

Report to the Schools Forum 8 July 2020

Dedicated Schools Grant (DSG) Outturn 2019/20

Council DSG Position

1.1 As noted in previous meetings of this Forum, the High Needs area of DSG and therefore Councils' overall DSG positions, continue to be under pressure, both in T&W and elsewhere.

1.2 For Telford and Wrekin, the end of year DSG position prior to 2019/20 had been as follows:

2016/17	£271,000 surplus
2017/18	£544,000 deficit
2018/19	£20,000 surplus

At the end of 2019/20 the surplus has increased to £120,000. Whilst local authorities end of year positions will not be collectively published until the Autumn, in the context of the national trajectory of DSG, this is likely to be a much better position than many other local authorities.

1.3 There is no guarantee that at some point in the future, T&W will not again go into deficit, joining an increasing number of local authorities in this position. High needs funding is determined by the DfE, as is the legislative context and to some extent it is a demand led area. Nonetheless, to date T&W's ability to stay within budget demonstrates that constructive relationships with schools and other providers combined with strong service and financial management do make a difference to the overall position.

1.4 An indication of the significance of DSG as a national issue is provided by two significant changes introduced by the DfE recently.

1.5 In 2019 the DfE introduced a new requirement for local authorities, that if the end of year DSG deficit exceeds 1% of the total DSG, the authority must submit a recovery plan to the DfE. To put this into context, for T&W the total 2019/20 DSG allocation was £152.5m and therefore the 1% threshold would amount to a deficit of just over £1.5m.

1.6 For 2020 they have further amended this as follows (taken from the 2020/21 DSG conditions of grant):

“Any local authority that has an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:

1. Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
2. Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
3. Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
4. Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.”

- 1.7 As T&W increased the existing DSG surplus in 2019/20, these further powers for the DfE / requirements for local authorities do not currently apply.
- 1.8 A further change is that the previous requirement to obtain Forum approval to carry forward a DSG deficit to the following year's DSG has been removed from the end of 2019/20 and replaced with an opposite default position that DSG deficits remain within DSG. A separate Forum paper covers this in more detail.
- 1.9 The Council will continue to focus on ensuring that all high needs expenditure is cost effective, and has introduced a number of measures to support the resilience of mainstream schools with regard to high needs, e.g. a doubling in the amount allocated to the SEN contingency fund, from £100,000 to £200,000, more funding for the inclusion panel for children without EHCPs, funding for more outreach and training support and new high needs units co-located with mainstream schools.
- 1.10 Nonetheless, there are few indications that the demographic, social and legislative pressures underlying high needs budget pressures are easing and until the DfE provides a credible long-term funding strategy that recognises this reality, high needs will remain an area of significant financial risk.

Maintained School Balances

- 1.11 Maintained schools ended 2019/20 with revenue balances of just over £7m, made up as follows;

Single status	£3.063m
General revenue balances	£3.961m
Total	£7.024m

- 1.12 This represented a modest increase from 2018/19, as equivalent balances were £6.748m.
- 1.13 Looking at capital there was a decrease from £1.282m to £0.908m over the same period. Overall then, maintained school balances have remained at a very similar level year on year.
- 1.14 In the context of the current uncertainty about school finances associated with Covid19, the local authority is not carrying out a full balances survey this year. We have however written to schools with balances significantly above the 5% (secondary schools) or 8% (all other schools) thresholds and without budgeted plans in 2020/21 to significantly reduce balances, to understand their expenditure plans going forward.

Tim Davis
Group Accountant
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