

Statement from Keith Howkins (Head of  
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### **Dedicated Schools Grant (DSG)**

Following the provision by the Department for Education (DfE) of [guidance on arrangements for the recovery of DSG deficits](#), Chief Financial Officers (CFOs) raised questions regarding appropriate presentation in the annual accounts.

The CIPFA Local Authority Accounting Panel (LAAP) considered the issue and noted concerns regarding the presentation of an earmarked deficit DSG reserve, particularly given that there is not a clearly identified legislative basis for the ring-fencing of DSG deficits.

LAAP noted that currently [LAAP Bulletin 99 Local Authority Reserves and Balances](#) neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position.

Stakeholder discussions on the issue have been extremely helpful and constructive and have identified a need for a clearer understanding of the statutory basis for DSG arrangements.

Since the introduction of the DSG, the DfE has allowed, through its conditions of grant, local authorities to carry forward surpluses and deficits from one year to the next. [Finance regulations](#)<sup>1</sup> enable any deficit to be funded from the following year's schools budget with the agreement of the schools forum; if the forum does not agree, it is open to the authority to request this from the Secretary of State instead.

The DfE does not therefore expect or require any DSG deficits to be funded from a local authority's general resources.

The DfE has issued [guidance on the completion of recovery plans](#) by those authorities whose DSG deficit exceeds 1%. It has stated that it wants to see plans which enable the DSG account to come back into balance within three years, but is prepared to agree a longer time period to recover the existing deficit where authorities provide justification.

Authorities with the largest deficits are already working on this basis. DfE does not therefore have any expectation that authorities should attempt to bring deficits back into balance within a single year.

DfE and CIPFA are committed to working with other stakeholders to clarify the legal basis for, and accounting treatment of, DSG deficits in time for the 2020 to 2021 budget round and 2019 to 2020 accounts closure.

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<sup>1</sup> [The School and Early Years Finance \(England\) Regulations 2018](#), for example section 8 (6)