

PFI clauses: Master funding agreement

December 2021

# Summary

This publication replaces a previous publication titled PFI amends to Master Funding Agreement – June 2014. It has been updated following the publication of model funding agreements in December 2020.

## Who is this publication for?

This guidance is for:

* Local authorities and academies

## Main points

Following publication of model Funding Agreements in 2020, some of the clause numbering within the PFI amends document was no longer in sync with the funding agreement. This has now been corrected.

Also, there has been a change at 4.2A regarding separate bank accounts. Although PFI funds must be reported on separately, the requirement for a separate bank account for PFI funding has been removed.

## Amends to master funding agreement

**(December 2020 funding model agreement)**

**TO CATER FOR SCHEMES INVOLVING PFI**

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**Note** - Where the Master Funding Agreement has not yet been entered into, these PFI amendments are for insertion when it is being prepared. If the Master Funding Agreement has already been entered into, it is proposed that a deed of variation to the Master Funding Agreement is entered into in order to incorporate the PFI amendments.

The PFI amendments address two issues: visibility of the PFI Academy's financial management; and controls on funding flows for the PFI Academy. The proposed operative wording is set out below together with an explanation setting out DFE's reasons behind the wording which is contained in footnotes.

Following receipt of confirmation from the Academy Trust as to approach, a draft deed of variation will (where relevant) be circulated which includes the agreed operative wording.

1. **Amend the Summary Sheet as follows**

**Add the following entries to the table summarising additional clauses which have been used**

| **Descriptor** | **Clause No.** | **Applied** | **Not used** |
| --- | --- | --- | --- |
| **PFI Clauses** |  |  |  |
| Definitions of types of Academies | 1 | yes |  |
| Separate bank accounts | 4.2A | yes |  |
| Sufficient capacity and expertise to manage finances | 4.3A | yes |  |
| Provision of information relating to each PFI Academy | 4.5A | yes |  |

1. **Amend the definitions of types of Academies contained in clause 1 as follows:**

**Insert a new definition of PFI Academy**

**"PFI Academy"** means an Academy which forms part of a scheme procured pursuant to the Government's Private Finance Initiative:

1. **Insert the following new Clause as new Clause 4.2A to the Master Funding Agreement:**

4.2A Subject to clauses 4.14 and 4.15, the Academy Trust will, in relation to each PFI Academy, ensure PFI funds provided by the Secretary of State under this Agreement are restricted and used solely for the PFI Academy. PFI funding provided by the Secretary of State cannot be pooled by the Academy Trust. The Academy Trust agrees that such funds will remain restricted and that those funds will be reported on separately and be applied in accordance with the Agreement.[[1]](#footnote-1)

1. **Insert a new clause 4.3A as follows:**

4.3A Without prejudice to clause 4.3, the Academy Trust will ensure that it has and continues to have sufficient capacity and expertise to manage the finances of all academies within the federation. The Academy Trust will ensure that any funding which relates to the PFI Academy shall be accounted for separately.

1. **Insert new clause 4.5B, as follows:**

4.5B In complying with clauses 4.1 - 4.34 (inclusive), the Academy Trust will (where relevant) be obliged to provide information which relates to each PFI Academy in addition to information which relates to the Academy Trust and any combined information which relates to all of the Academies that the Academy Trust operates.[[2]](#footnote-2)



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1. The aim of the additional drafting is to ensure that the cash flows for each PFI Academy are ring fenced and to minimise the risk of "blurring" of funding and cash flows between Academies. [↑](#footnote-ref-1)
2. The aim of this additional clause is to provide greater transparency to the Department in relation to the financial information for each PFI Academy and the Company as a whole. This will be important when the parties are trying to assess solvency issues, for example, and the relationship to the Academy contribution to the PFI. [↑](#footnote-ref-2)