

Briefing note

To: Schools Forum **Author:** Claire Emmerson

Date: 22 March 2023

Purpose of the Paper:

Information	√
Consultation	
Decision	

Title of Briefing: Finance Update

1. Purpose of Paper

- 1.1 This paper provides an overview of the overall school's financial position following the completion of the first termly monitoring which took place in October/November 2022. A summary of the High Needs budget monitoring position as at the end of January 2023 is included in section 3.

2. Update on School Budgets

- 2.1 Forum will recall that the overall level of school balances at the end of March 2022 was £2.360m compared to £3.721m as at March 2021. This represented a decrease in balances of £1.361m of which £0.435m was due to the academisation of remaining faith schools and balances transferring to Academy Trusts.
- 2.2 Schools set budget plans for 2022/23 projecting overall net deficit balances of £5.533m. The first schools financial monitoring for the 2022/23 financial year is complete, with net deficit school balances initially projected to improve by £1.145m to £4.388m before the impact of the unfunded pay award. Taking into account the impact of the pay award school balances are estimated to decrease by a further £1.920m to £7.453m from the budget plans submitted to the Authority at the end of May 2022.
- 2.3 Table 1 below shows the current movement from budget plan submissions in 2022/23, illustrating the net effect of pay award pressures and reversal of 2022/23 Health and Social Care Levy Employers National Insurance increase of 1.25% from Nov 2022. In 2022/23 there has also been £0.585m received for Homes for Ukraine Education & Childcare Grant, which has been allocated to relevant schools but is not reflected against school Budget Monitoring projections.

Table 1: Schools 2022/23 budget plan/monitoring summary

Phase	Budget Plan 22/23 £m	BUDGETTED 3% PAY AWARD		NEW PAY AWARD/NI		Impact of Changes in Pay Award/NI £m
		Mon. 1 Projected Balance £m	Mon. 1 Projected Variance £m	Mon. 1 Projected Balance £m	Mon. 1 Projected Variance £m	
Nursery/First /Primary	4.957	4.795	(0.162)	3.382	(1.575)	(1.413)
Middle /Secondary/High	(9.191)	(8.338)	0.853	(9.356)	(0.165)	(1.018)
Special/PRU	(1.299)	(0.845)	0.454	(1.479)	(0.180)	(0.634)
Total	(5.533)	(4.388)	1.145	(7.453)	(1.920)	(3.065)

2.4 As part of the ongoing development and delivery of the new School Business Services (SBS) budget planning tool, detailed feedback from schools on utilisation of SBS has been requested. These responses will be collated anonymously and shared with SBS to drive through system modifications and improvements. In addition to gathering intelligence from schools relating to utilisation of the budget planning tool an SBS improvement working group will be established early in the 2023/24 financial year with schools' representation to share experiences and address queries and requests with SBS.

2.5 The Senior Manager responsible for the Schools Finance Team will be convening monthly meetings with SBS to respond to these queries and requests and this will result in tailored training relevant to North Tyneside schools. SBS have also committed to 'hot topic' training, and this will be delivered in line with the feedback from schools. The results of this ongoing work will be fed back to Schools Forum and to Head Teachers Briefing sessions, during 2023/24.

3. School Deficits

3.1 Schools Forum will recall from the previous finance updates that some individual schools expected to face significant financial challenges in 2022/23. During the year, in line with established practice aligning to the Scheme for Financing Schools and the Support and Challenge Framework the Authority has monitored those schools requiring licenced deficit approval.

3.2 Following the submissions received from schools during budget monitoring 1 there are now 17 schools identified with forecast deficits in 2022/23 in comparison to 9 schools who had submitted budget plans in May 2022 identifying the potential need for licenced deficit approval. The total value of deficit approvals required from the Authority in 2022/23 from budget plans originally received was £13.969m. Following budget monitoring 1 the value has increased by £0.154m to £14.123m. The analysis of Schools in Financial Difficulty requiring licenced deficit approval for individual schools is outlined in Table 2 below:

Table 2: Schools in an expected deficit position 2022/23

School	Budget Plan 22/23 £m	BUDGETTED 3% PAY AWARD		NEW PAY AWARD/NI		Impact of Changes in Pay Award/NI £m	22/23 Deficit Comments
		Mon. 1 Projected Balance £m	Mon. 1 Projected Variance £m	Mon. 1 Projected Balance £m	Mon. 1 Projected Variance £m		
Denbigh Primary	0.166	0.026	(0.140)	(0.016)	(0.182)	(0.042)	Emerging
Forest Hall Primary	(0.002)	0.009	0.011	(0.007)	(0.005)	(0.016)	Emerging
Rockcliffe First	0.000	0.007	0.007	(0.018)	(0.018)	(0.025)	Emerging
Silverdale	0.008	(0.028)	(0.036)	(0.119)	(0.127)	(0.091)	Emerging
Sir James Knott Nursery	0.004	(0.044)	(0.048)	(0.060)	(0.064)	(0.016)	Emerging
Southlands	0.100	0.092	(0.008)	(0.019)	(0.119)	(0.111)	Emerging
Wallsend Jubilee Primary	0.009	0.015	0.006	(0.018)	(0.027)	(0.033)	Emerging
Whitehouse Primary	0.111	(0.028)	(0.139)	(0.074)	(0.185)	(0.046)	Emerging
Balliol Primary	(0.025)	(0.037)	(0.012)	(0.046)	(0.021)	(0.009)	New 22/23
Coquet Park First	(0.020)	(0.027)	(0.007)	(0.041)	(0.021)	(0.014)	New 22/23
Holystone Primary	(0.069)	(0.057)	0.012	(0.107)	(0.038)	(0.050)	New 22/23
Wallsend St Peters Primary	(0.107)	(0.126)	(0.019)	(0.146)	(0.039)	(0.020)	New 22/23
Beacon Hill	(1.794)	(1.537)	0.257	(1.705)	0.089	(0.168)	Existing
Ivy Road Primary	(0.162)	(0.161)	0.001	(0.185)	(0.023)	(0.024)	Existing
Longbenton High	(1.863)	(1.824)	0.039	(1.909)	(0.046)	(0.085)	Existing
Norham High	(4.130)	(4.079)	0.051	(4.149)	(0.019)	(0.070)	Existing
Monkseaton High	(5.799)	(5.783)	0.016	(5.835)	(0.036)	(0.052)	Structural
Total	(13.573)	(13.582)	(0.009)	(14.454)	(0.881)	(0.872)	

3.3 In line with the Scheme for Financing Schools 8 schools (those categorised as 'Emerging' in the table above) were expected to request deficit approval from the Authority as soon as it became apparent that a licenced deficit approval was needed during the 2022/23 financial year. Of the 8 emerging deficit schools only 4 schools have contacted the Authority to request a licenced deficit approval despite reminders being sent to those schools.

3.4 As set out in North Tyneside Council's Scheme for Financing Schools, schools may not incur a budget deficit without prior agreement from the Authority's Senior Officers. The following is an extract from the Scheme.

4.5 Planning for deficit budgets

Schools may not incur a budget deficit without the prior agreement of the Director of Children, Young People & Learning, in consultation with the Chief Finance Officer. Such deficits will only be approved in certain circumstances (see 4.9)

4.9 Licensed deficits

Approval will only be given to a school applying for a licensed deficit, if the school can produce suitable and robust financial plans for future years, which clearly demonstrate the ability to repay such a deficit in the stated time.

The following conditions apply to new deficit approvals from 2019/20:

- the maximum length over which schools may repay the deficit (i.e. reach at least a zero cumulative balance) is three years.*
- a deficit which is in excess of £5,000 or 5% of annual budget must be approved by the Authority. The maximum size of the deficits which may be agreed is 20% of the in-year allocation.*
- The Director of Children, Young People and Learning and the Director of Resources (Chief Finance Officer) of the Authority will agree any arrangements for individual schools.*
- Agreements are to be signed by the officers mentioned in above as well Headteacher and Chair of Governors of the School.*

3.5 The Authority reminds all schools that the Scheme for Financing Schools must be adhered to. It is an important part of a school's financial governance processes and it ensures that the Authority can work with schools to formalise recovery plans which would be necessary for the school to return to financial balance. As described earlier in this paper school balances are on a downward trajectory with schools projecting net deficit balances on an annual basis. The Authority must take into account overall school balances in the context of licenced deficit approvals to safeguard the Authority's own financial position. Regular monitoring and reporting from schools to the Authority form part of this important work.

3.6 The Authority took a slightly different approach to the licenced deficit approval process for 2022/23 requiring all schools new to deficit, and some existing deficit schools with more challenging financial positions, to have a Schools Resource Management Advisors (SRMA) visit following the successful pilot of these arrangements by the Education Skills and Funding Agency (ESFA) within the Academy sector. For the four schools new to deficit, along with Beaconhill and Monkseaton High School, the SRMAs worked through the schools' finances and management structure to then provided a report to these schools and the Authority after the autumn term. The reports are now received and are being used by the Authority and the Schools Finance Team to tailor support to schools and this will be used as a basis for an update of the Support and Challenge Framework which will be brought back to Forum in July for review.

4. High Needs Block

4.1 Forum will recall from the previous finance report that the High Needs block of the Dedicated Schools Grant (DSG) was anticipating an in-year pressure of £5.111m in September, which would have raised the cumulative pressure on the block to £18.623m.

4.2 The forecast for the High Needs Block as at November 2022 is now an anticipated in-year pressure of £4.416m reflecting continued demand for special school places within the Authority. A breakdown of the in-year pressure is shown in Table 3.

Table 3: Breakdown of High Needs Pressures at January 2023

Provision	Budget £m	Forecast Variance January £m	Comment
Special schools and PRU	17.788	2.217	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder. Includes High Needs additional funding.
Additional Resource Provision/Top ups	4.705	0.859	Pressures in mainstream pre 16 top-ups
Out of Borough	3.316	1.285	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.974	0.055	
Subtotal	29.783	4.416	
2021/22 Balance		13.511	
Total	29.783	17.927	

5. Budget Tool Update

- 5.1 As described in section 2.4 of this report improvement work is on-going with the new Schools Business Services (SBS) budget planning and monitoring tool. Forum will recall that the Authority was asked to look at options for replacing the in house 3-year budget planning tool used by schools for budget planning and in year monitoring.
- 5.2 In conjunction with schools the Authority entered into contractual arrangements with SBS to provide a 5-year budget planning tool, which was made available to schools from November 2021. The contract entered into was for a 3-year period (2022/23 to 2024/25) and all schools that required the tool submitted their agreement to the Authority to confirm recharge arrangements for SBS licences as part of the Finance SLA with the Authority.
- 5.3 Initial training on use of the new budget tool was carried out by the provider, and schools pre-loaded their budget data as at November 2021 in preparation for budget planning for 2022/23 to produce 3-year budget plans to 2024/25.
- 5.4 Budget training, incorporating the new SBS budget planning tool, is being rolled out as part of the Finance SLA from week commencing 13th March, with schools needing to prepare and submit budgets by the 31 May 2023 deadline. Any further issues can be reported and addressed through the new SBS improvement working group once it is in place.

Recommendations

- 6.1 Schools Forum is asked to:
 - Note the forecast position for schools after the 1st termly monitoring process;
 - Note the latest position for the High Needs Block as reported in January 2023; and
 - Note the update on the new budget planning tool for use in the 2023/24 to 2025/26 budget planning cycle.