

**REPORT TO: SPECIAL POLICY & RESOURCES COMMITTEE  
SPECIAL PERSONNEL & MANAGEMENT SERVICES COMMITTEE  
16 SEPTEMBER 2002**

**REPORT ON: ESTABLISHMENT OF PROJECT TEAM**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO.: 679-2002**

1 PURPOSE OF REPORT

The Council are exploring with the Scottish Executive, the practicality of inviting bids based on a Joint Venture Company with the Council holding a proportion of the share capital. It is now necessary to establish the PPP for Schools Project Team, appoint the legal, financial and technical external consultants and identify the funding necessary to take the Council's PPP for Schools Project forward to financial closure.

2 RECOMMENDATIONS

That the Policy & Resources Committee agrees to the following recommendations:-

- (a) that the Project Team management structure for the development of the PPP Project for Schools, including the Joint Venture Company as detailed in Paragraph 8.1, be established.
- (b) the appointment of Grant Thornton, Shepherd & Wedderburn and Turner & Townsend, as the project's external consultants for financial, legal and technical advice respectively.
- (c) that the funding of the PPP development costs of £1,435,642, as detailed in Appendix A, be met from the Education Department's 2002/03, 2003/04 and 2004/05 Revenue Budgets.
- (d) the Chief Executive be instructed to write to the Scottish Executive requesting additional funding of £1,435,642 to cover the development costs of the PPP for Schools Project up to financial closure.
- (e) that if the Scottish Executive do not respond positively to the request referred to in (d) above, then the Council would request that £1.44m of its 2002/03 Capital Consent be converted into a special grant and be used to fund the PPP development costs and that the consequential shortfall in capital resources is met by a combination of capital receipts and supplementary capital allocation.
- (f) that Floor 8 of City House be set up as the office of the PPP Project Team, with associated setting up costs of £26,000.

and that the Personnel and Management Services Committee agrees to the following recommendations:-

- (a) establish the Project Team management structure for the development of the PPP Project for Schools, as detailed in Paragraph 8.1 of this report.

- (b) establish the following temporary posts for the period up to 31 July 2004;

<u>Job Title</u>	<u>Grade</u>	<u>Pay Scale</u>
Project Manager	PO15 – 18	£33,983 - £36,377
Educational Adviser	PO11 – 14	£31,004 - £33,224
Admin/Data Assistant	AP3	£16,673 - £18,296
Admin Assistant	AP1	£13,664 - £14,618
Legal Officer	PO7 – 10	£28,187 - £30,323
Property Adviser	PO11 – 14	£31,004 - £33,224
Architects	PO 7 – 10	£28,187 - £30,323
Quantity Surveyor	PO 7 – 10	£28,187 - £30,323
Engineer ( <i>Services</i> )	PO 7 – 10	£28,187 - £30,323

### 3 FINANCIAL IMPLICATIONS

- 3.1 The estimated costs of appointing the external financial, legal and technical advisers and establishing the Project Team management structure are detailed in Appendix A.
- 3.2 The net additional cost of taking forward the PPP Project for Schools is estimated to be £458,805, £788,881 and £187,956 in 2002/03, 2003/04 and 2004/05 respectively, giving a total additional net revenue expenditure of £1,435,642.
- 3.3 It is proposed to fund this additional expenditure by requesting an additional special grant from the Scottish Executive.

If this grant aid is not forthcoming, then an option which other Councils have had approved, is to convert some of the Council's 2002/03 Capital Consent into a special grant and use this to fund the PPP development costs. While prima facie this would leave a funding gap of £1.44m in the Council's 2002/03 Capital programme, this gap would almost entirely be taken up by a combination of capital receipts and supplementary capital allocations.

- 3.4 It must be stressed that the majority of the aforementioned expenditure of £1,435,642 will not be committed until the Scottish Executive decision on the revised Outline Business Case has been confirmed. In the period up to the Council receiving the Scottish Executive confirmation, this expenditure will have to be borne by the Council, and any revenue expenditure incurred during this period will be met from the Council's General Fund balances.

It should be appreciated that if the Council were to withdraw from the Project, then the development costs incurred between now and that date would be met from the funding identified in Paragraphs 3.3 and 3.4 above.

### 4 LOCAL AGENDA 21 IMPLICATIONS

None.

### 5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

## 6 BACKGROUND

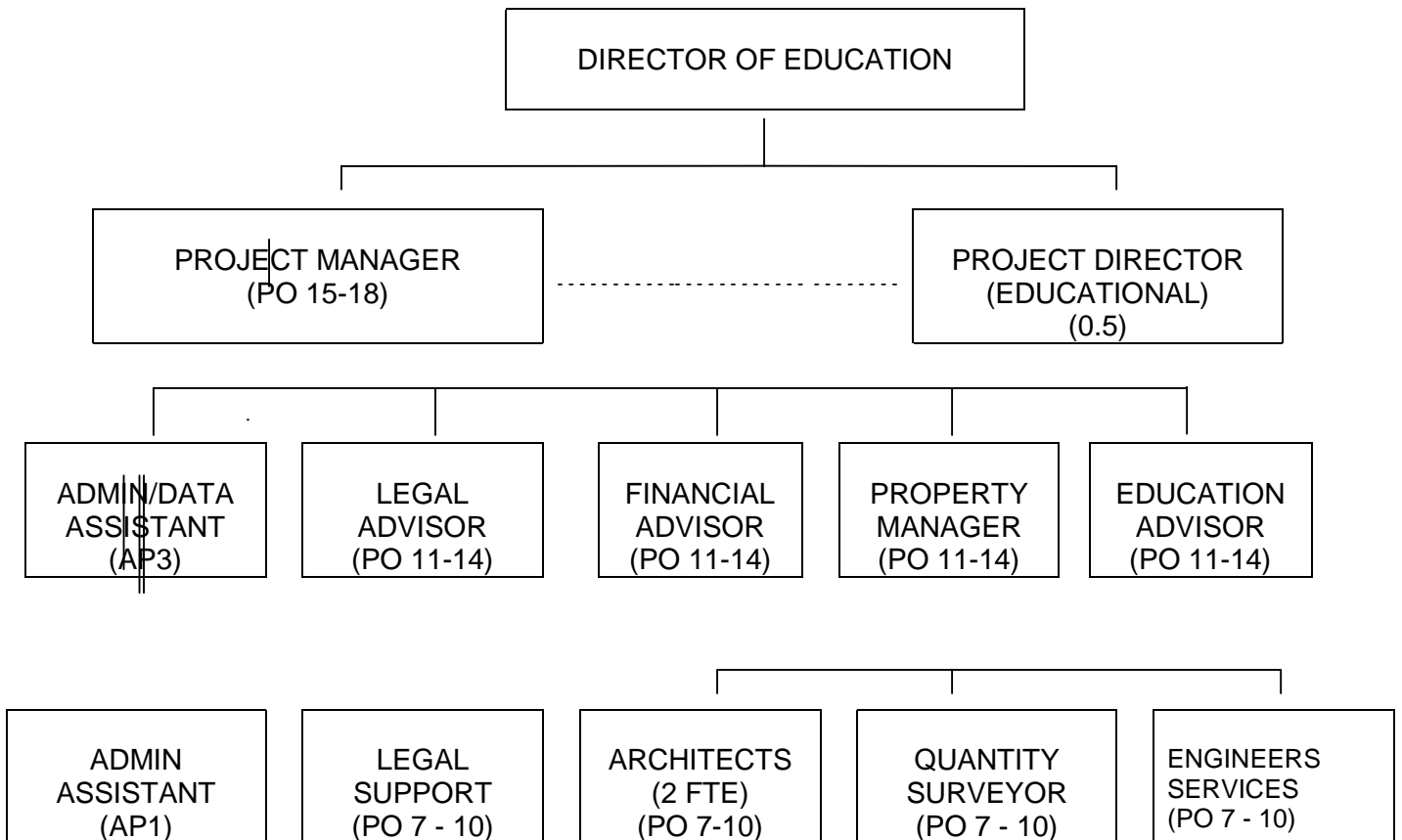
- 6.1 The City Council, through the specially constituted PPP Project Board, prepared and submitted to the Scottish Executive on 14 December 2001, an Outline Business Case for a PPP Project for Schools.
- 6.2 On 5 July 2002, the Scottish Executive announced that the Council had been successful with its Outline Business Case submission, and that the Scottish Executive had awarded the City Council up to £5.73m of Level Playing Field support per annum to fund the PPP Project for Schools over its 30-year contract period.
- 6.3 In order to take the PPP Project for Schools forward to financial closure, it will now be necessary to appoint external legal, financial and technical advisers and to set up the internal Project Team.

## 7 EXTERNAL CONSULTANTS

- 7.1 In terms of the appointment of external consultants for legal, financial and technical advisory services, these matters were originally considered in August 2001, when the aforementioned services were required for the submission of the Council's Outline Business Case. Then the Council tendered for the services and included within the tender request quotes for providing not only the services up to the Outline Business Case, but for the work thereafter to take the project forward to financial closure. The conclusion of that tendering procedure was the appointment of Shepherd and Wedderburn, as legal advisers, Arthur Andersen as financial advisers, and Turner & Townsend as technical advisers. The Arthur Andersen team who assisted the Council with its Outline Business Case have now transferred to Grant Thornton.
- 7.2 The Chief Executive and other senior officials of the Council are satisfied that the rates quoted initially by these external consultants are competitive, and that the quality and content of their advice in the preparation and submission of the Outline Business Case was such that they would recommend their subsequent appointment as the legal, financial and technical advisers for the next stage of the PPP Project for Schools development, up to financial close.
- 7.3 The total fees of the three consultants in taking the PPP project up to financial closure are estimated to be £123,128, £347,967 and £74,736 in the financial years 2002/03, 2003/04 and 2004/05 respectively.

8 PROJECT TEAM

8.1 In addition to the external advisers, the Council will require to establish a Project Team in order to deal with the many varied and complex tasks necessary in taking the project to financial closure. The Project Team will comprise of some existing staff within the Council drawn from the Departments of Education, Support Services (Legal), Support Services (Architects/QS) and Finance, and some new staff. The proposed Management Structure for the Project Team is as follows:-



8.2 It should be recognised that a number of the posts in the Project Team management structure will be filled by current staff and it is not intended to back-fill all of the vacancies created by these moves. Those posts which are to be filled by new staff will be on a fixed term basis, consistent with the development timescale of the PPP Project.

8.3 The gross direct staff costs related to the internal PPP Project Team are estimated to be £367,401, £502,631 and £119,690 for the financial years 2002/03, 2003/04 and 2004/05 respectively. It should be noted that these gross costs will be offset by the Revenue Budget provision for some of the posts that are not being back-filled and this reduces the aforementioned expenditure by £97,843, £139,976 and £34,838 respectively. Details of the full costing of the development costs are provided in Appendix A.

9 ACCOMMODATION

In order to take the PPP for Schools project forward to financial close, it will be necessary to set up a dedicated office, including meetings rooms and a data room. The City Council currently has a long term lease for 3 floors of City House, and Floor 8 would provide ideal accommodation to house the Project Team. The cost of setting up the Project office is estimated to be of the order of £26,000. Further the rental, service charges and running costs of this Project office are estimated to be £45,000 per annum, however £35,000 of this expenditure is payable to the City Council and therefore the net financial effect on the City Council is reduced to £10,000 per annum, or £20,000 during the 2 year development period up to financial closure.

10 CONCLUSION

The Council's Outline Business Case for its proposed PPP Project for Schools was submitted on 14 December 2001, and the announcement on 5 July 2002 by the Scottish Executive that it would provide up to £5.73m of Level Playing Field support per annum, means that the project can proceed if the Council wish. In order to meet the challenging timescale of implementing this proposed project, it is essential to have in place the necessary external and internal staffing and financial resources.

The approval of this report will allow the necessary investigation and planning to take place and this is deemed essential in ensuring that the Council maintains compliance with the challenging timetable it has set itself. A key element of the investigations will be in respect of the practicality of inviting bids based on a Joint Venture Company.

11. CONSULTATION

The Chief Executive, Director of Education, Director of Support Services and Director of Personnel and Management Services have all been consulted in the preparation of this report.

DATE \_\_\_\_\_

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**DAVID K DORWARD**  
**DIRECTOR OF FINANCE**

**BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

**PUBLIC PRIVATE PARTNERSHIP BUDGET**

	<u>2002/03</u> £		<u>2003/04</u> £		<u>2004/05</u> £	
<b><u>Staff Costs</u></b>						
Direct Staff	367,401		502,631		119,690	
Additional Indirect Staff Costs	3,619		8,259		3,068	
Other Staff Costs	<u>12,500</u>		<u>25,000</u>		<u>8,300</u>	
		<b>383,520</b>		<b>535,890</b>		<b>131,058</b>
<b><u>Property Costs</u></b>						
Rent	10,000		20,000		6,500	
Service Charge	7,500		15,000		5,000	
Running Costs	<u>6,500</u>		<u>10,000</u>		<u>3,500</u>	
		<b>24,000</b>		<b>45,000</b>		<b>15,000</b>
<b><u>Supplies &amp; Services</u></b>						
Stationery	2,500		5,000		1,600	
Photocopying	2,500		5,000		1,600	
Telephones	1,500		3,000		1,000	
Other Costs	2,000		4,000		1,300	
IT Recharge	<u>1,500</u>		<u>3,000</u>		<u>1,000</u>	
		<b>10,000</b>		<b>20,000</b>		<b>6,500</b>
<b><u>Third Party Payments</u></b>						
Finance Consultants	67,176		176,250		44,784	
Legal Consultants	29,952		117,248		29,952	
Technical Consultants	26,000		54,469		0	
Legal/Search Fees	2,500		5,000		2,500	
Planning Fees	<u>5,000</u>		<u>10,000</u>		<u>5,000</u>	
		<b>130,628</b>		<b>362,967</b>		<b>82,236</b>
<b>Office Set Up Costs</b>		<b>26,000</b>		<b>0</b>		<b>0</b>
<b>Total Expenditure</b>		<b>574,148</b>		<b>963,857</b>		<b>234,794</b>
Less						
Provision already included for staff in Revenue Budgets	97,843		139,976		34,838	
Rent and Service Charge Receivable	17,500		35,000		12,000	
		<b>458,805</b>		<b>788,881</b>		<b>187,956</b>
				<b>TOTAL</b>		<b>1,435,642</b>