



Education & Skills
Funding Agency

New arrangements for reporting deficits of the dedicated schools grant

Government consultation response

March 2019

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Introduction

The Department for Education (DfE) announced in July 2018 that local authorities will be required to submit a recovery plan if they have a cumulative deficit of 1% or more of their dedicated schools grant (DSG), starting at the end of the 2018 to 2019 financial year. The plan should explain in detail how the local authority intends to bring its DSG account into balance.

Summary of responses received and the government's response

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 the time the consultation closed, we received 92 responses from local authorities and two from representative bodies, the Local Government Association and the Society of London Treasurers.

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 are facing the imminent prospect of such a deficit, is the ever-increasing high needs pressures that they are facing.

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 capital funding.

As regards the DSG recovery plans, 39% of the responses welcomed the new requirement of the DSG recovery plans, and some local authorities thanked DfE for acknowledging the pressures that local authorities are under and putting plans in place to increase the visibility of the deficits.

A number of local authorities asked if DfE can provide a template for the recovery plans that they can follow. We think this is a good idea and have produced a template for local authorities, which we have included in the detailed guidance that we are publishing.

There were also comments that suggested the supporting information needed to cover demand data, volume and activity (for example, numbers of EHCPs) so the template should not merely be a financial plan. We have acknowledged this and have developed the template to reflect these comments.

We noted that a number of local authorities also said that if they did find themselves in a deficit of 1% or more, a 5-year rather than 3-year plan would allow them adequate time to bring their DSG deficits into balance whilst simultaneously budgeting within the resources available to them.

Given the urgency of the situation, DfE has decided to maintain the 3-year target. Any local authority that believes its recovery plan should extend over more than 3 years must provide detailed evidence explaining why this timescale is not achievable.

Some local authorities said that they did not believe DfE was giving them enough time for the schools forum to agree to their recovery plans. Local authorities must discuss the

recovery plan with the schools forum and agree it if possible, but they do not need to obtain agreement before submitting the plan.

A few local authorities said that it would be very difficult to produce realistic recovery plans because they do not know how much DSG they will receive in future years. They stated that in order to plan to bring DSG spending in line with allocations, they needed a greater level of certainty over a longer period of future allocations.

Future allocations are subject to the Spending Review and we therefore are asking local authorities to make their own forecast of future allocations based on the information currently available, perhaps as a range, in order to inform the plan.

A small number of local authorities asked if DfE intends to publish the recovery plans. While we do not intend to publish the recovery plans, they may be subject to release under freedom of information requirements.

They should in any case be available locally as we are requiring that they should be discussed with the schools forum. Once submitted, we will be reviewing plans year to year and between annual reviews, so the reviewing process will be rolling, and we will check to make sure recovery plans are on track to bring deficits back into balance year by year. All local authorities will be expected to supply DfE with updates on any circumstances that will affect their recovery plans.

It is a requirement under the DSG conditions of grant for 2019 to 2020 that local authorities which have a cumulative deficit on DSG of more than 1% provide a recovery plan.

Failure to provide a plan by the deadline will result in escalation to the Minister, the Chief Finance Officer, and the Director of Children's services. We will study the recovery plan and provide comments back to the local authority by September 2019. If a plan is unsatisfactory, we will work with local authorities to ensure that it is improved as necessary.

Another recurring theme in the responses was for DfE to consider the time frame that we are giving local authorities to study the new guidance and produce their recovery plans.

We accept that we should publish the guidance no later than the end of March 2019. A number of local authorities suggested that the proposed deadline for submission of 30 June 2019 was too soon.

However, we do not think it appropriate to extend this deadline as we would have expected local authorities to be working on their own recovery plans as part of the budget planning process earlier in the year. If plans are to be effective it is important that they should start to be implemented as soon as possible.

Finally, a few detailed questions were raised that we would like to clarify.

The DSG deficits are separate from maintained school balances; some local authorities wondered if they could net school balances off against the deficit. This is not possible because school balances are automatically carried forward at individual school level and are therefore not available to offset deficits on centrally retained funding.

DSG and school balances are therefore classified by the Ministry of Housing, Communities & Local Government (MHCLG) as two separate ring-fenced reserves.

Finally, the 1% deficit is calculated by reference to the DSG as a whole, before academy recoupment, not just the high needs block.

Next steps

We have published guidance and a recovery plan template for local authorities. The guidance outlines the material that all local authorities with a DSG deficit of 1% or more must include in their recovery plans.

Local authorities have until 30 June 2019 to write their recovery plans and submit them to the Education and Skills Funding Agency (ESFA).

We will analyse recovery plans during July and August 2019, and in September 2019 we will give feedback to local authorities about the plans.

List of bodies that responded to the consultation

- Bexley
- Barnet
- Barnsley
- Blackpool
- Bolton
- Brent
- Bristol
- Bromley
- Camden
- Central Bedfordshire
- Cheshire East
- City of London
- Cornwall
- Croydon
- Cumbria
- Darlington
- Derbyshire
- Devon
- Dudley
- Durham
- Ealing
- East Riding
- East Sussex
- Gateshead
- Hackney
- Hammersmith and Fulham
- Haringey
- Harrow
- Hartlepool
- Herefordshire
- Hounslow
- Hull
- Islington

- Kent
- Kingston
- Knowsley
- Lambeth
- Leeds
- Leicester
- Lewisham
- Lincolnshire
- Local Government Association
- Havering
- Luton
- Manchester
- Merton
- Newcastle
- Norfolk
- North Lincolnshire
- North Somerset
- North Tyneside
- North Yorkshire
- Nottingham
- Nottinghamshire
- Oldham
- Oxfordshire
- Plymouth
- Portsmouth
- Reading
- Redcar & Cleveland
- Richmond
- Rochdale
- Rotherham
- Rutland
- Salford
- Sandwell
- Shropshire
- Society of London Treasurers

- South Gloucestershire
- Southampton
- Southend-On-Sea
- St Helens
- Stockton-on-Tees
- Stoke-on-trent
- Suffolk County Council
- Sunderland
- Surrey
- Sutton
- Torbay
- Wakefield
- Waltham Forest
- Wandsworth
- Warrington
- West Berkshire
- Westminster
- Wiltshire
- Windsor & Maidenhead
- Wirral
- Wokingham
- Worcestershire



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