Dorset Schools' Forum

Date of Meeting:	**6 November 2026**
Report Title:	**Dedicated Schools' Grant (DSG) Monitoring 2026/27 (Q2)**
Executive Director:	**Paul Dempsey, Executive Director for People - Children**
Corporate Director:	**Jen Furnell** **Corporate Director Education and Learning**
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 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 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.

1. **Executive Summary**

    - Dorset's DSG is forecast to overspend by £74.3m in 2026/27, driven primarily by High Needs Block expenditure.
    - The principal pressure remains growth in demand for SEND provision and specialist placements and the number of Children and Young People (CYP) who need an EHCP.
    - Dorset's SEND Reform Plan was approved in October 2026 and a £145.0m High Needs Stability Grant is expected in November 2026.
    - After receipt of the grant, the cumulative DSG deficit is forecast to reduce to £76.7m at 31 March 2027 but will return to ~£150m by 31 March 2028.

2. This report covers:

    1. The Dedicated Schools Grant context, including the statutory override
    2. The financial position of Dorset's DSG at September 2026
    3. Individual Schools Budget (ISB)
    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. 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. Dorset's SEND Reform plan was accepted in October 2026 with a High Needs Stability Grant totalling £145m due November 2026. This would leave a balance of £3.7m to be funded from the reserve setup to support the Safety Valve programme before the programme was cancelled. This reserve would also be used in the event government do not fully fund any future year DSG cumulative deficit write offs.

8. The long-term SEND reforms have yet to be finalised with the government stating:

    For deficits that arise in 2026–27 and 2027–28, local authorities can expect that we will continue to take an appropriate and proportionate approach, though it will not be unlimited.

Future support will take into account LAs' successful delivery of their approved Local SEND reform plan, including appropriate use of investment funding to establish an Experts at Hand offer.

9. Any reforms will take time to implement and materials from the DfE so far suggest staged implementation of the changes.

10. Dorset's DSG deficit is forecast to be approximately £150m by 31 March 2028.

11. The current and future cumulative DSG deficit remains a major risk for the authority:

    "Instability in the High Needs Block budget may create an increased deficit in the Dedicated Schools Grant (DSG), resulting in a worsening of Dorset Council's financial position." Risk ID 194

12. 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, with a cost of circa £6m in interest foregone. This will be mitigated through the receipt of the High Needs Stability Grant; however, this will return during the later stages of 2026/27 and 2027/28.

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

14. At the 30 September 2026, the forecast outturn is a £74.315m overspend for 2026/27 (Appendix B). In October 2026 Dorset's SEND reform plan was accepted with a High Needs Stability Grant totalling £145m due in November 2026, making the revised cumulative deficit figure at March 2027 a total of £76.719m (Appendix A)

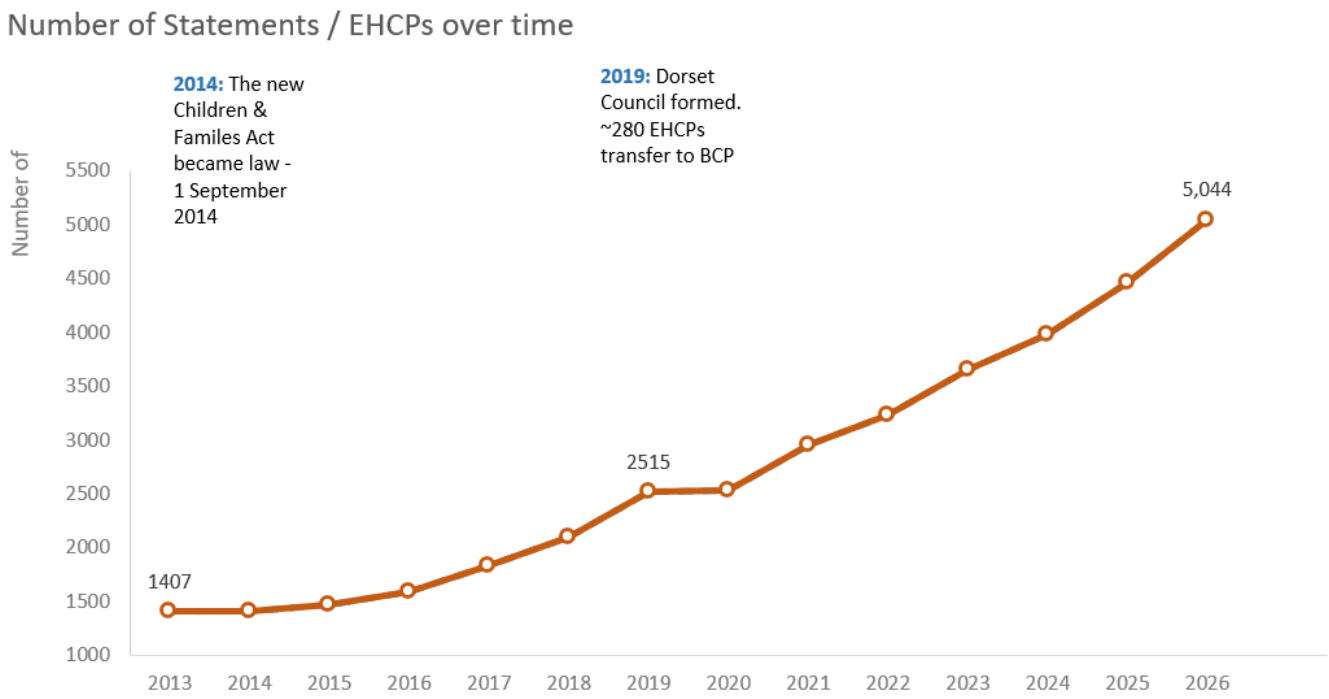
15. The outturn position for 2025/26 was a £54.45m overspend.

16. The forecast overspend is currently within the High Needs Block.

17. Appendix A provides the forecast cumulative DSG position and Appendix B provides a summary of the forecast in-year variance position. Appendix G is a variance analysis on select High Needs Block budgets.

18. <u>High Needs Block</u>

19. 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.



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

21. The DSG budget for financial year 26/27 was set with a starting in-year deficit of £73.328m. The forecast deficit has increased from £73.737m at Quarter 1 to £74.315m at Quarter 2, an adverse movement of £0.578m. This is primarily due to increases in independent special school placement costs.

22. There has been an increase in Independent Special School Placements, with current forecasts indicating 342 FTE at an average cost of £68,743. This compares to the budgeted 330 FTE at £66,680. The higher volume of placements and increase in average cost is contributing to a projected overspend on Independent Special School Placements of £1.48m.

23. However, there has been a reduction in forecast for Specialist Post 16 of £0.647m which equates to approximately 11 FTEs bringing the number to 144 FTEs compared to the budgeted number of 155 FTEs and a further reduction in ISP LAC of £0.467m which is a reduction of approximately 3 FTEs compared with the budgeted number of 20 FTEs.

24. The new EHCP case management system, Synergy Case Management, was implemented on 7 May 2025. Since implementation, work has continued to cleanse data and enhance reporting functionality, resulting in a temporary reduction in the availability of management information. As a result, validated EHCP data for the period to the end of September is not currently available.

25. During Autumn Term 1, Dorset Council has been working closely with its software provider to develop a new suite of bespoke reporting tools. These reports will provide enhanced analysis of EHCP cohorts, educational pathways and outcomes, supporting a more comprehensive understanding of demand, need and provision across the SEND system. To enable these improvements, a number of existing reports have been temporarily withdrawn while they are redesigned and updated. The revised reporting suite is expected to be available during Autumn Term 2, at which point more detailed EHCP analysis will resume and a refreshed EHCP analysis will be included in future Schools Forum reports.

26. Individual Schools Budget (ISB Forecast

27. An update will be provided as part of the Q3 report, once the autumn term forecast of outturn returns from schools have been received.

28. Early Years Block

29. 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 (was 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

30. The sudden and unexpected closure of a large early years setting in West Dorset may put some pressure on the EYB, if funding paid for the second half of the autumn term cannot be recovered. All steps will be taken to recover the funds and any double funding should be covered by the £315k contingency budget. Otherwise, no issues have been identified and the EYB is on track to keep within budget.

31. Central Schools Services Block and Year End Underspends

32. 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.

33. The Central Services Schools Block (CSSB) is currently forecasting an underspend of £0.028m.

34. Block underspends should not be seen as separate to the 'high needs deficit' as all the four DSG blocks are taken together, as announced by the government in 2026:

'This has the effect that local authority cannot carry forward positive balances on the other non-High Needs DSG blocks if the whole DSG account is in deficit at the end of the year.' Explanatory note on the government's approach Dedicated Schools Grant deficits

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

Appendix G: Variance Analysis: Select High Needs Block budgets

7. Background Papers

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.