

Authority maintained school data is used in this analysis which means that Academy schools are not included.

We have used the latest DfE benchmarking data showing school revenue balances as a percentage of the total planned budget (including all grant income) for all Local Authority maintained schools and schools converting to Academy status up to the point of conversion.

The latest available information shows that the national level of total revenue balances held by schools continued to decrease in cash terms from £2.18Billion to £2.12Billion by the end of March 2015, which is the same trend seen in North Tyneside this year.

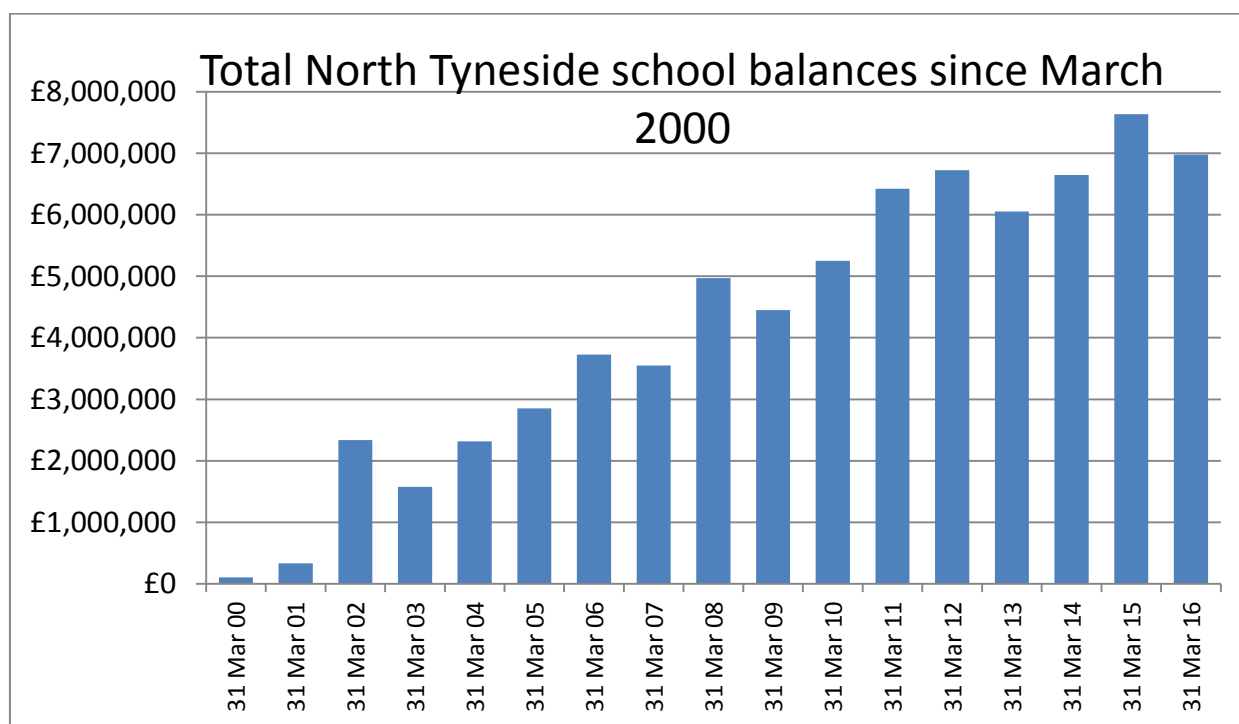
2. School Balances in North Tyneside as at 31st March 2016

The data is only currently available to make national comparisons of school balances up to March 2015 but we can show the school balances in North Tyneside up to March 2016.

Appendix A contains the list of school balances at March 2016 by phase.

The key messages are:

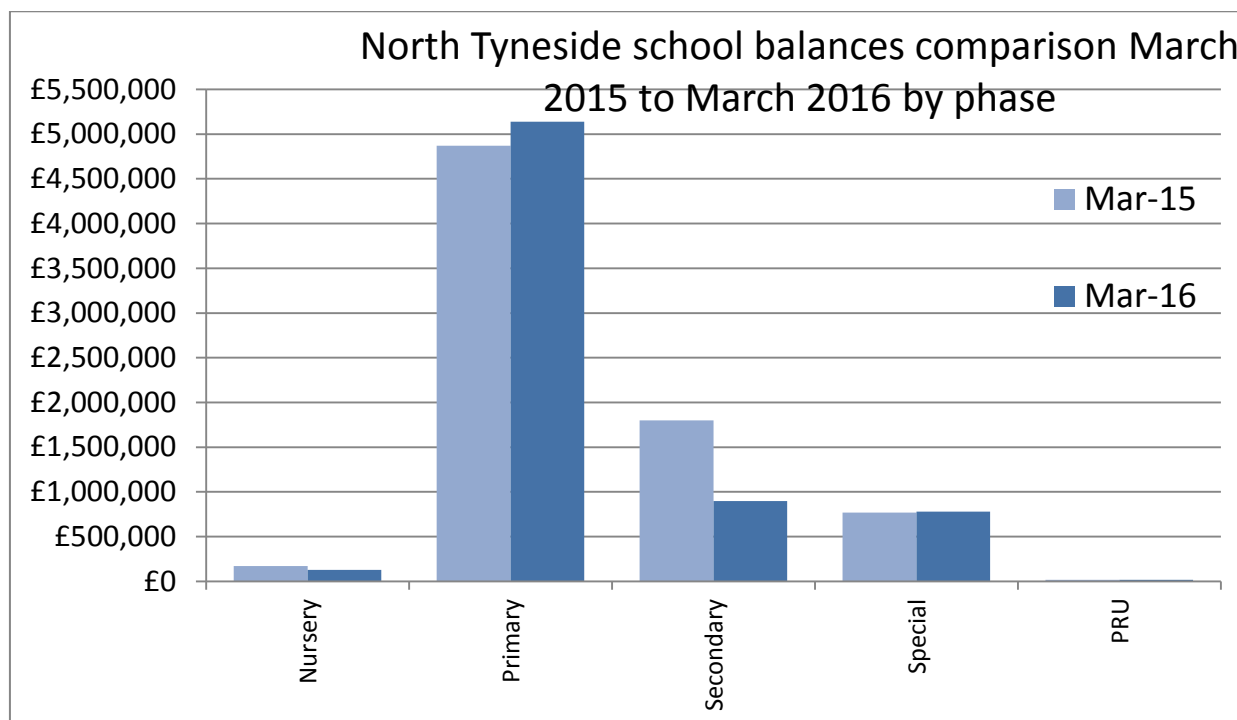
- Overall School Balances in North Tyneside have started to decrease and balances have fallen from £7.637m at March 2015 to £6.982m at March 2016.** This is the figure reported in the accounts and used in National Government benchmarking.



- Within this total the uncommitted balances have decreased from £4.608m at March 2015 to £3.339m at March 2016.
- School Revenue balances by **phase of school** are shown in the table below (this is calculated by using the total cumulative balance by phase and dividing this by the number of schools in each phase) :

Year	Average total revenue balance (£ per school)				
	All schools	Maintained Nurseries	Maintained Primaries	Maintained Secondaries	Maintained Specials
North Tyneside 2015-16	£92,792	£126,140	£95,180	£64,012	£156,064
North Tyneside 2014-15	£102,839	£169,908	£90,200	£128,653	£153,645

- The total balance by **phase of school** is shown in the chart below. As can be seen, the reduction in uncommitted balances is largely in the secondary sector:



- The table below shows the percentage of total balances by phase as a % of total funding as at March 2016.

	School Balance * March 15 as a % of 2015-16 Estimated Funding	School Balance March 16 as a % of 2015-16 Funding
Nursery	45.0%	27.3%
Primary	7.6%	7.2%
Secondary	3.2%	1.5%
Special	6.5%	6.1%
PRU		0.9%
TOTALS FOR ALL SCHOOLS	5.7%	4.7%

* Please note the method of calculating the surplus balance level is proposed to change as set out later in this report. However, for consistency with the previous years report, the data 2015/16 is shared on the basis reported last year.

- **As at 31st March 2016 there were 7 schools with an overall deficit.** This compares with 4 at March 2015. Of the schools in deficit, 5 had deficit approval. The deficit balances can be seen below:

School Name	School Balance March 2015	School Balance March 2016	Uncommitted Balance March 16	School Balance March 16 as a % of 2015-16 Funding	Uncommitted Balance March 16 as a % of 2015-16 Funding
Fordley Primary School	61,014	-12,956	-12,956	-0.9%	-0.9%
Longbenton Comm College	-368,071	-345,327	-374,489	-6.5%	-7.0%
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%
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%
Wellfield Middle School	52,749	-6,078	-11,145	-0.5%	-0.8%
TOTALS FOR ALL SCHOOLS	-328,453	-1,855,274	-1,921,385		

- **Excess school balances** are those uncommitted balances over 5% for middle & secondary schools and over 8% for first, primary and special schools. Appendix B contains North Tyneside's policy on Surplus balances.

No school had a surplus balance in excess of 5% for middle & secondary schools and over 8% for first, primary and special schools at March 2016.

3. New method of calculating surplus balances

The current method of calculating the percentage of a schools surplus balance is shown in appendix B. This calculation uses the uncommitted balance as a percentage of the current year's budget share.

Previously, the current year's budget has been taken as being the budget for the year following the budget surplus date i.e. the 31 March 2016 surplus is assessed against the 2016/17 budget. Using this method has now resulted in a more complex calculation, as the school's budget share changes throughout the year. This is due to Top Up funding being recalculated termly, the Early Years funding being dependent on each terms census data and final Pupil Premium grants not known until later in the financial year.

It is for this reason we are proposing that when calculating the surplus balance % we use the budget share in the year in which the surplus arose. The DfE now use this model

when producing its benchmarking information. They show schools revenue balances as a percentage of the total planned budget including all grant income. This is from a schools CFR data.

The proposal would be to change the calculation to read:-

“If the result of steps A, B and C is a sum greater than 5% of the schools budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the authority shall deduct from the current year's budget share an amount equal to the excess”

4. 2016/17 deficit clinic process

In June 2016, 9 schools indicated that they needed the Authority's agreement to set a deficit budget for 2016/17. Meetings were held on 9th, 14th, 15th, 17th and 24th June.

The deficit meetings were attended by Angela James, Jo Suddes, Allan Holbrook and Jonathan Chicken from School Improvement and were supported by representatives from Finance and HR.

In advance of the deficit meetings Finance colleagues supported the school in preparing the deficit information packs. For each School the pack included:

- Summary of historic balances, pupil numbers and headroom allocations
- 3 year summary projections of balances and pupil numbers
- School organisation analysis detailing class organisation and the use of teachers and support staff across these classes (Primary schools only)
- Detailed 3 year budget plans
- Pupil teacher ratios and graphical representation of the 3 year plans
- A School HT report on the background behind the deficit situation
- Completed Model of Reasonableness (Primary schools only)
- Additional Staffing information (Secondary schools only)

In addition to this, information was shared on benchmarking all North Tyneside school budgets (not just those requesting deficit) and pupil number forecasts for secondary schools to allow informed discussion on all areas of the budget.

Following the meetings we met with a sub group of the School Forum on 29th June to:

1. Provide assurance to the Forum and wider school community that the deficit approvals agreed are reasonable and that deficit schools are taking reasonable action to manage within their budget.
2. Allow the group to use their experience to suggest to the Authority any potential further actions that it would be reasonable to expect from any school in deficit.

All deficit information packs were available to the sub group.

Following this process we have now granted 8 schools deficit approval for 2016/2017, although for 2 schools (Norham and Monkseaton High) this approval is provisional pending

the schools providing further updates on their plans during September/October. One school did not require deficit approval as they were able to produce a revised plan following the meeting which now indicates a surplus balance for 2016/17.

Although the number of schools seeking deficit approval has remained relatively small, the overall value of the deficits approved has increased significantly. The recent history of deficit requests and approvals is summarized below:

	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

A full list of these schools for 2016/17, the deficits requested and the proposed approval value are shown in the table below:

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

Next steps in relation to deficit schools

Each school in deficit will be subject to additional financial scrutiny across the year. Some of the deficit schools are scheduled to meet with the Local Authority officers again in the Autumn term to discuss and review current positions.

The sub group of the Schools Forum proposed that they receive a further update on deficit schools following these meetings with Finance officers to review the progress by each deficit school and the information provided during the year.

In keeping with previous years' experience we are anticipating the value of deficits at year end being less than the deficit approval since:

- Schools will continue to scrutinize their budgets and realise savings through the year
- We will distribute the funds for supporting schools in Financial difficulty in 2016/17

Funds available to support schools in financial difficulty in 2016/17 are shown below:

	£
Budget for Schools in Financial difficulty 2016/17	130,704
add unused headroom brought forward from 2015/16	94,115
Sum allocated to fund school procurement officer	-28,000
Total Headroom available 2016/17	196,819

Recommendations

Schools Forum is asked to note:

1. At March 2016 in North Tyneside overall balances have decreased along with uncommitted balances.
2. The number of schools reported with a deficit balance in North Tyneside at March 2016.
3. There are no excess school surplus balances at March 2016 to be clawed back in 2016/17.
4. To amend the balance control mechanism set out in appendix B.
5. There has been an increase relating to the number of schools with deficit approvals for 2016/17 compared with the previous year and the size of this deficit has risen significantly.

Appendix A: List of school balances at March 2016 by phase

(excluding Capital balances)

School Phase	School Balance March 2015 (excluding Capital balances)	School Balance March 2016 (excluding Capital balances)	Uncommitted Balance March 2016	School Balance March 16 2015-16 as a % of Funding	Uncommitted Balance March 16 2015-16 as a % of Funding
Nursery	169,908	126,140	20,140	27.3%	4.4%
Primary	4,870,812	5,139,700	3,404,075	7.2%	4.8%
Secondary	1,801,142	896,163	-704,198	1.5%	-1.2%
Special	768,224	780,318	602,240	6.1%	4.7%
PRU	17,948	17,051	17,051	0.9%	0.9%
TOTALS FOR ALL SCHOOLS	7,628,034	6,959,372	3,339,308	4.7%	2.3%

Add Capital balance 23,075

6,982,448	3,339,308
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Appendix B: The Balance Control mechanism

The regulations define the surplus balance as;

A

The balance, if any, held by each school as at the 31 March.
(the balance is the recurrent balance as defined in the
Consistent Financial Reporting Framework)

Minus

B

Any amounts for which the school has a prior year commitment
to pay from the surplus balance

Minus

C

Any amounts which the governing body of the school have
declared to be assigned for specific purposes permitted by the
authority, and which the authority is satisfied are properly
assigned.

= School Balance

If the result of steps A, B and C is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the authority shall deduct from the current year's budget share an amount equal to the excess