Dorset Schools' Forum

Date of Meeting:	**7 November 2025**
Report Title:	**Dedicated Schools' Grant (DSG) Monitoring 2025-26 (Q2)**
Executive Director:	**Paul Dempsey, Executive Director for People - Children**
Corporate Director:	**Jen Furnell, Corporate Director for Education & Learning**
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Presenting Officer:	**Lee House. Service Manager - Finance**
Report Status:	**Public**
Reason for Submission to Schools' Forum:	**For INFORMATION** **Under Forum power/responsibility**: ___ 4 (a) (i) acting as the conduit for information relating to Children's Services budgets, and particularly schools' and early years' funding, for relevant colleagues in schools and early years settings, to ensure the work of the Schools' Forum becomes a central part of the local education context.
Recommendation(s):	• To note the DSG Q2 2025-26 position
Reason for Recommendation(s):	To inform School's Forum of the latest DSG position and the reasons for the position.
DECLARATIONS OF INTEREST	**Schools' Forum members are reminded of their responsibility to make a declaration of interest in any agenda item in which they have an interest, to the Chair or the**

	Clerk, preferably in advance of the meeting.

1. **Executive Summary**

2. This report covers:

    1. The Dedicated Schools Grant context, including the statutory override
    2. The financial position of Dorset’s DSG at September 2025
    3. Individual Schools Budget (ISB) Autumn Outturn Forecast for 2025-26
    4. Early Years and Central School Services blocks

3. <u>Context</u>

4. The Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.

5. There are four blocks within the DSG: Schools Block (SB – including Individual Schools Budgets), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).

6. The cumulative DSG deficit, at the 31 March 2025 was £95.63m (31 March 2024 the total was £59.6m) with a forecast cumulative deficit reaching £148.595m by 31 March 2026. The following three paragraphs detail how local authorities currently account for the cumulative deficit until March 2028, when the deficit becomes a local authority general fund issue.

7. Any deficit associated with the DSG is kept off councils' balance sheets because of the statutory override set out in The Local Authorities Capital Finance and Accounting (England) Regulations. This was extended from March 2026 to March 2028 in June 2025.

8. Until March 2028 the deficit is therefore held separately from the general fund, however, there remains an underlying cashflow pressure from carrying a £148m deficit meaning that the Council has access to £148m less cash than it would otherwise. As a result, interest foregone during 2025/26 on the deficit equates to £4.9m of pressure met by the General Fund. This is £4.9m which could otherwise be spent on local service delivery.

9. As the deficit grows, there will come a point at which it exceeds Council reserves, and the Council would be technically insolvent. However, the government announced a two-year extension to the statutory instrument in June 2025, and in addition, will set out their approach to SEND reform in a white paper in the autumn. These commitments from the government should mean the future risk is lowered.

10. <u>DSG Quarter 2 position</u>

11. At the 30 September 2025, the forecast outturn is a £54.279m overspend for 2025/26 (Appendix A). Adding the historic cumulative deficit position, a revised cumulative deficit would be £148.595m. This figure reflects the withholding of DfE contributions whilst the safety valve agreement is being reviewed. If the agreement is reinstated and previously committed contributions are received this would reduce to a cumulative deficit of £112.3m after DfE and Council contributions.

12. The outturn position for 2024-25 was a £37.3m overspend.

13. The performance of the 'Safety Valve' agreement is monitored against the DSG cumulative position excluding all DfE contributions. At the 31 March 2026, the revised DSG deficit is forecast to be £130.2m over the 'Safety Valve' agreement (Appendix B).

14. The overspend is mainly within the High Needs Block (£53.5m) although there is an overspend in the Early Years Block (£0.68m), regarding an income accrual estimation made at the end of 2024/25. There is also a £0.083m overspend in the Central School Services Block regarding Licences.

15. Appendix A provides a summary of the forecast variance position and Appendix B provides an end of year position against the agreed 'Safety Valve' position.

16. 'Safety Valve' agreement

17. The 'Safety Valve' is a DfE programme where the local authority has agreed to develop a revised DSG Deficit management plan to achieve a sustainable financial position for the DSG budget. In return, the DfE will provide the local authority with additional funds as set out in the published plan. Agreements run for around five years and there are currently 34 local authorities in the programme and are published online.

18. Dorset Council signed a £42m 'Safety Valve' agreement with the Department for Education in March 2022 to help eradicate the cumulative DSG deficit and support a return to a balanced in-year DSG position by 2026-27. Dorset Council will contribute £33m as part of the agreement. Additionally, Dorset are investing £47m into capital schemes across the county.

19. To date, the DfE funding received totals £23.75m and Dorset Council contributions equal £15m. As at the 30 September 2025, no DfE contributions for 2023-24, 2024-25 or 2025-26 have yet been received. Dorset Council maintain a separate reserve totalling £12.9m to support the Safety Valve programme.

20. As a result of the financial position the Department for Education (DfE) continue to have conversations with Dorset Council, including a site visit by the DfE SEND Advisor culminating in a request produce another revised plan. A revised plan was submitted to the DfE on the 12 September 2025.

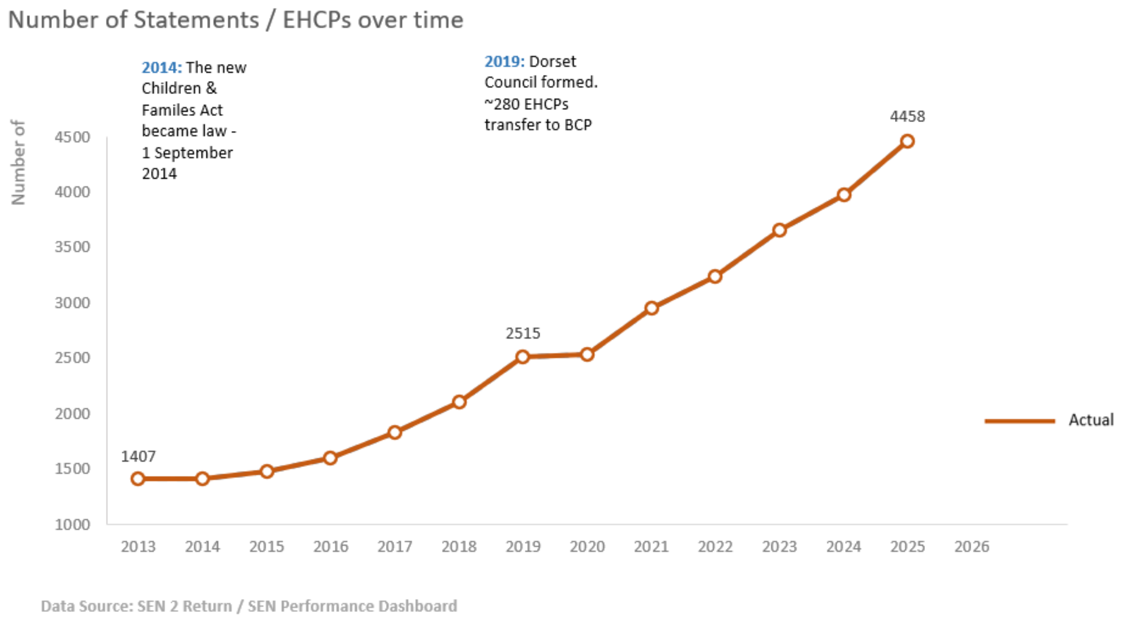
21. This recovery plan is part of the Council's Enhanced Monitoring and Support programme and is supported by DfE advisors.

22. The DfE responded on the 20 October 2025 noting 'Advisers noted the innovative and robust approaches you have in place to meet the needs of CYP with SEND' and requested three areas that may need further consideration.

23. This remains a prominent and well documented national issue.

24. High Needs Block

25. A significant driver for the historic deficit is the continued rise in the number of children and young people who require an Education, Health, and Care Plan (EHCP). Chart 1 demonstrates this growth since the introduction of the SEND reforms introduced in 2014.



26. CHART 1: Number of pupils with an EHCP since 2013

27. There has been a notable increase in Independent Special School Placements, with current forecasts indicating 307 FTE at an average cost of £66,300. This compares to the budgeted 261 FTE at £74,000. Although the average unit cost is lower than anticipated, the higher volume of placements is contributing to a projected overspend on Independent Special School Placements of £1.9m.

28. The High Needs Block (HNB) budget for financial year 25/26 was set with a starting in-year deficit of £51.11m. The majority of the movement from this starting deficit to the current overspend position of £53.5m is the forecast position on Independent Special School Placements mentioned above.

29. Personal budgets and Alternative Provision pressures contribute to a further £1.0m of the overspend position as indicated by the AP tracker kept by the brokerage team.

30. A new EHCP database, Synergy Case Management, was implemented on 7th May 2025. Due to delays with reporting and data cleansing, EHCP data as at the end of September is currently unavailable. This has now been added to Dorset Council's central risk register

31. Early Years Block

32. The Early Years Block entitlements are:

- The 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old (due to be extended to 30 hours from 1 September 2025)
- the 15 hours entitlement for eligible working parents of 2-year-old children (due to be extended to 30 hours from 1 September 2025)
- the 15 hours entitlement for families of 2-year-olds receiving additional support (formerly known as the 2-year-old disadvantaged entitlement)
- the universal 15 hours entitlement for all 3 and 4-year-olds
- the additional 15 hours entitlement for working parents of 3 and 4-year-olds

33. The Early Years Block has significantly increased in funding because of new entitlements and changes. Risks within the sector include deliverability of the new entitlements and (including financially) understanding and predicting the demand for the new or extended entitlements.

34. The Early Years Block is forecast to overspend by £0.679m. This is due to an assumption, based on data from the previous financial year, that Dorset Council would receive more funding than transpired. This is a timing issue, rather than an overspend on the Early Years Block and relates to the reported year end surplus that formed part of overall DSG position at the end of 2024-25. The Early Years Block has seen a 75% increase in 25/26 due to government initiatives to offer 30-hour free childcare for under 2-year-olds. The DfE collect termly data on the new entitlements to ensure funding is adjusted to reflect actual take-up, but these adjustments take place in the following financial year and have to be estimated at year end.

35. <u>Central Schools Services Block</u>

36. There is a forecast overspend of £0.083m within the CSSB for National Copyright Licences.

37. DfE has agreements with nine agencies, for example the Motion Picture Licensing Company, to purchase a single national licence managed by DfE for all state funded schools in England.

38. This means Local authorities and schools do not need to negotiate individual licences. DfE pays the cost to the agencies and provides this as a service to local authorities at a charge.

39. The overspend is the difference between the CSSB allocation for Licences within the DSG, and the actual DfE negotiated price.

1. Well-being and Health implications

Provision for children with SEND is a statutory duty and includes provision for their wellbeing and health implications.

Effective school provision is part of the wider provision for supporting the health and wellbeing of children and young people.

2. Climate Implications

None

3. Other implications

None

4. Risk Assessment

Having considered the risks associated with this decision, the level of risk posed by the DSG overspend has been identified as:

Current Risk: High
Residual Risk: Medium

This is dependent on effective management of the DSG HNB and EYB.

5. Equalities Impact Assessment (EqIA)

The provision of education for children and young people is an essential part of tackling equalities issues. The council has a strategic role in promoting equality through its work for children with SEND.

6. Appendices

Appendix A: Total Dorset DSG forecast variance

Appendix B: Dorset's Cumulative DSG Position

Appendix F: Forecast DSG spend 2025-26

7. Background Papers

[Dorset SV agreement (publishing.service.gov.uk)]

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.