

**THE EXECUTIVE
29 MAY 2007**

**REPORT OF THE CORPORATE DIRECTOR OF THE
CORPORATE DIRECTOR OF CHILDREN'S SERVICES**

Private Finance Initiative (PFI) Joint Insurance Proceeds Account Mandate	For Decision
<p>Summary:</p> <p>The Education PFI Contract, entered into on 30 March 2004 to provide school facilities for Jo Richardson School and new and refurbished facilities at Eastbury Comprehensive School inter alia, requires the operation of a Joint Insurance Proceeds Account between the PFI Contractor and the Authority, in the event that insurance events take place and claims are successfully made.</p> <p>The PFI Contractor has successfully claimed against its Insurers for an Insurance event (water damage at Eastbury School) and therefore this account needs to be set up to enable the contractor to be paid (<i>see attached schedule</i>).</p> <p>The prospective bankers require the decision of the Executive to enable this account to be set up.</p> <p>The Corporate Director of Children's Services and the Divisional Director of Corporate Finance have signed the relevant documentation.</p> <p>Wards Affected: Eastbury and Thames</p>	
<p>Implications: The Council is obliged by the PFI contract to maintain a Joint Insurance Account with the contractor. This is in the interests of transparency. There are no further legal implications.</p> <p>Financial: This arrangement is required as part of the PFI contract structure. There is no financial implication for the Council, as the Joint Insurance Account is part of the relevant transparent arrangements of insurance claims under the contract. All successful claims are paid into the Account by the insurance company of BY Education (Barking) Ltd and then paid directly in full onto the contractor.</p> <p>Legal: None</p>	
<p>Risk Management: None</p>	
<p>Social Inclusion and Diversity: None</p>	
<p>Crime and Disorder: None</p>	

Options Appraisal:

Not relevant. Contract compliance issue.

Recommendation:

That the Executive gives approval to the Authority, together with the PFI Contractor BY Education (Barking) Ltd establishing an appropriate bank account to deal with Joint Insurance Proceeds under the PFI Education Contract, signed 30 March 2004 and to authorise the Corporate Director of Children's Services and the Divisional Director of Corporate Finance, and their successors, as signatories to this account.

Reason:

The establishment of a Joint Insurance Proceeds Account is required by the PFI contract.

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1 Introduction and Background

- 1.1 On 30 March 2004 the Council entered into an Education Private Finance Initiative (PFI) contract with BY Education (Barking) to provide a new school for Jo Richardson Community School and new and refurbished buildings at Eastbury Comprehensive School. This contract provides for a Joint Insurance Account to be set up to handle insurance monies that may be due during the operation of this contract – over a period of 25 years.

2 Current Position

- 2.1 An insurance event took place at Eastbury Comprehensive School that caused a loss to BY Education (Barking) Ltd (*see attached schedule*).

3 Report Detail

- 3.1 BY Education (Barking) Ltd has successfully claimed against its insurers in the sum of £293,000. This needs to be remitted to the contractor via the Joint Insurance Account.
- 3.2 This report asks the Executive to authorise the establishment of a Joint Insurance Account.
- 3.3 This authorisation is a formality required by the Account Bank and is a contract compliance issue.
- 3.4 The Corporate Director of Children's Services and the Divisional Director of Corporate Finance have signed the relevant documentation.

4 Consultees

- 4.1 The following officers have been consulted in the preparation of this report:

- Roger Luxton Corporate Director of Children's Services
- Joe Chesterton Divisional Director of Corporate Finance
- Paul Field Principal Corporate Solicitor, Legal Services

Background Papers

PFI contract (Schedule 79)

SCHEDULE

Insurance Event: PFI contract

The event was a major pipe burst that occurred at Eastbury School on 22nd May 2005 during the construction phase.

The damage is covered by an insurance policy held by BY Education (Barking) Limited (as part of the insurance provisions of the PFI arrangements)

The event caused damage to and additional works by the building contractor (Bouygues UK Limited).

The insurance assessor inspected the damage and assessed the insurance amount payable is £293,000

The insurance amount has been approved by the insurance company and will be ultimately payable to Bouygues UK Ltd as the affected named party under the insurance policy.