

# AGENDA

## Herefordshire Schools Forum

Date: **Friday 24 October 2014**

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Time: **9.30 am**

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Place: **The Grand Jury Room, The Shire Hall, St Peter's Square, Hereford HR1 2HX**

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Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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If you would like help to understand this document, or would like it in another format or language, please call Tim Brown, Governance Services on 01432 260239 or e-mail [tbrown@herefordshire.gov.uk](mailto:tbrown@herefordshire.gov.uk) in advance of the meeting.

# Agenda for the Meeting of the Herefordshire Schools Forum

## Membership

<b>Chairman</b>	<b>Mrs D Strutt</b>	Academies
<b>Vice-Chairman</b>	<b>Mr NPJ Griffiths</b>	Academies
	<b>Mrs S Bailey</b>	Special Schools
	<b>Mr P Barns</b>	Pupil Referral Unit
	<b>Mr P Box</b>	Academies
	<b>Mrs L Brazewell</b>	Local Authority Maintained Primary School Governor
	<b>Mr P Burbidge</b>	Roman Catholic Church
	<b>Mrs S Catlow-Hawkins</b>	14-19 Partnership
	<b>Mrs J Cecil</b>	Academies
	<b>Mr J A Chapman</b>	Church of England
	<b>Mr J Docherty</b>	Academies
	<b>Mr T Edwards</b>	Local Authority Maintained Secondary School Governor
	<b>Mr J Godfrey</b>	16-19 provider representative
	<b>Mr G House</b>	Academies
	<b>Ms A Jackson</b>	Early Years Representative
	<b>Ms T Kneale</b>	Locally Maintained Primary School (Nursery)
	<b>Mr R Leece</b>	Trade Union Representative
	<b>Mr C Lewandowski</b>	Trade Union Representative
	<b>Mr M Lewis</b>	Local Authority Maintained Primary School
	<b>Mrs R Lloyd</b>	Early Years Representative
	<b>Mr S Pugh</b>	Local Authority Maintained Primary Schools
	<b>Mrs J Rees</b>	Local Authority Maintained Primary School
	<b>Mrs S Woodrow</b>	Locally Maintained Secondary Schools
	<b>Mrs C Woods</b>	Local Authority Maintained Primary School
	<b>Mr K Wright</b>	Local Authority Maintained Primary School

(2 Vacancies)

## AGENDA

		Pages
1.	<b>APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
2.	<b>NAMED SUBSTITUTES (IF ANY)</b> To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
3.	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the Agenda.	
4.	<b>ELECTION OF CHAIRMAN</b> To elect a Chairman for the ensuing year.	
5.	<b>ELECTION OF VICE-CHAIRMAN</b> To elect a Vice-Chairman for the ensuing year.	
6.	<b>NOTES</b> To endorse the notes of an informal discussion held by Members of Schools Forum on 11 July 2014.	5 - 8
7.	<b>ELECTION OF CHAIRMAN OF THE BUDGET WORKING GROUP</b> To elect a Chairman of the Budget Working Group for the ensuing year.	
8.	<b>REPORT OF THE BUDGET WORKING GROUP</b> To consider the report of the Budget Working Group on the following matters: National School Funding Formula proposals for 2015/16, Early Years Funding, Department for Education High Needs Review and School Balances.	9 - 46
9.	<b>EDUCATION SERVICES GRANT 2015/16</b> To note the implications of the DfE's final arrangements for the Education Services Grant (ESG) for 2015/16 following national consultation during the summer term 2014.	47 - 72
10.	<b>CAPITAL AND MAINTENANCE EXPENDITURE ON HEREFORDSHIRE SCHOOLS</b> To update Schools Forum on planned capital and maintenance works on Herefordshire schools.	73 - 82
11.	<b>WHITECROSS PFI SCHEME</b> To report on the Whitecross Private Finance Initiative (PFI) scheme and to consider the need for potential additional funding.	83 - 90
12.	<b>WORK PROGRAMME</b> To consider the Forum's work programme.	91 - 92

**13. MEETING DATES**

The following meeting dates have been scheduled:

Friday 5 December 2014 - 9.30 am  
Monday 19 January 2015 – 2.00 pm  
Friday 13 March 2015 - 9.30 am



HEREFORDSHIRE COUNCIL

**NOTES of discussion held by Members of Herefordshire Schools Forum held at Council Chamber, Brockington, 35 Hafod Road, Hereford HR1 1SH on Friday 11 July 2014 at 9.30 am**

<b>Present:</b>	<b>Mrs D Strutt (Academies) (Chairman)</b>	
	<b>Mr NPJ Griffiths (Academies) (Vice Chairman)</b>	
	<b>Mrs S Bailey</b>	Special Schools
	<b>Mrs S Catlow-Hawkins</b>	14-19 Partnership
	<b>Mr J Docherty</b>	Academies
	<b>Mr T E Edwards</b>	Local Authority Maintained Secondary School Governor
	<b>Mr R Leece</b>	Trade Union Representative
	<b>Mr C Lewandowski</b>	Trade Union Representative
	<b>Mr A Shaw</b>	Academies
	<b>Mrs S Woodrow</b>	Locally Maintained Secondary Schools

*The Chairman informed those members of the Forum who were present that the meeting was inquorate. She proposed that they should discuss the report of the Budget Working Group and express a view to assist the Schools Finance Manager in drafting the budget consultation paper over the summer for publication in early September.*

*Those members of the Forum who were not present would be invited to indicate their support for the proposed approach to the 2015/16 budget, or to suggest alternative options if they were not content.*

*All other business on the agenda could be considered at the Forum's next meeting.*

*Members of the Forum present agreed with this approach.*

**1. APOLOGIES FOR ABSENCE**

Apologies were received Mr P Barns, Mrs L Brazewell, Mr P Burbidge, Mr J Chapman, Mr G House, Ms A Jackson, Mrs R Lloyd, Mrs J Rees, Mrs L Townsend and Mrs C Woods.

**2. NAMED SUBSTITUTES**

None.

**3. DECLARATIONS OF INTEREST**

None

**4. REPORT OF THE BUDGET WORKING GROUP**

Consideration was given to the report of the Budget Working Group (BWG) on the following matters: Whitecross Private Finance Initiative, National Funding Formula proposals for 2015/16 and high needs tariff funding.

A supplementary report, prepared following the BWG's meeting on 7 July reporting on the further consideration given by the BWG to the National Funding Formula proposals for 2015/16 on High Needs Tariffs, had been circulated to the Forum.

The School Finance Manager presented the report. He highlighted the following principles underpinning the proposals for consultation on the 2015/16 schools budgets:

- Increasing all per pupil funding values by 2.9% to reflect the additional £2.6m allocated to Herefordshire by the DfE for 2015/16.
- Continuing the current budget strategy designed to move the primary to secondary funding ratio to 1:1.23 over five years. This would entail a reduction of £6,000 per school in the primary lump sum and a corresponding increase in sparsity funding for qualifying schools. The secondary lump sum per school would increase by £13,750.
- Increasing funding for English as an Additional Language (EAL funding) from £104k in 2014/15 to £160k.
- Transferring some funding from deprivation (ever-6 Free School Meals) to low prior attainment to start a process of funding low prior attainment more in line with national standards. It was proposed to include a range of options in the consultation paper. These would be different for primary and secondary schools.

He also drew attention to the consultation meetings for schools on the 2015/16 funding formula, as set out in the report.

He then highlighted the principal elements of the proposals for high needs tariff top-up funding which it was proposed to implement with effect from September 2014. He reported that the following proposals had the support of the Headteachers of Special Schools:

- A reduction in the original tariff values by 5% in order to ensure that the expenditure going forward was consistent with existing budgets.
- Minimum Funding Guarantee protection to both Brookfield and Westfield schools on a fixed basis and to be met by capping the gains of the other two special schools in accordance with the principles applied to the mainstream national school funding formula.

He commented that the funding of the Pupil Referral Unit would be subject to a separate review to bring it in line with the new tariffs. It was proposed that the same tariff rates would also be adopted pro-rata in early years settings.

He also noted that it was proposed that the Dedicated Schools Grant underspend for 2013/14 of £554k, virtually all of which had resulted within the High Needs Block, should be retained to support that Block.

Those Members of the Forum who were present supported the proposals as consolidated within the supplementary report as follows:

1. That the following approach be applied in the drafting the schools budget consultation paper over the summer:
  - (a) Funding Model C, the continuation of the current approved budget strategy, with an increase in funding for English as an Additional Language provision (Model D), should form the basis of the recommended budget strategy; and

- (b) The consultation paper include the following options in relation to moving some funding from deprivation to prior attainment in line with the direction of Model F:
- I. Primary schools – a choice between no change and options for transferring £200 per pupil and £400 per pupil, and
  - II. High schools – a choice between no change and options of transferring £500 per pupil and £1,000 per pupil.
2. The final high needs tariff top-ups be supported for implementation from September 2014 as recommended by the Budget Working Group as follows;

- (a) based on a -5% reduction on the original proposals to balance the budget and allow for expected future “tariff creep” as shown below;

	<b>Original Tariff</b>	<b>Recommended Tariff (option A)</b>
A	1,350	1,280
B	3,500	3,150
C	5,500	5,225
D	8,500	8,075
E	12,000	11,400
F	16,000	15,200

- (b) that high needs top-up tariff protection based on the Minimum Funding Guarantee be approved for Brookfield and Westfield on the basis that gains of Barrs Court and Blackmarston are capped until 2016/17 and thereafter the residual protection cost is met by the high needs block directly;
- (c) the DSG underspend for 2013/14 of £554k be retained in the High Needs Block to support the financial risk from implementing the new tariff scheme and budget pressures in the high needs block; and
- (d) Schools Forum receive a report on a post implementation review of the new tariff scheme in Summer 2015; and
- 3 the arrangements for consultation meetings with schools on the 2015/16 funding formula as set out below be endorsed:

Date	Time	Venue
Thursday 18 September	4.00pm	John Kyrle high School and Sixth Form Centre
Wednesday 24 September	4.00pm	Earl Mortimer College and Sixth Form Centre
Thursday 25 September	4.00 pm	Whitecross High School and Specialist Sports College
	6.30 pm	(For School Governors)

The discussion ended at 10.00 am

**CHAIRMAN**





<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>MEETING DATE:</b>	<b>24 OCTOBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>REPORT OF THE BUDGET WORKING GROUP</b>
<b>REPORT BY:</b>	<b>SCHOOL FINANCE MANAGER</b>

## Classification

Open

## Key Decision

This is not an executive decision.

## Wards Affected

County-wide.

## Purpose

To consider the report of the Budget Working Group (BWG) on the following matters: National School Funding Formula proposals for 2015/16, Early Years Funding, Department for Education (DfE) High Needs Review and School Balances.

## Recommendation(s)

**THAT:**

- (a) the Forum be recommended to approve the proposals for the local application of the funding Formula for 2015/16 as set out at Appendix 1 to the report for recommendation to the Director for Children's Wellbeing; and
- (b) the interim funding formula values, as set out in Appendix 1, be submitted to the Education Funding Agency by the deadline of 31<sup>st</sup> October marked "pending the Director's approval" as necessary.

## Alternative Options

- 1 There are a number of possible alternative options. The alternatives were considered in detail by the Budget Working Group (BWG) and are listed in this report. The Private Finance Initiative is also included as a full item on this agenda.

## Reasons for Recommendations

- 2 Local authorities are required to submit provisional 2015-16 school budget formula and funding values to the EFA by 31st October 2014.

## Key Considerations

- 3 The BWG has met on two occasions since the Forum's last meeting: 11 September and 13 October. The meeting on 11 September was principally concerned with discussing the draft consultation paper on the National School Funding Formula 2015/16. The meeting on 13 October focused in the main on discussing the outcome of the consultation exercise. It also considered Early Years Funding, a DfE High Needs Review and School Balances.

### **NATIONAL FUNDING FORMULA 2015/16**

- 4 A consultation paper was issued on 15 September 2014. The closing date for responses was 3 October 2014.
- 5 The BWG considered the response to the consultation exercise on 13 October 2014. Its recommendations are set out at Appendix 1.
- 6 A summary of responses to the consultation paper is set out in appendix 2.
- 7 The presentation slides from the consultation meetings provide a useful summary and are set out in appendix 3.
- 8 The BWG was concerned by the low response rate to the consultation and low attendance at the consultation meetings that had been arranged.
- 9 Eight secondary schools had responded. The BWG noted that Primary Schools had faced a challenging few weeks and that this may have had an impact on responses from that sector. In addition the overall financial strategy had been explained in detail to schools in last year's consultation exercise and no significant changes were proposed for 2015/16. It was considered that the detailed work previously undertaken had generated a consensus amongst schools in support of the strategy. As the proposals for 2015/16 represented a continuation of the strategy most schools had not seen the consultation exercise as controversial, or a priority. Two letters had been received from schools that were unhappy with their individual situation.
- 10 The responses showed support for the continuation of the main elements of the strategy:
  - to increase pupil funding values by 2.9%. in accordance with the DfE's fairer funding announcement;
  - to increase the primary secondary funding ratio by reducing primary lump sum values, increasing secondary lump sums and for qualifying primary schools an increase in sparsity funding for a second year;
- 11 The BWG noted in addition the support for the proposed change to increase funding for low prior attainment, with a corresponding reduction in funding for deprivation, and support for continued budget protection for high needs in primary schools. The

consultation paper had contained options for the amount to be transferred to fund low prior attainment. Responses to the proposal suggested no overwhelming wish to move at a faster pace. It was therefore proposed that it would be a consistent strategy to proceed on the basis of transferring the lower sum offered for both primary and secondary sectors

- 12 The SFM suggested in response to concerns expressed in correspondence from a school that the relationship between the funding provided via the pupil premium, funding for deprivation and funding for low primary prior attainment might be worth considering in preparing the 2016/17 budget. However, he saw no reason to change the basis of the strategy set out in the consultation for 2015/16.
- 13 In the BWG's discussion the funding pressures for small rural schools were highlighted. The BWG as a whole supported the budget strategy. There was, however, some difference of view as to how far Herefordshire would be able to move towards the average funding ratios, given the characteristics of the county. There was general acceptance that in some locations small schools would need to be supported. However, there was also a view that schools should be doing much more to explore shared leadership, teaching and support services options with other schools and organisations. It was also noted that there were practical limitations on the range of opportunities small schools were able to offer their pupils.
- 14 The BWG also discussed de-delegation. There was a view that this rather arcane term could obscure the fact that money was being deducted from schools budgets without consideration of whether they needed the services in question, which could instead be obtained by individual service level agreements if required, or whether those services represented value for money. It was acknowledged that the sums involved were comparatively small and that if the Forum were to decide not to de-delegate this would increase the administrative burden on the local authority. However, it was thought there were issues of principle involved and that it would be timely to review and clarify the position, perhaps involving a further, clearer consultation exercise solely on this aspect.
- 15 The Forum does not have to make a decision on this aspect until January 2015. The BWG therefore recommends that consideration of de-delegation be deferred pending further consideration by the BWG and a recommendation to the Forum in January.
- 16 In order to streamline the decision making process regarding the approval of the submission of the interim national funding values to the Education Funding Agency by 31st October 2014, it is considered more appropriate that the interim values are formally approved by the Director of Children's Wellbeing and that only the final national funding values as submitted in January 2015 will be subject to Cabinet Member decision.

## **EARLY YEARS FUNDING**

- 17 The BWG was informed that early years representatives had expressed reservations about the agreement that early years funding in Herefordshire should be on a par with neighbouring counties. It had been suggested that comparison with the relevant statistical comparators would be a fairer approach. They had also highlighted that

Devon County Council had shared funding received for being a low funded authority with early years settings as well as schools.

- 18 This issue will be explored and a report made to a future meeting of the BWG.

#### **DfE – HIGH NEEDS REVIEW**

- 19 The BWG was informed that the local authority had agreed to participate with 11 other authorities in a DfE review of High Needs funding. It was noted that this would place some demands on schools to participate in meetings with the DfE's consultants.

#### **SCHOOL BALANCES**

- 20 School balances have increased from £5.5 million at the end of 2012/13 to £6.3m at the end of 2013/14. This development is contrary to what might have been expected given funding pressures and at a time when balances held by schools converting to academies have been subtracted from the total balances.
- 21 The BWG acknowledges that all schools have their own individual circumstances and rationales for the level of balances they are holding. However, the BWG considers balances of up to 10% of a schools revenue budget seem a reasonable level to hold. It therefore appears that excessive balances are being held by a number of schools.
- 22 The BWG was advised that it was open to the Forum to reintroduce a balance clawback scheme if it were considered appropriate to do so, noting that it would be important to provide schools with adequate notice of such a policy.
- 23 The BWG considers that the issue is a matter of strategy and principle. At a time when educational performance in the County is under scrutiny from Her Majesty's Inspectorate with schools performing in the lower quartile nationally for some attainment targets there needs to be a clear justification for not spending available resources to improve pupil attainment.
- 24 The BWG agreed to inform the Forum of its concern and its intention to undertake research into the position. As part of this work it has requested the Schools Finance Manager to write to all schools holding balances greater than 10% of their revenue budgets seeking clarification and justification. The BWG will report to the Forum as appropriate with any recommendations.

### **Community Impact**

- 25 There is no significant community impact. The school funding formula must meet the national requirements of the Department for Education. Within these national funding guidelines the funding is targeted to support the achievement of improved outcomes for all Herefordshire pupils in accordance with a carefully considered strategy that is subject to annual consultation with schools and governors. The governing bodies of schools are responsible for decisions to commit expenditure according to meet pupils' individual needs.

## **Equality and Human Rights**

26 There are no implications for the public sector equality duty.

## **Financial Implications**

27 The recommendations, if agreed, are required to ensure that expenditure on school budgets does not exceed the funding available within the Dedicated Schools Grant. The proposed funding changes will pass directly between school budgets and be contained within the DSG funding available.

## **Legal Implications**

28 To ensure Legal compliance with Schools Forum Regulations 2012. School Forums generally have a consultative role. However, there are situations in which they have decision-making powers. Regulations state that the Local Authority must consult the Schools Forum annually in connection with amendments to the school funding formula, for which voting is restricted by the exclusion of non-schools members except for PVI representatives.

29 The decision-making powers of Schools Forum are limited as follows

- to decide on the central spend and criteria for growth fund and falling rolls fund for outstanding schools
- De-delegation
- Central spend on equal pay back-pay, early years expenditure, significant pre-16 growth
- Central spend on admission and schools forum up to the 2013-14 level
- Central spend on some other items up to the 2013/14 level – which is zero

30 In all other cases the final decision will be referred on for decision by the Cabinet Member.

## **Risk Management**

31 The BWG reviews proposals in detail prior to making recommendations to the Schools Forum. This two stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified.

## **Consultees**

32 All maintained schools, FE providers, academies and free schools in Herefordshire have been consulted on the final budget proposals for 2015/16.

## **Appendices**

Appendix 1 – Recommendations from the Budget Working Group

Appendix 2 – Summary of Responses to the Consultation Paper

Appendix 3 – Summary of Consultation presentation slides

## **Background Papers**

- None identified.

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Further information on the subject of this report is available from  
Malcolm Green, School Finance Manager, on Tel (01432) 260818



**RECOMMENDATIONS FROM BUDGET WORKING GROUP: NATIONAL SCHOOL FUNDING FORMULA**

It is recommended that for the financial year 2015/16

1. Primary pupil funding – to add 2.9% in addition to the £13 per pupil increase arising from the changes to the primary lump sum so that the £2,759 2014/15 basic entitlement per pupil increases to £2,854 in 2015/16.
2. Secondary KS3 pupil funding – to add 2.9% so that the £3,583 2014/15 basic entitlement per KS3 pupil increases to £3,689 in 2015/16
3. Secondary KS4 pupil funding – to add 2.9% so that the £4,512 2014/15 basic entitlement per KS4 pupil increases to £4,645 in 2015/16.
4. Low prior attainment (low cost, high incidence special education needs) –
  - (i) to increase primary funding from £228 per pupil in 2014/15 to £428 per pupil in 2015/16;
  - (ii) to increase secondary funding from £148 per pupil in 2014/15 to £648 per pupil in 2015/16;
5. Deprivation –
  - (i) to reduce the primary ever-6 free school meal funding to £2,572 in 2015/16;
  - (ii) to reduce the secondary ever 6 free school meal funding to £ 2,162 per pupil.
6. EAL – to increase the £405 per EAL pupil (first year only) in 2015/16 to £505 for primary schools and £1,216 for high schools in accordance with the Minimum Funding Values set out by the DfE
- 7 Lump sums – primary £93,000 and secondary £130,500
- 8 Business Rates – no change funded at cost
- 9 Looked After Children – to maintain the funding in line with the pupil premium at £1,300 for 2015/16
- 10 Mobility – no change for 2015/16
- 11 PFI factor – (Subject to separate item elsewhere on the Forum’s agenda for 24 October)

to increase to £207,500 (from £190,000) to provide for increased inflation within the PFI contract. This builds on the existing funding split between the council and DSG. There will be further increases in 2016/17 and 2017/18. The cost of additional PFI funding is being shared equally by DSG and the council’s budget.

- 12 Sparsity**  
(i) to increase the primary sparsity factor for qualifying schools to £28,000 tapered lump sum  
(ii) to remove sparsity payments for high schools and increase the secondary lump sum by £1,750 to £132,250;
- 14 High Needs Protection** - a continuation of the current budget protection scheme for high needs in primary schools with a cap of £60 per pupil be agreed in principle, subject to a more detailed review by the Budget Working Group;
- 13 De-delegation** - consideration of de-delegation be deferred pending further consideration by the BWG and a recommendation to the Forum in January 2015

Note : Only school members of Forum can vote on the national school funding formula values. Voting on de-delegation is restricted to locally maintained schools only (i.e. not academies)



**NATIONAL SCHOOL FUNDING FORMULA 2015/16  
HEREFORDSHIRE CONSULTATION RESPONSE FORM**

**Appendix 2**

Please complete the response form by filling in the columns below.

<b>Q1: PRIMARY SECONDARY FUNDING RATIO</b>	<b>Yes</b>	<b>No</b>
Do you agree with a continued reduction of £6,000 in the primary lump sum to move the primary secondary funding ratio to 1.22 and the associated funding transfer of £200,000 from primary schools to secondary schools in accordance with the five year funding strategy set out last year in September 2013? i.e. the primary lump sum reduces to £93,000 and the secondary lump sum increases to £130,500.	14	2
If 'NO' please explain why:		
<b>Q2: PRIMARY SPARSITY – Option B(i)</b>	<b>Yes</b>	<b>No</b>
Do you agree that the sparsity allocation for primary schools should be increased to £28,000 in 2015/16 in order to provide additional funding to qualifying schools?	12	2
If 'NO' please explain why:		
<b>Q3: SECONDARY SPARSITY - Option B(ii)</b>	<b>Yes</b>	<b>No</b>
Do you agree that sparsity funding for secondary schools should be abolished and to increase the secondary lump sum by a further £1,750?	15	0
If 'NO' please explain why:		



If 'NO' please explain why:		
<b>Q6: NOTIONAL SEN BUDGET</b>	<b>Yes</b>	<b>No</b>
Do you agree that the basis for the Notional SEN budget is fairly calculated and no further changes are required?	13	
If 'NO' please explain why:		
<b>Q7: BUDGET PROTECTION FOR HIGH NEEDS IN PRIMARY SCHOOLS</b>	<b>Yes</b>	<b>No</b>
Would you prefer that		
a) the current high needs protection scheme is phased out as planned?		3 (2 high & 1 primary)
b) or continue to provide budget protection at the original level i.e. to cap the additional high needs costs at £60 per pupil?	9	
c) or to provide protection but at a lower level than above?.	1	
If 'NO' please explain why:		

Q8: DE-DELEGATION	Yes	No
Do you agree that for local authority maintained schools, the current de-delegation of funding should continue for		
(a) trade union facilities	13	2*(1
(b) ethnic minority support	14	academy)
(c) free school meals administration	15	1
		0
Please answer individually for each service		
If 'NO' please explain why:		
.		

### ADDITIONAL COMMENTS

1. Kingsland letter – agrees with overall principles but concerned about pupil premium and considers deprivation funding in school funding formula should be reduced as pupil premium increases.
2. Pembridge- More work needed to support and fairly fund rural schools. Rural schools need greater funding to ensure their pupils get equivalent opportunity to those in City. Alongside work on viability of each individual school. Need strategic decision about how to plan for next 5, 10, 15 years. Schools may need to federate or close. Needs process that is planned and not done in emergency . Herefordshire still underfunded despite DfE increase. Apply more pressure to DfE.
3. St Mary's High - Ethnic Minority Funding should be charged as SLA for those schools using the service.Happy to pay FSM admin costs through de-delegation but would not expect an additional charge per pupil during the year.
4. Brampton Abbots – Primary Secondary Funding ratio - so long as we are only moving to an average ratio of the similar type of local authority in our family. A continuation to provide budget protection for high needs pupils is greatly appreciated. I also believe that this approach creates 'anti-inclusion' as it can be seen as 'detrimental' (financially) to schools to accept high needs pupils that have not been budgeted for.
5. St Francis Xavier Primary Schools are going to suffer more with the increase in pension contributions for support staff as generally they have a larger pupil support staff ratio than secondary schools. Primary sparsity – No because middle to larger schools have lower funding per pupil and are having to have larger classes in order to meet budget requirements.
6. Almeley & Pembridge - More work needs to be done to support the rural nature of Herefordshire and fund fairly the many Rural Schools. Rural schools need greater funding to ensure our pupils receive the equivalent opportunities to those in the city. Many rural families are disadvantaged enough already through lack of services,

opportunities etc. There is a national gap in progress made by rural pupils, we have to have more funding to close this gap. To run alongside this extra funding there needs to be work carried out by the LA to look at the viability of each individual school. There needs to be strategic decisions made about how to plan for the next 5, 10, 15 years etc. Schools may need to federate, share teachers, other staff and heads. This needs to be a process that is planned for and not done in an emergency. Despite the increase in funding from the DFE we are still underfunded, more pressure needs to be applied to the DFE to get fair funding for all Herefordshire Schools.

7. Almeley - Pressure needs to be applied on the DFE to ensure our SEN pupils are properly funded. No school should have to pay the first £6000 regardless of their size. The most needy pupils are disadvantaged enough without this. Schools with larger numbers of SEN pupils are then disadvantaged by this unfair system. Small schools with a strong reputation for success with SEN pupils are then doubly disadvantaged.
8. Earl Mortimer - Small schools with high needs pupils struggle to meet the cost of individual learning support from the budget. The economies in larger schools are not available in small settings. Where a small school takes, say, just 2 high needs pupils the cost of the first £6k for each child amounts to a significant % of the school's total budget. When planning provision for other potential high needs pupils or for LCHI SEN in the school, concerns turn to affordability rather than the optimum support for the pupils. Suggest the additional high needs should cost primaries no more than £120 per pupil.
9. Hereford Academy has a high proportion of Ever 6 students and the net effect of this adjustment will hit The Academy the hardest of all schools in Herefordshire – projected figure is -£70k with likelihood of more adjustments to areas of deprivation in following years. We would request assistance to be able to adjust to these proposed cuts.
10. Fairfield - It is clear that Herefordshire is out of step with national comparators and change is needed. Increasing numbers of low prior attainments have been joining Fairfield over the past few years whereas FSM have not really moved. It is felt that this situation is unlikely to change in the near future and thus additional funding should be directed to low prior attainment.
11. Bishops – De-delegation -Union members already pay for their representation therefore we should not have to find this from our budget.
12. Weobley primary - As this amount will ultimately reduce to £75K – our fixed costs are more than this amount so additional funds will have to be found in other ways putting additional strain on our budget.  
It remains a concern for myself and the Governing Body at the continued reduction in funding and services given the higher expectations on schools to provide high levels of support for children and families. As services and funding is cut in other areas such as Social Care, it is falling more and more to schools to provide vital support.

- 13 As an educator, I am passionate about providing the best opportunities for children in our schools both to support their learning and other needs. With the squeeze yearly on budgets and available funds, this is becoming increasingly difficult to do which is a great sadness and concern. The 5 year reduction of £30K on Primary schools is crippling. Free schools that have been allowed to open when no need for extra places was an issue are also having a detrimental effect on our school budget and indeed the budgets of all Herefordshire schools.
  
14. Credenhill primary – would like Schools Forum to use the mobility factor in the funding formula due to high numbers of transfer in/outs of service children Know this would be supported by Stretton Sugwas too.

# Herefordshire National Funding Formula Consultation

Malcolm Green

# National Funding Formula

- Introduction
- Detailed overview and points to consider – Malcolm Green
- Opportunity for questions
- Close
- Consultation responses by 3 October 2014



# National Funding Formula

- Continued shift to a national formula
- Underlying principles:
  - Simpler
  - Pupils receive the same basis of funding wherever they are educated
- Continuation of last year's financial strategy to move closer to the expected national formula
- Proposals developed by officers from the local authority, school staff, Budget Working Group and Schools Forum
- Significant amount of detailed work – both last year and this.

# National Funding Formula DfE Background

“To reform the school funding system so that it is fairer, more consistent and transparent and so that funding intended for education reaches schools and the pupils that need it most”

# National Funding Formula

## National Consistency 1

1. DfE Fairer Funding - additional £390m allocated to the least fairly funded authorities nationally for 2015/16
2. Herefordshire benefits by £2.7m – an increase of 2.9% - which has been added to per pupil funding values.
3. Local authority schools receive April 2015 – academies September 2015.
4. DfE minor change to sparsity eligibility - now based on average group size rather than whole school

# National Funding Formula National Consistency 2

1. No new requirements set by DfE for 2015/16
2. National minimum values not changed for any factor
3. DfE advise to continue benchmarking against national data e.g.
  - Primary/secondary funding ratio
  - Low prior attainment
  - Deprivation

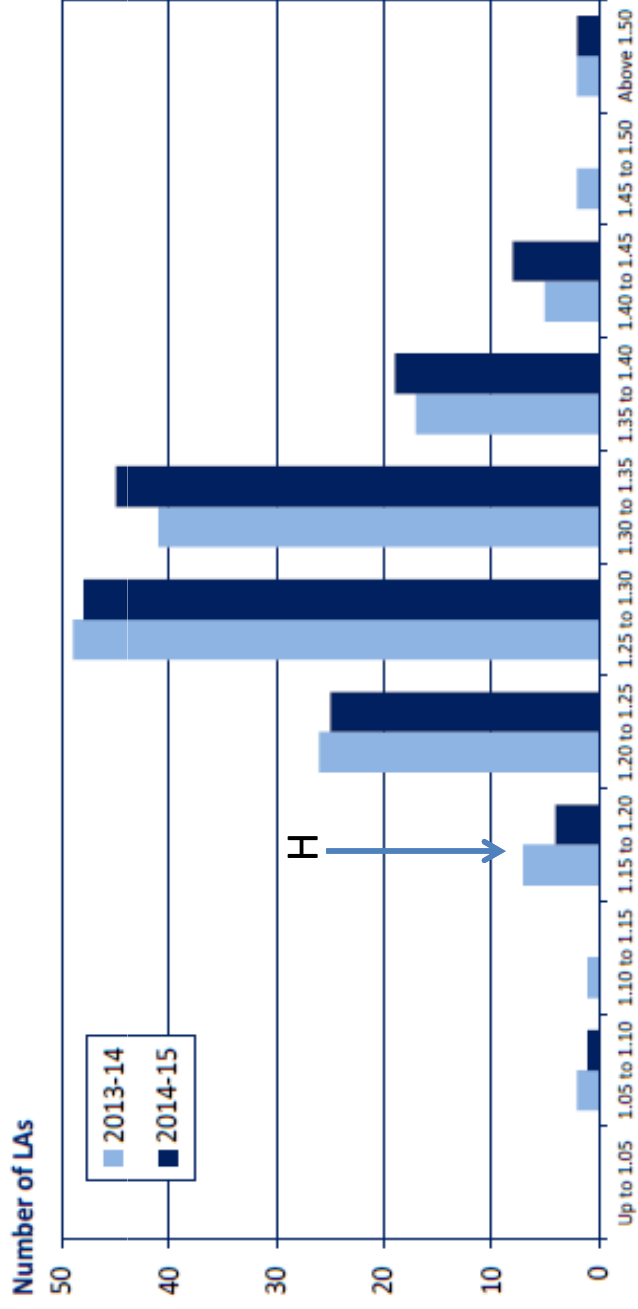
# Herefordshire Proposals

## Five year strategy

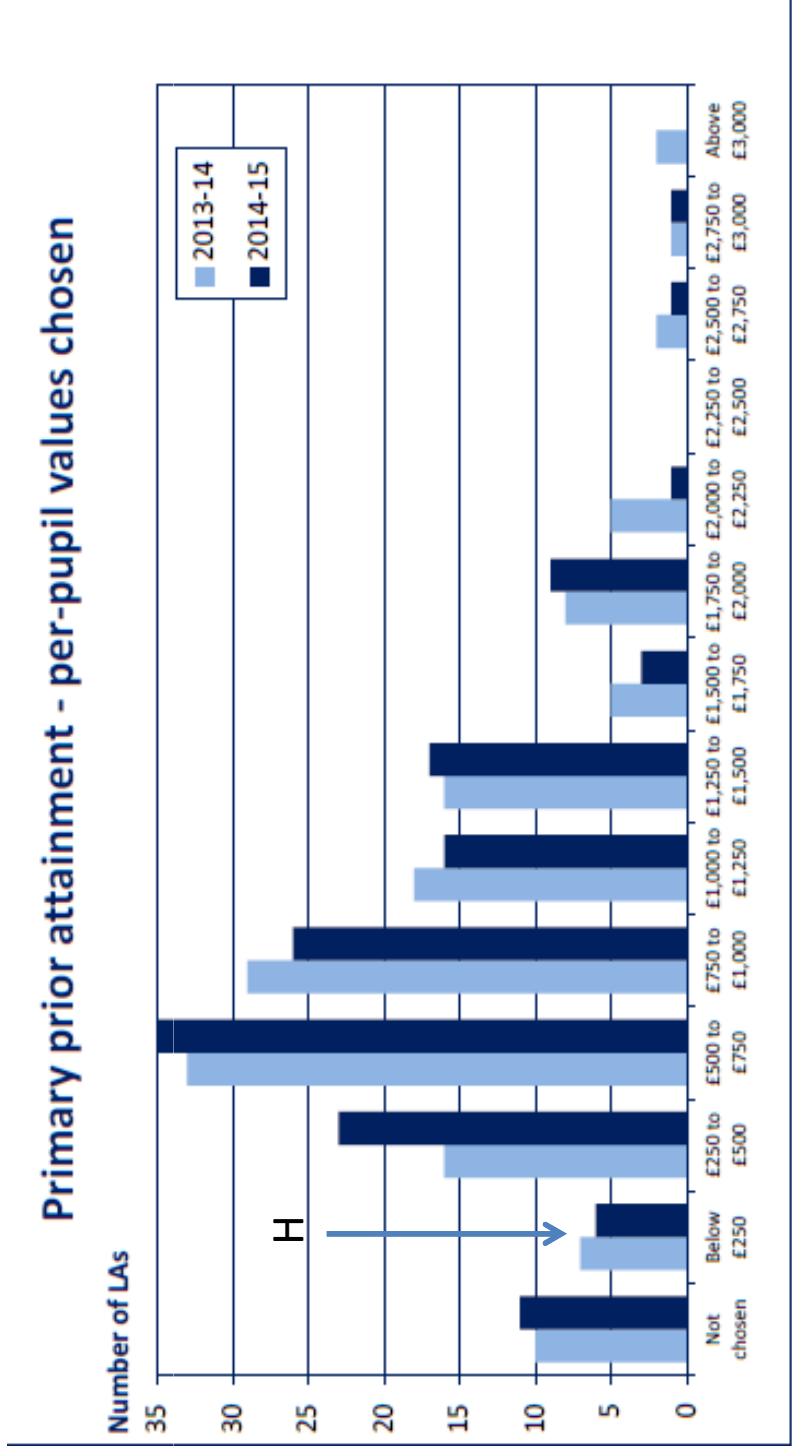
1. Second year of consolidation and planned but gradual change
2. Continued move towards 1.1:1.23 primary secondary funding ratio of our “family average” counties
3. Reduce primary lump sum gradually to £75,000
4. Increase secondary lump sum gradually to £150,000
5. Sparsity funding to change gradually
- 4 Review national funding comparisons – and amend as appropriate

# Primary secondary funding 2014/15 data

Primary:secondary ratios; 1 to...

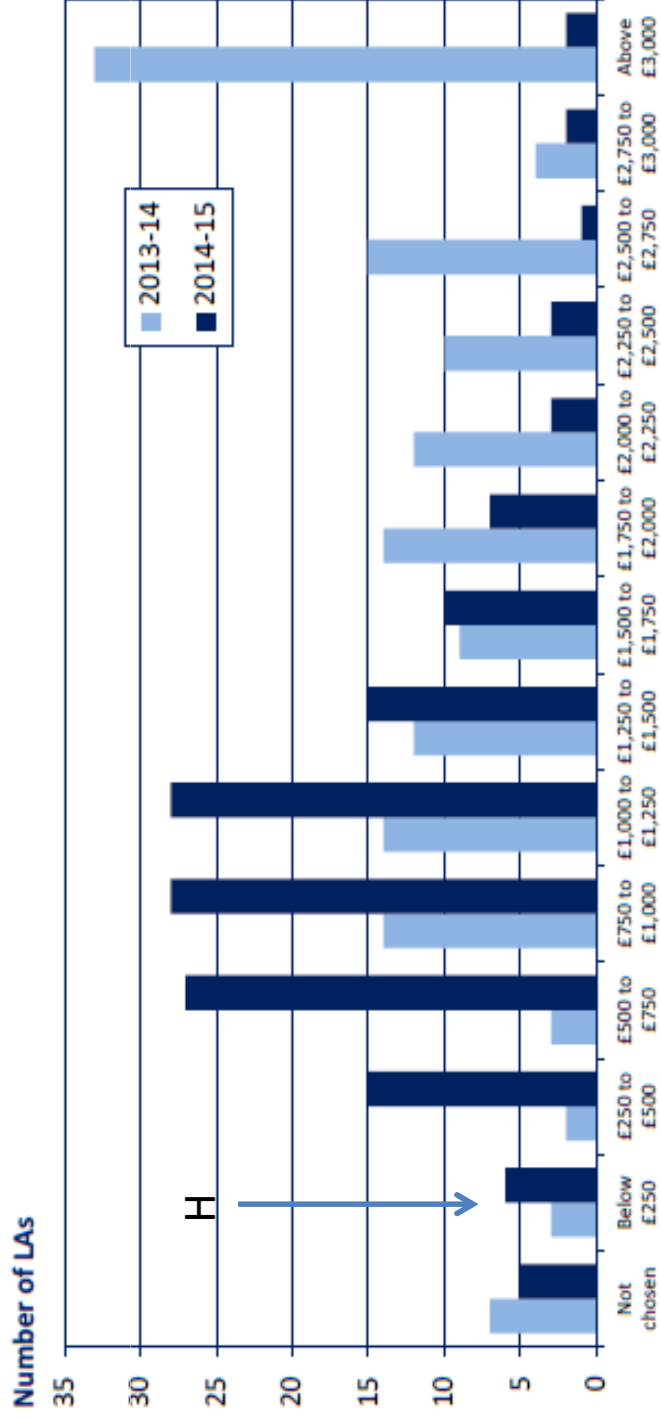


# Low Prior Attainment Primary schools



# Low prior attainment High schools

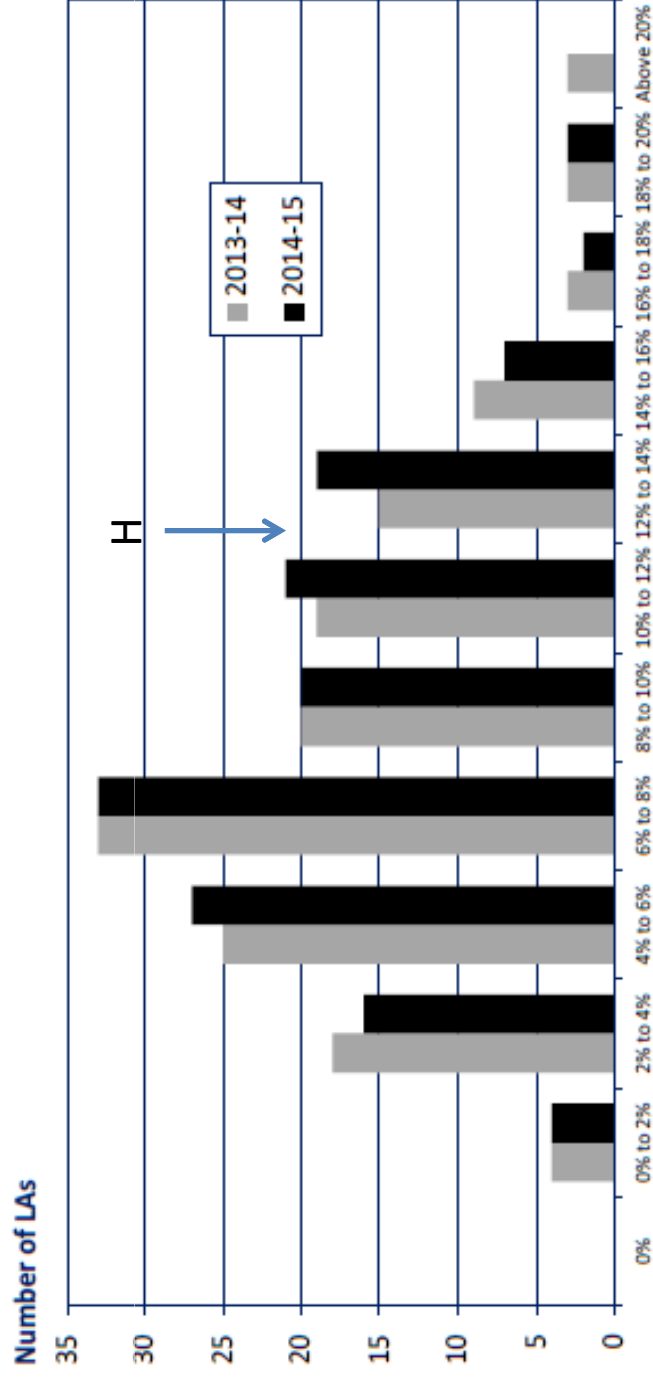
Secondary prior attainment - per-pupil values chosen





# Herefordshire deprivation funding

Deprivation - % of funding allocated through this factor



# Funding Comparison Low Prior Attainment v Deprivation

School Funding 2014/15	Herefordshire school funding	DfE Fairer Funding Statement	Difference
Deprivation – Ever-6 FSM	£11m	£5.5m	+£5.5m
Prior Attainment	£1m	£3.8m	-£2.8m
<b>Total</b>	<b>£12m</b>	<b>£9.3m</b>	<b>+£2.7m</b>

# Herefordshire 2015/16 Proposals - Lump Sum

## Continuation 2014/15 strategy

1. Reduce primary lump sum to £93,000
2. Increase secondary lump sum to £130,500
3. Reduction in primary lump sum reallocated
  - £2,500 transfer to high schools re funding ratio
  - £1,500 to fund primary sparsity payments
  - £2,000 to boost primary per pupil funding

# Low Prior Attainment Primary Options

	2014/15		School Budget		Option C(i) £200 increase in LPA			Option C(ii) £400 increase in LPA		
	per pupil		total funding	%	per pupil	total funding	%	per pupil	total funding	%
LPA funding	£228		£0.7m	0.8%	£428	£1.3m	1.4%	£628	£1.9m	2.0%
Deprivation	£2,860		£6.4m	7%	£2,550	£5.9m	6.2%	£2,260	£5.2m	5.4%

# Low Prior Attainment Secondary Options

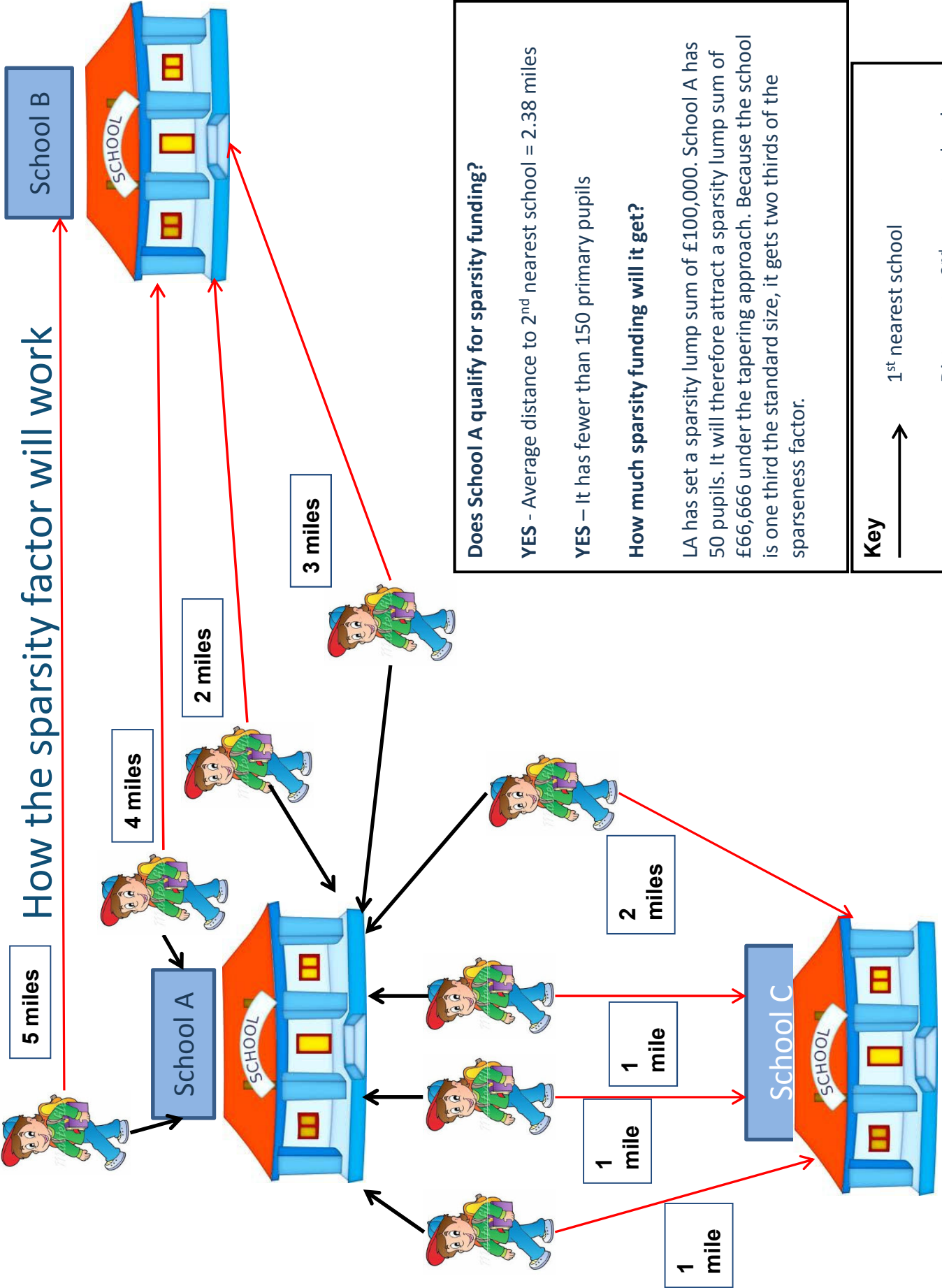
	School Budget		Option C(iii) £500 increase in LPA			Option C(iv) £1,000 increase in LPA			
	2014/15	Total	per pupil	%	per pupil	total funding	per pupil	total funding	
LPA funding	£148	£0.3m	£148	0.3%	£648	£1.5m	£1,148	£2.7m	2.8%
Deprivation	£2,860	£4.6m	£2,860	5%	£2,113	£3.5m	£1,430	£2.3m	2.4%

# Impact on average pupil funding

- Primary per pupil
  - 2013/14 £4,016
  - 2014/15 £4,015
  - 2015/16 £4,070 (+1.3% from 13/14)
- Secondary
  - 2013/14 £4,774
  - 2014/15 £4,793
  - 2015/16 £4,984 (+4.4% from 13/14)

Note: 2015/16 includes the 2.9% Fairer funding increase

# How the sparsity factor will work



**Does School A qualify for sparsity funding?**

**YES** - Average distance to 2<sup>nd</sup> nearest school = 2.38 miles

**YES** - It has fewer than 150 primary pupils

**How much sparsity funding will it get?**

LA has set a sparsity lump sum of £100,000. School A has 50 pupils. It will therefore attract a sparsity lump sum of £66,666 under the tapering approach. Because the school is one third the standard size, it gets two thirds of the sparseness factor.

**Key**

→ 1<sup>st</sup> nearest school

→ Distance to 2<sup>nd</sup> nearest school

# Herefordshire Proposals

## Sparsity

- Second year increase for in tapered lump sum from £14,000 to £28,000 for qualifying primary schools
- Abolish secondary sparsity payments band increase secondary lump sum by £1,750
- Evidence that small secondary schools need increase in lump sum to fund finance bursar - but not sparsity
- Separate decision by primary and secondary as
  - Primary sparsity funded by primary schools
  - Secondary sparsity funded by high schools



# High Needs protection Primary schools

- Major concern in 2013 re primary schools ability to fund the £6,000 additional high needs threshold
- Particularly small schools and those with high numbers of high needs pupils
- Protection scheme designed to cap the cost by linking to Minimum Funding Guarantee
- Max cost in 2013/14 £60 per pupil, £120 per pupil in 2014/15 and £200 per pupil in 2015/16
- We received national recognition for our scheme
- Do we need a permanent scheme?

# Proposed Formula 2015/16

	Primary	Secondary
Lump Sum – all schools	£93,000	£132,250
Sparsity for qualifying schools £28,000 taper & threshold 105 pupils (DfE now use year group basis of 15 pupils)	£266.67 per pupil subsidy up to threshold	Included in lump sum
Basic entitlement per pupil	£2,854	£3,689 re KS3 £4,645 re KS4
Looked After Children	£1,300	£1,300
EAL pupils – as per DfE minimum funding	£505	£1,216
Pupil Mobility – per mobile pupil	£0	£0
Split Site costs	£0	£0
PFI Contract	£0	£207,000
Business rates	At cost	At cost

# Proposed Formula 2015/16 LPA Options

	Primary	Secondary
Option C(i) and C(iii) Prior Attainment - EYFSP 78 points (or equiv') KS2 Maths OR English not achieving level 4 Deprivation per Ever-6 FSM pupil	428 £2,572	£648 £2,162
Option C(ii) and C(iv) Prior Attainment - EYFSP 78 points (or equiv') KS2 Maths OR English not achieving level 4 Deprivation per Ever-6 FSM pupil	628 £2,260	£1,148 £1,430

# 2014/15 High Needs Final Top Up Tariffs

Tariff Group	Assessment Points	Tariff Value (£)
Local Offer	0-9	0
A	10-19	1,280
B	20-29	3,150
C	30-49	5,225
D	50-69	8,075
E	70-89	11,400
F	90+	15,200

- A post implementation review will be undertaken from January 2015

# Timelines

1. Consultation meetings 18<sup>th</sup> – 25<sup>th</sup> September
2. Consultation response by 3<sup>th</sup> October (\*earlier preferable)
3. Budget Working Group to review feedback on 13<sup>th</sup> October
4. Schools Forum to agree formula and values on 24<sup>th</sup> October
5. Provisional submission to EFA by 31<sup>st</sup> October
6. Adjust based on October pupil numbers and final DSG
7. Schools Forum to finalise 19<sup>th</sup> January
8. Final submission to Education Funding Agency 20<sup>th</sup> January
9. Issue of school budgets by 27<sup>th</sup> February

[school.funding@herefordshire.gov.uk](mailto:school.funding@herefordshire.gov.uk)





<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>MEETING DATE:</b>	<b>24 OCTOBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>EDUCATION SERVICES GRANT 2015/16</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR COMMISSIONING AND EDUCATION</b>

## Classification

Open

## Key Decision

This is not an executive decision.

## Wards Affected

County-wide

## Purpose

To note the implications of the DfE's final arrangements for the Education Services Grant (ESG) for 2015/16 following national consultation during the summer term 2014.

## Recommendation(s)

**THAT: Schools Forum**

- (a) **note the conclusion of the DfE's consultation on the proposed cuts in Education Services Grant; and**
- (b) **receive a further report to Schools Forum in March 2015 on the savings proposals agreed by the council.**

## Alternative options

- 1 No alternatives are proposed as this is a national cut in money, determined by national government.

## Reasons for recommendations

- 2 To inform Schools Forum of the cuts to the Education Services Grant.

## Key considerations

- 3 The Education Services Grant (ESG) was introduced in 2013 to replace the Local Authority Central Spend Equivalent Grant (LACSEG) which was paid to academies to cover the cost of services that local authorities provide centrally to maintained schools but that academies must secure independently. The LACSEG arrangements were designed when there were fewer academies and the rationale for the introduction of ESG was to make funding of education services more appropriate to the increasing numbers of academies and the increasingly autonomous school system. The introduction of a national per pupil rate for ESG has made the system for funding education services simpler, fairer and more transparent.
- 4 ESG is paid to local authorities and academies on a per pupil basis as an un-ringfenced grant. Local authorities receive additional funding for the obligations that they have to fulfil to both academies and maintained schools (known as “retained duties”) Table 1 below sets out the ESG rates for 2013/14, 2014/15 and 2015/16.

	2013-14	2014-15	2015-16
Total ESG	£1.03 billion	£1.02billion	£0.82billion
Retained duties rate (paid to local authorities for every pupil at maintained schools and academies)	£15	£15	£15
General funding rate (paid to LAs for pupils in maintained schools and to academies for their pupils)	£116	£113	£87
Academy top-up (paid to academies for their pupils)	£34	£27	£0 but protection rules apply

- 5 In May 2014 the Forum considered a response to a DfE consultation on the Department for Education (DfE) consultation on Savings to the Education Services Grant (ESG) for 2015-16. Responses to the national consultation are broadly as follows:
- Retained duties rate – responses indicated there is little scope to reduce the retained duties rate below £15 per pupil. DfE will therefore maintain the rate at £15 per pupil.
  - General funding rate – DfE has considered the section 251 budget data in conjunction with case studies. DfE recognised the variation in the quality of data within the section 251 responses but also noted it was the only data that was available. The DfE has concluded that the scope for local authorities to make savings appears to vary between different functions and different types of local authorities. Savings are reported as possible by the joining up of services, refocusing work on essential duties; collaboration with other local authorities; encouraging schools to take more responsibility; outsourcing; and restructuring and flexible deployment of staff. The DfE is satisfied that a general funding rate of £87 is sufficient for local authorities to deliver the services that ESG is intended to fund. A third of local authorities (48) planned to spend around £87 or less per pupil in 2013/14 on ESG relevant functions

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Further information on the subject of this report is available from  
Chris Baird, Assistant Director Commissioning and Education on Tel (01432) 260264



for maintained schools.

6. The following sets out the DfE's key observations for each of the ESG relevant function in turn:

#### 1. School Improvement

- A large majority of respondents (74%) felt further clarification or guidance on the role of local authorities in school improvement would be needed in order to have a clear set of expectations. The revised statutory guidance on schools causing concern (May 2014) serves this purpose.
- Identified savings opportunities include: collaboration between local authorities; school-to-school support; using external providers; greater flexibility in deployment of key staff; and using daily rates for specific projects rather than permanent arrangements.
- Reasonable to assume some local authorities could reduce spend considerably – and DfE have found no evidence of a relationship between spend on school improvement and improvement in the performance of schools.

#### 2. Statutory and regulatory duties

- The main opportunities for reducing cost were identified as
  - Collaboration, for example sharing procurement or audit services with other local authorities
  - Reducing spend on back-office functions, for example by establishing an independent provider to provide these at a lower cost
- Transferring costs of some functions back to schools, for example audit and health and safety
- A high proportion of respondents asked for clarification of these services.
- A key feature is that local authorities retain some duties for both academies and maintained schools.

#### 3. Education Welfare Services

- A key feature is that local authorities retain some duties for both academies and maintained schools.
- Many local authorities have already made savings and reduced services to the statutory minimum

#### 4. Central support services

- DfE believe role for local authorities in this area is limited. Some local authorities reported that because there were no specific obligations for them to provide central support services (e.g. pupil support for clothing grants, music services, visual and performing arts and outdoor education), they were either trading these services at cost, or not providing these services and therefore incurring any expenditure, and had not done so for some years.

- The large majority of respondents were concerned about spending on music services and the impact on disadvantaged families and on local culture. The DfE have made it clear music education is provided by central hubs which are funded centrally for example £75m in 2015/16 direct from DfE. As ESG is an un-ringfenced grant, local authorities will continue to have total discretion about whether to spend any of the ESG budget they receive on providing music services.

#### 5. Asset management

- Services were classified as capital programme planning, management of PFI initiatives and administration of academy leases
- Few respondents reported scope for savings given the statutory nature of the function.
- DfE have not yet found a satisfactory explanation for the wide range of reported expenditure but intend to consider further whether there is merit in providing new, clearer, information on the role and responsibilities for school asset management for local authorities and other bodies in the system.

#### 6. Premature retirement and redundancy costs

- The statutory framework requires schools to pay for early retirement and for local authorities to fund redundancy costs in maintained schools by default unless there are good reasons not to.
- Some authorities have a local agreement that schools will meet the costs; others choose to bear all the costs themselves. The main barriers for passing cost to schools were cited as schools in financial difficulty and those facing falling rolls.
- DfE consider that the median spend of £0 may be difficult to achieve in some authorities, because, for example they have schools in circumstances such that they cannot afford to pay redundancy costs.

#### 7. Therapies and other health-related services

- Most authorities said they use their high needs block funding to pay for these services and queried why therapies was listed as an ESG function.

#### 8. Monitoring national curriculum assessment

- The majority of local authorities planned no spend in this area. DfE suggest this is probably explained by local authorities reporting spend on a different S251 budget – often cited as school improvement given the statutory duty Las have to monitor the administration of national curriculum assessment in maintained schools and to moderate teacher assessments at key stage 1.

## 7. Exemplar local authority

Planned spend on ESG services for pupils in maintained schools only			
Section 251 budget line	Possible expenditure (per maintained school pupil) based on median national spend	Herefordshire planned expenditure 2014/15 – general funding maintained schools only (see note 1)	Herefordshire planned expenditure – retained duties – all academies including non-recoupment
2.0.3 Education welfare services (DfE assume 15% cost is retained)	£11.90	£0	£0
2.0.4 School improvement	£31.00	£17	£0
2.0.5 Asset management – education (DfE assume 25% cost is retained)	£5.20	£1.50	£0.32
2.0.6 Statutory and regulatory duties – education (DfE assume 26% is retained)	£35.60	£43.50	£9
2.0.7 Premature retirement costs/ redundancy costs (new provisions)	£1.00	£14	£0
2.0.8 Monitoring national curriculum assessment	£0.50	£1	£0
2.0.1 therapies and other health-related services	£0.50	£0	£0
2.0.2 Central support services	£1.30	£0	£0
Total spend on ESG services for maintained pupils only – 48 LAs planned to spend at or below this level.	£87.00	£77	£9.32

Table – potential spend based on median spending patterns – general funding rate. General funding is based on 14,857 pupils in maintained schools and retained funding is based on 23,978 pupils in all maintained and academies including Steiner. Note 1: Planned budgeted expenditure may not be exactly the same as actual expenditure and Herefordshire may account for certain areas of spend in a slightly different way to that used by the DfE. This is recognised as a national issue in the compilation of the figures used for the consultation.

8. In response to the number of queries in the ESG consultation, the DfE have published a clarification of local authorities duties to provide education services to academies and maintained schools which could also help with achieving savings. The DfE guidance is attached as an appendix.

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Further information on the subject of this report is available from  
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### Impact on academies

9. At present academies receive higher levels of ESG than local authorities. In academic year 2014/15, all academies will receive an ESG top-up of £27 per pupil and a protection that ensures that the loss incurred by any academy as a result in changes in ESG and SEN LACSEG cannot exceed 1% of its total budget in academic year 2013/14.
10. In academic year 2015/16 there will be no top-up for academies, but they will continue to receive protection against reductions in ESG and the removal of SEN LACSEG. The protection is quite complex but means that a small number of academies that currently receive exceptionally high rates of ESG will see reduction approaching 3% of their budgets but the vast majority will enjoy a tighter protection in much the same way as the Minimum Funding Guarantee is applied to the DSG funded individual school budgets.

### Impact on Local authority

11. The impact on the local authority is set out in the table below. The DfE revises the ESG calculations in year to take account of academy conversions and so the actual grant due is not finally known until year end. ESG for 2015/16 is based on the assumption that there will be no further conversions to academy status during 2015/16. In the longer term continued academy conversions will further reduce the ESG received by the local authority.

Education Services Grant	2013/14	2014/15 (Est)	2015/16 (Est)
ESG rate per mainstream pupils	£116.46	£113.17	£87
ESG rate per special place	£494.96	£480.97	£369.75
ESG rate per PRU place	£436.73	£424.38	£326.25
ESG pupil rate for retained duties	£15.00	£15.00	£15.00
Pupils in locally maintained schools (including VI forms)	13,972	13,364	12,757
Pupils in academies & free schools	8,364	8,928	9,493
Special school places	269	146 (ave)	114
PRU places	90	84 (ave)	80
ESG General funding	£1,799,778	£1,480,928	£1,148,183
ESG Retained duties funding	£340,427	£342,420	£336,660
TOTAL LA funding	£2,140,204	£1,823,348	£1,484,843
Year on year savings required		£316,856	£338,505

12. Children's Wellbeing Services has included the potential reduction in ESG in its three year budget plan and the approach will be confirmed as part of the council's budget setting process. Several respondents to the DfE consultation ESG commented that

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small local authorities with fixed costs and low economies of scale were likely to have higher cost per pupil for statutory and regulatory duties – and this applies in Herefordshire.

13. In framing current and future proposals for budget reduction the local authority will take account of the statutory obligations of local authorities for all schools as set out in the appendix.

## **Community impact**

14. The impact on schools and the wider community will be assessed as the budget plans are finalised.

## **Equality and human rights**

15. There is no impact on on equality and human rights at this stage.

## **Financial implications**

16. The required savings are set out in the report and may increase further, dependent on future academy conversions. Proposals for meeting the savings will be considered as part of the council's financial planning process and reported to Schools Forum in due course.

## **Legal implications**

17. There are no specific legal implications.
18. This report sets out the implications of the DFE's revised Education Services Grant for 2015 and the Schools Forum is asked to note the information provided on the proposed cuts and to receive a further report in March 2015 detailing the savings and proposals agreed by the council.
19. Regulation 10 of the Schools Forums (England) Regulations 2012 states that:
  - (1) the authority must consult the Schools Forum annually in respect of the authority's functions relating to the schools budget , in connection with the following:
    - (d) administrative arrangements for the allocation of central government grants paid to schools via the authority
  - (2) the authority may consult the forum on such other matters concerning the funding of schools as they see fitt

## **Risk management**

20. The risks relating to the budget saving proposals will be identified as part of the budget review process.

## **Consultees**

21. None

## **Appendices**

- Department of Education – Annex A Clarification of local authority statutory duties relating to services relevant to the Education Services Grant.

## **Background papers**

- Department for Education – The Education Services Grant – Statement of final arrangements for 2015 to 2016 - July 2014

Department for Education – Consultation on savings to education services grant for 20165 to 2016 – government response - July 2014.



Department  
for Education

# **Annex A**

**Clarification of local authority statutory duties relating to services relevant to the Education Services Grant**

**July 2014**

# Contents

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## Local authority statutory duties relating to services relevant to the Education Services Grant

The responses to the [consultation on savings to the Education Services Grant for 2015-16](#) told us that clarification of local authorities' duties to provide education services relevant to the Education Services Grant would be welcomed and could also help with achieving savings.

The text below sets out, for each budget line relevant to the Education Services Grant:

- the section 251 guidance description of the expenditure that should be recorded;
- the statutory obligations that local authorities have for all schools;
- the statutory obligations that local authorities have for maintained schools; and
- the statutory obligations that local authorities have for academies.

When considering their duties as described below, local authorities should have regard to sections 13, 13A and 14 of the Education Act 1996 which require local authorities to: ensure that efficient primary, secondary and further education is available to meet the needs of their population; ensure that their education functions are exercised with a view to promoting high standards ensuring fair access to opportunity for education and learning, and promote the fulfilment of learning potential; and secure that sufficient schools for providing primary and secondary education are available for their area.

## School improvement

### Section 251 guidance description of budget line

Expenditure incurred by a local authority in respect of action to support the improvement of standards in the authority's schools, in particular expenditure incurred in connection with functions under the following sections of the Education and Inspections Act 2006:

- (a) section 60 (performance standards and safety warning notice);
- (b) section 60A (teachers' pay and conditions warning notice);
- (c) section 63 (power of local authority to require governing bodies of schools eligible for intervention to enter into arrangements);
- (d) section 64 (power of local authority to appoint additional governors);
- (e) section 65 (power of local authority to provide for governing bodies to consist of interim executive members) and Schedule 6; and
- (f) section 66 (power of local authority to suspend the right to delegated budget).

### Statutory obligations of local authorities for all schools

When delivering their school improvement function, local authorities must have regard to the Schools Causing Concern statutory guidance<sup>1</sup>. This guidance provides clarity about the role of local authorities in delivering school improvement for maintained schools and for academies.

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<sup>1</sup> <https://www.gov.uk/government/publications/schools-causing-concern--2>

## Statutory and regulatory duties

### Section 251 guidance description of budget line

The full guidance on expenditure that should be captured in this budget line was set out in the consultation<sup>2</sup>.

### Statutory obligations of local authorities for all schools

#### Strategy

A local authority must:

- appoint a Director of Children's Services (section 18, Children Act 2004); and
- strategically plan for its education service (sections 13 to 15B, Education Act 1996).

#### Finance

A local authority must:

- prepare revenue budgets: information on income and expenditure relating to education, for incorporation into the authority's annual statement of accounts; and the external audit of grant claims and returns relating to education (Local Government Act 1972); and
- perform internal audit and other tasks necessary for the discharge of the authority's chief finance officer's responsibilities under section 151, Local Government Act 1972.

#### Information

A local authority must:

- provide information to or at the request of the Secretary of State (section 29, Education Act 1996).

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<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/298588/Annex\\_A.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298588/Annex_A.pdf)

# Statutory obligations of local authorities for maintained schools

## Human resources

A local authority must:

- carry out suitability checks of employees or potential employees of the authority or of governing bodies of schools, or of persons otherwise engaged or to be engaged with or without remuneration to work at or for schools (School Staffing (England) Regulations 2009);
- provide advice to governing bodies in relation to staff paid, or to be paid, to work at a school, and advice in relation to the management of all such staff collectively at any individual school (“the school workforce”), including in particular advice with reference to alterations in remuneration, conditions of service and the collective composition and organisation of such school workforce (School Staffing (England) Regulations 2009);
- appoint a teacher recommended by a governing body (or a head teacher or deputy head recommended by the governing body’s selection panel) unless the teacher or head teacher is to be appointed otherwise than under a contract of employment (regulations 15 to 16, School Staffing (England) Regulations 2009);
- terminate the employment of any person employed by it to work solely at a school if the governing body determines that he or she should cease to work there (regulation 20, School Staffing (England) Regulations 2009);
- consider whether it would be appropriate to provide prescribed information to the Secretary of State where a local authority has ceased to use a teacher’s services due to serious misconduct, or might have done so had the teacher not resigned first (section 141D, Education Act 2002). The prescribed information is set out in reg 20 of the Teachers’ Disciplinary (England) Regulations 2012;
- pay employer’s contributions to the appropriate pension fund (reg 67 and Schedule 2, Local Government Pension Scheme Regulations 2013);
- pay teachers’ pension contributions to the Secretary of State (reg 30, Teachers’ Pensions Regulations 2010);
- appoint non-teaching staff within the local authority’s conditions of service and grading system (regulation 17, School Staffing (England) Regulations 2009).

## Finance

Schedule 15 to the Schools Standards and Framework Act 1998 empowers a local authority to suspend a governing body’s right to a delegated budget in certain

circumstances of failure to comply with requirements or manage the budget satisfactorily. This implies a duty on the local authority to monitor a governing body's budget management. There is a duty to review any suspension. When a governing body is suspended, the duty to manage the school budget reverts to the local authority and the School Staffing Regulations do not apply, therefore powers over staffing also revert to the local authority (Schedule 2, Education Act 2002).

A local authority must also:

- monitor compliance with the requirements of their financial scheme prepared under section 48, School Standards and Framework Act 1998, which may include advice to assist governing bodies in procuring goods and services with a view to securing continuous improvement, and any other requirements in relation to the provision of community facilities by governing bodies under section 27, Education Act 2002; and
- send to the Secretary of State any financial statement provided to the local authority by a governing body (reg 5, Consistent Financial Reporting Regulations 2012).

## **Health and safety**

A local authority must comply with its duties under the Health and Safety at Work etc. Act 1974 and the relevant statutory provisions as defined in section 53(1) of that Act in so far as compliance cannot reasonably be achieved through tasks delegated to the governing bodies of schools.

## **School companies**

A local authority must exercise its monitoring and reporting functions as the supervisory authority of school companies formed by governing bodies (section 12, Education Act 2002; regs 26 and 27, School Companies Regulations 2002).

## **Equality**

A local authority must comply with the public sector equality duty (section 149, Equality Act 2010), publish information to show its compliance with the equality duty (reg 2, Equality Act 2010 (Specific Duties) Regulations 2011), and set itself specific, measurable equality objectives (reg 3, Equality Act 2010 (Specific Duties) Regulations 2011).

## **Religious education**

A local authority must:

- set up a standing advisory council on religious education (section 390, Education Act 1996); and

- prepare an agreed syllabus of religious education in accordance with Schedule 31, Education Act (1996).

## **Statutory obligations of local authorities for academies**

The duties that LAs hold for academies pupils are set out in the section above (statutory obligations of local authorities for all schools for statutory and regulatory duties).

## Education welfare service

### Section 251 guidance description of budget line

Education welfare service and other expenditure arising from the local authority's school attendance functions. Where Education Welfare Officers are directly involved in issues related to The Children Act 1989, the relevant expenditure should be charged to line 3.3.2.

Expenditure in connection with powers and duties performed under Part 2 of the Children and Young Persons Act 1933 (enforcement of, and power to make byelaws in relation to, restrictions on the employment of children).

## Statutory obligations of local authorities for all schools

### Attendance

A local authority must:

- make arrangements to identify children not receiving education (section 436A, Education Act 1996);
- send a written notice to a parent whose child of compulsory school age is not receiving suitable education, followed by a school attendance order if they do not comply with the notice (section 437, Education Act 1996); if exercising its power to prosecute a parent for a child's non-attendance (section 446) the local authority must consider whether to apply for an education supervision order (section 447);
- publish a code for penalty notices to address poor attendance and administer the penalty notice regime according to the Education (Penalty Notices) (England) Regulations 2007 and subsequent amendments;
- improve attendance where schools report absence to them according to the Education (Pupil Registration) (England) Regulations 2006;
- investigate the whereabouts of pupils who have poor attendance and are at risk of being deleted from the schools' admission register (Education (Pupil Registration) (England) Regulations 2006); and
- comply with all its statutory obligations under the Education (Pupil Registration) (England) Regulations 2006.

### Child performance and employment

A local authority has responsibility for administering and enforcing requirements and protections for those below compulsory school leaving age taking part in employment or

performances (Part 2, Children and Young Persons Act 1933, Part 2, Children and Young Persons Act 1963, Children (Performances) Regulations 1968).

## **Statutory obligations of local authorities for maintained schools**

In addition to the above, a local authority has the right to inspect school registers (Education (Pupil Registration) (England) Regulations 2006).

## **Statutory obligations of local authorities for academies**

The duties that local authorities hold for academy pupils in education welfare services are covered in the above section (statutory obligations of local authorities for all schools for education welfare service).



## Central support services

### Section 251 guidance description of budget line

Includes expenditure on:

- pupil support: provision and administration of clothing grants where such expenditure is not supported by grant;
- music services: expenditure on the provision of music tuition or other activities which provide opportunities for pupils to enhance their experience of music;
- visual and performing arts (other than music): expenditure which enables pupils to enhance their experience of the visual, creative and performing arts other than music; and
- outdoor education including environmental and field studies (not sports): expenditure on outdoor education centres – field study and environmental studies etc. – but not including centres wholly or mainly for the provision of organised games, swimming or athletics.

### Statutory obligations of local authorities for all schools

Local authorities have no statutory obligations to provide the services described in the above section (section 251 guidance on description of budget line for central support services). Local authorities are free to provide these services if they choose.

## **Asset management**

### **Section 251 guidance description of budget line**

Expenditure in relation to the management of the authority's capital programme, preparation and review of an asset management plan, negotiation and management of private finance transactions and contracts (including academies which have converted since the contracts were signed), landlord premises functions for relevant academy leases, health and safety and other landlord premises functions for community schools.

### **Statutory obligations of local authorities for all schools**

Local authorities have a general landlord duty for all buildings which they let to academies (under the relevant academy lease), and for all community school buildings, and overall responsibility for capital strategy including basic need, which applies to all pupils (section 14, Education Act 1996).

### **Statutory obligations of local authorities for maintained schools**

In its role as landlord for community schools, a local authority has a duty (section 542(2) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:

- appropriate facilities for pupils and staff (including medical and accommodation);
- the ability to sustain appropriate loads;
- reasonable weather resistance;
- safe escape routes;
- appropriate acoustic levels;
- lighting, heating and ventilation which meets the required standards;
- adequate water supplies and drainage; and
- playing fields of the appropriate standards.

A local authority, as an employer, has a general health and safety duty for employees and others who may be affected (Health and Safety at Work etc Act 1974).

A local authority must manage the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012).

## **Statutory obligations of local authorities for academies**

Local authorities do not have any specific duties for academies, apart from those covered above (statutory obligations of local authorities for all schools for asset management).

## **Premature retirement costs/redundancy costs (new provisions)**

### **Section 251 guidance description of budget line**

Any budget for payments to be made by the local authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of the school, after 1st April 2014 under section 37, Education Act 2002.

### **Statutory obligations of local authorities for maintained schools**

A local authority must fund redundancy costs (not premature retirement costs, which are the responsibility of the school concerned) of school staff, unless there is a good reason not to fund them centrally (section 37, Education Act 2002).

### **Statutory obligations of local authorities for academies**

Local authorities have no statutory obligations for academies regarding premature retirement and redundancy costs.

## **Therapies and other health-related services**

### **Section 251 guidance description of budget line**

Costs associated with the provision or purchase of speech, physiotherapy and occupational therapies should be recorded here. Include any expenditure on the provision of special medical support for individual pupils which is not met by a Primary Care Trust, National Health Service Trust or Local Health Board.

### **Statutory obligations of local authorities for all schools**

The Children and Families Act 2014 places a statutory duty on local authorities and local health bodies to commission services jointly to support disabled children and young people and those with special educational needs, including those who need therapy support.

## **Monitoring national curriculum assessment**

### **Section 251 guidance description of budget line**

Expenditure on monitoring National Curriculum assessment arrangements required by orders made under section 87 of the 2002 Act.

### **Statutory obligations of local authorities for maintained schools**

Under the Education (National Curriculum) (Key Stage 1 Assessment Arrangements) Order 2004, a local authority must do the following:

- moderate the teacher assessments carried out at the end of key stage 1 by schools (in reading, writing and mathematics) in at least 25% of maintained schools each school year and ensure that every school will be subject to moderation at least once every four years; and
- appoint a person to complete the assessment moderations who has recent experience of provision of the National Curriculum in primary schools.

Local authorities also have equivalent duties in respect of key stage 2 and key stage 3 moderation (Education (National Curriculum) (Key Stage 2 Assessment Arrangements) Order 2003) and (Education (National Curriculum) (Key Stage 3 Assessment Arrangements) Order 2003) but, as local authorities receive funding for these duties through specific grants, they are not funded from ESG.

### **Statutory obligations of local authorities for academies**

A local authority may provide the service set out in the section above (statutory obligations of local authorities for maintained schools for monitoring national curriculum assessment) for academies, however the duty for securing this service lies with the relevant academy trust, as set out in its funding agreement with the Secretary of State.



Department  
for Education

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<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>MEETING DATE:</b>	<b>24 OCTOBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>CAPITAL AND MAINTENANCE EXPENDITURE ON HEREFORDSHIRE SCHOOLS</b>
<b>REPORT BY:</b>	<b>HEAD OF EDUCATION DEVELOPMENT</b>

## Classification

### Open

This is not an executive decision.

## Wards Affected

County-wide

## Purpose

To update Schools Forum on planned capital and maintenance works on Herefordshire schools.

## Recommendation(s)

### THAT:

- (a) the Cabinet Member for Young People and Children's Wellbeing's decision of 25 September 2014 to approve capital and maintenance expenditure on Herefordshire schools as set out in appendices 1 and 2 be noted; and
- (b) the development of a Herefordshire schools estates strategy by June 2015 be noted.

## Alternative options

- 1 The capital and maintenance grants supporting building work in schools are profiled differently. The profile has been considered extensively by Property Services department of the council, individual head teachers and the capital consultative group, involving head teachers. The proposed works are addressing the known priorities.
- 2 The Basic Need grant is not used to support what are essential maintenance

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Andy Hough Head of Education Development on Tel (01432) 260920

schemes at schools. This would mean essential urgent building works are delayed as there is insufficient maintenance grant.

- 3 Basic need schemes at different schools are prioritised. The priorities have been formulated on the best information and advice available and consulted upon. Delaying the decision until further information is available would mean known, urgent condition issues of some schools were delayed.

## **Reasons for recommendations**

- 4 The Cabinet Member for Children and Young People's Wellbeing approved the profile of expenditure set out in the appendices in September 2014.
- 5 The Government grants Local Authorities three separate funding streams for capital works. (Maintenance, Basic Need and Local Education Voluntary Aided Programme LCVAP) There should be an open and transparent approach to the amounts and their use, which this report provides. Academy schools may access the Department for Education academies capital fund for building works.
- 6 There is a backlog of urgent and essential maintenance works at Local Authority maintained schools. Based on the best information available these have been prioritised for action within available resources.
- 7 There is a surplus of places across Herefordshire schools but consistently over time some parents have not been able to get a place for their child at outstanding high performing schools. Allocations from Basic Need have been made to alleviate this position.
- 8 There is no specific government allocation for funding special school places. Allocation has been made to support the finishing off of works at Blackmarston, the creation of additional spaces for primary aged children at Brookfield and remodelling of Westfield to provide more suitable spaces in an adjacent building.

## **Key considerations**

- 9 There are a variety of funding streams to support capital works at schools. The national schools funding formula means all schools receive a relatively small devolved capital allocation to support minor works and maintenance. Schools may convert revenue budgets to capital to make improvements. Bigger maintenance works like the replacement of a roof, a new heating system or windows are funded through a central maintenance grant awarded to the Council or via the academy capital maintenance scheme. Denominational schools are given a separate LCVAP grant to support works.
- 10 The local authority's wider duties and responsibilities associated with the wellbeing of children and the oversight of its estate are such that it maintains assurances that schools are undertaking their maintenance duties. The Local Authority asks governors of all schools annually to complete a document called "duties associated with running a school". The document sets out necessary health and safety checks and other maintenance work that should be undertaken.
- 11 The planned maintenance 2014/15 (line 1 of the appendix 1) is the known essential work that needs to be undertaken. An outline of scope, the forecast cost and at which school is set out in Appendix 2. The fees required for this work (line 2) are 10%.
- 12 The Local Authority has not recently fully reviewed the safeguarding arrangements at

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all its schools such that they meet modern expectations. In 2013/14 the local authority was expected to rectify fencing that was considered a potential safeguarding risk. The allocation in line 3 is to fully understand the problem and work with schools as necessary on suitable modifications.

- 13 In order to ensure the works at schools are properly targeted it is important that accurate and up to date surveys are undertaken. There is a backlog of surveys needing completion. These will be completed in preparation for the 2015/16 programme of works. Subsequently a 5 year rolling programme will be in place.
- 14 The Trend heating system (line 8) is a centrally controlled system that is designed to create efficiencies for schools. Many schools prefer to take responsibility for their own heating systems. This one off funding will ensure schools that want to buy in to the central arrangement can do and schools that want to maintain their own systems can do so too. There would then be no future centralised charge to the local authority maintenance budget.
- 15 There are proposals to support the newly federated Aylestone and Broadlands schools. An allowance has been made in line 9 for this.
- 16 There is a unique situation at Colwall C of E with water ingress (line 10). It has been agreed the school decant into temporary buildings. While the costs of the project are projected to be circa £2m over 2 years a significant portion of the LA maintenance grant needs to be allocated to support it. The financial estimates linked to the Leader's decision to make the arrangements require the 2015/16 grant to allocate a further £300k
- 17 Basic Need funding is being redirected to support the maintenance programme (line 14). Without this essential schemes could not progress and more work would become emergency work and potentially increase the future cost.
- 18 The Basic Need schemes (line 17) for each school are set out in appendix 2 and are for special schools and primary schools. Marlbrook, Staunton on Wye, and Mordiford are all outstanding schools that have been oversubscribed in year R for the last 3 years. They have all admitted over their planned admission number to support parents. All the schools are planning additional building works to accommodate the extra children and the profiled expenditure is to support this work. The funding is a proposed contribution to the individual schools schemes which have been discussed with the schools.
- 19 The challenges of keeping schools, up to date with maintenance work, ensuring suitability of the schools accommodation and minimising the risk of a similar situation to Colwall has led the Authority to conclude that a more detail examination of the position needs to be made and it has committed to developing an estates strategy.

## **Community impact**

- 20 Schools are a key part of communities and as such it is important they are well maintained. Parents are encouraged to choose a suitable school for their child. The basic need proposals support outstanding schools that are in demand from parents.

## **Equality and human rights**

- 21 The proposed capital and maintenance schemes have given due consideration to equalities issues particular in relation to disability. The Council maintains a disability access scheme. While there are no specific proposals for adaptations at mainstream

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schools (line 6 of the appendix 1) maintenance and basic need allocations have been given to the county's special schools.

## **Financial implications**

22 The proposed expenditure is set out in appendix 1.

## **Legal implications**

23 The purpose of this report is to update the Schools Forum on decisions that have been made and as such there are no specific legal implications.

24 Herefordshire Council has a duty to provide and support places of education that are both fit for purpose and health and safety compliant. The proposals set out in this report and its appendices support the Council in meeting these legal duties.

25 Failure to make repairs to known defects, such as those set out in this report and its appendices, increases the risk to the Council of litigation from matters arising from these defects.

## **Risk management**

26 Without undertaking the maintenance programme more children are going to be attending schools with defects including those that are significant health and safety concerns. This programme will address the highest known risks

27 The council has not got a fully comprehensive understanding of the condition and suitability of its schools. Therefore some emergency maintenance work might be needed. This is being addressed through the creation of an estates strategy and monitoring of schools completion of the "duties associated with running a school document "

28 Schools may feel the expansion of outstanding schools which are in demand from parents is disadvantaging other schools. The Local Authority, as part of its approach to an estates strategy is engaging with governors of school to discuss and debate implications.

29 The scheme costs are significantly above or below the forecast. All schemes will be monitored by the capital strategy consultative group and a capital project board with officers from Education and Commissioning and Property Services. The board will meet monthly to review schemes and make local professional decisions about virement while remaining within the overall forecast.

## **Consultees**

30 A school capital strategy consultative group, with a number of headteachers and property services officers, meets at least termly. At the meeting on 2 July the outline proposals were agreed as a constructive way forward for use of the grants.

## **Appendices**

Appendix 1 – proposed profile of expenditure

Appendix 2 - schemes associated with schools.

## **Background papers**

- Leader's decision – Colwall CE Primary School – Investigation into damp – 8 August 2014

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<b>Proposed Capital Budget Profile 14/15</b>			<b>Appendix 1</b>
		<b>Forecast spend £ 000</b>	<b>Notes</b>
<b>Maintenance expenditure</b>			
1	LA Planned Maintenance 14/15	1,388	See school sheet
2	Maintenance fees	139	
3	Safeguarding work inc fees	200	
4	Contingency emergency works	50	
5	Condition reports	48	
6	DDA adaptations	0	Non planned in 2014/15
7	Mobile replacements	0	Non planned in 2014/15
8	Trend costs	20	
9	Broadlands/ Aylestone scheme	240	maintenance avoidance
10	Special unavoidable costs	300	Colwall
11	Works carried forward from 2013/14	445	
12	<b>Sub total</b>	<b>2,830</b>	
<b>Maintenance income</b>			
13	LA maintenance grant 14/15 and carry forward from 13/14	2,080	
14	Funding from Basic Need grant	750	
15	<b>Sub total</b>	<b>2,830</b>	
16	<b>Balance</b>	<b>0</b>	
<b>Basic Need expenditure 2014/15</b>			
17	Basic Need Works schemes 2014/2015	400	See school sheet
18	Basic Need support for Maintenance Works	750	
19	<b>Sub total</b>	<b>1,150</b>	
<b>Basic Need Income</b>			
20	Basic Need Carry Forward 2013/14	247	
21	Basic Need Grant 2014/15	<b>634</b>	
22	Short fall funding from 2015/16 grant	<b>269</b>	
23	<b>Sub Total</b>	<b>1,150</b>	
24	Balance	0	
<b>Basic Need 2015/16</b>			
25	Support for 2014/15 basic need	269	
26	basic Need Grant 2015/16	666	
27	Balance for 2015/16 Basic Need	397	Expenditure to be determined
<b>LCVAP</b>			
28	LCVAP planned works 2014/15	810	See school sheet
29	LCVAP contingency	9	
	LCVAP grant	819	
	Balance	0	



DFE	School	School Type	Date of condition survey	Proposed Scheme 2014/2015	Maintenance budget forecast 2014/2015	LCVAP budget forecast 2014/2015	Proposed Basic Need Works 2014/2015	Possible next years schemes
2001	Almeley Primary School	Community	15/08/11	Fix leaking roof and walls	£135,000			
2138	Ashfield Park Primary School	Community	30/09/05	None this year				Asbestos floor tiles
2005	Ashperton Primary Academy	Academy	27/09/07	Academy				
3006	Bosbury CE Primary School	Voluntary Controlled	30/01/14	None this year				Fire doors
3305	Brampton Abbotts CE Primary School	Voluntary Aided	06/12/12	Fire doors, KS1 toilet refurb, Window replacement		£110,376		
2011	Bredenbury Primary School	Trust	15/01/09	None this year				Roof
3307	Bridstow CE Primary School	Voluntary Aided	07/12/12	Fire precautions and fire alarm		£24,000		
2056	Broadlands Primary School	Community	01/11/12	Maintenance avoidance				
2014	Brockhampton Primary School	Academy	11/10/07	Academy				
2029	Burghill Community Primary School	Academy	01/08/11	Academy				
3010	Burley Gate CE Primary School	Voluntary Controlled	28/09/05	Fire doors	£10,000			Drainage
3015	Canon Pyon CE Primary School	Academy	01/11/11	Academy				
3021	Cleghonger CE Primary School	Voluntary Controlled	20/03/03	None this year				Roof leaks
2031	Clifford Primary School	Community	13/01/14	Toilets, windows foul drainage.	£75,000			
3023	Colwall CE Primary School	Voluntary Controlled	14/11/07					
3315	Cradley CE Primary School	Voluntary Aided	12/02/13	None this year				
3035	Eardisley CE Primary School	Voluntary Controlled	11/12/12	None this year				windows and boilers
2037	Eastnor Parochial Primary School	Voluntary Controlled	28/01/14	None this year				
2046	Ewyas Harold Primary School	Community	23/03/04	None this year				Car Park and drainage
2053	Garway Primary School	Community	02/02/11	Emergency Lighting	£5,000			Heating plant
3046	Goodrich CE Primary School	Voluntary Controlled	29/01/14	None this year				Foul drainage
3047	Gorsley Goffs Endowed Primary School	Voluntary Controlled	27/11/11	Fire Alarm, emergency lighting, repointing	£41,000			
2057	Hampton Dene Primary School	Community	14/11/05	Curtain walling, emergency lighting	£150,000			Heating
3055	Holmer CE Primary School	Academy	01/10/11	Academy				
3349	Ivington CE Primary School	Voluntary Aided	19/12/12	Fire precautions		£5,000		
2094	Kings Caple Primary School	Academy	17/10/06	Academy				
3342	Kingsland CE Primary School	Voluntary Aided	15/08/11	None this year				
2095	Kingstone & Thruxton Primary School	Academy	30/11/06	Academy				
2096	Kington Primary School	Community	16/11/05	Roof repair	£50,000			Asbestos works and lighting
3347	Lea CE Primary School	Voluntary Aided	16/01/13	Fire precautions and entrance road		£45,000		
2098	Ledbury Primary School	Community	28/05/02	Fire alarm, playground	£20,000			
3348	Leintwardine Endowed Primary School	Voluntary Aided	17/11/11	None this year				
2099	Leominster Infants' School	Community	27/04/04	None this year				
2100	Leominster Junior School	Community	19/09/07	None this year				
3071	Little Dewchurch CE Primary School	Voluntary Controlled	30/01/14	None this year				Windows
3351	Llangrove CE Primary School	Academy	01/12/12	Academy				
2101	Longtown Primary School	Community	24/03/04	None this year				
2061	Lord Scudamore School	Academy	27/02/07	Academy				

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2102	Lugwardine Primary School	Academy	01/12/06	Academy				
2103	Luston Primary School	Community	17/11/11	None this year				
2104	Madley Primary School	Community	24/03/04	None this year				
2115	Marden Primary School	Academy	25/11/08	Academy				
2063	Marlbrook Primary School	Community	15/01/14	None this year			£80,000	
2116	Michaelchurch Escley Primary School	Community	24/03/04	None this year				
3078	Mordiford CE Primary School	Academy	29/11/06	None this year			£80,000	
3079	Much Birch CE Primary School	Voluntary Controlled	14/01/14	Drainage, roof and playground		£105,000		Toilets
3363	Much Marcle CE Primary School	Voluntary Aided	18/12/12	LCVAP				
3083	Orleton CE Primary School	Voluntary Controlled	01/09/07	Fire precautions		£10,000		
3330	Our Lady's RC Primary School	Voluntary Aided	02/11/12	Windows and courtyard			£90,000	
3366	Pembroke CE Primary School	Voluntary Aided	10/11/11	Fire precautions			£20,000	
3367	Pencombe CE Primary School	Voluntary Aided	13/12/12	None this year				
2122	Peterchurch Primary School	Community	25/03/04	Fire alarm and precautions		£17,000		Major roof work
3393	Riverside Primary School	Community	-	None this year				
2146	Shobdon Primary School	Community	21/01/14	None this year				
3331	St Francis Xavier's RC Primary School	Voluntary Aided	12/11/12	Fire compartmentation			£35,000	
3332	St James' CE Primary School (Hereford)	Voluntary Aided	13/12/12	Hall floor, fire doors and ventilation			£60,000	
3341	St James' CE Primary School (Kimbolton)	Voluntary Aided	31/10/12	None this year				
3372	St Joseph's RC Primary School	Voluntary Aided	25/03/03	Entrance works			£5,500	
2067	St Martin's Primary School	Community	15/09/05	None this year				Roofing
33026	St Mary's CE Primary School (Credenhill)	Voluntary Controlled	06/01/09	None this year				security alarms
3325	St Mary's CE Primary School (Fownhope)	Voluntary Aided	14/01/13	Mechanical ventilation			£5,000	
3333	St Paul's CE Primary School	Academy	01/12/12	Academy				
3392	St Thomas Cantilupe CE Primary School	Academy	15/11/12	Academy				
2152	St Weonard's Primary School	Community	07/11/11	Fire and emergency lighting		£15,000		Roof and roof lights
3304	St. Michaels CE Primary School	Voluntary Aided	04/08/11	Lighting and fire precautions			£23,000	
2024	St. Peter's Primary School	Trust	04/08/11	Lighting, fire precaution		£18,000		Boilers
3378	Staunton-on-Wye Endowed Primary School	Voluntary Aided	-	Basic need			£80,000	
2148	Stoke Prior Primary School	Community	01/08/07	Extend ICT classroom		£45,000		
3102	Stretton Sugwas CE Primary School	Academy	09/12/08	Academy				
2154	Sutton Primary School	Academy	-	Academy				
6906	The Steiner Academy	Academy	-	Academy				
2071	Trinity Primary School	Community	05/12/05	Curtain walling, emergency lighting, fire alarm		£250,000		Boilers for swimming pool
2155	Walford Primary School	Community	22/01/14	None this year				
2157	Wellington Primary School	Community	09/11/11	Chimneys		£30,000		Boilers lighting
2158	Weobley Primary School	Community	27/01/14	None this year				
3384	Weston-under-Penyard CE Primary School	Voluntary Aided	23/01/12	None this year				
3385	Whitchurch CE Primary School	Voluntary Aided	22/03/04	Windows and skylights			£30,000	
2159	Wigmore School (Primary)	Academy	12/09/07	Academy				



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	2160	Withington Primary School	Community	21/11/11	None this year			Heating	
4015	Aylestone High School Business and Enterprise College	Community		17/07/12	Curtain walling and lighting	£115,000			
4600	Bishop of Hereford's Bluecoat School	Voluntary Aided		24/10/12	Windows and toilets		£137,812	Drainage roofing	
4027	Earl Mortimer	Community		-	None this year				
4032	Fairfield High School	Academy		11/12/08	Academy				
6905	Hereford Academy	Academy		-	Academy				
4021	Kingstone High School	Academy		12/12/06	Academy				
4022	Lady Hawkins High School	Academy		21/11/06	Academy				
4004	Queen Elizabeth Humanities College	Academy		19/12/09	Academy				
4601	St Mary's R C High School	Voluntary Aided		31/01/13	Curtain walling and glazing improvements		£220,000		
4428	The John Kyrle High School and Sixth Form Centre	Academy		18/05/06	Academy				
4058	The John Masefield High School	Academy		19/04/11	Academy				
4045	Weobley High School	Community		09/08/11	Boilers and heating	£210,000			
4014	Whitecross	Academy		-	Academy				
4046	Wigmore High School	Academy		12/09/06	Academy				
7003	Barrs court	Academy		18/05/04	Academy				
7004	Blackmarston	Community		28/09/05	Basic need		£50,000		
1109	St Davids Centre	PRU		17/12/13	Fire doors	£10,000			
1110	The Aconbury Centre	PRU		13/12/06	Fire precautions	£15,000			
7008	The Brookfield School and Specialist College	Community		16/01/14	None this year		£80,000		
1108	The Priory Centre	PRU		30/09/05					
7007	Westfield School, Leominster	Community		06/01/09	Roof and roof lights	£62,000	£30,000	Curtain walling	
<b>Total</b>						<b>£1,388,000</b>	<b>£810,688</b>	<b>£400,000</b>	<b>£1,788,000</b>





<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>MEETING DATE:</b>	<b>24 OCTOBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>WHITECROSS PFI SCHEME</b>
<b>REPORT BY:</b>	<b>SCHOOLS FINANCE MANAGER</b>

## Classification

Open

## Key Decision

This is not an executive decision.

## Wards Affected

County-wide.

## Purpose

To report on the Whitecross Private Finance Initiative (PFI) scheme and to consider the need for potential additional funding.

## Recommendation(s)

**THAT:** the Cabinet Member for Young People and Children's Wellbeing be recommended to approve that;

- (i) The options set out in paragraph 12 are implemented where possible to deliver savings as estimated
- (ii) The necessary additional financial contributions to the PFI contract be shared equally between the council and schools (through Dedicated Schools Grant) as follows;

Year	Council Share £'000	DSG Funding £'000	Cumulative £'000
2015/16	12.5	12.5	25
2016/17	25	25	75
2017/18	25	25	125

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Further information on the subject of this report is available from  
Malcolm Green on Tel (01432) 260818

- (iii) **This position to be reviewed if inflation increases take place above those anticipated**
- (iv) **Schools Forum will receive a progress report in January 2015 so that the forecasts can be updated.**

## Alternative Options

- 1 The options available are limited and have been discussed with the PFI project's original financial advisors at a meeting on 10<sup>th</sup> March 2014. Their advice is set out in paragraph 12 below.

## Reasons for Recommendations

- 2 The Whitecross PFI scheme is required to meet its costs over the life of the 25 year contract so that an impossible financial burden is not passed onto future ratepayers.

## Key Considerations

- 3 Cabinet approved the outline business case for the replacement of Whitecross High School under a PFI scheme on 18<sup>th</sup> July 2001. The approval assumed PFI credits from the Department for Education (DfE) of £19.5m and annual contributions from the authority between £603k and £731k. In November 2003 bids were received from two consortia. Both bids were within the parameters set by the outline business case. Following careful evaluation of the technical, legal and financial aspects of both bids using criteria described in a formal evaluation framework, Cabinet approved a preferred bidder in March 2004 and the scheme moved to financial close on 17<sup>th</sup> January 2005.
- 4 Following the tender clarification process, both bids were outside the parameters of the approved outline business case and the DfE imposed new rules on the education revenue budget, making it more difficult to fund the annual payment from the centrally held education budget. Therefore, a three point strategy for managing the cost of the annual revenue payments was approved by Cabinet as follows:
  - (i) The DfE was asked for an uplift in the PFI credit by making the contract operational after 1<sup>st</sup> April 2006. This would reduce the average annual payment by around £50k per year  
  
(This happened as the new school opened on 5<sup>th</sup> June 2006)
  - (ii) The preferred bidder was offered £1m from the capital receipt of the existing site, thereby reducing the capital cost of the new building to the consortium and in so doing, reducing the council's average annual L.E.A. payment by £75k  
  
(This has not happened as the old Whitecross site has not yet been sold. Given the passage of time since that decision a further Cabinet member decision would be required to ensure such action continued to offer best value)
  - (iii) Manage the PFI credit across the 25 year period in such a way as to ensure that the build up of annual PFI payments is commensurate with the reduction from 2008, of the cost of the Local Government Re-organisation

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(LGR) loan commitment, and consistent with the council's medium term plan. Such an approach should make it possible for the council to meet the government's guarantees to schools within the education revenue budget, whilst also remaining within the defined limits on central LEA spending.

(This happened as the funding released from the council LGR repayments was transferred to meet the PFI payments)

- 5 The effect of the increased contributions in (i) and (ii) would have been to bring the project back within the agreed financial parameters (i.e. the outline business case).
- 6 Three major associated risks identified at the time were listed as:
  - (a) the failure to maintain progress to replace the existing school buildings;
  - (b) the loss in negotiating position in the move to a preferred bidder;
  - (c) the ability of the council to afford the annual revenue (the so called unitary) payments over a 25 year period.

Risk (a) was dealt with by Cabinet approving the preferred bidder on 18<sup>th</sup> March 2004.

Risk (b) was managed by ensuring that all major issues have been settled during the period, November 2003 to February 2004 when both bidders have been in competition.

Risk (c) was addressed by seeking additional PFI credits from the DfE, offering a capital receipt to the preferred bidder, and phasing in the annual payments in such a way as to fit with the reducing repayments charged to education for the council's borrowing at local government re-organisation.

- 7 The economic situation was much different at the time of the agreement of the scheme to the situation now. It would have been very hard to predict what has happened to interest rates and to public sector finances, particularly over the past six years from 2008. There were assumptions made about the level of public sector finance, including the passing on of inflation which did not occur particularly during the period of austerity.
- 8 The current financial pressure on the PFI scheme is due increases in the unitary charge being higher than planned inflation. The financial model assumed inflation (excluding mortgage interest) at 2.5%. However, since 2006 inflation has been an average 3.6% pa which has increased the PFI payments by an extra £95k in 2013/14. Furthermore, new investment in the intervention centre on the Whitecross School site has added capital costs of £298,000 resulting in further increases in the unitary charge.
- 9 As an example of the impact of inflation, the PFI financial model calculates the unitary charge in 2031/32 at £3.24m per year at 2.5% inflation, but if inflation were to continue at 3.6% (the average inflation rate since 2006) the unitary charge would be £590,000 higher. Such a relatively small increase in inflation (+1.1% pa) would cost an extra £7.4m over the PFI contract period.
- 10 The Retail Prices Index (excluding mortgage interest) (RPI(X)) inflation rate for May 2014 has been published at 2.5% which is the first time the planned 2.5% has been achieved. The annual Consumer Price Index (CPI) index for May 2014 is 1.7%. Any

return to the high inflation rates of the 1970s (26%) or 1980s (7%) will place severe and unaffordable costs on the PFI contract. The long run UK inflation average is 3.3%.

- 11 A review of the PFI project documentation suggests that inflation risk was not formally addressed within the project. Discussion with the PFI scheme's financial consultants suggests that it was common practice for PFI schemes at that time, to assume that increased costs arising from higher than planned inflation rates would be met from increased income to the council. The assumption being that if the unitary charge increased by 5% then the council's income would increase by the same 5% to meet the extra cost.
- 12 The PFI contract has been reviewed with the project's original financial consultants to identify seventeen areas of the PFI contract which are worthy of further discussion with the PFI supplier. The advisors suggest that the options open to the council are relatively limited, and refinancing of the project would not be cost effective. All seventeen recommendations have been discussed with the PFI supplier and are set out in the table below, for information.

<b>PFI contract area</b>	<b>Opportunity</b>	<b>Actions/Review</b>	<b>Potential Savings</b>
1. Payment Mechanism	Non performance penalties to accrue to council	Governing Body Agreement requires corresponding reduction in school contribution	None
2. Specification – FM Service	Reduce service specification to reduce costs	Service specification reviewed annually and meets school needs. Agreement with banks does not permit further reductions	None
3. Specification – FM Service	Remove components of FM service	Service specification reviewed annually and meets school needs. Agreement with banks does not permit further reductions	None
4. Specification – IT Service	Reduce service specification to reduce costs	Following benchmarking review ICT service being redesigned by school and supplier to achieve savings	Min £20,000
5. Specification – IT Service	Remove components of IT service	Following benchmarking review ICT service being redesigned by school and supplier to achieve savings	As (4) above.
6. Governing Body	Renegotiate requesting greater	Reviewed in detail on academy conversion.	None

Further information on the subject of this report is available from Malcolm Green on Tel (01432) 260818

Agreement	contribution from school	DfE categorically refused any change in school contribution.	
7 Programmed Maintenance	Reduce hard FM costs	Future lifecycle costs to be index linked to CPI not RPI(X)	Will reduce Unitary charge by min £10,000 p.a. on a compound basis.
8 Benchmarking & Market testing soft FM services	Reduce soft FM costs	Ensure benchmarking applied to reduce future cost increases. Small scale	Future cost avoidance
9. Third party usage	Maximise third party income	Existing shortfall in contracted income	None
10. Out of Hours usage	Reduce level of usage	School agreed to reduce hours used	£5,000 pa
11. Annual Service Report	Seek proposals from the PFI supplier to reduce costs	PFI supplier constructively engaged in reducing costs but constrained by PFI agreements with banks.	None – already included elsewhere
12. Vandalism	Ensure cost recovery from the school	School already meets cost and recharges pupils where possible	None
13. Insurance Benchmarking	Reduce insurance costs	Cost savings included in PVI Management costs (see line17)	None
14. ICT service benchmarking	Reduce ICT service costs	Following benchmarking review ICT service being redesigned by school and supplier to achieve savings	As above
15. ICT Lifecycle	Reduce levels of lifecycle refresh	Future lifecycle costs to be index linked to CPI not RPI(X)	As above
16. Refinancing	Undertake refinancing to reduce level of unitary charge	On current market rates there is no benefit in refinancing particularly the contract costs involved and the benefits sharing mechanism in the contract.	None

Further information on the subject of this report is available from Malcolm Green on Tel (01432) 260818

17. Right to audit	Request greater clarity over PFI supplier management costs	Savings have been made on project Insurance costs	£10,000 pa
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- 13 The PFI project agreement and school agreement provide for savings on insurance and ICT benchmarking to be retained by the school so that the authority is in a no better and no worse position than before the benchmarking and market testing procedures. Discussions are taking place with the school regarding these matters.
- 14 The PFI financial planning model indicates that if the CPI index is used from April 2015 at the current 1.7% through until 2031/32 and assuming that the school and DSG contributions continue to be index linked then additional funding of £25k in 2015/16, a further £50,000 in 2016/17 and a further £50,000 in 2017/18 will be sufficient to meet the unitary charge over the life of the contract. However, as it is unlikely that CPI will remain at 1.7% until the end of the PFI contract it is essential that the PFI model is reviewed annually to ensure that funding is sufficient.
- 15 The council is currently contributing £760,811, which is more than the range of funding originally planned – see paragraph 3, and Whitecross School contribute their premises and facilities budget of £240k as these services would be provided through the PFI contract. The shortfall in funding was made up by School Forums’ agreement on 9<sup>th</sup> February 2006 to contribute £150k from the new Dedicated Schools Grant (DSG). As set out in the original governors’ agreement, the DSG sum has been index linked to maintain parity with the school’s contribution and is now £190k in 2014/15. Across the country there is a range of funding arrangements in place, depending upon the agreements established at the time. There are different levels of contribution from the DSG and some areas where total PFI schemes are DSG funded.
- 16 The PFI contract was signed in good faith by all parties in January 2005, on the best financial advice available. The contract has worked well with the supplier and provides a first class secondary school for Herefordshire that otherwise would not have been possible. Both the council and schools (through DSG) are contributing more than originally intended. The actions taken as set out above will reduce costs going forward and it is suggested that, the additional contributions as set out in paragraph 14 should be shared equally between the council and schools (via DSG) for the three years until 2017/18.
- 17 It is suggested that Schools Forum receive a progress update in January 2015 to confirm the actual level of savings made and to confirm the required additional contributions necessary for 2015/16. Further reports will be necessary in January 2016 and January 2017.

## Community Impact

- 18 At this stage, there is no significant community impact.

## Equality and Human Rights

- 19 At this stage, there are no implications for the public sector equality duty.



## **Financial Implications**

- 20 The estimated total cost of the scheme is £73.7m (assuming inflation at 1.7% until 2032). The scheme is funded by £43m PFI credits from the Department for Education, £18.4m by the council, £6.4m by the school and £5.9m contribution from Dedicated Schools Grant. The Schools Block within DSG is £93.5m in 2015/16 and the cumulative additional DSG contribution (over three years) of £62,500 is less than 0.1% of annual DSG.
- 21 The financial implications are fully set out in the report above; it is recommended they be reassessed annually as the inflation rate changes to ensure that the PFI scheme is appropriately funded.

## **Legal Implications**

- 22 Legal will need to review the contract documentation as it currently stands to assess any changes necessary to implement the recommended areas for discussion via contractual amendment which will necessitate a deed of variation. Legal may also recommend further changes to ensure the contract provides for suitable provisions as to risk apportionment, indemnities and termination. Amendment cannot take place unilaterally and if agreement cannot be reached then advice will be provided as to risks posed.

## **Risk Management**

- 23 The PFI funding contribution must be assessed annually to ensure that the PFI contract continues to be fully funded to the end of the contract in 2031/32. The three major risks identified in 2005 are set out in paragraph 6 of the report and how they were addressed. The funding risk arising from higher future than planned inflation rates will be dealt with by annual review.

## **Consultees**

- 24 Both the school and the PFI provider have been consulted and both are supportive of the work being undertaken within the constraints of the PFI contract. Both the school and the PFI provider will continue to be consulted.

## **Appendices**

None

## **Background Papers**

None identified.



<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>24 OCTOBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>WORK PROGRAMME</b>
<b>REPORT BY:</b>	<b>GOVERNANCE SERVICES</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To consider the Forum's work programme.

### **Recommendation**

**THAT:** the Work Programme be noted, subject to any comments the Forum wishes to make.

#### **Herefordshire Schools Forum – Work Programme 2014/15**

<b>Friday 5 December 2014 - 9.30 am</b>
<ul style="list-style-type: none"> <li>• Workplan</li> <li>• Dates of Meetings</li> </ul>
<b>Monday 19 January 2015 – 2.00pm</b>
<ul style="list-style-type: none"> <li>• Dedicated Schools Grant settlement and proposed schools budget 2015/16</li> <li>• Capital Investment Programme Principles 2015/16</li> <li>• Whitecross PFI – Progress on Savings Update</li> <li>• Workplan</li> <li>• Dates of Meetings</li> </ul>
<b>Friday 13 March 2015 - 9.30 am</b>
<ul style="list-style-type: none"> <li>• PRU Funding – adoption of high needs tariff model for PRUs in 2015/16</li> </ul>

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Further information on the subject of this report is available from  
Tim Brown, Governance Services on (01432) 260239

- Workplan
- Dates of Meetings

Summer 2015

Review of High Needs Tariffs Implementation

## **Background Papers**

- None identified.