

## APPENDIX ONE

### Future options for East Brighton College of Media Arts

#### Analysis of financial risks

	Option – Close school	Option – Retain small school
One-off costs	Likely requirement for additional capital expenditure at schools that accept relocated pupils. Extent of capex will depend upon the existing capacity at schools. Capex could be minimised by utilising spare capacity within less popular secondary schools. Pupil dispersal circa £100k plus management costs for wind-down to closure circa £50k	Smaller school will require adaptation to existing site. Likely capex required to re-design layout of school to meet curriculum requirements, to improve pupil circulation and security.
	Site security – capex likely to be required to secure site from unauthorised access. The extent of such works will depend upon proposals for the site post closure.	Site security – capex likely to be required to prevent access by pupils to parts of school that are no longer required and vice versa.
On going costs – staffing	Staff costs – potential for part redeployment at other schools – economies of scale achieved.	Staffing – structure will need to provide for sufficient expertise to fulfil curriculum. Unit cost per pupil likely to be significantly higher than larger school.
	Redundancy, early retirement and redeployment costs – likelihood that all staff will not be re-deployed. Worst case scenario – one-off cost circa £430k	May have some redundancy and early retirement costs as not all the existing staff may have the appropriate skills for the new staffing structure.
On going costs - pupils	Transportation costs (pupils) – there is an obligation on the council to provide financial assistance for pupils relocated to another school outside a 3 mile radius – currently £75 per term is paid. On-going cost rising to circa £200k in a full year	
	School clothing – the council may be required to provide financial assistance towards	

	the cost of new uniforms, etc. One-off grants circa £12k	
On going costs – other	Site security – likely to require on-going site security presence until future of site determined.	Non teaching costs – economies of scale not achieved through smaller school – fixed costs not reduced in proportion to reduction in pupil numbers.
Formula funding	Removal of school likely to increase formula funding to other secondary schools	Retention of small school likely to draw funds away from other schools to ensure school does not run at a deficit.
Alternative uses of site	Capex likely to be required to alter site for alternative use. Although council unlikely to spend this money such capex may affect any valuation of the site (lower sale / lease value)	As ‘close school’ option. Alternative use will need to complement school use – alteration costs likely to be smaller.
Implications on PFI contract	Capex incurred by PFI contractor at site circa £2.4m – final figure not known until works completed. PFI contractor has funded by borrowing with collateral being provided under PFI contract. Banks likely to require immediate repayment of debt relating to work at site and other associated costs.	No material impact – facilities provided by PFI contractor still required – banks unlikely to require part or full repayment of the debt incurred by the PFI contractor. Banks may view this decision as a change to the risk profile of the project with a consequent increase in the risk premium included within the cost of debt.
	No facilities management (e.g. caretaking, cleaning, utilities, etc) required. Council will need to deal with a significant claim from the PFI contractor for loss of profit from fm contract. The claim may include costs associated with any redundancies resulting from the change in the contract and associated with a change in the risk profile of the project.	Smaller site will mean a reduction in the fm required. Council will need to compensate the PFI contractor for any change in service requirements but not on the scale as full closure. May be cost associated with change in risk profile but this will be less than full closure.
	Costs may be mitigated if alternative use for site identified which will require fm services similar to those under the PFI contract. Council may be required to underwrite any third party users to maintain risk profile of project.	Costs may be mitigated if alternative use for spare facilities identified which will require fm services similar to those under the PFI contract. Council may be required to underwrite any third party users of spare capacity to maintain risk profile of project.

	Council will need to deal with a claim to compensate the PFI contractor for the opportunity cost of losing third party income from the site (circa £29k pa – 2001 prices)	Will provide opportunity to release parts of school for third party income generation. Extent will depend upon types of alternative use permitted. Sharing arrangements of any additional income will form part of any negotiations.
	Reduction in scope of project (3 schools rather than by the Council 4) may result in repayment of PFI grant already received and entitlement to future PFI grant withdrawn relating to site.	Scope of project unchanged in terms of number of schools. High probability that PFI grant will therefore continue, although level of grant may be reduced to reflect smaller school.
	If removal of school were to result in complete termination of PFI contract (although unlikely) this would result in a substantial claim from the PFI contractor. Written confirmation has been requested from the PFI contractor / banks that school closure will not affect remaining contract.	
	Removal of school from PFI contract will require extensive negotiations. These negotiations will need to be supported by the appointment of external legal and financial consultants.	Re-negotiation of the services required for a small school will be required. Costs likely to be on a lower scale than full closure.
Economic implications	Local employment opportunities likely to be affected but not significantly – extent of impact dependant upon alternative uses identified for site.	May have a marginal impact on local employment opportunities (reduced service).