

EDUCATION AND LIFELONG LEARNING EXECUTIVE

To be determined on 28 July 2000

Title: Appointment of Arthur Andersen as consultants to the Director of Education and Lifelong Learning

Ward: Citywide

Officer presenting report: David Yorath

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1. Report Summary

The report seeks agreement to the appointment of Arthur Andersen as consultants to the Director of Education and Lifelong Learning for stage two of the work required following the LEA-OfSTED inspection.

2. Recommendation

That Arthur Andersen be appointed as consultants to the Director of Education and Lifelong Learning for stage two of the work required following the LEA-OfSTED inspection.

3. Policy

The OfSTED Action Plan agreed by the former Education Committee on 13 April 2000, sets out the work to be done by consultants in implementing the Action Plan.

4. Consultation

(a) Internal

Trades Unions and staff were consulted on the OfSTED Action Plan

(b) External

There has been consultation with headteachers and governors on the OfSTED Action Plan.

There has been consultation and discussion with the Department for Education and Employment (DfEE) on the work to be done in the stage two consultancy.

5. Background and Assessment

The OfSTED Action Plan was submitted to DfEE on 14 April 2000 and DfEE appointed Birmingham/Andersens/APS Keele to work with the LEA to carry out phase one of the consultancy work required.

Although DfEE have yet to issue formal approval to the Action Plan, they have

agreed that Bristol continue implementation, based on the draft Action Plan and based on the recommendations of the stage one consultancy, covering two areas:

- ▶ Secondary School places / school organisation;
- ▶ Production of a business case and option appraisal to support your PFI/Investment programme;

6. Other Options Considered

1. To carry out the work in-house

This option would have required the appointment of staff on fixed-term contracts and it is considered unlikely that the mix of skills required for the work envisaged for the stage two consultancy could be found in the regular public-sector job market in the area. Alternatively, it would have been necessary to second existing staff to do the work with the consequential need to back-fill those posts. Again, it was felt that the skills mix could not be obtained through this route without detriment to the continuing work of the department.

2. To go out to tender for the whole of the stage two consultancy work

This option was considered in discussion with DfEE, who advised that it would be most straightforward of the stage two consultancy were a 'run-on' from stage one. The process of going out to tender would have delayed the process of moving forward the work and would have jeopardised the chances of completing the work in the timescale envisaged.

7. Legal and Resource Implications

Legal: There are no implications

Financial: (a) Revenue

The proposed cost of the first two elements of the second stage consultancy is £171,000. It is proposed that these costs be met from within the Civic Budget for 2000/01.

(b) Capital

There are no capital implications of this report

Land: There are no direct implications of this report

Personnel: There are no implications

Appendices:

There are no appendices.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:

Draft OfSTED Action Plan

Achieving in Partnership - Stage one consultancy report

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13 July 2000

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When telephoning please ask for Ivan McConnell

For the attention of Richard Riddell, Director of Education and Lifelong Learning

Dear Sirs

BRISTOL LOCAL EDUCATION AUTHORITY – Stage 2 Consultancy

This letter sets out the basis upon which Arthur Andersen (hereinafter “AA”) will act for Bristol City Council (hereinafter the “Client” or “you”) in connection with the proposal for consultancy support as set out in this letter.

Scope of Engagement

The consultancy described as Stage 2 of the Consultancy, as discussed between you and AA, envisages that support will be provided to you in the following areas:

5. Secondary School places / school organisation;
6. Production of a business case and option appraisal to support your PFI/Investment programme;
7. Provision of support on the implementation of the planning framework;
8. Provision of support to ensure that timely and accurate data is used to measure, monitor and manage school performance.

The proposals set out in this letter relate to items 1 and 2 above. Items 3 and 4 will be the subject of a separate letter.

In order to provide consultancy support in relation to items 1 and 2, AA will undertake four separate consultancy projects (together, the “Projects”). These are as follows:

1. A review of Secondary School places;
2. A review of the asset management plan as prepared by your team which outlines the repair and maintenance costing estimates of the current secondary school estate. AA will also review possible opportunities to rationalise the estate and identify the possibilities of alternative use of sites within the estate (“Real Estate Review”);
3. A consultation exercise with the major stakeholders;
4. Development of an investment strategy for the secondary school estate including an application for PFI credits.

The Projects are described in more detail below. This letter also sets out the basis on which fees will be charged for the Projects, the team members and resources that will be employed for the Projects and an indicative timescale for completion of the Projects.

1. Secondary School Places

The purpose of this Project is as follows:

- To review existing data held by the Council with regard to current and projected Secondary School places and advise on their robustness in relation to the underlying input assumptions;
- To advise on other factors which may impact significantly on the current data. Our work will include a review of employment trends and other macroeconomic factors, mobility of pupils and demographic trends between different wards within Bristol, current proposals for educational provision **outwith** the Bristol City boundary and the potential for increased demand arising from improved quality of secondary education provision;
- To incorporate relevant information arising from the consultation process set out below in this analysis;
- To run sensitivities to cover the likely range of outcomes in terms of projected Secondary School places and report on the results.

AA have assumed that comprehensive, auditable data are currently available from the Council with regard to Secondary School place projections in a readily accessible format.

AA understand that you would also like us to supervise the conduct of a wider "MORI-type" poll. The cost of this is not included in our estimated budget and the scope of work would be covered by a separate letter.

Expected timing of this Project: AA aim to have this element substantially complete within one month of commencement, subject to availability of information and key Council personnel.

Estimated budget for this Project: 547,000, based on our current understanding of your requirements.

Personnel proposed: Jason Eliadis, Sam Higginson

5. Real Estate Review

The purpose of this Project is to undertake a review of the current secondary school estate with regard to:

- The current condition of the building fabric through a review and critique of the asset management plan prepared by Bristol;
- Special requirements for individual schools – taking into account provision of 6th form and other special needs identified by you;
- The need to expand/improve facilities within existing complexes;
- The opportunity to rationalise/consolidate duplicate facilities;
- The location of schools relative to the demand for pupil places;
- Opportunities for alternative uses on the whole or part of the rationalised estate;
- The provision of facilities management services to each of the schools.

Our findings will be incorporated into a report for the Council which will be used to inform the Investment Strategy Project described below.

Our work on this Project will include:

- an initial “drive past” review of all the secondary school sites;
- a detailed review of the Council’s current **costings** with regard to estimates for backlog maintenance, repair and capital replacement;
- a review of the existing capital expenditure projects and comment on whether these works should progress in their entirety or part, plus identify possible liabilities in terminating the contracts;
- the review will identify whether the work undertaken to date covers the key issues required to support a credible PFI business case;
high level review of the current provision of facilities management services, opportunities for rationalisation, cost savings and improved delivery of these services;
- commentary on potential environmental considerations in schools within the sample. This will merely identify possible areas for further research and investigation;
- a review of accessibility for existing pupils and from feeder schools;
- a review of the opportunities to rationalise the portfolio, and identify possible alternative uses for those sites identified as possible rationalisation opportunities;
- meeting with the planning authority to establish their views on possible alternative uses on sites identified;
- a review of the suitability work undertaken by the Council’s architect in relation to 6 of the 20 secondary schools under consideration. This relates to the space utilisation statistics for these six schools;
- a review of potential partnering and procurement options to maximise alternative use values.

At the present time AA are not certain as to the level of resource which you have available, particularly in terms of reviewing the condition of the building fabric. AA have assumed **for** these purposes that preliminary **costings** and estimates have already been prepared by the Council.

Expected timing of this Project: AA hope to have this element substantially complete within one month of commencement, subject to availability of information and key Council personnel.

Estimated budget for this Project: £36,000, based on our current understanding of your requirements.

Personnel proposed: Tim Vaughan, Andrew Freeth, Chris Watts, Sarah O’Reilly

11. Consultation Programme

Further to our discussions with you, AA understand that the consultation programme will be in 2 Phases, though this is subject to your final clarification:

- Phase 1 will consist of an initial maximum of 5 “workshops” with key stakeholders early in the Project. The workshops for LEA staff, which includes for the avoidance of doubt, headteachers and class teachers will be one day each in length. It is anticipated that the parent sessions will probably last for a maximum of three hours. The purpose of the workshops will be to seek input from the secondary schools, sixth form colleges and dioceses as to their perception of the shape of secondary school education and the demand for it in the future. The feedback from these workshops will be used to inform the Secondary Schools Places Project and the Options Appraisal Workshop within the Investment Strategy Project described below.
- It is intended that three of the Phase 1 workshops should be for the headteachers and that these should take place before the conclusion of the summer term ([] July 2000). The remaining two workshops will be before other major stakeholders as advised by you.

- Phase 2 will consist of a number of workshops, interviews with key stakeholders and written canvassing of primary schools to test the strategic solution arrived at by your Project Team from the Options Appraisal Workshop. The nature and extent of Phase 2 will be determined by the outcome of the Options Appraisal Workshop and will require to be agreed with you in the light of this.

Expected timing of this Project: to be carried out in two tranches: Phase 1 in July 2000, and Phase 2 in September 2000.

Estimated budget for this Project: £41,000, based on our current understanding of your requirements.

Personnel proposed: David Brown, Julie Mercer, Nathan Goode, one Executive/Consultant (TBA).

4. Investment Strategy

The purpose of this project is to produce an investment strategy which indicates how the Council's secondary school estate can be brought up to an acceptable standard for delivering the modern educational curriculum and can be reprofiled to meet the expected requirements for secondary school education in the foreseeable future. This will include an assessment of whether the Private Finance Initiative is likely to be a viable vehicle for meeting all or some of the requirements identified.

The target is to have a sufficiently developed strategy to enable an application for PFI credits to be submitted by the next Project Review Group deadline, which is believed to be around October 2000, although this date has not yet been published. If this application is successful, it is intended that the work carried out for the Investment Strategy Project will form basis of an Outline Business Case.

The key milestones in achieving this target are:

- Establish the current need. AA will report on this based on the work carried out under the three Projects above and a series of meetings with you, including a meeting to review and assess the findings of the three Projects described above.
Estimated timing: mid to end August.
- Establish the requirements of central government in relation to the PFI process. In order to achieve this we will need to meet the 4ps and the DfEE to explain the issues facing the Council and the likely solutions, as well as clarify the information requirements for each stage of the PFI process.
Estimated timing: initial meetings in July with further meetings in September.
- Establish the funding sources. Under this heading AA will review the Council's internal funding resources as well as PFI credits and external non-PFI options (including development opportunities and government sources of capital funding), in order to set the affordability parameters of the project.
Estimated timing: July, August
- Undertake the options appraisal. At the heart of this will be several workshops which will review the range of options available and draw up a short list. The options appraisal will include a "Do Minimum" or a "Do Nothing" option as a benchmark. The first of these workshops will be for the core Project Team; the second should draw in key stakeholders in order to gain their buy-in for the process.
Estimated timing: end August, early September

- Value for money review. AA will need to establish with the core Project Team the value for money implications of the shortlisted options.
Estimated timing: end August, early September
- Structure and prepare the strategy report. While the ultimate target is a submission for PFI Credits, AA will also need to factor in internal approvals to ensure that the proposal has buy-in at the appropriate levels within the Council.
Estimated timing: September

Expected timing of this Project: July 2000 to September 2000 inclusive.

Estimated budget for this Project: £47,000, based on our current understanding of your requirements.

Personnel proposed: Nathan Goode, Julie Mercer, Andrew Freeth, Katie Howat.

Specific areas of further work out of scope of this letter which you may wish to consider are set out in Appendix 2.

7. Personnel and Rates

(i) Project Management

Ivan McConnell is the key relationship contact for the overall consultancy service provided to the Council by AA. **Nathan Goode** is the designated project manager for the four Projects set out in this letter. You should contact either Ivan or Nathan in the first instance in relation to this letter. **John Binns** is the engagement partner for the Projects and the overall consultancy service provided and is available to deal with issues arising from the delivery of this service.

(ii) Curricula Vitae

A brief statement of the experience and capabilities of the key personnel involved in this assignment is set out below.

Nathan Goode – Assistant Director, Corporate Finance

Nathan has many years experience acting as lead financial adviser to private and public sector bodies in PFI. His experience includes a wide range of local authority and health projects. His current assignments include advising on the £80 million Edinburgh City Council bundled schools project, and he was recently advised on the £40 million Birmingham Schools project which has now reached Financial Close. He is also acting as lead financial adviser to a shortlisted bidder for the Highland Schools project and to the project sponsors at the Midlothian Community Hospital and West Lothian Schools PPP projects. Other projects which Nathan has managed to Financial Close, include two assignments for the Bank of Scotland, Craig Phadrig Hospital (closed March 1999) and West Lothian College (closed December 1999).

Nathan joined from the British Linen Bank in October 1998, where he worked in the health and education sectors as a private sector adviser on PFI projects for 2 ½ years. He was the lead financial adviser to the preferred bidder in the £80m Calderdale District General Hospital project through to financial close in July 1998.

Katie Howat – Corporate Finance Executive, Corporate Finance

Katie Howat is a qualified Chartered Accountant who joined Arthur Andersen in 1995. She joined the PFI team from our audit practice at the beginning of March 1999 and is specialising in PFI/PPP activities. She has worked on modelling for PFI projects for about 15 months. Katie was responsible for the model audit of the Craig Phadrig project and developed a financial model for a PFI project to procure a new integrated information technology and security system for the schools and libraries of East Lothian. She has recently been involved in the development of a financial model for four healthcare projects on behalf of Edison Capital/Grosvenor House Group and the City of Edinburgh Crossrail project and City of Edinburgh IT project as financial modeller. Katie is currently working on both the City of Edinburgh and West Lothian Council schools projects and Bristol City Council and is working for a private sector bidder on the Highland schools project.

David Brown – Senior Manager, Business Consulting

David Brown is a Senior Manager in the Business Consulting Group of Arthur Andersen, with responsibility for the Government Consulting Practice in Scotland. David joined the firm from PricewaterhouseCoopers where he specialised in health and education, and related PPP projects. David has carried out a wide range of assignments for a number of Scottish and national education bodies, primarily focusing on shaping the strategies for future delivery of services.

Julie Mercer – Manager, Business Consulting

Julie Mercer is a Public Private Partnership (PPP) specialist, and has worked with a number of organisations at all stages of the PPP process, including project management, business cases, development of performance and payment mechanisms, contract negotiation, bid strategy and project scope. Julie's project experience includes managing the advisory team for Bromley Hospitals NHS Trust PFI project; acting as lead adviser to Havering Hospitals NHS Trust on the strategy and subsequent business case for their PFI hospital redevelopment; advising Eastbourne Hospitals NHS Trust on their PPP to find a strategic partner to help them run their laundry business and advisor to SHEFCE to carry out financial due diligence on the development of a new medical school on the New Edinburgh Royal Infirmary site, under the PFI.

Julie has also worked in the education sector helping to develop an internet portal for the higher education sector and is currently working with Birmingham LEA on their project to create 6 city learning centres.

Jason Eliadis – Senior Manager, Business Location Services

Jason Eliadis is a senior manager specialising in Business and Economic Development strategy. Jason provides location and site selection advice to both corporate and public sector clients. He has undertaken a wide range of economic impact and demographic studies including assignments for a Professional Football Club and the Millennium Dome. Jason was also recently called as an expert witness to give evidence to the UK government on inward investment best practice and has presented to the United Nations on the same subject. Jason previously worked for PricewaterhouseCoopers, where he undertook a wide range of feasibility and economic impact studies and prepared economic evidence for clients. Jason has also undertaken assignments for the European Commission to assess European education systems, for Dfee to evaluate training programmes and for a variety of TECs.

Sam Higginson – Consultant, Business Location Services

Sam Higginson is a consultant specialising in Business and Economic Development strategy. He has supported Jason on the recent economic impact and demographic studies for a Professional Football club and the Millennium Dome and consulted to a wide range of corporate investors on investment strategy. Sam previously worked for PricewaterhouseCoopers, where he worked on a range of economic impact assignments, reviewed the provision of education services for Kharkiv City Council in Ukraine and developed a training provision strategy for Leeds TEC.

Other CVs are available on request.

(iii) Daily Rates

The rates applicable to the Projects are set out below

Grade	Daily Rate (£)
Partner	1500
Assistant Director / Senior Manager	1400
Manager	1200
Executive / Consultant	1000
Associate Consultant	500

Bristol City Council

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AA will invoice you on a monthly basis for time incurred at the rates set out above. AA would be pleased to discuss with you on a regular basis the level of fees outstanding and will endeavour to notify you in a timely fashion if we expect the fee estimates set out in this letter to be exceeded.

Travelling, subsistence, accommodation and any other expenses properly incurred while engaged on your business, whether at your premises or elsewhere, will be charged at cost.

6. General

Our duties and responsibilities shall be limited to those expressly set out in this letter and without limiting the generality of the foregoing AA shall not:

- Provide you with any specialist accounting, legal, tax or other specialist advice including, without limitation, expressing an opinion on valuation or assume any responsibility for or liability in respect of any advice given to AA or you by any other professional adviser (other than where you specifically appoint AA to do so under the terms of a separate engagement letter);
- Be responsible for any facts, estimates, opinions, projections, forecasts or other information (howsoever presented) included in any financial model or business plan, which shall be your responsibility or the responsibility of others, as appropriate.

The fee proposals for each of the Projects are estimates only and subject to the detailed scope of work carried out for each Project.

3. Terms

The other matters relating to our appointment are as set out at Appendix 1 to this letter.

AA should be grateful if you would confirm your understanding and acceptance of these arrangements (including the terms and conditions set out in the Appendix to this letter which forms part of, and is deemed to be incorporated in it by signing and returning to us the copy of this letter.

Yours faithfully

ARTHUR ANDERSEN