

SLOUGH SCHOOLS' FORUM
6th May 2015

PFI 2015-16
(Directorate of Wellbeing)

Purpose

To set out the options to reduce the funding pressure arising the School's PFI scheme on the overall Slough taxpayer.

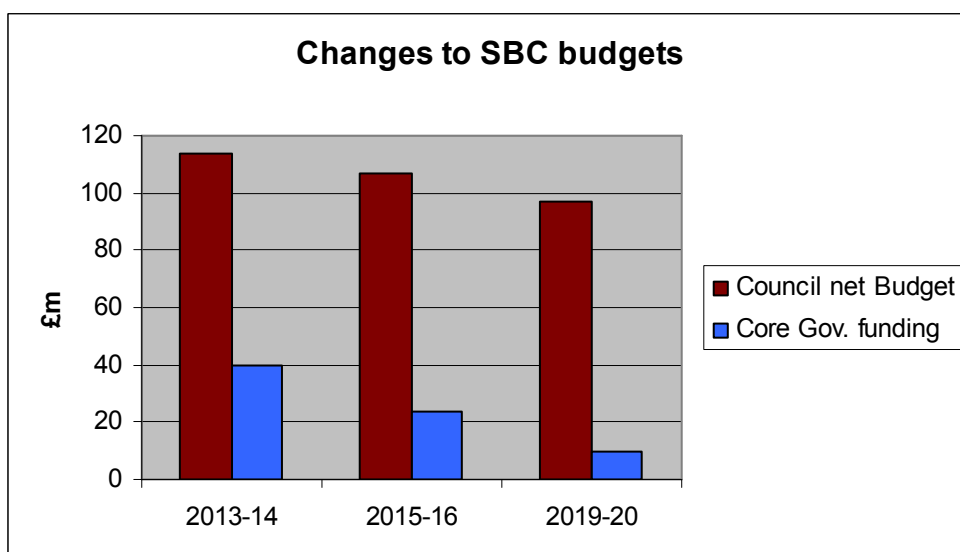
Background

Since the inception of the School's PFI scheme in Slough, there has always been a 'funding gap' between the cost of the PFI contract and the money paid via the DSG and Government PFI credits.

To enable the successful build and implementation of the School's PFI for Beechwood Secondary, Penn Wood Primary school and Arbour Vale Special school in 2007, the Council has provided funding from its General Fund for the 'funding gap'. This has totalled, since the start of the project, £6.47m, with an annual sum of £809k. Since the 2012 benchmarking exercise¹ the annual costs have increased further and at present these are being funded by the Council.

At the same time, the council's general fund budget has reduced significantly, and expected to continue to do so going forward.

Table 1.1: Summary of funding:



¹ An exercise occurring every 5 years within the contract where costs of elements of the PFI contract are benchmarked and the contract price amended as a result of this exercise

All non-PFI schools in Slough (and non-free schools) receive capital funding via the Council which comes from Central Government Grant. There is no cost to the local taxpayer for these capital works at present.

To assist in the reduction of local taxpayer contributions to the PFI schemes, the Council joined a Department For Education (DFE) sponsored pilot in 2014 through which Local Partnerships completed a review of the PFI scheme and highlighted areas for a reduction in spend within the PFI contract.

The Chair and Vice-Chair of the forum have made it clear that, wherever possible, the Council should avoid Schools suddenly facing a cliff-edge in funding reductions as part of any proposal to reduce the cost to the local taxpayer of the PFI financial contribution and this paper recognises this.

Summary

In light of the financial pressures faced by the council and following receipt of the Local Partnerships report, which comprised a review of the contract and a high-level review of possible options for cost-saving opportunities, the Council has implemented a strategy to review the outcomes of the report and develop a programme of work to take forward some of the options. The Council has engaged consultants to help it undertake this task. The work will involve prioritising options, undertaking detailed planning, establishing a negotiation strategy and negotiating with the PFI Contractor and their lenders and sub-contractors. The programme of work is estimated to take 6 months and the Forum will be updated on progress and engaged in discussion when outcomes of the negotiations are clear.

.Here is a variety of strands that are being at, see the below options:

- a) Options concerning re-financing of the PFI
- b) Review of maintenance and lifecycle costs and reserve
- c) Benchmarking review (at the next review date)
- d) Review energy / utilities costs
- e) Review scope of some services

Conclusion

There are a variety of ways to reduce the Council's costs to the PFI 'funding gap'. Through the budget setting process, members have set out that they expect to see a reduction in the Council's contribution to the PFI scheme. Below are some recommendations for the School's Forum to consider on a way forward that will enable the Council to reduce its contribution to the PFI scheme as well as mitigate some of the more dramatic reductions to the quality of service received by the respective schools.

Recommendation

The following are proposed to reduce the Council funding contribution to the School's PFI with associated expected reductions and dates

No.	Item	Expected on-going reduction	Timescales	Comment
1	Development of local partnerships	tbc	Autumn 2015	Reduction and saving to be confirmed
2	Utilisation of surplus DSG from changes to the School Improvement	£200k	May 2015	
3	Utilisation of Schools DSG	tbc	Any contribution required would be phased in over 2 years.	

Background papers

- 1) Report to the School's Forum – 10th December 2014