Dorset Schools' Forum

Date of Meeting:	**3 July 2026**
Report Title:	**Dedicated Schools Grant Outturn 2025-26**
Executive Director:	**Paul Dempsey, Executive Director for People - Children**
Report Author: Title: Tel: Email:	Lee House (Main outturn report) Acting Head of Finance – Business Partnering 01305 225032 Lee.house@dorsetcouncil.gov.uk
Presenting Officer:	**As above**
Report Status:	**Public**
Reason for Submission to Schools' Forum:	**For ~~APPROVAL / CONSULTATION~~ / 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 Outturn position for 2025-26
Reason for Recommendation(s):	To keep the Schools' Forum informed with the latest position on the Dedicated Schools' Grant
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. The Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools 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.

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

4. <u>DSG 2025-26 Final position</u>

5. Dorset's final DSG allocation totalled £368.7m and actual expenditure was £423.1m, resulting in an overspend of £54.5m. The cumulative DSG deficit as at the 31 March 2026 was £148.8m (Appendix A).

6. The DSG was overspent by £54.452m, comprising of the following:

Block (£m)	Allocation before deductions	Outturn Variance
Schools Block	262.7	0.0
High Needs Block	60.2	(55.2)
Early Years Block	43.6	0.7
Central School Services Block	2.2	0.0
TOTAL	**368.7**	**(54.5)**

7. The Early Years Block underspent by £0.68m this was due to an income accrual estimation for stretched hours made at the end of 24/25 and some underspends in 25/26. The Central Services to Schools Block £0.04m underspent. The Schools Block had no variance.

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

9. Any deficit associated with the DSG is kept off council's 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.

10. Whilst the deficit is therefore held separately from the Council's General Fund, there is a cashflow pressure resulting from carrying a £148.8m deficit meaning that the Council has access to £148.8m less cash than it would otherwise. As a result, interest foregone 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.

11. The government announced SEND reforms in early 2026. First drafts of the Local SEND Reform Plans are due by 19th June 2026.
12. The historical DSG deficit experienced by most upper tier local authorities is a long and well-documented risk stemming from a change in government legislation in 2014 with a number of factors driving the overspend, including the increase in children and young people who require an ECHP. The National Audit Office: Support for children and young people with special educational needs provides further context.
13. Any reforms will take time to implement and materials from the DfE so far suggest staged implementation of the changes.

DSG - Accounting treatment

14. Dorset Council accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated School Grant (DSG).
15. On 9 February 2026, the High Needs Stability Grant was announced. This outlined proposals for central government to provide a grant to cover up to 90% of the High Needs-related DSG deficit up to 31st March 2026. The ceasing of the Safety Valve programme was also announced during the year.
16. Each Local Authority is required to submit a Local SEND Reform Plan. This plan requires Secretary of State for education approval prior to any grant being made available. This sits alongside announced SEND reforms announced in the SEND white paper released on 23rd February 2026.
17. High Needs Block (HNB)
18. The HNB 2025-26 overspend is £55.2m, the outturn position for 2024-25 was a £38.2m overspend. The 2025-26 HNB was set with a £51.1m overspend at budget set.
19. The growth in the number of children and young people requiring an Education, Health and Care Plan (EHCP) continues to be one of the main drivers for the High Needs Block overspend.
20. As of 31 March 2026, there were 4,944 children and young people with EHCPs, an increase of 539 over the 12 months (392 for 2022-23, 319 for 2023-24, 430 for 2024-25). Chart 1 plots the increase in the number of children and young people requiring an EHCP since 2014.

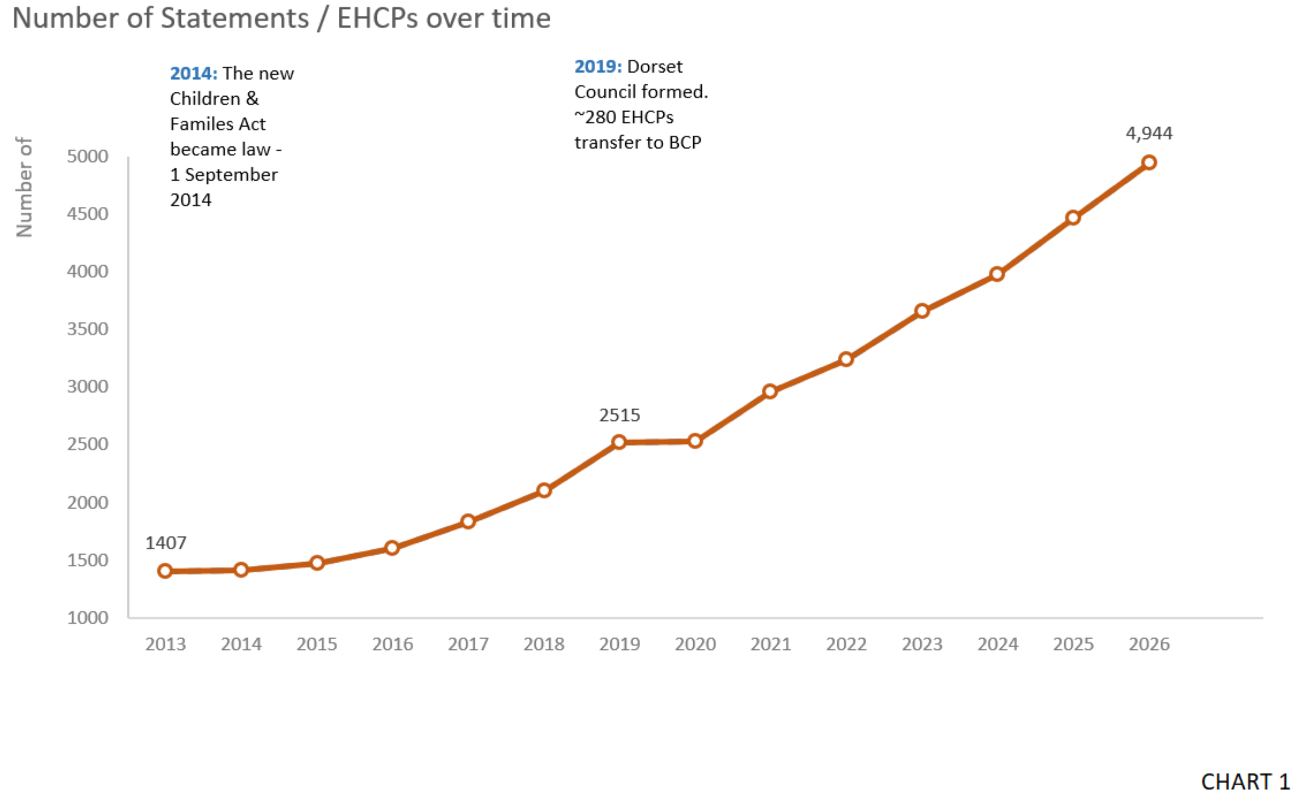

CHART 1: Number of CYP with an EHCP since 2013

21. Using snapshot data of the EHCP cohorts, including previous years and at the 31 March 2026 (Appendix C), the overall percentage of the EHCP demographic within specialist provision remains around 40%, there has been a 99 increase (164 increase in 2022-23, 126 increase in 2023-24, 117 increase in 2024-25). This includes the Coombe House provision of 133.

22. A cost analysis is provided in Appendix D and E. These appendices detail the cost range of specialist packages and average placement costs.

23. A variance analysis of select HNB budgets is available in Appendix G. This shows the variance (price and volume) between what was budgeted, and what happened over the year. This is for budgets where individual packages are identifiable, i.e., top up packages for children in special schools.

24. <u>Top up payments, bespoke packages, and Alternative Provision</u>

25. Top-ups paid to settings were less than budgeted (£0.26m underspend).

26. This area recorded one of the greatest variances (£2.55m) the budget for Alternative Provision packages, excluding children in Learning Centres, was £4.78m with spend of £7.33m. The number of overall referrals has increased from 1,106 in 24/25 to 1,371 in 25/26 with a noticeable increase in referrals for Year 10 and 11 (328 in 24/25 to 436 in 25/26).

27. The overspend on bespoke packages for Mainstream and Special schools was a net £52k for 25/26.

28. <u>Placements & Direct Payments</u>

29. This area also recorded one of the greatest variances (£1.6m overspend). Included within this area is spend on Independent Special School placements and Specialist post-16 Institutes which accounts for £1.3m of the overspend. (Appendix E).

30. Average costs have been lower than the budgeted estimate of £74k and averaged to around £65k for 25/26.

31. <u>SEN Support Services & Contracts</u>

32. The HNB funds several services to support a range of needs. This includes Best Start in Life, Hearing and Vision Support Services, Specialist Teachers and Physical and Medical Needs. There are approximately 60 (46.85FTE) specialist positions within this area.

33. Through vacancy management and income from BCP for the Hearing and Vision Support Services, this area underspent by £0.067m.

34. Contracts and development underspent by £0.014m.

35. <u>Early Years Block (EYB)</u>

36. The EYB funds:
    - universal 15-hour entitlement for 3 and 4-year-olds
    - additional 15-hour entitlement for 3 and 4-year-old children of eligible working families
    - 15 hours entitlement for early learning 2-year-olds (formerly families receiving additional support)
    - 30 hours entitlement for 2-year-olds from eligible working families
    - 30 hours entitlement for children aged 9 months 2 years old from eligible working families
    - Early Years Pupil Premium
    - Disability Access fund

37. The final allocations for the first three funding streams listed in section 15 will be based on (five-twelfths January 2025 Part Time Equivalents (PTE) census numbers) + (seven-twelfths January 2026 PTE census numbers). This means the current EYB allocation will likely change – this change has been estimated and included in the final carry forward. There have been termly data collections in respect of the 30 hours for children aged 9 months to 2 years, which again will change the EYB allocation and has been estimated and included in the final carry forward.

38. The EYB underspent by £0.68m. The Q3 EYB budget monitoring included a forecast overspend of £0.93m based on an estimate of 2024-25 year-end adjustments and expected stretched hours to be taken in the summer term (families can spread hours over 50 weeks instead of 38 to cover July and August). Reviewing the Q3 year forecast outturn with actual adjustments would have indicated there would not be an overspend. The DfE have now introduced a termly census, rather than data collections, which will help with forecasting in 2026-27.

39. <u>Central Services Schools Block (CSSB)</u>

40. The central school services provide funding for local authorities to carry out central functions on behalf of compulsory school age pupils in maintained schools and academies in England. The funding for the block is based on a national funding formula.

41. The CSSB underspent by £0.037m.

42. Most of this underspend (£0.036m) was due to vacancy savings within the admissions team.

43. <u>Schools Block</u>

44. There is a nil variance on the Schools Block.

45. In year overspends on budgets for Pupil Growth (£0.016m) and the de-delegated area of Trade Union facilities (£0.013m) and Primary Redundancy (£0.016m) have been transferred from reserves (Appendix F).

46. Individual Schools' Budget (ISB) net balances have increased by £2m compared to 2024-25 year-end. Balances and deficits by phase are detailed in Appendix H. Most schools continue to be cautious in their spending and forecasting due to the uncertainty around funding, pay rises and energy costs.

47. All schools with an excess surplus (a year-end balance over 5% or 8% depending on phase) have been contacted to submit plans to the use of the balance, to ensure plans are in line with the reasons included in the Financial Efficiency policy.

48. The number of schools in deficit has increased from 5 to 6. The total deficit balance excluding has reduced from £806k to £349k.

49. <u>DSG Reserves</u>

50. Excluding the DSG Deficit reserve, and school balances reserve, there are four additional DSG reserves: Pupil Growth, De-Delegated, Early Years and Permanent Exclusions (used to transfer funding between settings for children who are excluded or admitted elsewhere following exclusion).

51. Reserve activity is detailed in Appendix F.

52. The combined opening balance (1 April 2025) for the four reserves was £2.58m, and the closing balance (31 March 2026) was £2.42m, a decrease of £0.16m.

53. The main movements:

    - £0.016m overspend moved into the Pupil Growth reserve
    - £0.168m Early Years Expanded Entitlement grant roll out
    - £0.159m movement into the Permanent Exclusions reserve for children who have been permanently excluded. Other net movements of £0.101m is reserve funding used in order to fund the inclusion team £0.088m and the Youth Voice officer £0.13m during the year.

54. <u>Risks and challenges</u>

55. The outcome of Dorset's SEND Reform plan submission.

56. Above inflationary pressures schools and other settings may experience.

57. Continued increases in the number of children and young people who require an EHCP over the funding that is available.

58. The unknown impact of the educational and SEND reforms as further information becomes available.

59. These risks will be monitored during the financial year.

1. Financial Implications

This paper covers the financial implications on the management of the DSG in detail.

2. 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.

3. Climate Implications

None

4. Other implications

None

5. 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.

6. 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.

7. Appendices

Appendix A: Dorset's Cumulative DSG Position - March 2026

Appendix B: Total Dorset DSG outturn variance - March 2026

Appendix C: Dorset's EHCP Position

Appendix D: Cost ranges for high-cost placements

Appendix E: All packages average costs - March 2026

Appendix F: DSG Reserves (£)

Appendix G: Variance Analysis: Select High Needs Block budgets

Appendix H: Individual Schools' Budget (ISB) outturn actuals for 2025-26 and commentary

8. Background Papers

Every child achieving and thriving - GOV.UK

High needs funding: 2026 to 2027 operational guide - 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.