Joint Report:
Director of Finance
Director of Education, Early Years and Skills

Item 3 – Dedicated Schools Grant Final Out turn 2025/26 and Budget Update for 2026/27 & 2027/28

Schools Forum – 24th June 2026

1. Purpose of the Report

1.1 This report provides an update on the following:

- The provisional 2025/26 outturn for the Dedicated Schools Grant
- An update to the Dedicated Schools Grant budget for 2026/27 & 2027/28

2. Outturn 2025/26 updated Forecast 2026/27 & 2027/28

2.1 Table 1 below details the 2025/26 outturn and an updated forecast for 2026/27 and 2027/28. Table 2 provides a summary of the movements compared to the position reported to the meeting in January 2026.

Table 1 – DSG Update 2025/26 to 2027/28

DSG Summary 2025/26 to 2027/28	2025/26 Out turn £000	2026/27 Forecast £000	2027/28 Forecast £000
Schools Block (excludes central services)	274,777	288,363	288,363
Central Schools Services Block	2,559	2,522	2,522
Early Years Block	18,700	19,501	19,501
High Needs Block – pre/post 16	66,942	71,991	71,991
Under Two & Two Year Olds' Funding	22,185	26,720	26,720
Early Years Pupil Premium	1,034	1,136	1,136
Early Years Disability Access Fund	218	254	254
Total Grant	**386,415**	**410,487**	**410,487**
Budget Requirement			
Individual Schools Budgets	276,157	288,510	288,363
Early Year Funding Delegated to Schools - Three and Four Year old	8,383	8,701	8,700
High Needs Funding for Schools (including Post 16)	56,751	68,852	72,429
Total Delegated to Schools	**341,291**	**366,063**	**369,492**
Central Schools Services	2,551	2,522	2,522
Central Early Years Services	1,609	2,246	2,246
Central High Needs Services	17,227	23,345	24,125
Three and Four Year old PVI's	9,355	9,586	9,587
Under Two & Two Year Old Funding	21,409	25,688	25,688
Total Retained Centrally	**52,151**	**63,387**	**64,168**
Early Years Pupil Premium	1,033	1,136	1,136
Early Years Disability Access Fund	218	254	254
Budget Requirement	**394,693**	**430,840**	**435,050**
(Deficit)/Surplus	**-8,278**	**-20,353**	**-24,563**
Balance brought Forward	1,182	-6,949	-27,302
Provisional (Deficit)/Surplus	**-7,096**	**-27,302**	**-51,865**
Growth underspend recommitted for 26/27	147		
Balance Carried Forward	**-6,949**	**-27,302**	**-51,865**
Reported to Schools Forum at March 25	-9,753	-32,919	N/A

2.2 The actual in-year deficit for 2025/26 was £8.278m, which when added to the surplus of £1.182m brought forward from 2024/25 and with a positive adjustment of £0.147m for Growth underspend committed in the following year produces a cumulative (provisional) deficit of £6.949m as at 31 March 2026, this position is subject to external audit and Department for Education approval.

2.3 This represents a favourable movement of £2.804m compared to the projected outturn deficit of £9.753m that was reported at the January 2026 Schools Forum meeting. Table 2 below provides further detail in relation to the movements when compared to the position reported at the meeting in January 2026. Favourable movements within Early Years (£0.452m) and

within the High Needs Block (£2.196m) and the growth underspend carried forward (£0.147m) are the main drivers in the reduction in the deficit balance.

Table 2- Analysis of Movements since January 26 Schools Forum

DSG Management Plan- Variances	2025/26	2026/27
	£000	£000
Balance brought forward	1,182	-9,753
Change in surplus / (deficit) from previous year	-10,935	-23,166
As reported in January 2026	**-9,753**	**-32,919**
Additional funding:		
Schools Block		
Central School Services Block (CSSB)		
Early Years Block	3,304	0
High Needs Block		
Movement in Funding	**3,304**	**0**
Additional adjustment to budget requirement:		
Schools Block-Growth Underspend carried forward	147	-147
Early Years (offset by additional income & balance brought forward	-2,852	0
High Needs Block- Special schools / ECHP's /Resourced	686	1,043
High Needs Block - Contingency	780	
High Needs Block- Post 16	260	90
High Needs Block- Central	470	1,827
CSSB	9	
Movement in Expenditure	**-500**	**2,813**
Movement in Opening Balance		**2,804**
Movement compared to previous position	**2,804**	**2,813**
Revised Surplus	**-6,949**	**-27,302**

2.4 The January 2026 Schools Forum was advised that there would be an estimated in-year deficit for 2026/27 of £23.166m and that this in turn would produce a closing cumulative deficit of £32.919m when added to the forecast deficit brought forward of £9.753m.

2.5 Based on updated projections there is a reduction of £2.813m in the planned 2026/27 expenditure, the forecast in-year deficit therefore reduces correspondingly from £23.166m to £20.353m. As evidenced in Table 2, there is reduced pressure of £2.960m within the High Needs relating to Resourced Provision, Post 16, Special Schools and Central services (including Out of Borough), offset by the Schools Block Growth Funding of £0.147m being carried forward from 2025/26 and which is fully committed in 2026/27

2.6 This when added to the reduction in the cumulative deficit at the end of 2025/26 (£2.804m) produces a revised forecast, cumulative deficit of £27.302m. at the end of 2026/27.

2.7 In line with the requirements of the SEND Reform Plan, the forecast has been extended for a further financial year to 2027/28. It is estimated that the in-year deficit for the year will be £24.563m, resulting in forecast deficit of £51.865m. Clearly none of the above takes into account the impact of the High Needs Stability Grant which is scheduled to

apply for 2026/27 through to the cessation of the Statutory Override at the end of 2027/28 (further details in Section 3)

2.8 Table 3 summarises the movement by the 4 funding blocks that comprise the DSG. It shows the in-year surplus or deficit for each of the four blocks for 2025/26 to 2027/28 illustrating that the total cumulative impact on the DSG, arriving at a forecast deficit of £51.865m at the end of 2027/28 is driven by pressures within the High Needs Block.

Table 3 - DSG Summary by Funding Block

	BLOCKS				
	Early Years £000	Schools £000	High Needs £000	CSSB £000	Total £000
Balance brought forward from 2024/25	**322**	**1,380**	**-500**	**-20**	**1,182**
2025/26					
Income	42,137	274,777	66,942	2,559	**386,415**
Expenditure	42,007	276,010	73,978	2,551	**394,546**
In Year Balance (-) is deficit	**130**	**-1,233**	**-7,036**	**8**	**-8,131**
Balance Carried forward to 2026/27	**452**	**147**	**-7,536**	**-12**	**-6,949**
2026/27					
Income	47,611	288,363	71,991	2,522	**410,487**
Expenditure	47,611	288,510	92,197	2,522	**430,840**
In Year Balance (-) is deficit	**0**	**-147**	**-20,206**	**0**	**-20,353**
Move Balance b/fd to High Needs Block	**-452**		**440**	**12**	**0**
Balance Carried forward to 2027/28	**0**	**0**	**-27,302**	**0**	**-27,302**
2027/28					
Income	47,611	288,363	71,991	2,522	**410,487**
Expenditure	47,611	288,363	96,554	2,522	**435,050**
In Year Balance (-) is deficit	**0**	**0**	**-24,563**	**0**	**-24,563**
Balance Carried forward to 2028/29	**0**	**0**	**-51,865**	**0**	**-51,865**

3. DSG SUSTAINABILITY GRANT

3.1 In February 2026, Government announced additional funding through the new High Needs Stability grant aimed at helping local authorities manage high needs deficits and help them move towards financial sustainability.

3.2 Under this new approach, local authorities will have 90% of their High Needs deficit (accrued to 2025/26) written off. This grant will be allocated in Autumn 2026, but only once the LA has a series of compliant financial returns and also developed an approved local SEND reform plan, demonstrating how they will address SEND spending sustainably in the future.

3.3 This is a clear signal from government: financial relief is available, but it is not limitless. Stability must come from system change, not from short-term fixes, with plans to address how the remaining 10% of deficits will be met, and how ongoing spend will move to a more sustainable position.

3.4 In addition, to assist with delivery of the reforms the DfE is providing additional funding via the Experts at Hand & Local Authority SEND Transformation Fund enable local authorities, working in partnership with local system partners, to provide an offer of advice and direct support for early years (EY) education settings, mainstream schools and further education (FE) colleges. The funding is for investment in services that individual establishments cannot commission alone, such as specialist health and education support, to improve the quality of inclusive education for children and young people with special education needs and disabilities (SEND). Local funding of £2.398m has been confirmed for 2026/27 with further indicative national funding totals of £750m and £850m for 2027/28 and 2028/29 respectively.

4. Actions/ Recommendations

4.1 Schools Forum is requested to note:

1) The draft 2025/26 outturn for the Dedicated Schools Grant
2) The current DSG budget for 2026/27 and 2027/28 and the consolidated forecast position as at 31 March 2028