



**North Tyneside
Council**

Item 5

Briefing Notes

To: Schools Forum

Date: 10 July 2024

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**Purpose of
the Paper:**

Jane Cross

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 provisional outturn position for 2023/24 pending the outcome of the external audit which is due to commence in July 2024. A summary of the High Needs and Early Years outturn position is also included.
- 1.2. This paper also provides an outline of the overall school's budget plan balances for 2024/25, with details of all schools' planned balances. An update on schools with budgeted deficits is also included.
- 1.3. The paper will cover initial proposals for refinement of the National Funding Formula for 2025/26.

2. 2023/24 Schools Outturn Balances

- 2.1. Schools have concluded their 2023/24 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 deficit of £0.382m at the start of the year to a closing deficit of £2.930m. This position is significantly better, by £5.226m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £8.156m. 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.

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 2023/24 is still to be confirmed and will not be known until the end of July 2024). The reported position across 2023/24 is analysed below in Table 1 by phase:

2.3. **Table 1: Maintained School balance position against budget plan**

Phase	Outturn 2022/23 (surplus) /deficit £m	Budget Plan 2023/24 (surplus) /deficit £m	Provisional Outturn 2023/24 (surplus) /deficit £m	Actual Movement from 2022/23 £m
Nursery, First & Primary	(5.529)	(2.690)	(4.284)	1.245
Middle	(1.655)	(0.488)	(1.267)	0.388
Secondary	6.822	9.638	7.004	0.182
Special / PRU	0.744	1.696	1.476	0.732
Total	0.382	8.156	2.930	2.548

2.4. The Authority was allocated £1.868m funding during 2023/24 to support maintained schools in deficit. This was used to support schools who ended both 2022/23 and 2023/24 with a deficit balance and improved the overall outturn position, additional detail on the allocation is included in 3.4.

3. 2023/24 School Deficits

3.1 At the end of 2023/24, 19 of the 59 maintained schools had a deficit balance, pre-commitments, however most of these are marginal with the other 40 all in surplus. 6 schools academised during 2023/24, one forced academisation where the school had a deficit balance on academisation. Table 2 below shows all schools in deficit position totalling £13.061m.

- 3.2 The allocation of the additional £1.868m Schools in Financial Difficulty Funding was discussed with Schools Forum Finance Sub-Group and agreed as per Table 2. The sub-group considered various options but agreed that the funding should be allocated based on 2023/24 actual balances in line with the guidance, to be used specifically towards the elimination of a deficit balance, taking into account the severity of the school's position and prioritising those in greatest need.
- 3.3 The funding was applied proportionately to the 2023/24 deficit balances, other than for Whitehouse Primary school which academised on 31 December 2023, leaving a £0.221m deficit balance, which was funded in its entirety.

3.4 Table 2 – Provisional Outturn Schools in Deficit

School	2022/23 Outturn £m	2023/24 Provisional Outturn £m	Schools in financial difficulty funding allocation £m	2023/24 Updated Outturn £m
Southlands Special	(0.137)	0.122	-	0.122
Moorbridge	(0.073)	0.093	-	0.093
Wallsend Jubilee Primary	(0.071)	0.005	-	0.005
Woodlawn Special	(0.093)	0.003	-	0.003
Silverdale Special	0.044	0.142	(0.016)	0.126
Greenfields Primary	0.078	0.052	(0.006)	0.046
Forest Hall Primary	0.013	0.001	-	0.001
Norham High	3.984	4.344	(0.494)	3.850
Beacon Hill Special	1.232	1.512	(0.172)	1.340
Longbenton High	1.697	1.135	(0.129)	1.006
Wallsend St Peters Primary	0.092	0.464	(0.053)	0.411
Fordley Primary	0.133	0.225	(0.025)	0.200
Ivy Road Primary	0.149	0.199	(0.023)	0.176
Holystone Primary	0.133	0.111	(0.013)	0.098
Waterville Primary	0.017	0.079	(0.009)	0.070
St Bartholomews Primary	0.020	0.060	(0.007)	0.053
Whitehouse Primary	0.044	0.221	(0.221)	0.000
Monkseaton High	5.546	5.963	(0.678)	5.285
Coquet Park First	0.051	0.198	(0.022)	0.176
Total	12.859	14.929	(1.868)	13.061

4. 2023/24 Outturn Dedicated Schools Grant (DSG)

- 4.1 After allowing for school funding allocations, the 2023/24 DSG ring-fenced account is showing a net deficit balance of £8.340m. The 2023/24 position includes £2.660m Safety Valve Funding, £1.950m relating to 2023/24 and £0.710m funding received in advance for 2024/25. It also includes a £0.985m provision for clawback in Early Years funding. This compares to an identical deficit of £8.340m in 2022/23, despite significant net changes.

4.2 Table 3: 2023/24 DSG Provisional Outturn

Funding Block	2022/23 Balance Brought Forward £m	2023/24 In-Year Variance £m	Clawback Provision £m	Safety Valve Funding £m	2023/24 Provisional Outturn £m
Schools Block	(0.914)	0.517			(0.397)
High Needs Block	9.592	2.852		(2.660)	9.784
Early Years Block	(0.338)	(1.694)	0.985		(1.046)
Total	8.340	1.675	0.985	(2.660)	8.340

- 4.3 The Schools block (de-delegated) underspend of £0.397m predominantly relates to balances of schools in financial difficulty, growth and falling roles funding. The balance also includes £0.101m relating to structural schools' issues. The DSG is a ringfenced account and therefore any balance is carried forward into the next financial year.

5.0 2023/24 High Needs Block Outturn

- 5.1 The High Needs block 2022/23 outturn was a deficit of £9.592m and this pressure has continued in 2023/24 with a provisional in-year deficit of £2.852m, however this has been mostly off-set by £2.660m Safety Valve funding from the DfE. 2023/24 was the first year of the Authorities 5-year DSG Management Plan as part of the Safety Valve Programme. A final submission for 2023/24 was made to the DfE which showed despite a slight worsening against the plan £0.020 the Authority is still on-track to reach an in-year balance by 2027/28.

- 5.2 The overall pressure in the High Needs block results from additional places in special schools, out of borough placements and top up payments as outlined in Table 4 below.

5.3 Table 4: High Needs Block Provisional Outturn

	2023/24 Budget £m	2023/24 Outturn £m	2023/24 Variance £m
Special Schools and PRU	22.388	23.156	0.769
ARPS/Mainstream Top-ups/Alternative Provision	5.909	5.998	0.089
NMSS/ISP	4.461	3.763	(0.698)
Commissioned Services	3.160	3.242	0.082
Total	35.918	36.159	0.242
DSG High Needs Funding	(33.606)	(33.307)	0.300
In-Year Planned Deficit	2.312	2.852	0.542
2022/23 Balance Brought forward	10.112	9.592	(0.520)
2023/24 Safety Valve Funding	(1.950)	(1.950)	0.000
2023/24 Balance Carried Forward	10.474	10.494	0.020
2024/25 Safety Valve Income in Advance		(0.710)	
2023/24 Provisional Outturn		9.784	

- 5.4 The Authority's DSG Management Plan will address the in-year deficit and the Department for Education (DfE) will fund the overall deficit £19.500m over a 5-year period. At the end of financial year 2023/24 the Authority had received £9.750m. In subsequent financial years, subject to compliance with the conditions set in the Safety Valve agreement, the Authority will receive the amounts shown in Table 5 below.

5.5 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. Early Years Block

- 5.1 The Early Years block has ended the year with a cumulative surplus of £1.046m. This included a brought forward surplus of £0.338m. An adjustment to funding takes place in July each year when the DfE reviews initial funding estimates in relation to the actual numbers of pupils compared to estimates based on the January pupil census. We are estimating a clawback of £0.985m relating to 2023/24 for which provision has been made.

6. 2024/25 School Budgets Update

- 6.1 Schools are required to submit their 3-year rolling budget by 31 May 2024 in line with the Scheme for Financing Schools. All Schools have provided a three-year budget plan, but a couple still require final Governor approval, therefore the total 2024/25 figure below is draft. No material movement is anticipated once final Governor approved figures are received. Table 6 below shows the current movement in budget from 2023/24 to 2024/25.

6.2 Table 6: Schools three-year budget plan summary by phase

Phase	Budget Plan 2023/24 (surplus)/ deficit £m	Outturn * 2023/24 (surplus)/ deficit £m	Budget Plan 2024/25 (surplus)/ deficit £m	Budget Movement £m
Nursery/First/ Primary	(2.690)	(4.284)	(2.333)	0.357
Middle	(0.488)	(1.267)	(0.272)	0.216
Secondary	9.638	7.004	9.390	(0.248)
Special / PRU	1.696	1.476	2.922	1.226
Total	8.156	2.930	9.707	1.551

*note 23/24 outturn is pre commitments of circa £5.0m

- 6.3 The initial planned deficit for school balances is forecast to worsen from a £2.930m deficit outturn in 2023/24 by £6.777m planned deficit in 2024/25 resulting in planned deficit for school balances of £9.707m.

- 6.4 The schools finance team is continuing to work with schools to refine these budget positions and will also be supporting schools' applications for de-delegated funding held centrally. This is to mitigate the impact where schools are experiencing falling rolls, where a potential application to schools in financial difficulty could be made, or where schools are experiencing growth in rolls but there is a lag in funding. Initial applications for falling rolls and growth funding have been considered by Schools Forum Finance Sub-group and where required schools have been asked for additional information.

7. 2024/25 Deficit Schools

- 7.1 Some schools continue to face significant financial challenges. There are currently sixteen schools that have submitted a deficit budget plan for 2024/25, seven new schools requiring a licenced deficit agreement in 2024/25. The nine schools that continue to require support from the Authority were in deficit at the end of the 2023/24 financial year. Of these nine schools two had a structural deficit in 2023/24 which continues into 2024/25. The Authority have continued to work with the Education and Skills Funding Agency (ESFA) to secure additional support from their School Resources Management Advisors (SRMAs), support was agreed for three schools that were in deficit in 2023/24 and this work is ongoing.
- 7.2 Initial deficit clinics for 2024/25 are planned for July 2024. Before any adjustments identified during the upcoming challenge sessions and the allocation of falling rolls and headroom funding, the balances of these 16 deficit schools are expected to total £15.674m with individual school deficit values shown in Table 7 below.

7.3 Table 7: Schools in an expected deficit position 2024/25

Deficit School Positions 2024/25	Outturn 2023/24 £m	Budget Plan 2024/25 £m	Movement £m	Comments
Wallsend Jubilee	0.005	0.090	0.085	New
Forest Hall	0.001	0.105	0.104	
St Bartholomew's	0.053	0.121	0.068	New
Whitley Lodge	(0.055)	0.035	0.090	New
Silverdale	0.126	0.560	0.434	

Deficit School Positions 2024/25	Outturn 2023/24 £m	Budget Plan 2024/25 £m	Movement £m	Comments
Wallsend Jubilee	0.005	0.090	0.085	New
Forest Hall	0.001	0.105	0.104	
St Bartholomew's	0.053	0.121	0.068	New
Monkseaton High	5.285	5.885	0.600	Structural Deficit
Coquet Park	0.176	0.334	0.158	Structural Deficit
Holystone	0.098	0.269	0.171	
Moorbridge	0.093	0.220	0.127	New
Southlands	0.122	0.395	0.273	New
Fordley Primary	0.200	0.026	(0.174)	New
Wallsend St Peter's	0.411	0.430	0.019	
Ivy Road Primary	0.176	0.178	0.002	
Longbenton High	1.006	0.826	(0.180)	
Norham High	3.850	4.197	0.347	
Beacon Hill	1.340	2.003	0.663	
Total	12.887	15.674	2.787	

7.4 Longbenton High School ended 2022/23 with a deficit balance of £1.697m. However, they have a robust deficit recovery plan in place which they have consistently adhered to. As detailed in section 3 above, they were allocated £0.129m schools in financial difficulty funding in 2023/24 and have submitted a budget plan for 2024/25 where their cumulative deficit will reduce to £0.826m.

7.5 As in previous years, the details of schools' balances, including commitments, will be reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. This return is co-ordinated on behalf of all maintained schools by the Authority and will be submitted by the deadline of 14 July 2023.

8. National Funding Formula (NFF) Consultation for 2025/26

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 2025/26.

- 8.2 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 2025. 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.
- 8.3 Previously, 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.
- 8.4 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.
- 8.5 Recommended modelling scenarios will be presented to Schools Forum in September, in advance of the formal consultation with schools during October/November 2024.

9 Recommendations

- 9.1 Schools Forum is asked to:
1. acknowledge the provisional 2023/24 outturn position on all DSG balances;
 2. acknowledge the school budget plans overall summary position;
 3. acknowledge the pressure on schools, the High Needs block and the Authority's progress in the ESFA's Safety Valve Intervention Programme; and
 4. note the plan for funding consultation for 2024/25.

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