

North Tyneside Council Report to Cabinet

10 November 2014

ITEM 6 Schools Finance

Portfolio(s): Children, Young People and Learning
Finance and Resources

Cabinet Member(s): Cllr Ian Grayson
Cllr Ray Glindon

Report from Service Area:

Commissioning and Investment

Responsible Officer:

Mark Longstaff, Head of Commissioning and Investment Tel: (0191) 6438091

Wards affected:

All

PART 1

1.1 Purpose:

The purpose of the report is to update Cabinet of the financial position of North Tyneside's schools and provide an overview of the variations to the Authority's Local Funding Formula for Schools for the financial year 2015/16.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) note the change in school balances as detailed in Section 1.5 and Appendices 1-2 of this report; and
- (2) authorise the Head of Commissioning and Investment and the Chief Executive (as Section 151 Officer), in consultation with the Cabinet Member for Children, Young People and Learning, to undertake resource allocations to schools for 2015/16 in line with the school funding arrangements set out in this report.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 9 October 2014.

1.4 Council Plan and Policy Framework

This report relates to the following priority in the 2014/18 Our North Tyneside Plan placed on Our People.

- Our People will "Be supported to achieve their full potential, especially our children and young people"
- We will be successful if "The gap in educational attainment across the borough has been reduced".

1.5 Information:

- 1.5.1 During 2013/14 overall maintained school balances in North Tyneside increased from £6.054m at 31 March 2013 to £6.647m at 31 March 2014. This is reported in the Authority's Statement of Accounts for 2013/14 and used in National Government benchmarking.
- 1.5.2 It will be of interest to note that total maintained school balances do not include those of Academy schools. The March 2013 figures therefore include Priory Primary School balances, but as the school converted to Kings Priory Academy during 2013/14, the March 2014 balances do not.
- 1.5.3 The increase in overall maintained school balances continues the historic trend of rising balances in North Tyneside for over ten years, although there was a slight reduction during 2012/13. Benchmarking data on maintained school balances is available through to March 2013 and show that balances as a percentage of planned budgets at that point remained lower in North Tyneside compared to both the regional and national comparator groups, with a relative worsening in 2012/13. This is shown in Appendix 1.
- 1.5.4 Although overall balances remaining lower than the comparator groups, this should not necessarily be considered to be a concern as the national perspective is that school balances across the country are generally too high and should be invested in supporting children in schools today rather than held in reserve.
- 1.5.5 As at 31 March 2014 there were five schools in deficit. This compares with seven schools with deficits at 31 March 2013, five schools at March 2012, 11 schools at March 2011 and 16 schools at March 2010. Although the number of schools with a deficit fell, the total balance of those schools with deficits increased to £0.471m, the majority (£0.430m) relating to Longbenton Community College.
- 1.5.6 Detail regarding the nature of each school's balance is provided by schools when completing their final accounts return. All schools collate and report upon their income, expenditure and balances using a nationally prescribed format called "Consistent Financial Reporting" (CFR). This consistency allows schools and other stakeholders to draw comparisons between schools using financial information. The CFR data is used in the annual outturn statement returned under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 (previously Section 52 of the School Standards and Framework Act 1998). This return, made by every Authority, details all Education and Children's social care financial data.
- 1.5.7 When using benchmarking data it is always important to recognise the limitations of any judgements that can be made with the data. Benchmarking can often only be used as a prompt and signal to ask further questions. Whilst the CFR and Section 251 data allow comparison between schools, caution should be used before drawing conclusions. For example, some school grants are distributed by the Department for Education (DfE) over an academic year, so it is proper for the school to retain balances to fund activities over the summer term. Other schools may hold higher balances than other schools simply as a result of holding shared funds on behalf of a consortium or cluster of schools. These types of balances are recorded as committed balances in the CFR return.
- 1.5.8 The Authority has held a School excess surplus balances policy since March 2007. Whilst it is no longer a mandatory requirement of the DfE, in September 2012 the School Forum agreed to maintain the excess surplus balances policy, with minor updates agreed at its meeting in September 2014.

1.5.9 Excess balances are those uncommitted balances over 5% for middle and secondary schools and over 8% for first, primary and special schools. As at 31 March 2014 there were no schools in North Tyneside considered as having an excess surplus balance. One school had a minor excess balance (£0.002m) but this was only apparent after a change in Pupil Premium Grant notified after the year end. In consultation with the School Forum it has been agreed that there will be no claw back of funds from schools in 2014/15.

1.5.10 An extract of the Section 251 return detailing individual North Tyneside school balances at 31 March 2014 is attached at Appendix 2.

School budget plans for 2014/15

1.5.11 Maintained mainstream schools received their individual budget share (delegated budget) from the Local Authority on 31 January 2014 and submitted their three year revenue budget plans (starting 2014/15) by 31 May 2014 as required.

1.5.12 Four schools requested deficit approval for 2014/15 budgets, the same number as in the previous year, however the value of deficits has increased significantly. The Finance team, supported by School Improvement and the North Tyneside School Forum, met with these schools from June to August, providing both challenge and support to each of their budget plans, in order to determine if they may be granted a deficit budget for 2014/15. Deficit approval does not constitute a commitment to provide additional funding over the school's individual budget share, only a recognition that the school needs to temporarily enter into deficit, whilst continuing to balance its financial position over the longer period.

1.5.13 The deficit meetings included consideration of each school's detailed 3 year budget plans, pupil projections, pupil teacher ratios, procurement decisions and financial benchmarking data on all North Tyneside schools. Following this process the four schools received deficit approval for 2014/15. As shown in Table 1 below, this compares favourably with the long term trend in deficit requests, although as noted above there has been a significant increase in the value of deficit approvals compared to 2013/14.

Table 1: Recent history of school deficit requests and approvals

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Deficit Approval Requested	25	31	32	19	11	7	4	4
Deficit Approved	25	31	29	18	9	7	4	4
Total Approved Deficit £	£2.30m	£1.61m	£2.06m	£1.41m	£0.75m	£0.35m	£0.49M	£1.48M

1.5.14 As the balances are higher than in previous years, the individual school's proposals were subject to increased scrutiny during the deficit approval process. The schools with deficit approval for 2014/15 are shown in Table 2 below

Table 2: Schools with deficit approval for 2014/15

School	Deficit requested 2014/15 (£)	Deficit approval granted 2014/15 (£)	Deficit Approval as % of 2014/15 Estimated Funding
St Bartholomew's CoE Primary	-40,731	-40,731	-5.7%
Longbenton Community College	-890,811	-890,811	-16.9%
Marden High	-320,362	-312,334	-7.8%
Norham High	-232,787	-232,787	-6.8%
	-1,484,691	-1,476,663	

1.5.15 It is important to recognise that the deficit approval figure is only one aspect of the deficit agreement. Perhaps the more significant part is to ensure the underlying reasons behind the deficit are identified and addressed. This requires work from both the school and support from the local authority over the year. As the overall number of schools in North Tyneside with a deficit balance has reduced significantly over the last few years the Authority can now focus more attention and support to those schools remaining in deficit. There is also an increased scrutiny from all stakeholders, including the School Forum, in the longer term financial health of the school. This is particularly the case given the increase in the value of the individual school deficits.

1.5.16 Whilst recognising the current improvement in overall school balances it is worth noting that three of the four schools seeking formal deficit approval for this financial year are secondary schools. The work progressed as part of the Education review has identified that as a consequence of the current surplus capacity and, in the case of specific post-16 pressures, some of our secondary schools will face a deficit position that will become unsustainable unless action is taken. The challenge in going forward is to find a sustainable solution that works across the borough.

School Funding 2015/2016

1.5.17 Members have been kept informed regarding the position on 2014/15 schools funding through the Financial Management reports to Cabinet.

1.5.18 Following consultation, the DfE confirmed that it was intending to move towards a national funding formula in the future but that it was not imposing any mandatory changes into the funding formulas for 2015/16. The main change in the funding arena was the announcement of additional funding nationally (£390m) for authorities who were perceived to be funded at lower levels. North Tyneside Council was not eligible for this additional funding.

1.5.19 CYPL and Finance officers have been in discussion with North Tyneside Schools Forum since 9 July 2014 regarding the 2015/16 mainstream funding formula. Following a consultation with all schools in North Tyneside in September and early October, and further discussion with the Schools Forum on 15 October 2014, the factors to be used in the funding formula for 2015/16 were confirmed, which will be notified to the DfE by the end of October.

1.5.20 There are no significant changes to the mainstream funding of schools. There is a slight change to the eligibility criteria for the 'low cost high incidence' Special Educational Needs (SEN) element of the formula will change in line with the DfE requirements, which is a continuation of the roll out of new eligibility criteria introduced last year.

- 1.5.21 Consultation is underway for early years and high needs funding allocations. Whilst there are changes proposed to refine the allocation of funding, there are no significant changes to the basis of funding across the borough. Some additional funding has been made available nationally to support to two year old nursery offer in certain areas where deprivation eligibility is met.
- 1.5.22 Schools Forum will also be considering certain elements of funding that are held centrally within the funding allocations (known as centrally retained and de-delegated items) which are applied to benefit pupils across the borough.
- 1.5.23 The key dates which must be met in setting 2015/16 school budgets are shown in the table below. Members will be updated throughout using the Financial Management reports to Cabinet.

Date	Action
31 October 2014	Local authorities submit provisional Schools Budget formula pro forma for 2015/16 to the Education Funding Agency (EFA)
c.19 December 2014	EFA confirms DSG allocations for 2015/16 (prior to recoupment of funding for academies)
21 January 2015	Local authorities submit final data for Schools Budget formula pro forma for 2015/16 to the EFA
30 January 2015	North Tyneside issue maintained schools their mainstream funding allocations for 2015/16

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Determine not to agree to the proposals regarding school funding for 2015/2016 and beyond, as outlined in section 1.2(2); or,

Option 2

Agree to fund schools for 2015/16 and beyond in line with the proposals outlined in Section 1.2(2) of this report.

1.7 Reasons for recommended option:

Option 2 is recommended as the proposal is compliant with the required DfE guidance and legislation, and has been subject to consultation with the Schools Forum as well as all schools in the borough.

1.8 Appendices:

'Appendix 1: The trend of total school balances as a percentage of total planned budget
'Appendix 2: Full list of school balances at March 2014

1.9 Contact officers:

Mark Longstaff, Head of Commissioning and Investment, tel (0191) 643 8091
Janice Gillespie, Strategic Manager Finance, tel (0191) 643 5701
Jon Ritchie, Cofely, tel. (0191) 643 5800'

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- Section 251 Statements http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=224478&p_subjectCategory=1592
- Department for Education's benchmarking of school balances using Section 52 and 251 data to 31st March 2013 <https://www.gov.uk/government/statistics/la-and-school-expenditure-financial-year-2012-to-2013>
- School and Early Years Finance (England) Regulations 2013 http://www.legislation.gov.uk/ukxi/2013/3104/pdfs/ukxi_20133104_en.pdf

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

Changes outlined in this report relate to the formula for allocating funding to individual schools and are all within the Dedicated Schools Grant (DSG). The changes do not place an additional resource requirement on the Local Authority, but will require many of the services the Authority provides to schools to operate in a more responsive way to school needs as schools may choose to purchase their support from other providers.

2.2 Legal

The School and Early Years Finance (England) Regulations 2013 require a Local Authorities to consult with schools on any proposed changes to the funding formula. These changes have also been considered by the School Forum.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has been undertaken with the Cabinet Member for Children, Young People and Learning, the Head of Children, Young People and Learning and the Strategic Manager Finance throughout the process.

2.3.2 External Consultation/Engagement

Consultation with schools, school Governors and the School Forum has been undertaken in accordance with the process outlined in paragraphs 1.5.17 to 1.5.22 of this report.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

Any amendments to the formula will be made with consideration towards narrowing of the performance gap in deprived areas for vulnerable groups as measured against the borough average and, where appropriate, national average. This will include the use of data such as free school meals, deprivation indices at post code level, pupils' prior attainment, looked after children statistics and individual pupil special educational needs.

2.6 Risk management

There are no risk management issues arising directly from this report. There are risks associated with schools being granted deficit approval. As set out in the report, paragraphs 1.5.12-1.5.16, these schools are subject to increased scrutiny regarding the approval of their budgets and the subsequent budget monitoring through the year.

2.7 Crime and disorder

There are no crime and disorder issues arising from this report.

2.8 Environment and sustainability

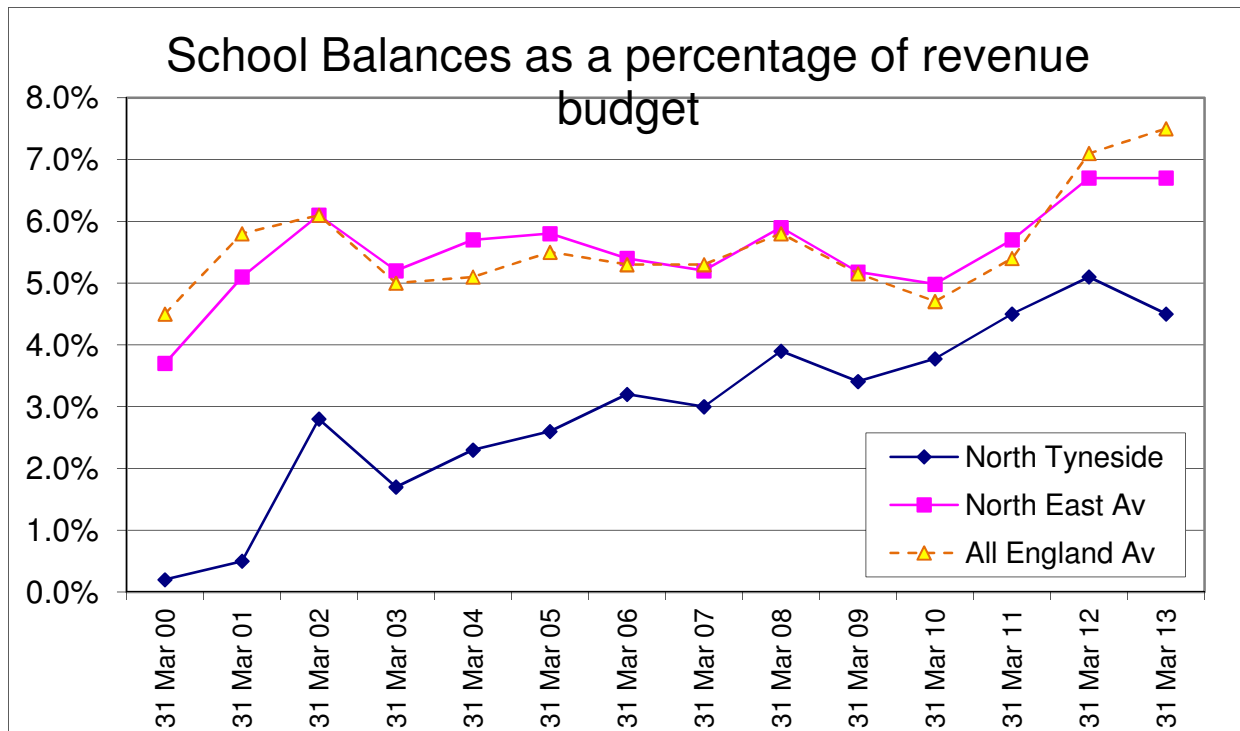
There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy

Appendix 1: The trend of total school balances as a percentage of total planned budget

Source: Department for Education's benchmarking of school balances using Section 52 and 251 data to 31st March 2013.



Appendix 2: Full list of school balances at 31 March 2014
(excluding Capital balances)

School Name	School Balance March 2013 (excluding Capital balances)	School Balance March 2014 (excluding Capital balances)	Uncommitted Balance March 2014	School Balance March 14 as a % of 2014-15 Estimated Funding	Uncommitted Balance March 14 as a % of 2014-15 Estimated Funding
Sir James Knott Memorial Nursery School	0	114,121	27,740	31.4%	7.6%
Amberley Primary School	-3,077	-5,138	-7,729	-0.4%	-0.6%
Appletree Gardens First School	111,236	121,717	53,278	10.6%	4.6%
Backworth Park Primary School	70,460	83,834	51,607	13.4%	8.2%
Bailey Green Primary School	68,019	135,776	82,974	8.4%	5.1%
Balliol Primary School	27,900	38,137	35,437	4.4%	4.1%
Battle Hill Primary School	1,949	22,712	676	1.5%	0.0%
Benton Dene Primary	50,248	26,956	25,958	1.5%	1.4%
Burradon Community Primary School	60,124	101,321	47,169	12.6%	5.9%
Carville Primary School	75,338	68,767	68,767	7.5%	7.5%
Christ Church CofE Primary School	62,074	100,649	47,012	13.0%	6.1%
Collingwood Primary School	22,397	66,055	57,240	4.2%	3.6%
Coquet Park First School	42,565	51,676	41,017	6.9%	5.5%
Cullercoats Primary School	80,021	73,918	71,168	5.1%	4.9%
Denbigh Community Primary School	115,300	114,041	89,055	7.2%	5.6%
Fordley Community Primary School	9,168	-3,678	-4,884	-0.3%	-0.3%
Forest Hall Primary School	60,761	20,120	15,041	2.3%	1.7%
Greenfields Community Primary School	27,467	38,077	30,377	3.0%	2.4%
Hadrian Park Primary School	48,038	32,137	30,515	2.6%	2.4%
Hazlewood Community Primary School	19,765	29,979	25,296	4.4%	3.7%
Holy Cross RC Primary School	4,319	18,389	17,389	1.9%	1.8%
Holystone Primary School	825	7,854	4,273	0.5%	0.3%
Ivy Road Primary School	16,805	15,402	15,402	1.8%	1.8%
King Edward Primary School	-11,384	40,684	16,987	2.8%	1.2%
Langley First School	99,688	164,751	81,139	13.7%	6.7%
Marine Park First School	122,995	202,138	135,491	10.9%	7.3%
Monkhouse Primary School	-7,461	678	-5,760	0.1%	-0.7%
Moor Edge Primary School	32,995				
New York Primary School	141,759	168,881	95,228	14.0%	7.9%
Percy Main Primary School	78,182	73,928	68,118	6.7%	6.2%
Preston Grange Primary School	-10,574	33,121	30,355	4.2%	3.9%
Priory Primary School	66,809	87,895	87,895		
Redesdale Primary School	5,360	14,585	12,234	1.5%	1.3%
Richardson Dees Primary School	100,364	155,028	77,687	14.2%	7.1%

School Name	School Balance March 2013 (excluding Capital balances)	School Balance March 2014 (excluding Capital balances)	Uncommitted Balance March 2014	School Balance March 14 as a % of 2014-15 Estimated Funding	Uncommitted Balance March 14 as a % of 2014-15 Estimated Funding
Riverside Primary School	153,131	140,682	51,447	14.5%	5.3%
Rockcliffe First School	50,230	76,835	55,961	8.0%	5.8%
Shiremoor Primary School	74,822	61,236	56,435	3.7%	3.4%
South Wellfield First School	62,971	76,237	68,193	6.8%	6.1%
Southridge First School	27,811	17,806	12,707	1.6%	1.2%
Spring Gardens Primary School	49,548	102,908	30,770	5.7%	1.7%
St Bartholomews CofE Primary School	7,051	-22,394	-28,816	-3.1%	-4.0%
St Bernadettes RC Primary School	117,538	106,710	96,257	8.3%	7.5%
St Columbas RC Primary School	9,051	46,319	38,983	5.1%	4.3%
St Cuthberts RC Primary School	52,689	58,207	34,207	6.2%	3.6%
St Josephs RC Primary School	99,934	119,450	50,450	7.9%	3.3%
St Marys RC Primary School (FH)	-27,507	22,779	17,512	3.5%	2.7%
St Marys RC Primary School (NS)	82,226	74,554	51,019	9.1%	6.2%
St Stephens RC Primary School	127,585	86,468	73,526	8.8%	7.5%
Star of the Sea RC Primary School	192,119	285,538	66,052	19.4%	4.5%
Stephenson Memorial Primary School	99,120	212,209	132,598	12.2%	7.6%
Wallsend Jubilee Primary School	14,736	11,694	7,695	0.9%	0.6%
Wallsend St Peter's CofE Primary School	24,956	16,679	14,946	1.7%	1.5%
Waterville Primary School	47,525	31,514	27,865	2.6%	2.3%
Western Community Primary School	79,659	95,886	88,395	5.1%	4.7%
Westmoor Primary School	36,457	39,104	27,703	3.3%	2.4%
Whitehouse Primary School	86,323	103,405	59,856	11.3%	6.5%
Whitley Lodge First School	17,018	39,425	32,068	4.1%	3.4%
Burnside Business & Enterprise College	190,095	234,363	191,929	3.2%	2.6%
Churchill Community College	556,617	582,427	157,191	11.5%	3.1%
George Stephenson High School	124,287	221,129	205,599	4.0%	3.7%
John Spence Community High School	265,599	195,861	65,137	4.3%	1.4%
Longbenton Community College	-8,801	-430,271	-440,271	-8.2%	-8.4%
Marden Bridge Middle School	157,990	122,653	22,653	6.2%	1.1%

School Name	School Balance March 2013 (excluding Capital balances)	School Balance March 2014 (excluding Capital balances)	Uncommitted Balance March 2014	School Balance March 14 as a % of 2014-15 Estimated Funding	Uncommitted Balance March 14 as a % of 2014-15 Estimated Funding
Marden High School	57,998	18,042	18,042	0.4%	0.0%
Monkseaton High School	439,193	384,482	77,338	11.6%	2.3%
Monkseaton Middle School	336,253	112,910	51,270	7.5%	3.4%
Norham High School	-5,947	-10,412	-74,418	-0.3%	-2.2%
Seaton Burn College	24,837	119,899	107,499	3.9%	3.5%
Valley Gardens Middle School	192,220	239,993	122,922	8.6%	4.4%
Wellfield Middle School	79,701	66,206	26,122	5.2%	2.0%
Whitley Bay High School	159,246	249,135	168,641	3.2%	2.1%
Beacon Hill School	124,353	126,726	76,803	3.8%	2.3%
Benton Dene School	2,996	78,256	74,753	3.3%	3.1%
Silverdale School	72,596	18,550	18,550	1.1%	1.1%
Southlands School	113,257	153,471	108,780	8.1%	5.7%
Woodlawn School	126,821	233,594	124,823	13.0%	6.9%
TOTALS FOR ALL SCHOOLS	6,084,744	6,734,775	3,593,344		
	Capital balance	618			
	deduct				
	Priory	-87,895	-87,895		
		6,647,498	3,505,449		