



West Northamptonshire Schools Forum: 4 July 2023
Agenda Item 6
Northampton schools group PFI update

List of Appendices

Appendix A: Assumed school charges 2024/25 (to follow)

1. Introduction

1.1 The Council operates a large group PFI, covering 41 schools in Northampton. The costs of the PA are met partly by 'PFI credits', partly by WNC, and partly by the schools. This report sets out issues relating to the contract, especially projected future costs.

2. PFI contact and the schools

2.1 The PFI contract was entered into by the then Northamptonshire County Council and commenced 31st December 2005. It has been inherited by West Northamptonshire Council. It was used as a means of delivering the additional schools places needed across Northampton at that time. It has also been varied to construct what is now Greenfields Specialist School for Communication, to make further school extensions and modifications, and to allow for the change in status of schools to academies. The PFI runs until 1st January 2038.

2.2 The PFI contractor is a 'special purpose vehicle' called Northampton Schools Limited (NSL). Service provision is via a sub-contractor, Amey.

2.3 The number of schools in the PFI was 41 at commencement. The fact there are still 41 reflects the fact that Greenfields was added but Bellinge was merged with Ecton Brook. In the information which follows the entry for Ecton Brook includes both its sites (i.e. including the former Bellinge site). All schools in the PFI receive a dedicated additional element of dedicated schools grant (DSG) reflecting costs they incur under the PFI contract.

- 2.4 There are now 28 academies and 13 maintained schools in the PFI. The maintained schools include Greenfields which, as a SEND specialist school, is funded in a different way from the other schools. It does not have an individual school budget but rather is funded via the central school service block (CSSB).
- 2.5 For the avoidance of doubt, references to the PFI in this report only refer to the Northampton Schools group PFI, and do not refer to the single-school PFI for Caroline Chisholm School.

3. PFI charges

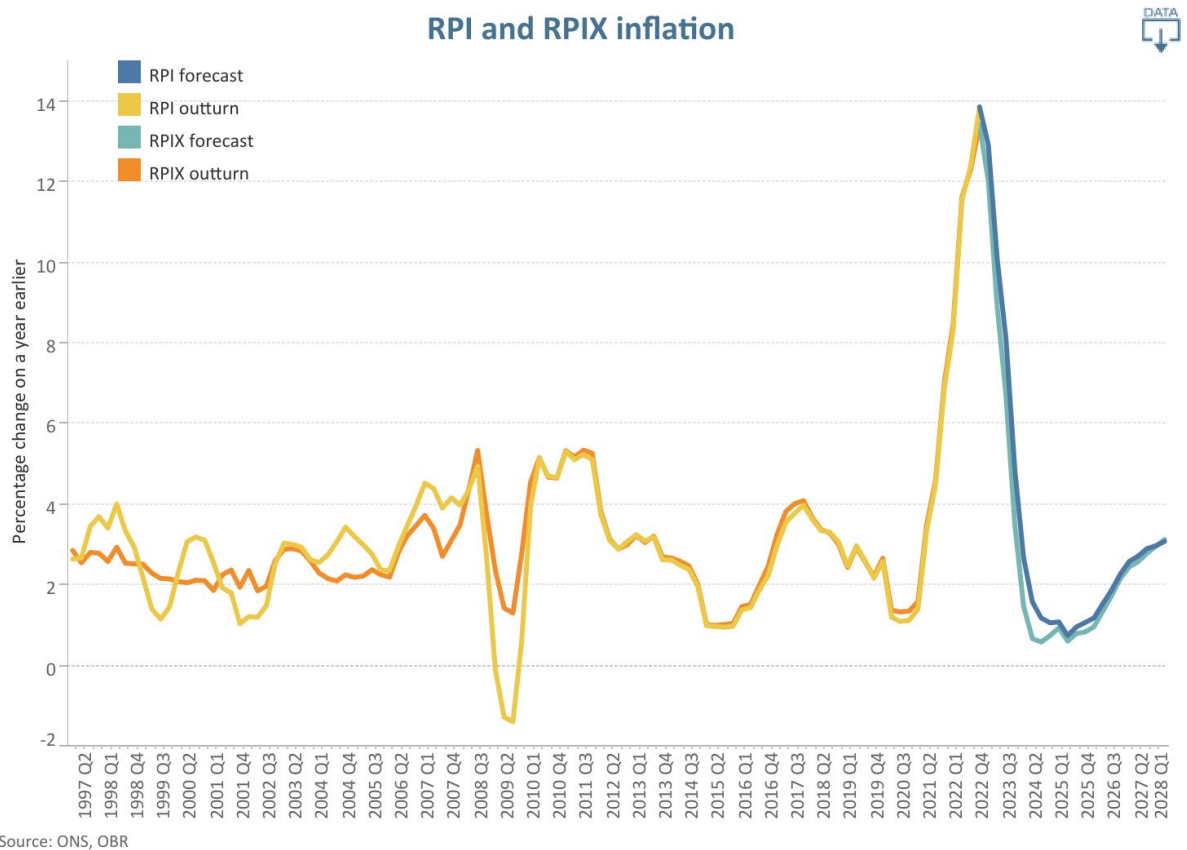
- 3.1 The PFI 'unitary charge' includes two elements, a fixed amount which broadly reflects the capital costs of constructing and extending schools originally, and a facilities management (FM) charge which covers services to the schools such as maintenance, cleaning, and grounds work. The FM charge is increased (or theoretically decreased) each year in line with the retail price index excluding mortgage costs (RPIx). The February RPIx figure determines the price for the following year.
- 3.2 Additionally, every five years the FM charge is subject to benchmarking to reset it in line with current costs of providing these services. This most recently affected the 2022/23 charges, which now provide the baseline for inflationary increases.
- 3.3 February 2023 RPIx inflation was 12.9%. Table 1 shows the Office for Budget Responsibility forecasts for inflation in the first quarter of the next few years. As the OBR does not publish forecasts on a month-by-month basis, the quarter forecasts need to be used as a guide.

Table 1: OBC inflation projections

OBR forecast date	Q1 2024	Q1 2025	Q1 2026	Q1 2027	Q1 2028
27 January 2023	2.8%	0.0%	-	-	-
19 April 2023	1.5%	0.9%	1.0%	2.5%	3.1%

- 3.4 Figure 1 shows the OBR inflation data and projections, which highlights how unusual recent events have been. It is also worth noting that the OBR suggests inflation will drop dramatically during 2023 and 2024. However, projections at that distance in time should be treated with caution. Whilst the underlying logic (the sharp rises in prices – notably in fuel prices, caused by the Russian invasion of Ukraine – drop out the 12-month comparisons which are the basis of inflation calculations) does seem valid recent actual inflation numbers suggest UK inflation may remain higher for longer than was expected. The actual May RPIx figure was 10.3% compared to the OBR quarter 2 forecast of 8.9%.

Figure 1: April 2023 OBR inflation history and projections



- 3.5 As Forum members will be aware, the Council wrote to all schools in the Northampton group PFI earlier in the year explaining it would make a one-off contribution towards the inflationary increase in 2023/24, helping schools have time to plan for the likely position in 2024/25. In Appendix A, the contribution for each school is shown, with the 2023/24 actual position and the 2024/25 projected position based on the assumption that applicable inflation rate follows the OBR forecast and the one-off contribution is not extended.
- 3.6 The Council has engaged specialist consultants, RSM, to help it examine the PFI accounts and see if there is a case for seeking additional support from the Education & Skills Funding Agency (ESFA) and the Department for Education (DfE). This would be on the basis that the PFI costs are higher than originally budgeted for and therefore ESFA/DfE should increase its contribution to costs. There is no certainty that ESFA/DfE will respond positively, but ESFA officials did indicate a willingness to consider the issue.
- 3.7 It currently appears that the Council will incur an unexpected cost pressure of £314k as a result of the one-off contribution it agreed to make. This position is being explored further.
- 3.8 The Council would welcome perspectives from schools on these issues.

4. PFI Management

- 4.1 The Council continues to manage the PFI, with a significant level of performance deductions (£269k) imposed during 2022/23. For the 2023/24 financial year by the end of May 2023, of £53k deductions have been levied; this is very similar to the same point in 2022/23, by which time £51k of deductions had been levied. It should be noted that performance deductions take several months from incident to deduction, so deductions taken now relate to performance issues some months in the past.
- 4.2 Regular PFI contract meetings continue to be held, where the contactor and sub-contractor account for their performance. Both NSL and Amey also regularly attend meetings of the PFI schools forum to receive input directly from schools and outline their plans.
- 4.3 Currently two surveyors are in post, checking on building condition and related issues. A third surveyor and a PFI Manager will be recruited as soon as this can be achieved. Both roles have needed assessing under the Council's new unified pay and grading system. Having them in post will reinforce the ability to further enforce performance as well as engage more proactively with schools.
- 4.4 As noted above, the contract will end on 1st January 2038 (around fifteen years' time). In line with accepted good practice the Council would therefore start to consider closure arrangements for the contract from the early 2030s.

5. Conclusions

- 5.1 The Northampton schools group PFI was an important tool to access funds to secure school places needed for Northampton. It remains an important contract but the PFI structure also creates challenges. The Council is committed to working with schools to achieve the best overall outcomes from it.

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Appendix: Assumed school charges 2024/25

(To follow)