**Permanent Secretary**

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Dame Meg Hillier DBE MP
Chair, Public Accounts Commitee
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**PAC: Financial Sustainability of Schools in England**

Dear Meg,

I am writing to provide the updates Indra Morris, Warwick Sharp and I committed to when we appeared before the Public Accounts Committee on 8 December 2021, to discuss the financial sustainability of schools in England.

**Questions 88-91 (Chair): National Tutoring Programme data publication**
We said that we would be publishing data on the National Tutoring Programme, including the school led-route, in January, and that this was based on the school census. We published this data on 11th January.

**Question 149 (Chair): using reserves to cover Dedicated Schools Grant (DSG) deficits**
During the session, you asked about local authorities using their reserves to cover Dedicated Schools Grant deficits. The regulations on this are as follows:

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, made by what is now the Department for Levelling Up, Housing and Communities, provide that any DSG deficit at the end of the 2020-21, 2021-22 or 2022-23 financial years must not be charged to the local authority's general fund but to a separate fund used solely for the purpose of recognising deficits in respect of the schools budget.

This means that during this period DSG deficits will be kept separate from the general fund and will not be a charge against it. However, the regulations explicitly allow local authorities to use general funds to supplement the DSG so as to reduce or prevent the emergence of a DSG deficit in-year.
The separate School and Early Years Finance (England) Regulations, made by the Department for Education, provide that DSG deficits must be carried forward from year to year for the purposes of those regulations, rather than reduced or extinguished from general funds. If, however, a local authority with a DSG deficit

does wish to use general funds to add to the DSG, it can apply to the Secretary of State for Education to disregard this provision of the regulations. When these provisions were confirmed for operation from 2021, the Department made it clear that the Secretary of State would not object to local authorities adding general funds to the DSG where they wished to do so.

I hope these clarifications are helpful.

**Latest published data (FY 2020-21) on Local Authority Maintained Schools' Financial Health**

I also want to take the opportunity to draw your attention to data on the financial health of local authority maintained schools for financial year 2020-21, which was published on 16 December 2021. This data is available on gov.uk, through the following link: https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure

During the session on the 08 December, I noted that the NAO's report on schools' financial health stated that schools financial health has held up well and that our dialogue with local authorities had given us reasonable confidence about the financial position of maintained schools.

This is now borne out in the latest published data which shows that in 2020-21, the proportion of maintained schools in deficit decreased from 12.0% in 2019-20 to 8.4% in 2020-21; the biggest decrease since records began in 2003. Moreover, the percentage of maintained schools in deficit is now at its lowest level since 2016-17 and the percentage of secondary schools in deficit declined the most of any school phase: from 27% in 2019-20 to 20% in 2020-21.

As ever, we are grateful to the Committee for their interest in the work of the Department.

**SUSAN ACLAND-HOOD**
**PERMANENT SECRETARY**