

Report of the Strategic Director of Place to the meeting of the Executive be held on 1st February 2022

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NOT FOR PUBLICATION

Appendix A is marked 'Not for Publication' on the grounds that it contains exempt information within paragraph 3 (Information relating to Financial or Business Affairs) Schedule 12 A of the Local Government Act 1972 (as amended) and the public interest in applying this exemption outweighs the public interest in disclosing the information.

Subject:

Proposals to refinance the Council's Phase 2 Schools PFI Contract.

Summary statement:

This report seeks approval to agree new terms in order to re-finance the Phase 2 PFI Schools contract.

Refinancing the contract and securing better interest rates will allow the Council to reduce the monthly unitary charge costs it pays on the Phase 2 PFI Contract.

EQUALITY & DIVERSITY:

This proposal focusses on the commercial terms of the PFI contracts and will not impact on the requirements which are already in place for the PFI company to deliver services in a manner which supports equality and diversity.

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Strategic Director of Place
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Portfolio: Regeneration

Overview & Scrutiny Area:

Regeneration & Environment

1. SUMMARY

This report seeks approval to conclude new terms in order to re-finance the Phase 2 PFI Schools contract.

Refinancing the contract and securing better interest rates will allow the Council to reduce the monthly unitary charge costs it pays on the Phase 2 PFI Contract.

2. BACKGROUND

- This proposal is in relation to the Council's Phase 2 PFI contract which was entered in to in 2009 under the then Government's Building Schools for the Future Initiative.
- The Phase 2 PFI contract delivered new build schools at Beckfoot, University Academy Keighley, Grange and Hanson and the contract also includes the Special Education Needs Schools at Southfield, Hazelbeck and Beechcliffe which all opened in 2011.
- The Phase 2 PFI contract is a 25-year contract and the Council's pays the PFI company through a monthly unitary charge which covers the costs of building the schools, providing FM services, lifecycle costs and also interest on debt. The unitary charge payment is funded through PFI Credits the Council receives from the UK Treasury and also monthly contributions made by the PFI Schools.

3. OTHER CONSIDERATIONS

- When the Council entered into the PFI contract in 2009 interest rates were high following the 2008 financial crash.
- The Council's Phase 2 PFI contract is one that has been identified as being capable of being refinanced to secure better interest rates and reduce the amounts the Council pays each month. Council officers have met with the Department for Education (DfE) who were supportive of the refinancing exercise but also requested that the Council's Executive endorsed the proposed refinancing outcome.
- In early 2021 the Council commenced a process with the Local Education Partnership (the LEP) who manage the PFI arrangements in Bradford to seek to refinance the contract to secure better terms. The LEP appointed a company called Newbridge to undertake the refinancing exercise and liaise with existing funders and also identify new funders who would be interested in providing finance for the project on more competitive terms.

4. FINANCIAL & RESOURCE APPRAISAL

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5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There is a risk that the current terms offered by banks may change due to changing economic circumstances before the refinancing deal is complete.

6. LEGAL APPRAISAL

The Council has appointed external solicitors Addleshaw Goddard to advise on the refinance of the Phase 2 PFI contract. Legal support is also being provided internally from Legal Services.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

- There are no sustainability implications from this report. The criteria the PFI company need to meet around utility usage is unaffected by this exercise and remains in place.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

- There are no green-house gas emission impacts from this report.

7.3 COMMUNITY SAFETY IMPLICATIONS

- There are no community safety implications from this report.

7.4 HUMAN RIGHTS ACT

- There are no Human Rights Act implications from this report.

7.5 TRADE UNION

- There are no Trade Union implications from this report.

7.6 WARD IMPLICATIONS

- There are no ward implications from this report.

7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

- There are no implications for area committee action plans.

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

- There are no corporate parenting implications from this report.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

This report does not require a privacy impact assessment

8. NOT FOR PUBLICATION DOCUMENTS

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9. OPTIONS

- Option 1: For the Executive to authorise officers to conclude the refinancing exercise with the PFI company on the most advantageous terms that can be secured appropriately taking into account the risks specified in Appendix A. The target date to complete the refinancing exercise is 31st March 2022 but this is dependent on various approvals being in place. This would result in new financing arrangements being in place for financial year 22/23.
- Option 2: To halt the refinancing exercise and continue the contract on the current financing terms. The Council is not obliged to refinance the Phase 2 PFI contract and can continue on the existing terms although any savings through securing better interest rates would not be realised.

10. RECOMMENDATIONS

- Recommended:
 1. Approval to progress with Option 1;
 2. Authority is given to the Strategic Director for Place in conjunction with the Director of Finance & IT to approve and agree the terms of the refinance of the Phase 2 PFI contract and complete all necessary documentation required in consultation with the City Solicitor.

11. APPENDICES

- Appendix A Confidential appendix: Details of rates offered by funders to refinance the Phase 2 PFI contract.

12. BACKGROUND DOCUMENTS

- None

