your school and disseminate any findings.

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