

Briefing note

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Purpose of the Paper:

Information	√
Consultation	
Decision	

Title of Briefing: Dedicated Schools Grant Outturn 2017/18 and School Balances

Background

- 1.1 North Tyneside Council published its draft financial statements for 2017/18 on 31 May 2018 in line with statutory requirements. This paper updates Forum on the outturn for the Dedicated Schools Grant (DSG) and outlines the Headroom Funding and Falling Roles funding for 2017/18 which was carried forward into 2018/19. It also outlines the current position in relation to schools budget plans for 2018/19 and deficit approval requests from schools for the 2018/19 financial year.
- 1.2 The final position in relation to school balances by phase and between committed and uncommitted balances will be brought to Schools Forum in September as outlined in the Forward Plan. This will follow external audit and finalisation of the accounts and the completion of Consistent Financial Reporting (CFR) submissions.

Dedicated Schools Grant (DSG) Outturn Position 2017/18

- 2.1 As the DSG is a ring-fenced grant, any under or overspends are carried forward into the next financial year in order to be addressed within the following year's ring-fenced grant.
- 2.2 The overall use of the DSG is outlined in the Authority's accounts as follows:

Table 1

	Central Expenditure £m	Individual Schools budget £m	Total £m
Final DSG for 2017/18 before Academy recoupment			145.819
Academy figure recouped for 2017/18			(12.226)
Total DSG after Academy recoupment for 2017/18			133.593
Brought forward from 2016/17 as agreed with the Department for Education			(0.471)
Agreed initial budgeted distribution in 2017/18	5.146	127.976	133.122
In year adjustments	0	(0.003)	(0.003)
Final budgeted distribution for 2017/18	5.146	127.973	133.119
Less actual central expenditure	(5.232)	0	(5.232)
Less actual ISB deployed to schools	0	(127.767)	(127.767)
Carry forward to 2018/19	(0.086)	0.206	0.120

Note for the purposes of the accounts the central expenditure column above includes commissioned services within the High Needs block.

- 2.3 As at 31 March 2018 the DSG was in surplus by £0.120m. This has been carried forward into 2018/19. The overall surplus is broken down as shown in table 2:

Table 2: Breakdown of DGS surplus

	£m	£m	
High Needs Block		(0.430)	deficit
Early Years		(0.020)	deficit
Schools and Central Block:-			
Falling Roles	0.350		surplus
Headroom	0.117		surplus
Other	0.103		surplus
Total Schools and Central Block		0.570	surplus
Total DSG		0.120	surplus

High Need Block

- 2.4 The brought forward High Needs Block balance at the beginning of 2017/18 was £0.554m deficit. The actual outturn position improved slightly by £0.124m during the financial year from initial forecasts and ended the year at £0.430m deficit. This balance will be carried forward into 2018/19 and will be managed within the resources in year.
- 2.5 The main area of financial pressure in the High Needs Block continues to be around Top Up funding with demand led pressures resulting from higher numbers of students with complex needs. There are also a number of commissioned services which are now reporting financial pressure and requesting additional funding as they have not received any uplifts for several years. The new strategic High Needs Commissioning Group has met twice and is considering funding priorities within the available resources.
- 2.6 This is not something that is unique to North Tyneside. Discussions held with regional colleagues has highlighted that the majority of Local Authorities are also experiencing financial pressures in the High Needs Block.

Early Years

- 2.7 The final position for the Early Years Block is a deficit of £0.020m which is mainly due to a strong uptake in the additional 15 hours and 2 year old offer. This outturn reflects all three terms census data. This overspend will be carried forward into 2018/19 and managed within resources in year.

School and Central Block items

- 2.8 Falling Rolls
This category includes the Falling Rolls fund, the carried forward balance of £0.100m from 2016/17 was added to by the 2017/18 amount of £0.250m. As no allocations were made in 2017/18 the balance to carry forward to 2018/19 is £0.350m. The use of this fund will be considered by a Sub Group of Forum and recommendations will be brought back to Forum in September 2018.
- 2.9 Schools in Financial Difficulty
The de-delegated amount for Schools in financial difficulty (Headroom Funding) unallocated balance from 2016/17 was £0.011m. An amount of £0.106m had been added in 2017/18 (being the de-delegated amount of £0.131m less a contribution for the procurement support for schools of £0.025). No allocations to schools were made in 2017/18 pending a review of appropriate criteria hence the total of £0.117m is therefore carried forward in 2018/19. The use of this fund will be considered by a Sub Group of Forum and recommendations will be brought back to Forum in September 2018.
- 2.10 Other
The main element is rates. This balance will be brought forward to address some of the 2018/19 business rates commitments in relation to the new build schools and additional revaluations in 2018/19.

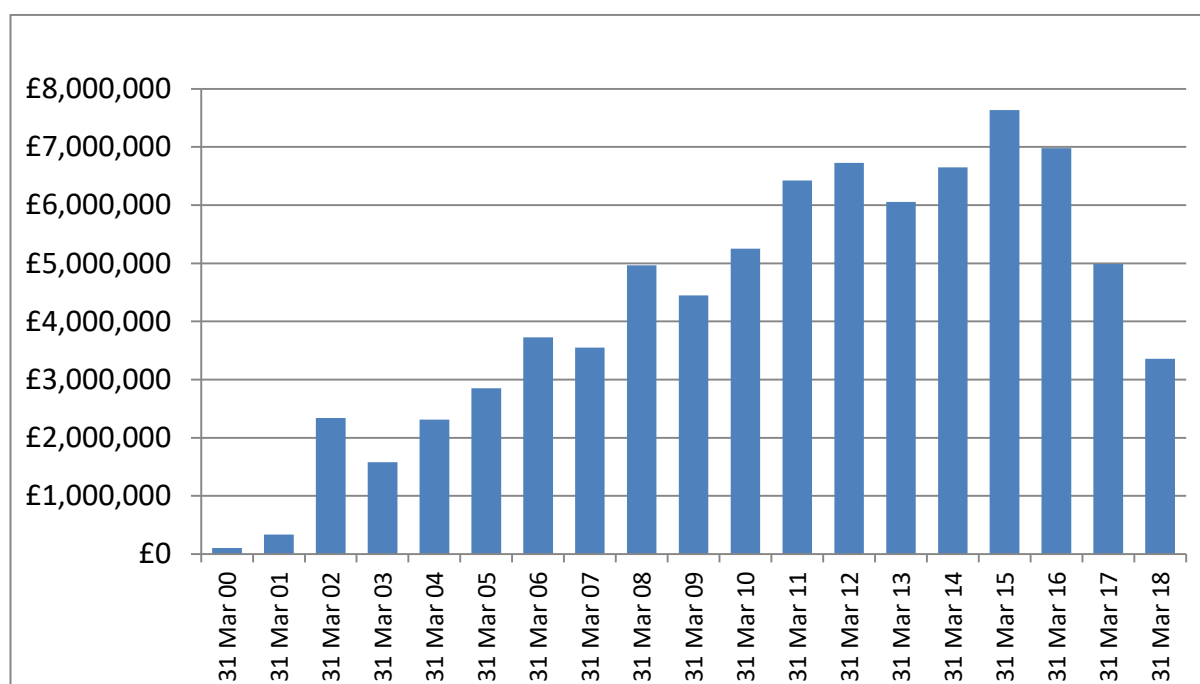
2.11 Within the DSG were central items totalling £2.250m, which were applied for their agreed purpose.

Schools Balances as at 31 March 2018

3.1 The Overall level of School Balances at the end of March 2018 was £3.356m compared to £5.470m as at March 2017. This represents a reduction of £2.114m (These figures exclude Seaton Burn College which converted to an Academy in January 2018). This position is significantly better than forecast at the start of the 2017/18 financial year where the position for schools was expected to be an overall deficit balance of £2.228m - a £5.584m improvement.

3.2 As expected, the end of 2017/18 saw the third year of balances decreasing following a long term trend of rising balances in North Tyneside, and table 3 below sets out the long term trend of the position of North Tyneside Schools. In 2016/17, North Tyneside school balances at March 2017 represented 3.3% of total school income in that year. This is significantly lower than the national figure of 6.4%. The result of the Consistent Financial Reporting (CFR) national data collection exercise will be available in the autumn and will allow us to compare North Tyneside with an updated national picture.

Table 3: The trend of total North Tyneside school balances.



3.3 The total reduction in balances since March 2015 is £4.259m. As shown in the table below balances are reducing at an increasingly higher rate than in 2015/16 with a 23.7% reduction in 2016/17 rising to 38.7% reduction in 2017/18. The figures in table 4 below exclude schools committed balances.

Table 4 – Reduction in balances from 2015/16 to 2017/18

Phase	15/16 Reduction in Balances £m	16/17 Reduction in Balances £m	17/18 Reduction in Balances £m	Total Reduction in Balances £m
Nursery / Primary	0.240	(0.299)	(0.668)	(0.727)
Middle / Secondary	(0.701)	(1.428)	(1.714)	(3.843)
Special / PRU	0.011	0.032	0.268	0.311
Total	(0.450)	(1.695)	(2.114)	(4.259)
Opening Balance	7.616	7.166	5.470	
Reduction %	(5.9%)	(23.7%)	(38.7%)	

3.4 An analysis of the balances at March 2018 by phase is shown in table 5 below.

Table 5: Analysis of school balances at March 2018 by phase

Phase	2017/18 Budget £m	2017/18 Outturn balances £m	2017/18 Outturn Variance £m
Nursery / Primary	2.150	4.317	2.167
Middle / Secondary	(4.811)	(2.062)	2.749
Special / PRU	0.433	1.101	0.668
Total	(2.228)	3.356	5.584

3.5 It is important to note that included within the outturn surplus balance of £3.356m schools have identified £4.231m of committed balances see table 6 below. Therefore as at March 2018 school balances were in overall deficit by £0.875m.

Table 6 – Outturn Excluding Committed Balances as at 31 March 2018

Phase	17/18 Outturn Balances £m	17/18 Committed Balances £m	17/18 Outturn Excluding Committed Balances £m
Nursery / Primary	4.317	1.560	2.757
Middle / Secondary	(2.062)	2.283	(4.345)
Special / PRU	1.101	0.388	0.713
Total	3.356	4.231	(0.875)

School Budgets for 2018/19

4.1 Schools have completed the budget planning process and submitted their plans, approved by their Governing Body, by 31 May 2018. The information in this report is based on the current, known financial projections over the next three years, with some

schools continuing to work on their plans. A summary of planned school balances over the next three years by phase is shown in table 7 below:

Table 7: Planned school balances 2018-2021

Phase	2018/19 £m	2019/20 £m	2020/21 £m
Nursery / Primary	1.527	(0.723)	(2.639)
Middle / Secondary	(6.472)	(9.315)	(13.698)
Special / PRU	0.248	(0.643)	(1.937)
Total	(4.697)	(10.681)	(18.274)

Schools Requesting Deficit Approval

- 5.1 Deficit meetings with schools took place in April and June. These meetings involved officers from School Improvement, HR and Finance so that a holistic conclusion could be reached, with schools needing to demonstrate their medium term plan to address the pressures. However, despite the robust challenge process, the value of deficit approvals have increased significantly from last year given the nature of the challenging circumstances and the timescales in which alternative plans can be reached.
- 5.2 There were ten schools projecting a deficit for 2017/18. Of these, seven continue to project a deficit in 2018/19 with Seaton Burn College becoming an Academy in January 2018 and Marden Bridge Middle and Fordley Primary school coming out of deficit in 2017/18. There are three schools who have requested deficit approval in 2018/19. Table 8 below shows the schools and the current level of their requested deficit approval, which demonstrates the increase both in number of schools and the overall value of deficit balances. The deficit approvals for the seven remaining schools who were in deficit in 2017/18 have been agreed in principal. However, at the time of writing, further work and challenge is ongoing with the three additional schools and a verbal update will be given at the meeting if available.

Table 8: Schools requesting deficit approval in 2018/19:-

School	Deficit Approval 2017/18 £m	Outturn Balance 2017/18 £m	Deficit Approval Sought 2018/19 £m
Fordley Primary	(0.081)	(0.080)	0
Backworth Park Primary	0	0	(0.071)
Ivy Road Primary	(0.137)	(0.123)	(0.278)
Percy Main Primary	0	0.001	(0.097)
Monkseaton Middle	(0.034)	0.034	(0.088)
Marden Bridge Middle	(0.027)	0.013	0
Marden High	(0.478)	(0.429)	(0.646)
Norham High	(1.224)	(1.168)	(1.549)
Longbenton High	(1.026)	(0.916)	(1.702)
Monkseaton High	(2.587)	(2.464)	(3.606)
Whitley Bay High	(0.618)	(0.516)	(0.393)
Beacon Hill	0	0.315	(0.204)
Total	(6.212)	(5.333)	(8.634)

- 5.3 The total deficit balance value requested is £8.634m compared to £6.212m in 2017/18. Representing an increase of 39%.
- 5.4 The deficit position is significantly driven by surplus capacity. A programme of work is in progress with schools to consider further actions required to address the longer term approach to financial planning for schools in North Tyneside. The programme is focussing on three new work streams and is also consolidating work on two existing projects. The workstreams are:-
- Financial review and analysis;
 - Planning and modelling;
 - Tools for Schools;
 - Keeping Children and Young People in School
 - Closing the Gap.

In Year Monitoring and Forecasting

- 6.1 The first budget monitoring with schools for 2018/19 takes place in September 2018 and will be reported to Schools Forum and the Authority's Cabinet in due course.
- 6.2 Concerns have been raised over the robustness of budget planning and in year forecasting as there have been large differences reported between initial budget plans, in year monitoring and final outturn positions. These differences must raise questions about whether increased accuracy in financial management could help schools to improve their use of ever tightening resources to support delivery of their priorities.
- 6.3 To illustrate this further table 9 below shows details of the year end variance position from initial forecasts provided by schools in their 3 year budget planning submissions for the last 3 financial years:-

Table 9 – Outturn variance from plan last 3 financial years

Phase	15/16 Budget Plan £m	15/16 Outturn £m	15/16 Outturn Variance from Plan £m	16/17 Budget Plan £m	16/17 Outturn Figure £m	16/17 Outturn Variance from Plan £m	17/18 Budget Plan £m	17/18 Outturn £m	17/18 Outturn Variance from Plan £m
Nursery / Primary	2,736	5,285	2,549	2,710	4,986	2,276	2,150	4,317	2,167
Middle / Secondary	(1,376)	1,080	2,456	(2,886)	(348)	2,538	(4,811)	(2,062)	2,749
Special / PRU	315	801	486	490	833	343	432	1,100	668
Grand Total	1,675	7,166	5,492	314	5,470	5,156	(2,229)	3,356	5,584

- 6.4 In all 3 financial years the year end outturn variance has been in excess of £5m from initial estimates. To further understand why there are such significant differences the Authority has carried out an initial assessment on one school from each phase. Table 10 below shows a summary of the analysis undertaken:-

Table 10: Analysis of Forecasting Gaps in £m

Phase	2016/17			2017/18		
	Gap Plan to Mon 1 £m	Gap Plan to Mon 2 £m	Gap Plan to OT £m	Gap Plan to Mon 1 £m	Gap Plan to Mon 2 £m	Gap Plan to OT £m
Nursery /Primary	0.194	0.392	2.275	0.113	0.613	2.167
Middle /Secondary	0.390	0.663	2.609	0.577	0.814	2.749
Special / PRU	0.086	0.065	0.343	0.168	0.292	0.668
Total	0.670	1.120	5.227	0.858	1.719	5.584

- 6.5 The movements can be categorised into staffing, non-pay expenditure and income see table 11 below for the detailed analysis. These differences can be analysed at monitoring 1 and monitoring 2 but analysis will not be available for the outturn until the CFR returns are completed by the end of July.

Table 11: Analysis of budget difference by staff, non-pay and income for 2017/18

Expenditure /Income	Gap Plan to Mon 1 £m	Gap Plan to Mon 2 £m	Clarification
Staffing	0.360	0.623	Shows cost reduction vs budget
Non staffing	(1.515)	(1.979)	Shows cost increase vs budget
Income/ Funding	2.013	3.075	Shows additional income vs budget
Total	0.858	1.719	Shows overall improvement vs budget

- 6.6 Work is on-going to establish the detailed factors which drive these differences and to understand the challenges that every school faces in accurately setting a budget plan when working with uncertainty. The intention is to provide additional guidance and support for schools through the written budget planning guidelines and via the face to face budget planning training held in February/March each year.

Recommendations

- 7.1 Schools Forum is asked to note the following:

- details of the 2017/18 outturn in respect of the Dedicated Schools Grant
- the Falling Rolls and Headroom balances
- the High Needs overspend balance which will be considered in conjunction with emerging pressures in this block by the Strategic High Needs Group which will report back to Forum in due course
- the Early Years overspend balance which will be addressed when allocating the 2018/19 budgets and will be closely monitored going forward
- the school's budget plan balances and deficit requests for 2018/19;
- the analysis of forecasting differences and the work proposed to improve accuracy.