

PUBLIC FINANCE INITIATIVE (PFI) RE-FINANCING: THOMAS CLARKSON ACADEMY

To: Cambridgeshire Schools Forum
Date: 27th January 2017
From: Chris Malyon – Chief Finance Officer
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1.0 INTRODUCTION

1.1 The purpose of this paper is to:

- explain the re-financing of the Thomas Clarkson Academy PFI; and
- to inform Schools Forum of GPC's (General and Purposes Committee's) decision as to the allocation of the one off residual gain

2.0 BACKGROUND

- 2.1 In 2015 the loan that funds the Thomas Clarkson Academy PFI was re-negotiated. The outcome was a one off 'gain' of £1.94m.
- 2.3 The allocation of this gain is a County Council decision; the General Purposes Committee, (GPC), which comprises senior elected members across all political parties, is the responsible Committee.
- 2.4 From the outset of the contract there has been an affordability gap that sits with the Local Authority. At the point of re-negotiation this was £1.44m. GPC approved that this sum should be taken by the LA to cover this gap and it has been incorporated into the 16-17 Business Plan.
- 2.5 This left a 'residual one off gain' of £504k. GPC decided that £314,000 of this should be given to Thomas Clarkson Academy in recognition of the fact that they have costs over and above other schools because they are financed by PFI, for example:
- a. A larger building than they would have had using traditional capital.
 - b. The PFI contract requires a higher standard of services than would be the norm in most schools.
 - c. The PFI contract is also inflexible to change. Thus, for instance, it is not possible to delay repairs as might be done in another school. The costs of remedying damage or making alterations are likely to be higher than seen elsewhere due to not having a choice of suppliers and having to reinstate to the original standard.

This gain should be used to support school improvement and will be discussed, agreed and monitored by the local authority.

- 2.6 The remainder of the gain, £190,000, represents the sum that, annually, all Cambridgeshire schools contribute to the cost of Thomas Clarkson Academy's PFI through the schools' funding formula. GPC agreed that this sum should be allocated to the Cambridgeshire School Improvement Board to support the achievement of vulnerable groups. This will give a significant boost to the work of the Cambridgeshire School Improvement Board.

3.0 RECOMMENDATION

- 3.1 ***Members of Schools Forum are asked to note the approach set out above.***