

Dorset Schools' Forum

Date of Meeting:	26 September 2026
Report Title:	Dedicated Schools' Grant (DSG) Monitoring 2026-27 (Q1)
Executive Director:	Paul Dempsey, Executive Director for People - Children
Corporate Director:	Alice Deacon, Corporate Director for Commissioning and Partnerships
Report Author: Title: Tel: Email:	Lee House Service Manager - Finance 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 Q1 2026-27 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.
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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 July 2026
3. Individual Schools Budget (ISB)
4. Early Years and Central School Services blocks

3. Context

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. As of 31 March 2026, cumulative DSG deficit is £148.7m. 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.
7. Whilst the deficit is therefore held separately from the General Fund, there is a cashflow pressure resulting from carrying a £148.7m deficit meaning that the Council has access to £148.7m less cash than it would otherwise.
8. 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.
9. Dorset submitted their Local SEND Reform Plans in June 2026 with outcomes expected to be announced in the Autumn 2026.
10. 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.
11. Any reforms will take time to implement and materials from the DfE so far suggest staged implementation of the changes.
12. Continued High Needs Block overspends could mean that despite a 90% write off the deficit could reach around £150 million by March 2028. Government support would significantly reduce the current historic deficit (at 31 March 2026), however there is no guarantee that future deficits will receive the same level of support, with Government stating that assistance in

2026/27 and 2027/28 will be provided only on an “appropriate and proportionate” basis and “will not be unlimited”.

13. DSG Quarter 1 position

14. To align with the first published Dorset Council financial position, the first forecast position is July 2026.

15. At the 31 July 2026, the forecast outturn is a £73.737m overspend for 2026/27 (Appendix A). Adding the historic cumulative deficit position, a revised cumulative deficit would be £221.87m.

16. The outturn position for 2025-26 was a £54.45m overspend.

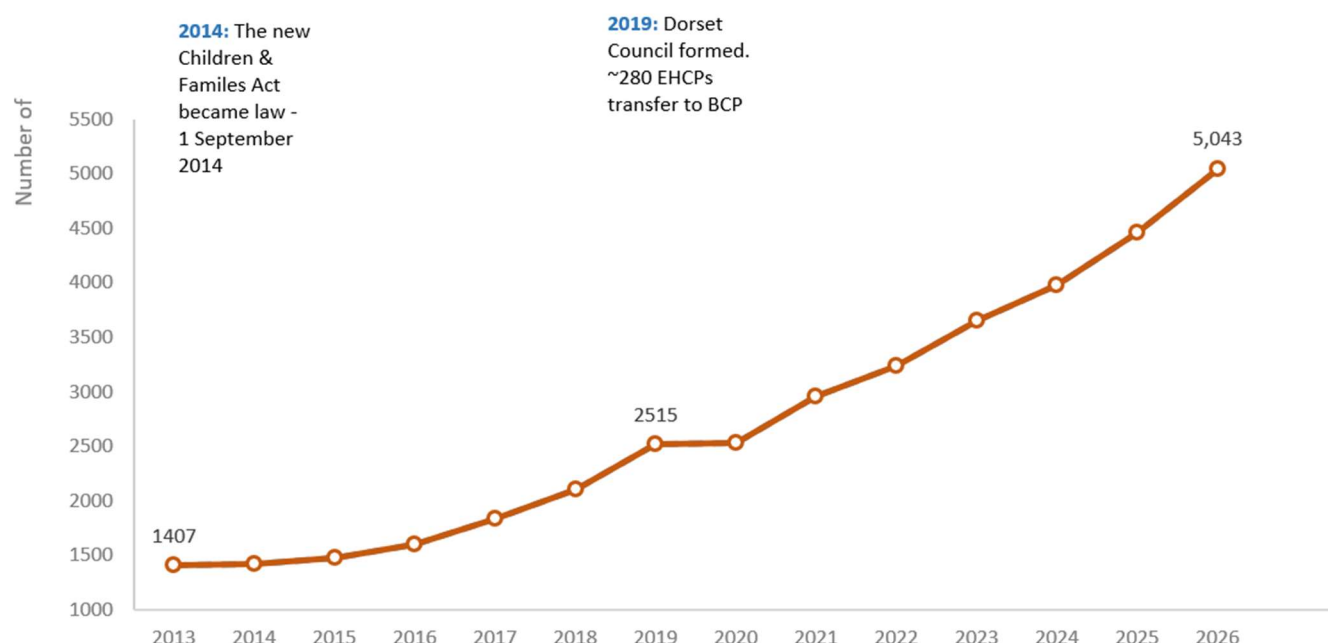
17. The forecast overspend is currently within the High Needs Block 2627

18. Appendix A provides a summary of the forecast variance position and Appendix B provides an end of year position.

19. High Needs Block

20. 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.

Number of Statements / EHCPs over time



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

22. The DSG budget for financial year 26/27 was set with a starting in-year deficit of £73.328m. The majority of the movement from this starting deficit to the current overspend position of £73.737m is a reduction in funding, an adjustment by the DFE for import/export of £0.582m.

23. A new EHCP database, Synergy Case Management, was implemented on 7th May 2025. Due to ongoing delays with reporting and data cleansing, EHCP data as at the end of July is currently unavailable.

24. Individual Schools Budget (ISB) Outturn Forecast

25. Final 2025-26 outturn balances for maintained schools were reported in July 2026. High level budget setting information for 2026-27 is shown below. Overall surplus levels are predicted to reduce. Deficit levels have also reduced although the number of schools in deficit has increased by one.

	Surplus		Deficit	
2025-26 final	39 schools	£10,558,840	6 schools	-£349,265
2026-27 budget	38 schools	£6,130,463	7 schools	-£532,948

26. Historically, school surplus predictions are conservative at budget setting and increased levels would be expected at year end.

27. Work continues with schools in deficit to ensure deficit reduction plans are in place and remain on track. Meetings often involve the relevant Education Challenge Lead to ensure deficit reduction is not at the expense of school improvement.

28. There will be a focus on the use of excess surplus balances in the autumn term. Schools report plans for the use of excess surplus balances when setting the budget and updates are provided with the termly forecast of outturn reports. Individual schools have been contacted in the summer term for additional information on actions taken to ensure surplus reduction plans remain on track.

29. Early Years Block

30. There are no reported issues within the Early Years Block. The Early Years Block entitlements are:

- The 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old (was 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

31. 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. Extending the entitlements for working families has also made it more challenging for the families of early learning 2-year-olds to secure their 15 hour a week places. This has been highlighted in the response to the DfE's Early Education funding consultation, included in paper 8.

32. Central Schools Services Block

33. Part of the Central School Services Block funding allocation is based on historic commitments. The DfE remove part of this commitment for authorities to apply for this to be returned. Dorset Council have been successful in this application, resulting in a return of £76k, amending the historic commitment funding to £384k. This is due to premature retirement costs continuing to be greater than the historic commitment funding received.

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 2026-27

7. **Background Papers**

[Dorset SV agreement \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

[Explanatory note on the government's approach Dedicated Schools Grant deficits - 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.