



Northamptonshire County Council

Andrea Leadsom MP
House of Commons
London
SW1A 0AA

Please ask for: Paul Burnett
Tel: 01604 236252
Our ref: LS / 4700
Your ref: MJP
Date: 20 January 2011

Dear Andrea

Private Finance Initiatives

I am writing in response to your letter dated 1st December 2010 regarding Private Finance Initiatives (PFI). I have asked officers involved in the two school schemes that exist in Northamptonshire to look into this. You are right to highlight that the Northampton Schools Scheme is one of, if not the, largest of its type in Europe and includes 42 schools. In addition, you are aware of the single school scheme for Caroline Chisholm School.

Firstly, it is worth emphasising that both schools PFIs have been successful in their principle objectives:

- Bringing about a significant transformation of education in the town. Without the PFI investment it is unlikely that the change from a three tier to a two tier education system would have been achieved.
- A major upgrade of all school building within the town, and a transfer of the costly responsibility for their upkeep for a period of 30 years. The schools were all rebuilt or significantly refurbished on time and within budget. These schools should benefit as they will be maintained in their current condition for the remaining 27 years of the contract. This is a relatively large number of school buildings and provides a low risk to the County Council.

There have already been a number of significant and successful variations made to the contract. These include Greenfields Special School, a planned extension to Caroline Chisholm School and, recently, a planned extension to Castle Primary School.

The Council is aware of the need to ensure that it manages the contract in a way that maximises value. Following the consultation phase, which was managed by the School Buildings and Capital Team of the Children and Young People's Service, the contract management has now been transferred to the Council's Property Asset Management Team. This will enable the appropriate management expertise to be applied to the contract.

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Northamptonshire
County Council

You will be pleased to know that the council is already undertaking a number of reviews in connection with the 2 contracts with a view to exploring cost saving opportunities with the respective Service Providers. These include the following:

- The scope of the service to be reviewed and amended through bench marking (this is currently being undertaken).
- Energy bench marking.
- The use of "feed in" tariffs.
- Re-financing.

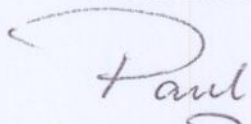
However you will appreciate that for these consultations to be successful the Service Provider has also to be comfortable with the benefits any proposed changes make to the respective contracts. In addition, it is important that we manage the contract in a way that achieves best value. If changes were made that reduced cost we would clearly need to assess the potential increased risk. Furthermore, if savings can be achieved, will these benefit the Council or the schools? This becomes relevant as we are at a point where we do not yet know what the full impact of schools moving to academy status is.

The PFI agreement is a legal contract and our scope for amending it is limited. Any change will be dependant upon mutual agreement.

For information, Northamptonshire County Council currently pays £3.3m per annum on the Caroline Chisholm PFI contract and £25.5m per annum on the Northampton Schools PFI Contract.

As you can see the council is already taking steps to review the cost of its PFI contracts which I hope is helpful.

Yours sincerely



Paul Burnett
Corporate Director for Children and Young People

cc. Brian Binley, MP

cc. Michael Ellis, MP