

Questions on behalf of the Governing Body of Ysgol Gyfun Cwm Rhymni regarding the business case for the potential termination of the Caerphilly CBC School PFI Contract.

Dear Stephen,

Thank you for your time earlier and also for the opportunity for us to view the business case pertaining to the proposal to terminate the PFI agreement at Cwm Rhymni and Lewis School, Pengam. We also appreciate your offer to answer any questions arising from this business case and would be grateful to receive a response regarding the questions set out below.

1. The Governing Body remains concerned regarding the lack of meaningful engagement that has taken place and the timescales that have been involved. We note that an approval in principle regarding the proposed termination was received from Welsh Government in June 2022. This makes our previous point pertaining to the very short consultation period (the Governing Body had only 1 week to respond to the consultation in February 2023) even more difficult to comprehend.

CCBC Officers Response:

As you will be aware, the Leader of the Council has postponed the planned Council decision from the 15th March to the 19th April providing an extended period through which we can continue our engagement and for the school to submit any further responses that it would like considered by full Council.

The 'in principle' approval received from Welsh Government in June 2022 was based on an earlier version of the business case that had been submitted to them by the Authority in February 2022. This case assumed a termination date of July 2022, but before progressing matters further it was important to secure Welsh Government commitment to ongoing funding to ensure that the business case remained viable.

The Council did not, however, receive confirmation of the continuation of Welsh Government funding necessary to proceed until June 2022, rendering the termination date unachievable.

The proposed termination date was subsequently revised to July 2023 and an updated financial analysis was sought from Local Partnerships, that took into consideration the time that had elapsed and would ensure the financial aspects of the business case were current. This refreshed financial analysis was received in December 2022 with the final version of the business case following in February 2023.

2. In view of the above, we note that there is no material impact on the figures involved in the business case should the proposal slip into the later end of this calendar year. In view of this, we kindly request once again that the current rate of progress is paused and that the Authority meaningfully engage with the school's governing body in order for us to assess the impacts on the school accordingly. As I'm sure that you will appreciate, this will allow us to ensure that we are fulfilling our role effectively, and acting in the best interest of pupils that attend the school.

CCBC Officers Response:

The rescheduling of the Council decision on the proposed voluntary termination means that the implementation programme will need to be reprofiled. Ideally, any new

arrangement would need to be introduced during a school holiday rather than mid-term, which would indicate now that either an October Half term or Christmas Holiday implementation are most likely. The longer the delay, however, the less reliable the figures will be and the need to refresh the financial analysis again should ideally be avoided.

As referenced previously, an additional period is now available to continue our engagement and Officers from across the Council are meeting with the School during that time to help further clarify the proposal.

3. We note that the business case refers to a circa £932k maintenance backlog (across both schools) and trust that any follow-up survey will pay particular attention to items relating to this in order to minimise the transferable risk to the school. We would hope that any benefit gained from the Authority (for example, in reducing the compensation payable to the PFI Contractor to off-set this backlog) is passed to the schools to ensure that any maintenance issues are addressed.

CCBC Officers Response:

Should the decision be taken to voluntarily terminate the PFI agreement, a full condition survey will be undertaken. This will provide an updated condition report and these works will need to be addressed by the PFI Contractor prior to the handover.

If for some reason the works to address the backlog maintenance are not completed in full by the PFI Contractor, then a reduction in the compensation sum payable will be negotiated which should provide the funding necessary to complete any outstanding works.

4. We note the need for a proposal of this kind to follow guidance set out by HM Treasury's five case model. As part of the Strategic Case dimension of this model, we note the HM Treasury's Guide to that model states that due consideration must be given to wider local, regional and national policies and targets. Since the PFI agreement affects the only Welsh language secondary school in the Authority, clearly particular reference should have been made to the WESP and consequently any impact on the Welsh language. We note that neither is referred to on any occasion during the business case which remains a concern to us.

CCBC Officers Response:

I can confirm that this was undertaken as part of the Integrated Impact Assessment.

It should also be noted that the PFI agreement applies to an English Medium Secondary and Welsh Medium Secondary School and that in the case of the Welsh Medium Secondary School, which operates over two sites, one site is managed through the PFI, while the other is not.

5. We note that in the event of termination, the school will also be required to arrange additional costs, and specifically additional insurance to cover certain items (estimated at £23k per annum). This is the first time the Governing Body, or Headteacher, has been made aware of this and we feel that this adds weight to our argument around the lack of meaningful engagement in determining the impact on the school's budget. We

are firmly of the opinion that the fact that we are still seeking answers to our queries, 2 days before the Full Council vote on the proposal, reinforces this point further.

CCBC Officers Response:

Funding for insurance is provided by the Council through the schools funding formula. Although this is unlikely, if any unique insurance circumstances relating to the Gellihaf site emerge post termination, then the implications and funding requirement will be discussed with the schools and a plan put in place for mitigation. Otherwise, the insurance costs will be met through the funding formula as is the case across all non PFI schools.

6. We would also note from the timeline setting out the proposal that discussions around the new service provision are not scheduled to take place until June 2023. We are concerned that this does not provide us with sufficient time to assess the impact on the school's budget. To properly assess the impact on the school, we would require this information, and in particular any anticipated costs (assuming a similar level of service) to that which is currently being provided, as part of the consultation process.

CCBC Officers Response:

Should the decision to terminate be forthcoming, the School will need to determine the level of service it wishes to offer in respect of catering, cleaning etc. This is consistent across all other schools within the Borough, except for the two PFI schools, and the services will need to be funded through the schools funding formula. I note your reference to assuming a similar level of service.

The school will have a choice as to who it engages to deliver those services, as do all schools in Caerphilly (including the Y Gwyndy site). The Council would naturally welcome the opportunity to provide some of these services as we do across many schools, but we also recognise that this will be a decision for you as a school.

The previously mentioned postponement of the full Council decision does enable more time for these services to be specified, costed, and tested ahead of any implementation moving forward.

7. In view of point 6, since we are currently in the process of planning and setting our budget over the next two years, we would appreciate a commitment from the Authority that if service costs are higher (for an equivalent level of service as provided currently, and covered under the unitary charge) for 2023-24 and 2024-25 that this will be met in full by the Authority. This will allow us to plan our budget in full which as we understand it is a statutory requirement for schools by May 2023. The challenges of the school's budget in these circumstances are caused by the Authority's decision to terminate the PFI, and some of those challenges will arise in-year (for example, needing to budget for the additional insurance costs in 2023/24).

CCBC Officers Response:

As a School and a Governing Body, you will recognise that the current budgetary challenges facing the school are not related to the proposed voluntary termination of the PFI contract. The Authority's Education Finance Team is, separately, working with the School to identify a plan to address those future challenges.

The Council also recognises and shares the Schools desire to limit the impact of the voluntary termination of the PFI contract on those challenges currently being faced.

As previously referenced, funding for non PFI schools is provided by the Council through the schools funding formula. This formula ensures that there is a parity in the way the funding is shared out among all schools.

The level of service provided and also the service provider(s) remains a choice for the school. This is also the arrangement that is currently in operation at the Y Gwyndy site.

8. We note that the business case, and viability of terminating the PFI agreement, is dependent on grant support funding to the Authority (from Welsh Government) remaining unchanged. We would appreciate clarification around why this would be the case since a proportion of this funding would clearly be used to supplement the funding of both PFI schools. Moreover, what assurances does the Authority have that this will continue for the duration of the agreement (i.e for the next 9.5 years) if e.g. there are changes following the next Senedd elections?

CCBC Officers Response:

The Welsh Government has previously requested that all local authorities with PFI contracts review them to assess whether they continue to offer value for money.

Following consideration of the business case for the proposed voluntary termination of the Caerphilly CBC Schools PFI contract, WG has confirmed that its financial contribution will remain in place for the next 9.5 years. WG's financial contribution is towards the funding of the capital elements of the PFI Contract.

We appreciate your time and consideration of the above and look forward to working collaboratively with the Authority as we attempt to secure the very best for pupils that currently attend Ysgol Gyfun Cwm Rhymni, and also for pupils that will attend the school in the future.

Kind Regards

Matthew Webb and Phil Bevan

(on behalf of the Governing Body of Ysgol Gyfun Cwm Rhymni)