



North Tyneside Council

Briefing note

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

Date: 7 July 2021

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 2020/21 pending the outcome of the external audit which is due to commence on 5 July 2021. A summary of the High Needs budget outturn position also included, with a brief summary of the High Needs Recovery Plan at March and the Early Years Position.
- 1.2 The paper also reviews the progress against additional funding to schools for growth, falling rolls and schools 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 2020/21

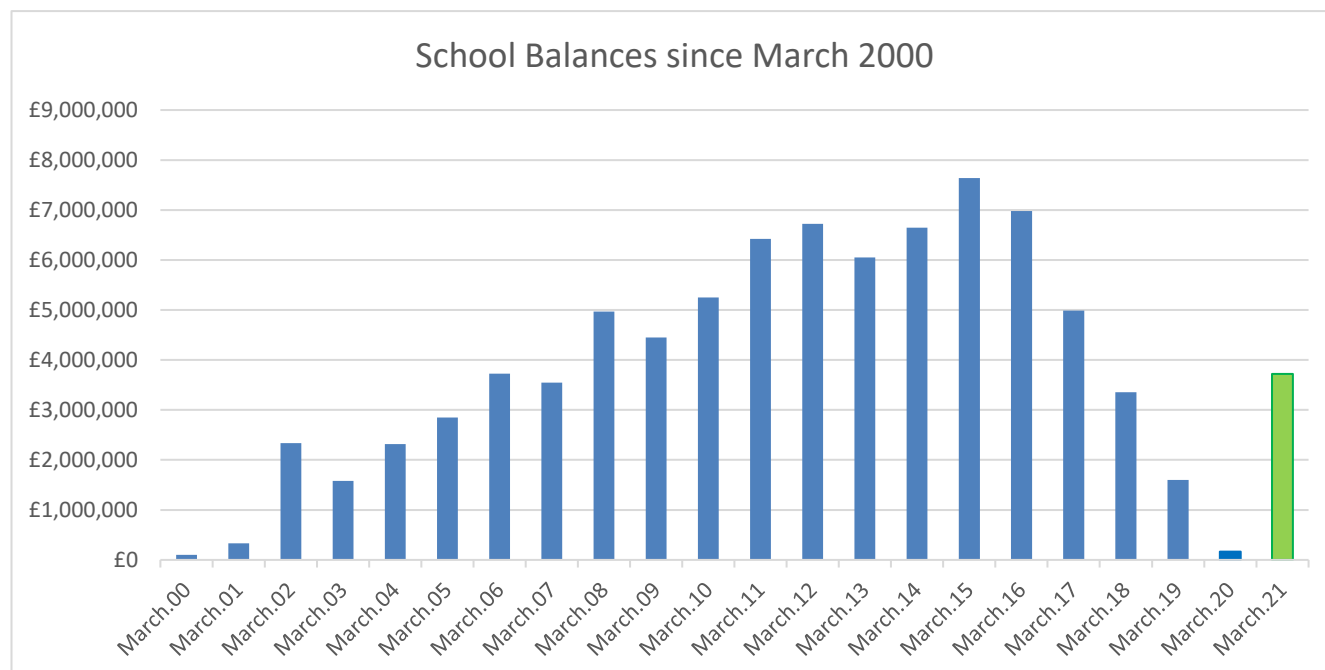
- 2.1 Schools have concluded their 2020/21 accounts closure in line with the Local Scheme for Financing Schools and the Authority's revised year-end timetable. Collective school balances in North Tyneside maintained schools increased from a surplus of £0.165m at the start of the year to a closing surplus of £3.721m. This position is significantly better, by £10.476m than the forecast at the start of the year, when the anticipated outturn based on information provided by schools was expected to be an overall deficit of £6.755m. The most recent set of monitoring performed with schools during the year and completed in early February 2021 showed an overall forecast deficit balance of £2.900m.
- 2.2 The final position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account, in a normal year school commitments are around £4.500m (the full value of commitments for 2020/21 is still to be confirmed and won't be known until late July 2021). The reported position across 2020/21 is shown below in Table 1 by phase:

2.3 **Table 1: Total School balance position against plan Surplus/ (Deficit) - uncommitted**

| Phase | Outturn 2019/20 £m | Budget Plan 2020/21 £m | Monitoring 1 2020/21 £m | Monitoring 2 2020/21 £m | Provisional Outturn 2020/21 £m | Annual Movement £m |
|---------------|-----------------------|---------------------------|----------------------------|----------------------------|-----------------------------------|-----------------------|
| Nursery | 0.127 | 0.053 | 0.086 | 0.099 | 0.124 | (0.003) |
| First | 0.746 | 0.665 | 0.619 | 0.910 | 1.291 | 0.545 |
| Primary | 3.497 | 2.271 | 2.693 | 3.232 | 6.055 | 2.558 |
| Middle | 0.437 | 0.276 | 0.338 | 0.523 | 1.013 | 0.576 |
| Secondary | (5.549) | (9.679) | (9.766) | (8.056) | (5.577) | (0.028) |
| Special / PRU | 0.907 | (0.341) | 0.353 | 0.392 | 0.815 | (0.092) |
| Total | 0.165 | (6.755) | (5.677) | (2.900) | 3.721 | 3.556 |

2.4 The outturn position for 2020/21 is significantly better than predicted during the year, this is the first year since 2015 that school balances have improved in North Tyneside. This is partly due to the impact of the Governments imposed lockdowns during the year, but it is also due to schools being unable to carry out various committed activities that are anticipated to be slipped into 2021/22 along with the relevant committed funding. Chart 1 below sets out the long-term trend:

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



Covid-19 Impact

- 2.6 Schools have been impacted significantly by the Covid-19 outbreak, especially during the various lockdowns in 2020/21. Whilst this has had an impact on their ability to operate effectively it has also led to an improved financial position with a positive impact on balances. The Government has met some of the costs of the impact of the Covid-19 outbreak with £1.881m being met by funding from the Department for Education (DfE) and partially from budget savings due to schools being closed.
- 2.7 The Authority has recognised that whilst open and carrying out their duties, schools have had to meet the costs of having to contain the spread of Covid-19 from their own balances. As stated above, overall, schools have in the main shown improved balances due to being closed for parts of the year, they have had to meet exceptional costs of containing the spread of the Covid-19 outbreak when operating.
- 2.8 The Authority's Recovery Coordinating Group (RCG) has agreed to provide containment funding to mitigate some of this impact for the latter half of 2020/21 and has set aside £0.450m. The Authority has also proposed a further £0.500m for the first half of 2021/22. Schools have been asked to retrospectively apply for funding in 2021/22 to offset the qualifying costs they have already absorbed for October 2020 to March 2021, making their submissions by 30 June 2021.
- 2.9 RCG will be reviewing the claims submitted and will make recommendations on how best to aggregate the funding to schools. Once RCG has confirmed the funding for 2021/22 schools will be notified of allocations that have been made.

School Deficits

- 2.10 Schools Forum will recall from earlier 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.
- 2.11 There were twelve schools with identified with potential deficits in 2020/21, three of these schools received funding from Schools Forum for schools in financial difficulty and therefore did not require deficit approvals, shown in table 2.

2.12 Table 2: Provisional Outturn – Schools no longer in deficit

| Schools Out of Deficit 2020/21 | Deficit Approval £m | Provisional Outturn £m | Improvement £m |
|--------------------------------|------------------------|---------------------------|-------------------|
| Benton Dene Primary | 0.000 | 0.083 | 0.083 |
| Holystone Primary | 0.000 | 0.059 | 0.059 |
| Marden Bridge Middle | 0.000 | 0.096 | 0.096 |
| Total | 0.000 | 0.238 | 0.238 |

- 2.13 The remaining nine schools, including two classed as structural deficits, were supported with a total approved deficit value of £12.675m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year, with all schools

bar one improving their closing position against their budgeted deficit and contributing to an improved outturn of £10.570m, a movement of £2.105m. Three of these schools ended the year in a surplus position. The progress of individual schools is outlined in Table 3 below:

2.14 **Table 3: Provisional Outturn – Deficit Schools**

| Deficit School Positions 2020/21 | Deficit Approval £m | Provisional Outturn £m | Improvement £m |
|---|--------------------------------|-----------------------------------|---------------------------|
| Forest Hall | (0.014) | 0.037 | 0.051 |
| Greenfields | (0.120) | (0.131) | (0.011) |
| Ivy Road | (0.300) | (0.165) | 0.135 |
| St Mary's (NS) | (0.033) | 0.068 | 0.101 |
| Marden High | (0.468) | 0.078 | 0.546 |
| Norham High | (3.193) | (3.064) | 0.129 |
| Longbenton High | (2.610) | (2.334) | 0.276 |
| Monkseaton High | (5.164) | (4.815) | 0.349 |
| Beaconhill | (0.773) | (0.244) | 0.529 |
| Total | (12.675) | (10.570) | 2.105 |

2.15 Forum should note that six schools are expected to remain in deficit for 2021/22. In addition to these schools with planned deficits, three schools have warned the Authority that they expect to need to apply for a licenced deficit agreement in 2021/22. The Authority is currently working with these schools and it is not anticipated that deficit approval will be required. Initial deficit challenge sessions have taken place during June 2021, with plans put in place to reduce the need for licenced deficits by reviewing recovery plans and making best use of additional funding available via growth, falling rolls, schools in financial difficulty funds and the containment grant mentioned above.

2020/21 Dedicated Schools Grant (DSG) Outturn

3.1 After allowing for school allocations, the 2020/21 DSG account of £149.419m (after removing academy funding) is showing a net deficit balance of £7.932m. This compares to a deficit of £3.262m in 2019/20. Schools 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.

3.2 Within the individual blocks of the DSG, the closing balance on the High Needs block at the end of 2020/21 is a pressure of £8.720m, which increased by £4.175m in 2020/21 from £4.545m in 2019/20. This is partially offset by an underspend of £0.199m on the Early Years block and an underspend of £0.589m on Centrally Retained and de-delegated items which 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.

Early Years Block

- 4.1 The Early Years block ended the year with a cumulative surplus of £0.199m. This included a brought forward surplus balance of £0.435m from 2019/20. The 2019/20 surplus included £0.394m generated on the 3- and 4- year-old funding, which was returned to providers of the 3- and 4- year-old entitlement as was agreed with Schools Forum.
- 4.2 The Early Years sector has been supported through the various stages of the Covid-19 pandemic by flexing the local funding policy each term. For Summer 2020 settings were funded based on pre-Covid estimates, Autumn 2020 funding based on the higher of Autumn 20 or Autumn 19 pupil numbers, with the refund of surplus funds mentioned above also being applied.
- 4.3 An adjustment to funding takes place each May/June 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. The Authority is anticipating a clawback of funding as a result of this review.

High Needs Block outturn 2020/21

- 5.1 Forum will recall that the High Needs block outturn in 2019/20 was an overspend of £4.545m. This pressure has continued in 2020/21 in line with national trends. The provisional 2020/21 in-year outturn was £4.175m, with a cumulative pressure of £8.720m.
- 5.2 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:
- 5.3 **Table 4: Breakdown of High Needs Pressures at March 2021**

| Provision | Budget £m | Provisional Outturn Variance £m | Comment |
|---------------------------------|---------------|--|---|
| Special schools and PRU | 12.797 | 2.186 | Pressure on places for children with Profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder |
| ARPs/Top ups | 3.655 | 1.198 | Pressures in mainstream top-ups (including Norham ARP) |
| Out of Borough | 2.515 | 0.730 | Additional costs of the most complex children currently not able to be supported in the Borough |
| Commissioned services | 3.957 | 0.061 | |
| Subtotal | 22.924 | 4.175 | |
| 2019/20 brought/forward balance | | 4.545 | |
| Cumulative Outturn | | 8.720 | |

- 5.4 The DfE guidelines state that Schools Forum can approve a transfer of up to 0.5% of the Schools block to support other blocks of the DSG. Transfers have been made to the High Needs block from the Schools block in previous years. The Authority did not request a transfer for 2020/21 and has not requested one for 2021/22 pending the completion of the High Needs Recovery Plan.

High Needs Recovery Plan

- 6.1 North Tyneside continues to experience a significant increase in the number of children with Special Educational Needs and Disabilities (SEND). Increases since 2018/19 have made the Authority a national outlier in terms of the proportion of Education Health and Care plans maintained and the rate of increase. These plans, in excess of what would be seen to be typical, are placing the services that work with children and young people with additional needs under considerable pressure. All local authorities have a statutory responsibility to keep High Needs provision under review. Officers from the local authority are working with stakeholders to develop a pragmatic four-year recovery plan with a core objective to ensure that all children and young people are enabled to thrive within their local communities. It will continue to involve the Authority working with School's Forum, the Special School Heads Group, Primary Learning Partnership (primary headteachers), Education Improvement Partnership (secondary headteachers), the NTCCG, NHS Foundation Trust Therapeutic Services, the Parent Carer Forum and other stakeholders.
- 6.2 The new SEND Inclusion strategy has a clear focus on enabling children and young people with additional needs to live a 'gloriously ordinary' life and key to that is maintaining them where they will have most success and the evidence shows that this is accessing resource within their local community.
- 6.3 Our initial plans to strengthen the graduated approach in mainstream schools, strengthen the gatekeeping around access to High Needs top-up funding and to improve management of demand for out of borough placements by looking at the reasons behind current requests for an external placement have been impacted by the pandemic. Plans are underway to re-launch and more firmly embed the ambition of this work that will aim to increase the depth and breadth of the universal offer for all children and young people who may need support to have success in their local schools. This work will be ongoing in 2021/22.
- 6.4 An initial meeting has taken place with the ESFA on 16 June 2021 to discuss the Authority's approach to developing a DSG Management plan. The Authority will be required to submit a draft plan to the ESFA week commencing 9 August 2021. Consultation will take place with schools as required during this process.

Falling Rolls, Growth and Schools in Financial Difficulty

- 7.1 The current expectations for these funding streams are:
- 5 schools eligible for falling rolls with an expected value of £0.082.
 - 5 schools eligible for growth funding with an expected value of £0.525m; and
 - 3 schools are expected to submit a Schools in Financial Difficulty (Headroom) application.

- 7.2 The decisions 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.

National Funding Formula Consultation for 2022/23

- 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 2022/23. 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 2022. 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.
- 8.2 In 2021/22, in consultation with Schools Forum and the Authority's maintained schools, the Authority made the decision to move the Local Funding Formula (LFF) 100% in line with the NFF, with a Minimum Funding Guarantee (MFG) of 0.7% and Capping of 5.6%. This altered the ratio of funding per pupil to 1:1.30 in favour of secondary schools.
- 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 a potential option to remove the requirement for capping and maximise MFG by reviewing the FSM/FSM6 deprivation factors. Guidance states that a local authorities Local Funding Formula can incorporate one or both of the Free School Meals factors; North Tyneside have previously allocated funding to schools based on both FSM and FSM6 eligibility. The 2022/23 modelling would include only the FSM6 element (being the higher of the 2 factors).
- 8.4 Recommended modelling scenarios will be presented to Schools Forum in September, in advance of the formal consultation with schools during October/November.

Recommendations

- 9.1 Schools Forum is asked to:
- acknowledge the provisional 2020/21 outturn position on all DSG balances;
 - acknowledge the school budget plans overall summary position and the Deficit Schools positions for both 2020//21 and 2021/22;
 - acknowledge the forecasts for DSG positions in 2021/2/21 and the likely impact of Covid-19 on school balances; and
 - acknowledge the current pressure on the High Needs block, noting the requirement for the Authority to submit a DSG Management plan week commencing 9 August 2021.