

SCHOOLS FORUM**2 October 2019****Report of the Executive Director for Children's Services****Dedicated Schools Grant – Deficit Recovery Reporting****1. Purpose of the Report**

- (i) To inform the Schools Forum of the Department for Education (DfE) process for managing Local Authority Dedicated Schools Grant (DSG) deficits.
- (ii) To update Schools Forum on the projections for the Derbyshire's Dedicated Schools Grant balance.

2. Information and Analysis**2.1 DfE Reporting process**

In July 2018, the DfE announced that local authorities that had a deficit on their DSG exceeding 1% of their DSG would be required to submit a recovery plan to the DfE. On 12 November 2018, DfE directly emailed a consultation document to all local authorities with education responsibilities, outlining proposed details of the recovery plan process and asking for comments. By far the most common element in the responses was that local authorities said that the reason many of them already have a DSG deficit, or were facing the imminent prospect of such a deficit, was the ever-increasing high needs pressures.

On 17 December 2018, the Secretary of State announced an additional £125 million funding for high needs in 2018 to 2019 and a further £125 million for 2019 to 2020, together with an additional £100 million of capital resources. In March 2019, the DfE published a framework to assist those local authorities with deficits exceeding 1% of their DSG. The main points of the framework are:

- All local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance in a three-year time frame.
- Local authorities that are required to submit a recovery plan should do so by 30 June in the following financial year.
- A recovery plan template has been provided by the department that local authorities should complete.

The full document is available here.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786390/DSG_deficit_recovery_plan_guidance_2019_to_2020.pdf

In addition, the DfE have clarified that for the purposes of this framework, the size of the deficit is to be assessed against 1% of the LA's total DSG before recoupment. For Derbyshire for 2019-20, the gross DSG before recoupment is £555.704m, therefore reporting to DfE will be compulsory should the deficit reach £5.557m.

2.2 Derbyshire position

As detailed in the financial accounts of the LA, at the end of 2018-19, the carry forward position on the DSG was a surplus of £5.604m, however, this total comprised several elements as shown in the table below.

	£ million
Balance carried forward 31 March 2019	5.604
Analysed as:	
Schools re-pooled funding	1.464
To support 2019/20 New Schools, High Needs & Early Years budgets	1.611
Existing commitments	0.120
Early Years contingency	0.115
Expected Pre and Post-opening grants – new schools	1.400
Uncommitted DSG reserves	0.894

Since the start of the financial year, there has been a further call on reserves as the 2019-20 DSG was £0.343m lower than expected due to a revised deduction for the net movement of high needs block funding for children accessing places in authorities other than their home authority (the 'import/export' adjustment). The projected position for 31 March 2020 is as set out below:

	Re-pooled funding	Other commitments	Pre/post opening grants	Un-committed	Total
	£m	£m	£m	£m	£m
Balance c/fwd 31 March 2019	1.464	1.846	1.400	0.894	5.604
2019-20 movements per monitoring		(1.651)	(0.300)	(0.343)	(2.294)
2019-20 overspend	0.452			(2.667)	(2.215)
Expected trf of growth to reserves			1.000		1.000
Anticipated balance 31/3/2020	1.916	0.195	2.100	(2.116)	2.095

This shows that the DSG is unlikely to be in a technical deficit as at 31 March 2020 and, if this were the case, no report to the DfE would be required. However, this position is dependent on the re-pooled funds element of the reserve and the use of the pre and post opening grants payable to new schools. The underlying position, assuming that all funds were distributed is a deficit of £2.116m. Although this is below the level that would require a formal report to the DfE, a deficit of this size is still a matter of concern and a plan would be required to enable recovery of this position in as short a time as possible.

3. **Other Considerations** In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.
4. **Background Papers** Held within Finance.
5. **Executive Director's Recommendation** - That the Schools Forum notes the report.

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