SUBJECT:	CONFIDENTIAL: Dedicated Schools Grant Outturn 2020-21

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SUMMARY OF REPORT: General updates on the Dedicated Schools Grant (DSG): 2020-21 outturn and initial forecast for 2021-22	
FOR:	For Information

1. **Dedicated Schools Grant: 2020-21 Outturn**

1.1 Table 1 below provides an update on the cumulative DSG reserve position for 2020-21 to be presented Cabinet at the end of June. Figures in brackets indicate a deficit balance.

Table 1

	£'ms
Balance b/fwd as at 1 April 2020	(21.5)
High Needs Placements	(37.4)
Inclusion Fund	9.8
School Growth & Falling Roll	1.4
De-delegated Budgets	0.3
Early Years Free Entitlements	(0.4)
Other (including centrally retained budgets)	(3.3)
Balance c/fwd as at 31 March 2021	(51.1)

1.2 The cumulative deficit of £51.1m as at 31 March 2021 is equivalent to 3.8% of our total DSG allocation. It is important to note that this balance includes the 1% transfer agreed by schools in 2020-21 to support inclusion activities (totalling £9.8m), however due to the challenges of the last year this has not been spent as originally intended and is being held to support activities in the coming year. In addition, the SFF have previously agreed to use the underspend on the schools' block to fund the Term Time only settlement (£10.9m). Therefore, if both these items were excluded from the DSG balance the true cumulative deficit for March 2021 would be closer to £71.8m.

1.3 Table 2 provides a further breakdown of the accumulative deficit over the last 3 years. In addition to the block transfer described above, it is also important to remember that in 2018-19 and 2019-20 a further £13.6m was transferred from the schools' block to the high needs block to support the growing pressure and that without this the total high needs deficit would be closer to £85m (£61.5m + £13.6m +£9.8m) at the end of March 2021. The accumulated deficit for high needs is equivalent to nearly 25% of the total High Needs Block.

Table 2: Accumulated DSG Deficit over time

DSG Block	As at 31st March 2018	As at 31st March 2019	As at 31st March 2020	As at 31st March 2021
	£'ms	£'ms	£'ms	£'ms
Schools		3	8.2	10.9
High Needs	(2.1)*	(8.8)	(29.7)	(61.5)
Early Years		(0.7)	(0.1)	(0.5)
Central**				
Total	(2.1)	(6.5)	(21.5)	(51.1)

() means a deficit
*estimated as the deficit was not separately recorded in 2017-18
**Central block – any underspend is transferred to support the high needs block at year end.

1.4 This position has been described at length at previous SFF meetings. It is currently estimated the accumulated deficit could reach £100m by the end of March 2022 as set out below:

DSG Block	Accumulated Deficit As at 31st March 2021	Accumulated Deficit As at 31st March 2022	
	£'ms	£'ms	
Schools	10.9	0	TTO settlement as agreed with SFF
High Needs	(61.5)	(100.5)	Impact of deficit recovery plan unlikely to take significant effect in 2021-22
Early Years	(0.5)	(1.0)	Pressure on free entitlement payments likely to continue
Central**			
Total	(51.1)	(101.5)	

() means a deficit

The presentation on high needs (item 6) gives further information on the position on high needs and the current work being undertaken to address both the SEND Written Statement of Action and the use of the 1% school block transfer to support mainstream schools with the inclusion strategy. It had initially been hoped this work would have some impact during 2021-22, however, due to challenges of the last year it is unlikely there will any significant impact until 2022-23 onwards.

1.5 Last year, the Government updated the terms and conditions of the DSG, so that with effect from the end of the 2019-2020 financial year, a deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this. Local authorities no longer have the option to meet this deficit from general reserves (KCC has never supported this view).

Early Years Block

1.6 During 2020-21, the Council followed the guidance issued by DFE in respect of the payments of both 3- and 4-year old Free Entitlement and Free for two payments. During both the Summer 2020 and Spring 2021 payments were made to early years providers on the basis of children they had been expecting to support (rather than actually attending) except in a few instances during the Spring Term where providers had chosen to close. During the Autumn 2020 Term providers were paid the higher of either actual attendance or the previous Autumn head counts (2019). The DFE also adjusted the funding provided to the local authority to help mitigate possible shortfalls in funding (funding was more heavily skewed towards January 2020 headcount rather than January 2021). The result of these measures was a small overspend of £0.4m.

1.7 For 2021-22, the Government has started to unwind the additional support provided to early years providers (as described above) and Local Authorities are expected to fund providers based on actual attendance. The DFE had amended how it will fund Local Authorities for 2021-22 so that the grant more closely follows the headcount during the year, however there are concerns this may still result in a pressure in 2021-22, particularly if numbers recover in the Autumn term. Initial forecasts suggest £0.5m pressure for 2021-22.

Schools Block

1.8 During 2020-21, the schools block underspent by £2.7m this was mainly due to an underspend on both the growth and falling roll fund along with general underspends relating to academy conversions, de-delegated budgets, and other grant underspends. It is recommended these underspends are added to the historic underspend in the schools block and used in the first instance to fund the outcome of the Term Time Only settlement in 2021-22 as previously agreed and discussed under item 4.

Central Services Block and High Needs Central Spend

1.9 In addition, to the high needs placements budgets described in item 6 (with a total pressure of £37.4m) there are also several high need budgets used to support central spend. In 2020-21 there was a pressure of just over £4m relating to these services including additional demand for exceptional pupil need (in special schools), SEN direct payments and the provision of SEN home tuition. Similar pressures are likely to continue into 2021-22.