

**Report to:** Schools' Forum

**Date:** 22<sup>nd</sup> June 2023

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**Title:** Revised Financial Strategy – 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:

<b>DSG Block</b>	<b>Purpose of funding</b>
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
<b>Total DSG Carry Forward Balance 2021/2022</b>	<b>(13,050,510)</b>

The Schools Block and CSSB 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
<b>Total DSG Allocation 2023/2024</b>	<b>1,457,587,494</b>

## Percentage Change in Schools Block DSG from 2021/2022 to 2023/2024

	2021/2022 Allocation (£)	2022/2023 Allocation (£)	Percentage Increase / (Decrease)	2023/2024 Allocation (£)	Percentage Increase / (Decrease)
Schools Block DSG	1,002,106,753	1,031,442,395	2.9%	1,085,994,147	5.3%

The Schools Block DSG increased by 5.3% in 2023/2024 which included NNDR funding of 1.2% following the National Funding Formula (NFF) consultation that took place in 2021-2022 and 2022-2023.

The allocation of £1.086 million in 2023/2024 was budgeted as affordable, but only when using a drawdown from Schools Block reserves of £3.1 million. Following this, projected reserves of £6.0 million remain.

If the Schools Block DSG was to increase by 4.1% (5.3% Total Increase minus 1.2% NNDR) in 2024/25 onwards and pupil led factors increased at a similar rate, then the reserves would be eradicated by 2025/26, with the requirement of £3.1 million being used in 2024/25 thus reducing reserves to £2.9 million and eliminating reserves in 2025/26 in total and creating a cumulative deficit of £0.2 million thus requiring trimming the pupil led factor rates below the NFF rates to break even in 2025/26.

If the Schools Block DSG increased by 4.4% or above in 2024/25 onwards and NFF pupil led factors remained in line with the percentage increases in previous years, then it would be deemed to be affordable with reserves remaining. The additional 0.3% increase would equate to £3.3 million, thus negating the need for the use of reserves.

### **Additional DSG Grant Allocations 2023/2024**

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

However, on 16<sup>th</sup> 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.

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.

### **Percentage Change in CSSB DSG from 2021/2022 to 2023/2024**

	<b>2021/2022 Allocation (£)</b>	<b>2022/2023 Allocation (£)</b>	<b>Percentage Increase / (Decrease)</b>	<b>2023/2024 Allocation (£)</b>	<b>Percentage Increase / (Decrease)</b>
Historic Commitments	1,441,280	1,153,024	(20%)	922,420	(20%)
Ongoing Responsibilities	6,842,225	7,149,603	4.5%	7,322,927	2.4%
<b>Total</b>	<b>8,283,505</b>	<b>8,302,627</b>		<b>8,245,347</b>	

Previous years' allocations have suggested that the increase in the CSSB ongoing responsibilities allocation for 2024/2025 will remain below 5%. Assuming that any increase will be passed on to the budget holders managing the ongoing responsibilities, 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 2027/2028 as per the table below.

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m
TOTAL PROJECTED CSSB DSG RESERVES BROUGHT FORWARD	1.714	1.439	1.367	1.147	0.809	0.377
TOTAL RESERVES PROJECTED TO BE USED IN YEAR	(0.275)	(0.072)	(0.220)	(0.338)	(0.432)	(0.548)
TOTAL PROJECTED CSSB DSG RESERVES CARRIED FORWARD	1.439	1.367	1.147	0.809	0.377	(0.171)

Historical commitments will need to be revised beyond this 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.

In order to fund the 20% reduction in historic commitments from ongoing responsibilities in 2024/25 without the use of reserves would require an additional £0.072 million and a reduction in the ongoing responsibilities in real terms in 2024/25 and an additional £0.22 million in 2025/26 to avoid the use of reserves.

### **Early Years Block and High Needs Block**

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