



# Briefing note

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**Date:** 8 September 2020

**Purpose of the Paper:**

Information	√
Consultation	
Decision	√

**Title of Briefing: Finance Update**

**Dedicated Schools Grant Outturn 2019/20 and Balances for 2020/21**

## Background

- 4.1 North Tyneside Council published its draft financial statements for 2019/20 on 6 July 2020 in line with revised statutory requirements due to Covid-19. This paper updates Forum on the outturn for the Dedicated Schools Grant (DSG) and outlines the Headroom funding and Falling Roles funding for 2019/20 which was carried forward into 2020/21. It also outlines the current position in relation to schools budget plans for 2020/21 and deficit approval requests from schools for the 2020/21 financial year.
- 4.2 The final position in relation to school balances by phase and between committed and uncommitted balances will be brought to Schools Forum in September as outlined in the Forward Plan. This will follow external audit and finalisation of the accounts and the completion of Consistent Financial Reporting (CFR) submissions.

## Dedicated Schools Grant (DSG) Outturn Position 2019/20

- 4.3 As the DSG is a ring-fenced grant, any under or overspends are carried forward into the next financial year in order to be addressed within the following year's ring-fenced grant.
- 4.4 The overall use of the DSG is outlined in the Authority's accounts as follows:

**Table 1: DSG balances at 31<sup>st</sup> March 2020**

	<b>Central Expenditure £000s</b>	<b>Individual Schools budget £000s</b>	<b>Total £000s</b>
<b>Final DSG for 2019/20 prior to academies recoupment and deductions for direct funding of high needs places by ESFA</b>			<b>156,983</b>
Academy figure recouped for 2019/20			(15,176)
Deduction for Direct funding of High Needs places by ESFA for 2019/20			(382)
<b>Total DSG after Academy recoupment for 2018/19</b>			<b>141,425</b>
Brought forward from 2017/18 as agreed with the Department for Education			746
<b>Agreed initial budgeted distribution in 2018/19</b>	<b>5,696</b>	<b>136,475</b>	<b>142,171</b>
In year adjustments	-	(27)	(27)
<b>Final budgeted distribution for 2018/19</b>	<b>5,696</b>	<b>136,448</b>	<b>142,144</b>
Less actual central expenditure	(6,510)	0	(6,510)
Less actual ISB deployed to schools	0	(138,896)	(138,896)
<b>Carry forward to 2020/21</b>	<b>(814)</b>	<b>(2,447)</b>	<b>(3,262)</b>

Note for the purposes of the accounts the central expenditure column above includes commissioned services within the High Needs block.

- 4.5 As at 31 March 2020 the DSG was in deficit by £3.262m. This has been carried forward into 2020/21. The overall deficit is broken down as shown in table 2:

**Table 2: Breakdown of DSG Outturn 2018/19 to 2019/20**

	<b>2018/19 Outturn</b>		<b>2019/20 Outturn</b>	
	<b>£m</b>		<b>£m</b>	
High Needs Block	(0.920)	deficit	(4.545)	deficit
Early Years	0.882	surplus	0.432	surplus
Total Schools and Central Block	0.785	surplus	0.851	surplus
<b>Total DSG</b>	<b>0.747</b>	<b>surplus</b>	<b>(3.262)</b>	<b>deficit</b>

## High Need Block 2019/20 outturn

- 4.6 The brought forward High Needs block balance at the beginning of 2019/20 was £0.920m deficit and ended the year at £4.545m deficit. This balance was carried forward into 2020/21. DSG funding for 2020/21 has increased by £3.006m.
- 4.7 Nationally, the ongoing rise in children and young people with SEND and Education, Health and Care Plans (EHCPs) has been flagged as a pressure, which is made worse by flawed funding regimes which is based on historical data and limits flexibility to deal with the increased pressure. DSG funding for 2020/21 was increased by £3.006m on the previous year to meet this rise.

## Early Years 2019/20 outturn

- 4.8 The final position for the Early Years block for 2019/20 was a surplus of £0.432m following an additional payment to providers in 2019/20 to reduce the existing surplus from the 2018/19 balance of £0.882m.

## School and Central Block items 2019/20 Closing Balances

- 4.9 Falling Rolls  
The opening balance for falling rolls in 2019/20 was £0.050m. This was then increased by £0.250m when the 2019/20 falling rolls allocation was awarded. From this balance of £0.300m, £0.013m funding has been transferred back to academies, and £0.116m of Falling Rolls applications are subject to Schools Forum approval. If approved, this will leave a balance of £0.171m of which £0.121m will be transferred to the headroom fund, leaving a closing balance of £0.050m.
- 4.10 Schools in Financial Difficulty (Headroom Funding)  
The opening balance for de-delegated funds for Schools in Financial Difficulty (Headroom funding) in 2019/20 was £0.319m. This was then increased by £0.133m when the 2019/20 de-delegated funding was allocated. Assuming Schools Forum approve the Falling Rolls applications as mentioned above, £0.121m will be transferred from Falling Rolls to Schools in Financial Difficulty (Headroom), giving a balance of £0.573m. From this balance the fund will make a MASH contribution of £0.020m and Headroom applications of £0.167m are subject to Schools Forum approval, leaving a closing balance of £0.386m for 2019/20.
- 4.11 Other School and Central Block Items  
The main remaining element of the balance is for rates. This balance will be brought forward to address some of the 2019/20 business rates commitments in relation to the new build schools and additional revaluations in 2020/21.
- 4.12 Within the DSG were central items totalling £2.343m, which were applied for their agreed purpose.

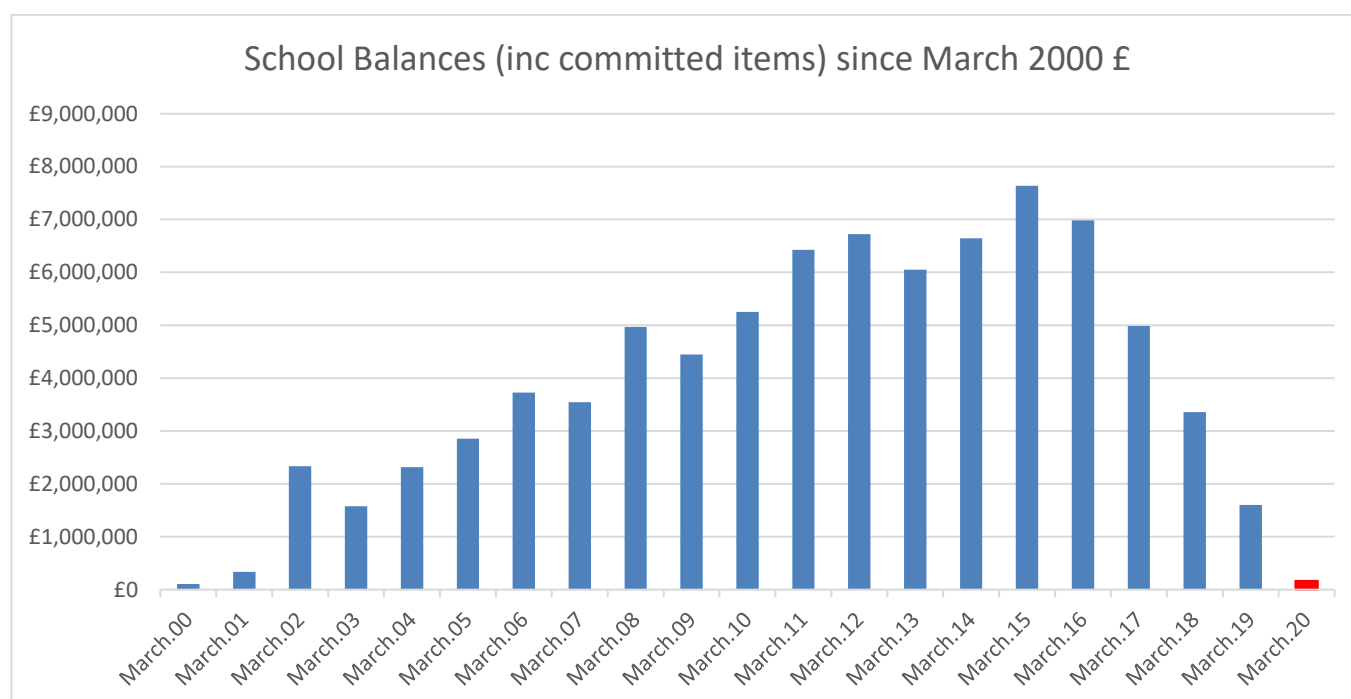
## Schools Balances as at 31 March 2020

- 4.13 The overall level of School Balances at the end of March 2020 was £0.165m compared to £1.600m as at March 2019. This represents a reduction of £1.435m. This position shows the balances before any commitments the schools have carried forward, which will

be available once the Consistent Financial Reporting (CFR) data collection exercise is completed at the end of September.

4.14 As expected, the end of 2019/20 saw the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside to 2014/15. The national results of the (CFR) exercise will be available in the autumn and will allow the Authority to compare North Tyneside with an updated picture for 2019/20 to see if North Tyneside Schools' balances remain lower than the national average.

**Chart 1 – Movement in Balances over last 20 years**



4.15 The total reduction in balances since March 2015 is £7.451m. It is likely that balances will move into deficit in 2020/21.

4.16 An analysis of the balances at March 2020 by phase is shown in table 3 below. Whilst the overall balance and the phase balances for secondary and special schools have reduced, other phases have all improved their overall balances.

**Table 3: Analysis of school balances at March 2020 by phase**

Phase	Outturn March 2018/19 £m	Budget Plan 2019/20 £m	Monitoring 1 2019/20 £m	Monitoring 2 2019/20 £m	Outturn March 2019/20 £m	Annual Movement £m
Nursery	0.009	0.002	0.029	0.097	0.127	0.119
First	0.654	0.412	0.433	0.433	0.746	0.092
Primary	3.134	2.346	2.307	2.235	3.497	0.363
Middle	0.380	0.369	0.346	0.256	0.437	0.057
Secondary	(3.658)	(8.028)	(7.770)	(7.647)	(5.549)	(1.891)
Special / PRU	1.080	0.238	0.501	0.612	0.907	(0.173)
<b>Total</b>	<b>1.599</b>	<b>(4.661)</b>	<b>(4.153)</b>	<b>(4.014)</b>	<b>0.165</b>	<b>(1.434)</b>

4.17 It should be noted that whilst budget plans and monitoring forecasts include commitments, the outturn positions are based on school balances without commitments, leading to the differences between the positions. The CFR exercise will identify the commitments of all schools and allow balances to be updated and therefore be comparable.

### School Budgets for 2020/21

5.1 Schools have completed the budget planning process and submitted their plans, approved by their Governing Body, by the later date of 30 June 2019. This date was set by Authority officers following a relaxation of the rules set out by DfE due to the Covid-19 lockdown. The information in this report is based on the current, known financial projections over the next three years. A summary of planned school balances over the next three years by phase is shown in table 4 below:

**Table 4: Planned school balances 2020/21 to 2022/23**

PHASE	19/20 OUTTURN FIGURE £m	BUDGET PLAN 2020/21 OUTTURN £m	BUDGET PLAN 2021/22 OUTTURN £m	BUDGET PLAN 2022/23 OUTTURN £m
Nursery/First/Primary	4.371	2.995	3.149	2.332
Middle / High	(5.112)	(9.448)	(11.634)	(14.778)
Special / PRU	0.907	(0.267)	(3.704)	(7.834)
<b>TOTAL</b>	<b>0.165</b>	<b>(6.720)</b>	<b>(12.189)</b>	<b>(20.280)</b>

### Schools Requesting Deficit Approval 2020/21

5.2 There were eleven schools with deficits in 2019/20 and eight of these schools continue to be in deficit for 2020/21. Schools Forum and senior officers worked closely with these schools during the year which, for the eleven schools in deficit in 2019/20, contributed to an improved deficit outturn of £9.267m compared to the approved deficit budgets

planned totalling £10.052m. Two schools, Monkseaton High and Norham High School remained in structural deficits making up £6.507m or 70% of the final outturn. The progress of the all eleven schools in deficit is outlined in table 5 below.

There are also three primary schools new to deficit in 2020/21 alongside the existing eight with total budgeted deficits of £12.597m (£8.358m or 45% relating to structural deficits) and details are also provided in Table 5 below.

**Table 5: Schools with planned deficits in 2019/20 and 2020/21:-**

School	Deficit Budget 2019/20 £m	Outturn 2019/20 £m	Deficit Budget 2020/21 £m	Status
Beacon Hill	(0.211)	0.149	(0.699)	In Deficit
Fordley Community	(0.019)	(0.055)		Out of Deficit
Forest Hall Primary	(0.025)	0.001	(0.014)	In Deficit
Holystone Primary	(0.023)	(0.051)	(0.032)	In Deficit
Ivy Road Primary	(0.357)	(0.257)	(0.300)	In Deficit
Longbenton High	(2.195)	(2.092)	(2.610)	In Deficit
Marden High	(0.603)	(0.459)	(0.468)	In Deficit
Monkseaton High	(4.492)	(4.310)	(5.165)	Structural Deficit
Norham High	(2.057)	(2.198)	(3.193)	Structural Deficit
St Aidan's RC Primary	(0.025)	0.001		Out of Deficit
St Bartholomew's C of E	(0.033)	0.004		Out of Deficit
Benton Dene Primary			(0.016)	New Deficit
St Mary's North Shields			(0.033)	New Deficit
Marden Bridge Middle			(0.067)	New Deficit
<b>TOTAL</b>	<b>(10.040)</b>	<b>(9.267)</b>	<b>(12.597)</b>	

- 5.3 Initial deficit meetings with schools took place in May and June. These meetings involved officers from School Improvement, HR and Finance so that a holistic conclusion could be reached, with schools needing to demonstrate their medium-term plan to address the pressures.
- 5.4 Separate discussions are continuing with structural deficit schools and special schools so the Authority can assess the overall needs in the Borough.
- 5.5 The total budgeted deficit balance value requested in 2020/21 is £12.597m compared to £10.040m in 2018/19, representing an increase of 25.1%.

### **In Year Monitoring and Forecasting - Schools**

- 6.1 The first budget monitoring with schools for 2020/21 takes place from September 2020 and will be reported to Schools Forum and the Authority's Cabinet in due course.

- 6.2 School balances are expected to be heavily affected by the Covid-19 lockdown and the impact of meeting the Government's policy for to date. Schools were asked to complete a Covid-19 tracker set up locally by officers to identify the expected costs, including lost income, for March to July arising from the lockdown. Schools completing this tracker identified an estimated £0.800m+ impact.
- 6.3 Schools were also given the opportunity to apply for grant funding to cover costs from the DfE via the Education Skills and Funding Agency (ESFA). These funds were to be targeted at specific costs, though schools were invited to identify other costs, as the DfE expect schools to meet the impact using their balances. To date claims from thirteen schools in the Borough have been paid out, with a total of £0.082m being allocated, the ESFA are currently still assessing claims, therefore the number of schools receiving support may increase.

### High Needs Block 2020/21 forecast

- 6.4 The current forecast for High Needs spend is an in-year pressure of £2.470m, with a cumulative pressure of £7.015m.

**Table 6: High Needs Forecast Pressures at July 2020**

Provision	Budget £m	Variance July £m	Comment
Special schools and PRU	13.000	1.627	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.005	0.507	Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP
Out of Borough	2.165	0.301	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.957	0.035	
<b>In Year</b>	<b>23.127</b>	<b>2.470</b>	
2019/20 B/fwd		4.545	
<b>Cumulative</b>	<b>23.127</b>	<b>7.015</b>	

- 6.5 The High Needs Commissioning Group is continuing to identify funding priorities within the available resources.

## **Early Years 2020/21 forecast**

- 6.6 Despite the issues over funding both 2-year old and 3/4-year old provisions under the lockdown, early years is predicting to remain on budget for 2020/21.

## **Growth Policy 202/21**

- 7.1 The DfE established a separate fund in the School Block of the DSG for growth in 2019/20. In North Tyneside this fund was not used for growth and was instead added into the remaining balances to be redistributed to all schools. When setting the 2020/21 School Block allocations, Schools Forum agreed to keep £0.250m of the identified £0.750m growth funding. This was on the understanding that a growth policy would be developed which would set the criteria for the growth fund to be allocated.
- 7.2 Officers from the Authority have reviewed the DfE criteria and outline policy for growth funding and have taken advice from other authorities that already have an established growth policy in operation. A draft policy has been prepared taking into account the main requirements necessary for a growth policy. This draft policy is to be reviewed by the finance sub-group of the forum so they can work with officers to review, update and present a final draft for forum's approval at the next forum meeting.
- 7.3 The draft policy has been provided (Appendix A) to Forum to allow views to be passed onto the finance sub-group members prior to the review meetings.

## **Recommendations**

- 8.1 Schools Forum is asked to:
- acknowledge the 2019/20 outturn position on all DSG balance;
  - acknowledge the school budget plans overall summary position and the Deficit Schools positions for both 2019/20 and 2020/2;
  - acknowledge the forecasts for DSG positions in 2020/21 and the likely impact of Covid-19 on school balances; and
  - Agree the approach to approve the growth policy which can then be used in 2020/21 to allocate funding to schools impacted by basic need growth in year.