

AGENDA

Herefordshire Schools Forum

Date: **Friday 13 March 2015**

Time: **9.30 am**

Place: **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:

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Agenda for the Meeting of the Herefordshire Schools Forum

Membership

Chairman
Vice-Chairman

Mrs D Strutt
Mrs J Rees

Mrs S Bailey
Mr P Barns
Mr P Box
Mrs L Brazewell

Mr P Burbidge
Mrs S Catlow-Hawkins
Mr J A Chapman
Mr J Docherty
Mr T Edwards

Mr M Farmer
Mr J Godfrey
Mr NPJ Griffiths
Mr G House
Ms A Jackson
Ms T Kneale

Mr R Leece
Mr C Lewandowski
Mr M Lewis
Mrs R Lloyd
Mrs S Woodrow
Mrs C Woods
Mr K Wright

(3 vacancies)

Academies
Local Authority Maintained Primary School

Special Schools
Pupil Referral Unit
Academies
Local Authority Maintained Primary School Governor
Roman Catholic Church
14-19 Partnership
Church of England
Academies
Local Authority Maintained Secondary School Governor
Academies
16-19 provider representative
Academies
Academies
Early Years Representative
Locally Maintained Primary School (Nursery)
Trade Union Representative
Trade Union Representative
Local Authority Maintained Primary School
Early Years Representative
Locally Maintained Secondary Schools
Local Authority Maintained Primary School
Local Authority Maintained Primary School

AGENDA

		Pages
1.	<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence.</p>	
2.	<p>NAMED SUBSTITUTES (IF ANY)</p> <p>To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.</p>	
3.	<p>DECLARATIONS OF INTEREST</p> <p>To receive any declarations of interest by Members in respect of items on the Agenda.</p>	
4.	<p>MINUTES</p> <p>To approve and sign the minutes of the meeting held on 19 January 2015.</p>	5 - 10
5.	<p>PUPIL REFERRAL UNIT FUNDING PROPOSALS</p> <p>To update Schools Forum on proposed changes in PRU funding effective from 1st September 2015 prior to considering final proposals in June 2015.</p>	11 - 18
6.	<p>PERMANENT FUNDING FOR SAFEGUARDING EDUCATION IN THE MULTI-AGENCY SAFEGUARDING HUB (REPORT TO FOLLOW)</p> <p>To update Schools' Forum on the role of the Education Safeguarding Officer in the Multi – Agency Safeguarding Hub (MASH); and to seek sustainable funding to make the function permanent and to increase capacity within the MASH.</p>	
7.	<p>SCHOOL BALANCES - CLAWBACK PROPOSALS</p> <p>To update Schools Forum on the consultation with schools regarding the reintroduction of a balance clawback mechanism for local authority schools.</p>	19 - 30
8.	<p>WHITECROSS PFI SCHEME</p> <p>To update Schools Forum on the progress in securing cost reductions for the Whitecross Private Finance Initiative (PFI) contract.</p>	31 - 34
9.	<p>WORK PROGRAMME</p> <p>To consider the Forum's work programme.</p>	35 - 36
10.	<p>MEETING DATES</p> <p>The following meeting dates have been scheduled:</p> <p>5 June 2015 – 9.30 am</p> <p>10 July 2015 – 9.30 am</p> <p>23 October 2015– 9.30 am</p> <p>4 December 2015 – 9.30 am</p> <p>15 January 2016 – 9.30 am</p> <p>11 March 2016 – 9.30 am</p>	



HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Herefordshire Schools Forum held at The Shire Hall, St Peter's Square, Hereford HR1 2HX on Monday 19 January 2015 at 2.00 pm

Present:	Mrs D Strutt (Academies) (Chairman)	
	Mrs J Rees (Local Authority Maintained Primary School) (Vice Chairman)	
	Mrs S Bailey	Special Schools
	Mr P Barns	Pupil Referral Unit
	Mr JA Chapman	Roman Catholic Church
	Mr J Docherty	Academies
	Mr S Grist	Local Authority Maintained Primary School
		Governors Representative
	Mr NPJ Griffiths	Academies
	Ms A Jackson	Early Years Representative
	Mr R Leece	Trade Union Representative
	Mr C Lewandowski	Trade Union Representative
	Mr M Lewis	Local Authority Maintained Primary School
	Mrs J Rees	Local Authority Maintained Primary School
	Mrs S Woodrow	Locally Maintained Secondary Schools
	Mr K Wright	Local Authority Maintained Primary School

187. APOLOGIES FOR ABSENCE

Apologies were received from Mr P Box, Mrs L Brazewell, Mr P Burbidge, Mrs S Catlow-Hawkins, Mr T Edwards, Mr M Farmer, Mr J Godfrey, Mr G House, Ms T Kneale, Mrs R Lloyd, and Mrs C Woods.

(The Forum noted that Mrs J Cecil had recently resigned from the Forum. The Chairman thanked Mrs Cecil for her contribution to the Forum's work.)

188. NAMED SUBSTITUTES

Mr S Grist substituted for Mrs Brazewell.

189. DECLARATIONS OF INTEREST

Agenda item 5 – Report of the Budget Working Group

Mrs D Strutt declared an interest as Head Teacher of Whitecross High School and Specialist Sports College in relation to the information report on the Whitecross PFI Scheme.

Mr R Leece and Mr C Lewandowski declared interests as Trade Union Representatives in respect of recommendation (b) relating to de-delegation.

190. MINUTES

RESOLVED: That the Minutes of the meeting held on 24 October 2014 be confirmed as a correct record and signed by the Chairman.

191. REPORT OF THE BUDGET WORKING GROUP

The Forum considered the report of the Budget Working Group (BWG) on the following matters: Dedicated Schools Grant and final Schools Budget 2015/16; de-delegation, Pupil Referral Unit (PRU funding), school balances and an update on the Whitecross PFI contract.

The Chairman of the BWG introduced the report and thanked officers for the support provided to the BWG. He commented on the complexity of the BWG's task and emphasised the BWG was mindful of the pressures and differing challenges faced by schools across the sectors.

He offered an invitation to members of the Forum not on the BWG to attend as observers if they would like to do so.

The School Finance Manager (SFM) presented the report. He highlighted the following issues:

The BWG had supported the submission to the Education Funding Agency of a final budget that was same as the interim budget already consulted on with schools and submitted in October 2014. This necessitated the following variations:

- An extra £53k to meet national licence costs.
- A number of changes to meet unfunded expected high needs cost pressures amounting to £277k. The SFM highlighted the significant pressure on the high needs block and the considerable degree of uncertainty about this area.
- The Authority had made a robust case to the Education Funding Agency for extra funding for high needs. However, there was insufficient funding available nationally and the DfE was consulting authorities on systemic improvements for the funding of high needs. The DfE consultant had been made aware of the Authority's concerns.
- An allocation to meet increased pension costs which had a disproportionate impact on special schools because of the number of support staff employed. Given the other pressures on the high needs block it was considered that this was unaffordable for all schools.

He circulated the response received to the supplementary consultation on de-delegation for Herefordshire Schools.

He outlined the balances held by schools as a percentage of the annual budget in bands of 5% up to 20% noting that the average balance percentage was 20% with the highest being 52%.

In discussion the following principal points were made:

- It was proposed that the Education Funding Agency should be informed of the Forum's concern about the funding of High Needs Places.
- A decision not to de-delegate funding would place an administrative burden on the local authority. The cost and how this would be met had not been quantified. The SFM commented that the cost would have to be met within existing budgets and would have to be undertaken at the expense of other duties. Clearly the local authority wanted the administration to be as efficient as possible.

- The maintained secondary school representative commented that whilst her school had benefitted from trade union facilities she was aware that most maintained high schools did not wish de-delegation of this service to continue.

School Balances

The SFM explained that if, following consultation, the Forum decided at its meeting in March 2015 to reintroduce a balance clawback scheme the scheme would apply to balances held at March 2016 in order to give schools a minimum 12 months notice. The scheme could be designed to include criteria allowing for special circumstances. A number of small schools may well be concerned about the implication of falling rolls. However, that needed to be balanced against the fact that seeking to provide security for the future reduced spending on existing pupils. He noted that school balances had increased markedly from 2012/13 to 2013/14 contrary to what would have been expected in the financial circumstances. He drew Forum's attention to appendix 3 to the report setting out a response from the DfE on the treatment of academy and maintained school balances.

A number of comments were made on this issue:

- The percentage of the annual budget held as a balance may not in fact be a large sum. Changes in pupil numbers could swiftly have an impact on a smaller school.
- It was requested that consideration be given to phasing in any clawback scheme. This would help to remove the temptation to spend any balances in an imprudent fashion.
- A number of schools were making cuts and redundancies. The BWG had expressed the view that retaining balances of up to 10% of a school's revenue budget seemed a reasonable sum to hold. Many schools were holding balances in excess of that percentage.
- The DfE's comments on the different treatment of academy and maintained school balances were noted.
- Account needed to be taken of the fact that all schools contributed to the minimum funding guarantee and it seemed inappropriate that some schools were simply in effect retaining some of this funding in balances.
- It was questioned how schools might save to provide for much needed capital investment in the absence of any central capital allocation.
- The SFM acknowledged that under the previous clawback scheme no money had ever been clawed back. Two schools had been allowed to exceed the limit because of special circumstances. In the Midlands and South West as a whole he understood that very little funding had ever been recovered from clawback schemes.

RESOLVED: That:

- (a) **the schools members (including academies) and early years members recommend the Cabinet Member Young People and Children's Wellbeing to approve the variation of the provisional funding values, as submitted to the Education Funding Agency, for the National School Funding Formula 2015/16, and as shown in Appendix 1 to the report, as follows;**

- (i) the per pupil funding in the interim schools budget be reduced by 0.01%: £2 per primary pupil, £3 per Key stage 3 pupil and £4 per key stage 4 pupil to fund the increased cost of national licences;
 - (ii) Primary school funding be reduced by £6 per pupil to fund SEN threshold protection at £90 cap per pupil (option B1);
 - (iii) Secondary school funding be reduced by £8.50 per pupil to fund PRU delegation of £150k on the basis this would be delegated by 1/3 pupil numbers, 1/3 Ever-6 Free School meals and 1/3 on low prior attainment data (option B2);
 - (iv) that high needs tariffs to cover increased pension costs should be increased for 2015/16 as follows (option C3): Tariff A: £1,280+1% B: £3,125 +2% C: £5,225+3% D £8,075 +4% E £11,400+5% F: £15,200 +6%; and
 - (v) £150k of the high needs carry forward be used to support the costs of (ii) and (iii) above; and
- (b i) de-delegation of funding for Trade Union facilities be approved for maintained Primary schools for 2015/16;
 - (b ii) de-delegation of funding for ethnic minority support be approved for maintained Primary schools for 2015/16;
 - (b iii) de-delegation of funding for free school meals administration be approved for maintained Primary schools for 2015/16;
 - (b iv) de-delegation of funding for Trade Union facilities should not be approved for maintained Secondary schools for 2015/16;
 - (b v) de-delegation of funding for ethnic minority support be approved for maintained Secondary schools for 2015/16;
 - (b vi) de-delegation of funding for free school meals administration be approved for maintained Secondary schools for 2015/16;
 - (c) it be noted that further consideration will need to be given to PRU funding changes in March 2015; and
 - (d) a consultation exercise should be undertaken on the introduction of a school balance claw-back scheme along the lines of that previously applied by the Council; and
 - (e) the Education Funding Agency be informed of the Forum's concern about the funding of High Needs Places.

(Note: Only school members of Forum And Early Years representatives voted on the national school funding formula values. Voting on de-delegation was restricted to primary maintained schools for primary sector de-delegation and secondary maintained schools for secondary sector de-delegation.)

**Provisional School Funding values submitted to Education Funding Agency
October 2014**

That (a) the proposals for the local application of the National Funding Formula for 2015/16 as set out at Appendix 1 to the report, be approved for recommendation to the Director for Children's Wellbeing as follows:

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.**

Recommendation a(i) reduces the provisional value by £2 from £2,854 to £2,852

Recommendation a(ii) further reduces the per pupil value by £6 from £2,852 to £,2846

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**

Recommendation a(i) reduces the provisional value by £3 from £3,689 to £3,686

Recommendation a(ii) further reduces the per pupil value by £8.50 from £3,686 to £3,677.50

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.**

Recommendation a(i) reduces the provisional value by £4 from £4,645 to £4,641

Recommendation a(ii) further reduces the per pupil value by £8.50 from £4,641 to £4,632.50

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 – to increase to £207,500 (from £190,000) to provide for increased inflation within the PFI contract.**

- 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.

*(*Subsequent to the meeting, during the final checking of the school funding formula agreed for 2015/16 and prior to submission to the Education Funding Agency (EFA), it was noted that point 12 above from the resolutions approved by Schools Forum in October 2014 and submitted to the EFA as the interim budget had inadvertently been omitted from the report to Schools Forum on 19 January. The budget calculations presented to Schools Forum in January took full account of paragraph 12 as approved by the Forum in October. In accordance with the provision on urgent decision taking in the Forum's Constitution approval was sought and received to reflect paragraph 12 in the Minutes of the meeting in order to maintain a full and clear record of the budget recommended by the Forum.)*

192. WORK PROGRAMME

The Forum noted its work programme with the following amendments:

March 2015

The addition of items on School balances, terms of reference for a review of high needs tariffs and an update on the Whitecross PFI scheme.

June 2015/July 2015

Transfer of the business scheduled for July 2015 to that scheduled for June 2015 except for the review of high needs tariff implementation which would move to October or possibly December 2015,

October 2015

The addition of the review of high needs tariff implementation.

193. MEETING DATES

Noted.

The Chairman commented that notwithstanding the discussion on the work programme, the subject of the previous item on the agenda, it was proposed to retain the scheduled date of 10 July 2015 in diaries for the time being in case any urgent business arose.

The meeting ended at 3.02 pm

CHAIRMAN



MEETING:	SCHOOLS FORUM
MEETING DATE:	13 MARCH 2015
TITLE OF REPORT:	PUPIL REFERRAL UNIT FUNDING PROPOSALS
REPORT BY:	SCHOOL FINANCE MANAGER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide.

Purpose

To update Schools Forum on proposed changes in pupil referral unit (PRU) funding effective from 1 September 2015 prior to considering final proposals in June 2015.

Recommendation(s)

THAT:

- (a) **Schools Forum comments on the Herefordshire PRU funding proposals and approves formal consultation with the Herefordshire Association of Secondary Headteachers (HASH);and**
- (b) **final proposals be presented for agreement at the next meeting in June 2015.**

Alternative Options

- 1 A range of options have been explored with School Forum's budget working group (BWG) and further consultation is proposed with Herefordshire Association of Secondary Headteachers (HASH). Any additional viable options will be identified by this process and will be considered by Schools Forum in June 2015.

Reasons for Recommendations

2. To update Schools Forum on the proposed changes to PRU funding effective from 1st

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

September 2015 and permit Schools Forum to comment on the proposals prior to formal consultation with HASH.

Key Considerations

Background

3. From April 2011 Schools Forum approved PRU charges of £3,000 per place each year that the pupil remained in the PRU, irrespective of the reasons for the placement. This was the first time a charge to schools had been made rather than providing direct funding for PRUs. This partially pre-empted subsequent DfE changes in policy in recognising the need for market forces in providing PRU places. Also from April 2011 funding was delegated to secondary schools (based on a formula) to help them pay the PRU charges. This, in effect, gave the schools a purchasing choice as to whether they would use this funding to develop their own provision or continue to purchase PRU places (or a combination of both).
4. In April 2013, the DfE introduced place funding of £8,000 per commissioned place and Schools Forum agreed top-up funding of £8,650 per pupil. In order to continue the principle of school contributions based on usage, it was agreed to split this top-up fee equally between the local authority and the school. However, following consultation with HASH, it was agreed that in return for the increase in placement cost to schools (£3,000 to £4,325) schools would only pay for first year placements with second and third year charges fully funded by the LA because the school no longer received any funding for these pupils once they were off-roll. Funding was identified in the high needs block to pay for the second and third year placements.
5. For key stage 3 (KS3) pupils at the Aconbury PRU charges have been made on a pro-rata basis as most placements are for short stay intervention. It has therefore been more difficult for the KS3 centre to achieve the same revenue per place as key stage 4 (KS4) because of vacant places between students and acceptable induction periods for new students. Rather than increasing the charges for KS3, which would potentially deter usage in KS3 it was decided to have uniform charges across the secondary age-range and support KS3 from the overall PRU budget.
6. In September 2014, the three PRUs were amalgamated into a single institution on two sites in Hereford city. This offered the opportunity for some efficiency savings with only two sites to maintain, one less Head of Centre and some reduction of support staff. The PRU will operate with a single budget from April 2015.
7. The DfE have now increased the funding for each PRU place to £10,000 from September 2015. This brings funding into line with special schools and other specialist provision but also results in the need to revise the PRU funding once again.

Principles

8. A series of principles and practicalities have been developed to provide a solid basis for funding change to ensure that the financial model supports the development of the PRU operating model:
 - PRUs need to be funded sufficiently in order to offer all students a 'suitable full-time education' in accordance with the 2013 statutory guidance (or pro-rata thereof if part time).
 - Care needs to be taken to avoid creating perverse incentives in designing any funding model.

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

- A school will have made appropriate provision prior to seeking a PRU place including, where appropriate, applying for, and using, top-up tariff funding to address pupil needs.
- Application for top-up funding should be carried out prior to the pupil arriving at the PRU, including where appropriate, through statutory assessment.
- The integrity of the top-up high needs tariff funding model should be maintained, i.e. funding follows the pupil irrespective of setting and is based on need.
- Schools should contribute towards the cost of a PRU placement – and this includes academies and free schools.

9. In addition to these principles there are also the following practical considerations:

- It is recognised that some students who arrive from out-county will need to be assessed on arrival.
- The new funding methodology needs to incorporate the savings that were identified as a result of the merger from three into one institution.
- Revised charging arrangements will need to be implemented from 1st September 2015 to coincide with the national requirement for place funding to increase from £8,000 to £10,000 as described above.

Current Position

10. In 2014/15 the local authority commissioned 80 places at £8,000 per place. The place rate is set by the DfE. The top up is £8,650 shared equally between school and local authority for first year placements. This provides for a total cost for comparison purposes of £16,650 per pupil (setting aside the complexities of unfilled places).
11. A conscious decision was taken not to change the PRU funding when high needs top-up tariffs were newly introduced into mainstream and special schools in September 2014. It was decided not to change the PRU funding model because it had been remodelled the previous year before the national changes were evident.
12. Sampling of ten pupils from St David's Centre and nine from Aconbury indicates that the average top-up tariff for the PRU would be £5,080 for St David's and £4,900 for Aconbury with top-ups typically tariff C with some tariff B and tariff Ds. Comparisons to other high needs pupils in schools suggests the matrix assessment has been scored fairly and given no concerns no further sampling or moderation is proposed.
13. From September 2015, the PRU funding model will be based on £10,000 per place (as set by the DfE) plus an average high needs top-up of £5,000. The actual top-up allocated to each individual student will vary, either above or below the £5,000, and is dependent upon the individual high needs assessment. Based on this average, this overall average figure of £15,000 (compared to £16,650 provides the opportunity to deliver the promised savings from the amalgamation. It also meets the DfE requirements and reinforces the coherence of the high needs tariff further into the Herefordshire schools system in that it covers all pupils irrespective of need or institution.
14. There are some strong indications that the current funding model in which schools pay a one-off charge for the first year of a pupil's placement does not adequately

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provide for the cost of second and third year PRU placements and that there has been a greater burden on the high needs block than had originally forecast. It is therefore essential that schools are asked for an appropriate contribution in order to avoid over burdening the high needs block.

15. The local authority is trying to strike a balance between schools making appropriate placements early in KS4 when it is apparent that students will not thrive in a mainstream school and ensuring that schools are not simply placing students inappropriately in order to exclude from their KS4 statistics. The aim is that appropriate students having two years attending an alternative provision will result in them having a fresh start with sufficient time to gain accredited qualifications and reengage with education or training.

Proposals

16. The following table provides summary of all the funding models discussed with the BWG based on a standard dataset collected from pupils attending PRUs during a three year period 2009-2012. The table sets out the costs based on the standard assumptions on a comparative basis for each of the funding models.

Basic information collected for pupils entering PRUs between Sept 2009 and August 2012	St Davids 56 places 75% occupancy rate 14 vacant places 22 1st year places 20 2nd year places	Aconbury 24 places 75% occupancy rate 6 vacant places 9 1st year places re intervention 9 2nd/3rd year (6+3)	Total Costs – Full year costs are shown to provide for a fair comparison
Current funding model <ul style="list-style-type: none"> Committed place funding at £8k Pupil top-up at £8,650 each School funded 	£448,000 i.e. 55% £363,300 i.e. 45% £95,150 i.e. 12%	£192,000 i.e. 55% £155,700 i.e.45% £38,925 i.e. 12%	St David's £811,300 Aconbury £347,700 Total £1,159,000
Option 1 : New High Needs Top-up Model <ul style="list-style-type: none"> Committed place funding at £10k Pupil top-up at £5,000 each School funded 	£560,000 i.e. 73% £210,000 i.e. 27% £0	£240,000 i.e. 73% £90,000 i.e. 28% £0	St David's £769,960 Aconbury £330,000 Total £1,099,960
Option 2 : New High Needs Top Up Model Local authority commissions vacant & 2 nd /3 rd year places New 1 st year placements "Pay as you Go" LA/school contribution on sliding scale of £10,000	£340,000 i.e. 47% £220,000 i.e. 29%	£150,000 i.e.46% £90,000 i.e. 28%	St David's £770,000 Aconbury £330,000 Total £1,100,000

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High needs top-up pro-rata £5k average	£210,000 i.e. 28%	£90,000 i.e. 28%	
School funded			
2015/16 school £4,000	£88,000 i.e.12%	£36,000 i.e. 11%	
2016/17 school £5,000	£110,000 i.e. 15%	£45,000 i.e. 14%	
2017/18 school £6,000	£132,000 i.e. 18%	£54,000 i.e. 17%	

17. The preference is for option 2 as this meets the principles set out in paragraph 8 above to a much greater extent. Option 1 is rejected because it provides for no school contribution. It is considered essential that schools contribute to the cost of a PRU placement as this provides a check on excessive school placement.
18. In the development of this work it was estimated that there could be potential savings from the reorganisation of the PRUs, estimated at up to £100,000. It is an important principle that where efficiency savings are made, this is returned to the DSG and in particular to the high needs block which itself is under pressure. This was endorsed by the BWG which had the view that pupils should benefit. A further model which included additional funding for PRU second year summer places has been discounted because of the extra cost.
19. Option 2 delivers savings of a minimum £59,000 compared to the current funding model and further savings may arise from the first year place commissioning process..
20. These proposals will develop a market in first year places with schools and although there will be additional complexity in the commissioning process this is very much what the DfE intended for high needs provision. The BWG considered such a market appropriate and recognised that PRUs cost money and that if secondary schools require high quality provision then the funding must be put in place.
21. Overall the funding proposals provide a fair basis for PRU funding from 1st September 2015. The previous funding model allowed St David's and the Priory to make a small surplus and Aconbury operated at a deficit. In total the surplus was used to offset the deficit and the PRU as a whole operated on budget. This was the case in 2013/14 and a similar position is forecast for 2014/15.
22. To make the KS3 provision more cost effective it is proposed to charge a termly place fee (based on the £10,000 place cost) which takes account of the short term nature of key stage 3 intervention places and the difficulties in immediately filling a vacant place. The proposed termly fee will be £3,333 for the autumn term, £2,500 for the spring term and £4,167 for the summer term, any intervention placement in the term will incur the full termly cost instead of the strict pro-rata charge as now. However, it still needs to be recognised that the PRU budget is a single entity which needs to balance its overall budget.
23. The local authority is concerned that increasing numbers of pupils are staying on for second and third year placements. It is accepted that schools do not feel they should be asked to pay once the pupil is off the school's roll in the second or third year. However there is an increasing cost that has to be funded somehow, the BWG

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suggested a phased three year change to the charge to schools for first year placements which reflects the increasing probability that a pupil will stay in the PRU for 2 or 3 years. This seems a practical solution that will be acceptable to all and it therefore proposed to apply increases to the schools place contribution on a sliding scale as follows;

- 2015/16 local authority £6,000 school £4,000 (which is a savings on the current £4,325 charge)
- 2016/17 local authority £5,000 school £5,000
- 2017/18 local authority £4,000 school £6,000

24. The cost of increasing second and third year places will be met from the DSG high needs block. The increased contribution from schools may allow the number of commissioned places to be adjusted to reflect the increased income to the PRU. Under the proposals this will not be necessary until 2016/17 at the earliest. Detailed financial projections will be discussed with the PRU prior to any adjustment for 2016/17.

Community Impact

25. There is no community impact as the proposals simply seek to rebalance how schools and DSG fund the PRU. Only if schools, as a result of these proposals, modify their usage of PRU places there will be a community impact as it is possible that the number of places on offer will have to be reduced.

Equality and Human Rights

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

Financial Implications

27. The costs of the PRU funding proposals are met in full by Dedicated Schools Grant and the proposals seek to provide a fair balance between schools and the high needs block of DSG in light of DfE mandatory funding changes. Following consultation with HASH, this balance will be reviewed prior to further consideration by Schools Forum in June 2015. The financial changes are necessary due to the DfE increasing the commissioned place cost by £2,000 to £10,000 from September 2015

Legal Implications

- 28 The purpose of this report is to update the Schools Forum on proposals prior to considering final proposals in June 2015. As such there are no specific legal implications.
- 29 Section 10 of the Schools Forums (England) Regulations 2012 sets out the local authority's duties to consult with the Schools Forum on school funding issues.

Risk Management

- 30 The consultation process with HASH and the BWG ensures that risks are identified and minimised prior to a final decision by Schools Forum in June 2015. There is a risk is that the funding model does not provide a sustainable budget for the PRU and in which case Schools forum will be asked to consider revised charges.

Consultees

- 31 None.

Appendices

None

Background Papers

- None identified.



MEETING:	Herefordshire Schools Forum
MEETING DATE:	13 March 2015
TITLE OF REPORT:	SCHOOL BALANCES – CLAWBACK PROPOSALS
REPORT BY:	SCHOOLS FINANCE MANAGER

Classification

Open

Wards Affected

County-wide

Purpose

To update Schools Forum on the consultation with schools regarding the reintroduction of a balance clawback mechanism for local authority schools.

Recommendation(s)

THAT:

1. the results of the consultation with schools be noted;
2. the Forum considers whether Herefordshire's scheme for financing maintained schools should be amended with effect from 1st April 2015 to include any or all of the following proposals A-C; and
3. local authority school members vote on the proposals A-C.

Alternative Options

- 1 The options are to implement a balance clawback scheme from 1st April 2015, to choose not to implement a balance clawback scheme from 1st April 2015 or to defer implementation to a future year.

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

Reasons for Recommendations

- 2 To update Schools Forum on the responses to the consultation with schools on the proposals to reintroduce a balance clawback scheme with effect from 1st April 2015 and for Schools Forum to approve the necessary changes to the scheme for financing maintained schools.

Key Considerations

- 3 The school balances consultation paper is attached as an Appendix.
- 4 As consultation closes at 12 noon on Monday 9 March , the consultation results will be circulated to Schools Forum members separately before the meeting.
- 5 Three proposals are put forward for consideration having regard to the outcome of the consultation:

a) Proposal A

It is proposed to re-introduce the previous balance claw back scheme for financial year 2015/16 as follows;

- i secondary schools – to claw back balances in excess of 5% of the current year's budget share or £50,000 whichever is the greater
- ii special schools – to claw back balances in excess of 5% of the current year's budget share (i.e. place plus top-up funding) or £30,000 whichever is the greater
- iii primary schools – to claw back balances in excess of 8% of the current year's budget share or £30,000 whichever is the greater

b) Proposal B

6. That the proposal A should be introduced more gradually so that schools can make an informed decision to reduce balances over a three step process as follows
 - i 2015/16 that the balance claw back percentages be set at 25% for all schools
 - ii 2016/17 percentages be set at 15% for all schools
 - iii 2017/18 Proposal A be fully implemented

c) Proposal C

7. That academies should be included in the balance claw back scheme on a voluntary basis, and if academy schools chose not to join the balance claw back scheme, then

either (i) to proceed with the clawback proposals but only for local authority schools

or (ii) not proceed with the clawback proposals unless all academies participate

8. The formal process for changes to the scheme for financing schools is that the local authority proposes and consults the governing body and headteacher of every school, Schools Forum approves any proposed changes and the DfE adjudicates where Schools Forum does not approve the local authority proposal. In the event that Schools Forum declines to approve the proposals set out in this report then the local authority will defer consideration of the balance clawback for twelve months in the expectation that school balances will reduce. If total school balances continue to increase in that time, the clawback proposals will be brought back to Schools Forum for another vote and in the event of non-approval the local authority will ask the DfE to adjudicate on the proposals.

Community Impact

- 8 The clawback proposals will not have a direct community impact.

Equality and Human Rights

- 9 There are no implications for the public sector equality duty.

Financial Implications

- 10 There are no financial implications apart from possible future considerations by Schools Forum on the use of any funding clawed back from schools

Legal Implications

- 11 As set out in the DfE Guidance Schools Forums: operational and good practice guide October 2013, Herefordshire Schools Forum has the power to approve local authority proposals to change the scheme of financial management in relation to Herefordshire Schools. Should the Schools Forum not agree to the proposals the local authority can ask the DfE to adjudicate on the matter.

The inclusion of the claw back clause in the scheme of financial management is not a mandatory or statutory requirement, it is an optional clause.

Section 8(11) of the Schools Forums (England) Regulations 2012 states that subject to specific provisions (not relevant to this report) the members of the Schools Forum may determine their own voting procedure.

Advice received from the DfE Funding Reform Team states that only maintained schools should vote on the Scheme for Financing Schools.

Risk Management

- 12 There is no risk attached to the proposed clawback, rather a risk (financial, reputational) in permitting excess school balances to continue to increase and the potential detriment on the education of pupils currently in school.

Consultees

13 All Herefordshire schools

Appendices

14 School Balances survey February 2015

Background Papers

- None identified.

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

NATIONAL SCHOOL FUNDING FORMULA 2015/16

School Balances – claw back proposals for Herefordshire schools **SUPPLEMENTARY CONSULTATION**

The response form must be returned by 12 noon 6th March 2015 to

School.funding@herefordshire.gov.uk

1.0 INTRODUCTION

- 1.1 Prior to May 2010, it was a national requirement for all local authorities to include a balance claw back scheme within their scheme of delegation to schools. In May 2010 the government relaxed this requirement and made such a scheme optional. No such scheme was introduced for academies by the Education Funding Agency. Herefordshire Schools Forum decided to remove the balance claw back scheme for local authority maintained schools for comparability with the Education Funding Agency scheme for academies.
- 1.2 Since May 2010, school balances for locally maintained schools have doubled from £3,124,000 in March 2010 (excluding schools that have subsequently converted to academy status) to £6,345,000 in March 2014. No information is easily available for academy schools in Herefordshire. However, a recent parliamentary answer set out the national average academy trust cash balance as £96,000. Extrapolating for 27 academies in Herefordshire this would suggest balances for academies of £2.6m and total balances in Herefordshire for both sectors of £9m. The Guardian newspaper reported national academy balances at an average £550,000 which is five times higher than the DfE's interpretation of the parliamentary answer, further highlighting the lack of reliable published information of academy cash balances.
- 1.3 Herefordshire Schools Forum previously introduced a balance claw back scheme in April 2007 (as part of the schools three year budgeting plans) when school balances for all Herefordshire schools were £7.2m, equivalent to 11.2% of school budgets.
- 1.4 Actual balances vary for each school. At March 2014, the average balance for locally maintained schools in Herefordshire was £86,000, equivalent to 10% of the school budget share. The 10% is an average and the range of balances is set out as follows;
- 2 schools in excess of 40%
 - 3 schools between 30% and 40%
 - 7 schools between 20% and 30%
 - 12 schools between 15% and 20%
 - 14 schools between 10% and 15%
 - 16 schools between 5% and 10%
 - 8 schools below 5%
 - 5 schools in deficit

- 1.5 Schools Forum has the responsibility to consider funding for the whole education system in relation to dedicated schools grant, and this includes paying due consideration to balances and deficits. The re-introduction of a balance claw back scheme for locally maintained schools is an option available to schools forum. The Education Funding Agency has responsibility for academies. Advice has been sought from the DfE – and is attached as an appendix to the consultation paper. It is important to note that any monies returned via a claw-back would be considered as part of the overall considerations of how dedicated schools grant should be used. One potential use is to redistribute to all schools and that would include academies.
- 1.6 Herefordshire Council is consulting on the re-introduction of a balance claw back scheme for local authority maintained schools for the financial year 2015/16 and alongside this a voluntary scheme for all academies to provide local parity given that both academies and maintained schools are funded from Herefordshire’s dedicated schools grant by the same school funding formula. Schools Forum will consider the proposals and the response to the consultation on 13th March 2015.
- 1.7 Ofsted and the Department for Education’s advice is that school budgets should not be saved for a rainy day but spent on the current pupils in school now. Herefordshire Council and Schools Forum strongly endorse this advice and wish to consult all Herefordshire schools on the re-introduction of a balance claw back scheme (proposal A). Some schools have adopted savings schemes to protect against future budget reductions and views are sought on whether the claw back scheme should be phased over a three year period (proposal B).
- 1.8 Proposal C provides an opportunity for academies to participate in the claw back scheme on a voluntary basis since all schools, both academies and locally maintained schools will benefit equally from any distribution of clawed back funding to schools.

Proposal A – Re-introduction of balance claw back scheme

- 2.1 It is proposed to re-introduce the previous balance claw back scheme for financial year 2015/16 as follows;
- a secondary schools – to claw back balances in excess of 5% of the current year’s budget share or £50,000 whichever is the greater
 - b special schools – to claw back balances in excess of 5% of the current year’s budget share (i.e. place plus top-up funding) or £30,000 whichever is the greater
 - c primary schools – to claw back balances in excess of 8% of the current year’s budget share or £30,000 whichever is the greater
- 2.2 In all cases, a governing body can apply to the Director of Children’s Wellbeing for special exemption from the claw back scheme; such approval will only be considered in exceptional cases.

Proposal B – phasing in to avoid a “spending rush”

- 2.3 Schools Forum will be asked to consider phasing in the balance claw back scheme over a three year period to avoid schools spending unnecessarily their high balances so that the

proposal A could be introduced more gradually so that schools can make an informed decision to reduce balances over a three step process as follows

- 2015/16 that the balance claw back percentages be set at 25% for all schools
- 2016/17 percentages be set at 15% for all schools
- 2017/18 Proposal A be fully implemented

Proposal C – voluntary inclusion of academies

- 3.1 The DfE have made it clear that the claw back scheme applies only to locally maintained schools; however, any funding clawed back from schools will be applied to dedicated schools grant and distributed to all schools including academies. On this basis since all academies will benefit from the results of any claw back it has been considered fair by members of the budget working group that all academies are encouraged to sign up to this scheme. It is a matter for individual academies to determine this.
- 3.2 It is proposed to make the scheme available to academy schools to join in on a voluntary basis

Enquiries

- 4.1 please direct all enquiries regarding these proposals to

Malcolm Green, Schools Finance Manager either by telephone 01432 260818 or by e-mail:

malcolm.green@hoopleltd.co.uk

<ul style="list-style-type: none"> • 2017/18 Proposal A be fully implemented 	
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<p>Proposal C That academies should be included in the balance claw back scheme on a voluntary basis.</p>	Yes/No
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<p>Q3 CLAW BACK SCHEME FOR HEREFORDSHIRE SCHOOLS If academy schools chose not to join the balance claw back scheme, do you wish the claw back scheme to</p>	
A. go ahead but only for local authority schools?	Yes/No
B. Not go ahead unless all academies are included?	Yes/No

Q4: ACADEMY CERTIFICATION

In order that Schools Forum can have complete information on the willingness of Herefordshire academies to participate in the balance claw back scheme, academies are asked to sign the endorsement below if willing to be included in the balance scheme.

I confirm, on behalf of the governing body of Academy, that if the Balance claw back scheme is approved by Schools Forum on 13th March 2015 the school wishes to participate in the claw back scheme on a voluntary basis

Signed

NameSchool.....

GENERAL COMMENTS

Name

School

Please return the questionnaire by 12 noon 6th March 2015 to: school.funding@herefordshire.gov.uk

Members of Schools Forum (including some academies) are concerned about the growing level of school balances in local authority schools in Herefordshire. The budget working group has suggested that Schools Forum explore the re-introduction of the balance claw back scheme into the scheme of delegation for local authority schools and also that a voluntary scheme be signed up to by academies and free schools in Herefordshire. Schools Forum removed the claw back in 2010 when relaxed by DfE.

Q1. Can academy members of Schools Forum vote on re-introducing the claw back to LA schools? (this is similar to the de-delegation vote which only concerns LA schools and academies cannot vote).

DfE: No, only maintained schools vote on the Scheme for Financing Schools

Q2. Can Schools Forum bind Herefordshire academies to the same balance claw back scheme either by the regulations or by voluntary agreement? Would the DfE/EFA honour any voluntary agreement?

DfE: You can't bind academies to a claw back scheme, but there is nothing to stop them from agreeing to participate in the arrangement

Q3. If Schools Forum agrees the balance claw back scheme and we actually recover any monies – if this is shared out to schools then can the distribution be restricted to only LA schools if the claw back has been recovered from only LA schools.

DfE: The claw back would become part of the DSG and therefore should be distributed to all schools and academies

Q4. Depending on your advice how does it fit with the principles of natural justice – whereby LA schools vote on LA school matters and claw backs collected from LA schools should be distributed to LA schools only.

DfE: The claw back scheme is not mandatory, so there is no requirement for you to implement such a scheme

Q5. What is the EFA policy re academy balances?

DfE: EFA does not have a claw back scheme for academies

Q6. The balances of local authority schools are public information via CFR and S251 outturn but academy balances are not. The EFA have agreed to provide comparable information for Schools Forum to consider in their role of allocating Herefordshire's DSG for the benefit of ALL schools in the county.

DfE: All academies are required to publish their annual accounts, so information is available, although not in the same format as for maintained schools.



MEETING:	SCHOOLS FORUM
MEETING DATE:	13 MARCH 2015
TITLE OF REPORT:	WHITECROSS PFI SCHEME
REPORT BY:	SCHOOL FINANCE MANAGER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide.

Purpose

To update Schools Forum on the progress in securing cost reductions for the Whitecross Private Finance Initiative (PFI) contract.

Recommendation(s)

THAT:

- (a) **Schools Forum notes the progress made and establishes a progress review, once every three years, commencing in January 2018, to establish a process for routine review of the PFI contract; and**
- (b) **reports outside of this timescale be on an urgent needs basis.**

Alternative Options

- 1 Following advice from the project's original financial advisors seventeen possible opportunities for cost savings were considered by Schools Forum in October 2014. In conjunction with the school and PFI supplier, the three most achievable options have been taken forward to contract variation. The remaining options will be kept under review and reconsidered if necessary in future.

Reasons for Recommendations

2. To update Schools Forum on the progress in securing cost reductions for the Whitecross PFI contract.

Key Considerations

3. Following the recommendation of Schools Forum, the council has already agreed additional funding of £25,000 in 2015/16, a further £50,000 in 2016/17 and a further £50,000 in 2017/18. This additional funding is sourced equally from council and Dedicated Schools Grant funds. The current funding split is PFI credits from the DfE 59%, council funding 26%, Whitecross School 8% and dedicated schools grant funding 7%.
4. Savings have been made to the PFI contract as follows
 - ICT provision has been taken in house by Stepnell with additional strategic support provided by a local firm – savings to the unitary charge are £40,000 pa
 - Insurance savings have been made to the unitary charge of £10,000
 - The out of hours usage has been reduced from 500 hours pa to 300 hours pa achieving estimated savings of £5,000 pa
 - The Consumer Prices Index (CPI) will replace the Retail Prices Index excluding mortgage interest (RPI(x)) inflation index in the contract from April 2015. CPI is usually 1% less than RPI(X) and will save £13,000 pa on a compound basis.
 - Continued falls in the CPI to 0.3% for January 2015, if these falls continue in February then the PFI unitary charge will increase by £5,000 compared to an expected £28,000 that a 2% increase in inflation requires.
5. The governors of Whitecross School met in early December 2014 and have agreed to forgo the school's contractual right to savings in the PFI contract. The governors' decision is linked with the three year benchmarking review of ICT services and will need to be reviewed by the council and school every three years.
6. The PFI contract variations are due for signature at a meeting between the council, the school and the PFI supplier in early March and Schools Forum will be updated

Community Impact

7. There is no community impact as the actions taken will ensure that the PFI contract is fully funded unless there is a significant increase in inflation rates in the future.

Equality and Human Rights

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

Financial Implications

9. The PFI contract variations, once signed, together with the modest injection of additional funding already agreed by the council and Schools Forum will ensure that

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

the PFI contract is fully funded in future provided that average inflation rates for the remaining contract term to 2032 do not increase above the Bank of England Monetary Policy Committee's (MPC) target CPI inflation rate

10. Without the additional funding and the proposed contract changes, the PFI scheme faced a £3.5m deficit by 2032. Following the actions taken and forward planning at the MPC's target inflation rate of 2% a small surplus of £0.5m is now forecast. If the CPI inflation rate remains below the MPC's target rate of 2% for any length of time then the surplus will increase providing a useful buffer for any possible future increase in inflation above the MPC's target rate.

Legal Implications

- 11 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.
- 12 This update does not constitute a consultation as set out in section 10(2) of the Schools Forums (England) Regulations 2012.

Risk Management

- 13 There is a potential risk that inflation may rise significantly above the MPC's target rate of 2%. This is entirely outside the council's control as it is dependent on national economic performance. It is eminently possible that during the remaining 17 years of the PFI contract that inflation will increase. Changing the PFI contract's indexation factor will provide some protection as the CPI index is usually some 1% below the RPI(X).
- 14 Further risk management is provided by increasing the PFI scheme's surplus in years of low inflation which would help provide a buffer against future inflation rises. The PFI funding requirements are reviewed annually and it is impossible to rule out the need for additional funding in future.

Consultees

- 15 None

Appendices

None

Background Papers

None identified.

MEETING:	SCHOOLS FORUM
DATE:	13 MARCH 2015
TITLE OF REPORT:	WORK PROGRAMME
REPORT BY:	GOVERNANCE SERVICES

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

Friday 5 June 2015 – 9.30 am
<ul style="list-style-type: none"> • Annual Review of Forum Membership to ensure broadly proportional representation is maintained • Annual Review of BWG Membership • Report of Budget Working Group (Proposals for inclusion in Schools Consultation Paper) • Outcome of DfE National Funding Formula Consultation Paper • Herefordshire Schools Estates Strategy • Education Services Grant 2015/16 • Workplan • Dates of Meetings
Friday 10 July 2015 – 9.30 am
(Date to be retained in diary in case of urgent business)

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

Friday 23 October 2015– 9.30 am
<ul style="list-style-type: none"> • Election of Chairman/Vice-Chairman of Forum • Election of Chairman of Budget Working Group • Report of Budget Working Group (outcome of School budget 2016/17 consultation - approval of provisional National Funding Formula values) • Capital Investment 2015/16 Update • Review of High Needs Tariffs Implementation • Workplan • Dates of Meetings
Friday 4 December 2015 – 9.30 am
<ul style="list-style-type: none"> • Workplan • Dates of Meetings
Friday 15 January 2016 – 9.30 am
<ul style="list-style-type: none"> • Dedicated Schools Grant settlement and proposed schools budget 2016/17 • Workplan • Dates of Meetings
Friday 11 March 2016 – 9.30 am
<ul style="list-style-type: none"> • Workplan • Dates of Meetings

Background Papers

- None identified.