

# Report to: Schools’ Forum

**Date: 16th March 2023**

**Report of: Terry Shaw, Finance Manager (Schools and Fair Funding Team)**

**Title: Draft Financial Strategy – Projected Dedicated Schools Grant (DSG) Block Reserves Forecast over the Medium Term**

**Status: For Information**

**Purpose**

The purpose of this report is to inform Schools’ Forum of the Dedicated Schools Grant (DSG) Block reserves forecast over the financial medium term of three years.

**Background**

Schools receive funding via a variety of different funding streams, the main ones being the four blocks of the Dedicated School Grant (DSG), Pupil Premium, Education & Skills Funding Agency (ESFA) Post 16 Funding and Universal Infant Free School Meals.

DSG is the main funding stream for schools and education services and is split into the following four blocks of funding:

|  |  |
| --- | --- |
| **DSG Block** | **Purpose of funding** |
| Schools Block | To fund primary and secondary mainstream schools |
| Central Schools Services Block (CSSB) | To fund LA functions supporting schools & education |
| High Needs Block | To fund special schools and resource bases |
| Early Years Block | To fund nurseries and early years providers  |

The allocation of DSG funding is governed and managed in conjunction with the Schools’ Forum.

**DSG Balances Carried Forward as per the 2021/2022 Statement of Accounts**

The DSG balances carried forward as per the 2021/2022 statement of Accounts are shown in the table below:

|  |  |
| --- | --- |
| **DSG Block** | **(Surplus) / Deficit (£)** |
| Schools Block | (9,152,955) |
| Central Schools Services Block (CSSB) | (1,714,199) |
| Early Years Block | (2,430,484) |
| High Needs Block  | 247,128 |
| **Total DSG Carry Forward Balance 2021/2022** | **(13,050,510)** |

The Schools Block, CSSB and the Early Years Block DSG are currently projected to spend to budget in 2022/2023, with the High Needs Block and Early Years Block yet to be determined.

**Dedicated Schools Grant Allocation 2023/2024**

The Council’s DSG allocation announced by DfE 16 December 2022, is set at £1,457.6m for 2023/2024, which is broken down as follows:

|  |  |
| --- | --- |
| **DSG Block** | **2023/2024 Allocation including Academies Recoupment** |
| Schools Block | 1,085,994,147 |
| Central Schools Services Block | 8,245,347 |
| Early Years Block | 92,454,419 |
| High Needs Block | 270,893,581 |
| **Total DSG Allocation 2023/2024** | **1,457,587,494** |

**Additional DSG Grant Allocations 2023/2024**

Schools are expected to meet all the pay and inflationary pressures from within their budget allocations.

However on 16th December 2022, the ESFA also published the Mainstream Schools Additional Grant indicative allocations. Birmingham City Council has provisionally been awarded £37.6m funding for schools for the 2023/2024 financial year in addition to the main Schools Block DSG settlement for 2023/2024 to further support schools with the costs of inflation, increases in energy costs and wider increases in salary costs. School level allocations will be confirmed in Spring 2023.

For the purposes of forecasting, the additional DSG Grant Allocations have not been included in the three-year forecast as inflation, increases in energy costs and wider increases in salary costs have also been excluded from the calculations. It has been assumed that there will be additional allocations in future years to cover the costs of inflation, increases in energy costs and wider increases in salary costs.

**DSG Reserves Forecast**

The Schools Block reserves are projected to reduce to £6.0 million in 2023/2024 following a drawdown from DSG reserves of £3.1 million. Discussions are expected to take place with the ESFA in 2023/2024 as most Local Authorities are encountering an in-year Schools Block Deficit.

The CSSB Block reserves are projected to reduce to £1.4 million in 2023/2024 and are projected to remain in surplus over the medium term to the end of the financial year 2025/2026. However, the historical commitments will need to be revised to ensure that spending is reduced in line with the annual 20% reduction in funding to ensure that upon the eventual depletion of reserves, the DSG allocation is sufficient to fund the CSSB ongoing responsibilities.

The Early Years Block and High Needs Block reserves are still to be determined.