

WIRRAL COUNCIL

SCHOOLS FORUM – 30th APRIL 2014

REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES

SCHOOL PRIVATE FINANCE INITIATIVE (PFI) COSTS

1.0 EXECUTIVE SUMMARY

- 1.1 The report sets out the background to the Schools PFI contract, the “affordability gap” and the Council’s Budget Savings for 2015-16.

2.0 BACKGROUND

- 2.1 The Wirral Schools PFI project agreement was signed by the Council, school governing bodies, and the PFI contractor in March 2001. The scheme involved the rebuild / refurbishment of one primary and eight secondary schools in Wirral. These were:

Leasowe Primary
Bebington High
University Academy of Birkenhead
South Wirral High
Weatherhead High
Hilbre High
Prenton High
Wallasey High
Wirral Grammar Girls

Variations were subsequently agreed for the construction of two City Learning Centres (CLC’s) located on PFI sites, one at Wallasey and one at Hilbre.

The contract was originally for 25 years to July 2029, but in September 2004 it was extended by 2 years and will expire in July 2031. Construction works were completed in August 2006. In addition to funding major investment of those schools in the worst condition in the late 1990’s, the scheme has also allowed the re-direction of subsequent capital funding to the remainder of the school estate over a 10 year period.

In addition to construction the PFI contract provides for facilities management (FM) support services in schools. These services include building and grounds maintenance, catering, cleaning and caretaking, security, utilities and telecommunications.

An annual sum is paid to the PFI contractor Wirral Schools Services for the cost of PFI. This “unitary charge” represents the repayment of capital costs for

rebuilding / refurbishing the schools and a payment for the cost of providing facilities management services.

The contract makes provision for the total costs to increase each year by the December Retail Prices Index, less 10%.

3.0 PFI COSTS

In 2014 -15 the annual PFI contract cost (excluding CLC's) will be £11m. These costs are in part financed by a PFI Government Grant. This is a fixed annual grant for the duration of the contract to 2031 and totals £5.5m per year. In addition each PFI school will pay its share of FM support service costs. In total these are currently £3m. FM costs are subject to periodic review and benchmarking, following which the amount paid may be amended. The changes resulting from the first benchmarking exercise will be implemented shortly.

In summary there are contract payments of £11m which are met by government grant and schools contributions of £8.5m, leaving a gap (the PFI affordability gap) of £2.5m. Up until now this has been met by a matching Council contribution from funding outside the schools budget. The DfE have confirmed that in many authorities the affordability gap is funded at the outset from the overall schools budget.

4.0 COUNCIL SAVINGS

In 2014-15 the Council reduced its contribution to Schools PFI costs by £600,000. This will be covered by a one off reserve created from a central schools budget underspend in 2013-14. This is described elsewhere on the agenda.

In 2015-16 the Council will reduce its contribution to costs by £2.3m. This change will require permanent savings to be identified within the overall Schools Budget.

5.0 RECOMMENDATION

It is recommended that the Schools Forum Formula Working Group identify and review the funding options for the changes described. The group would meet in the summer term and report back to the next meeting in July.

Julia Hassall
Director of Children's Services