



Northamptonshire  
County Council

# PFI - Public Finance Initiative

Schools Forum - December 2020

Agenda Item 10

# PFI Overview

There are 41 schools with PFI schemes in Northamptonshire, these are all in the West Unitary Area and are funded from Central Government contribution approximately £9m, NCC (to be WNU) £3.6m and DSG £7.8m.

PFI factor in the Northamptonshire schools funding formula (paid to PFI schools in their Individual Schools Budgets ISB) includes several parts:

- Utility subsidy
- Affordability gap
- Indexation and
- Change requests

The PFI Unitary Charge (i.e. Contactor Payment) has two portions to it;

- (a) debt for the main capital and infrastructure development and
- (b) Facility Management (FM) services including project management, insurance, lifecycle works and FM.

The PFI Unitary Charge is paid for by the schools, from their ISB, and NCC.

# Utility Charge Issue – and the Return to 2017-18 Rates

As a result of the NCC Cabinet decision following PFI Energy Subsidy review in 2017-18, discussions were held at the Schools Forum with a proposal to reduce the utility subsidy to 50% for the 2018-19 budgets. This was agreed on the basis that there were energy saving measures that could be introduced within the schools.

Progress was limited in this area during 2018-19 and at the December 2018 Schools Forum meeting for the 2019-20 schools funding formula the PFI utility subsidy was agreed to be held at the lower level previously agreed in the prior year.

Although work continues with the Contractor and Amey to drive down utility usage, there was again no progress in 2019-20, in reducing utilities costs for schools. As a result in October 2019, it was agreed to stage the increase back up to the original levels, across two year. School Formula Budgets included utilities rates for PFI at 75% or original levels.

Schools Forum decisions on formula budget are only binding for one year, so we revisit this decision and propose that we return the Utilities budgets back to the original levels in 2021-22 Schools Formula Budgets.

# PFI Financial Implications

The DSG contribution to the Schools PFI scheme is £7.47m in 2020-21 and our indicative total for 2021-22 is **£7.845m**.

Unavoidable contractual increase

- £75k increase of 1.56% (using RPIX measure of inflation as per ESFA guidance).
- £100k increase in PFI contract inflation element
- £7k increase - inflation on change request

## Proposed Increase

- We propose the increase of £191k as the second part of a decision to move utilities back to 100% of their cost from 2017-18. To be funded from the schools block so that PFI schools have utilities cost funded in their formula budgets. In 2022-23 PFI funding through the formula will be increased to reflect cost in 2021-22 budget.
  - **Increase Requires Vote from Schools Forum**

**RISK**: There is the possibility of an increase in the PFI contract Facility Management costs to schools in 2021-22, as it comes up to the next 5-yearly benchmarking review (see next slide).



# Facility Management 5-yearly benchmarking

- Every five years within the PFI contract there is a process of benchmarking the current costs to that of the 2005 base costs. If the benchmark is within a percentage of existing there is no change and we continue onwards if not then we can either accept or not the report provided. If we accept this would lead to an increase in the amount schools pay from their FM charges. If we do not accept then the next stage is market testing. Regardless of the outcome i.e. cost up or down, it is binding.
- On both the last occasions for benchmarking we have resisted and challenged the report and Amey/NSL have reluctantly agreed and things have stayed the same. That position may have changed and now we may be seeking to move towards market testing.
- **This potential increase in FM charge to schools would occur after the budgets have been set for 2021-22 and could take effect from 1<sup>st</sup> April 2021. So could add an unfunded pressure to PFI schools. It would not be built into the schools budgets until 2022-23 and funding would not be received in the premises factor of the DSG until 2023-24.**
- **Further information is being sought and Forum will be updated in due course**



## PFI formula factor – Utility subsidy

West Shadow Schools Forum are asked to VOTE on this element of the schools funding formula, to return the Utilities part of the Schools Funding Formula for PFI, to 100% of its original level.