



North Tyneside
Council

Item 8

Briefing Notes

To: Schools Forum
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Purpose of the Paper:	<table><tr><td>Information</td><td>✓</td></tr><tr><td>Consultation</td><td>✓</td></tr><tr><td>Decision</td><td>✓</td></tr></table>	Information	✓	Consultation	✓	Decision	✓
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Title of Briefing: Finance Update

1. Purpose of Paper

- 1.1. This paper provides an outline of the overall school's budget plan balances for 2023/24 to 2025/26, with details of all schools' planned balances. An update on schools with budgeted deficits is also included, along with the plans for schools applying for funding due to financial difficulties and schools with claims for growth funding.
- 1.2. The paper will cover initial proposals for refinement of the National Funding Formula for 2024/25.
- 1.3. The paper also includes an update on the High Needs budget position for 2023/24 and the safety valve intervention programme.

2. Schools Budget Plan Balances 2023/24 to 2025/26

- 2.1. Schools submitted their three-year budget plans in line with the Scheme for Financing Schools and the Authority's revised timetable. Collective school balances in North Tyneside maintained schools, are expected to decrease from a closing deficit of £0.382m at the end of 2022/23 to £8.156m deficit in 2023/24, £12.655m in 2024/25 and £19.030m in 2025/26. This has highlighted the risk to the Authority relating to the level of school balances. In previous years those schools with surplus balances offset those schools with deficit balances and the net position was positive. However, the current position is that deficit balances of some schools now exceed those in surplus.

2.2. Table 1: Maintained School budgeted balances

Phase	Outturn 2021/22 £m	Outturn 2022/23 £m	Budgeted Outturn 2023/24 £m	Budgeted Outturn 2024/25 £m	Budgeted Outturn 2025/26 £m
Nursery, First & Primary	(7.312)	(5.529)	(2.690)	(2.327)	(1.563)
Middle	(1.408)	(1.655)	(0.488)	0.003	0.516
Secondary	5.943	6.822	9.638	11.554	14.205
Special / PRU	(0.621)	0.744	1.696	3.425	5.871
Total	(3.398)	0.382	8.156	12.655	19.030

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. Schools with budget plans showing a deficit position are required to complete deficit recovery plans. Of the fourteen schools forecasting budgeted deficits, three of the existing schools and one new deficit school have existing recovery plans that show them coming back into balance. Five schools have plans which require some additional work to firm the impact of the suggested recovery actions, with another requesting School Resource Management Advisor (SRMA) support to assist in identifying potential recovery actions.
- 3.3. The remaining four schools have financial issues that are wider than the school's ability to resolve – with one school already identified as a structural deficit and another being reclassified as a structural deficit. The two remaining special schools require further support with SEN funding before their budget recovery plans can be redrafted.

3.4. Table 2: Schools in Deficit initial position for 2023/24

Deficit School Positions 2023/24	Outturn 2022/23	Budget Plan 2023/24	Recovery Plan Updates
	£m	£m	
Benton Dene	(0.018)	0.022	Back into balance by 2024/25
Forest Hall	0.013	0.052	Confirming revised position Sept
Greenfields	0.078	0.041	Back into balance by 2024/25
Whitehouse Primary	0.044	0.008	Confirming revised position Sept
Silverdale	0.044	0.079	Separate review of SEN provision
Monkseaton High	5.546	6.128	Structural review required
Coquet Park	0.051	0.157	Confirm status with finance
Holystone	0.133	0.129	Back into balance 2025/26
Balliol Primary	0.097	0.125	Confirming revised position Sept
Wallsend St Peter's	0.092	0.113	Confirming SRMA visit
Ivy Road Primary	0.149	0.164	Back into in-year balance 2024/25
Longbenton High	1.697	1.510	Back into in-year balance 2022/23
Norham High	3.984	4.352	Confirming revised position Sept
Beacon Hill	1.232	1.946	Separate review of SEN provision
Total	13.142	14.826	

3.5. The next table is an updated position for those schools who have submitted a revised budget plan for the next 3 years following initial deficit monitoring with the Authority. Some schools have yet to submit a revised budget plan and the Authority will be meeting with these schools during September and October.

3.6. **Table 3: Schools With Submitted, Successful Recovery Plans**

Deficit School Positions 2023/24	Outturn 2022/23	Budget Plan 2023/24	Recovery Plan 2023/24	Recovery Plan 2024/25	Recovery Plan 2025/26
	£m	£m	£m	£m	£m
Benton Dene	(0.018)	0.022	0.022	(0.010)	(0.018)
Greenfields	0.078	0.041	0.041	(0.033)	(0.127)
Holystone	0.133	0.129	0.129	0.078	(0.015)
Ivy Road Primary	0.149	0.164	0.164	0.163	0.163
Longbenton High	1.697	1.510	1.510	1.204	0.983

- 3.7. Further sessions with all fourteen schools are planned to take place from September 2023. Deficit sessions for the Special Schools will be held later in September to allow time for work on the SEN provision to be complete. At least three of the schools are in a position where they could make an application for schools in financial difficulty funding.

4. **Update on Schools in Financial Difficulty & Growth Funding**

- 4.1. Officers from the Authority met with representatives from the Schools Forum finance subgroup in June to discuss approving allocations for falling rolls and growth funding, which were then ratified at Schools Forum in July. At the time it was noted 3 schools had not submitted evidence of eligibility and would need to be considered at a future date.
- 4.2. A meeting is provisionally set with the Schools Forum finance subgroup on 16 October to discuss these additional schools' submissions and evidence base. In addition, this meeting will also receive applications from schools in financial difficulty, with all proposals from the subgroup being presented to the next Schools Forum meeting in November for final approval.

5. **Additional Support for Schools in Financial Difficulty**

- 5.1. The Education Skills and Funding Agency (ESFA) have announced an additional £40m funding nationally to assist schools that find themselves in particular financial difficulties. Details of the arrangements for how the funding will be distributed and targeted to individual schools or local

authorities are yet to be released, the Authority are reviewing the ESFA's website for any updates on a regular basis.

- 5.2. The ESFA have stated that schools in serious financial difficulties should contact their local authority or the Agency, as usual, who can provide advice and support on a case-by-case basis.

6. 2024/25 Funding – Plans for Consultation on the Local Funding Formula

- 6.1. Schools Forum will be aware that the ESFA are planning to implement a gradual approach to transitioning to a direct National Funding Formula (NFF) model, following consultation in 2022. For 2024 to 2025 each local authority will continue to set a local schools funding formula, in consultation with local schools. To ensure a smooth transition towards the direct NFF, local authorities will continue to be required to bring its own formulae closer to the schools NFF.
- 6.2. The ESFA has made the following key changes to the schools NFF in 2024 to 2025:
- introducing a new formulaic approach to allocating split sites funding in the NFF in 2024 to 2025, replacing the previous locally determined split sites factor
 - rolling the 2023 to 2024 mainstream schools additional grant (MSAG) into the NFF by:
 - adding an amount representing what schools receive through the grant into their baselines
 - adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the grant onto the respective factors in the NFF
 - uplifting the minimum per pupil values by the mainstream schools additional grant's basic per-pupil values and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the grants
 - increasing NFF factor values (on top of the amounts we have added for the mainstream schools additional grant) by:
 - 2.4% to the following factors: basic entitlement, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity and the lump sum
 - 2.4% to the minimum per pupil levels (MPPL)

- 0.5% to the funding floor
- 1.6% to the free school meals (FSM) factor value with the gross domestic product (GDP) deflator forecast for 2024 to 2025
- 0% on the premises factors, except for: (i) Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 10.4% for the year to April 2023 and (ii) split sites funding which has been formularised
- introducing, for the first time, a methodology for calculating and allocating funding for falling rolls.

- 6.3. In addition, local authorities are required to bring their local funding formulae (LFF) at least 10% closer to NFF factors, include the new formulaic approach to split sites, growth funding and falling rolls funding. Local authorities have the freedom to set the MFG in their local formulae between +0.0% and +0.5% per pupil.
- 6.4. The Authority has worked with Schools Forum over the last four years to move the LFF to reflect the same factors values used in the NFF, including the use of locally set capping and minimum funding guarantee values in line with ESFA guidance.
- 6.5. For 2024/25 the funding formula will again be set by the Authority at a local level, with the intention of continuing to mirror the NFF factors. The Authority will be seeking the views of Schools Forum on proposals to allocate the 2024/25 school funding in November. This will then be fed into the Authority's budget planning considerations in setting the budget for 2024/25. The Authority also seeks approval from Schools Forum relating to a 0.5% school block transfer to the high needs block.
- 6.6. In line with the approach taken in previous years, the Authority will first seek the opinions of all schools for via consultation in setting the Local Funding Formula (LFF) for 2024/25. It is proposed that this consultation will ask schools to consider the following areas:
- Continued use of factors in line with NFF, funding permitting
 - Allowing the Authority to set an MFG and capping, based on affordability
 - Setting the growth funding and falling rolls de-delegated values at the amounts calculated in the NFF
 - Identifying how to meet the DSG Safety Valve plan, either by transferring up to the maximum 0.5% from the schools funding to high needs funding

or by agreeing to another method to balance the plan.

- 6.7. The consultation will again be via an online survey, which will be provided to schools by Monday 25th September and will run to Friday 20th October. Schools will have the opportunity to attend further briefings on the consultation in the run up to this deadline. The survey results will then be presented to Schools Forum in November, along with recommendations based on the results, to be voted on.

7. High Needs Block Update

- 7.1. Forum will recall that the High Needs block ended 2022/23 with a pressure of £17.391m. The first allocation of the Safety Valve funding of £7.800m was received in March 23 reducing the 2022/23 pressure to £9.592m. As reported in May, the forecast for the High Needs Block in 2023/24 is an anticipated in-year pressure of £0.514m, offset by a £0.521m improvement in the 22/23 closedown position. A breakdown of the in-year pressure is shown in Table 3.

7.2. Table 3: Breakdown of High Needs Pressures at July 2023

HIGH NEEDS	Budget £m	July 23 Forecast £m	Variance £m
Special Schools and PRU	22.387	22.836	0.450
ARPS/Mainstream Top-ups/Alternative Provision	6.065	6.156	0.091
NMSS/ISP	4.305	4.151	(0.154)
Commissioned Services	3.160	3.287	0.127
	35.917	36.430	0.514
DSG High Needs Funding	(33.606)	(33.606)	0.000
In-year planned Deficit	2.311	2.824	0.514
2022/23 Balance B/Fwd	10.112	9.592	(0.521)
23/24 Safety Valve Funding	(1.950)	(1.950)	0.000
Deficit C/Fwd to 2024/25	10.474	10.466	(0.007)

8. Safety Valve Intervention Programme Update

- 8.1. As previously reported, the Authority submitted the first report against the DSG Management Plan on 16 June 2023 to the Department for Education (DfE) and is on track to reach a positive in year balance on its DSG High Needs Block by the year end 2027/28, as shown in Table 4. The next reporting deadline was 15th September 2023.
- 8.2. At the end of July, there were 2,136 Education Health and Care Plans maintained, by the authority, which is on track against the DSG management plan. The rate of EHCPs per population is showing improvement, putting North Tyneside in line with the region, but remains higher than national rates. There are also 4,021 pupils with SEN Support, which is increasing.
- 8.3. **Table 4: High Needs Block Financial Summary**

Year	Balance B/F £m	High Needs Expenditure (incl. Growth & Mitigations) £m	High Needs Funding £m	Block Transfer £m	Safety Valve Funding £m	Balance C/F £m
2022/23	13.511	33.973	(30.092)	0.000	(7.800)	9.592
2023/24	9.592	36.430	(33.606)	0.000	(1.950)	10.466
2024/25	10.466	36.064	(34.614)	(0.751)	(1.950)	9.215
2025/26	9.215	36.566	(35.653)	(0.766)	(1.950)	7.412
2026/27	7.412	37.112	(36.722)	(0.781)	(1.950)	5.071
2027/28	5.071	37.429	(37.824)	(0.797)	(3.900)	(0.021)

9. Recommendations

- 9.1. Having read this report and clearly understanding the information provided, Schools Forum is asked to:
1. acknowledge the 2023/24 to 2025/26 school budget plans and the proposed impact on the DSG balances;

2. acknowledge the current position for deficit schools;
3. agree the plan for considering financial difficulty and additional growth funding allocations;
4. acknowledge the ESFA plan for additional funding for schools in financial difficulty;
5. acknowledge the changes to funding for 2024/25 and approve the plans for consulting with schools on the 2024/25 LFF plan; and
6. acknowledge the pressure on the High Needs block and the update for the Authority's Safety Valve Intervention Plan.