



North Tyneside Council

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Briefing note

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Date: 13 July 2022

Purpose of the Paper:

Information	√
Consultation	
Decision	

Title of Briefing: Finance Update

Purpose of Paper

- 1.1 This paper provides an outline of the overall school's provisional outturn position for 2021/22 pending the outcome of the external audit which is due to commence on 4 July 2022. A summary of the High Needs budget outturn position is also included and the Early Years Position.
- 1.2 The paper also reviews the progress against additional funding to schools for growth, falling rolls and school in financial difficulty
- 1.3 The paper will cover initial proposals for refinement of the National Funding Formula for 2022/23 and considerations in relation to the review of the free school meal factors.

Schools Outturn Balances in 2021/22

- 2.1 Schools have concluded their 2021/22 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 £3.721m at the start of the year to a closing surplus of £3.398m. This position is significantly better, by £9.391m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £5.993m. The most recent monitoring performed with schools during the year and completed in February 2022 showed an overall forecast deficit balance of £3.565m.
- 2.2 The final position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account, which are in a normal year around £4.5m (the full value of commitments for 2021/22 is still to be confirmed and won't be

known until late July 2022). The reported position across 2021/22 is analysed below in Table 1 by phase:

2.3 Table 1: All Maintained School balance position against plan Surplus/ (Deficit) -

Phase	Outturn 2020/21 £m	Budget Plan 2021/22 £m	Monitoring 1 2021/22 £m	Monitoring 2 2021/22 £m	Provisional Outturn 2021/22 £m	Actual Movement from 2020/21 £m
Nursery	0.124	0.082	0.074	0.089	0.086	(0.038)
First	1.291	0.832	0.910	0.841	1.410	0.119
Primary	5.180	3.061	3.537	3.543	5.816	0.636
New Academies	0.875	0.000	0.000	0.000	0.000	(0.875)
Middle	1.013	0.414	0.506	0.630	1.408	0.395
Secondary	(5.577)	(9.808)	(8.915)	(8.558)	(5.943)	(0.366)
Special / PRU	0.815	(0.574)	(0.014)	(0.110)	0.621	(0.194)
Total	3.721	(5.993)	(3.902)	(3.565)	3.398	(0.323)

2.4 In 2021/22 seven schools transferred to the Bishop Bewick Catholic Education Trust (BBCET), becoming academy schools and as such are not reported in the 2021/22 outturn for maintained schools. These schools left the Authority with a combined outturn balance of £1.081m. The outturn for these schools in 2020/21 was £0.875m, as included in Table 1. Excluding these schools from the balances shows that the remaining maintained schools have ended 2021/22 with an increase in balances of £0.552m bringing total maintained school balances to £3.398m (see table 2):

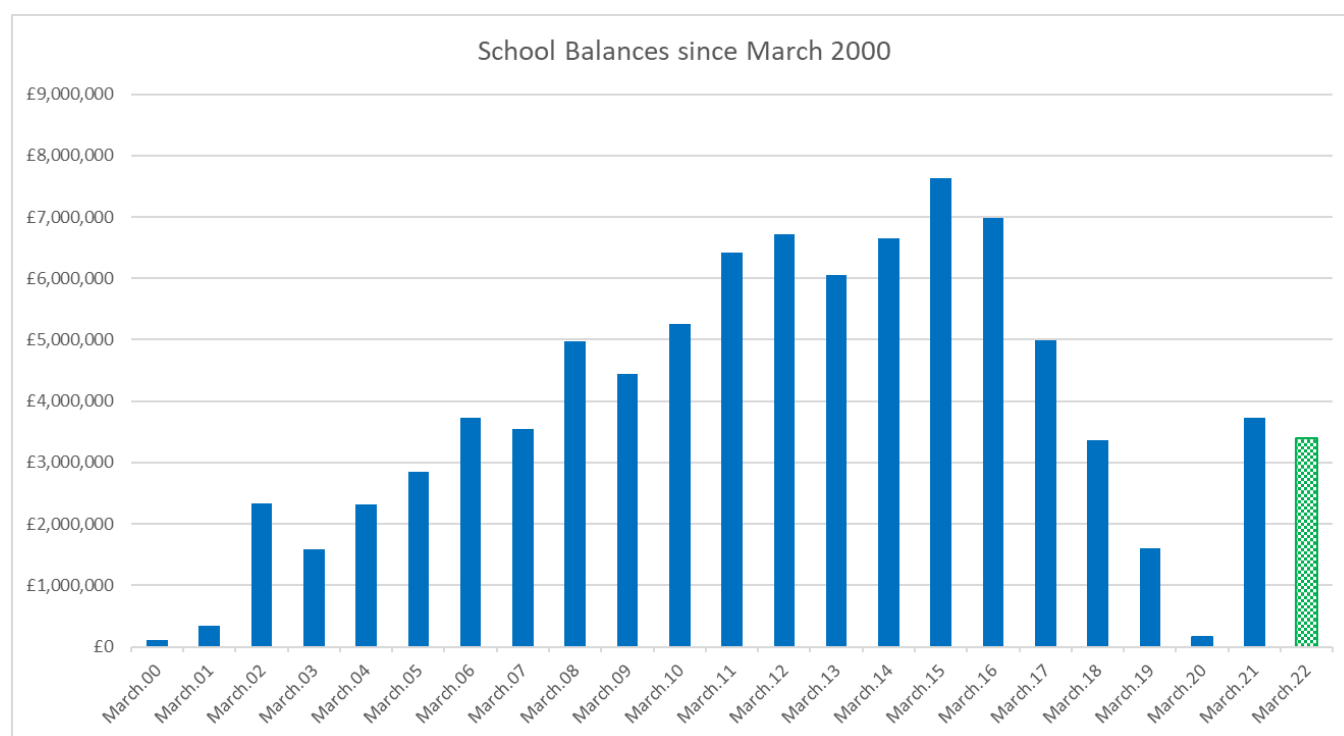
2.5 Table 2: Remaining Maintained School balance position against plan Surplus/ (Deficit)

Phase	Outturn 2020/21 £m	Budget Plan 2021/22 £m	Monitoring 1 2021/22 £m	Monitoring 2 2021/22 £m	Provisional Outturn 2021/22 £m	Actual Movement from 2020/21 £m
Nursery	0.124	0.082	0.074	0.089	0.086	(0.038)
First	1.291	0.832	0.910	0.841	1.410	0.119
Primary	5.180	3.061	3.537	3.543	5.816	0.636
Middle	1.013	0.414	0.506	0.630	1.408	0.395
Secondary	(5.577)	(9.808)	(8.915)	(8.558)	(5.943)	(0.366)
Special / PRU	0.815	(0.574)	(0.014)	(0.110)	0.621	(0.194)
Total	2.846	(5.993)	(3.902)	(3.565)	3.398	0.552

2.6 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.

2.7 The outturn position for 2021/22 is significantly better than predicted during the year, this is now the second year since 2015 that school balances have improved in North Tyneside. In 2020/21 the main reason for the improvement was due to reduced investment and operational costs with schools being partially closed and attributable costs being funded by Covid grants. These balances then flowed into 2021/22 and schools are still catching up with investment, which will be included in the commitment values identified in July. Chart 1 below sets out the long-term trend, the March 2022 position does not include the £1.081m balance of the seven academies created in 2021/22.

2.8 Chart 1: Long-Term Trend in School Balances within North Tyneside



School Deficits

2.9 Schools Forum will recall from the previous finance updates that some individual schools expected to face significant financial challenges. During the year, the Authority and Schools Forum paid particular attention to those schools with approved deficits.

2.10 There were six schools identified with planned deficits in 2021/22, including two classed as structural deficits, which were supported with a total approved deficit value of £13.799m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year, with all schools improving their closing position against

their budgeted deficit and contributing to an improved outturn of £11.832m, a movement of £1.967m. The progress of individual schools is outlined in Table 3 below:

2.11 Table 3: Provisional Outturn – Schools in deficit

Deficit School Positions 2021/22	Deficit Approval £m	Provisional Outturn £m	Improvement £m
Greenfields	(0.084)	(0.065)	0.019
Ivy Road	(0.198)	(0.139)	0.059
Longbenton	(2.618)	(2.095)	0.523
Monkseaton High	(5.689)	(5.328)	0.361
Norham	(3.969)	(3.684)	0.285
Beaconhill	(1.241)	(0.521)	0.720
Total	(13.799)	(11.832)	1.967

- 2.12 Schools Forum should note that all six schools are expected to remain in deficit for 2022/23. In addition to these schools with planned deficits in 2022/23, an additional three schools have informed the Authority that they expect to need to apply for a licenced deficit agreement in 2022/23. Consequently, nine schools are expected to request deficit approval in 2022/23.

The Education and Skills Funding Agency (ESFA) have offered support to schools in the form of School Resource Management Advisors (SRMAs). For the four schools new to deficit, along with Beacon Hill and Monkseaton High School, the SRMAs will work through the schools' finances and management structure to then provide a report to these schools and the Authority in the autumn term. Initial deficit challenge sessions for these schools will then take place in September to October 2022.

Initial deficit challenge sessions will have taken place for the remaining three schools with established business plans during June and July 2022. Full details of deficit approval applications will be reported to Schools Forum as part of financial management reports during 2022/23

2021/22 Dedicated Schools Grant (DSG) Outturn

- 2.13 After allowing for school allocations, the 2021/22 DSG account of £157.061m (after removing academy funding) is showing a net deficit balance of £12.851m. This compares to a deficit of £7.932m in 2020/21. 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. However, this was a temporary statutory override to ring-fence DSG deficits from authorities' wider financial position in their statutory accounts. As it stands, this ring-fence is due to end after the accounts for the financial year 2022/23, at which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. This poses a significant risk to the Authority which will have to be managed across all blocks of the DSG.

- 2.14 Within the individual blocks of the DSG, the closing balance on the High Needs block is a pressure of £13.512m, which increased by £4.792m in 2021/22 from £8.720m in 2020/21. This is partially offset by an underspend of £0.533m on de-delegated items which mainly relates to the headroom, growth funding and falling roles funding. As the DSG is currently a ringfenced account, any balance is carried forward into the next financial year.

High Needs Block

- 2.15 Schools Forum will recall that the High Needs block outturn in 2020/21 was an adjusted overspend of £8.720m. This pressure has continued in 2021/22 with the provisional in-year outturn of £4.792m giving an overall deficit of £13.512m. Schools Forum should note that the High Needs block forms part of the DSG, which is ringfenced and does not form part of the General Fund.
- 2.16 This 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;

2.17 Table 4: Breakdown of High Needs Pressures at March 2022

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	15.571	2.019	Pressure on places for children with Profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.120	1.604	Pressures in mainstream top-ups
Out of Borough	2.890	1.006	Additional costs of the most complex children currently not able to be supported in the Borough
Commissioned services	3.888	0.163	
Subtotal	26.469	4.792	
2020/21 brought forward balance		8.720	
Cumulative Outturn		13.512	

- 2.18 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 2021/22 with Schools Forum which was not supported pending the completion of the Dedicated Schools Grant Management Plan.

Dedicated Schools Grant Management Plan

- 2.19 The ringfenced Dedicated Schools Grant (DSG) is received from the Government and administered by the Authority and is the main source of income for the schools' budget. The DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum although increasing numbers of children with special needs entering the education system has offset some of the progress.

Such deficits have come under increasing scrutiny from the Department for Education (DfE) and during 2021, the Authority was required to submit a draft DSG Management Plan to the Education, Skills and Funding Agency (ESFA) as its DSG deficit was more than 1% of the total value of the DSG as at March 2021. As a consequence, since then, the Authority's DSG deficit has remained under review.

Liaising with the DfE during 2021/22 the Authority has been working to firm up plans to reduce the DSG deficit and this work is now being overseen by the Strategic Education and Inclusion Board. The Authority submitted a draft DSG Management plan to the ESFA in August 2021 which outlined the main areas of priority that focus on reducing the deficit on the High Needs block of the DSG. As of 2022/23 the Authority has been invited to be part of the ESFA's Safety Valve Intervention programme from September 2022. The Authority has had early discussions with representatives from the ESFA and as plans are firmed up over the coming months the ESFA will continue to challenge and support the Authority through to the Safety Valve process commencing in September 2022.

For 2022/23 £150m of revenue funding is available to support the cumulative deficit position of those authorities who are part of the Safety Valve programme, however, the ESFA have been clear that access to this funding will only be agreed once a robust DSG Management Plan is in place. The current cumulative deficit position on the High Needs block of the DSG at the end of the 2021/22 financial year is £13.512m. This is an increase of £4.792m since March 2021.

A key risk for the Authority is that the statutory override to ring-fence DSG deficits from authorities' wider financial position in their statutory accounts is due to come end after the accounts for the financial year 2022/23. At which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the Authority's DSG Management Plan meets the ESFA's requirements to ensure the historic deficit can be supported by funding that is available.

- 2.20 North Tyneside is an outlier in terms of the number of Education Health and Care Plans currently in use. The most recent figures suggest that the Authority are around 1% above the national average in terms of whole population. This has a significant impact on all the services that work with our children and young people with additional needs.

Early Years Block

- 2.21 The Early Years block has ended the year with a cumulative deficit of £0.093m. This included a brought forward surplus of £0.198m from 2020/21.

- 2.22 An adjustment to funding takes place in July when the DfE reviews initial funding estimates in relation to the numbers of pupils actually taking place compared to the initial funding estimates based on the January pupil census prior to the financial year.

Falling Rolls, Growth and Schools in Financial Difficulty

- 3.1 The finance sub-group of Schools Forum are meeting on 19 July to discuss falling rolls and growth funding, which will include a discussion on approach for inviting applications from schools in financial difficulties.
- 3.2 An update for funding falling rolls, growth and schools in financial difficulty will be reported to Schools Forum in September, following review by the finance sub-group. At this point Forum will be asked to ratify any decisions taken by the sub-group.

National Funding Formula (NFF) Consultation for 2023/24

- 4.1 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 2023/24. 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 2023. 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 the Schools Forum.
- 4.2 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.
- 4.3 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.
- 4.4 Recommended modelling scenarios will be presented to Schools Forum in September, in advance of the formal consultation with schools during October/November 2022.

Recommendations

- 5.1 Schools Forum is asked to:
- acknowledge the provisional 2021/22 outturn position on all DSG balances;
 - acknowledge the school budget plans overall summary position and the Deficit Schools positions for 2021/22;
 - acknowledge the pressure on the High Needs block and the Authority's inclusion in the ESFA's Safety Valve Intervention Programme from September 2022;
 - agree the current position and plans for additional funding sources maintained by Schools Forum; and
 - agree the plan for funding consultation for 2023/24.