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SCHOOLS' FORUM

Day: Tuesday
Date: 23 October 2018
Time: 10.00 am
Place: Discovery Academy, Porlock Avenue, Hyde

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

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SCHOOLS FORUM

26 June 2018

Commenced:	**10.00am**	**Terminated: 11.50am**
Present:	**Karen Burns (Chair)**	**Primary Schools – Academies**
	Steve Marsland	**Primary Schools – L/A Maintained**
	Maire Wright	**Primary Schools – L/A Maintained**
	Jon Murray	**Primary Schools – L/A Maintained**
	Lisa Gallaher	**Primary Schools – L/A Maintained**
	Simon Wright	**Primary Schools - Academies**
	Susan Marsh	**Governor, Primary Schools – L/A Maintained**
	Anthony McDermott	**Governor, Primary Schools – L/A Maintained**
	Gill McFadden	**Secondary Schools - Academies**
	Elizabeth Jones	**Governor, Secondary Schools – L/A Maintained**
	Robin Elms	**Special Schools – L/A Maintained**
	Maureen Brettell	**Pupil Referral Service**
	Elaine Horridge	**Diocesan Representative**
	Alison Hampson	**TCC**
	Councillor Fairfoull	**Executive Member (Performance and Finance)**
	Tom Wilkinson	**Assistant Director of Finance**
	Christine Mullins	**Finance Business Partner**
	Louisa Siddall	**Senior Accountant**
	Wendy Lees	**Senior Finance Officer**
	Joanne McLauchlan	**Interim Head of School Improvement**
Apologies for absence:		
	Brendan Hesketh	**Secondary Schools - Academies**
	Jeffrey Mellor	**Governor Special Schools – Academies**
	Anton McGrath	**14-19 Sector**
	Councillor Feeley	**Executive Member Lifelong Learning, Skills and Employment**

17. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting, in particular, Jon Murray, who was new to the Forum, replacing Bev Allford, who had recently retired. The Chair, on behalf of the Forum, formally thanked Bev for her valuable contribution and wished her well for the future.

The Chair announced, with sadness, the death of Pam Hirst, Governor Representative, who had been a member of the Forum since inception. On behalf of Forum members, the Chair extended sincere condolences to Pam's family and friends.

18. MINUTES

The Minutes of the meeting of the Forum held on 13 February 2018, having been circulated, were approved as a correct record with the following amendment:

In respect of Minute 11 – Dedicated Schools Grant Funding Formula 2018/19, final bullet point of the final paragraph should read:

- £499,160 of DSG to support elements of the Councils Centrally retained duties (formally the retained duties element of the ESG).

19. DEDICATED SCHOOLS GRANT OUTTURN POSITION FOR 2017/18 AND BUDGET UPDATE FOR 2018/19

Consideration was given to a report of the Director of Finance, providing details of the outturn position for the financial year 2017/18 and an update of the budget position for the 2018/19 financial year.

It was explained that the opening position in 2017/18 of DSG (held in reserve) was a $4.024 million surplus. An in year deficit of £0.143 million resulted in a cumulative position of a £3.881 million surplus. The in year deficit related to a combination of previously agreed commitments and some surpluses/deficits in year. The known commitments for 2017/18 were:

- The retrospective gains cap of £0.308 million;
- Diseconomies funding of £0.172 million; and
- The provision for the early years adjustment relating to 2016/17 of £0.228 million.

The breakdown of the £0.143 million deficit and the balance of the DSG reserve were detailed in the report.

In respect of the DSG note to the accounts, it was reported that the 2017/18 Council Statutory accounts were completed on 30 May 2018 and submitted for external audit. An extract from this was included within the report for Forum members to note. The extract disclosed details of the 2017/18 DSG and its cumulative surplus of £3.881 million.

With regard to the budget summary update for 2018/19, details of the current DSG settlement for 2018/19 and projected use of the grant were included in the report.

In respect of High Needs Funding, it was reported that the current DSG Settlement for 2018/19 was £19.396m. This included an increase in funding of £0.583 million (3.4%). The increase was based on historic spend and the proxy factors. There would be a further increase in 2019/20 of £0.540 million (2.8%). The current planned spend against the settlement was set out in the report.

Details of the known commitments and projected pressures on the DSG were included in the report. However, further work was being undertaken in a number of areas, therefore further pressures could be identified which resulted in a further reduction in the DSG reserve.

It was further reported that, as part of the DfE continuing work on the national funding formula (NFF) for schools, they were developing a formula to allocate growth funding to enable Local Authorities to respond to significant in year pupil growth. For 2018/19 the growth factor had been allocated to Tameside on the basis of what Tameside planned to spend on its growth from its 2017/18 DSG, because it assumed future growth would follow the same pattern as historic growth. The allocation for Tameside was £0.326 million. However, the required growth funding amount for 2018/19 was £0.657 million due to the increase in pupil numbers coming through from the primary sector into the secondary sector.

The DfE was considering options for funding growth in 2019/20 and beyond. Therefore at this stage it was not known how much funding would be received after 2018/19. The implications of this were that any reduction in funding would mean that there would either have to be:

- A reduction in the amount allocated through growth to match the resources available; or
- A reduction in the schools block formula allocations for all schools (reflecting that we are still in a soft formula) to enable funds to be moved into the growth pot to match the resources required.

The DfE had invited officers from each Local Authority to attend an information session on the 2019/20 schools NFF. The session had taken place on 18 June 2018. This report was completed prior to this event taking place and therefore updates for 2019/20 and beyond would be reported at Schools' Forum in October 2018.

RESOLVED

(i) That the content of the report be noted;

(ii) That the unspent 2017/18 funding totalling £0.89 million pro rata to the original contribution made by each School for the contingency budget, be allocated back to schools; and

(iii) That the unspent 2017/18 funding totalling £0.008 million pro rata to the original contribution made by each School for the Trade Union Support service, be allocated back to schools.

20. ACTUAL SCHOOL BALANCES 2017/18 AND BALANCE MECHANISM SCHEME 2018/19

The Director of Finance submitted a report updating members of Schools Forum on the actual school balances at the end of 2017/18 and the Balance Mechanism Scheme for 2018/19.

School balances for the financial year 2017/18 by sector and the change from 2016/17 were summarised in the report.

It was identified that overall, school balances had increased by £0.111m or 2.7% from 2016/17.

In the primary sector surplus balances increased by £1.179 million or 10.10% whilst the deficit in the secondary sector increased by £1.108 million or 49.08%. there was a small change overall in the special sector.

In 2017/18, 3 primary schools and 2 secondary schools converted to academy.

There were 10 schools that closed the financial year 2017/18 carrying forward a deficit. This included 3 primary schools with deficits totalling £0.002 million; 5 secondary schools with deficits totalling £3.753 million and 2 special schools with deficits totalling £0.238 million.

The Local Authority was acutely aware of the financial pressures facing some schools particularly with increasing pay awards and superannuation costs and would be available to support schools in this position.

Schools would be required to have a Deficit Recovery Plan in place, approved by Governors in the following situations:

1. Where school were carrying a deficit out turn balance forward from 2017/18;
2. Where the school had a forecast deficit out turn at the end of the 2018/19.

Schools could only set a deficit budget where it was licenced to do so by the Section 151 Officer in the Council. The Schools Finance Team would need to work with and review schools plans and would be available to provide additional support if required to discuss and review what actions could be taken to manage the deficit in future years.

With regard to the Balance Mechanism Scheme 2018/19, following the report submitted to Schools Forum in February 2018 and as agreed with Schools forum the Local Authority had been working to review the Balance Control Mechanism for balances and a number of changes had been incorporated to monitor schools balances in 2018/19.

It was explained that the approach this year would move from a backward looking review, of looking back to see what the school should have spent against the 2017/18 funding, to a forward looking approach. The school would need to identify how they would utilise their projected surplus balance at the end of 2018/19 (after taking into account their planned spend into 2018/19 against their 2018/19 DSG funding including any balances brought forward from 2017/18).

Schools would still have to gain governor approval to hold balances above permitted levels. For 2018/19, the approach would be to look a the year end balances the school had control over in the current financial year, i.e. schools would be asked to submit plans for their 2018/19 Year End balance (or contingency) so this would include the 2017/18 balance brought forward along with the current in year surplus/deficit for 2018/19.

Forum members were further informed that permitted levels remained the same and were detailed in the report.

For 2018/19, four reasons on which Surplus Balances could be held would be introduced. This would enable clearer monitoring and reporting of surplus balances to Schools Forum as well as helping schools when planning and forecasting budgets. The four reasons were detailed in the report.

With regard to next steps, it was reported that, in order to support schools in managing their resources effectively and to enable more accurate projection of year end balances, the Schools Finance Team launched a budget monitoring template last financial year. This summer, the Local Authority would be offering all schools training on budget monitoring and support completing the template. This would support schools and provide governors with detailed monitoring information to enable support and challenge on budgets and also enable the LA to carry out their statutory duty to monitor schools budgets.

The deadline for schools returning the 'Use of Surplus' balances template for 2018/19 is the 30 June 2018. The LA would assess all returns to ensure they meet the Balance Control Mechanism Scheme and an update would be presented to Schools Forum in the autumn term.

At March 2017, there were 32 primary schools with excess surplus balances of £1.615 million, 1 secondary school with an excess balance of £0.114 and special school with £0.011 million. Further review of these schools would take place along with any further schools identified as having a surplus balance after 30 June 2018.

RESOLVED
(i) That the content of the report be noted;
(ii) That the actual school balances for 2017/18 be noted;
(iii) That, within the Balance Mechanism Scheme 2018/19, the introduction of the four specified reasons for holding balances and the new template for schools to complete, be noted.

21. SCHOOLS FINANCIAL VALUE STANDARD (SFVS) 2017/18

A report of the Director of Finance was submitted providing an update on the requirement for schools to complete the self-assessment process against the Schools Financial Value Standard by 31 March 2018.

RESOLVED
That the content of the report be noted.

22. SCHOOLS FORUM FORWARD PLAN

Consideration was given to a report of the Director of Finance providing details of the Schools Forum Forward Plan for reports 2018/19.

An error in the dates of future meetings was identified and the correct dates were confirmed as follows:
Tuesday 23 October 2018

Tuesday 4 December 2018
Tuesday 12 February 2019

An additional item was added to the forward plan for the agenda for the meeting scheduled to take place on 23 October 2018: Review of funding of PFI schools.

RESOLVED
That the content of the report be noted, including the meeting dates for 2018/19 and reports to be tabled at each meeting.

23. URGENT ITEM

RESOLVED
That the following item be considered as urgent due to time constraints.

24. INTERIM ARRANGEMENTS FOR LEP AND PFI DELIVERY FOLLOWING CARILLION LIQUIDATION

The Assistant Director of Finance presented a report circulated prior to the meeting, which had been submitted to the meeting of Executive Cabinet on 20 June 2018, giving details of the progress being made in relation to transfer of former Carillion contracts to Robertson by the Local Education Partnership (LEP) and Private Finance Initiative (PFI) Project Companies and to outline the action required to provide certainty and direction in relation to the future of these contracts and of the LEP itself.

The report explained:

- PFI contractual arrangements;
- Impact on Facilities Management and Catering Service Delivery;
- Cost of the service since liquidation; and
- The future of the LEP.

It further proposed that the formal review of the LEP commenced immediately with a further report to be taken to the July meeting of the Executive Cabinet setting out the timescales of the review, with a view to commence the procurement or in sourcing process by the end of the calendar year. It would necessary to bring in expert external resources to deliver this review.

The Assistant Director outlined the recommendations agreed by Executive Cabinet as follows:

1. The Council consented to the replacement of Carillion in the PFI Contracts to Robertson's subject to their being sufficient safeguards for the protection of the Council and the existing staff; and the Borough Solicitor (in consultation with the Director of Finance and Deputy Executive Leader) be authorised to enter into such arrangements to facilitate this noting the increased project risks that result as a consequence of the Carillion liquidation.
2. The Council agreed to extend the Council's arrangement with Inspired Spaces Tameside Ltd (the LEP) until 31 July 2019 to enable an orderly transfer of existing contracts to Robertson's as the preferred provider and to enable sufficient time to review the current arrangements with a view to securing a long term sustainable and affordable solution;
3. Also Agreed to the LEP proposal to transfer its existing additional services including Facilities management and catering contracts from Carillion to Robertson FM and to align these with the Council's arrangement with the LEP to end on 31 July 2019 to enable the continuing delivery of services;
4. Agreed that any schools receiving services under the catering contract remain until its expiry and/or alternative arrangements being agreed and any schools wishing to terminate sooner will

pick up any termination/mobilisation costs to ensure that such costs are not subsidised or incurred by the remaining schools.

5. That the Borough Solicitor is authorised to enter into any contracts and or ancillary agreements such as Pension Admission Agreements to facilitate the arrangements proposed in the report.
6. That officers bring a further report to Executive Cabinet outlining the scope of the review of the LEP arrangements and a project timetable to enable a long term and sustainable solution to be in place following 31 July 2019;
7. Approved the release of up to £100k from the Medium Term Financial Strategy Reserve to fund a detailed strategic review of the LEP and the services delivered by it in order for the Council to determine how best to deliver sustainable and affordable services going forward.

Detailed discussion ensued with regard to the content of the report and Forum Members;

RESOLVED
That the content of the report and the recommendations agreed by Executive Cabinet be noted.

16. DATE OF NEXT MEETING

RESOLVED
To note the date of the next meeting of the Schools Forum as Tuesday 23 October 2018 at 10.00am, Discovery Academy, Porlock Avenue, Hyde.

Report To:	**SCHOOLS FORUM**
Date:	23 October 2018
Reporting Officer:	Tim Bowman – Assistant Director Education Tom Wilkinson – Assistant Director Finance
Subject:	**SCHOOL FUNDING UPDATE AND ANNOUNCEMENTS FROM THE DEPARTMENT FOR EDUCATION**
Report Summary:	This report provides an update on the Department for Educations (DfE) position on the Schools National Funding Formula (NFF) from 2019/20 and other relevant announcements.
Recommendations:	Members of the Schools Forum are requested to note the contents of the report.
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a quality education experience for all our children.
Policy Implications:	Expenditure in line with financial and policy framework.
Financial Implications: **(Authorised by the Section 151 Officer)**	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure. This report advises that consultation with schools will take place to assist Schools Forum in making decisions on the funding formula for 2019/20.
Legal Implications: **(Authorised by the Borough Solicitor)**	It is important that the forum is aware of financial and policy framework within which it is required to work to plan for the future.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
ACCESS TO INFORMATION	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers	The background papers relating to this report can be inspected by contacting Christine Mullins – Business Partner: Telephone:0161 342 3216 e-mail: christine.mullins@tameside.gov.uk

1. BACKGROUND AND INTRODUCTION

1.1 The Department for Education (DfE) published the indicative National Funding Formulae (NFF) for Schools along with the Schools Revenue Funding Operational Guidance for 2019/20 at the end of July 2018. The publications provide information in regards to only 3 of the 4 Dedicated Schools Grant (DSG) areas; Schools Block; High Needs Block; and Central School Services Block (CSSB). Early Years funding is not included at this stage. Further guidance regarding the High Needs block was issued in late September 2018.

1.2 The DfE have used the NFF to calculate the blocks within the DSG. The indicative 2019/20 figures are based on the October 2017 census information and the high level figures are provided below in table 1. These are provisional figures as the allocations for 2019/20 will be updated by the DfE in December 2018. The updated figures will be based on pupil numbers recorded in the October 2018 census and a final update to High Needs and Early Data will be made around June 2019.

TABLE 1

	2018/19 £000	2019/20 £000	Increase £000
Schools Block	159,018	160,225	1,207
High Needs Block	19,324	20,032	708
Central School Services Block	897	916	19
TOTAL	**179,239**	**181,173**	**1,934**

2. NATIONAL FUNDING FORMULA UPDATE

2.1 As previously confirmed by the DfE, local authorities will continue to set a local schools formula (soft formula) for 2019/20. The DfE have further confirmed that this will continue to be the case for 2020/21 due to the significant progress made in moving towards the NFF in its first year of implementation. There is no indication as to when the NFF (hard formula) will be fully implemented.

2.2 The information published in July continues to implement announcements from September 2017. Three key aspects of the schools NFF are being updated for 2019/20:

- The minimum per pupil funding levels will increase to £3,500 for primary school and £4,800 for secondary schools;
- Within the schools block, the government will provide for at least 1% per pupil increase for each school in 2019/20 through the NFF compared with the 2017/18 baseline (so, at least 0.5% increase from 2018/19);
- A 3% gains cap from 2018/19 levels (a total of 6.09% gains against the 2017/18 baselines).

2.3 The schools block element of DSG funding will continued to be ring-fenced. This means that the vast majority of funding for primary and secondary schools allocated to local authorities through the schools NFF must be passed directly to schools. However, local authorities have limited flexibility to transfer funding from the Schools Block to other areas, such as High Needs. Up to 0.5% can be transferred from schools block to other areas with agreement of the Schools Forum, following consultation with schools and academies. Local Authorities wishing to transfer more than 0.5% must submit a disapplication request to the Secretary of State for approval.

2.4 No transfer was completed for Tameside in 2018/19 although there is a pressure on the High Needs Block. This was due to the reserves brought forward from previous years which could support the 2018/19 pressure. However, the ability to transfer up to 0.5% of Schools Block funding is an option which may need to be considered during the consultation for the 2019/20 funding formula as the pressure continues and the reserve decreases.

3. SCHOOLS BLOCK UPDATE

3.1 The NFF factors and unit values used in 2018/19 largely remain the same for 2019/20. There are a couple of policy changes to note at 3.2 and 3.3.

3.2 The NFF primary low prior attainment (LPA) unit value has been slightly reduced from £1,050 to £1,022. The LPA cohort in primary schools that the DfE measure for school funding purposes has been increasing over the past six years, because of changes made to the Early Years Foundation Stage Profile in 2013. This increase comes from changes to the assessment, rather than changes to the underlying level of need. Therefore, the DfE are maintaining the total proportion of spend on primary LPA through the formula by balancing the increase in the eligible cohort with a reduction in the factor value.

3.3 Growth funding was previously allocated to local authorities on a historic basis. The funding formula has been amended for 2019/20 and growth will be allocated on a formulaic basis. The local authority allocation will be based on pupil numbers from October 2018 census compared to the previous year based on middle layer super output areas and the following unit values:

- £1,370 per primary ‘growth’ pupil
- £2,050 per secondary ‘growth’ pupil
- £65,000 for each brand new school that opened in the previous year

3.4 In 2018/19 the growth allocation for Tameside was £0.533m. The same amount has been included within the 2019/20 indicative schools block allocation. Table 2 below provides data on the actual allocation of growth in Tameside for 2018/19 against the 2018/19 growth allocation.

TABLE 2

	Implicit Growth* £000	Explicit Growth** £000	Total Growth £000
DfE Allocation for 2018/19	207	326	533
Actual Allocation for 2018/19	700	657	1,357
Variation	**(494)**	**(331)**	**(825)**

* Implicit growth relates to adjustments to pupil numbers when calculating the funding; in this case for new and growing schools

** Explicit growth relates to the specific growth fund and is allocated based on the growth criteria agreed by Schools Forum.

3.5 The growth, particularly in the secondary sector was significant in the financial year 2018/19. The new formulaic approach should take account of this and potentially increase the allocation for Tameside. However, due to the support required from the overall schools block in 2018/19 (£0.825m) and the fact that the allocation from DfE is changing; this is a specific area we would like to review as part of the consultation for the 2019/20 funding formula. The DfE have advised local authorities will continue to manage their growth fund locally.

4. HIGH NEEDS BLOCK UPDATE

4.1 The gains cap increases to 6.09% in 2018/19 compared to 2017/18 baselines. Tameside's increase before the cap is 7.5%.

4.2 The actual allocation for High Needs will change further for changes in pupil and student numbers through the basic entitlement factor (update due December 2018) and any movement between Local Authorities will be adjusted through the import/export factor (due June 2018).

* The import/export factor is an adjustment made by DFE to move funding between Local authorities where children reside in one borough but are educated in a different one to ensure the funding follows the pupil.

4.3 There are also further changes to the High Needs funding formula regarding special free school place funding, Hospital education and Post 16 high needs funding. The following may impact on Tameside:

Hospital Education:

- The provisional allocation for 2019-20 is based on 2017-18 spend plus 1% but it is the intention of the DfE to move to a formulaic allocation. Consultation is expected to commence by the end of October and subject to the outcome of this the DfE will explore the feasibility of introducing changes to the 2019-20 allocation. No local authority will see a reduction in funding compared to the provisional 2019-20 allocation.
- More details will be released by the DfE the end October 2018.

Post 16 High Needs Funding:

- From academic year 2019/20, funding for post 16 in maintained schools will remain in the DSG paid to local authorities, rather than being deducted and paid as a sixth form grant by the DfE.
- Maintained, academy and FE institutions currently receive funding of £6,000 per place high needs funding referred to as element two, from 2019/20 local authorities will now be allowed greater flexibility on how this funding can be allocated. There must be agreement on any alternative funding approach between the local authority and post-16 institution(s) involved, and this agreement should be reached in autumn 2018.
- The DfE is planning a consultation exercise later in the autumn term with special Post 16 institutions with a view to simplifying funding arrangements.

High Needs Place Change Notification 2019/20

- The local authority is currently starting to review the high needs places commissioned and will be contacting providers shortly to agree places for September 2019.
- The local authority must complete and submit a return to the DfE for all academies and FE institutions by the 16 November 2018.

5. THE 2019-20 FUNDING FORMULA – NEXT STEPS

5.1 As a local authority we have already adopted the NFF for the secondary sector. We now need to move towards the NFF in the primary sector. We plan to carry out consultation for the 2019/20 funding formula over the next couple of months.

5.2 A School Funding group is being established which will have representatives for all sectors including Head Teachers, School Business Managers and Governors. The purpose of the group is to act as an advisory and technical group to Schools Forum. This should allow better consultation with schools regarding any funding formula changes as detailed discussions will take place with the representatives who should then be feeding back to their sectors to assist with responding to any consultation taking place.

6. OTHER ANNOUNCEMENTS

6.1 With effect from 2019/20, the DfE intends to tighten the rules governing deficits in local authorities' overall DSG accounts, under which local authorities will have to explain their plans for bringing DSG account back into balance. There will be a requirement for a report from any local authority that has a DSG deficit of more than 1% as at 31 March 2019. This report will need to be discussed with the schools forum. The DfE will consult local authority representatives during the autumn of 2018 about the detailed implementation of these new rules. This currently does not affect Tameside.

6.2 Free School Meals supplementary grant – due to the roll out of Universal Credit, an income based threshold was introduced. As a result the number of pupils eligible for free school meals will increase. The DfE have introduced this grant for 2018/19 and 2019/20 to provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up. The grant will be determined by the difference between the number of meals taken by pupils eligible for free school meals in a school as recorded October 2018 and October 2017 census and the first payment will be made to local authorities in February 2019.

6.3 Teachers Pay Grant – The government have announced that a grant will be available to support the additional costs due to the increased pay award for teachers agreed in September 2018 (£187 million in 2018/19 and £321 million has been made available). This will support the costs over and above the 1% the government is assuming schools have already budgeted for. The grant will be allocated to schools based on an amount per pupil and final notification is expected from the DfE by the end of October.

7. SCHEME OF FINANCING SCHOOLS

7.1 The local authority is currently reviewing the Scheme for Financing Schools, further information on changes will follow as soon as this work is complete.

However it is worth noting 2 changes that will be included:

(1) A directed revision to the scheme by the Secretary of State in March 2018:

7.2 Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

(2) Revision following guidance from Internal Audit and the Schools Framework Act:

Section 50 (3) of the School Standards and Framework Act 1998 allows governing bodies to spend budget shares 'for the purposes of the school', subject to the following:

- expenses incurred in connection with staff farewell celebrations and other social events shall not be funded from the school's delegated budget.
- On no account should schools either mix funds that should be properly accounted for within the mainstream bank account (school budget share) with those in the school fund or any other account, or vice versa nor should they hold any other accounts that are not agreed in advance with the Council.

8. SCHOOL FINANCE VALUE STANDARD (SFVS)

8.1 From 2019 to 2020 the school resource management self-assessment tool will replace the SFVS return that schools complete on annual basis at the end of March each year. The school resource management self-assessment tool helps to provide trusts, local authorities and school Governors with assurance that they are meeting the basic standards necessary to achieve a good level of financial health and resource management.

The assessment tool will be in 2 parts:

1. A checklist, which asks questions in six areas of resource management to provide assurance that the school is managing its resources effectively. This should be completed at school level similar to the SFVS.

2. A dashboard, which shows how a school's data compares to thresholds on a range of statistics that have been identified as indicators for good resource management and outcomes. This should be completed at school level. The data will be prepopulated with the previous year's spend.

8.2 Schools will be required to complete the assessment and submit to the LA in normal way and the LA will still be required to collate and submit a return annually to the DfE. More information will be released over the autumn term and a consultation exercise will take place. Schools will continue to submit the current SFVS assessment at the end of March 2019 and the new assessment will be required by March 2020. A version in the new format was released to academies in September 2018.

9. RECOMMENDATIONS

9.1 Members of the Schools Forum are requested to note the contents of the report.

Report To:	**SCHOOLS FORUM**
Date:	23 October 2018
Reporting Officer:	Tom Wilkinson – Assistant Director Finance Tim Bowman – Assistant Director Education
Subject:	**DEDICATED SCHOOLS BUDGET UPDATE FOR 2018/19 EARLY YEARS OUTTURN POSITION FOR 2017/18**
Report Summary:	A report on the Dedicated Schools Grant budget position for the 2018/19 financial year and update on the Early Years final outturn position for the financial year 2017/18.
Recommendations:	Members of the Schools Forum are requested to note the contents of the report.
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.
Policy Implications:	In line with financial and policy framework.
Financial Implications: **(Authorised by the Section 151 Officer)**	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.
Legal Implications: **(Authorised by the Borough Solicitor)**	There is a statutory duty to use resources efficiently and effectively against priorities.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
ACCESS TO INFORMATION	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers	The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Governance, Resources and Pensions by : Telephone:0161 342 3216 e-mail: christine.mullins@tameside.gov.uk

1. INTRODUCTION

1.1 This report is presented to provide an update on the DSG budget for 2018/19 and advise School Forum of the final outturn position for the Early Years element of Dedicated Schools Grant (DSG) for 2017/18. The report sets out:

- A budget update for the DSG for 2018/19 (including final settlement of 2017/18 DSG) (Section 2)
- A high needs funding update for 2018/19 (Section 3)
- Known pressures and commitments for 2018/19 and beyond (Section 4)

2. DSG BUDGET SUMMARY UPDATE FOR 2018/19

2.1 The updated DSG allocations for 2018/19 were received in July 2018. An updated allocation for 2017/18 was also received, specifically in relation to Early Years.

2.2 The updated allocations take account of January 2018 census data which has resulted in the following changes:

- For 2017/18 the overall allocation for Early Years has increased by £0.653m. It was reported in June 2018 that there was an overall estimated surplus on Early Years of £0.297m. It was anticipated that this amount would be recouped once the allocation was finalised. However, the updated allocation has provided an additional £0.356m surplus. Therefore, there is a total surplus of £0.653m relating to 2017/18. This is detailed in table 1 below;

- For 2018/19 the overall allocation for Early Years has increased by £0.551m. A detailed update of the Early Years block for 2018/19 included in table 2.

TABLE 1

Early Years Funding Block	Final Distribution / Spend 2017/18 £000s	Estimated Outturn Surplus / (Deficit) £000s	Final Allocation for 2017/18 £000s	Outturn Surplus / (Deficit) £000s
Early Years for 3 and 4 Year Olds	8,356	233	8,573	218
Early Years for 3 and 4 Year Olds Extended Entitlement	1,872	(362)	2,051	179
Early Years for 2 Year Olds	2,898	108	2,837	(61)
Early Years Pupil Premium	134	(10)	124	(10)
Early Years Disability Access Fund	18	31	49	31
Early Years Centrally Retained Expenditure (3 & 4 Year Olds)	188	46	234	46
Early Years Centrally Retained Expenditure (2 Year Olds)	57	0	57	0
Early Years Contingency Fund (3 & 4 Year Olds)	83	155	239	155
SEN Inclusion Fund	54	96	150	96
Total	**13,661**	**297**	**14,315**	**653**

2.3 The DfE have recognised that authorities are likely to have received more Disability Access Fund (DAF) funding than they have paid out to providers. The DfE expect authorities to spend any DAF funding not paid to providers in 2017/18 on services that are in line with the principles and aims of DAF. Local authority officers will discuss how this can spent in line with the DfE statement, across the early year's sector.

2.4 Local authority officers will discuss the remaining surplus for 2017/18 and what the approach for the surplus will be.

TABLE 2

Early Years Funding Block	Early Years DSG Allocation 2018/19 at July 2018 £000	Projected Distribution / Spend 2018/19 at Sept 2018 £000	Projected Outturn Surplus / (Deficit) £000
Early Years for 3 and 4 Year Olds Universal and Extended Entitlement (including contingency)	12,899	12,553	347
Early Years for 2 Year Olds	2,714	2,781	(67)
Early Years Pupil Premium	124	157	(33)
Early Years Disability Access Fund	51	27	24
Early Years Centrally Retained Expenditure (3 & 4 Year Olds)	271	271	0
Early Years Centrally Retained Expenditure (2 Year Olds)	58	58	0
SEN Inclusion Fund	150	150	0
Total	**16,267**	**15,996**	**271**

2.5 Table 2 reflects the updated Early Years allocations of the funding compared with projected distribution / spend against the grant. The projections are based on estimates for uptake and will continue to be updated throughout the financial year.

2.6 As in previous years, the final allocation of Early Years funding will not be announced until June 2019. Therefore, any projected surplus may be recouped by the DfE.

2.7 The updated DSG allocation for 2018/19 and projected use of the grant is included in table 3.

TABLE 3

DSG Funding Blocks	Current DSG Settlement 2018/19 £000	Projected Distribution / Spend 2018/19 £000	Variation Surplus / (Deficit) £000
Schools Block	159,018	159,183	(165)
Central School Services Block	897	897	0
High Needs Block (Pre/Post 16)	19,324	20,396	(1,072)
Early Years Block	16,267	15,996	271
Total	**195,507**	**196,472**	**(965)**

2.8 The projected deficit on the schools block relates to diseconomies funding of £0.153m (this will be funded from the reserve as previously agreed) and £0.056m of business rates adjustments due to the actual charges being higher than estimated. This is partly offset by a small surplus on growth funding of £0.013m and business rate relief of £0.030m not recouped by the DfE further to an academy conversion.

2.9 The central school services block (CSSB) allocation includes the funding for the Admissions Service, Schools Forum and Licences as well as the centrally retained services (formerly supported by the Education Services Grant).

2.10 As reported in June 2018 the centrally retained service allocation of the CSSB was under review. The review of the services this element of grant should support has now been undertaken and further detail can now be provided. This element of the DSG is supporting the statutory costs of: the Director of Children's Services; the Assistant Director of Education; Planning for Schools; Asset Management; Health and Safety; SACRE; Education Welfare, Appeals and statutory functions carried out by Finance and Internal Audit.

2.11 The projected deficit on the high needs block is £1.072m. An update for High Needs is included in Section 3 of this report.

2.12 As agreed in February 2018, maintained schools in the primary and secondary sectors agreed to de-delegation for the Trade Union Support Service. The de-delegation amount from maintained schools is £0.150m. Income from academies is £0.054m. At present the projected actual spend against this income is £0.205m. A review of the spend is currently taking place.

3. HIGH NEEDS FUNDING UPDATE FOR 2018/19

3.1 The updated DSG Settlement for 2018/19 is £19.324m. Table 4 has been updated to take into account the final allocation. The pressure on the high needs budget of £1.072m includes estimated growth across all sectors of approx. £0.9m. The current projections do show growth is continuing at expected levels and the £0.9m is a realistic estimate at this time (following the summer term adjustments). This will continue to be closely monitored and assessed when the next funding update is calculated at the end of the autumn term.

TABLE 4

High Needs Block 2018/19	**Expenditure/ (Income) £000**
DSG Settlement 2018/19	**19,324**
Special Schools & Pupil Referral Unit	11,989
Resourced Provision	342
EHCP's in Mainstream	1,611
SEN Support Services (Council Run Services)	1,876
Independent, Non Maintained Special Schools (NMSS) & Out of Borough Placements	1,551
Post 16	3,178
Hospital Education Placements	119
Less Income from Out Of Borough Placements	(270)
Budget Requirement	**20,396**
Projected Deficit at end of 2018/19	**1,072**

3.2 As previously reported the current pressure is mainly due to:

- the increasing high needs population such as special school places and resourced provision
- A significant increase in the number of EHCP's issued in 2017/18 compared to 2016/17 and anticipated further increases in 2018/19 requiring top up funding in mainstream schools.
- increases in the number of Post 16 placements requiring top up funding

3.3 The funding pressures we are facing in Tameside are being replicated in local authorities across the country. Pressure on schools budgets, (stand still budgets, LA funding cuts), fundament changes in education policy (children's and families act) and increasing accountability are all impacting. Managing these pressures whilst continuing to support those children most in need, will require us to think differently about our practice, provision and places we commission.

3.4 As previously agreed by the Forum. We will review how High Needs Funding is allocated, what places are commissioned and how effective services are in the support of high needs learners. This is the only sustainable way to reduce this deficit.

3.5 Any decisions around changes to funding and commissioning arrangement will need to be brought to the forum in February 2019, if they are to be put in place for 2019/20 academic year. In addition any changes to places commissioned in academies and post 16 institutions need to be communicated to the ESFA before the end of this calendar year.

3.6 We proposed to undertake this review in two parts. Firstly, we intend to review the current allocations of high needs places. This work is already underway. We intend to discuss options with schools leaders before the next Forum meeting. We will concentrate these discussions on the following areas;

- Funded but unfilled places
- Protocols for funding in-year growth
- Maximizing element three funding in mainstream schools
- Funding of places and provision for excluded pupils and those at risk of exclusion.

We will report on progress at the December Forum meeting. Secondly, and in partnerships with social care and health colleagues we intend to produce a five year commissioning intentions document. This document will be a more wide ranging review. It will include an up to date needs analysis. Work on this review is again under way. Joint work on self-evaluation of SEND services is due to be completed this month. This commissioning intentions document will be available for discussion by the forum during the summer term and will contain recommendations for implementation in financial year 2020/21. We will engage School leaders in all aspects of this work.

4. KNOWN PRESSURES AND COMMITMENTS FOR 2018/19 AND BEYOND

4.1 The known commitments and projected pressures on the DSG are included in table 5 below. This has been updated to reflect the updated surplus on the Early Years block from 2017/18. Ongoing monitoring will continue to review the position of the reserve.

TABLE 5

	Surplus / (Deficit) £000
DSG Reserve Brought Forward from 2017/18	**3,881**
Current Reserve Commitments from Schools Block 2018/19	
Diseconomies Funding 2018/19	(153)
Projected in year deficit on business rates	(26)
Projected in year surplus on growth fund	13
Schools Block 2018/19 - Subtotal	**(165)**
High Needs Block 2018/19 - Projected in year deficit	**(1,072)**
Early Years Block - 2017/18 Surplus	**653**
Schools Block 2019/20 - Diseconomies Funding	**(59)**
DSG Reserve after Commitments	**3,238**

5. RECOMMENDATIONS

5.1 As stated on the report cover.

Report To:	**SCHOOLS FORUM**
Date:	23 October 2018
Reporting Officer:	Tom Wilkinson – Assistant Director - Finance
Subject:	**BALANCE MECHANISM SCHEME 2018-19**
Report Summary:	This report provides an update to members of Schools Forum on schools balances 2018/19 and Balance Mechanism Scheme.
Recommendations:	Members of the Schools Forum are recommended to 1) Note the schools projected surplus balances 2018/19 2) Note the returns received under the Balance Mechanism Scheme 2018/19
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.
Policy Implications:	In line with Council policy.
Financial Implications: **(Authorised by the Section 151 Officer)**	Schools with a projected excessive revenue surplus balance (greater than 8% of in year delegated funding for primary and special schools and greater than 5% of in year delegated funding for secondary schools) are required to have an agreed plan of commitments in place with the Council for the excessive balance. Schools Forum has the right to clawback excess balances under the Scheme of Finance for Schools. If this is invoked the clawback would be redistributed across all schools including the Academy Sector.
Legal Implications: **(Authorised by the Borough Solicitor)**	Overall effective use of resources across Tameside schools is a key component in the Authority's Annual Use of Resources Statement. We need to ensure any approach is maintained and kept under review and perverse incentives do not occur.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Access to Information:	The background papers relating to this report can be inspected by contacting Christine Mullins, Financial Management: Telephone:0161 342 3216

e-mail: christine.mullins@tameside.gov.uk

1. BACKGROUND AND INTRODUCTION

1.1 From 2018/19, a number of changes were introduced to support the monitoring of surplus balances and these were agreed at Schools Forum in June 2018.

1.2 Under the Balance Mechanism schools classed as having surplus balance (over 8% in primary and special or 5% in secondary schools) are required to submit a return to the Local Authority (LA).

1.3 The school needs to identify how they will utilise their projected surplus balance at the end of 2018/19 (after taking into account their planned spend into 2018/19 against their 2018/19 DSG funding including any balances brought forward from 2017/18).

1.4 The return should include detail of how the surplus balance will be spent over the 4 specified reasons and the return should be agreed and approved with Governors before submitting to the LA by 30 June 2018.

1.5 Schools Forum has the right to claw back surplus balances under the Balance Mechanism Scheme Schools if the criteria of the scheme has not been followed.

1.6 Full details of the scheme attached at **Appendix 1.**

2. ANALYSIS OF SURPLUS BALANCES & RETURNS RECEIVED 2018/19

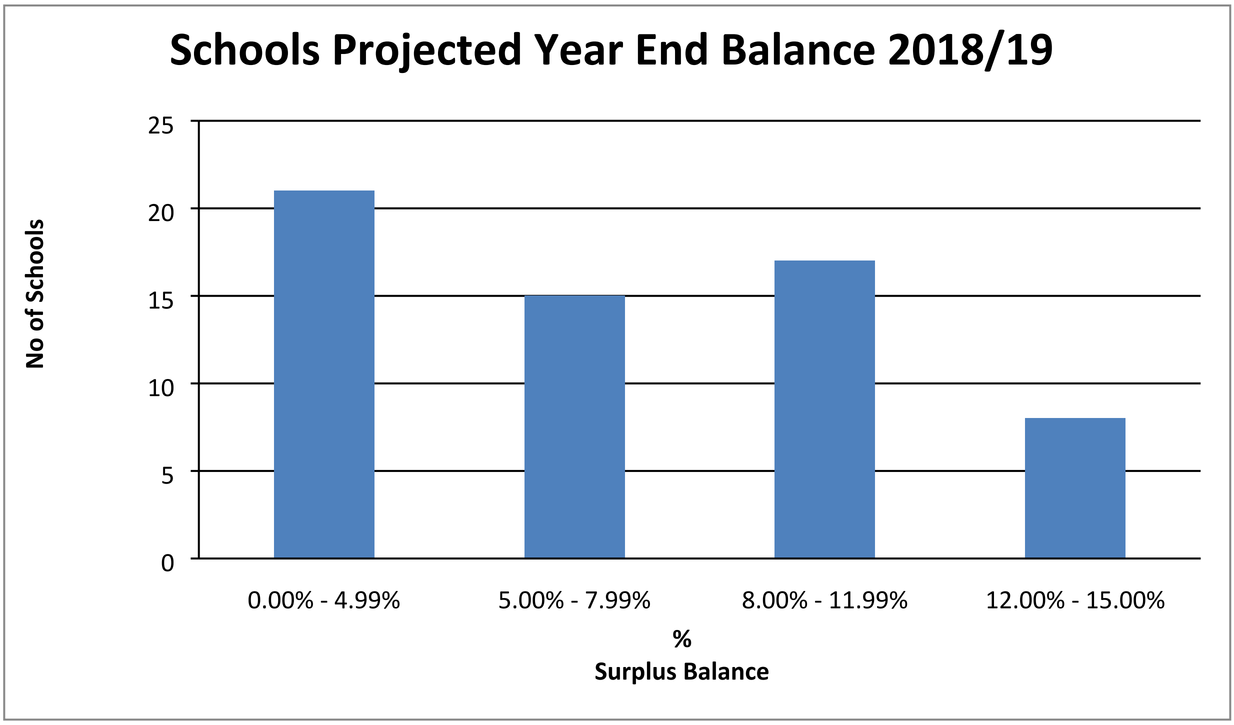
2.1 As previously reported in June 2018, the **final school balances 2017/18** were reported as £4.205m across all sectors. 64 schools held surplus balances totaling £8.196m whilst 10 schools closed the year with deficits totaling £3.992m

Sector	2017-18	Movement	%
Primary	£7,353,202	£1,179,026	19.10%
Secondary	(£3,364,149)	(£1,107,572)	49.08%
Special	£215,718	£39,612	22.49%
Total Schools	**£4,204,770**	**£111,065**	**2.71%**

2.2 All schools have now submitted their **original budget plan 2018/19** to the LA (in line with the Scheme for Financing Schools) and the table below summarises the position schools are projecting at the end of 2018/19. This shows schools a planning a significant reduction in surplus balances by the end of March 2019:

Approved Budget Plans 2018/19	Schools	Amount
Projected Surplus	61	£4,946,6385
Projected Deficit	7	(£3,135,784)
Totals	68	£1,810,601

2.3 Of the 61 schools that are projecting a surplus balance at March 2019, the graph below shows a breakdown on the level of balances held at each school. Balances are fairly evenly split with 21 schools with surplus balances under 5%; 15 schools with balances between 5-7%; 17 schools with balances between 8-12% and 8 schools with balances between 12-15%.



2.4 As the Balance Mechanism states schools with a surplus balance (over 8% in primary and special) and 5% in secondary schools must have that balance approved by Governors and submitted to the LA by the 30 June. Details of those schools that sent in returns are shown in the table below:

Analysis of Projected Balances	Schools	Returns Received	No Return Received	Evidence of Governor Approval Submitted
No of schools with Surplus Balance	26	20	6	6
No of Schools with Permitted	42	9	33	NA
Totals	**68**	**29**	**39**	**6**

2.5 The LA has worked closely with schools to support them in completing the returns. However, currently we have only received returns from 20 of the 26 schools that are required to submit a return. And of the schools that did send in returns only 6 indicated they had obtained Governor Approval.

2.6 During the autumn term we will continue to work with the schools that haven't returned their forms (and this has been due to a number of reasons including staff absence and timing of governor meetings).

2.7 Also we are aware this was a new way of reporting balances for 2018/19 and will look to include some training prior to next year's return being due.

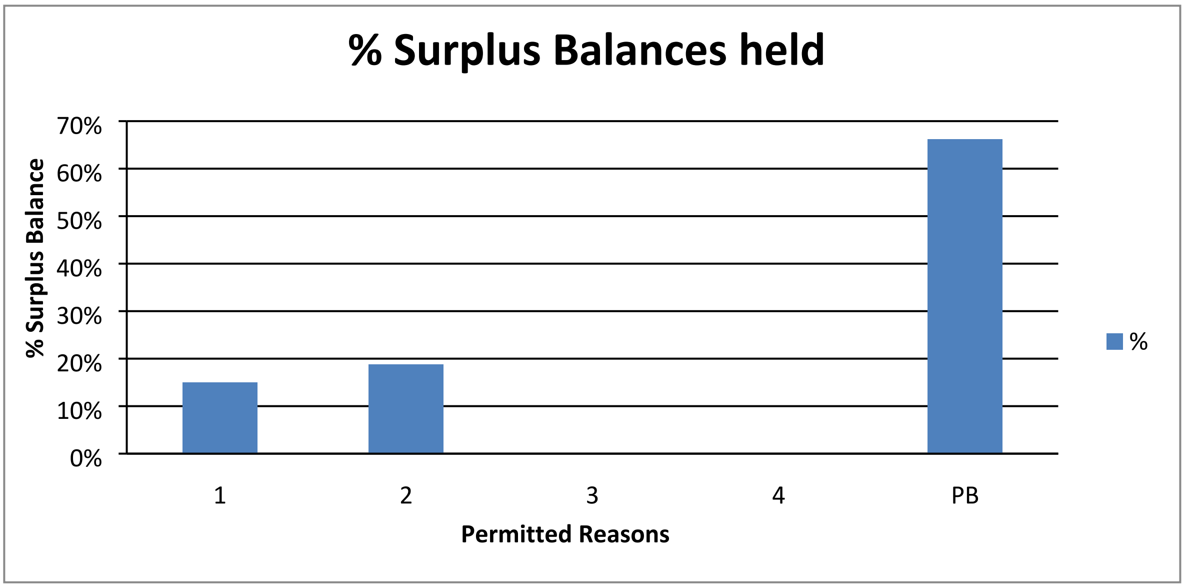
3. MONITORING SURPLUS BALANCES

3.1 Schools with a surplus balance (over 8% in primary & special and 5% in secondary) must earmark their surplus balance against 1 of the 4 permitted reasons. Anything below these thresholds is classed as a 'Permitted Balance'.

1. Capital Projects
2. Support Staffing Costs (dip in pupils numbers and/or implications of National Funding Formula)
3. Major Changes in Government Policy
4. Capital funds set aside for future year's capital / lifecycle provision

3.2 The graph below shows how those schools with Surplus Balances plan to utilise their balances. This shows schools are planning to spend any surplus balance on either capital projects or to support staffing costs in light of the move to the National Funding formula.

3.3 Most schools chose only to indicate what they were using their surplus balance on rather than their whole Balance (surplus and permitted). We would like to review this for 2019/20 to further encourage schools to consider the use of their total balance; this will help school leaders and governors with longer term financial strategy plans.



3.4 We have provided more in depth training sessions this year in both budget planning and budget monitoring. However, we are still finding schools need further support with projecting budget plans and projecting out turn figures. In year projections are showing some significant differences to budget plans set at the beginning of the year.

3.5 We will continue to use the information provided by schools to monitor surplus balance throughout the financial year and will give updates to Schools Forum as required.

The Balance Mechanism Scheme 2018/19

BALANCE MECHANISM SCHEME 2018-19

1.1 Following the report submitted to Schools Forum in February 2018 and as agreed with Schools Forum the LA has been working to review the Balance Control Mechanism for balances and a number of changes have been incorporated to monitor schools balances in 2018-19.

1.2 The approach this year will move from a backward looking review, of looking back to see what the school should have spent against the 2017/18 funding, to a forward looking approach. The school will need to identify how they will utilise their projected surplus balance at the end of 2018/19 (after taking into account their planned spend into 2018/19 against their 2018/19 DSG funding including any balances brought forward from 2017/18).

1.3 Schools will still have to gain governor approval to hold balances above permitted levels. For 2018/19, the approach will be to look at the year end balances the school has control over in the current financial year i.e. we will be asking schools to submit plans for their 2018/19 Year End balance (or contingency) so this will include the 2017/18 balance brought forward along with the current in year surplus/deficit for 2018/19.

The permitted levels remain the same and are listed below:

- Primary and special schools can carry forward up to 8% of the 2018/19 school funding allocation as general balances – these are referred to as PERMITTED balances
- Anything over 8% in primary and special schools will be classed as a SURPLUS balance and can only be held for one of the four 'allowable purposes' specified below
- In the same way secondary schools can carry forward up to 5% of the 2018/19 School Funding Allocation and these are referred as PERMITTED balances.
- Anything above 5% in secondary schools will be classed as a SURPLUS Balance.
- The 2018/19 school funding allocation used to calculate the % Surplus balance will include the Schools Block Funding; High needs Block; Early Years Block; Growth Funding; allocations.

1.4 For 2018/19 see the introduction of 4 reasons on which Surplus Balances can be held. This will enable clearer monitoring and reporting of surplus balances to Schools Forum as well as helping schools when planning and forecasting budgets.
The 4 reasons include:

1. As a revenue contribution to capital projects within a time limited maximum three year period;
2. To maintain a reserve to fund staffing levels in the short/medium term due to a verified dip in pupil numbers or as a result of a reduction in funding due to the National Funding Formula. We do not anticipate this will be longer than a maximum of three years;
3. To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum and improvement in multiple subject areas, which can be supported by a plan endorsed by the authority. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.
4. Capital funds set aside for future year's capital / lifecycle provision. Schools will be required to provide a summary business case explaining the reasons and this will be subject to review by the Local Authority. This should be for major items which may be considered unusual (e.g. replacement of 3G pitch) or especially significant building work.

Schools with permitted balances i.e. under 8% in primary and special and under 5% in secondary will not have to fit into the above criteria.

1.5 In 2018-19, schools with a Surplus Balance will be required to complete a new template detailing the reasons for holding the surplus balance and when it will be spent. The template requires approval by Governors and returning to the LA by 30 June 2018.

1.6 The LA will use the template and information submitted to monitor and report on any surplus balances to Schools Forum. An update regarding the use of 2018/19 Surplus balances will be presented to Forum at the next meeting.

1.7 The Blank template that schools should submit is attached at Appendix A.

1.8 Attached at Appendix B is an example of a completed form.

1.9 Attached at Appendix C is a flow chart to support schools in determining whether they are required to submit a Utilisation of School Balances Return.

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Report To:	**SCHOOLS FORUM**
Date:	23 October 2018
Reporting Officer:	Tom Wilkinson – Assistant Director Finance
Subject:	**TAMESIDE PFI SCHOOLS ACCOUNTING REVIEW**
Report Summary:	This report provides and update in relation to the review of accounting and charges for the PFI Schools within the Tameside Borough.
Recommendations:	Members of the Schools Forum are requested to note the contents of the report.
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a quality education experience for all our children.
Policy Implications:	Expenditure is in line with financial and policy framework.
Financial Implications: **(Authorised by the Section 151 Officer)**	The financial implications are containing within the body of the report at section 3.
Legal Implications: **(Authorised by the Borough Solicitor)**	The contractual arrangements for the PFI agreements are detailed as to the financial arrangements and there are agreements that sit below that between the schools and the Council as the Council was required to enter into the agreements for the delivery and maintenance of the schools and the liability remains with it.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
ACCESS TO INFORMATION	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers	The background papers relating to this report can be inspected by contacting Christine Mullins – Business Partner: Telephone:0161 342 3216 e-mail: christine.mullins@tameside.gov.uk

1. BACKGROUND AND INTRODUCTION

1.1 Tameside Council agreed to undertake a review of the schools Private Finance Initative (PFI) contracts in August 2016. For various reason this review did not go ahead. In December 2017 the Financial Management Team undertook a review of the accounting for the contracts, at the request of schools within the contracts

1.2 PFI was introduced in the 1990's and Local Authorities were pushed down this route if they needed to rebuild or replace existing schools, with other more conventional delivery routes unavailable. The concept of PFI was for the Local Authority to contract with the private sector, with suppliers bidding to design, build, finance and operate the required buildings, and thus ensuring that efficiencies were inherent in the design and operation of the building. It also required the buildings to be maintained to a minimum standard, meaning that they remained fit for purpose and in good condition at the end of the contract, when they were usually handed back to the commissioning local authority. The contracts entered into were typically 25 to 30 years.

1.3 Tameside entered into a number of Schools PFI contracts under two different regimes;

- The Hattersley Scheme, this is an old style contract before the introduction of the Building Schools for the Future programme. This contract is operated by Interserve, and covers 3 schools; Alder High School, Pinfold and Arundale Primary Schools. The contracts were entered into in 2001/2 for a 30 year period.

- Building Schools for Future (BSF) contracts, which formed part of the then Labour Governments school rebuilding programme. These contracts were more sophisticated than the earlier PFIs and required participating local authorities to enter into a strategic partnership with a private sector supplier which was delivered and managed through a Local Education Partnership (LEP). Tameside's LEP partner was Carillion. There were two contracts covering Mossley Hollins High School, St Damian's, Denton Community College, Hyde Community College, White Bridge, Elm Bridge and, Thomas Ashton special school. The first contract was initially put in place in 2010/11 and was for 25 years.

1.4 In addition to the above PFI contracts there is also a Facilities Management Contract only in place with Samuel Laycock and New Charter Academy Schools. The contract is similar to PFI but the original build of these sites were funded by a direct grant.

1.5 The LEP's were a mandatory part of getting funding for a PFI school on BSF contracts. The LEP was a special purpose vehicle that was established to ensure the schools were delivered as per the contract, the Tameside LEP is called Inspired Spaces (Tameside) Ltd, and its shareholders were:
- 80% owned by Carillion – (Now owned by Amber Fund Management)
- 10% owned by TMBC
- 10% owned by BSFi (since sold to INPP – owed by Amber Fund Management)

1.6 The Financial Management team's accounting review of PFI contracts covered a number of areas including, the contractual payments to the LEP, the contributions made by schools, the financial assumptions of the financial modeling to date and the reserve accounts held as part of the operation of the schemes.

1.7 A PFI contract typically operates on a number of funding streams which seek to offset the costs of the contract expected over the life of the contract. The costs of the contract are reflected in the unitary charge (UC), which is a single payment made to the project companies to allow them to finance, build and operate the school buildings. The majority of the charge relates to financing costs (interest and debt repayment) with approximately 40% relating to the operation of the buildings. This 40% element is uplifted by inflation.

1.8 The unitary charge is funded by a number of income streams;

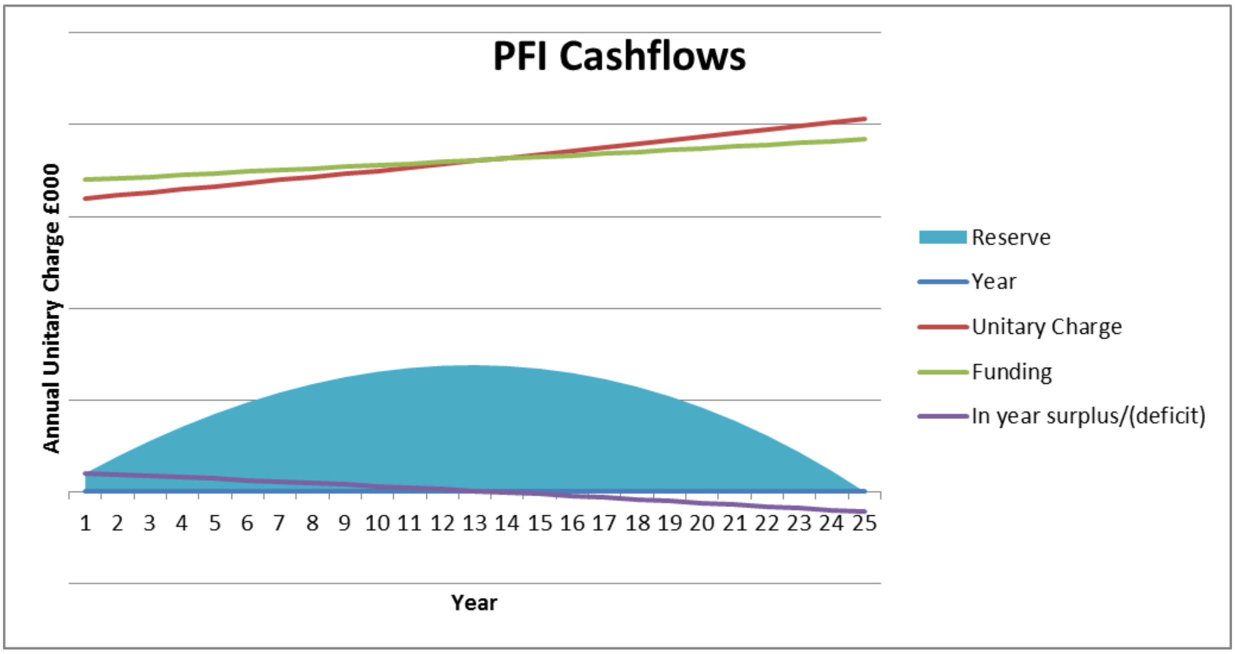
- PFI credits - fixed grant payment from central government, designed to cover the capital financing costs of the building,
- PFI school contributions, to reflect the operational costs,
- Schools devolved formula capital funding, because schools were fully maintained as part of the PFI contract,
- DSG PFI top slice,
- Schools letting income earned outside school hours
- and interest earned from money held in the PFI reserve.

1.9 All of these income strands are uplifted in line with RPIX with the exception of the grants from government.

1.10 The funding models usually meant that in the earlier years of the contracts, contributions are higher than costs, with the difference paid into a reserve that will take account of inflationary factors in later years that will need to be paid at a later date.

1.11 Due to the long term nature of the contracts, when looking at the financial modeling, there were a number of unknowns that impact on the affordability over the life of the contract. These include; interest received, RPIx, the level of devolved formula capital and the actual amount of lettings that actually take place. Therefore estimates are made about expected future increases.in financial markets are usually only reasonably reliable in the shorter term i.e. 3 to 5 years ahead. Chart 1 shows how the cash flows would typically flow over the life of a PFI contract.

Chart 1 – Typical PFI cash flows



1.12 The model described above is the model that is operating with Hattersley. However with the BSF contract, there are some income streams that are not typical of PFI contracts. In 2012/13 the Council took the opportunity to invest some of the PFI reserve into buying shares in the PFI project companies who operate the BSF schemes. The investment returns from the ownership of the project companies have been paid back into the PFI reserve, and will continue to do so for the remaining life of the contract.

1.13 As shareholders of the project companies, the council also receives Directors Fees for sitting on the board; these fees are also paid into the PFI reserve.

1.14 The review carried out by Financial Management looked at all of the accounting transactions for the 3 types of contract. It covered all actual financial transactions made against those expected in the financial model, including;

- Checking all historical payments to the service providers
- A review of the RPIx factors in the past and updating those modeling forward.
- Checking the actual lettings to those projected
- Updating the interest actually received against those projected in the model
- The director fees. (BSF model only)
- Investment income received. (BSF model only)
- Review of all the penalty deductions and contract variation notices and charges to schools.
- Other contributions to the reserves.

1.15 The review found that there were some areas of the model that needed to be updated to reflect the actual figures, there had also been some errors in charging schools. The RPIX point has been incorrectly applied in some instances. The PAN for one school needed to be corrected and one school had been incorrectly charged for utility costs which are part of the contract. These corrections have been made and resolved with the schools concerned.

1.16 A large element of the review was in relation to the BSF PFI reserve. When originally modeled, this reserve did not include the Council's share of the income generated from its later investment in the PFI project companies. This investment was taken as a proactive step by the Council, and is not a routine element of PFI schemes. There have been a number of year's returns on this investment and it has realised much higher returns than originally anticipated.

1.17 Without the investment income from the project companies, and the top slice of DSG these schemes would be unaffordable. However, the additional contributions mean that the projections for the level of reserves to the end of the contracts, i.e. in 25 years' time, would have resulted in a significant surplus. The model at financial close was based on a small surplus of £100k being left at the end of the contracts in the reserve for winding up costs.

1.18 The forecast surplus position has meant that some of these balances can be returned to all schools and academies in Tameside.

1.19 The amount given back to schools and academies is £3.5m in relating to years prior to 2018/19. There would also be an in-year rebate of £0.5m. The allocation of this money would be based on the same split as the contributions to the BSF PFI reserve had been and shown in **Appendix A**.

1.20 The split of the all schools element was allocated on a per pupil basis using the numbers as per census data in October 2017. All payments to schools and academies were made by the end of September 2018.

1.21 The Hattersley scheme review has confirmed that the payments by the school are at an appropriate level to afford the contract payments as they currently stand. The review did however uncover some funding that needed to be passed back to schools for penalty deductions. These have now been done.

1.22 The Greater Academy/Samuel Laycock contract has also been reviewed. This contract is different from the other two as the contract covers only the soft and hard FM elements of the contract. The review of contributions by school is again appropriate level.

4. INDEPENDENT VERIFICATION

4.1 Clearly it has been a big decision to return funds to schools when the contracts have so long to run, and any mistake or inaccuracy to the modeling could require there being a shortfall on the reserves at the end of the contracts. It has therefore been appropriate to ensure that the review has been robust. In order to give assurance that figures are correct, an independent review of the financial models and verification of our assumptions have been carried out by an external consultant who confirmed the figures to be correct.

5. NEXT STEPS

5.1 Since the start of the review there have been some significant changes with regards to the PFI contracts and associated areas. With the collapse of Carillion there is a new contractor, Robertson Group, providing services to the PFI estate.

5.2 A PFI project manager has been appointed by the Investment and Development service, whose role it is to manage the PFI contract on behalf of the council and schools.

5.3 As per the report presented to June 2018 forum a review of the LEP arrangements post July 2019 has been commissioned. The outcome of this may impact on these contracts.

5.4 The Assistant Director of Finance has also commissioned further review into the Hattersley PFI scheme to look to see if any cost efficiencies can be found from within the contract. There is also ongoing work relating to a benchmarking exercise of the Hattersley contract and outstanding contractual payments

5.5 There are 2 separate reviews underway with regard to the Samuel Laycock/Greater Academy. The first is a review of the contract and the cost of the contract which will be cover by the same consultant who are reviewing the LEP arrangements. The second review has been commissioned by the Investment and Development directorate, to look specifically at a condition survey of the equipment on site and to assist in informing an asset replacement, repair programme and lifecycle costs.

5.6 The outcome of these reviews will be fed back where appropriate.

APPENDIX A

	Prior Year Rebate			On-going Contributions			
School	2018/19 DSG Contribution	% Split of DSG Contribution	Previous Years Rebate Due	% Split of DSG Contribution	Current Charge 2018/19	Reduction In Annual Charge	Revised Charge 2018/19
Mossley Hollins	£593,280	14.93%	-£420,777	14.93%	£593,280	-£64,771	£528,508
St Damians	£593,280	14.93%	-£420,777	14.93%	£593,280	-£64,771	£528,508
Hyde Community College	£1,035,170	26.05%	-£734,184	26.05%	£1,035,170	-£113,014	£922,156
Thomas Ashton	£208,724	5.25%	-£148,035	5.25%	£208,724	-£22,787	£185,936
WhiteBridge	£331,460	8.34%	-£235,084	8.34%	£331,460	-£36,187	£295,273
Denton CC	£1,144,552	28.81%	-£811,762	28.81%	£1,144,552	-£124,956	£1,019,596
Elmbridge	£66,836	1.68%	-£47,403	1.68%	£66,836	-£7,297	£59,539
Total PFI Schools DSG	**£3,973,301**	**80.51%**	**-£2,818,023**	**80.51%**	**£3,973,301**	**-£433,784**	**£3,539,517**
DSG Top Slice (All Schools)	£961,561	19.49%	-£681,977	19.49%	£961,561	-£104,978	£856,583
Total Funding	**£4,934,862**	**100%**	**-£3,500,000**	**100%**	**£4,934,862**	**-£538,762**	**£4,396,100**