

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 2025/26, 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 2026/27, 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 to 25 in a range of specialist and alternative settings including special schools (mainstream and independent), resource units within mainstream schools, pupil referral units and also 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 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.
 - 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 2026/27 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. Once again, there is no proposal to transfer funding between blocks in 2026/27.

1.6 For the forthcoming financial year, 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 2026”. The Department for Education (DfE) published information and indicative allocations for 2026/27 for the Schools and Central Schools Services Block on 19th November 2025. On 17th December 2025, they published actual final allocations for the Schools and Central Schools Services Block and Indicative allocations for the Early Years and High Needs Blocks.

1.7 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 2025 funding announcement, incorporating October 2025 pupil numbers was considered by Schools Forum on 21 January 2026. The suggested funding allocation methodology for schools is to adopt the 2026/27 NFF cash values in full except for the Area Cost Adjustment factor, which will be reduced to 0.997 (1.0010 in 2025/26), compared to the full NFF 2026/27 Area Cost Adjustment for Oldham which is 1.0057.

2. DSG Allocations 2026/27

2.1 As outlined above, indicative 2026/27 funding announcements in relation to the Schools and Central Services Schools blocks were made public by the DfE on 19 November 2025, this was followed by a more detailed announcement, this time including the Early Years and High Needs Blocks on 17 December 2025. This included a notification that the national high needs funding formula will be temporarily paused and funding will therefore be based on 2025/26 allocations (with adjustments as outlined in section 2.6 below)

2.2 Based on the announcements, Oldham’s share of this overall DSG funding for 2026/27 is an allocation of £410.487m, based on October 2025 pupil numbers, this is £27.375m more than the final 2025/26 allocation of £383.112m. The total allocation is analysed over the four funding blocks including comparisons to the 2025/26 actual allocations in the table below:

Table 1 – Dedicated School Grant 2026/27

	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£k	£k	£k	£k	£k
2025/26 Allocation	274,777	2,559	66,942	38,834	383,112
2026/27 Allocation	288,363	2,522	71,991	47,611	410,487
Variance (£)	13,586	-37	5,049	8,777	27,375
Variance (%)	4.94%	-1.45%	7.54%	22.60%	7.15%

Schools and Central School Services Blocks

2.3 The allocations for the Schools and Central Schools Services Block are final. The Schools Block has increased by £13.586m from £274.777m in 2025/26 to £288.363m, it should be noted that this includes circa £8.292m of grants: Schools Budget Support Grant (SBSG) and the National Insurance Contribution (NICs) Grant which were paid separately in the previous financial year. The Central Services School Grant has decreased by £0.037m to £2.522m for 2026/27. Funding for on-going commitments has increased by £0.099m (again including the rolling in of SBSG and NICs grants) offset by the continued annual 20% reduction for historical commitments (£0.136m)

High Needs Block

2.4 The current, provisional allocation for 2026/27 for High Needs is £71.991m, an increase of £5.049m compared to the final 2025/26 allocation of £66.942m. The place funding for Academies and Free Schools is subsequently top sliced from the Local Authority allocation and paid directly to schools. For 2026/27, this indicative top slice is £18.304m to leave a sum of £53.687m being received directly by the Council. The top slice will be recalculated by the ESFA in the Spring/ Summer 2026 term to take account of the outcome of the 2026/27 High Needs Place return and the amount to be received directly by the Council will be adjusted accordingly.

2.5 For 2026/27 the DfE are temporarily suspending the high needs national funding formula (HNFF), which in previous years has been used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025/26 allocations, with some additional funding (£5.050m) equivalent to the funding allocated separately to local authorities in 2025/26 through the SBSG and NICs grants and also the Core Schools Budget Grant (CSBG). The suspension of the HNFF means that the allocations will include neither an update to the basic entitlement pupil numbers in special schools, nor a special free school adjustment. The DfE are, however, retaining the import/export adjustment which reflects changes in the balance of pupils and students educated within and outside the local authority's area, and consequent costs.

Early Years Block

2.6 Funding for Early Years has increased by £8.777m and is provisionally set at £47.611m for 2026/27, inclusive of additional grant funding for early years pupil premium (EYPP) and disability access fund (DAF). The early years element of additional funding to support the teachers/NJC pay award costs and the increased national insurance contribution which were combined and paid as a separate grant (EYNTPG) in 2025/26 have now been rolled into the core funding for 2026/27.

2.7 The finance regulations require all local authorities to provide funding to all Early Years settings via one single base rate (incorporated within a local funding formula) with a requirement that a minimum of 97% of the funding is pass-ported direct to providers, this is an increase of 1% from the mandated 96% pass through in 2025/26.

3. DSG Management Plan

3.1 Table 3 summarises the current DSG Management Plan as reported to the Schools Forum on 22 January 2026. Aligned with the budget setting process and the recent funding announcements, this shows an in-year projected deficit of £10.935m for 2025/26 which reverses the 2024/25 opening cumulative surplus of £1.182m to give a projected outturn deficit for 2025/26 of £9.753m.

3.2 The adverse position is forecast to increase with an in year 2026/27 forecast deficit of £23.166m; leading to an overall deficit balance of £32.919m being carried forward into 2027/28.

Table 2 - DSG Management Plan

DSG Management Plan	2025/26 £000	2026/27 £000
Opening Balance	1,182	-9,753
<i>Income</i>		
Schools Block	274,777	288,363
Central School Services Block (CSSB)	2,559	2,522
Early Years Block	38,834	47,611
High Needs Block	66,942	71,991
Total Income	383,112	410,487
<i>Expenditure</i>		
Schools Block	276,157	288,363
Central School Services Block (CSSB)	2,559	2,522
Early Years Block	39,156	47,611
High Needs Block	76,175	95,157
Total Expenditure	394,047	433,653
In Year Deficit	-10,935	-23,166
Balance Carried Forward	-9,753	-32,919

3.3 Mirroring national trends, there has been a major increase in the level of actual and anticipated net expenditure within the High Needs Block in both 2025/26 and 2026/27. There is increased demand and cost pressures throughout the full range of services and provision, the main contributing factors are costs associated with Special Schools, Post 16 provision and the cost of Out of Borough Placements. The decision to 'cash limit' the 2026/27 high needs funding (see paragraph 2.1) has also contributed to the pressure.

3.4 It is assumed that the increase in funding for schools, early years and central services in 2026/27 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.

3.5 Clearly the financial position of the DSG has worsened with increasing cumulative deficits now being forecast for 2025/26 (£9.753m) and 2026/27 (£32.919m). It is an important element of the financial management of the Authority that the DSG, wherever possible is not in a deficit position, in mitigation, 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 continue during the remainder of 2025/26 and beyond.

3.6 The DSG Statutory Override, came into force in November 2020 and was initially applicable for 3 financial years starting in 2020/21. The 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 and should not be covered from general fund resources. In December 2022, it was announced the Government had agreed to the extension of the statutory override for a further three years up to March 2026. In June 2025, as part of a 'phased transition process' to reform the SEND system, the government confirmed a

further 2 year extension of the statutory override, effectively allowing Councils to keep their high-needs spending deficits off their books to the end of the 2027/28 financial year

- 3.7 In accordance with the above, 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 consistently complied with this requirement in the published accounts for the four financial years from 2020/21 through to 2023/24 and in the draft statements for 2024/25.
- 3.8 The Government has signaled an intention to 'transfer the cost of SEND to Whitehall from 2028/29' i.e. when the override ends and is expected to provide further details of plans to support local authorities with historic and accruing deficits and conditions for accessing support later in the Local Government Finance Settlement process. The DfE intends publish the Schools White Paper in the early part of 2026, this will confirm plans for the reform of the SEND system which will also include the review of the methodology for allocating high needs funding. Support provided to Local Authorities will be linked to assurance that they are taking steps to make a reformed, inclusive education system a reality. The outcome of the statutory override and the pending publication of SEND white paper could potentially have a material financial impact on the Council in the future.