

At the meeting on 17th May, Schools Forum asked for additional members to join the Headroom sub-group due to the retirement of members of the group. Previously, although not at the meeting of the 17th, Anne Marie Crozier had offered her services to the group and subsequently following the meeting Peter Gannon had also offered to also take up membership of the group.

The confirmed the membership of the Headroom sub-group is shown below:

Gavin Storey
 John Newport
 Jim Stephenson
 Andrew James
 Peter Thorp
 Peter Gannon
 Anne Marie Crozier

The sub-group met on 29th June with officers to discuss the deficit clinics held with each of the schools seeking permission to set a deficit budget for 2017/18. Not all members were able to attend this meeting due to other commitments.

There are ten schools projecting a deficit for 2017/18. 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 ten schools and further meetings are planned with the Chief Finance Officer and Head of Health Education Care and Safeguarding. Subject to the above conversations taking place the Local Authority expects to be able to advise schools in the coming weeks. At the time of writing this report, discussions were still ongoing and verbal updates will be given at the meeting if available.

School	Outturn 2016/17	Current Deficit Approval requested 2017/18
	£	£
Fordley Community Primary	-71,490	-80,811
Ivy Road Primary	-27,844	-137,472
Marden Bridge Middle	69,455	-27,241
Monkseaton Middle	59,686	-33,728
Marden High	-359,766	-478,183
Norham High	-827,690	-1,224,280
Longbenton Community College	-514,129	-1,025,567
Monkseaton High	-1,309,376	-2,586,784
Seaton Burn College	-484,201	-667,858
Whitley Bay High	-347,294	-618,256
Total	-3,812,649	-6,880,180

At the time of this report, the overall forecast for school balances for 2017/18 is -£2.896m. This is after offsetting the £6,880m 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 increasing 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.

Falling Rolls criteria review

At the subgroup meeting the group also discussed the current Falling Rolls criteria, as requested at a previous Schools Forum meeting. The DfE requirement of having a good or outstanding Ofsted rating remains a mandatory requirement. The following criteria were then discussed:

- *Percentage level of reduction in pupil numbers which is currently 5%.* The group wanted further detail of projected numbers for September before making further recommendation on changes to the percentage criteria.
- *Change in pupil numbers over two year period. (this excludes nursery and Post 16 pupils)* This criteria was not proposed to change as this would allow schools time to adjust for these pupil changes.
- *Balances held by the school at 31 March.* This criteria was recommended to remain with further consideration given to the threshold levels of 2.5% (secondary) and 4% (primary) of budget.

Further recommendations were considered:

- Looking at the length of time a school could access Falling Rolls funding. Suggestions included that length of time should be limited to two years as this gives the school time to allow for staffing adjustments.
- The level of the Falling Rolls budget for future years. This year the Falling Rolls budget is £0.350m which includes £0.100m carried forward balance from 2016/17.
- Having a standardised application Proforma for schools applying for Falling Rolls funding which would assist the group when considering the distribution of this funding. The detail of this template is still to be determined.

The sub-group will bring final recommendations to Schools Forum once the analysis of schools projected pupil numbers are available and a further meeting has been held..

2. 2016/17 DSG Outturn

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.

Schools Block

This category includes the Falling Rolls fund, the carried forward balance of £0.100m was previously reported to Schools Forum in March. This balance is to be committed and brought forward to 2017/18 and added to the 2017/18 Falling Rolls budget.

Also included is the de-delegated Schools in financial difficulty balance of £0.011m, this was following the allocation of £0.197m to deficit schools as reported in the May Schools Forum meeting. The residual balance will be carried forward and added to the 2017/18 budget for headroom, available to support deficit schools in 2017/18. This budget for mainstream maintained schools in financial difficulty is reported to Schools Forum throughout the year.

Following further rates revaluations carried out throughout 2016/17 the residual balance is £0.079m. This balance will be brought forward to address some of the 2017/18 business rates commitments in relation to the new build schools and additional revaluations in 2017/18. The estimated commitments for additional in year business rates is £0.111m at this point in the year.

Within this Block were centrally retained items totalling £2.402m, which were applied for their agreed purpose.

High Need Block

The brought forward High Needs Block balance at the beginning of 2016/17 was -£0.785m. At the January Schools Forum meeting the projected balance reported for the High Needs Block for the end of 2016/17 was -£0.552m. The actual outturn position has improved slightly from the forecast position and is now -£0.544m. This balance will be carried forward into 2017/18 and has already been accounted for in the 2017/18 budget setting process.

Although the main area of financial pressures in the High Needs Block continues to be around Top Up funding, the provision made in 2016/17 to reduce this deficit is the main reason for reducing the High Needs overspend.

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 final position for the Early Years Block is -£0.190m which is mainly due to a retrospective in year DSG adjustment and overspends. This outturn now reflects all three terms census data. At the time of the January Schools Forum meeting, when an update was given of the projected Early Years position, we were still awaiting the spring term census information. This over spend will be carried forward into 2017/18.

3. Consultation update

No further consultation information has been received from the DfE in relation to either mainstream or high needs funding.

4. Recommendations

Schools Forum are asked to note the details of the 2016/17 outturn in respect of the Dedicated Schools Grant and the need to manage the pressures in 2017/18 and beyond and agree that Schools Forum:

- Notes the Falling Roll subgroup will bring back to the group recommendations on the Falling Rolls criteria once schools pupil data is available in the autumn term.
- Notes the underspend for Falling Rolls fund £0.100m to be carried forward and added to the 2017/18 Falling Rolls budget.
- Notes the brought forward de-delegation balance from the schools in financial difficulty budget £0.011m to be added to the 2017/18 budget allocation.
- Notes the residual rates balance of £0.079m will be carried forward to the 2017/18 budget allocation to be used for the 2017/18 business rates commitments.
- Notes the residual High Needs overspend balance which will be addressed with the arrangements already established in the High Needs Block in 2017/18.
- Note the Early Years overspend balance which will be addressed when allocating the 2018/19 budgets and will be closely monitored going forward.