

North Tyneside Council

Report to Cabinet

14 November 2016

ITEM 6(b)

Title: Schools Finance

Portfolio(s): **Children, Young People and Learning**

Finance and Resources

Cabinet Member(s):

Councillor Ian Grayson

Councillor Ray Glindon

Report from Service Area:

Commissioning and Investment

Responsible Officer:

Mark Longstaff, Head of Commissioning and Investment (Tel: (0191) 643 8089)

Wards affected:

All wards

PART 1

1.1 Executive Summary:

This report is to update Cabinet on the financial position of North Tyneside schools as at 31 March 2016, provide an update on the 2016/17 position and provide an overview of the approach to the Authority's Local Funding Formula for Schools for the financial year 2017/18.

School balances are reported as at 31 March each year. During financial year 2015/16 maintained school balances, which excludes academies in the borough, decreased by £0.655m to £6.982m. This report summarises the financial position in more detail.

The report also sets out the approach to be applied to school funding. All local authorities must adhere to certain requirements set out by the Education Funding Agency (EFA) who specify factors that must be used in the formula to allocate funding to mainstream schools and academies. The current approach has been in place since 2013/14 and the EFA do not require any significant changes to the formula this year, although there remains a degree of choice as to how the formula factors are applied in each local authority. There has been a change to the timetable for setting the local formula, with a submission to the EFA now only required in January 2017 – in previous years a draft submission was required in October. The Consultation process with schools and other stakeholders is still underway, but no changes are expected to the formula that was applied for the current financial year.

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.

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;
- (2) authorise the Head of Commissioning and Investment and the Head of Finance, in consultation with the Cabinet Member for Children, Young People and Learning, to undertake resource allocations to schools for 2017/18 in line with the school funding arrangements set out in this report; and
- (3) receive a further report on the progress schools are making in addressing their financial challenges.

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 17 October 2016.

1.4 Council Plan and Policy Framework

This report relates to the following priority in the 2016/19 Our North Tyneside Plan:
Be ready for school – giving our children and their families the best start in life

1.5 Information:

Background

- 1.5.1 During 2015/16 overall maintained school balances in North Tyneside decreased from £7.637m at 31 March 2015 to £6.982m at 31 March 2016. This is reported in the Authority's Statement of Accounts for 2015/16 and used in National Government benchmarking.
- 1.5.2 It should be noted that total maintained school balances do not include those of academies in the borough. The balances reported nationally included committed balances, i.e. amounts the school has committed to spend on specific projects. The actual balances for forward planning purposes are normally lower, as they include elements that the school plan to spend in future periods. For completeness these are set out in Appendix 2 as Uncommitted Balances, but unless stated otherwise in this report, the balances referred to in this report are the total school balances.
- 1.5.3 The slight decrease in overall maintained school balances reverses the long term trend of rising balances in North Tyneside for over ten years, but this is in line with the budget planning for 2015/16 which had identified an expected reduction in balances. Whilst national and regional benchmarking data is not available up to 2016, Appendix 1 sets out the most up to date information available at present. This shows a long term trend of narrowing of the gap between North Tyneside and these comparator groups, albeit with North Tyneside being below in absolute terms.
- 1.5.4 Whilst the long term trend of increasing balances in North Tyneside schools is positive in terms of financial sustainability, Cabinet should note that once again this position is significantly different to that predicted at the start of the financial year when schools submitted their budget plans. In the May 2015 budget submissions, uncommitted balances were forecast to be in the region of £1.506m. This compares with an

uncommitted balance of £3.339m at 31 March 2016, so the actual balance is significantly higher. Schools have been reminded of the need to forecast as accurately as possible, so that decisions are taken in light of accurate budget projections. Cabinet will be aware that schools retain a high degree of autonomy when setting budgets, unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene.

- 1.5.5 As at 31 March 2016 there were seven schools in deficit, compared to four schools as at 31 March 2015. The value of the total deficit increased to £1.855m, up from £0.580m in the previous year. This increase reverses the longer term trend of reducing deficit balances, both in terms of the number of schools and the value of the deficits. Further information on this trend is included in table 2 later in this report.
- 1.5.6 There are various reasons leading to schools finding themselves in a deficit position, but generally this is caused by a combination of increasing employment costs, which is the majority of a school's cost base, and decreasing pupil numbers, which is especially the case in some of our secondary schools.
- 1.5.7 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. This return, made by every Authority, details all Education and Children's social care financial data.
- 1.5.8 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. Some 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.
- 1.5.9 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 2016.
- 1.5.10 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 2016 there were no schools in North Tyneside considered as having an excess surplus balance. In consultation with the School Forum it was agreed that there will be no claw back of funds from schools relating to 2015/16.
- 1.5.11 An extract of the Section 251 return detailing individual North Tyneside maintained school balances at 31 March 2016 is attached at Appendix 2.

School budget plans for 2016/17

- 1.5.12 Maintained mainstream schools received their individual budget share (delegated budget) from the Local Authority by the 31 January 2016 deadline and submitted their three year revenue budget plans (starting with 2016/17) by 31 May 2016 as required.
- 1.5.13 Eight schools were granted deficit approval for 2016/17, an increase of two schools and, notably, requesting significantly higher balances (£4.809m compared to £2.520m in the previous year). The Finance team, supported by School Improvement, HR and the North Tyneside School Forum, met with these schools in June providing both challenge and support to each of their budget plans, in order to determine if they may be granted a deficit budget for 2016/17. 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.
- 1.5.14 The deficit meetings included consideration of each school's detailed three year budget plans, pupil projections, pupil teacher ratios, procurement decisions and financial benchmarking data on all North Tyneside schools. Following this process, eight schools received deficit approval for 2016/17 of which two schools received provisional approval, subject to additional work that has been requested and should be concluded later this term. The current level of approved and provisional deficits is £4.809m as set out in Table 1 below:

Table 1: Schools with deficit approval for 2016/17

School	Deficit approval granted 2016/17
Fordley	-66,803
Ivy Road	-61,478
Longbenton	-741,947
Marden	-315,090
Monkseaton High	-1,725,774
Norham	-932,217
Seaton Burn	-555,532
Whitley Bay	-410,421
	-4,809,262

- 1.5.15 Although the number of schools seeking deficit approval has remained relatively small, the overall value of the deficits approved has increased significantly. As a result, several of the schools, as part of their deficit approval agreement, will be subject to additional scrutiny from Finance, HR, Schools Improvement and Schools Forum. The recent history of deficit requests and approvals is summarised below:

Table 2: Recent history of school deficit requests and approvals

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Deficit Approval Request	31	32	19	11	7	4	4	6	9
Deficit Approved	31	29	18	9	7	4	4	6	8
Total Approved Deficit £	£1.61M	£2.06M	£1.41M	£0.75M	£0.36M	£0.49M	£1.48M	£2.52M	£4.81M

School Funding 2017/18

- 1.5.16 Members have been kept informed regarding the position on 2016/17 schools funding through the Financial Management reports to Cabinet every two months. Within these reports, information had been provided regarding the Government's intention to move towards a national funding formula for schools.
- 1.5.17 It had been expected that the EFA would introduce new elements to the funding blocks and/or criteria that had to be used by all authorities in England when setting the local formula. However, the timescales for this transition have been extended and there are minimal changes to the funding formula criteria for 2017/18.
- 1.5.18 One change is around the timetable for updating the EFA with local arrangements. In previous years an indicative submission was required in October setting out the factors to be applied within the formula, but this requirement has been removed. Instead, a single submission of the final formula will be made in January 2017.
- 1.5.19 Children, Young People and Learning and Finance officers have been in discussion with North Tyneside Schools Forum regarding the mainstream funding formula and a consultation exercise is currently underway. The outcome of this will be reported to Schools Forum over coming months ahead of the formal submission in January.
- 1.5.20 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. Consultation is also underway locally and nationally regarding early years and high needs funding.
- 1.5.21 The key dates which must be met in setting 2017/18 school budgets are shown in the table below. This report is requesting authorisation for the Head of Commissioning and Investment and the Head of Finance, in consultation with the Cabinet Member for Children, Young People and Learning, to undertake resource allocations to schools to meet these deadlines. Members will be kept informed of progress through the bi-monthly financial management reports to Cabinet.

Date	Action
c.mid December 2016	EFA confirms Dedicated Schools Grant (DSG) allocations for 2017/18 (prior to recoupment of funding for academies)
20 January 2017	Local authorities submit final data for Schools Budget formula pro forma for 2017/18 to the EFA
31 January 2017	North Tyneside issue maintained schools their mainstream funding allocations for 2017/18

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Agree to undertake the resource allocations to schools for 2017/18 in line with the proposals outlined in Section 1.2 of this report.

Option 2

Determine not to agree to undertake the resource allocations to schools for 2017/18 in line with the proposals outlined in Section 1.2 of this report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended as the proposal is compliant with the required EFA 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: School balances as at 31 March 2016

1.9 Contact officers:

Mark Longstaff, Head of Commissioning and Investment, tel (0191) 643 8089

Janice Gillespie, Head of Finance, tel (0191) 643 5701

Jon Ritchie, ENGIE, 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:

Schools Forum 21 September 2016 (School Balances and Mainstream Funding agenda items):

http://www.northynteside.gov.uk/browse-display.shtml?p_ID=566236&p_subjectCategory=1561

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 2015 require 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 Members for Children, Young People and Learning and Finance and Resources, the Head of Commissioning and Investment and the Head of 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 1.5.15 to 1.5.20 of this report.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

Any amendments to the funding 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 1.5.12-1.5.14, 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 implications directly arising from this report.

2.8 Environment and sustainability

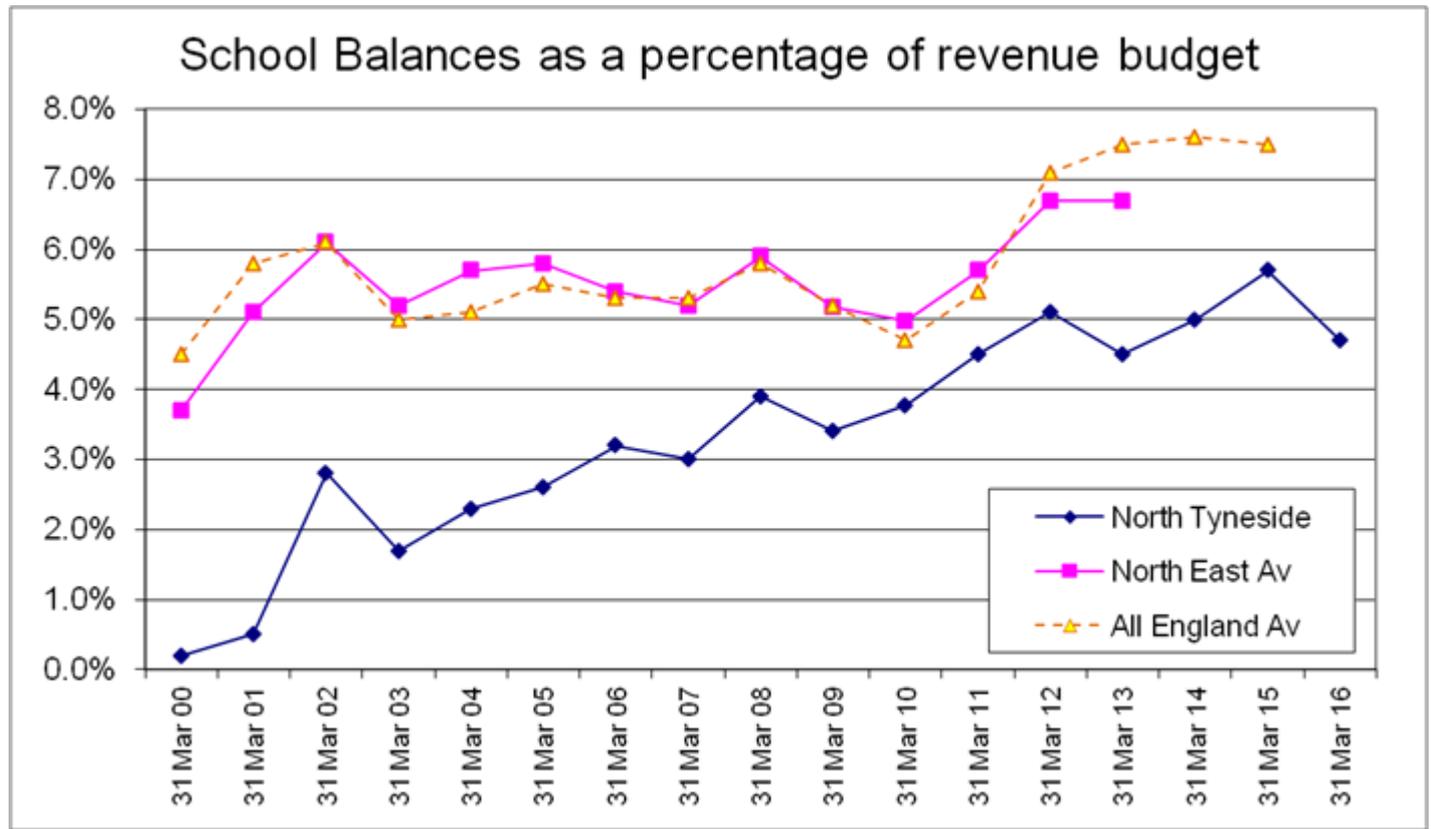
There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

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

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

External data source: Department for Education's benchmarking of school balances using Section 52 and 251 data



Appendix 2: School balances as at 31 March 2016

School Name	School Balance March 2015 (excluding Capital balances))	School Balance March 2016 (excluding Capital balances)	Uncommitted Balance March 2016	School Balance March 16 as a % of 2015-16 Income/ Funding	Uncommitted Balance March 16 as a % of 2015-16 Income/ Funding
Sir James Knott Memorial Nursery School	169,908	126,140	20,140	27.3%	4.4%
Amberley Primary School	45,095	10,217	10,217	0.6%	0.6%
Appletree Gardens First School	118,834	112,126	91,771	8.0%	6.6%
Backworth Park Primary School	40,985	20,054	13,809	3.0%	2.1%
Bailey Green Primary School	190,290	252,767	129,860	12.3%	6.3%
Balliol Primary School	36,013	20,658	11,693	2.1%	1.2%
Battle Hill Primary School	125,435	121,554	103,763	7.1%	6.0%
Benton Dene Primary	48,062	75,295	75,295	3.6%	3.6%
Burradon Community Primary School	50,329	54,155	53,155	5.9%	5.8%
Carville Primary School	55,831	50,587	49,011	5.3%	5.1%
Christ Church CofE Primary School	154,351	141,746	60,289	16.7%	7.1%
Collingwood Primary School	120,623	153,898	153,898	8.9%	7.8%
Coquet Park First School	66,958	93,573	60,034	11.3%	7.3%
Cullercoats Primary School	88,191	77,167	64,982	4.8%	4.1%
Denbigh Community Primary School	181,270	179,497	141,047	9.7%	7.6%
Fordley Community Primary School	61,014	-12,956	-12,956	-0.9%	-0.9%
Forest Hall Primary School	53,158	80,636	40,519	8.3%	4.2%
Greenfields Community Primary School	79,955	29,512	25,444	2.0%	1.7%
Hadrian Park Primary School	82,163	78,333	63,991	5.3%	4.4%
Hazlewood Community Primary School	49,741	30,548	21,624	4.0%	2.8%
Holy Cross RC Primary School	32,047	46,976	44,435	4.8%	4.5%
Holystone Primary School	31,230	46,493	46,493	2.7%	2.7%
Ivy Road Primary School	40,591	20,334	16,520	2.4%	2.0%
King Edward Primary School	30,777	-43	-1,043	0.0%	-0.1%
Langley First School	228,358	240,379	96,245	17.8%	7.1%
Marine Park First School	199,352	158,211	129,711	7.1%	5.8%
Monkhouse Primary School	23,706	44,896	33,112	4.9%	3.6%
New York Primary School	159,272	193,045	97,527	13.2%	6.7%
Percy Main Primary School	70,319	38,988	27,392	3.4%	2.4%
Preston Grange Primary School	40,513	53,353	34,937	6.2%	4.1%
Redesdale Primary School	34,617	24,712	21,100	2.5%	2.1%
Richardson Dees Primary School	167,267	131,550	67,121	11.3%	5.8%
Riverside Primary School	79,422	18,096	18,096	1.8%	1.8%
Rockcliffe First School	74,658	68,095	48,205	6.0%	4.2%
Shiremoor Primary School	146,108	222,333	109,721	11.8%	5.8%
South Wellfield First School	147,348	154,399	88,399	12.5%	7.1%
Southridge First School	59,586	105,933	90,533	8.6%	7.4%
Spring Gardens Primary School	201,350	253,341	139,270	13.4%	7.4%
St Bartholomews CofE Primary School	-15,051	8,358	0	1.0%	0.0%
St Bernadettes RC Primary School	142,773	122,640	98,321	8.9%	7.1%
St Columbas RC Primary School	62,757	60,518	55,046	6.1%	5.5%
St Cuthberts RC Primary School	107,658	143,583	57,603	14.1%	5.6%
St Josephs RC Primary School	116,960	132,107	85,967	8.1%	5.3%
St Marys RC Primary School (FH)	46,340	81,517	37,028	10.4%	4.7%
St Marys RC Primary School (NS)	46,607	86,916	59,147	9.6%	6.5%
St Stephens RC Primary School	74,073	80,722	73,865	7.5%	6.8%
Star of the Sea RC Primary School	169,780	164,894	96,872	10.2%	6.0%

School Name	School Balance March 2015 (excluding Capital balances)	School Balance March 2016 (excluding Capital balances)	Uncommitted Balance March 2016	School Balance March 16 as a % of 2015-16 Income/Funding	Uncommitted Balance March 16 as a % of 2015-16 Income/Funding
Stephenson Memorial Primary School	194,177	194,753	143,247	9.6%	7.0%
Wallsend Jubilee Primary School	60,844	61,051	43,356	4.0%	2.8%
Wallsend St Peter's CofE Primary School	25,932	89,690	86,298	7.9%	7.6%
Waterville Primary School	32,691	20,281	11,128	1.6%	0.9%
Western Community Primary School	124,969	160,600	132,421	8.2%	6.7%
Westmoor Primary School	47,176	70,014	45,245	5.2%	3.3%
Whitehouse Primary School	170,946	209,112	70,096	21.6%	7.2%
Whitley Lodge First School	47,364	62,488	43,218	5.9%	4.1%
Burnside Business & Enterprise College	465,919	816,198	346,456	10.7%	4.5%
Churchill Community College	609,202	720,755	194,554	11.5%	3.1%
George Stephenson High School	295,072	475,935	287,627	7.7%	4.7%
John Spence Community High School	189,858	286,762	149,961	5.5%	2.9%
Longbenton Community College	-368,071	-345,327	-374,489	-6.5%	-7.0%
Marden Bridge Middle School	61,955	102,440	63,599	4.7%	2.9%
Marden High School	-78,179	-236,031	-236,031	-5.9%	-5.9%
Monkseaton High School	102,419	-626,025	-651,208	-19.8%	-20.6%
Monkseaton Middle School	140,445	91,666	51,634	5.8%	3.3%
Norham High School	-118,973	-445,209	-445,209	-12.8%	-12.8%
Seaton Burn College	20,588	-183,649	-190,348	-5.8%	-6.0%
Valley Gardens Middle School	255,571	195,084	100,491	6.6%	3.4%
Wellfield Middle School	52,749	-6,078	-11,145	-0.5%	-0.8%
Whitley Bay High School	172,587	49,642	9,910	0.6%	0.1%
Beacon Hill School	211,123	186,516	93,575	4.7%	2.4%
Benton Dene School	202,211	247,911	186,738	9.1%	6.9%
Silverdale School	85,886	155,270	155,270	7.2%	7.2%
Southlands School	167,219	109,079	85,114	5.4%	4.2%
Woodlawn School	101,785	81,543	81,543	4.2%	4.2%
Moorbridge PRU	17,948	17,051	17,051	0.9%	0.9%
TOTALS FOR ALL SCHOOLS	7,628,034	6,959,372	3,339,308		
Add Capital balance	8,530	23,075			
Deduct schools transferred to Academy in year	0	0			
	7,636,564	6,982,448	3,339,308		