



At the meeting on 18<sup>th</sup> May, Schools Forum confirmed the membership of the Headroom sub-group. The sub-group met on 29<sup>th</sup> June with officers to discuss the deficit clinics held with each of the schools seeking permission to set a deficit budget for 2016/17.

There are ten schools projecting a deficit for 2016/17, one of which is under the £5,000 threshold and is not expected to require a deficit approval meeting. The table below shows the schools and the current level of their requested deficit approval, which demonstrates the increase both in number of schools and value of deficits. Further work and challenge are on going with the nine schools, although the Local Authority expects to be able to confirm the deficit approval in the coming weeks for the majority of schools. At the time of writing this report discussions were still ongoing, verbal updates will be given at the meeting if available.

| School                       | Outturn<br>2015/16 | Current<br>Deficit<br>Approval<br>requested<br>2016/17 |
|------------------------------|--------------------|--|
|                              | £                  | £  |
| Fordley Community Primary    | -12,956            | -66,803  |
| Ivy Road Primary             | 20,331             | -61,478  |
| Wallsend Jubilee Primary     | 61,051             | -17,081  |
| Marden High                  | -236,030           | -315,090   |
| Norham High                  | -445,210           | -932,217   |
| Longbenton Community College | -345,326           | -741,947   |
| Monkseaton High              | -626,029           | -1,725,774   |
| Seaton Burn College          | -183,653           | -500,220   |
| Whitley Bay High             | 49,642             | -488,418   |
| <b>Total</b>                 | <b>-1,718,180</b>  | <b>-4,849,028</b>                                      |

At the time of this report, the overall forecast for schools balance for 2016/17 is -£0.280m. This is after offsetting the £4.849m deficit approval requests above. Without intervention, the position is forecast to worsen significantly over the three year planning horizon.

It should be noted that the school balances information contained within this note includes those schools currently considering conversion to an academy. If and when schools convert, they will no longer be reported in the schools balances figure within the Authority's accounts.

The sub-group shared the concerns of the Local Authority about the number and value of the individual and collective deficits. Whilst the Local Authority will continue to support all schools in addressing the deficits, it will require the schools to consider further action that may not be desirable but is necessary to address the financial pressures being faced.

## **2. 2015/16 Outturn on the wider DSG budget**

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.

Overall, and after allowing school allocations and for known commitments, the original DSG over spent in 2015/16 by £0.785m. This overspend relates to the pressures within High Needs as has been discussed in previous meetings. There are no uncommitted balances against the Schools and Early Year's Blocks as all available budgets have been used to offset the High Needs pressures.

## Schools Block

This category includes the Falling Rolls fund which has a carried forward allocation of £0.050m as reported to Schools Forum in March. This balance is to be committed and brought forward to 2016/17 and added to the 2016/17 Falling Rolls budget.

Also included is the de-delegated Schools in financial difficulty balance of £0.094m, this was following the allocation of £0.100m to deficit schools as reported in the May Schools Forum meeting. It was recommended by the Headroom subgroup this balance was to be carried forward and available to support deficit schools in the 2016/17 headroom allocation. The budget for mainstream maintained schools in financial difficulty is reported to Schools Forum throughout the year.

There still remains a small underspend from 2014/15 for anticipated rates evaluations. The £0.024m is committed to assist with the expected rates revaluation costs for the new build schools in 2016/17.

Within this Block were centrally retained items totalling £3.434m, which were applied for their agreed purpose.

## High Need Block

As agreed at December Schools Forum meeting, the High Needs overspend pressures for 2014/15 (- £1.102m ) was addressed with a transfer from the 2014/15 underspends in the Early Years and Schools Blocks. When both block transfers were applied, this left a residual surplus of £0.337m, which has been applied to the 2015/16 pressures. At the time of the January Schools Forum meeting this was estimated to be -£1.086m, but the final outturn position was -£1.122m – the table below shows the breakdown of the final outturn position.

| Outturn 2015/16                 | <b>2015/16<br/>Actual<br/>£M</b> |
|---------------------------------|----------------------------------|
| B/fd balance from 2014/15       | -1.102                           |
| Transfer from EY Block          | 1.222                            |
| Transfer from School Block      | 0.217                            |
| Balance after transfers applied | 0.337                            |
| Outturn                         | -1.122                           |
| <b>Total Outturn</b>            | <b>-0.785</b>                    |

The main areas of financial pressures in High Needs, which are partially offset by some underspends, were:

- The costs associated with Pre / Post 16 Top Up
- The costs associated with Special Schools Top Up

Our discussions with regional colleagues has highlighted that a number of Local Authorities are also experiencing financial pressures in High Needs Block .

## **Early Years**

The outturn on the Early Years Block for 2015/16 is an under spend of £0.038m (as per the previous forecast). This is after a contribution of £1.222m to the High Needs Block from the 2014/15 under spend. Schools Forum should note that there are commitments against the under spend that are being incorporated into the planning for 2016/17, including estimates for further adjustments to the DSG for the January census for 2, 3 and 4 year old. This is expected to result in a reduction as the January 2016 pupil count is lower than the previous year's.

## **Overall DSG position**

Schools Forum will remember that, when setting the 2016/17 funding formula, the pressure on the High Needs Block of circa £1.3m would be recovered over 2 financial years, i.e. 2016/17 and 2017/18. When the 2017/18 budget position is looked at, this brought forward pressure of £0.785m will need to be taken into account as well as any current year High Needs pressures.

Schools Forum will also recall that there will be a reduction in the level of centrally retained items for Early Intervention when setting the 2017/18 funding formula – this is the residual balance of £0.575m that was centrally retained in 2016/17 to facilitate the changes to those Council service areas that were partially funded by the centrally retained items.

Whilst decisions regarding the funding formula will be taken later in the year – and which may be dependent on further progress towards the national funding formula – it should be noted that this brought forward High Needs pressure should be addressed prior to the wider funding formula being considered.

### **3. Consultation update**

No further consultation information has been received from the DfE in relation to either mainstream or high needs funding, although there has been further baseline/historic information provided to the DfE with regards to centrally retained items.

Given the uncertainty with this, especially in relation to whether the centrally retained items will remain to be a local decision, the Chair agreed to the planned item on centrally retained and de-delegated items being deferred until the September meeting. Once further updates are received from the DfE, a decision will be taken as to whether the item will be added to a subsequent agenda item.

### **4. Recommendations**

Schools Forum are asked to note the details of the 2015/16 outturn in respect of the Dedicated Schools Grant and the need to manage the High Need Block pressures in 2016/17 and beyond and agree that Schools Forum:

- Notes the underspend for Falling Rolls fund (£0.050m) to be carried forward and added to the 2016/17 Falling Rolls budget.
- Notes the brought forward de-delegation balance from the schools in financial difficulty budget (£0.094m) to be added to the 2016/17 budget allocation.
- Notes the residual rates balance of £0.042m will be carried forward to the 2016/17 budget allocation to be used for the 2016/17 rates revaluation of new build schools.

- Agrees that the residual High needs overspend balance will be addressed when allocating the 2017/18 funding Blocks.
- Notes that further work will be undertaken, if necessary, on the commitments for Early Years Block once the final DSG is confirmed.