

**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 2023/24, 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 currently 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 2024/25, 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 2024/25 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. As in 2023/24 there is no proposal to transfer funding between blocks in 2024/25.
- 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 2023”. The arrangements for 2024/25 are detailed by the ESFA “Schools operational guide: 2024 to 2025” published in August 2023 and updated on 19 December 2023 and the “High needs funding 2023 to 2024 operational guidance”, published in July 2023 also updated on 19 December 2023.
- 1.7 From 2016/17 to the end of 2021/22 the Oldham DSG was in a cumulative deficit position, i.e., resources spent have been in excess of grant funding available. As a result, the Department for Education (DfE) through the Education and Funding Skills Agency has been supporting the Council in its monitoring and management of the financial position of the DSG and has required the Authority to submit a Recovery/ Management Plan for review, the first plan was submitted to the Department in 2019. An overall DSG surplus of £0.899m was achieved at the end 2022/23 and as can be seen below a surplus of £3.561m is currently forecast for 2023/24.
- 1.8 As it had a significant percentage DSG deficit in 2020/21 Oldham was selected as one of the Local Authorities to be invited to take part in the Delivering Better Value (DBV) in SEND Programme, the aim of the programme being to put Local Authorities on a more sustainable footing so they are better placed to respond to the forthcoming SEND Review reforms. The first 20 of the 55 Authorities started the programme in June 2022, the second round (Wave 2), which included Oldham launched in the autumn of 2022. The Department for Education (DfE) initially provided external consultancy advice to enable participants to plan and agree improvements and to develop a targeted change programme with core funding of £1.000m available to Authorities on successful submission of a grant application, to the DfE. The Authority has participated in a series of workshops and undertaken a comprehensive stakeholder case review and evaluation to identify and develop solutions for the areas of highest need and most likely return/benefit for inclusion in the grant /application. The application was submitted on 17 July 2023 with a focus on the following areas:
- Early identification and intervention to reduce EHCPS;
  - Development of mainstream provision to create an alternative to special schools;
  - Updating the resource allocation system;
  - Post 16 pathways to ensure better progression;
  - Developing and targeting support for;
    - autism
    - speech, language and communication needs
    - social, emotional and mental health

The application was approved on 15 September and funding will be advanced in two tranches in 2023/24 with the added flexibility to carry funding across financial years or beyond March 2025 if relevant. Consequently the Council has now progressed to Phase 2; Implementation with operational and financial monitoring updates being provided to both the DfE and CIPFA.

## 2. DSG Allocations 2024/25

- 2.1 On 17 July 2023, the Department for Education, via the Education and Skills Funding Agency published provisional DSG funding allocations for 2024/25. This included confirmation that nationally for 2024/25, core schools funding is increasing by £1.8bn and High Needs funding for Schools was set to increase by £440m; this brings the total high needs budget to over £10.5bn, an increase of over 60% compared to 2019/20 allocations.
- 2.2 Oldham's share of this overall DSG funding for 2024/25 contained within that announcement was an allocation of £316.054m excluding Early Years and growth funding, based on October 2022 pupil numbers. It was subsequently revised on 19 December 2023 based on October 2023 pupil numbers. The 2024/25 DSG allocation for Oldham is £349.747m including the Early Years Block (£30.609m). This is £27.791m more than the final 2023/24 allocation of £321.956m.
- 2.3 Funding is allocated to schools via a formula and as there is a requirement to consult and agree the funding formula with schools, consultation with schools and the Schools Forum. A report, based on the December 2023 funding announcement, incorporating October 2023 pupil numbers will be considered by Schools Forum on 17 January 2023. The suggested funding allocation methodology for schools is a move towards the 2023/24 NFF cash values in full except for the Area Cost Adjustment factor, which will be reduced to 1.002500, the full Area Cost Adjustment for Oldham is 1.00567.
- 2.4 As advised above, on 19 December 2023, the Council received the updated DSG notification for 2024/25 including an amount for the Early Years Block. The 2024/25 DSG for Oldham is a total value of £349.747m, which includes additional funding of £14.720m for the Schools Block, £2.328m for the High Needs Block and £10.852m for the Early Years Block. The 54.9% increase in Early Years funding is predominantly due to the introduction of a new national funding formula (NFF) covering both the existing 2-year-old entitlement for disadvantaged children and new working parent entitlements to be introduced in 2024 to 2025 for 2-year-olds and children aged 9 months to 2 years
- 2.5 The total allocation is analysed over the four funding blocks including comparisons to the 2023/24 actual allocations in the table below:

**Table 1 – Dedicated School Grant 2024/25/**

|                    | <b>Schools Block</b> | <b>Central School Services Block</b> | <b>High Needs Block</b> | <b>Early years Block</b> | <b>Total DSG Allocation</b> |
|--------------------|----------------------|--------------------------------------|-------------------------|--------------------------|-----------------------------|
|                    | <b>£000</b>          | <b>£000</b>                          | <b>£000</b>             | <b>£000</b>              | <b>£000</b>                 |
| 2024/25 Allocation | 255,312              | 2,352                                | 61,474                  | 30,609                   | <b>349,747</b>              |
| 2023/24 Allocation | 240,592              | 2,461                                | 59,146                  | 19,757                   | <b>321,956</b>              |
| <b>Variance</b>    | <b>14,720</b>        | <b>-109</b>                          | <b>2,328</b>            | <b>10,852</b>            | <b>27,791</b>               |

- 2.6 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 2024. 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 both special free schools and imports/exports has been estimated at the same allocation as for 2023/24. An updated estimate for the Early Years Block based on the January 2024 census will also be made when the information is available, as the current figure is based on January 2023, and this is not formally updated until July 2024. In addition, the Early Years Block funding for 2023/24 will not be fully finalised until July 2024 because 7/12 of the allocation will be based on the January 2024 census.

- 2.7 Overall, the 2024/25 DSG allocation has increased by a net £27.791m. The increases in the Schools, High Needs and Early Years blocks are offset by a reduction of £0.109m in the Central School Services Block. An increase of £0.061m of core funding is offset by a reduction in funding for historic commitments which has again been reduced by 20% nationally by the Department for Education, equating to £0.170m for Oldham. The Council successfully submitted an application for the 2023/24 funding to be protected at 2022/23 levels on the basis that the costs will still be incurred, a similar application will be submitted in relation to the 2024/25 funding for historic commitments.

### 3 High Needs Block

- 3.1 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.
- 3.2 Table 2 analyses the funding allocation for the High Needs Block for 2024/25 and compares it to 2023/24. The allocation is provisional as there are still adjustments to be confirmed, as outlined earlier in section 2.6.

**Table 2 - High Needs Block Allocation**

| High Needs Block- Funding Allocations            | 2023/24<br>£000 | 2024/25<br>£000 |
|--|-----------------|-----------------|
| High Needs Formula                               | 47,434          | 51,304          |
| Hospital Allocation                              | 662             | 680             |
| Additional Allocation                            | 2178            |                 |
| Special Schools Census                           | 6,434           | 7,052           |
| Additional funding for Special Free School       | 806             | 806             |
| Import/Export Adjustment (not yet known 2023/24) | 1,632           | 1,632           |
| <b>Gross High Needs Allocation</b>               | <b>59,146</b>   | <b>61,474</b>   |
| Top sliced for Academies for ESFA (recoupment)   | -14,778         | -15,446         |
| <b>Net High Needs Block</b>                      | <b>44,368</b>   | <b>46,028</b>   |

- 3.3 The total allocation for 2024/25 for High Needs is £61.474m, an increase of £2.328m (3.9%) compared to the final 2023/24 allocation of £59.146m. The place funding for Academies/Free Schools is subsequently top sliced from the Local Authority allocation and paid to the schools directly, for 2024/25, this indicative top slice is £15.446m to leave a sum of £46.028m being received directly by the Council. The top slice will be

recalculated by the ESFA in the Spring / Summer 2024 term to take account of the outcome of the 2024/25 High Needs Place return and the amount to be received directly by the Council will be adjusted accordingly.

#### 4. DSG Management Plan

- 4.1 Table 3 summarises the current DSG Management Plan. This shows an in- year projected surplus of £2.117m for 2023/24, the projected outturn including anticipated Growth underspend of £0.545m committed for 24/25 is £3.561m. This was reported to the Schools Forum on 17 January 2024 and is included in the Council's Month 8 Financial Monitoring Report.

**Table 3 - DSG Management Plan**

| <b>DSG Management Plan 2023/24 to 2025/26</b>      | <b>2023/24<br/>£000</b> | <b>2024/25<br/>£000</b> | <b>2025/26<br/>£000</b> |
|--|-------------------------|-------------------------|-------------------------|
| Schools Block (excludes central services)          | 240,592                 | 255,312                 | 255,312                 |
| Central Schools Services Block                     | 2,461                   | 2,352                   | 2,352                   |
| High Needs Block – pre/post 16                     | 59,146                  | 61,474                  | 62,570                  |
| Early Years Block                                  | 15,748                  | 17,771                  | 17,771                  |
| Two Year Olds' Funding                             | 3,653                   | 12,198                  | 12,198                  |
| Early Years Pupil Premium                          | 226                     | 424                     | 424                     |
| Early Years Disability Access Fund                 | 130                     | 216                     | 216                     |
| <b>Total Grant</b>                                 | <b>321,956</b>          | <b>349,747</b>          | <b>350,843</b>          |
| <b>Budget Requirement</b>                          |                         |                         |                         |
| Individual Schools Budgets                         | 241,032                 | 255,857                 | 255,312                 |
| Early Year Funding Delegated to Schools            | 7,108                   | 8,240                   | 8,240                   |
| High Needs Funding for Schools (including Post 16) | 45,437                  | 47,578                  | 49,569                  |
| <b>Total Delegated to Schools</b>                  | <b>293,577</b>          | <b>311,675</b>          | <b>313,121</b>          |
| Central Schools Services                           | 2,461                   | 2,352                   | 2,352                   |
| Central Early Years Services                       | 1,047                   | 899                     | 899                     |
| Central High Needs Services                        | 11,153                  | 12,525                  | 12,525                  |
| Three and Four Year old PVI's                      | 7,765                   | 8,998                   | 8,998                   |
| Two Year Old Funding                               | 3,480                   | 11,832                  | 11,832                  |
| <b>Total Retained Centrally</b>                    | <b>25,906</b>           | <b>36,606</b>           | <b>36,606</b>           |
| Early Years Pupil Premium                          | 226                     | 424                     | 424                     |
| Early Years Disability Access Fund                 | 130                     | 216                     | 216                     |
| <b>Total Budget Requirement</b>                    | <b>319,839</b>          | <b>348,921</b>          | <b>350,367</b>          |
| <b>In Year (Deficit)/Surplus</b>                   | <b>2,117</b>            | <b>826</b>              | <b>476</b>              |
| Balance brought Forward                            | 899                     | 3,561                   | 4,387                   |
| <b>Provisional (Deficit)/Surplus</b>               | <b>3,016</b>            | <b>4,387</b>            | <b>4,863</b>            |
| Anticipated Growth underspend committed for 24/25  | 545                     | 0                       | 0                       |
| <b>Projected Surplus / (Deficit)</b>               | <b>3,561</b>            | <b>4,387</b>            | <b>4,863</b>            |

- 4.2 From a predicted cumulative surplus outturn of £3.561m in 2023/24, the position is forecast to further improve with an in year 2024/25 forecast surplus of £0.826m producing a £4.387m favourable outturn. This in turn produces a 2025/26 in-year surplus of £0.476m leading to an overall surplus balance of £4.863m at the year-end being carried forward into 2026/27.

- 4.3 It is an important element of the financial management of the Authority that the DSG is not in a deficit position, clearly the financial position of the DSG has improved with a surplus having been reported in 2022/23 and the current version of the Management Plan demonstrating that the surplus, based on current projections is forecast to increase and stabilise in the current and future years. Implementation of the programme of work funded under the Delivering Better Value in SEND combined with the complimentary work undertaken in the North West Change Partnership Programme (NWCPP) and the Early Language Support for Every Child initiative (ELSEC) will be pivotal in the consolidation and future sustainability of the of the DSG in Oldham and work will continue during the remainder of 2023/24, throughout 2024/25 and beyond to ensure that the projected surplus position is maintained going forward.
- 4.4 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.
- 4.5 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 published accounts for 2020/21 and 2021/22 and the draft statements for 2022/23.