

Committee:	Schools Forum
Meeting Date:	15 th October 2019
Title:	DSG Forecast Outturn 2019-20
Author:	Sonya Harban
Decision making / consultative / information:	Information
Who can vote?	N/A

What is the Forum being asked to decide?

1. Schools Forum are asked to note the current DSG forecast outturn for 2019-20, and the impact this will have on the DSG reserve position if both DSG funding and spending remain unchanged this financial year.

Reason for recommendation

2. The DfE require the Local Authority to submit a recovery plan when the deficit balance of the DSG reserve is more than 1% of the local DSG budget. For Suffolk, this means a deficit position of £5.2m or more. At the time of writing, the impact of the spending review on the Suffolk DSG budget for 2020-21 onwards is unclear, and this will impact on the way in which the deficit could be recovered through a recovery plan. Further details should be available by the November Schools Forum.

Alternative options

3. This paper is for information only and so no alternative option is applicable.

Who will be affected by this decision?

4. Whilst no decision is required at this point in time, the DSG reserve position affects all schools and provider settings.

Main body of the Report

5. The DSG outturn position for 2018-19 was reported to Schools Forum on 9th July 2019, and showed an overspend of £2.702m. This is summarised in Table 1 below:

Table 1: 2018-19 Outturn Position

DSG Block	Budget	Spend	Variance
CSSB:			
Historic Commitments:			
Termination of Employment costs	£250,000	£48,878	£201,122
Contribution to Combined Budgets	£6,370,387	£6,370,387	£0
On-going Responsibilities			
Statutory and Regulatory Duties	£1,205,009	£1,109,384	£95,625
Asset Management	£460,350	£460,350	£0
Other On-going Duties	£487,550	£487,550	£0
Early Years	£36,539,284	£36,593,401	-£54,117
High Needs	£50,571,203	£54,157,185	-£3,585,982
Schools Block			
ISBs	£128,433,952	£128,433,952	£0
Rates Recoupment	£0	-£627,399	£627,399
Growth	£1,780,000	£1,766,267	£13,733
De-delegated	£946,759	£946,759	£0
	£227,044,494	£229,746,714	-£2,702,220

- This led to a DSG reserve position at the end of the financial year of £2.147m, which was below 1% of the DSG budget, and so no recovery plan was required by the DfE.
- The current levels of spend forecast for 2019-20 show the increasing demand for SEND services creating an unprecedented forecast overspend against the DSG budget as shown in Table 2:

Table 2: 2019-20 Forecast Outturn Position for DSG Budgets

DSG Block	Budget	Spend	Variance
CSSB:			
Historic Commitments:			
Termination of Employment costs	£65,000	£48,000	£17,000
Contribution to Combined Budgets	£6,555,387	£6,385,408	£169,979
On-going Responsibilities			
Statutory and Regulatory Duties	£1,270,593	£1,163,622	£106,971
Asset Management	£460,350	£460,350	£0
Other On-going Duties	£487,550	£487,550	£0
Early Years	£36,014,582	£35,714,582	£300,000
High Needs	£47,533,501	£54,830,612	-£7,297,111
Schools Block			
ISBs	£113,313,383	£113,313,383	£0
Rates Recoupment	£0	£0	£0
Growth	£1,780,000	£1,758,264	£21,736
De-delegated	£735,979	£735,979	£0
Total	£208,216,325	£214,897,750	-£6,681,425

- The £0.3m underspend against the Early Years Block represents the difference between what the service had forecast the DfE would recoup in July 2019 to reflect actual take-up of early years placements in 2018-19 (to take January 2019 census data into account) to what was actually recouped.

9. The majority of the £0.3m underspend against the CSSB Block reflects the reduced spending against termination costs of employees. These cannot be higher than the previous financial year, and so the budget was reduced to £0.065m in 2019-20, with the balancing budget difference being held uncommitted under the contribution to combined budgets service line due to the level of overspend against the HNB budget.
10. With less Academy conversion activity than in previous years (down by 2/3rds on last year), there is unlikely to be the same level of rate recoupment to that seen in 2018-19.
11. At this level of overspend, the DSG reserve would be in deficit by £10.028m. This is after taking into account the £1.2m of DSG reserves used as part of the 2019-20 budget setting.
12. £10.028m represents 1.92% of the Suffolk DSG figure for 2019-20, and DfE guidance states that Schools Forum would need to agree with the Local Authority how this would be recovered over the next 3 years.
13. At this level of deficit, there would not be enough compensating maintained school balances to ensure an overall positive DSG reserve figure required by the S151 Officer at the end of the financial year, and so they will need to have confidence in how this will be recovered. This is purely an accounting adjustment – there is no question of school balances being used to fund the DSG deficit.
14. The Suffolk HNB is currently funded at only £443 per head of the 2-18 population, compared to the upper tier authority average of £504. (The low level of funding is a direct result of previous low spending on SEND, which was baselined as part of the new funding methodology.) The level of HNB overspend forecast shows spend at £493 per head – so still below the average level of upper tier authority funding. Without a significant change in funding and/or levels of demand and their complexity, the level of overspend and so the DSG reserve deficit will only increase. This will make the task of agreeing a recovery plan to bring the DSG reserve back to below a 1% deficit of the overall DSG within 3 years a challenge.
15. Some Local Authorities are already in this financial position and have submitted plans that do not recover within the timescale required. At the time of writing, the consequences of this are unclear, but it has been suggested that the DfE may take steps including removing Schools Forum decision making power. Suffolk are monitoring the situation through the Society of County Treasurers, and any further information available will be shared at the November Schools Forum.