

Agenda

Herefordshire schools forum

Date: **Friday 12 January 2018**

Time: **9.30 am**

Place: **Committee Room 1 - The Shire Hall, St. Peter's Square, Hereford, HR1 2HX**

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

For any further information please contact:

Sarah Smith, Governance Services

Tel: 01432 260176

Email: sarah.smith1@herefordshire.gov.uk

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Agenda for the Meeting of the Herefordshire schools forum

Membership

Chairman	Mr A Evans	Mainstream Academies
Vice-Chairman		
	Mrs S Bailey	Local Authority Special School Headteachers
	James Bowdler	PRU Management Committee
	Mr P Burbidge	Roman Catholic Church
	Mrs J Cohn	Academy Special School Representative
	Mr P Cordey	Mainstream Academies
	Mr A Davies	Mainstream Academies
	Mr P Deneen	Trade Union Representative
	Mr T Edwards	Local Authority Maintained Primary School Governor
	Mr G Evans	Mainstream Academies
	Mr M Farmer	Mainstream Academies
	Mr M Henton	Local Authority Maintained Secondary Schools
	Ms A Jackson	Early Years Representative
	Mrs L Johnson	Local Authority Maintained Secondary School Governor
	Mr T Knapp	Mainstream Academies
	Mr C Lewandowski	Trade Union Representative
	Mr M Lewis	Local Authority Maintained Primary School
	Mrs S Lines	Church of England
	Mrs R Lloyd	Early Years Representative
	Mrs J Rees	Local Authority Maintained Primary School
	Mrs M Stevens	Local Authority Maintained Primary School
	Vacancy	16-19 Providers
	Mrs K Weston	Local Authority Maintained Primary School
	Mr P Whitcombe	Mainstream Academies
	Mr K Wright	Local Authority Maintained Primary School

Agenda

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on 20 October 2017.	5 - 12
5. ELECTION OF VICE-CHAIRMAN To elect a Vice-Chairman for the remainder of 2017/18.	
6. SCHOOLS BUDGET 2018/19 To recommend the Herefordshire schools budget for 2018/19 to the cabinet member for young people and children's wellbeing for approval	13 - 32
7. WHITECROSS PFI SCHEME - TRIENNIAL REVIEW To receive the results of the three yearly review of the Whitecross PFI Scheme as agreed by Schools Forum in March 2015 (minute 201 refers) and to form a view as to whether the funding of the PFI contract remains sufficient to meet the contractual commitments without the need for additional funding at this time.	33 - 36



Minutes of the meeting of Herefordshire schools forum held at The Council Chamber - The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Friday 20 October 2017 at 9.30 am

Present: Mr A Evans (Mainstream Academies) (Chairman)

Mr P Burbidge	Roman Catholic Church
Mrs J Cohn	Academy Special School Representative
Mr P Cordey	Mainstream Academies
Mr P Deneen	Trade Union Representative
Mr T E Edwards	Local Authority Maintained Primary School Governor
Mr G Evans	Mainstream Academies
Mrs L Johnson	Local Authority Maintained Secondary School Governor
Mr T Knapp	Mainstream Academies
Mr C Lewandowski	Trade Union Representative
Mr M Lewis	Local Authority Maintained Primary School
Mrs R Lloyd	Early Years Representative
Mr K Wright	Local Authority Maintained Primary School

In attendance: Councillors CA Gandy and FM Norman

Officers: Chris Baird, Julie Davies and Mr Malcolm Green

In the absence of the outgoing chairman the clerk to the Schools Forum opened the meeting.

1. ELECTION OF CHAIRMAN

Resolved: that Mr A Evans be elected Chairman of the Forum for the ensuing year.

Mr A Evans, Chairman, in the chair.

Mr Evans expressed his thanks to the outgoing chairman, Mrs J Rees, for her work noting her close partnership with the local authority and encouragement for schools to respond to consultations.

2. ELECTION OF VICE-CHAIRMAN

There were no nominations for vice-chairman of the forum.

Resolved: that the role of vice-chairman be left vacant and the matter reconsidered at the next meeting of the schools forum.

3. APOLOGIES FOR ABSENCE

Mrs S Bailey, Mr M Farmer, Mrs S Lines, Mrs J Rees, Mrs K Weston.

4. NAMED SUBSTITUTES (IF ANY)

None.

5. DECLARATIONS OF INTEREST

Mr Deneen and Mr Lewandowski declared an interest in item 9, Trade Union Facilities, as Trades Union representatives on the forum.

6. MINUTES

Resolved: that the minutes of the meeting held on 7 July 2017 be approved as a correct record and signed by the chairman.

7. ELECTION OF CHAIRMAN OF THE BUDGET WORKING GROUP

The chairman thanked the outgoing chairman, Mr N Griffiths, for his work.

Resolved: that Mrs J Rees be elected chairman of the budget working group for the ensuing year.

8. NATIONAL SCHOOL FUNDING FORMULA (Pages 7 - 8)

The schools finance manager (SFM) introduced the report. He reported that the final details of the national funding formula had been published. The government had announced an additional £1.3bn to fund the following changes to the original proposals:

- Basic per pupil funding increased
 - Primary from £2,712 to £2,747
 - Key Stage 3 from £3,797 to £3,863
 - Key Stage 4 from £4,312 to £4,386
- minimum per pupil funding (i.e. basic entitlement, additional needs and school led funding) is set at £4,600 for secondary and £3,300 for primary for 2018/19, all Herefordshire schools were already funded above these levels
- minimum per pupil funding increasing to £4,800 for secondary and £3,500 for primary for 2019/20
- minimum cash increase in respect of every school of at least 0.5% per pupil in 2018/19 and a further 0.5% in 2019/20.

The government had confirmed that there would be a soft transition to the national funding formula over two years.

A detailed comparison on a school by school basis had been circulated to all schools in Spotlight and was attached as appendix 2 to the report. Herefordshire would gain around 1% under the national formula.

It was reported that a poll of local authorities attending a national DfE conference showed half intended to implement the national funding formula for 2018/19 and the rest were seriously considering it.

The budget working group had met and discussed the options for Herefordshire for the 2018/19 budget. The group had felt that the only sensible option was to implement the national formula as far as funds allowed. Any deviation from the national formula would have to then be undone for 2019/20. The recommendations in the report reflected the views of the budget working group.

The high needs block and central services block would also be formula funded in 2018/19. The central services block would increase by 2.5% and the high needs block would increase by 2.9%.

The local authority had flexibility for 2018/19 to set the minimum funding guarantee at between 0% and -1.5%. However many authorities, including Herefordshire, were seeking to pass on the +0.5% per pupil increase to schools. In order to do this permission would be required from the secretary of state. The SFM therefore proposed an additional recommendation to the forum to support the application to the secretary of state. All Herefordshire schools would gain at least 0.5% per pupil, some would gain slightly more.

The DfE had not released any information on how the national formula would operate from April 2020 onwards.

The SFM reported that the high needs block continued to be under pressure. Many local authorities were overspending on their high needs block, some by considerable sums. A projected overspend of £300k on the Herefordshire high needs block for 2017/18 had been reported to the budget working group. The working group were very clear that action needed to be taken to address the projected overspend. The working group would receive further information at its meeting in November 2017 and the SFM confirmed that he would be bringing proposals to the forum in March 2018 in relation to high needs pressures.

Under the national funding formula the local authority could seek approval from the forum to transfer up to 0.5% from the schools funding block to high needs. The local authority did not intend to pursue this option for 2018/19 but might have to consider it for 2019/20 if other effective options to manage high needs cost pressures were not brought forward.

A consultation paper would be sent to all schools after October half term setting out the proposed approach. As there was no other business for the December forum meeting, the forum would review the response to the consultation in January 2018.

Mr Lewandowski presented a paper to the forum (appendix 1 to the minutes) on the impact of the area cost adjustment on Herefordshire compared with other authorities. In discussion of the paper the following points were made:

- that when Herefordshire Council had been created it was the third lowest funding authority nationally, since then it had moved a long way up the league table and its funding was consistent with its statistical neighbours;
- the local authority had worked hard to pass money to schools wherever possible;
- that the area cost adjustment was understood to be based on national data which excluded teacher's salaries;
- that the government was unlikely to change the national formula now but the authority would continue to make representations through the f40 group and through local MPs.

Resolved that:

- (a) Schools forum recommend that the council adopt the strategy proposed by the Budget Working Group as set out in (b), (c) and (d) below;**
- (b) the consultation on the 2018/19 budget should propose moving in the direction of the national funding formula, as far as funds allow, to prepare schools for the implementation of the 'hard' national formula; and**
- (c) the consultation letter make clear that no other sensible options could be found at this time.**
- (d) Schools forum consider the responses to the consultation with schools at its next meeting on 12 January 2018.**
- (e) Schools forum support an application to the Secretary of State for permission to set a minimum funding guarantee for 2018/19 of +0.5%.**

9. TRADE UNION FACILITIES

The HR services manager introduced the report. She highlighted the non-statutory advice published by the DfE in January 2014, after which a review of trade union facilities was undertaken. That review concluded that facility time payment would be standardised from September 2017 for all teaching trade union representatives. The trade union representatives were no longer employed by the local authority and were instead treated as self-employed.

The importance of transparency and efficient use of resources was noted. There was variation in the cost per pupil between local authorities which was in part due to economies of scale for larger authorities and difference in levels of service provided.

Current arrangements in Herefordshire comprised de-delegation for maintained primary schools and a service level agreement available for all other schools. The number of schools buying in to the SLA had been steadily falling.

The local authority proposed to reduce the cost per pupil from £3.50 to £2.90 for 2018/19. This would be included in consultation with schools after October half term. The budget working group would continue to examine ways to reduce the rate further for 2019/20 to include consideration of alternative models such as offering a basic service with specific additional work charged at a flat rate as needed.

The trade union representatives on the schools forum did not vote on the recommendations.

Resolved that:

- (a) schools forum provided its views on a de-delegated amount of £2.90 per pupil, effective from 1 April 2018, being formed on the basis of consultation with schools; and
- (b) the Budget Working Group be asked to provide a further report by June 2018 on the potential for a further reduction in 2019/20 on the cost per pupil.

10. **LOOKING TO THE FUTURE** (Verbal Report)

The schools finance manager provided an update on the outcome of work undertaken by the early years and high needs task and finish groups.

He reported that detailed proposals for spending the early years underspend were due to be presented to the cabinet member for young people and children's wellbeing for approval. The proposals had been developed through the early years strategic group and would primarily focus on speech and language support.

The work of the high needs task and finish group would inform discussion on measures to manage the pressure on the high needs budget. As previously noted, proposals would be considered by the budget working group and brought to the schools forum in March 2018.

In the discussion that followed it was noted that:

- the early years proposal would support employment of speech and language therapists to deal with the large backlog of assessments, experts would also work with schools and settings to build knowledge and expertise;
- there would also be an element of mental health training to support families and children;
- all local authorities were facing difficulties with demands on their high needs budgets, it was important to work as efficiently as possible and to work within the available funding;
- consultation would take place on any proposals to change high needs funding through the budget working group, if effective measures could not be identified then it might be necessary to re-establish the task and finish group;
- it was important that all schools were rigorous in ensuring appropriate financial support was in place based on the child's needs, this included removing funding where it was no longer required;
- outreach support would be one of the measures considered but funding would need to be identified

11. **WORK PROGRAMME**

The work programme was considered. No additional items were proposed.

12. **MEETING DATES**

It was noted that there were no items of business for the meeting scheduled for 1 December 2017 and it was proposed that this meeting be cancelled.

It was also noted that the March 2018 meeting had been moved to 16 March to avoid a clash.

Resolved that:

The meeting of schools forum scheduled for 1 December 2017 be cancelled due to lack of business.

The meeting ended at 10.28 am

Chairman

A Presentation to Herefordshire Schools Forum, 19th October 2017.

How the National Funding Formula affects Herefordshire, A comparison with other Shire Counties.

Members may recall the comparison with other Shire authorities considering the effect of the Area Cost Adjustment upon Herefordshire in the previous version of the NFF.

In this new version of the NFF it states, "As confirmed following the first stage consultation, we will also apply an area cost adjustment to the formula to take account of the variation in costs between different parts of the country."

This is a different analysis for this version of the NFF, comparing the percentage increases in funding, over the baseline of 2017/8 figures for the same Shire authorities as the previous analysis.

Schools Block.

LA	% increase In 2018/9	% increase in 2019/20	% increase full implementation
Herefordshire	1.4	2.0	2.2
Gloucestershire	1.9	3.0	3.6
Warwickshire	2.1	3.4	3.8
Oxfordshire	2.0	2.8	3.0
West Sussex	3.0	5.6	6.5

Combined NFF.

LA	% increase In 2018/9	% increase in 2019/20	% increase full implementation.
Herefordshire	1.6	2.2	2.4
Gloucestershire	1.8	2.7	3.2
Warwickshire	1.8	3.0	3.2
Oxfordshire	2.2	2.9	3.1
West Sussex	2.7	4.9	5.6

These figures clearly show that Herefordshire would seem to be penalised with lower percentage increases.

I will leave it to members to draw their own conclusions as to why this is happening.

However the first two thoughts that come to mind are:-

Herefordshire is being penalised with smaller percentage increases because it already receives proportionally more than its fair share of education funding and these lower increases will help to make the distribution of funding fairer.

OR

Herefordshire is being penalised with smaller percentage increases because the formula fails to sufficiently recognise that education in sparsely populated areas with a higher proportion of smaller rural schools are more expensive to fund.

OR ?

Chris Lewandowski, October 2017



Meeting:	Schools Forum
Meeting date:	12 January 2018
Title of report:	Schools Budget 2018/19
Report by:	Senior finance manager schools

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To agree final budget proposals for recommendation to the cabinet member for young people and children's wellbeing for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2018/19. The Budget Working Group (BWG) meets on 5 January 2018 and their proposals will be set out in a separate supplementary report.

Recommendation(s)

THAT:

the local application of the National Funding Formula (NFF) for 2018/19 as set out in the consultation document and below, be approved for recommendation to the Cabinet member for young people and children's wellbeing as follows:

- (i) the final school funding values be agreed, subject to a minimum total funding per pupil of £3,500 for primary schools and £4,800 for secondary schools, as follows:

1.	Basic entitlement per pupil		Primary	£2,747
2.	Basic entitlement per secondary pupil		Key stage 3	£3,863

Further information on the subject of this report is available from
Malcolm Green, Tel: 01432 260818, email: Malcolm.Green@hoopleltd.co.uk

3.	Basic entitlement per secondary pupil		Key stage 4	£4,386
4.	Deprivation per free school meals pupil		Primary	£440
5.	Deprivation per free school meals pupil		Secondary	£440
6.	Deprivation per ever-6 free school meals pupil		Primary	£540
7.	Deprivation per ever-6 free school meals pupil		Secondary	£785
8.	Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)			
9.	Band A (3% of pupils)		Primary	£575
10.			Secondary	£810
11.	Band B (8% of pupils)		Primary	£420
12.			Secondary	£600
13.	Band C (7% of pupils)		Primary	£390
14.			Secondary	£560
15.	Band D (8% of pupils)		Primary	£360
16.			Secondary	£515
17.	Band E (9% of pupils)		Primary	£240
18.			Secondary	£390
19.	Band F (10% of pupils)		Primary	£200
20.			Secondary	£290
21.	Band G (55% of pupils)		Primary	£0
22.			Secondary	£0
23.	Low Prior Attainment per pupil		Primary	£1,050
24.	Low Prior Attainment per pupil		Secondary	£1,550
25.	Lump sum		Primary	£110,000
26.	Lump sum		Secondary	£110,000
27.	Looked after children, primary and secondary			£0
28.	Primary sparsity, on a taper basis, over 2 miles and less than an average year group size of 21.4 pupils			£25,000
29.	Secondary sparsity, on a taper basis, over 3 miles and less than an average year group size of 120 pupils			£65,000

Further information on the subject of this report is available from
Malcolm Green, Tel: 01432 260818, email: Malcolm.Green@hoopleltd.co.uk

30.	English as additional language per pupil		Primary	£515
31.	English as additional language per pupil		Secondary	£1,385
32.	PFI contract			£278,200
33.	Business rates			At cost
34.	Exceptional premises factor (Eastnor)			£8,500

- (ii) that the Minimum Funding Guarantee (MFG) be set at 0.5% for 2018/19 in order to pass through to all schools the government's 0.5% increase per pupil;
- (iii) local authority maintained school members of Schools Forum, be asked to approve the de-delegation in 2018/19 of funding for:
 - (a) trade union facilities (primary schools only) at £2.90 per pupil
 - (b) ethnic minority support at £1.12 per pupil plus £6.60 per "ever-6" free school meals (FSM) pupil plus £107 per English as an additional language (EAL) pupil
 - (c) free school meals administration at £4.51 per "ever-6" FSM pupil
 - (d) software licence costs for the financial planning software at £350
 - (e) education functions for local authority maintained schools at £13.50 per pupil
 - (f) depending on the advice of the Budget Working Group de-delegation of either:
 - a) £37.50 per primary pupil for the council sickness absence insurance scheme (sickness and maternity) for the council run scheme, or
 - b) £30 per primary pupil for the council maternity-only sickness absence scheme, or
 - c) £0 per pupil if primary schools buy absence insurance direct from the market
- (iv) the central school services block be used to fund the former Education Services Grant retained duties (£360k), national licences for schools (£131k), Schools Forum (£12k), admissions (£142k) and computer developments to complete the early years Nursery Education Funding (NEF) payment system (up to £25k) and develop access to real-time school payroll and staffing reports through the schools portal (£15k); and
- (v) for the early years block:
 - (a) there is no change in the early years funding formula for providers in Herefordshire
 - (b) central expenditure of £335k, for early years consultants and NEF payment costs, be approved for 2018/19
 - (c) the pass through percentage to 3 and 4 year old providers be approved at 97.5%

Alternative options

1. Given the School Forum's approval in October of the strategy to implement the NFF from 2018/19, it is unlikely there will be any substantial alternatives. There may be a number of possible variations which can be considered in detail by the Budget Working Group (BWG) on 5 January 2018, and any alternative proposals will be published in a supplementary report.

Key considerations

Dedicated Schools Grant (DSG) and final schools budget 2018/19

2. The BWG will advise on any necessary amendments should changes to the proposed schools budget, previously set out in the autumn schools budget consultation, be required. The DSG funding assumptions underlying the proposed budget are set out below.
3. The final DSG 2018/19 settlement was announced on 19 December. The recommendations in this report are based on the DSG settlement of 22,106 pupils as follows:
 - a) Schools block

	£'000
13,466 primary pupils at £4,054.57	54,599
8,640 secondary pupils at £5,006.78	43,258
Add historic fixed costs	1,484
Total schools block (distributable to schools)	99,341

(Note: By comparison, the previous 2017/18 pre-national funding formula methodology would have funded the schools block at 22,106 pupils x £4,463.11 i.e. £98,662k - £300k central schools block = £98,362 i.e. the national formula has delivered a 1% increase)

- b) High needs block

	£'000
2017/18 baseline	14,201
High needs formula funding – additional	376
Total high needs	14,577

- c) Early years

	£'000
Universal funding for 3 and 4 year olds at £4.30 per hour	6,353
Indicative additional entitlement for 30 hours (full year i.e. 2017/18 £1.15m x 12/7)	1,973
Two year old funding	1,006

Early years pupil premium	71
Disability Access Fund	27
Total Early Years Block 2018/19	9,430

(Including central expenditure of £352k)

d) Central school services block

	£'000
2017/18 baseline	658
Additional formula funding allocation	27
Total central block allocation 2018/19	685
Expected total DSG 2018/19	124,033

5. All DSG funding blocks are now funded on a formula basis. The recommendations in this report are based on an estimated DSG of £123.8m. Actual DSG is £124m as listed above and the BWG will make additional proposals regarding the additional grant.

Schools budget

6. The government published the NFF in September 2017 and the autumn budget consultation with Herefordshire schools, proposed implementing the national formula in 2018/19, with an MFG of 0.5% in order to pass through to schools the government's commitment of a 0.5% increase for all pupils. The final DSG settlement was published on 19 December and the BWG will advise further on any final adjustments for the schools budget. Full details of the implementation of the national funding formula are set out in the schools consultation document in the appendix.

De-delegation

7. The BWG will consider the outcome of the autumn schools budget consultation at its meeting on 5 January 2018 and will advise on any suggested changes to the council's de-delegation proposals trade union (TU) facilities agreement (for primary schools only), free school meals administration, support for ethnic minority pupils and the licence fee costs for the school budgeting software should continue to be de-delegated for 2017/18. The recommendations continue the current de-delegation arrangements into 2018/19 with the exception of a reduction in the cost of the TU facilities agreement from £3.50 per pupil to £2.90.
8. The schools consultation paper proposes no change in the £13.50 per pupil top-slice for statutory education services provided by the council to non-academy schools. Academies are required to provide the same services from their general annual grant.

High needs block

9. The BWG reported to Schools Forum in October that the high needs block is forecast to overspend by £300k this financial year and that many councils were overspending on their

high needs block; most by considerably more than Herefordshire. The BWG was very clear that action needed to be taken to address the projected overspend and that proposals should be considered further by Schools Forum in March 2018. There are limited choices to balance the high needs budget and most require difficult decisions given their sensitivity. An initial discussion with BWG in November suggests a further consultation with schools will be advisable prior to the March meeting and it is planned to conduct a survey in late January/early February.

10. The new NFF provides for the council to seek approval from the forum to transfer up to 0.5% from the schools funding block to high needs. The council does not intend to pursue this option for 2018/19 but it is possible, if high needs spending cannot be reduced, that it will be necessary in 2019/20 and in particular to fund the high needs protection scheme.

Statistical neighbours

11. A 1% increase in schools block funding was disappointing because the f40 group campaigned extensively and the council had anticipated a better settlement. However when viewed against our closest statistical comparators Herefordshire can be seen to be generally better funded.

County (in order of statistical comparability)	Primary unit funding (£)	Secondary unit funding (£)
Herefordshire	4,055	5,007
Shropshire	4,047	4,883
Somerset	3,854	4,755
Devon	3,880	4,884
Cornwall	3,957	4,993
Dorset	3,703	4,763

Early years

12. No changes for 2018/19 are proposed in the funding values for the early years funding formula; the three and four year olds formula will continue to be £50 per week for rurality (pro-rata if less than 100 hours) plus £3.90 per hour plus a deprivation supplement of £0.30 per hour. Two year old funding will remain at £5.20 per hour. As the early years funding formula is fully funded by the DSG, no increases will be possible without a corresponding increase in the national early years formula used by the Department for Education (DfE) to determine Herefordshire early years block.
13. The central early years expenditure will be £335k, which includes a small increase of £6k to cover additional costs arising from the extension of nursery education entitlement to 30 hours, for 2018/19. After taking account of the early years special educational needs (SEN) inclusion fund of £130k in the high needs block, the pass through rate to providers

for three and four year olds is calculated at 97.5%, which is above the DfE's minimum requirement of 95% for 2018/19.

14.

2018/19	£'000	£ per hour
Illustrative 3 and 4 year old funding	6,353	3.31
Illustrative extended 30 hour funding	1,973	0.99
Less central spend	-335	-0.18
Add SEN inclusion fund	130	0.07
Planned allocation to providers	8,121	4.19
Pass through percentage of DfE grant allocation i.e. £4.30 per hour		97.5%

Central services block

15. There is a small increase in the central services block due to the national funding formula and it is proposed the available funding of £40k is allocated to firstly, any necessary development of the early years NEF payment computer system (up to £25k) and the extension of the schools online portal to provide payroll and staffing reports (£15k), so that schools can download real time information and reduce the administrative burden on the schools payroll/staffing service. The remainder of the central block will continue to fund the same services as in previous years i.e. former ESG retained duties for all schools (£360k), Schools Forum (£12k), national licences for all schools (£131k) and admissions (£142k).

Community impact

16. There is no significant community impact. The school funding formula must meet the national requirements of the DfE. 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. The government's national funding formula determines the allocation of funding to schools and the DSG is essential in helping the council achieve its priority to keep children and young people safe and give them a great start in life. Funding for Looked after Children is no longer included in the national funding formula and is now fully included in the pupil premium plus grant for Looked after Children. The pupil premium plus has increased to £2,300 per qualifying pupil (up from the previous £1,900) and will be better targeted to provide greater help to Looked after Children.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
18. A public authority must, in the exercise of its functions, have due regard to the need to –
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
19. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision to implement the government's national funding formula for schools, we do not believe that it will have an impact on our equality duty.

Resource implications

20. The recommendations, if agreed, are required to ensure that expenditure on school budgets does not exceed the funding available within the DSG. DSG is determined by government and paid to the council according to the national funding formula. The DSG grant income is noted within the council's Medium Term Financial Strategy but is not included in the council's forward financial planning. DSG is planned jointly with Schools Forum.

Legal implications

21. As set out in the Schools Forum Regulations 2012, School Forums generally have a consultative role. However, there are situations in which they have decision-making powers, as detailed in Regulation 10. The 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 Private, Voluntary, Independent representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.
22. The decision-making powers of Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet "Schools Forum Powers and Responsibilities" published in September 2017.
23. For the purposes of this report the schools forum, its decision making power is engaged for item iii in the recommendations. The remaining recommendations are to be considered by the School's forum, the final decision on these points to be made by the relevant Cabinet member, in line with section 3.3.10 of Part 3 of the Council's constitution.

Risk management

24. 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. Any identified risks will be monitored and managed through Schools Forum.

Consultees

25. All maintained schools, academies and free schools in Herefordshire have been consulted on the final budget proposals for 2018/19. 14 responses were received from schools prior to the 30 November response deadline. This is a poor response rate of 15% from the 94 mainstream schools and academies. Previously Schools Forum has taken a low response rate to mean that schools are broadly in favour of the national funding formula and de-delegation proposals given the support of the Budget Working Group. Regarding the proposal to fund the sickness scheme through de-delegation the responses are much more varied and the balance of opinion prefers the “schools buy from the market” option. This option will be discussed further with the council’s insurance broker and the BWG to provide a recommendation to the forum. The responses to the consultation paper are as follows:

Question number	Question topic	Yes	No
1A	Implement the National Funding Formula	11	0
1B	Set the MFG at 0.5%	14	0
2A	De-delegation – Trade union facilities at £2.90 per primary pupil	11	2
2B	De-delegation ethnic minority support	13	1
2C	De-delegation free school meals	12	1
2D	De-delegation – school budgeting software	13	0
3	Statutory Education Management Services at £13.50 per pupil	13	0
4 - 1A	Sickness scheme – de-delegation at £37.50 per pupil for sickness and maternity benefits	4	5
4 - 1B	Sickness scheme – de-delegation at £30.50 per pupil for maternity benefits	2	5
4 - 1C	All schools buy their sickness insurance in the market as required	7	1
4 - 2	Schools claim milk subsidies direct from the	12	0

Question number	Question topic	Yes	No
	Department of Health and Rural Payments Agency from January 2018		
4 – 3	Schools who insure through the council contract for 18 months from 1 April 2018 to 30 September 2019, prior to receiving revised options in the summer term 2018	9	3 (not taking council insurance)

Appendices

National school funding formula 2018/19 – consultation for Herefordshire schools

Background papers

None identified.

NATIONAL SCHOOL FUNDING FORMULA 2018/19

CONSULTATION FOR HEREFORDSHIRE SCHOOLS

1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for Herefordshire school budgets for 2018/19 following the publication of the government's final plans for implementing the national school funding formula from April 2018. There are no new proposals regarding the £13.50 per pupil top-slice of maintained school budgets to fund the council's statutory education services.
- 1.2 The school funding proposal is to implement the national funding values and to pass through to all schools the 0.5% increase per pupil subject to having sufficient funds available in the government's funding allocation. The per pupil increase will be achieved by seeking DfE permission to set a Minimum Funding Guarantee of 0.5%
- 1.3 These proposals conclude Schools Forum's five year implementation strategy to achieve a gradual transition towards the expected National School Funding Formula.
- 1.4 As in previous years, Herefordshire will adhere to the DfE's funding block spending allocations as this practice has served Herefordshire well since 2013 when individual blocks were first published by DfE. This year we will not be asking Schools Forum to exercise the flexibility offered by the DfE to transfer 0.5% i.e. £0.5m, equivalent to £22 per pupil, from the school funding block to the high needs block.
- 1.5 Overall the funding settlement provides 1% new money for Herefordshire schools which although welcome does not in any way meet existing cost pressures such as ESG grant reductions, unfunded pay rises, the apprentice levy charges and potential further pension and other tax increases. Cost pressures in schools over the last five years are estimated to be in excess of 15%.
- 1.6 Strong financial planning will continue to be necessary by all schools to maintain financial viability during the coming years. Small primary schools with less than 100 pupils on roll, and schools that are facing potential challenging budgets for the next four years in particular should seek advice from the council if they wish to reduce costs.
- 1.7 **Consultation key dates:**
- You are encouraged to respond by 12 noon on the 30th November 2017.
 - Schools Forum's Budget Working Group will consider the responses and final budgets will be confirmed by Schools Forum in January prior to cabinet member approval and submission to the Education Funding Agency on 19th January 2018.

2.0 NATIONAL SCHOOL FUNDING PROPOSALS

- 2.1 The government has published detailed plans for the national funding formula for 2018-19 to help local authorities and school forums move towards full implementation in 2019-

20.

- 2.2 The government has confirmed that there will be an additional £1.3bn for schools and high needs across 2018-19 and 2019-20, in addition to the schools budget previously set in the Spending Review in 2015. This means that all local authorities will receive an increase relative to their 2017/18 DSG allocations.
- 2.3 Whilst it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018-19 and 2019-20, local authorities will continue to determine final funding allocations for schools through a local formula.
- 2.4 There are a number of significant changes to the funding system this year:
- (i) **The central school services block (CSSB) has been created.** Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**
 - (ii) **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine local authorities' schools, high needs and central school services blocks for the first time in 2018 to 2019. Funding for early years has been allocated through a national funding formula since 2017-18.
 - (iii) **Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula.** Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises; mobility and growth, based on historic spend. Herefordshire intends to passport through to all schools the 0.5% increase per pupil.
 - (iv) **The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.** A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020. Herefordshire intends to implement the minimum floor of £4,800 for high schools and £3,500 for primary schools subject to sufficient funding being available.
 - (v) **Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018 to 2019 through the high needs national funding formula.**
 - (vi) **The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil.** In past years, the MFG has been set at minus 1.5% per pupil. In

2018 to 2019, there is flexibility for local authorities to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally. Herefordshire intends to set the MFG at 0.5% to ensure that the 0.5% per pupil increase is passed through to schools and DfE approval is required. Minor adjustments will only be considered if the available funding is insufficient to meet the cost of the MFG. On current planning assumptions this is not expected to be the case.

- (vii) **The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum.** Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. Herefordshire does not expect to ask schools forum to exercise this transfer in 2018-19 although if expenditure on high needs continues to increase such a transfer may become necessary for 2019-20.

3.0 BUDGET STRATEGY 2018/19

- 3.1 Estimated allocations for each funding block, based on an estimated 22,062 pupils in the October 2017 census, are as follows:

Schools Block	£99.15m
Central Block/ESG	£0.64m
High Needs	£14.5m
Early Years	£8.53m
Total	£122.82m

- 3.2 Schools block funding for 2018/19 will be determined by the DfE based on the new basis of primary pupil numbers multiplied by the primary funding rate of £4,055 and secondary pupil numbers multiplied by the secondary funding rate of £5,007 plus fixed costs to give a forecast

Primary funding: forecast pupils 13,399 at £4,055	£54.383
Secondary funding: forecast pupils 8,663 x £5007	£43.330
Historic fixed costs:	£1.484
Total estimated schools block funding 2018/19	£99.147m

- 3.3 There are two known funding pressures on the schools block;
- (i) firstly a potential increase of 2% on school rates at a cost of £24,000
 - (ii) Secondly the annual RPI(X) increase in the PFI contract costs. It is expected that the DfE will include an increased amount in the national formula, estimated at 4% i.e. £10,700
- 3.4 Funding for the high needs block will be uplifted later in the year in December 2017 so final allocations of the high needs block cannot be determined until early in 2018. It will

be essential that expenditure and place forecasts are accurate particularly for special schools to ensure appropriate budgets are set.

- 3.5 In addition to the statutory retained duties formerly funded by Education Services Grant (£345k), the central schools block will be used to fund Schools Forum administration costs (£12k), school admission costs (£142k) and national licence costs (£127k) as in previous years.

4.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

- 4.1 Herefordshire proposes to move to the new national school funding formula values for 2018/19. As in previous years, school budgets can only be fully finalised after the October pupil census and confirmation by the DfE of the financial settlement in December. To aid school budget planning, schools forum has committed to maintaining the formula values as published in this consultation paper and changes will be made only if absolutely necessary.

- 4.2 Herefordshire's school funding proposals for 2018/19 are the national funding formula values supplemented by a 0.5% increase in the MFG for all pupils. The funding values as follows:

- (i) Basic Entitlement per pupil:
 - (i) Primary KS1/2 £2,747
 - (ii) Secondary KS3 £3,863
 - (iii) Secondary KS4 £4,386

- (ii) Low prior attainment (low cost, high incidence special education needs)
 - (i) primary funding £1,050 per pupil
 - (ii) secondary funding £1,550 per pupil

- (iii) Deprivation per Free Meal pupil
 - o Primary £440
 - o Secondary £440

- (iv) Deprivation per Ever-6 Free Meal pupil
 - (i) primary £540
 - (ii) secondary £785

- (v) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)
 - o Band A (3% of pupils) primary £575 secondary £810
 - o Band B (8% of pupils) primary £420 secondary £600
 - o Band C (7% of pupils) primary £390 secondary £560
 - o Band D (8% of pupils) primary £360 secondary £515
 - o Band E (9% of pupils) primary £240 secondary £390
 - o Band F (10% of pupils) primary £200 secondary £290
 - o Band G (55% of pupils) primary £0 secondary £0

- (vi) English as Additional Language (EAL) for all eligible pupils

- (i) Primary £515
- (ii) Secondary £1,385

- (vii) Lump sums
 - (i) Primary £110,000
 - (ii) Secondary £110,000

- (viii) Sparsity
 - (i) tapered lump sum of £25,000 for qualifying primary schools with an average year group size of 21.4
 - (ii) tapered lump sum of £65,000 for qualifying secondary schools with an average year group size of 120 pupil

- (ix) Business Rates – no change, funded at cost with a presumed 2% increase.

- (x) Looked After Children – £0 as funding has been transferred to the pupil premium grant

- (xi) Mobility – not used

- (xii) Exceptional premises factor – increased to £8,500 to meet rent costs for Eastnor school

- (xiii) PFI factor – to increase to £278,200 up by £10,700 in accordance with the retail prices index

- (xiv) Secondary schools have been guaranteed a minimum of £4,800 per pupil and primary schools a guaranteed minimum of £3,500 by April 2019.

4.3 The BWG considers that the only sensible budget option for 2018/19 is to implement the national funding formula supported by the MFG as this is consistent with school forum's approach over the last five years of achieving a gradual transition to the national formula. To do otherwise, for example, to continue with Herefordshire's existing local formula would mean that a few schools would receive extra funding over and above the national formula which would then be removed in 2019/20. Approximately 90% of Herefordshire schools are within 2% of the national formula when supported by the 0.5% per pupil increase in 2018/19. Due to the MFG all schools will gain compared to 2017/18 but for some it is not as much as they would have gained by continuing to implement our existing formula.

4.4 In order to significantly improve the quality of maintained schools financial planning, a county licence was purchased for the HCSS school budgeting software in 2016/17. Feedback from schools has been excellent and the five year financial plans submitted are much improved and will provide a sound basis for future planning by maintained schools. It is considered essential that schools continue to use this software and that de-delegation provides the most cost effective way of funding the licence. The cost is expected to continue to be around £350 per school.

4.5 There are no proposals to change the de-delegation arrangements for maintained schools for 2018/19 (but please see paragraphs 5.2 - 5.6 regarding the sickness scheme). However, due to cost reductions in the TU facilities agreement, it is proposed to reduce the de-delegation cost for primary schools from £3.50 per pupil to £2.90 per pupil. This will be reviewed for 2019/20 to determine if there is further scope for reductions. It would be helpful to Schools Forum if you could indicate your support of the current arrangements by completing Q2. De-delegation reduces the amount of administration and invoicing to schools for a limited set of services where Schools Forum agrees that such services are required by all schools.

5.0 SIMPLYING FINANCIALSERVICES TO SCHOOLS

5.1 Herefordshire Council and more latterly Hoople have provided a number of financial services to schools since 1998 when it was more appropriate to provide such services to all schools. These services are still provided in much the same way but now to less than half the original number of schools. Sadly such services still require the same level of management, admin and support and are becoming increasingly unviable both in terms of cost and management.

5.2 School sickness absence scheme

5.3 Herefordshire Council has provided a schools' sickness insurance scheme since 1998. The scheme is used by primary and special schools as well as academies and is widely supported and valued. It includes a teacher and a separate non-teacher scheme and provides long term sickness and maternity cover. 53 primaries and 2 special schools have bought back for 2017/18. The scheme has been revised over recent years to keep costs down and to ensure that payments are realistic and that the scheme continues to be cost effective basis at a fair price.

5.4 Increasingly the scheme is becoming too complex to continue in its present form due to;

- Primary schools now use a variety of payroll providers
- It is no longer feasible to underwrite the scheme from Dedicated Schools Grant so to provide protection against losses; reserves have been increased and are now at £400k.
- Preparing quotes is time consuming and complex. Staff expertise and understanding of the scheme has significantly reduced in recent years.
- 80% of costs paid out relate to maternity but in admin terms this is the minority of work.
- Detailed sickness reports are not easily and accurately available from payroll
- It is increasingly likely that the only schools buying into the scheme are those who make claims i.e. the risk of losses is increasing.
- Special schools regularly claim back in excess of the premiums

- 5.5 For the scheme to continue it needs to be simplified and a revised approach to potential losses agreed.

Alternatives would seem to be as follows;

- a) De-delegation – at £37.50 per pupil for all primary schools
Benefits are paid out as per the current scheme but Schools Forum agrees membership on behalf of all maintained primary schools for both the teaching and non-teaching scheme. The financial risk is managed through Schools Forum so that losses in any one year would be recovered by increased de-delegation costs in the following year, likewise profits would reduce next year's de-delegation charges. Academy primaries would be able to join on a five year rolling contract and be bound by decisions on pricing by Schools Forum. £250k of the current reserves could be distributed to those schools currently members if a revised way forward is agreed.
- b) De-delegation – at £30 per pupil for all primary schools for **maternity** benefits only
Benefits are limited to maternity costs only which represent 80% of the costs of the current scheme and the de-delegation charges are reduced pro-rata to £30 per pupil. This is the preferred option for the scheme to continue as the costs of maternity are statutorily defined and the scheme would operate on a claim basis from schools. This would significantly simplify both the collection of income and the payment to schools whilst still providing a valuable service to all primary schools. Academy schools would be able to join the scheme on a rolling five year contract. The financial risk would be managed as in option A above and it is proposed that £320k of the current reserves would be distributed to scheme members.
- c) Alternatively, if the de-delegation proposals are not approved by schools forum then schools can buy sickness insurance direct from the market although experience suggests the cover is not as good and insurers tend to seek the maximum exclusions. Maternity cover is generally not available.

- 5.6 The scheme will be reviewed with the council's insurance broker to determine how the scheme can best be restructured to continue in future years.

5.7 **Under Five's free and subsidised milk scheme**

- 5.8 Hoople provides this service as an agent for 33 primary schools at a cost of £90 per school. This fee does not cover the cost nor the financial risk involved to Hoople. Schools are paid their claim on receipt by Hoople and in advance of re-imburement from the Rural Payment Agency and the Department of Health. Hoople will not be offering this service to schools from April 2018. Schools have been informed.

- 5.9 Options would seem to be

- a) Schools claim their own milk re-imburements. Both the Rural Payment Agency and Department of Health (Nursery Milk Unit) are introducing an on-line claims service that schools can complete themselves.

- b) Companies such as Cool Milk will provide a full service, supplying the milk and arranging re-imbusement of the subsidy. Cool Milk's costs are passed onto parents via increased milk charges.

5.10 Insurance for local authority schools – October 2019

- 5.11 Currently the council provides insurance for locally maintained schools based on a five year Long Term Agreement (LTA) with the insurers. It is considered that the insurance arrangements can be considerably simplified and it is proposed to require schools to sign an 18 month agreement from 1st April 2018 to 30th September 2019 in preparation for a revised insurance offer with effect from 1st October 2019.

6.0 HIGH NEEDS FUNDING

- 6.1 High needs funding in Herefordshire remains under pressure from rising costs particularly from increasing numbers of commissioned places in special schools and increasing numbers of children with EHC plans requiring top-up funding. Herefordshire has previously had to rely on small increases in the high needs block although it is expected that we will benefit by up to 3% in the government's high needs funding formula.

- 6.2 The high needs budget is forecast to overspend in 2017/18 and proposals will be developed jointly with schools forum for implementation from September 2018 to ensure that high needs expenditure does not exceed the funding made available by government. If high needs expenditure cannot be contained within the budget available there will be some difficult choices to be faced by schools. This may include the transfer of approx. £0.5m of funding from schools to high needs in 2019/20. This is equivalent to a £22 per pupil deduction from schools budget and will require either approval from schools forum or the secretary of state.

7.0 BUDGET CONSULTATION TIMESCALES

- 7.1 The budget process and expected timeline is:

- Consultation closes 12 noon 30th November 2017
- There is no requirement this year for the submission of an interim budget to the EFA in October
- Schools Forum meets on 12th January 2018 to consider the recommended funding values to be submitted to the Education Funding Agency by 19th January 2018
- Budgets issued to locally maintained schools by 28th February 2018
- Education Funding Agency to issue budgets to academies for academic year 2018/19

8.0 IMPACT ON SCHOOL BUDGETS

- 8.1 Final school budgets for 2018/19 will be calculated using actual pupil numbers and the final funding values submitted to the EFA in January 2018. Future budgets beyond

2018/19 will depend on further DfE announcements for 2019/20. The plans to implement the national funding formula are not expected to change.

- 8.2 Detailed individual budgets will be issued to schools in support of the consultation paper based on estimated pupil numbers and will be updated to reflect October PLASC pupil numbers on request.
- 8.3 Overall the proposals have the following impact on the total Schools Budget:

FUNDING FACTOR	2017/18 £'000	%	2018/198 £'000	%
Per pupil	73,493	75.7	71,986	75.0
Deprivation	7,814	8.0	5,057	5.2
Looked After Children	167	0.2	0	0
Low Cost SEN/Prior Attainment	4,362	4.5	6,345	6.6
EAL	207	0.2	205	0.2
Lump Sum	9,074	9.4	10,340	10.8
Sparsity	310	0.3	464	0.5
Rates/Premises	1,264	1.4	1259	1.3
PFI	268	0.3	278	0.3
MFG (including 0.5% per pupil)	240	n/a	3,097	n/a
TOTAL	97,199	100	99,031	100

- 8.4 The above table excludes the impact of the £13.50 per pupil top-slice for statutory duties for maintained schools.

9.0 CONSULTATION RESPONSES BY 30th NOVEMBER 2017

- 9.1 A separate consultation form is attached and must be returned to School.funding@herefordshire.gov.uk by 12 noon on 30th November 2017 in order that your views can be considered by the Budget Working Group on 5th January 2018 and Schools Forum at their meeting on 12th January 2018. Given the importance of the proposals all views are welcomed.

10.0 FURTHER INFORMATION

- 10.1 If you have any questions regarding the detailed content of this consultation paper or the calculations and comparisons for your school as set out in the appendices, please contact either Malcolm Green, Schools Finance Manager (malcolm.green@hoopleltd.co.uk) or any member of the Budget Working Group as follows;

Primary

Mr P Box, Lord Scudamore
Ms T Kneale, Marlbrook
Mr M Maund, Almeley

Mrs J Rees, Ledbury
(New BWG Chairman)

Secondary

Mr S Robertson, Aylestone
Mrs C Bryan John Kyrle
Mr N Griffiths, John Kyrle (former BWG
Chairman)

Mrs A MacArthur, Wigmore High (and Primary)

- 10.2 Others contributing to the development of these budget proposals included Ms N. Gilbert, Westfield representing special schools and Mrs R Lloyd and Mrs A Jackson representing early years.



Meeting:	Herefordshire schools forum
Meeting date:	Friday 12 January 2018
Title of report:	Whitecross PFI Scheme - triennial review
Report by:	Schools Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

Whitecross;

Purpose and summary

To receive the results of the three yearly review of the Whitecross PFI Scheme as agreed by Schools Forum in March 2015 (minute 201 refers). Schools Forum is required to be consulted on schools budget proposals; receiving the triennial review of the scheme enables the forum to form a view as to whether the funding of the PFI contract remains sufficient to meet the contractual commitments without the need for additional funding at this time.

Recommendation(s)

That Schools Forum confirm that:

- (a) **No further funding is required from the dedicated schools grant at this time;**
- (b) **A progress review be added to the forum's work programme for January 2021**

Alternative options

1. There is no alternative option due the high costs of early termination of the PFI contract.

Key considerations

2. Schools Forum received a report on the financing of the Whitecross PFI contract in March 2015 and agreed to establish a progress review, once every three years to commence in January 2018 to establish a process for routine review of the PFI contract process.
3. Following the recommendation of School Forum, the council has added additional funding of £25,000 in 2015/16, £50,000 in 2016/17 and a further £50,000 in 2017/18. The funding was sourced equally from the council and dedicated schools grant funds. In addition, savings of £50,000 were agreed with the PFI provider for insurance and ICT provision. The governors of Whitecross High School and Specialist Sports College agreed to forego the school's contractual right to the savings in the PFI contract.
4. The cost of the PFI contract is determined by the value of the inflation index RPI(X) in February each year. Since the last review in 2015, inflation has been as follows:
 - February 2015 1%
 - February 2016 1.4%
 - February 2017 3.5%
 - October 2017 4.2%
5. The long term financial model over the 25 year contract period assumed inflation to be 2.5% and the contributions from the government (PFI credits), the council and the school were set accordingly. The PFI credits are fixed for the contract duration hence the additional cost of the contract is determined by the difference between the inflation rate in February and the standard 2.5% in the financial model.
6. The HM Treasury medium term forecast for RPI inflation is as follows:
 - 2017 3.6%
 - 2018 3.5%
 - 2019 3.1%
 - 2020 3.2%
 - 2021 3.1%
7. In October 2017 RPI(X) inflation was running 0.2 percentage points higher than RPI. The financial model has been rolled forward with the assumption that the RPI(X) will be 4.2% in February 2018 and thereafter will continue at 3.5% until the end of the contract in May 2032. It is also assumed that the school contribution will increase by 1.5% (based an annual uplift to the PFI factor in the national school funding formula) and an additional contribution from the council in 2018/19 of £55,000, due to RPI(X), which is expected to be in excess of 4% next financial year.
8. On this basis, there is predicted to be a small surplus of £60k at the end of the contract in 2032, although no further action is required at this time.

Community impact

9. Regular review of the PFI financial contribution ensures that there is not an unaffordable financial settlement at the end of the contract in 2032 and that value for money continues to be secured.

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
11. As this is a decision on an existing contract, which cannot easily be changed, we do not believe that it will have an impact on our equality duty.

Resource implications

12. No further funding is required at this time. However, if inflation, as measured by RPI(X), remains above the 3.5% contract baseline, additional funding will be required from the council in future years. The contribution from the dedicated schools grant is now determined by the national funding formula for schools.

Legal implications

13. As set out in the Schools Forum Regulations 2012, School Forums generally have a consultative role. However, there are situations in which they have decision-making powers. The Regulations state that the local authority must consult the Schools Forum annually in connection with amendments to the school funding formula
14. The Education Funding Agency provides a summary of powers and responsibilities of schools forums which includes decisions it can make on proposals put forward by the local authority.
15. The purpose of this report is to update the Schools Forum on the results of the three yearly review of the Whitecross PFI and request recommendations for any additional funding needed.
16. This update constitutes a consultation as set out in section 10(2) of the Schools Forums (England) Regulations 2012.

Risk management

17. The major risk is that if inflation is significantly higher than the currently funded 3.5% contract baseline, it makes the contract unaffordable. HM Treasury's RPI forecast suggests this is unlikely in the medium term. The significant additional costs resulting from higher than expected inflation are best managed by regular review of the contract and triennial reporting to Schools Forum.

Consultees

18. This report has been shared with the PFI provider and the headteacher of Whitecross.. The chair of governors and headteacher of Whitecross school are reassured that the forecast funding requirements for the PFI contract continue to be met by the council in the medium term without any impact on the school.

Appendices

None

Background papers

PFI contract financial spreadsheet model