

PFI FUNDING OPTIONS – update on progress

1. PURPOSE OF REPORT

1. 1 To update the Forum on progress since the meeting on 7th May 2014 on the review of the schools' PFI contract and contributions in the light of changed circumstances in relation to the overall reduction in the Council's net budget.

2. RECOMMENDATIONS

2.1 The Council asks that;

- The Forum notes the progress made since the last meeting
- The Forum recognises that once any savings have been realised, the remaining funding gap will need to be found on a phased basis from 2015/16 onwards.
- The Forum confirms that it is supportive of participating as one of DfE pilots if we are successful in being selected or an alternative mechanism aimed at delivering efficiencies and reducing costs.
- Further updates are provided to the Forum as progress is made with the next update to be scheduled for the autumn term.

3. INTRODUCTION

3. 1 At the last meeting it was noted that the Council needs to secure a significant reduction to the PFI charge on the General Fund .The Forum supported a review of the overall PFI charge and agreed to participate in a consultation on the redistribution of the PFI funding gap to achieve significant reduction to the figure £810k per annum on a phased basis.

3.2 There is an additional complication whereby the benchmarking exercise which took place in November 2012 resulted in additional costs of £180k per annum which the Council had no option but to fund the four month increase for 2012/13 .

3.3 This issue has not yet been resolved and in 2013/14 and 2014/15 these costs still remain as a further budget pressure to the Council which cannot continue.

3.4 The focus is for a significant reduction to be achieved in 2015/16 and then to achieve further reductions in future years until the full amount is realised.

4. THE PROJECT

4.1 The focus for this project is in two phases

- The first phase is to work with the Heads of the three PFI schools and QED Board to ascertain where savings can be made, agree and realise these.

- The second phase is to agree how the remaining shortfall for the phased reallocation of the funding gap will be realised

4.2 The process will therefore be for PFI contract to be reviewed with the co-operation of the three schools to identify any contractual opportunities or service adjustments which could reduce the overall burden. A report will then be prepared that provides an indication of the nature, scale and timescale of the opportunity around this project at the earliest opportunity to a Forum meeting during the autumn term.

5. RECENT DEVELOPMENTS

5.1 After the last meeting a small number of Council Officers met to focus on identifying any contractual opportunities or service adjustments which could reduce the PFI costs under the remit highlighted above.

5.2 The meeting was attended by Assistant Director (Finance and Audit), PFI Contracts Manager, Group Property & Regeneration Solicitor Principal Accountant – Schools and Assistant Director Contracts, Commissioning and Procurement.

5.3 Highlighted for discussion was the fact that various government departments have been tasked with finding savings from PFI schemes as a result of HM Treasury's concern over their cost. The Authority had contacted DfE who were planning their PFI Operational Savings Programme by looking for approximately six pilots, to identify potential PFI savings and then support authorities through implementation. The DfE will be creating case studies of each pilot, rolling –out the findings and guidance to all Local Authorities with schools PFI Projects. After our initial enquires we believe that there is a strong likelihood that we will be shortlisted and to move progress it is essential that we have the support of the schools. Having now received further information around the pilots there are some questions which require further exploration around the required supporting resources and cost to ensure that benefits are maximised.

5.4 There are alternatives to use of DfE in that the authority may choose to carry out the review using the resources that it has used for its Major Contracts Review which has already realised significant savings.

5.5 In addition to the above, a meeting has been scheduled for 1st July 2014 between PFI Contract Manager, Assistant Director Contracts, Commissioning and Procurement and QED/Pario to ascertain (In the same way as with the Councils Major Contracts Review) if there are savings that can be delivered.

5.6 A verbal update on the above will be given to Heads Forum on 2nd July 2014.

5.7 As soon as the outcome of the above is known it is proposed to meet with the three PFI Heads. This meeting needs to be scheduled to take place before the end of the summer term.

6. ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

6.1 Borough Solicitor

Advice on the principle of the report has been sought and the Council's Legal Service is party to the contract review.

6.2 Section 151 Officer – Assistant Director Finance and Audit

The financial implications of the report are outlined in the report to Slough Schools Forum on 7th May 2014 and highlighted in this report.

7. Access Implications

7.1 There are no access implications.

8. CONSULTATION

8.1 Principal Groups Consulted
None