

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 2022/23, 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 2023/24 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. High Needs Block also covers the funding of Alternative Provision and covers a range of support for pupils unable to access mainstream education, subject to certain qualifying criteria. 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, 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. For 2023/24 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 the Schools Forum. Any proposed movement above the 0.5% must be referred to the Secretary of State for approval. There is no proposal to transfer funding between blocks in 2023/24.
- 1.6 The Authority has a responsibility to ensure that the DSG is deployed in accordance with the conditions of the grant and "School and Early Years Finance (England) regulations 2021". The arrangements for 2023/24 are detailed by the ESFA "Schools operational guide: 2023 to 2024" published in July 2022 and updated on 16 December 2022 and the "High needs funding 2023 to 2024 operational guidance" in August 2022 also updated on 16 December 2022.
- 1.7 From 2016/17 to the end of 2021/22 the Oldham DSG has been in a deficit position, i.e., resources spent have been in excess of grant funding available. As a result, the Department for Education through the Education and Funding Skills Agency has been monitoring the financial position of the DSG and has required the Authority to submit a Recovery Plan for review. The DSG financial information presented follows the currently required format of the Recovery Plan although as can be seen, a surplus is now projected to be achieved at the end of 2022/23.
- 1.8 Oldham has been supported by the Education and Skills Funding Agency (ESFA) in its monitoring and management of the DSG with the Recovery Plan subject to review. In more recent developments Oldham has been invited by the Government to take part in the Delivering Better Value (DBV) in SEND Programme which provides dedicated support for the reform to high needs systems to 55 Local Authorities with historical deficit issues, the aim being to put more Local Authorities on a more sustainable footing so that they are better placed to respond to the forthcoming SEND Review reforms.
- 1.9 Oldham was selected as one of the Local Authorities to be invited to take part in the programme, as it had a significant percentage DSG deficit in 2020/21. The first 20 of the 55 Authorities started the programme in June 2022, the second round (which includes Oldham) is now being launched. The Government is initially providing external consultancy advice to the Council to enable it to plan and agree improvements and a change programme. There is also funding available for the Council to fund new activities identified through the DBV initiative, the value of which is to be agreed.

2. DSG Allocations 2023/24

- 2.1 On 19 July 2022, the Department for Education, via the Education and Skills Funding Agency published provisional DSG funding allocations for 2023/24. This included confirmation that nationally, schools funding had increased by £2.6bn in 2020/21, £4.8bn in 2021/22, £7.1bn in 2022/23 and would be increased by a further £1.5 bn in 2023/24. Within this funding announcement the Government advised that in 2023/24, High Needs funding for Schools was set to increase by £570m.
- 2.2 Oldham's share of this overall DSG funding for 2023/24 was initially announced in July 2022 at a sum of £296.106m excluding Early Years and growth funding, based on October 2021 pupil numbers. It was subsequently revised on 16 December 2022 based on October 2022 pupil numbers. The 2023/24 DSG allocation for Oldham is £321.710m including the Early Years Block. This is £21.237m more than the 2022/23 allocations.

- 2.3 Funding is allocated to schools via a formula and as there is a requirement to agree the funding formula with schools, consultation with schools and the Schools Forum is required. A budget report, based on estimated 2021 pupil numbers and an estimated Schools Block allocation of £238.566m, was presented and agreed by Schools Forum on 16 November 2022. This suggested a funding allocation methodology for schools; a move towards the 2023/24 NFF cash values in full except for the Area Cost Adjustment factor, which was to be reduced to 1.00000.
- 2.4 The projection that Schools Forum received in November 2022 was that the outturn DSG position for 2022/23 would be a surplus of £0.442m, mainly due to a reduction in the cost of post-16 education.
- 2.5 The funding formula as proposed was approved by Schools Forum. However, this agreement was on the basis that this was subject to review once the detailed funding information was announced and ensuring that the funding provided a minimum funding level per pupil of £4,405 for primary and £5,715 for secondary schools. The funding formula was subsequently reported to and approved by Cabinet on 12 December 2022.
- 2.6 As advised above, on 16 December 2022, the Council received the DSG notification for 2023/24 including an amount for the Early Years Block. The 2023/24 DSG for Oldham is a total value of £321.710m, which includes additional funding of £13.513m for the Schools Block and £6.472m for the High Needs Block. The total allocation is analysed over the four funding blocks including comparisons to the 2022/23 actual allocations in the table below:

Table 1 – Dedicated School Grant 2022/23

	Schools Block	Central School Services Block	High Needs Block	Early years Block	Total DSG Allocation
	£000	£000	£000	£000	£000
2023/24 Allocation*	240,592	2,461	58,722	19,935	321,710
2022/23 Allocation**	227,079	2,417	52,250	18,727	300,473
Variance	13,513	44	6,472	1,208	21,237

*2023/24 Schools Block includes £0.610m for National Non-Domestic Rates which the ESFA will pay the Council as the Oldham billing authority.

**The Schools Block allocation presented for 2022/23 does not include £6.755m for the School Supplementary grant which has now been rolled into the 2023/24 allocation.

- 2.7 The Autumn Statement of 17 November 2022 confirmed an extra £2.3bn funding for schools and high needs, for the 2023/24 financial year, on top of previously notified funding. This will be allocated through the schools supplementary grant 2023/24. The allocation for Oldham is £8.187m and will be received on top of the sums in the table above. In addition to the schools supplementary grant, Local Authorities have been allocated a share of £400m additional High Needs funding for 2023/24, on top of the DSG high needs block allocations, calculated under the national funding formula. Oldham's allocation of this High Needs funding is £2.178m. This has been included in the High Needs Block for 2023/24 in the table above.
- 2.8 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/Summer 2023. This will include an adjustment for Springboard and Halcyon Way Free Schools which are included within the Local Authority allocation and imports/exports (Oldham children educated in schools outside the borough and children from outside the borough educated in Oldham schools). For planning purposes, the allocation for imports/exports has been estimated at the same allocation as for 2022/23. An updated estimate for the Early Years Block based on the January 2023 census will also be made when the information is available, as the current figure is based on January 2022, and this is not formally updated until July 2023. In addition, the Early Years Block funding will not be fully finalised until July 2024 because 7/12 of the allocation will be based on the January 2024 census.

- 2.9 Overall, the 2023/24 DSG allocation has increased by £21.237m. For 2023/24, historic commitments funding has been reduced by 20% nationally by the DfE, however following a successful application for funding protection to the DfE the costs will be protected at 2022/23 levels as the costs will still be incurred. As a result, the Central School Services Block allocation for Oldham for 2023/24 has increased by £0.044m for on-going responsibilities due to an increase in the unit cash value and an increase of pupils.

3 DSG Deficit

- 3.1 The DSG fell into deficit in 2016/17 and remained so until the end of 2021/22, 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 within the DSG (including using year end underspends and transfers from the Schools Block) to partially offset the deficit and Table 2 below shows the net overall position of the DSG balance for the last few years. The estimated position at the end of 2022/23 shows a substantial improvement with a surplus of £0.514m.

Table 2 - DSG Surplus / Deficit

Year	High Needs Block (Deficit)/ Surplus £000	Movement from Schools Block £000	Savings/ Movement Schools Block £000	Savings/ Movement Early Years Block £000	Overspend Central Schools Services Block £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	(4,239)	1,594	366	134	(48)	0	(2,193)	(4,916)
2020/21	(817)	1,009	954	264	(54)	0	1,356	(3,560)
2021/22	428	1,049	(760)	110	(40)	0	787	(2,773)
2022/23 estimate	3,473	0	(346)	200	(40)	0	3,287	514
2023/24 estimate	2,381	0	(458)	1	0	0	1,924	2,438
2024/25 estimate	262	0	0	1	0	0	263	2,701

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 contributes to central support services such as Educational Psychology and Advisory Teachers for pupils with Special Educational Needs and / or Disabilities.
- 3.4 Table 3 details the funding allocation for the High Needs Block for 2023/24 and compares it to 2022/23. The allocation is provisional as there are still adjustments to be confirmed, as outlined earlier in section 2.8.

Table 3 - High Needs Block Allocation

High Needs Block	2022/23 allocation £000	2023/24 allocation £000
High Needs Formula	42,313	47,434
Hospital Allocation	690	662
Additional Allocation	0	0
Special Schools Census	5,478	6,434
Additional funding for Special Free School	1,015	1,015
Import/Export Adjustment (not yet known 2023/24)	999	999
Notified High Needs Allocation	50,495	56,544
Estimated Additional allocation imports/exports	0	0
Initial High Needs Allocation	50,495	56,544
Additional allocation to High Needs Block following the Spending Review 2021 and Autumn Statement 2022	1,756	2,178
Gross High Needs Allocation	52,251	58,722
Top sliced for Academies for ESFA (recoupment) to pay academies direct.	(12,908)	(13,848)
Total High Needs Block	39,343	44,874

- 3.5 Following the Autumn Statement 2022, there has been a further additional High Needs allocation for Oldham of £2.178m for the 2023/24 financial year. Therefore, the total allocation for 2023/24 for High Needs is £58.722m and the funding for 2023/24 has increased by £6.471m (from £52.251m to £58.722m). This has been reduced by £252k from £1.015m to £0.763m for an estimated reduction for Special Free School funding resulting in an overall High Needs Allocation of £58.470m.
- 3.6 The place funding for Academies/Free Schools is top sliced from the Local Authority allocation and paid to the schools directly. For 2023/24, this top slice is £13.848m.

DSG Recovery Plan

- 3.7 Table 4 shows the current recovery plan. This shows a projected surplus of £0.514m at the end of 2022/23. This was reported to the Schools Forum on 18 January 2023 and is included in the Council's Month 8 Financial Monitoring Report.
- 3.8 From a predicted cumulative surplus outturn of £0.442m in 2022/23, the position is now forecast to improve slightly with an in year 2022/23 surplus of £3.287m producing a £0.514m favourable outturn. This in turn produces a 2023/24 in-year surplus of £1.924m leading to an overall surplus balance of £2.438m at the year-end being carried forward. In 2024/25 a forecast in year surplus of £0.263m increases the cumulative balance carried forward to £2.701m. Anticipated increases in High Needs funding have been offset by the provision of a Service Improvement Development Fund to support a range of initiatives (the use of which is to be agreed).
- 3.9 It is an important element of the financial management of the Authority that the DSG is not in a deficit position and as the financial position of the DSG has improved, action taken to address the deficit has contributed to the current forecast surplus position. The action taken so far to try to reduce the deficit includes:
- The revision of Council processes to ensure that Education Health and Care Plans (EHCP) are up to date and accurately reflect the needs of the child
 - Improving sufficiency of local school places resulting in reduced reliance on out of borough and costlier independent sector school placements
 - Transfers of funding between the Schools and High Needs blocks
- 3.10 Work will continue during the remainder of 2022/23 and throughout 2023/24 and beyond to ensure that the projected surplus position is maintained in 2023/24.

Table 4 - DSG Recovery Plan

	2022/23 £000	2023/24 £000	2024/25 £000
Opening Balance b/fwd - Surplus/(Deficit)	(2,773)	514	2,438
Estimated Additional (Pressures)/ Savings during the financial year	(2,896)	(5,117)	(6,573)
2022/23 High Needs Block Increase	4,852	4,852	4,852
Additional High Needs Funding (announced December 2021)	1,756	1,756	1,756
Additional High Needs Funding (announced December 2022)	0	2,178	2,178
Reverse Indicative Transfer (initially approved for 2022/23 and then not required)	(1,124)	0	0
Additional further adjustment for funding Special Free School/import/exports and Hospital Education July 2022	1,092	0	0
Estimated adjustment for Special Free School funding	0	(252)	(252)
Estimated Additional High Needs Funding 2023/24 – 6.7%	0	4,294	4,294
Estimated Additional High Needs Funding 2024/25 – 3%	0	0	1,601
Increase to Element 3 top up funding for Special Schools for estimated cost increases re inflation etc	(393)	(409)	(415)
Contribution to Central Education Support Services including HI/VI Services	0	(200)	(200)
Additional spend to be agreed re High Needs Funding December 2022	0	(2,178)	(2,178)
Proposed one off funding – Special Educational Needs	0	(850)	0
Service Improvements Development Funding	0	(2,150)	(4,800)
In Year Surplus/ (Deficit)	3,287	1,924	263
Revised Net Forecast Surplus	514	2,438	2,701
Previously Reported Net Forecast Surplus (Nov 22)	442	3,273	3,830

- 3.11 The recommendations of the DfE consultation 'Clarifying the Specific Grant and Ring-Fenced Status of the DSG' have been incorporated in the Schools and Early Years Finance (England) Regulations 2020, which were laid before Parliament on 30 January 2020 and came into force on 21 February 2020. The revised legislation makes it entirely clear, on a statutory basis, that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises an Authority not to do this. The Government's intention is that DSG Deficits should not be covered from general fund resources and that over time they should be recovered from DSG income. This came into force from 29 November 2020 and was applicable for 3 financial years starting in 2020/21. In December 2022, it was announced the Government had agreed to the

extension of the statutory override for a one-off period of three years (up to March 2026) underpinned and reinforced by the Government's longer-term reforms.

- 3.12 Local Authorities must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget. This account must be presented within the Statement of Accounts. Oldham has complied with this in the 2020/21 and 2021/22 accounts.
- 3.13 These regulations also mean that there will no longer be an automatic 1% trigger for the production of a DSG deficit recovery plan, instead the DfE will focus on those Authorities requiring help through a more measured and targeted approach.
- 3.14 As mentioned previously, Oldham has been supported by the Education and Skills Funding Agency (ESFA) in its monitoring and management of the DSG with the Recovery Plan subject to review. As the current Recovery Plan has been agreed with the Schools Forum, it is appropriate to continue to present information in this format. The Authority will continue to use the Recovery Plan arrangements as an effective means of monitoring the DSG position.
- 3.15 The most recent meetings of the Schools Forum were on 21 September 2022, 16 November 2022 and 18 January 2023 and each meeting received an update in relation to the DSG including the Recovery Plan, which had been revised to take account of the most recent funding announcements, the latest expenditure predictions and their impact on the projections from the current financial year through to 2024/25. The information provided to the meeting on 18 January 2023 aligns to the detail in this Appendix.