

**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 2024/25, 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 2025/26, 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. The 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:
    - Funding for children from 9 months up to 2 years old
    - 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 2025/26 the Education and Skills Funding Agency (ESFA) has again 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 2024/25 there is no proposal to transfer funding between blocks in 2025/26.
- 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 and Childcare (England) Regulations 2024”. The arrangements for 2025/26 are detailed by the ESFA in the “Schools operational guide: 2025 to 2026” published on 18 November 2024, the “High Needs Funding 2025 to 2026 Operational Guide’ published on 17 December 2024 and ‘Early Years Funding 2025 to 2026’ published on 10 December.
- 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. In 2020/21 Oldham was selected as one of the Local Authorities to be invited to take part in the second wave of 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. Core funding of £1.000m has been combined with the GM North West Change Programme and ELSEC to provide a fund of £3.340m to support a programme of work that will run to March 2026 and 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

## **2. DSG Allocations 2025/26**

- 2.1 On 18 December 2024, following the Chancellors budget on 30 October 2024, the Department for Education, via the Education and Skills Funding Agency published provisional DSG funding allocations for 2025/26. This included confirmation that nationally for 2025/26, funding for schools is increasing by £2.3bn, including £1.0bn specifically for High Needs. In addition, it was announced that there would £1.8m additional investment in Early Years, bringing total Government spending in this area to in excess £8.0bn.
- 2.2 Oldham’s share of this overall DSG funding for 2025/26 contained within that announcement was an allocation of £382.840m, based on October 2024 pupil numbers, this is £32.294m more than the final 2024/25 allocation of £350.456m.
- 2.3 Funding is allocated to schools via a formula and as such there is a requirement to consult and agree the funding formula with schools, via direct consultation with schools and the Schools Forum. A report, based on the December 2024 funding announcement, incorporating October 2024 pupil numbers was considered by Schools Forum on 15 January 2025. The suggested funding allocation methodology for schools is to adopt the 2025/26 NFF cash values in full except for the Area Cost Adjustment factor, which will

be reduced to 1.0010, compared to the full Area Cost Adjustment for Oldham which is 1.0057.

2.4 As advised above, on 18 December 2024, the Council received the updated DSG notification for 2025/26 including an amount for the Early Years Block. The 2025/26 DSG for Oldham has a total value of £382.840m, which includes additional funding of £18.586m for the Schools Block, £4.928m for the High Needs Block and £8.708m for the Early Years Block. The main drivers of the increase in Early Years funding are:

- The full year impact and an increase to 30 hours entitlement in 2025/26 of the original entitlement to 15 hours of free childcare for children aged between 9 months and 2 years old that was introduced in September 2024 (£5.840m).
- Increased funding for the 2 year old working parents, including an entitlement to 30 hours compared to 15 hours in 2024/25 (£2.058m)

2.5 The total allocation is analysed over the four funding blocks including comparisons to the 2024/25 actual allocations in the table below:

**Table 1 – Dedicated School Grant 2025/26**

	Schools Block	Central School Services Block	High Needs Block	Early years Block	Total DSG Allocation
	£k	£k	£k	£k	£k
2025/26 Allocation	273,898	2,423	66,677	39,841	<b>382,840</b>
2024/25 Allocation	255,312	2,352	61,749	31,133	<b>350,546</b>
Increase	7.3%	3.0%	8.0%	28.0%	9.2%
<b>Variance</b>	<b>18,586</b>	<b>71</b>	<b>4,928</b>	<b>8,708</b>	<b>32,294</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 2025. This will include an adjustment for Halcyon Way Free School which is 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 allocations for both the special free schools and imports/exports have been estimated and included in the management Plan. The published Early Years Block funding is based on pupil numbers contained within the January 2024 census. The allocation will be updated to take account of the January 2025 census when the updated information is published in July 2025.

2.7 Overall, the 2025/26 DSG allocation has increased by a net £32.294m. In addition to the significant increases in the Schools, High Needs and Early Years blocks there has also been a more moderated increase of £0.071m in the Central School Services block. An increase of £0.207m 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 £0.136m for Oldham. On the basis that the costs the Council are currently incurring for historical commitments exceed the funding allocation and are not reducing in line with the core funding assumption, an application to restore the funding to the 2024/25 allocation has been submitted, a decision is pending.

### 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 2025/26 and compares it to 2024/25. 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	2024/25 £k	2025/26 £k
High Needs Formula	51,334	55,943
Hospital Allocation	680	656
Special Schools Census	7,052	7,346
Additional funding for Special Free School	815	797
Import/Export Adjustment (not yet known 2024/25)	1,869	1,869
Alternative Provision- Pay/ Pension Funding		67
<b>Gross High Needs Allocation</b>	<b>61,749</b>	<b>66,677</b>

- 3.3 The current allocation for 2025/26 for High Needs is £66.677m, an increase of £4.98m (8.0%) compared to the final 2024/25 allocation of £61.749m. The place funding for Academies/Free Schools is subsequently top sliced from the Local Authority allocation and paid to the schools directly, for 2025/26, this indicative top slice is £16.300m to leave a sum of £50.377m being received directly by the Council. The top slice will be recalculated by the ESFA in the Spring/ Summer 2025 term to take account of the outcome of the 2025/26 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 as reported to the Schools Forum on 15 January 2025. This shows an in-year projected deficit of £4.275m for 2024/25 which reverses the 2024/25 opening cumulative surplus of £3.702m to give a projected outturn deficit for 2024/25 of £0.573m.
- 4.2 The adverse position is forecast to increase with an in year 2025/26 forecast deficit of £2.774m; leading to an overall deficit balance of £3.347m at the financial year-end being carried forward into 2026/27.

**Table 3 - DSG Management Plan**

<b>DSG Summary 2023/24 to 2024/26</b>	<b>2023/24 Outturn £000</b>	<b>2024/25 Forecast £000</b>	<b>2025/26 Forecast £000</b>
Schools Block (excludes central services)	240,592	255,312	273,898
Central Schools Services Block	2,461	2,352	2,423
High Needs Block	59,146	61,749	67,207
Early Years Block	15,748	17,771	18,412
Two Year Olds' Funding	3,653	12,721	20,564
Early Years Pupil Premium	226	425	648
Early Years Disability Access Fund	130	216	218
<b>Total Grant</b>	<b>321,956</b>	<b>350,546</b>	<b>383,370</b>
<b>Budget Requirement</b>			
Individual Schools Budgets	241,031	255,928	273,898
High Needs Funding for Schools (including Post 16)	45,471	51,123	54,863
Early Year Funding Delegated to Schools	6,785	8,440	8,613
<b>Total Delegated to Schools</b>	<b>293,287</b>	<b>315,491</b>	<b>337,373</b>
Central High Needs Services	11,373	14,085	15,118
Central Early Years Services	1,047	915	1,275
Three and Four Year old PVI's	7,765	8,998	9,182
Under two & Two Year Old Funding	3,480	12,339	19,906
Central Schools Services Block (CSSB)	2,461	2,352	2,423
<b>Total Retained Centrally</b>	<b>26,126</b>	<b>38,689</b>	<b>47,904</b>
Early Years Pupil Premium	226	425	648
Early Years Disability Access Fund	130	216	218
<b>Total Budget Requirement</b>	<b>319,769</b>	<b>354,821</b>	<b>386,144</b>
<b>In Year (Deficit)/Surplus</b>	<b>2,187</b>	<b>-4,275</b>	<b>-2,774</b>
Balance brought Forward	899	3,702	-573
<b>Provisional (Deficit)/Surplus</b>	<b>3,086</b>	<b>-573</b>	<b>-3,347</b>
Anticipated Growth underspend committed for 24/25	616		
<b>Balance Carried Forward</b>	<b>3,702</b>	<b>-573</b>	<b>-3,347</b>

- 4.3 There has been a major increase in the level of actual and anticipated net expenditure within the High Needs Block in both 2024/25 and 2025/26. There has been an increase of £4.723m in 2024/25 with largest increases being in relation to; funding for special schools (£1.638m), the number and cost of Education Health and Care Plans (EHCP's- £1.600m) and the cost of Out of Borough provision (£1.265m). These trends continue into 2025/26. As per the December announcement, funding for High Needs will increase by £3.807m between 2024/25 and 2025/26 with a further £0.530m estimated after adjusting for imports and exports and 'corrections' to the notified funding. This will be more than offset by further significantly increased expenditure of £7.468m, the largest uplifts again being in relation to funding for special schools (£2.625m), the number and cost of Education Health and Care Plans (EHCP's- £2.400m) and the cost of Out of Borough provision (£1.265m). It is assumed that the increase in funding for schools, early years and central services in 2025/26 will be matched with corresponding expenditure and is therefore neutral within the Management Plan. The forecasts clearly rely on a series of assumptions in relation to both income and expenditure which will be kept under review and the Management Plan will be updated accordingly and at the next iteration will be extended out to 2026/27.

- 4.4 It is an important element of the financial management of the Authority that the DSG, wherever possible is not in a deficit position, notwithstanding which, clearly the financial position of the DSG has worsened with a deficit now being forecast for 2024/25 (£0.537m) and 2025/26 (£3.347m). 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 2024/25, throughout 2025/26 and beyond to ensure that the current position is mitigated as far as is possible going forward.
- 4.5 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.
- 4.6 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 the three financial years from 2020/21 through to 2022/23 and in the draft statements for 2023/24.