

WIRRAL COUNCIL

SCHOOLS FORUM – 28th September 2016

REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES

School PFI costs – Outcome of Consultation

1.0 EXECUTIVE SUMMARY

- . This report summarises the responses received to the consultation with schools and providers regarding PFI costs and the Affordability Gap. The report recommends changes to the School Funding Formula with effect from April 2017.

2.0 BACKGROUND

- . Previous Forum reports have summarised the position with regard to the Wirral Schools PFI project agreement for the rebuild / refurbishment and facilities management of nine Wirral schools and 2 City Learning Centres. The contract is for 27 years and will expire in July 2031.

The budgeted contract payments for PFI in 2016-17 are £12.3m, these are

funded by:	£m
PFI grant	5.5
Individual school contributions	3.9
Schools Budget (central)	2.3
Council Contribution	0.6
Total	12.3

FM costs are subject to periodic review and benchmarking, following which the amount paid may be amended. The first benchmarking exercise has increased the overall FM amounts paid by schools by £0.8m.

The last Forum meeting agreed that the views of all schools and education providers would be sought about the following:

1. A new PFI formula element to recognise the additional costs incurred by PFI schools. Since there would be no additional funding, the change if implemented would lead to a redistribution of existing funding of between £400,000 (risk and profit) and £600,000 (risk, profit and management costs) from 2017-18.
2. That the centrally held budget for the PFI Affordability Gap is fully delegated to 1 Primary School and 8 Secondary Schools from 2017-18. The amount delegated to each school would be based on pupil numbers and would be updated each year. Each of the 9 schools would be required to pay to the Council the amount that has been delegated.
Other than the consultation on PFI Facilities Management there are no other changes planned at this time to the funding or treatment of PFI costs within the Schools Budget.

3.0 RESPONSES RECEIVED

At the time of writing the report 16 responses had been received to the proposal. These were from the following areas:

Secondary – PFI	8
Secondary – Non PFI	2
Primary	3
Special	1
Early Years	2

The low numbers reflect the difficult timing of the consultation paper at the end of the Summer Term. Whilst this was not ideal, it was accompanied by a number of briefings and has enabled a decision to be taken at this meeting.

Looking at the responses received in respect of the first proposal – should any additional PFI Facilities Management Costs be reflected in the formula - there were a range of comments. The proposal was supported by all PFI schools, many re-emphasising their additional maintenance and management costs. Comments from non PFI schools were mixed. Favourable comments were that PFI schools should not be disadvantaged and that FM costs were higher than in their schools, others questioned the fairness of this approach, suggesting that the needs and costs pressures across all education sectors needed to be evaluated, that PFI schools had compensating efficiencies in other areas of the budget and that increases for PFI should not be at the expense of their pupils.

The responses do not give a clear opinion and Forum members may wish to comment on the views of the education areas they represent.

In order to progress this matter the clearest area of additional cost relates to profit and risk within PFI. If these additional costs are accepted this would seem a way forward to progress changes within the School Funding Formula.

The second proposal concerned delegating the PFI Affordability Gap to the 9 schools affected. Most responses were in favour of this approach, with the exception of 1 PFI school who argued there was no case to support these costs within the school budget. This view is not supported either by the EFA or the other responses.

A number of schools have sought re-assurance that the cost of the affordability gap would be fully funded; this area is covered by a standard clause in most academy agreements. In addition comments have been made that Council funding for the Affordability Gap should ensure there is no further burden or negative impact of PFI costs on schools.

4.0 NEXT STEPS

The confirmation from the Education Funding Agency that there will be no initial collection of school funding formula information in October has removed some of the pressure with regards to making formula changes for PFI. Any changes must now be finalised in January 2017.

Changes to school funding should be made taking into account the views of schools and providers. Whilst it is not surprising that most non PFI schools and providers are opposed to any top slice from their existing budgets, this does then create a difficulty in how any change in respect of PFI FM costs should be resourced.

There are 2 alternative sources of funding that can be considered:

1. There is likely to be a reduction and reallocation of combined and central budgets next year, which will be advised by the EFA later this term.
2. There may be headroom available within the budget as in previous years.

Guidance from the EFA confirms that they “expect LA’s to use funding in 2017-18 in accordance with the Regulations. Funding no longer required for Historic Commitments should be allocated to other aspects of the DSG”. Whilst the results from this exercise are not known, it seems likely that some Combined Budgets will be affected. It may be possible therefore to use up to £400,000 funding from these areas.

With regards to the PFI Affordability Gap work would commence this term, advised by Legal Services to review and update where necessary governing body / academy agreements to enable costs to be delegated.

5.0 RECOMMENDATION

1. That the Forum agree to the use of a PFI element within the funding formula, both to reflect additional Facilities Management costs of £400,000 and the costs of the PFI Affordability Gap.
2. That £400,000 is identified firstly from any reallocated central budgets in 2017-18. If this is insufficient costs would be met from Headroom.
- 3 That FM costs are allocated to PFI schools based on building size, not pupil numbers.

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