

North Tyneside Council

Report to Cabinet

9 November 2015

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) 643 8089)

Wards affected:

All Wards

PART 1

1.1 Executive Summary:

This report is to update Cabinet of the financial position of North Tyneside schools and provide an overview of the approach to the Authority's Local Funding Formula for Schools for the financial year 2016/17.

School balances are reported as at 31 March each year. During financial year 2014/15 maintained school balances, which excludes academies in the borough, increased by £0.990m to £7.637m. 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 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. Whilst no changes are proposed to the formula to be applied for 2016/17, a consultation has taken place with all schools, including discussions at the Schools Forum.

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; and
- (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 2016/17 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 28 September 2015.

1.4 Council Plan and Policy Framework

This report relates to the following priority in the 2014/18 Our North Tyneside Plan

- 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 Background

- 1.5.2 During 2014/15 overall maintained school balances in North Tyneside increased from £6.647m at 31 March 2014 to £7.637m at 31 March 2015. This is reported in the Authority’s Statement of Accounts for 2014/15 and used in National Government benchmarking.
- 1.5.3 It should be noted that total maintained school balances do not include those of academies in the borough. Further, Moorbridge Pupil Referral Unit is now classified as a school so appears in the March 2015 balances for the first time. 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.
- 1.5.4 The increase in overall maintained school balances continues the long term trend of rising balances in North Tyneside for over ten years. National and regional benchmarking data on maintained school balances is available through to March 2013 (the data has not been produced in this format for the last two years). Up to 2013 this shows 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, but with the long term trend demonstrating a narrowing of the gap. This is shown in Appendix 1, with the last two years of data for North Tyneside schools added.
- 1.5.5 Although overall balances remain lower than the comparator groups, this should not necessarily be considered to be a concern as some commentators think 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.
- 1.5.6 Whilst the increased level of balances in North Tyneside schools is positive in terms of financial sustainability, Cabinet should note that this position is significantly different to that predicted at the start of the financial year when schools submitted their budget plans. In the May 2014 budget submission, balances were forecast to be in the region of £2m, 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.

- 1.5.7 As at 31 March 2015 there were four schools in deficit. This compares with five schools with deficits at 31 March 2014, seven schools at 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 £0.580m, the majority (£0.368m) relating to Longbenton Community College.
- 1.5.8 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.
- 1.5.9 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.
- 1.5.10 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 2015.
- 1.5.11 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 2015 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 in 2015/16.
- 1.5.12 An extract of the Section 251 return detailing individual North Tyneside maintained school balances at 31 March 2015 is attached at Appendix 2.

School budget plans for 2015/16

- 1.5.13 Maintained mainstream schools received their individual budget share (delegated budget) from the Local Authority by the 31 January 2015 deadline and submitted their three year revenue budget plans (starting with 2015/16) by 31 May 2015 as required.
- 1.5.14 Six schools requested deficit approval for 2015/16 budgets, an increase of two schools and, notably, requesting significantly higher balances (£2.621m compared to £1.480m in the previous year). 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 2015/16. 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.

1.5.15 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, four schools received deficit approval for 2015/16 and 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 £2.518m as set out in Table 1 below:

Table 1: Schools with deficit approval for 2015/16

School	Deficit requested 2015/16 £	Deficit approval granted 2015/16 £	Deficit Approval as % of 2015/16 Estimated Funding
St Bartholomew's	-19,142	-19,142	-2.4%
Longbenton	-508,481	-508,481	-10.2%
Marden	-356,185	-269,574	-6.9%
Monkseaton High	-812,511	-796,183	-26.6%
Norham	-755,321	-755,321	-24.7%
Seaton Burn	-169,020	-169,020	-5.7%
	-2,620,660	-2,517,721	

1.5.16 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, 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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Deficit Approval Request	25	31	32	19	11	7	4	4	6
Deficit Approved	25	31	29	18	9	7	4	4	6
Total Approved Deficit £	£2.30M	£1.61M	£2.06M	£1.41M	£0.75M	£0.36M	£0.49M	£1.48M	£2.52M

1.5.17 Whilst recognising the current improvement in overall school balances it is worth noting that five of the six 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 2016/17

- 1.5.18 Members have been kept informed regarding the position on 2015/16 schools funding through the Financial Management reports to Cabinet every two months. The EFA, who set the national requirements that local authorities must adhere to when allocating funding to mainstream schools, are not mandating any new elements for the 2016/17 budget allocations.
- 1.5.19 Children, Young People and Learning and Finance officers have been in discussion with North Tyneside Schools Forum regarding the 2016/17 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 14 October 2015, the factors to be used in the funding formula for 2016/17 were confirmed, which will be notified to the EFA by the end of October.
- 1.5.20 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.
- 1.5.21 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.
- 1.5.22 The key dates which must be met in setting 2016/17 school budgets are shown in the table below. Members will be updated through the Financial Management reports to Cabinet.

Date	Action
30 October 2015	Local authorities submit provisional Schools Budget formula pro forma for 2016/17 to the EFA
c.14 December 2015	EFA confirms Dedicated Schools Grant (DSG) allocations for 2016/17 (prior to recoupment of funding for academies)
21 January 2016	Local authorities submit final data for Schools Budget formula pro forma for 2016/17 to the EFA
29 January 2016	North Tyneside issue maintained schools their mainstream funding allocations for 2016/17

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 2016/17 in line with the proposals outlined in Section 1.2(2) of this report.

Option 2

Determine not to agree to undertake the resource allocations to schools for 2016/17 in line with the proposals outlined in Section 1.2(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
External data source: Department for Education's benchmarking of school balances using Section 52 and 251 data to 31st March 2013

Appendix 2: School balances as at 31 March 2015

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, 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:

- (1) Section 251 Statements – not yet uploaded to the Council's website but available from the School Finance Team
- (2) [Department for Education's Benchmarking of School Balances using Section 52 and 251 data to 31 March 2013](#)
- (3) [Education Funding Agency - Schools Revenue Funding Operational Guidance 2016/17](#)

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 2014 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 1.5.18 to 1.5.22 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 1.5.14-1.5.17, 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

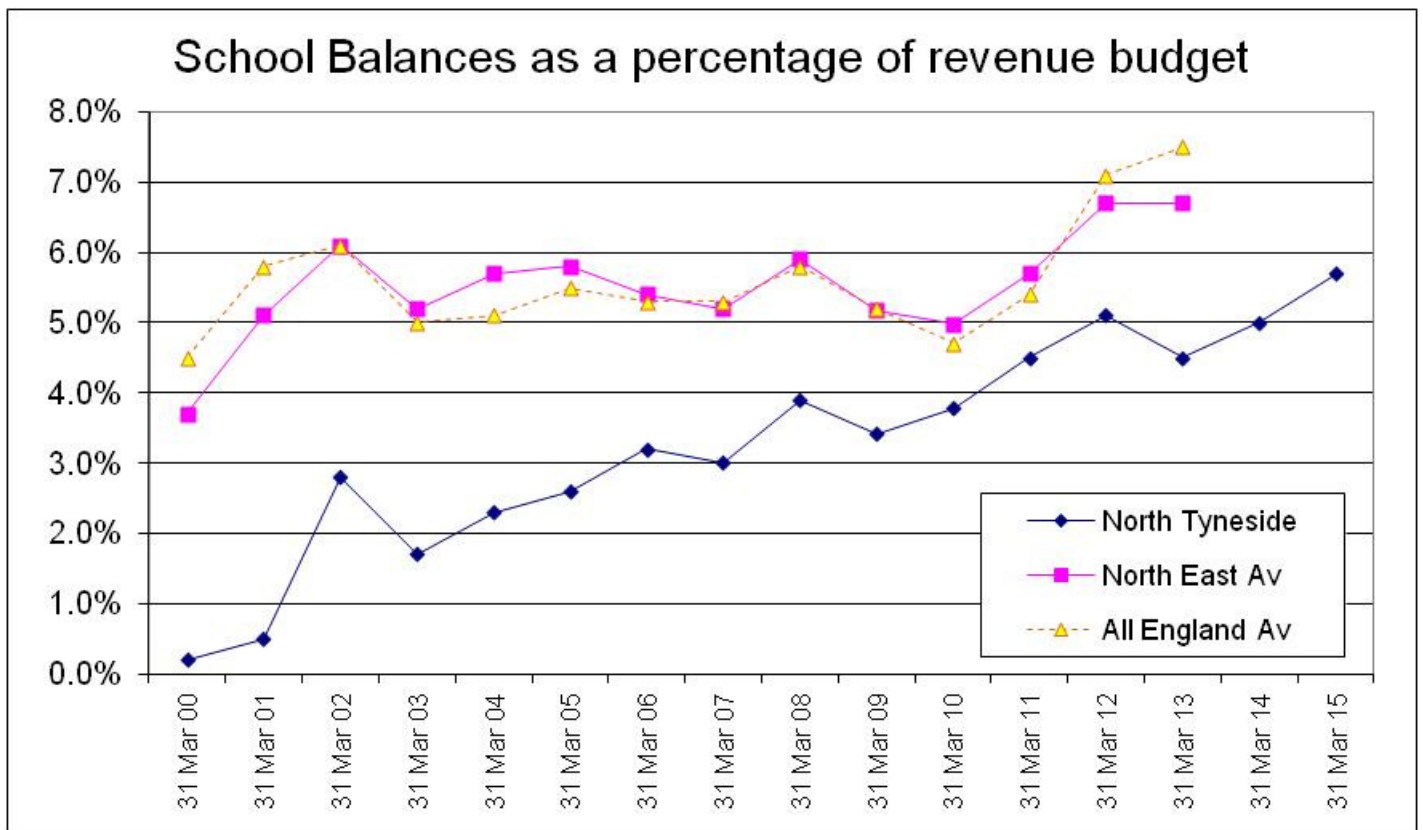
There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- 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

External data source: Department for Education's benchmarking of school balances using Section 52 and 251 data to 31st March 2013 (N.B as stated in the report, comparative benchmarking data for 2014 and 2015 is not available for the national and regional averages)



Appendix 2: School balances as at 31 March 2015

School Name	School Balance March 2014 (excluding Capital balances)	School Balance March 2015 (excluding Capital balances)	Uncommitted Balance March 2015	School Balance March 15 as a % of 2015-16 Estimated Funding	Uncommitted Balance March 15 as a % of 2015-16 Estimated Funding
Sir James Knott Memorial Nursery School	114,121	169,908	26,324	45.0%	7.0%
Amberley Primary School	-5,138	45,095	39,073	3.2%	2.8%
Appletree Gardens First School	121,717	118,834	74,665	9.9%	6.2%
Backworth Park Primary School	83,834	40,985	34,523	6.6%	5.6%
Bailey Green Primary School	135,776	190,290	91,075	11.1%	5.3%
Balliol Primary School	38,137	36,013	28,486	4.0%	3.2%
Battle Hill Primary School	22,712	125,435	110,169	8.0%	7.0%
Benton Dene Primary	26,956	48,062	38,062	2.6%	2.0%
Burradon Community Primary School	101,321	50,329	45,481	6.0%	5.4%
Carville Primary School	68,767	55,831	50,735	6.1%	5.5%
Christ Church CofE Primary School	100,649	154,351	60,574	19.0%	7.5%
Collingwood Primary School	66,055	120,623	107,782	7.3%	6.6%
Coquet Park First School	51,676	66,958	54,010	8.8%	7.1%
Cullercoats Primary School	73,918	88,191	79,253	6.0%	5.4%
Denbigh Community Primary School	114,041	181,270	132,625	10.7%	7.8%
Fordley Community Primary School	-3,678	61,014	60,508	4.5%	4.4%
Forest Hall Primary School	20,120	53,158	40,263	6.0%	4.6%
Greenfields Community Primary School	38,077	79,955	67,203	6.2%	5.2%
Hadrian Park Primary School	32,137	82,163	78,513	6.4%	6.1%
Hazlewood Community Primary School	29,979	49,741	44,940	7.1%	6.4%
Holy Cross RC Primary School	18,389	32,047	27,927	3.4%	3.0%
Holystone Primary School	7,854	31,230	21,808	1.9%	1.4%
Ivy Road Primary School	15,402	40,591	39,544	5.1%	5.0%
King Edward Primary School	40,684	30,777	20,403	1.9%	1.3%
Langley First School	164,751	228,358	75,579	18.6%	6.2%
Marine Park First School	202,138	199,352	138,242	10.6%	7.3%
Monkhouse Primary School	678	23,706	13,886	2.9%	1.7%
New York Primary School	168,881	159,272	62,152	12.8%	5.0%
Percy Main Primary School	73,928	70,319	56,445	6.5%	5.2%
Preston Grange Primary School	33,121	40,513	9,022	5.1%	1.1%
Priory Primary School	87,895	0			
Redesdale Primary School	14,585	34,617	32,945	3.6%	3.4%
Richardson Dees Primary School	155,028	167,267	75,315	15.6%	7.0%
Riverside Primary School	140,682	79,422	21,625	8.6%	2.3%
Rockcliffe First School	76,835	74,658	57,047	7.6%	5.8%
Shiremoor Primary School	61,236	146,108	125,464	8.5%	7.3%
South Wellfield First School	76,237	147,348	90,250	13.0%	7.9%
Southridge First School	17,806	59,586	56,349	5.3%	5.1%
Spring Gardens Primary School	102,908	201,350	123,145	11.2%	6.8%
St Bartholomews CofE Primary School	-22,394	-15,051	-24,001	-1.9%	-3.1%
St Bernadettes RC Primary School	106,710	142,773	96,512	11.3%	7.6%
St Columbas RC Primary School	46,319	62,757	57,180	6.8%	6.2%
St Cuthberts RC Primary School	58,207	107,658	62,179	11.4%	6.6%
St Josephs RC Primary School	119,450	116,960	96,460	7.5%	6.2%
St Marys RC Primary School (FH)	22,779	46,340	38,999	6.4%	5.4%
St Marys RC Primary School (NS)	74,554	46,607	38,624	5.6%	4.6%
St Stephens RC Primary School	86,468	74,073	63,190	7.8%	6.6%
Star of the Sea RC Primary School	285,538	169,780	84,351	11.5%	5.7%

School Name	School Balance March 2014 (excluding Capital balances)	School Balance March 2015 (excluding Capital balances)	Uncommitted Balance March 2015	School Balance March 15 as a % of 2015-16 Estimated Funding	Uncommitted Balance March 15 as a % of 2015-16 Estimated Funding
Stephenson Memorial Primary School	212,209	194,177	104,177	10.5%	5.6%
Wallsend Jubilee Primary School	11,694	60,844	53,675	4.3%	3.8%
Wallsend St Peter's CofE Primary School	16,679	25,932	21,563	2.5%	2.1%
Waterville Primary School	31,514	32,691	27,279	2.8%	2.3%
Western Community Primary School	95,886	124,969	124,969	6.8%	6.8%
Westmoor Primary School	39,104	47,176	32,359	4.1%	2.8%
Whitehouse Primary School	103,405	170,946	69,815	18.5%	7.6%
Whitley Lodge First School	39,425	47,364	37,330	4.9%	3.9%
Burnside Business & Enterprise College	234,363	465,919	346,728	6.2%	4.6%
Churchill Community College	582,427	609,202	240,278	12.3%	4.9%
George Stephenson High School	221,129	295,072	207,890	5.1%	3.6%
John Spence Community High School	195,861	189,858	111,705	4.2%	2.5%
Longbenton Community College	-430,271	-368,071	-383,994	-7.4%	-7.7%
Marden Bridge Middle School	122,653	61,955	52,895	3.0%	2.6%
Marden High School	18,042	-78,179	-86,493	-2.0%	-2.2%
Monkseaton High School	384,482	102,419	64,613	3.4%	2.2%
Monkseaton Middle School	112,910	140,445	73,235	9.4%	4.9%
Norham High School	-10,412	-118,973	-160,585	-3.9%	-5.3%
Seaton Burn College	119,899	20,588	20,588	0.7%	0.7%
Valley Gardens Middle School	239,993	255,571	136,515	9.0%	4.8%
Wellfield Middle School	66,206	52,749	20,792	4.2%	1.6%
Whitley Bay High School	249,135	172,587	112,065	2.2%	1.4%
Beacon Hill School	126,726	211,123	103,901	6.1%	3.0%
Benton Dene School	78,256	202,211	157,442	8.0%	6.2%
Silverdale School	18,550	85,886	85,886	4.1%	4.1%
Southlands School	153,471	167,219	94,993	8.7%	4.9%
Woodlawn School	233,594	101,785	95,767	5.5%	5.2%
TOTALS FOR ALL SCHOOLS	6,734,775	7,610,086	4,590,292		
Add Capital balance	618	8,530			
Deduct schools transferred to Academy in year	-87,895	0			
Moorbridge Pupil Referral Unit		17,948			
	6,647,498	7,636,564	4,590,292		