

1. Background

- 1.1 The Dedicated Schools Grant (DSG) is a ringfenced grant payable to Local Authorities by Government for the funding of both maintained schools and academies. From 2018/19, the Government changed the way it funds the Authority for schools via the DSG to a standard means of allocating resources. This is known as the National Funding Formula (NFF).
- 1.2 The DSG contains 4 blocks, each of which is determined by a separate National Funding Formula which calculates the total funding due to Local Authorities. The Department for Education (DfE) calculated the funding that Local Authorities will receive for the Schools Block as if the National Funding Formula had been applied. As in 2019/20, it still remains the role of the Local Authority to determine the funding to schools and academies via their Local Funding Formula for the Schools and Early Years Blocks.
- 1.3 There is no legal requirement for Authorities to move further to the funding allocation methodology introduced by the NFF in 2018/19 when determining schools and academies funding for 2020/21 using the local formula, however there is a requirement for the Local Authority to consult with schools on the DSG allocation methodology that will be applied.
- 1.4 As referenced above, the DSG is made up of 4 blocks of funding:
 - a) The **Schools** block covers funding for:
 - Individual mainstream schools and academies
 - Growth Funding for planned growth by the Local Authority (LA) in schools.
 - b) The **High Needs** block covers funding for the education of pupils subject to Education, Health and Care Plans from age 0-25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and Council centrally retained expenditure for High Needs. Funding for the High Needs block has over the past few years, not kept pace with demand.
 - c) The **Early Years** block covers:
 - Two Year old Funding
 - Early Years Funding in Schools and Private, Voluntary and Independent provision
 - Centrally retained expenditure for under 5's.
 - d) The **Central Schools Services** block covers:
 - Funding previously allocated through the retained duties element of the Education Services Grant (ESG) which has been discontinued from 2018/19
 - Central school services which includes the expenditure related to Schools Forum, Premature Retirements, Admissions service, ICT for schools and School Improvement
 - School Licenses
 - Statutory and Regulatory duties.

- 1.5 There is limited flexibility for Local Authorities to transfer funding between the four blocks, even though there are growing demand pressures in the High Needs block. For 2020/21 the Education and Skills Funding Agency (ESFA) has limited the movement of funds from the Schools Block to other blocks to 0.5% of the total Schools Block Allocation, but only with the agreement of Schools Forum. Any proposed movement above the 0.5% must be referred to the Secretary of State for approval.
- 1.6 The Authority has a responsibility to ensure that the DSG is deployed in accordance with the conditions of the grant and the School and Early Years Finance (England) Regulations. The arrangements for 2020/21 are detailed by the ESFA “2020 to 2021 operational guide” published in September 2019 and the “High needs funding 2020 to 2021 operational guide” published in October 2019.

2. DSG Allocations 2020/21

- 2.1 On 4 September 2019, the Chancellor of the Exchequer presented the 2019 Spending Round to Parliament. This included notification that nationally, Schools funding would increase by £2.6bn in 2020/21, £4.8bn by 2021/22 and £7.1bn by 2022/23. Within this funding announcement the Government advised that in 2020/21, High Needs funding for Schools was set to increase by more than £700m.
- 2.2 Oldham’s share of this funding was initially announced in October at a sum of £238.203m excluding Early Years funding based on October 2018 pupil numbers and was subsequently revised on 19 December 2019 based on October 2019 pupil numbers. The 2020/21 DSG allocation for Oldham is £262.121m including the Early years Block; being £17.016m more than the 2019/20 allocations (analysed in Table 1 below).
- 2.3 As there is a requirement to agree the funding formula with schools, consultation with schools and the Schools Forum was required. A budget paper, based on estimated 2019 pupil numbers and an estimated Schools Block allocation of £201.758m, was presented to Schools Forum on 27 November 2019. This suggested a funding allocation methodology for schools; a move towards the 2020/21 NFF cash values in full except for the Area Cost Adjustment factor which was to be reduced to 1.00000, together with a 0.5% transfer of DSG funding between the Schools and the High Needs Funding Blocks.
- 2.4 The projection that Schools Forum received was that the outturn DSG position for 2019/20 was showing a deficit of £6.250m, mainly due to additional costs of funding from the High Needs block for Special Schools, the Pupil Referral Unit, additional children with statements in mainstream schools and the cost of high cost external placements. It was however projected that remedial action would reduce the expected deficit to £5.700m.
- 2.5 The funding formula and the 0.5% transfer between blocks as proposed was approved by Schools Forum and provides a minimum funding level per pupil of £3,750 for primary and £5,000 for secondary schools. The funding formula and 0.5% transfer between blocks was subsequently reported to and approved by Cabinet on 16 December 2019.

- 2.6 As advised above, the Council received the final DSG notification for 2020/21 including an amount for the Early Years Block on 19 December 2019. The 2020/21 DSG for Oldham is a total value of £262.121m, which includes additional funding of £11.386m for the Schools Block and £5.548m for the High Needs Block. The total allocation is analysed over the four funding blocks including comparisons to the 2019/20 actual allocations in the table below:

Table 1 – Dedicated School Grant 2020/21

	Schools Block	Central School Services Block	High Needs Block	Early years Block	Total DSG Allocation
	£000	£000	£000	£000	£000
2020/21 Allocation	201,874	2,689	38,591	18,967	262,121
2019/20 Allocation*	190,488	2,999	33,043	18,575	245,105
Variance	11,386	(310)	5,548	392	17,016

*2019/20 Early Years allocation includes a retrospective deduction of £68k re 2018/19

- 2.7 The allocations for the Schools and Central Schools Services Block are final. A small proportion of the High Needs Block is subject to change and will be adjusted in Spring 2020. This will include an adjustment for Springboard Free School which is included within the Local Authority allocation and imports/exports. For planning purposes these figures have been estimated and the allocation adjusted. The Local Authority will also estimate the Early Years block based on the January 2020 census when available, as the current figure is based on January 2019, and this is not formally updated until July 2020. In addition, the Early Years Block funding will not be fully finalised until July 2021 because 7/12 of the allocation will be based on the January 2021 census.
- 2.8 Overall, the 2020/21 allocation has increased by over £17.0m. For 2020/21, historic commitments funding has been reduced by 20% nationally by the DfE. The DfE will continue to unwind this funding in future years and further detail will be provided in due course. As a result, the Central School Services Block allocation for Oldham for 2020/21 has reduced by £0.310m although the costs will still be incurred. The impact of this reduction is being managed as part of the Council's 2020/21 revenue budget setting process as advised in Section 9.

3 DSG Deficit

- 3.1 The DSG has been in deficit since 2016/17, largely caused by spending pressures in the High Needs Block in relation to increasing numbers of pupils receiving Education Health & Care Plans (EHCPs), increasingly complex needs, increasing costs of provision, particularly those outside the Local Authority, the Pupil Referral Unit and for Post 16 Education.

- 3.2 There have been transfers of funding from other blocks (including using year end underspends) towards offsetting the deficit and Table 2 below shows the net overall position of the DSG balance for the last few years.

Table 2- DSG Surplus / Deficit

DSG High Needs Block	High Needs Block (Deficit)/ Surplus £000	Movement from Schools Block £000	Savings/ Movement Schools Block £000	Savings/ Movement Early Years Block £000	Overspend CSSB £000	Other £000	DSG (Deficit)/ Surplus £000	Cumulative DSG (Deficit)/ Surplus £000
2015/16	(671)	0	1,399	99	0	10	837	837
2016/17	(2,968)	385	38	1	0	5	(2,539)	(1,702)
2017/18	(4,336)	2,380	682	(55)	0	0	(1,329)	(3,031)
2018/19	(2,665)	1,878	268	826	0	1	308	(2,723)
2019/20 estimate	(4,473)	1,594	(317)	(66)	(48)	0	(3,310)	(6,033)
2020/21 estimate	1,077	1,009	0	1	(54)	0	2,033	(4,000)

High Needs Block

- 3.3 The High Needs Block mainly funds pupils in specialist and alternative settings, such as special schools (both maintained and independent), resource units within mainstream schools, pupil referral units, and pupils with high needs in mainstream and early years settings and post 16 colleges. It also provides central support services such as Hearing and Visual Impairment (HI/VI) services.
- 3.4. Table 3 details the funding allocation for the High Needs block. The allocation is provisional as there are still adjustments to be confirmed.

Table 3. High Needs Block Allocation

High Needs Block	2019/20 allocation £m	2020/21 allocation £m
High Needs Formula	28.088	33.880
Hospital Allocation	0.450	0.486
Additional Allocation	0.622	0
Special Schools Census (includes Springboard in 2020/21)	3.623	3.965
Import/Export Adjustment (not yet known but 2020/21 figure adjusted for Springboard)	0.260	0.260
Gross High Needs Allocation	33.043	38.591
Top sliced for Academies for ESFA (recoupment) to pay academies direct. 2020/21 is an estimate and includes Springboard	(9.062)	(9.612)
High Needs Allocation after ESFA recoupment	23.981	28.979
Transfer from Schools Block; 0.84% 2019/20 and 0.50% 2020/21	1,594	1,009
Total High Needs Block	25.575	29.988

- 3.5 The funding for 2020/21 has increased by £5.548m. The place funding for academies/free schools is top sliced from the Local Authority allocation and paid to the school direct.
- 3.6 In view of the additional funding notified for 2020/21, the ESFA expressed an expectation in its letter of 30 October that there would not be a need to transfer funding from the Schools Block to the High Needs Block. However, there remains a requirement for the transfer to continue in Oldham in order for the DSG to be brought back into balance within the stipulated three-year timescale. In total therefore, after allowing for the 0.50% movement of £1.009m, the revised Schools Block is £200.865m and the revised High Needs Block is £39.600m.
- 3.7 Table 4 shows the current recovery plan. Additional pressures of £2.323m not anticipated in the initial recovery plan (nor by the DfE) create a predicted increased adverse variance of £6.033m in 2019/20.
- 3.8 Further anticipated pressures in 2020/21 are offset by the estimated increased funding from Government to reduce the deficit to £4.000m, and this trend is perpetuated in 2021/22, when it is also currently assumed that a further 0.5% transfer between blocks will be required, to deliver an estimated surplus of £0.177k at the end of the 3-year timescale.
- 3.9 It is an important element of the financial management of the Authority that the DSG is not in a deficit position and there has been action to try to address this. However, this has been more than offset by the increasing numbers of children with special needs entering the school's system. Action taken includes;
- the revision of Council processes to ensure that education health plans are issued in a timelier manner and reviewed more frequently with regard to the needs of the child
 - changes to the process for placement of children out of borough

It should be noted that the recovery may be delayed due to any further revisions to provision or delays in implementing the long term improvement strategies.

Table 4- DSG Recovery Plan

	2019/20 £000	2020/21 £000	2021/22 £000
Variance Brought Forward	(2,723)	(6,033)	(4,000)
Movements Per Original Plan	(987)	1,451	2,396
Revised Forecast Variance	(3,710)	(4,582)	(1,604)
Estimated additional pressures	(2,323)	(2,603)	(1,819)
Additional Funding	0	4,132	3,600
Reduce movement by 0.5%	0	(947)	0
REVISED NET FORECAST VARIANCE	(6,033)	(4,000)	177

- 3.10 Work will be continuing during the remainder of 2019/20 and throughout 2020/21 to address the DSG deficit position building on the work already in train, with the monitoring of the detailed DSG recovery plan in consultation with Schools Forum.