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Addressing the Maintenance Backlog in Victorian Schools – is a PPP the Answer?

By: *Catie Burdett and Rebecca Roberts*

The results of the audit report into Victorian schools announced on 20 February 2013 revealed a AUD420 million maintenance backlog with over 5,000 school buildings identified as falling below the standards set by Department of Education and Early Childhood Development (DEECD).

Since the first school public private partnership (PPP) in 2003 in New South Wales, the building of new schools via design, construct and maintain PPPs in Queensland, Victoria and South Australia has been a successful model for delivering much needed education infrastructure in Australia. However, a PPP which delivers upgrades and maintenance for existing schools has not been used in Australia.

In contrast, the US and the UK have both used a PPP model to deliver much needed school upgrade and maintenance repairs, particularly where government funding has been unavailable.

In 2009, the Yonkers school district in New York undertook due diligence of the 40 schools in its district in order to formulate an Educational Facilities Plan for capital improvements. The due diligence revealed maintenance problems at 95% of schools in the district, where the average age of each school building was 73 years old. Financial, legal and technical advisors were appointed in 2012 to recommend how best the US\$1.7 billion Education Facilities Plan (which included US\$400 million in emergency repairs) could be delivered via a PPP over an expected 15 year period. This PPP was the first social infrastructure PPP for a public school district in the US.

Although the PPP is still in its initial phase, the Yonkers project has received significant support from the business community when it was announced among the "world's 100 most innovative urban infrastructure projects" in the KPMG Infrastructure 100 Report in 2012. Further support has been received within the education community including from the Superintendent of Yonkers Public Schools, Mr. Pierorazio who believes that "the P3 (PPP) allows us to transfer the responsibility of building management to the private sector, who can do it more efficiently and, frankly, more effectively. In turn, we can concentrate on what we do best – preparing students to achieve".

The Yonkers PPP will likely incorporate lessons learnt from the UK's "Building Schools for the Future" program (BSF) which was announced in 2003 primarily in order to renew 3,500 English secondary schools over a 15 year period. In order to manage the program, the UK Government created Partnerships for Schools (PFS). This ambitious plan involved state and private sector initiative funding which was combined through the formation of a public/private joint venture, referred to as a Local Education Partnership which was responsible for delivering the required maintenance or rebuilding of a school.

The BSF program was criticised for its extensive delays, caused in part due to the ambitious scale of the project, the pressure put on local councils and schools (including teaching staff) during the consultation process and the level of bureaucracy to be negotiated by the private sector. The program

was highly politicised and the change in government in 2010 resulted in the subsequent announcement of the closure of the PFS in 2011.

The US and UK experiences provide interesting examples to be considered by DEECD. While the Victorian Government on Wednesday announced AUD51.5 million in funding to address initial problems, the remaining shortfall required to address identified maintenance problems represents a significant funding challenge for the State. Further exacerbating this issue is the pressing need for such repairs, with the audit report noting that the current "reactive" approach to maintenance is "likely to compound defects, leading to a need for more costly maintenance interventions in the future".

The scope of the potential maintenance could create a sizeable project which if delivered via a PPP would likely generate private sector interest while delivering to the State benefits such as value for money, efficient delivery of repairs to schools, transfer of risk to the private sector, certainty for future maintenance spending through the provision of maintenance warranties by the private sector and better life cycle planning.

In our view, these benefits when combined with the State's current funding challenges merit a discussion as to the suitability of using a PPP model for the delivery of maintenance services in Victorian schools.

Authors:

Catie Burdett

catie.burdett@klgates.com

+61.3.9205.2148

Rebecca Roberts

rebecca.roberts@klgates.com

+61.3.9640.4333

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