
SUBJECT: PFI UPDATE
DATE: 20 September 2023
RECIPIENT: School's Forum

BACKGROUND and BRIEFING DETAILS:

PFI UPDATE

1. We have 3 PFI secondary schools with additional PFI premises costs of £738,000. In 2017/18 this increased from £450,000. This value has remained constant since then.
2. The latest modelling using projections of inflation from the Office of Budget Responsibility and the interest rates council's financial advisers forecasts a potential budget gap of £1.2M to £2.9M. This forecast gap does not include potential contractual exit costs.
3. Increasing the PFI Factor will be needed to cover this gap. The following options have been explored for the Schools Forum to consider
 - a. Increase PFI Factor by RPIX and then maintain at this level to the end of the contract
 - b. Increase PFI Factor by RPIX each year until the end of the contract
 - c. Increase PFI Factor by 4%
4. The following table outlines the PFI Factor for the 3 options

	With inflation % increase (RPIX)	With inflation % increase (RPIX)	Fixed Increase (4%)	RPIX
2023/24	£738,899.00	£738,900.00	£738,900.00	11.20%
2024/25	£815,744.50	£815,744.50	£768,456.00	10.40%
2025/26	£815,744.50	£827,870.67	£799,194.24	1.49%
2026/27	£815,744.50	£835,709.13	£831,162.01	0.95%
2027/28	£815,744.50	£843,851.31	£864,408.49	0.97%
2028/29	£815,744.50	£864,591.36	£898,984.83	2.46%
2029/30	£815,744.50	£891,685.15	£934,944.22	3.13%
2030/31	£815,744.50	£918,435.71	£972,341.99	3.00%
2031/32	£475,850.96	£551,826.79	£589,887.47	3.00%
	£6,924,961.43	£7,288,614.61	£7,398,279.26	

5. There are risks that the future rates of inflation and interest deviate from projections. Further consideration will need to be made regards the potential contractual exit costs.

Further Information Available From:	Name:	Steve Wade
	E-mail:	Steve.Wade@Southampton.gov.uk