

**Schools Forum**

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Paper

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Public

**DEDICATED SCHOOLS GRANT MONITORING**

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**Summary**

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) final outturn position for the 2025-26 financial year.

**Recommendation**

That Schools Forum:

- note the report and approve that the £28.090m in-year overspend is added to last year's deficit carried forward of £17.566m with the remaining balance of £45.655m representing the cumulative deficit to be carried forward into 2026-27 financial year.

**REPORT**

1. The overall 2025-26 outturn against centrally retained DSG is a £28.090m deficit. It should be noted that this figure is the in-year deficit and needs to be added to the £17.566m revised deficit carried forward from 2024-25 in order to give an overall cumulative DSG deficit position of £45.655m.

**Centrally Controlled Early Years Budget**

2. On 24th March 2025, the provisional Early Years Block DSG allocation was updated based on the number of part time equivalents (PTEs) taking up the new entitlements as recorded on the latest termly headcount. This resulted in a £1.113m increase in the overall Early Years Block DSG Allocation from £43.038m as published in January to £44.151m.
3. The outturn position for the Early Years Block reflecting expenditure of £42.757m, is a £1.393m underspend against a provisional budget of £44.151m. Please note that this is a large movement to the Early Years DSG forecast position presented at January's Schools Forum as the forecast expenditure at that time was showing forecast spend to budget against January's previous allocation level of £43.038m.
4. There was an underspend of £1.045m relating to the Under 2's entitlements, where the allocation is £13.249m, however the sum total of payments paid out to providers equalled £12.205m indicating less take up compared to the allocation.



5. There was an underspend of £0.159m relating to the 2 year old funding, where the allocation is £11.323m across disadvantaged 2 year old entitlement and 2 year old children of working parents, however the sum total of payments paid out to providers equalled £11.164m, again indicating slightly less take up compared to the allocation.
6. There was an underspend of £0.417m relating to the Early Years SEND Support payments, where the centrally determined allocation is £1.250m but expenditure totalled £0.833m.
7. It is important to note that this position on the Early Years budget is provisional and once the Early Years Block DSG final allocation is published in July, we will report back to Schools Forum with the overall in-year surplus or deficit for the 2025-26 financial year

### **Centrally Controlled High Needs Budget**

8. The centrally controlled High Needs Block for 2025-26 was £35.907m. This budget excludes the place funding element of the High Needs Block totalling £10.584m. The total High Needs Block DSG allocation (before deductions) was £45.872m. It is important to note that Shropshire's 2025-26 High Needs Block DSG allocation has increased by £3.522m compared to the £42.350m allocation in 2024-25. This was an 8.3% increase.
9. In January 2025, Schools Forum members confirmed that the National Funding Formula should be applied to funding factors and agreed that up to a 0.5% transfer from the schools block to the High Needs Block DSG could be applied after fully funding the schools in line with the National Funding Formula. The value available to transfer from the schools block to the High Needs Block DSG was £0.620m. Adding this figure to the £45.872m means that the overall High Needs Block budget for 2025-26 is £46.491m.
10. The overall expenditure of £76.287m (including Place Funding), High Needs Block is an in-year deficit of £29.795m.

### **Lines 1.2.1 & Line 1.2.2 - Top Up funding – Mainstream Schools**

11. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there was an overspend of £14.504m.

### **Top Up funding - Mainstream Schools**

12. Within this £14.504m overspend, an overspend of £6.979m relates to the top-up funding paid to mainstream schools. Continuing on from the 2024-25 financial year, there has been a large increase in top-up funding to mainstream schools reflecting increasing requests for EHC Needs Assessment and issuing of EHC plans.
13. It is important to note that the top-up funding to SEND hubs attached to mainstream settings is coded to this budget so some of the increase will relate to an increase in capacity in SEND hubs.

### **Lines 1.2.1 & Line 1.2.2 - Top Up funding – Special Schools**

14. There was a £6.907m overspend on top-up funding to special schools.
15. Total expenditure on top-up funding to special schools has increased significantly since 2024-25, due to changes to top-up funding levels payable to 2 Shropshire special schools as reported to Schools Forum in the June 2024 meeting.
16. This review of, and subsequent increase in, banding levels across the Council's special schools aligns with the strategy to build capacity in these settings where appropriate and significantly reduce the numbers of pupils placed in independent special school settings.

17. Another explanation for the increase in expenditure in this budget line is the full-year effect of an increase in numbers at Keystone Special School, to 120 pupils since September 2024.
18. These increases in top-up funding have resulted in total expenditure of £12.608m in relation to top-up funding to state-funded, special schools. This represents an increase of £2.809m compared to the 2024-25 financial year or 29%. This increase in expenditure aligns with the strategy to appropriately fund the Council's special schools. However, work now remains to realise the financial benefits to the DSG High Needs Block by being able to transfer pupils from independent special schools to our state funded special schools, from special schools to SEND Hubs and Hubs to mainstream schools. This is a complicated process that involves the view of parent carers, pupils, schools and the Local Authority but does provide the opportunity to deliver a more sustainable financial position for the DSG overall.

### **Line 1.2.2 - Post 16 Further Education Colleges**

19. There is a budget of £1.859m allocated for Post 16 funding at further education colleges and sixth form colleges. The 2025-26 outturn position was an overspend of £2.565m.
20. For 2025-26, there was a large increase in expenditure compared to 2024-25 outturn. This large % increase is due to a combination of factors. Firstly, a few 2024-25 financial year invoices have been accounted for in 2025-26 as no accrual was processed for them in 2024-25. This had had the impact of lowering the 2024-25 expenditure level and increasing the 2025-26 expenditure figure. Secondly, there are a few relatively new high cost placements at an Independent Special Post 16 provider in 2025-26.
21. It is important to note that Shropshire has seen particularly significant growth in recent years in terms of the number of post 16 EHC Plans.

### **Lines 1.2.3 - Top Up funding - Non-Maintained and Independent Providers**

22. The 2025-26 budget of £15.016m for Independent Providers has been increased by £2.984m compared to the 2024-25 budget level of £12.302m. The increase in budget reflects that Shropshire experienced a significant increase in expenditure in this budget area in 2022-23, 2023-24 and 2024-25, highlighted by actual expenditure totalling £18.259m in 2024-25. Increasing the budget to £15.016m, while increasing the budget by £2.984m still resulted in a budget that is £3.243m less than last year's outturn figure. This emphasises the need to bring down expenditure in this area and not only reduce the increase in expenditure.
23. Expenditure for 2025-26 totalled £26.405m, resulting in an overspend of £11.390m.
24. There are several explanations for this large budget pressure in 2025-26. Firstly, the Council has continued to experience a sharp increase in demand year on year for Independent Special School placements as evidenced by the number of new placements. There also continues to be a more frequent use of independent alternative providers, particularly in relation to children who are post 16. This trend has continued in 2025-26.
25. The £26.405m expenditure represents a 45% increase in expenditure on Independent Special School placements relative to the 2024-25 financial year. Please note that while the majority of spend relates to Independent Specials School placement costs, it also includes SEND Nursery placements, education contributions to joint funded, Social Care led placements and Independent Alternative provision which has been a high growth area.
26. The Council has established a SEND Commissioning and Procurement Panel to review requests and make decisions on high needs funding for Independent Special Schools and Mainstream Special Schools. The panel also acts as a forum to ratify and respond to fee uplifts from all settings in conjunction with and accounting for decisions made at the West Midlands Price Review Panel on behalf of the 14 local authorities including Shropshire.

## Lines 1.2.5 – SEN Support Services

27. There was an overspend of £0.754m against the SEN Support Service budget of £1.947m. Similarly to 2022-23, 2023-24 and 2024-25, the overspend in 2025-26 relates to staffing where additional staff have been employed, sometimes as agency workers to support the wider increase in demand. Some of these employees are working with the Educational Psychology Service to address increasing demand.

### Overall position

28. The Council's DSG financial position of a cumulative deficit of £45.655m as at the end of the 2025-26 financial year reflects a continuing pressure on the total High Needs budget as expenditure continues to increase sharply year on year. This increase has been particularly pronounced in this financial year, evidence by the £29.795m in-year deficit against the High Needs Block DSG allocation continuing the trend of the last 3 financial years.
29. As it stands, there is a DSG Deficit statutory override in place. The government announced in June that it has extended the statutory override to keep councils' spending deficits for special educational needs and disabilities (SEND) off their books for another two years until March 2028.
30. Council Officers met with representatives of the Department for Education (DfE) in July 2025 to focus on addressing the DSG deficit. This meeting focused on progress with the DSG management plan. DfE Officers confirmed that the forecast DSG funding income assumptions that were forecast for 2026-27 and beyond were the correct approach and therefore no increase in funding beyond that level is expected. They also confirmed that the mitigations proposed on the expenditure side including increased capacity in Resourced or SEN Units, a reduction in Independent Special School placement numbers, full occupancy at Council Special Schools, and a planned reduction in Permanent Exclusions were the sorts of areas that we should be addressing and that they would continue to work alongside the Council to review the plan going forward. The internal review and monitoring of this DSG management plan can form part of the work that the new High Needs Block monitoring group will undertake.
31. In February, the Government announced that it will write off 90% of the High Needs deficits accrued by Local Authorities up to the end of the 2025/26 financial year.
32. To achieve this, all Councils will receive a High Needs Stability Grant in Autumn 2026 equal to 90% of eligible High Needs Expenditure so will exclude any of the DSG deficit relating to the Early Years or Central Schools Service Block DSG. The remaining 10% of the deficit is expected to be funded by Councils themselves.
33. The Government has stated that future support may be available for new deficits arising in 2026/27 and 2027/28 but warned that such support will not be unlimited, only appropriate and proportionate.
34. For Shropshire, 90% of the accrued deficit of £45.655m would equal a High Needs Stability Grant of £41.090m, with a remaining balance of £4.566m to be funded by the Council's General Fund.
35. From 2028/29, SEND spending is expected to be brought within the government's standard Departmental Expenditure Limit (DEL) budgets. At this point, Local authorities will be required to meet the cost of any residual deficits from their own resources.