

SCHOOLS FORUM



Report subject	Dedicated Schools Grant (DSG) Outturn 2024-25
Meeting date	23 June 2025
Status	Public
Executive summary	<p>The report considers the end of year position for the DSG budget 2024-25. The budget was set with a funding gap of £28m, a similar level compared with the previous year, with the expectation that the innovation fund and other initiatives would start to have impact in reducing the demand for education health and care plans (EHCPs). This was alongside the creation of new SEND places in mainstream schools through capital investment to limit the use of higher cost independent provision.</p> <p>The outturn is a net in-year funding gap approaching £50m. This is £5m more than indicated at quarter three. There is an element of one-off additional high needs spending over the final quarter, but it is likely most previously unforeseen costs will be on-going.</p> <p>More children are remaining in mainstream schools but the growth in demand for EHCPs overall has more than offset any potential savings. The demand has continued to grow for independent school places, alternative provision, and bespoke arrangements for those unable to attend any school setting.</p> <p>The trajectory of the accumulated deficit has therefore continued a significant upward path from £65.5m for March 2024, to £113.3m for March 2025.</p>
Recommendations	It is RECOMMENDED that Schools Forum note the contents of the report.
Reason for recommendations	Schools Forum is to be notified of the DSG outturn position.
Portfolio Holder(s):	Councillor Richard Burton – Children and young People
Corporate Director	Cathi Hadley, Children's services
Report Authors	Nicola Webb, Assistant Chief Finance Officer nicola.webb@bcpcouncil.gov.uk
Wards	All
Classification	For Information

Summary DSG Outturn 2024-25

1. The DSG accumulated deficit has grown rapidly from £4.6m in March 2020 to £65.5m over the four years to March 2024. The deficit has increased to £113.3m for March 2025 as demand for high needs support continues to outstrip the local capacity and with low DSG funding growth. The three other funding blocks are broadly balanced.
2. The table below summarises the DSG 2024-25 outturn for each funding block, with narrative following and a detailed budget monitoring statement in the appendix.

Table 1: Summary DSG Outturn 2024-25

			Funding	Spend	Net
Early Years	Budget	£000's	-35,054	35,054	0
	Actual	£000's	-35,719	35,640	-79
	Variance	£000's	-664	586	-79
School Block	Budget	£000's	-263,441	263,441	0
	Actual	£000's	-263,441	263,398	-44
	Variance	£000's	0	-44	-44
Central School Services Block	Budget	£000's	-2,112	2,111	-1
	Actual	£000's	-2,111	2,106	-5
	Variance	£000's	0	-4	-4
High Needs Block	Budget	£000's	-62,182	90,267	28,085
	Actual	£000's	-62,034	111,906	49,872
	Actual	£000's	-62,969	510,142	447,173
	Variance	£000's	147	21,639	21,786
Total DSG	Budget	£000's	-362,789	390,873	28,084
	Actual	£000's	-363,305	413,050	49,744
	Variance	£000's	-516	22,177	21,660

DSG Income

3. The outturn includes a net increase in funding of £0.5m. This is due to an increase in the forecast for early years provision (to be finalised in summer 2025). This has been partially offset by the reduction for the high needs block in summer 2024 from the import/export adjustment to take account of the cross-border flow of pupils in high needs places based on the January 2024 census. Any funding variance from the above early years estimate will be reflected in the DSG outturn for 2025/26.

Early Years Block

4. The early years budget was set to be balanced. The forecast outturn reflects that a funding increase is expected to be received compared with budget to broadly match the additional expenditure incurred on the free entitlements. This was the first year of the extended entitlement for working parents with trends yet to be established for DfE estimates of funding and similarly for the council.

Schools Block

5. The mainstream schools funding formula was paid to mainstream schools and recouped by the ESFA according to the formula set in January 2024. The final cost of business rates was ahead of budget, and the central growth fund was not used as all agreed basic need growth was allocated through the formula by an adjustment to pupil numbers for September 2024 rather than the full budget being based on the October 2023 census for the relevant schools.

Central Schools Services Block

6. The cost of school's forum has reduced due to the continuation of virtual meetings throughout the year.
7. The historic commitments funding was restored to previous levels following the annual submission of evidence to the DfE that commitments were not reducing in 2024/25. In 2025/26 this funding has not been fully restored with a small deduction made which is likely to be a signal that this funding is now starting to be phased out ahead of the commitments ending.

High Needs Block

8. The high needs expenditure is significantly ahead of budget. The historic trajectory of expenditure growth was budgeted to be curtailed for 2024/25. This was based on the slowdown in demand being experienced over autumn 2023 and the initiatives being planned through the development of the 15-year deficit recovery plan. In the event, the slowdown in demand was short lived, and the development of the inclusion fund and wider children's services improvements took longer than expected with little financial benefit in the year.
9. A greater proportion than previously of the new demand was accommodated in mainstream provision with payments to mainstream schools ahead of budget. However, the surge in demand also meant greater use of independent schools, alternative provision and bespoke therapies due to capacity constraints in the state sector. This undermined the key assumptions in the budget. There was some offset from low spend charged to the inclusion fund budget due to the delayed timescale of implementation.

Summary Financial Implications

10. A summary of the DSG outturn for 2024/25 in the context of the accumulated deficit is set out in the table below:

Table 2: Summary position for dedicated school's grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2024	63.5
Budgeted high needs funding shortfall 2024/25	28.1
High needs overspend 2024/25	21.8
Underspend across other areas	(0.1)
Accumulated deficit 31 March 2025	113.3

11. The deficit is carried forward in a specific negative reserve on the council's balance sheet by a statutory override that suspends the normal accounting practice (negative reserves are normally not permitted and funding sources must be established).
12. This approach was intended to be short term while the DfE found a solution to the growing DSG deficits in many councils. The national safety valve programme, within which the council developed the deficit recovery plan, has not found a solution to the national problem and is now closed to new participants. The council was unable to secure additional funding through the programme, as the recovery plan did not show the high needs block being balanced within a relatively short timescale, a typical expectation being around five years.
13. The government has announced the aim of making the SEND system more inclusive and improve outcomes for all children and young people, with a commitment to reform the current SEND system. Details of the government's intended approach to reform will be set out in a Schools White Paper in the autumn. How local authorities will be supported in transitioning to a reformed SEND system will be set out in the upcoming local government funding reform consultation.

Legal Implications

14. It is a requirement of the council to monitor budgets during the financial year, and for school's forum to be informed of the DSG outturn.

Summary of human resources implications

15. There are no direct human resources implications from the recommendations in this report.

Summary of sustainability impact

16. There are no direct sustainability impacts from the recommendations in this report.

Summary of public health implications

17. The council is seeking to maintain appropriate services for the vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

Summary of equality implications

18. Budget holders are managing their budgets with due regard to equalities issues.

Summary of risk assessment

19. The outturn is prepared based on the best estimates available to close the financial statements. Any variations to these will impact in the 2025/26 financial year.

Background Papers

20. The DSG budget for 2024/25 was set out and discussed in the Schools Forum meeting in January 2024. The link to all School's Forum papers is available through the link below:
[http://ced-pri-cms-02.ced.local/ieListMeetings.aspx?Committeed=149&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListMeetings.aspx?Committeed=149&LO=1)

Appendix - Presentation of detailed DSG outturn budget variances for 2024-25.

Appendix DSG Outturn 2024-25	Early Years	Schools	Central Services	High Needs	Total Budget	Actual	
	£000's	£000's	£000's	£000's	£000's	Outturn £000's	Variance £000's
DSG under 2 year olds NFF	-4,141				-4,141	-4,073	68
DSG 2 year olds NFF	-9,140				-9,140	-9,610	-471
DSG 3 year olds NFF	-21,229				-21,229	-21,554	-326
DSG Pupil Premium	-330				-330	-357	-27
DSG Disability Access Fund	-215				-215	-122	93
DSG Prior Year					0	-2	-2
DSG NFF School Block		-261,054			-264,765	-264,765	0
DSG Premises		-1,832				0	0
DSG Growth Fund NFF		-1,879				0	0
Block Transfer	0	1,324	0	-1,324	0	0	0
DSG High Needs Block				-60,858	-60,858	-60,710	147
DSG Central School Services			-2,112		-2,112	-2,111	0
Total Funding	-35,054	-263,441	-2,112	-62,182	-362,789	-363,305	-516
Providers - under 2 year olds	3,830				3,830	4,743	913
Providers - 2 year olds	8,546				8,546	8,921	376
Providers - 3 and 4 year olds	19,637				19,637	19,374	-263
Providers SEN top up grants	1,380				1,380	1,301	-80
Early Years Pupil Premium	330				330	357	27
Disability Access Fund	215				215	122	-93
Contingency	254				254	0	-254
Early Years LA duties	863				863	821	-42
Mainstream Schools Formula		263,307			263,307	263,398	90
Growth Fund		134			134	0	-134
School Admissions			410		410	410	0
Servicing Schools Forum			10		10	1	-9
Ex ESG Services (all schools)			1,057		1,057	1,057	0
Commitments - Premature retirements			17		17	17	0
Commitments - ASD Base / other			275		275	274	-1
Licences Purchased by DfE			342		342	348	6
Place Funding				14,931	14,931	14,814	-117
Top up Funding - State Sector				31,689	31,689	34,065	2,376
Top up Funding - Independent/NMSS				20,994	20,994	30,704	9,710
Top up Funding - Post Schools				9,029	9,029	8,004	-1,025
Top up Funding - Pre schools				107	107	224	117
Top up Funding - Excluded Pupils/AP				2,582	2,582	5,039	2,458
Commissioned Services				1,611	1,611	2,439	828
Hospital Education Top up				0	0	64	64
Bespoke SEN / Therapies - all ages				2,744	2,744	12,070	9,326
Support for Inclusion				160	160	144	-16
Special Schools grants				1,925	1,925	1,918	-7
Inclusion Fund				2,750	2,750	464	-2,286
Early Years Central SEN support				869	869	861	-9
Sensory Impaired Service				876	876	1,095	220
Total Expenditure	35,054	263,441	2,111	90,267	390,873	413,050	22,177
In-year (surplus) / deficit budget	0	0	-1	28,085	28,084	49,744	21,660
In year (surplus) / deficit actual	-79	-44	-4	21,786	63,512	63,512	
Deficit carried forward					91,596	113,256	