



North Tyneside  
Council

Item 7

# Briefing Notes

**To:** Schools Forum

**Date:** 12 July 2023

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**Purpose of  
the Paper:**

Information

✓

Consultation

Decision

## Title of Briefing: Finance Update

### 1. Purpose of Paper

- 1.1. This paper provides an outline of the overall school's provisional outturn position for 2022/23 pending the outcome of the external audit which is due to commence in July 2023. A summary of the High Needs and Early Years budget outturn position is also included.
- 1.2. The paper will cover initial proposals for refinement of the National Funding Formula for 2024/25.

### 2. Schools Outturn Balances in 2022/23

- 2.1. Schools have concluded their 2022/23 accounts closure in line with the Local Scheme for Financing Schools and the Authority's revised year-end timetable. Collective school balances in North Tyneside maintained schools, decreased from a surplus of £3.398m at the start of the year to a closing deficit of £0.382m. This position is significantly better, by £5.151m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £5.533m. However, it is also a significant shift from the previous surplus position, and this has highlighted the risk to the Authority relating to the level of school balances and the ability of those schools with surplus balances covering the deficit balances of some schools. The most recent monitoring performed with schools during the year and completed in Spring 2023 showed an overall forecast deficit balance of £4.419m.

- 2.2. The final position for schools is reported in the Authority's statutory accounts and is before any commitments, which are in a normal year around £4.5m (the full value of commitments for 2022/23 is still to be confirmed and won't be known until the end of July 2023). The reported position across 2022/23 is analysed below in Table 1 by phase:

2.3. **Table 1: Maintained School balance position against plan (Surplus) / Deficit – committed and uncommitted**

Phase	Outturn 2021/22  £m	Budget Plan 2022/23  £m	Monitoring 1 2022/23  £m	Monitoring 2 2022/23  £m	Provisional Outturn 2022/23  £m	Actual Movement from 2021/22  £m
Nursery, First & Primary	(7.312)	(4.957)	(3.382)	(4.459)	(5.529)	1.783
Middle	(1.408)	(0.716)	(0.685)	(1.422)	(1.655)	(0.247)
Secondary	5.943	9.907	10.041	9.109	6.822	0.879
Special / PRU	(0.621)	1.299	1.479	1.191	0.744	1.365
<b>Total</b>	<b>(3.398)</b>	<b>5.533</b>	<b>7.453</b>	<b>4.419</b>	<b>0.382</b>	<b>3.780</b>

### 3. School Deficits

- 3.1. Forum will be aware that, under legislation, schools retain a high degree of autonomy when setting budgets unless they are in a deficit position. Therefore, whilst the Authority can advise schools on the adequacy of balances, it cannot intervene. Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections.
- 3.2. Some schools continue to face significant financial challenges. There are currently fourteen schools that have submitted a deficit budget plan for 2023/24. Schools Forum should note that there are five new schools requiring a licenced deficit agreement in 2023/24. The nine schools that continue to require support from the Authority were in deficit at the end of the 2022/23 financial year.
- 3.3. Of these nine schools one had a structural deficit in 2022/23 which continues into 2023/24. The Authority agreed with the Education and Skills Funding Agency (ESFA) to allow their School Resources Management Advisors

(SRMAs) to work with the four schools that were new to deficit in 2022/23, along with Beacon Hill Special School to produce a comprehensive review of their finances, leading to a budget deficit plan. This work was carried out in the autumn term.

- 3.4. Initial deficit review sessions for the majority of the fourteen schools forecasting budget deficits for 2023/24 are planned in July 2023. Deficit sessions for the Special Schools will be held in September to allow time for work on pupil numbers and bandings to be complete. Before any adjustments identified during the upcoming challenge sessions and the allocation of falling rolls and headroom funding, the balances of these fourteen deficit schools are expected to total £14.826m with individual school deficit values shown in Table 2 below.

3.5. **Table 2: Schools in an expected deficit position 2023/24**

<b>Deficit School Positions 2023/24</b>	<b>Outturn 2022/23 £m</b>	<b>Budget Plan 2023/24 £m</b>	<b>Movement £m</b>	<b>Comments</b>
Benton Dene	(0.018)	0.022	0.039	New Deficit
Forest Hall	0.013	0.052	0.039	New Deficit
Greenfields	0.078	0.041	(0.037)	New Deficit
Whitehouse Primary	0.044	0.008	(0.036)	New Deficit
Silverdale	0.044	0.079	0.035	New Deficit
Monkseaton High	5.546	6.128	0.582	Structural Deficit
Coquet Park	0.051	0.157	0.106	Existing Deficit
Holystone	0.133	0.129	(0.004)	Existing Deficit
Balliol Primary	0.097	0.125	0.028	Existing Deficit
Wallsend St Peter's	0.092	0.113	0.022	Existing Deficit
Ivy Road Primary	0.149	0.164	0.015	Existing Deficit
Longbenton High	1.697	1.510	(0.187)	Existing Deficit
Norham High	3.984	4.352	0.369	Existing Deficit
Beacon Hill	1.232	1.946	0.714	Existing Deficit
<b>Total</b>	<b>13.142</b>	<b>14.826</b>	<b>1.684</b>	

**4. Dedicated Schools Grant (DSG) 2022/23 Outturn**

- 4.1. After allowing for school allocations, the 2022/23 DSG account of £159.242m (after removing academy funding) is showing a net deficit balance of £8.340m. This compares to a deficit of £12.851m in 2021/22. Forum will recall

that in 2019/20 the DfE issued guidance that any shortfall in dedicated schools grant should not be supported using funds from the General Fund.

#### 4.2. Table 3: 2022/23 DSG Provisional Outturn

<b>Funding Block</b>	<b>21/22 B/FWD £m</b>	<b>22/23 IN-YR VARIANCE £m</b>	<b>EARLY YEARS PREVIOUS YR ADJ. £m</b>	<b>SAFETY VALVE FIRST PAYMENT £m</b>	<b>22/23 PROVISIONAL OUT-TURN £m</b>
Schools Block	(0.754)	(0.160)			(0.914)
High Needs Block	13.511	3.880		(7.800)	9.591
Early Years Block	0.094	(0.262)	(0.169)		(0.337)
<b>22/23 Cumulative Provisional Outturn</b>	<b>12.851</b>	<b>3.458</b>	<b>(0.169)</b>	<b>(7.800)</b>	<b>8.340</b>

4.3. The Schools block (de-delegated) underspend of £0.914m mainly relates to the headroom, growth funding and falling roles funding. As the DSG is a ringfenced account, any balance is carried forward into the next financial year.

## 5. High Needs Block

5.1. The overall pressure in the High Needs block is in line with the national and regional picture and results from additional places required in special schools, out of borough placements and in relation to top up payments as outlined in Table 4 below.

#### 5.2. Table 4: Breakdown of High Needs Pressures at March 2023

<b>HIGH NEEDS</b>	<b>BUDGET £m</b>	<b>OUT-TURN £m</b>	<b>VARIANCE £m</b>
Special Schools and PRU	17.788	19.591	1.803
ARPS/Mainstream Top-ups/Alternative Provision	4.706	5.631	0.925
NMSS/ISP	3.316	4.459	1.143
Commissioned Services	3.974	3.983	0.009
	<b>29.784</b>	<b>33.665</b>	<b>3.880</b>
Balance B/fwd from 21/22			13.511
Safety Valve First Payment			(7.800)
<b>22/23 Cumulative Provisional Outturn</b>			<b>9.591</b>

- 5.3. The Authority's DSG Management Plan will address the deficit and the Department for Education (DfE) have agreed to pay the Authority £19.500m over a 5-year period, with the first payment of £7.800m received at the end of the financial year 2022/23. In subsequent financial years, subject to compliance with the conditions set in the Safety Valve agreement, the DfE will pay DSG the amounts shown in Table 5.

5.4. **Table 5: Scheduled Safety Valve Payments**

Year	Additional DfE payments
2022-23	£7.800m
2023-24	£1.950m
2024-25	£1.950m
2025-26	£1.950m
2026-27	£1.950m
2027-28	£3.900m

- 5.5. The Department for Education (DfE) guidelines state that Schools Forum can approve a transfer of up to 0.5% of the School Block to support other blocks. Transfers have been made to the High Needs Block from the Schools Block in previous years. The Authority did discuss a transfer for 2022/23 with Schools Forum which was not supported pending the completion of the Dedicated Schools Grant Management Plan.

## 6. Safety Valve Intervention Programme

- 6.1. Forum will recall that the Authority joined the Department for Education's (DfE) Safety Value Intervention Programme on 1 April 2023. Subject to meeting specific performance measures, this will provide the Authority with £19.500m of revenue funding to support the current deficit position over a five-year period with the aim of bringing the Authority's High Needs block back into balance. The DfE requires that the Authority submits three reports each financial year, providing an overview of the work programme and ensuring targets are on track. The first submission was made on 16 June and the Authority is current waiting for feedback from the DfE.
- 6.2. The Authority is on track to reach a positive in-year balance on its DSG High Needs block by the year-end 2027/28. In 2022/23 the Authority's High Needs block forecast was a year-end pressure of £17.900m. The outturn position

for 2022/23 was better than forecast, at £17.392m. When including the DfE's first instalment, £7.800m of the £19.500m awarded to the Authority, the outturn position for 2022/23 was £9.592m.

- 6.3. At the 2022/23 year-end, the Authority was in active discussion with its maintained special schools regarding pupil numbers and funding. The Authority forecasts that it will remain on target to achieve the 2023/24 year-end position detailed within the Authority's DSG Management Plan, assuming some growth in spend in the maintained special schools not reflected at the year-end 2022/23.
- 6.4. The DfE announced that in June 2023 that the Authority will receive £4.681m in capital funding to support the implementation of the DSG Management Plan. The Authority was unsuccessful in its bid for £1m to develop a SEND Centre of Excellence.
- 6.5. The Authority is confident that governance arrangements in place provide the necessary political rigour and oversight of its Lead Member, and support and scrutiny by its Chief Executive and Senior Leadership Team. The wider SEND partnership remains locked into the deliverables set out in the DSG Management Plan, now incorporated into the partnership's SEND improvement plan.
- 6.6. The Authority's Safety Valve communication and engagement plan, and its wider strategic SEND Engagement Strategy, are providing a clear basis upon which leaders across the Authority share information, consult and co-produce with children and young people, parents and carers, and the wider workforce.

## **7. Early Years Block**

- 7.1. The Early Years block has ended the year with a cumulative surplus of (£0.338m). This included a brought forward deficit of £0.094m which was then adjusted in-year by £0.169m. An adjustment to funding takes place in July when the DfE reviews initial funding estimates in relation to the numbers of pupils actually taking places compared to the initial funding estimates based on the January pupil census prior to the financial year.

## **8. National Funding Formula (NFF) Consultation for 2024/25**

- 8.1. As in previous years, the Authority will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2024/25. The formula will apply directly to maintained schools for the financial year, and for academies it will form the basis for their funding, distributed by the Education, Skills and Funding Agency, for the year starting 1 September 2024. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and Schools Forum.
- 8.2. In 2021/22, in consultation with Schools Forum and the Authority's maintained schools, the Authority made the decision to leave the Local Funding Formula (LFF) 100% in line with the NFF.
- 8.3. No modelling has been under-taken at this stage, but the Authority are expecting an indicative funding allocation towards the end of July. Once this allocation has been received the Authority will consider modelling potential options for capping and maximising Minimum Funding Guarantees.
- 8.4. Recommended modelling scenarios will be presented to Schools Forum in September, in advance of the formal consultation with schools during October/November 2023.

## **9. Recommendations**

- 9.1. Having read this report and clearly understanding the information provided, Schools Forum is asked to:
  1. acknowledge the provisional 2022/23 outturn position on all DSG balances;
  2. acknowledge the school budget plans overall summary position;
  3. acknowledge the pressure on the High Needs block and the Authority's inclusion in the ESFA's Safety Valve Intervention Programme; and
  4. agree the plan for funding consultation for 2024/25.