



# Briefing note

**To:** Schools Forum **Author:** Claire Emmerson

**Date:** 10 July 2019

**Purpose of the Paper:**

Information	√
Consultation	
Decision	

**Title of Briefing:** Dedicated Schools Grant Outturn 2018/19 and School Balances

## Background

- 1.1 North Tyneside Council published its draft financial statements for 2018/19 on 31 May 2019 in line with statutory requirements. This paper updates Forum on the outturn for the Dedicated Schools Grant (DSG) and outlines the Headroom funding and Falling Roles funding for 2018/19 which was carried forward into 2019/20. It also outlines the current position in relation to schools budget plans for 2019/20 and deficit approval requests from schools for the 2019/20 financial year.
- 1.2 The final position in relation to school balances by phase and between committed and uncommitted balances will be brought to Schools Forum in September as outlined in the Forward Plan. This will follow external audit and finalisation of the accounts and the completion of Consistent Financial Reporting (CFR) submissions.

## Dedicated Schools Grant (DSG) Outturn Position 2018/19

- 2.1 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.
- 2.2 The overall use of the DSG is outlined in the Authority's accounts as follows:

**Table 1**

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2018/19 before Academy recoupment			151,753
Academy figure recouped for 2018/19			(14,772)
Total DSG after Academy recoupment for 2018/19			136,981
Brought forward from 2017/18 as agreed with the Department for Education			120
Agreed initial budgeted distribution in 2018/19	5,382	131,719	137,10
In year adjustments	0	320	320
Final budgeted distribution for 2018/19	5,382	132,039	137,421
Less actual central expenditure	(5,830)	0	(5,830)
Less actual ISB deployed to schools	0	(130,844)	(130,844)
<b>Carry forward to 2019/20</b>	<b>(448)</b>	<b>1,195</b>	<b>747</b>

Note for the purposes of the accounts the central expenditure column above includes commissioned services within the High Needs block.

- 2.3 As at 31 March 2019 the DSG was in surplus by £0.747m. This has been carried forward into 2019/20. The overall surplus is broken down as shown in table 2:

**Table 2: Breakdown of DSG surplus**

	£m	£m	
High Needs Block		(0.920)	deficit
Early Years		0.882	surplus
<b>Schools and Central Block:-</b>			
Falling Roles	0.565		surplus
Headroom	0.121		surplus
Other	0.099		surplus
Total Schools and Central Block		0.785	surplus
<b>Total DSG</b>		<b>0.747</b>	<b>surplus</b>

### High Need Block

- 2.4 The brought forward High Needs block balance at the beginning of 2018/19 was £0.430m deficit. The actual outturn position was revised downwards by a further £0.490m during the financial year from initial forecasts and ended the year at £0.920m deficit. This balance will be carried forward into 2019/20.

- 2.5 The main area of financial pressures in the High Needs block continues to be around Top Up funding, demand led pressures resulting from higher numbers of students with complex needs and out of borough costs. The High Needs Commissioning Group is continuing to identify funding priorities within the available resources.
- 2.6 Nationally, the ongoing rise in children and young people with SEND and Education, Health and Care Plans (EHCPs) has been flagged as a pressure, which is made worse by flawed funding regimes which is based on historical data and limits flexibility to deal with the increased pressure.

## **Early Years**

- 2.7 The final position for the Early Years block is a surplus of £0.882m which is mainly due to a strong uptake in the additional 15 hours and 2 year old offer. This outturn reflects all three terms census data. The surplus will be carried forward into 2019/20 pending a likely claw-back of an element of the funds.

## **School and Central Block items**

### **2.8 Falling Rolls**

This category includes the Falling Rolls fund, the carried forward balance of £0.350m from 2017/18 was added to by the 2018/19 amount of £0.250m. As no allocations were made in 2017/18 or 2018/19 the balance to carry forward to 2019/20 is £0.565m. This figure takes into account funds accrued of £0.035m in respect of Academies relating to 16/17 and 17/18, pending payment to schools in 19/20. The use of this fund was considered by Schools Forum on 26 September 2018 where a review of the appropriate criteria was agreed.

### **2.9 Schools in Financial Difficulty**

The de-delegated amount for Schools in financial difficulty (Headroom funding) unallocated balance from 2017/18 was £0.0117m. An amount of £0.121m had been added in 2018/19 (being the de-delegated amount of £0.131m less a contribution for the procurement support for schools of £0.009). An allocation to schools was made in-year of £0.117m, hence a total of £0.121m to carry forward to 19/20. The use of this fund was considered by Schools Forum on 26 September 2018 where a review of the appropriate criteria was agreed.

### **2.10 Other**

The main element is rates. This balance will be brought forward to address some of the 2019/20 business rates commitments in relation to the new build schools and additional revaluations in 2019/20.

- 2.11 Within the DSG were central items totalling £2.150m, which were applied for their agreed purpose.

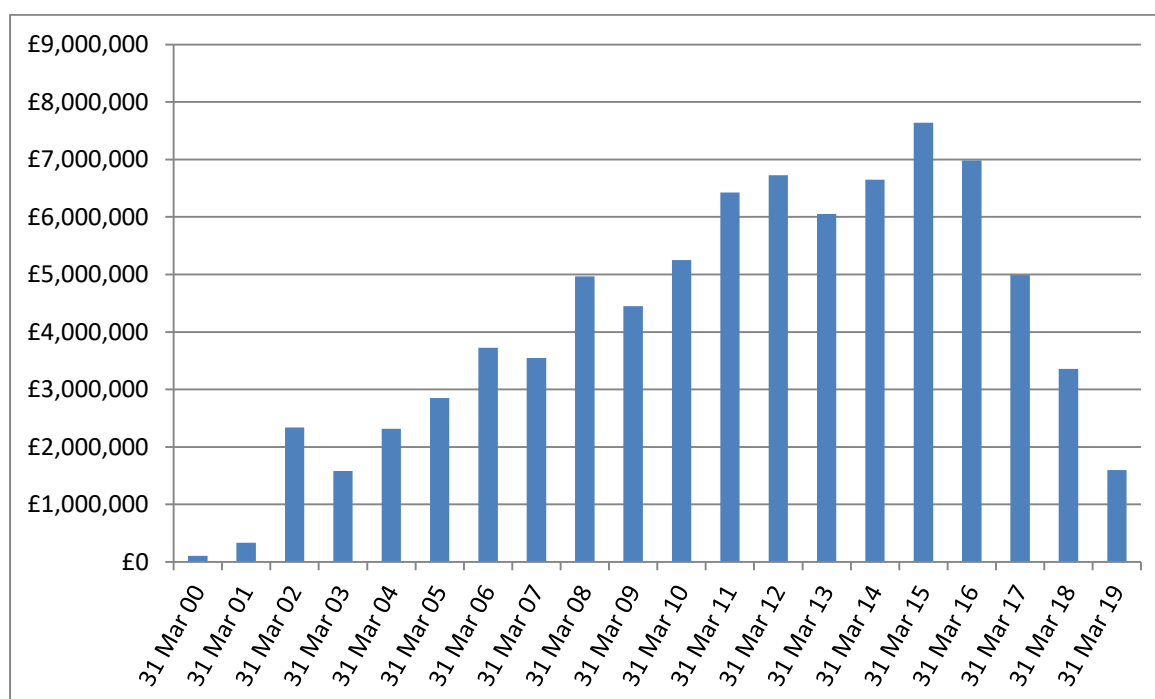
## **Schools Balances as at 31 March 2019**

- 3.1 The overall level of School Balances at the end of March 2019 was £1.599m compared to £3.356m as at March 2018. This represents a reduction of £1.757m. This position is significantly better than forecast at the start of the 2018/19 financial year where the

position for schools was expected to be an overall deficit balance of £4.716m - a £6.315m improvement.

- 3.2 As expected, the end of 2018/19 saw the fourth year of balances decreasing following a long term trend of rising balances in North Tyneside. The result of the Consistent Financial Reporting (CFR) national data collection exercise will be available in the autumn and will allow the Authority to compare North Tyneside with an updated picture for 2018/19 to see if North Tyneside Schools' balances remain lower than the national average.

**Chart 1 – Movement in Balances over last 20 years**



- 3.3 The total reduction in balances since March 2015 is £6.016m. As shown in the table 4 below balances are reducing at a higher rate than in 2015/16.

**Table 4 – Reduction in balances from 2015/16 to 2018/19**

Phase	15/16 Reduction in Balances £m	16/17 Reduction in Balances £m	17/18 Reduction in Balances £m	18/19 Reduction in Balances £m
Nursery / Primary	0.240	(0.299)	(0.668)	(0.518)
Middle / Secondary	(0.701)	(1.428)	(1.714)	(1.217)
Special / PRU	0.011	0.032	0.268	(0.022)
<b>Total</b>	<b>(0.450)</b>	<b>(1.695)</b>	<b>(2.114)</b>	<b>(1.757)</b>

- 3.4 An analysis of the balances at March 2019 by phase is shown in table 5 below.

**Table 5: Analysis of school balances at March 2019 by phase**

<b>Phase</b>	<b>Budget Plan 2018/19 £m</b>	<b>Outturn 2018/19 £m</b>	<b>Variance 2018/19 £m</b>
Nursery	(0.003)	0.009	0.012
Primary	1.511	3.789	2.278
Secondary	(6.472)	(3.279)	3.193
Special/PRU	0.248	1.080	0.832
<b>Total</b>			<b>6.315</b>

**School Budgets for 2019/20**

- 4.1 Schools have completed the budget planning process and submitted their plans, approved by their Governing Body, by 31 May 2019. The information in this report is based on the current, known financial projections over the next three years, with some schools continuing to work on their plans. A summary of planned school balances over the next three years by phase is shown in table 7 below:

**Table 7: Planned school balances 2019-2022**

<b>Phase</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Nursery / Primary	2.605	2.115	0.482
Middle / Secondary	(7.866)	(10.646)	(12.974)
Special / PRU	0.216	(1.393)	(3.304)
<b>Total</b>	<b>(5.045)</b>	<b>(9.923)</b>	<b>(15.796)</b>

**Schools Requesting Deficit Approval**

- 5.1 Deficit meetings with schools took June and July. These meetings involved officers from School Improvement, HR and Finance so that a holistic conclusion could be reached, with schools needing to demonstrate their medium term plan to address the pressures. However, despite the robust challenge process, the value of deficit approvals have increased significantly from last year given the nature of the challenging circumstances and the timescales in which alternative plans can be reached.
- 5.2 There were nine schools with approved deficits in 2018/19 and five of these schools continue to be in deficit for 2019/20. Schools Forum and senior officers worked closely with these schools during the year which, for the five schools remaining in deficit in 2019/20, contributed to an improved outturn of £7.247m compared to the approved deficit budgets planned totalling £7.826m. Two schools, Monkseaton Middle School and Whitley Bay High School, ended 2018/19 in a surplus position and are no longer in deficit in 2019/20. In addition, Backworth Park and Percy Main Primary's budget plans for 2019/20 have also moved into a surplus position. The progress of the five individual schools remaining in deficit is outlined in table 8 below.

There are also five primary schools new to deficit in 2019/20 and details are also provided in Table 8 below:

**Table 8: Schools with planned deficits in 2019/20:-**

<b>School</b>	<b>Deficit Approval 2018/19 £m</b>	<b>Outturn 2018/19 £m</b>	<b>Budgeted Deficit 2019/20 £m</b>
Ivy Road Primary	(0.278)	(0.223)	(0.357)
Beacon Hill	0.000	0.301	(0.211)
Marden High	(0.646)	(0.533)	(0.603)
Norham High	(1.549)	(1.462)	(2.057)
Longbenton High	(1.702)	(1.544)	(2.195)
Monkseaton High	(3.652)	(3.485)	(4.492)
Fordley Community	0.000	(0.033)	(0.019)
Forest Hall Primary	0.000	0.000	(0.025)
Holystone Primary	0.000	(0.034)	(0.023)
St Aidan's RC Primary	0.000	(0.022)	(0.025)
St Bartholomew's C of E Primary	0.000	(0.005)	(0.033)
<b>TOTAL</b>	<b>(7.827)</b>	<b>(7.040)</b>	<b>(10.040)</b>

- 5.3 Separate discussions are continuing with special schools around appropriate levels of funding for the needs of their current cohort of pupils.
- 5.4 The total budgeted deficit balance value requested in 2019/20 is £10.040m compared to £8.484m in 2018/19, representing an increase of 18.3%.

### **In Year Monitoring and Forecasting**

- 6.1 The first budget monitoring with schools for 2019/20 takes place in September 2019 and will be reported to Schools Forum and the Authority's Cabinet in due course.
- 6.2 Concerns had been raised in previous years over the robustness of budget planning and in year forecasting as there have been large differences reported between initial budget plans, in year monitoring and final outturn positions. During 2018/19 schools have worked hard to come in within forecast and improve overall financial management. However, these differences still exist and finance will continue to support schools to increase accuracy in financial management, to aid them improve their use of ever tightening resources to support delivery of their priorities.
- 6.3 The movements in forecasting and general financial management are illustrated in table 9 below, showing details of the year end variance position from initial forecasts provided by schools in their 2018/19 budget planning submissions, through monitoring reports to the final outturn:

**Table 9 – Outturn comparison to Budget and Monitoring 2**

<b>Phase</b>	<b>Outturn 2017/18 £m</b>	<b>Budget Plan 2018/19 £m</b>	<b>Monitoring 2 2018/19 £m</b>	<b>Outturn 2018/19 £m</b>
Nursery	0.018	(0.003)	0.002	0.009
Primary	4.299	1.511	1.934	3.789
Secondary	(2.062)	(6.472)	(5.796)	(3.279)
Special/PRU	1.102	0.248	0.636	1.080
<b>Total</b>	<b>3.357</b>	<b>(4.716)</b>	<b>(3.224)</b>	<b>1.599</b>

- 6.4 In all four categories the final 2018/19 outturn is an improvement on both monitoring 2 and the budget plan. Other than secondary schools, the 2018/19 outturn is an improvement on the 2017/18 outturn. A review of the variances in total will not be available for the outturn until the CFR returns are completed by the end of July.

## **Recommendations**

- 7.1 Schools Forum is asked to note the following:
- details of the 2018/19 outturn in respect of the Dedicated Schools Grant
  - the Falling Rolls and Headroom balances
  - the High Needs overspend balance which will be considered in conjunction with emerging pressures in this block by the Strategic High Needs Group which will report back to Forum in due course
  - the Early Years overspend balance which will be addressed when allocating the 2019/20 budgets and will be closely monitored going forward
  - the school's budget plan balances and deficit requests for 2019/20;
  - the analysis of forecasting differences and the work proposed to improve accuracy.