

SCHOOLS FORUM



Subject	Dedicated Schools Grant (DSG) Outturn 2025-26
Meeting Date	22 June 2026
Executive Summary	<p>The report considers the end of year position for the DSG budget 2025-26. The outturn is an in-year funding gap of £66.6m. This is £9.1m more than the budget, but an improvement compared with the quarter three forecast.</p> <p>The budget was set with the expectation that the innovation fund would start to have impact in reducing the demand for education health and care plans (EHCPs) alongside the creation of new SEND places in mainstream schools through capital investment to limit the use of higher cost independent provision. There is delay in both initiatives and the SEND reforms announced by government during the year have further fuelled demand. The result has been greater use than budgeted of high-cost independent school places, alternative provision and bespoke arrangements for children and young people unable to attend any school setting.</p> <p>The trajectory of the accumulated deficit has therefore continued a significant upward path from £113.3m for March 2025, to almost £180m for March 2026. This deficit is carried forward by the council in a specific negative reserve by a statutory override that suspends the normal accounting practice.</p>
Recommendations	To note the contents of the report.
Reasons for Recommendations	To update school's forum on the DSG financial position
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Wards	Council-wide
Classification	For Information

Summary DSG Outturn 2025-26

1. The DSG accumulated deficit has grown rapidly from £4.6m in March 2020 to £113.3m over the five years to March 2025. The deficit has increased to £179.8m for March 2026 as demand for high needs support continues to outstrip the local capacity and with low DSG funding growth. The early years and schools block have underspent and these provide some offset for the £71.6m outturn funding gap for high needs.
2. The budget was set with a £57.5m funding gap due to excess high needs expenditure. The outturn is an overspend of £9.1m which means the actual funding gap is £66.6m. Table 1 below summarises the DSG 2025-26 outturn for each funding block, with narrative following.

Table 1: Summary DSG Outturn 2025-26

Block	Early Years £000's	Schools £000's	Central Services £000's	High Needs £000's	Total DSG £000's
Income					
Budget	-53,549	-283,535	-2,174	-65,708	-404,967
Actual	-50,836	-283,535	-2,174	-65,174	-401,720
Variance	2,714	0	0	534	3,248
Expenditure					
Budget	53,549	283,535	2,174	123,211	462,470
Actual	47,889	283,403	2,173	136,770	470,234
Variance	-5,661	-133	-1	13,559	7,764
Net Overspend / - Underspend	-2,947	-133	-1	14,093	11,012
Prior year funding adjustment for early years					-1,932
Net overspends					9,080
Budgeted funding gap					57,500
Actual funding gap					66,580

3. A detailed budget monitoring statement is in the appendix.

DSG Income

4. The outturn includes a net reduction in funding for 2025-26 of £3.2m. This is mainly attributable to lower take-up of the early years free entitlements than budgeted across all age groups. The early years funding will be finalised in summer 2026, with any variance from the above estimate reflected in the DSG outturn for 2026-27. The reduction in the high needs block of £0.5m is from the import / export adjustment in summer 2025 to reflect the cross-border flow of pupils as previously reported.

Early Years Block

5. The early years budget was set to be balanced with the reduced take-up also reflected in lower expenditure than budgeted across all age groups. The early years single funding formula has allocated less (in total and as a proportion) through the deprivation supplement than estimated. The impact of the reduced proportion has been reflected in

the funding formula for 2026-27. In addition, allocations of SEND top up grants and disability access fund were also less than expected along with the contingency being unused. This was a further transition year for the extended entitlement for working parents with trends not yet established for DfE estimates of take-up and funding and similarly for the council.

Schools Block

6. The mainstream schools funding formula was paid to mainstream schools and recouped by the ESFA according to the formula set in January 2025. There is a small underspend from business rates refunds relating to prior years which are still charged to the council's DSG. There were no growth fund payments relating to 2025-26 but a missed allocation for 2024-25 was paid leaving £0.1m of the growth fund unspent.

Central Schools Services Block

7. The central schools service block funding was allocated to central council budgets after allowing for the DfE deduction for copyright licences.
8. The historic commitments funding was almost fully restored to previous levels following the annual submission of evidence to the DfE that commitments were not reducing in 2025-26. This level of commitment funding has been confirmed in the March updated allocations for 2026-27 after undertaking the same evidence process.

High Needs Block

9. The high needs expenditure for 2025-26 is significantly ahead of budget by £13.6m.
10. As fewer special school places or resource basis were created than budgeted there is an underspend for place funding of £3m. There has also been delay for the inclusion fund activities with £1m unspent. This has been carried forward into 2026-27 and included in the budget as reported at the January 2026 meeting. The inclusion leads are now in place, and the expanded special school outreach programme will be ready for a September 2026 start.
11. The lack of sufficiency in local provision, the further escalation in demand and increase in average costs means that the cost of the independent special school sector has grown to £8.5m beyond the budget to almost £40m of actual expenditure. Above budget allocations of £8.5m to £42m were provided for pupils remaining in mainstream schools and within state funded special schools. There is some offset from post school providers being £2.8m below budget at £9.2m. DSG funding allocated to each of these three expenditure lines at outturn has grown approximately threefold over the last six years since the first year of BCP in 2019/20.
12. Bespoke provision and therapies were ahead of budget by £3.6m to almost £18m of expenditure on pupils and young adults unable to attend any school or education setting. These costs are now more than seven times the level of 2019-20 when only £2.5m was spent.
13. In comparison with the increases in expenditure noted above since 2019-20, the DSG high needs block funding has increased by only 66% from £38.9m to £64.5m in 2025-26 with this unchanged for 2026-27, other than to include subsumed pay grants to largely be passed on to schools.

School Balances Outturn

14. Reporting of maintained school balances to schools forum is required but the position across all schools should be presented for understanding the financial picture across all state funded schools in the local area. It is accepted that there is unknown context underlying individual school levels of reserves with the information presented in summary for overall context on the current financial health of schools generally.

Academies

15. The latest information available for academies is for 31 August 2025. Overall, balances have increased by 2% from August 2024 and the latest balances overall equate to 12% of formula funding but with 20 (24%) of academies being in deficit.

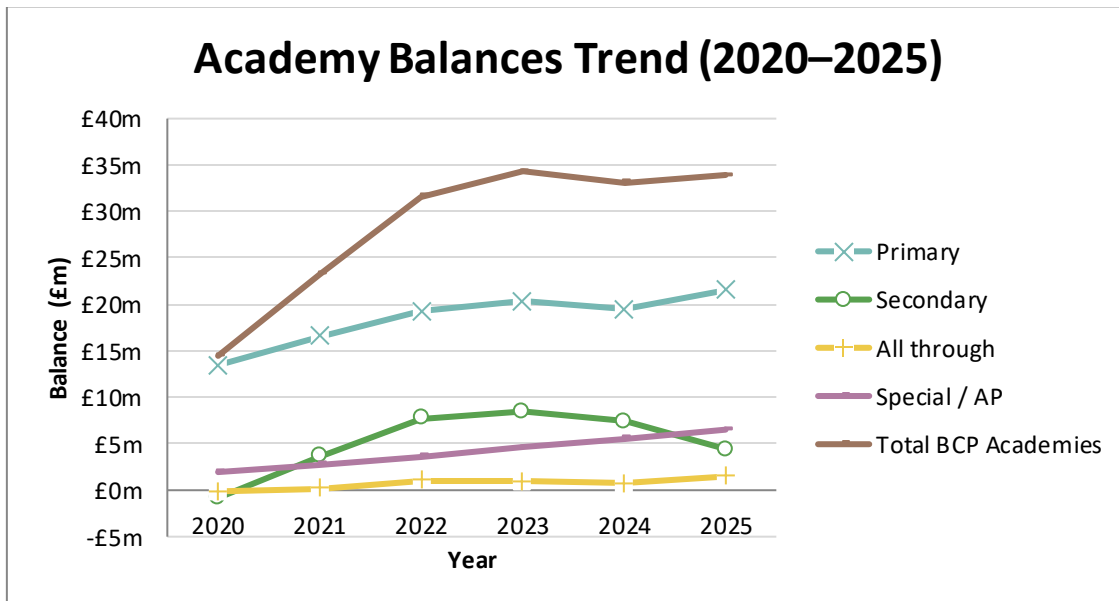
Table 2: Summary Academy Balances at August 2025

Academy Balances	Aug 2024	Aug 2025	Annual Change	Formula / cost	In Surplus	In Deficit
	£000's	£000's	%	%	No.	No.
Infant/First	2,280	2,704	19%	13%	11	4
Primary	12,145	13,594	12%	19%	23	7
Junior	5,004	5,224	4%	21%	11	0
Primary Phase	19,429	21,522	11%	19%	45	11
Secondary	7,383	4,387	-41%	4%	13	7
All through	746	1,479	98%	6%	2	2
Specialist	5,519	6,518	18%	40%	4	0
Total BCP	33,078	33,905	2%	12%	64	20

16. Where the published accounts of MATs do not list individual school balances, the latest published position plus in-year movements each year from the school benchmarking website have been used. When tested for academies where accounts information is available, this method has produced reliable results. Some MATs are pooling reserves, so amounts recorded for individual schools may not be available for spending or a deficit needing to be recovered by a BCP school.
17. The mainstream formula proportion for 2025-26 has been used to provide context for the scale of unspent mainstream school funding but accepting that schools have other funding sources that may be held in reserves at the year-end. In the case of specialist providers, the proportion of annual costs held in reserves has been used.
18. Despite continued falling rolls in the primary phase, these academies have healthy reserves in total with five schools with balances over £1m. However, 20% of schools in the phase have a deficit, with the largest being £0.5m.
19. Secondary schools have the lowest overall proportion of funding held in reserves but with some significant surpluses (five academies with over £1m, the highest being £4 million) and four schools serving less affluent communities with deficits of over £1m. The 41% reduction compared with August 2024 is attributable to academies using their reserves (some spending on capital projects) as well as deficits growing further with only five academies showing a positive movement in reserves over the 2024-25 academic year.
20. The specialist providers have the highest level of funding in reserves at 40% of annual costs with three academies with reserves of over £1m. Reserves have been growing each year with August 2025 being an increase of 18% compared with the previous year.

21. The trend of academy balances over the last six years is shown in the graph below. Balances more than doubled between August 2020 and 2023 from £14m to then stabilise at around £34m in the years following.

Figure 1:



Maintained Schools

22. The latest information for maintained schools is at 31 March 2026. Overall revenue balances have reduced with only three schools (21%) having increased balances over the financial year.
23. The overall proportion of funding held in reserves is 10% but three schools (21%) are in deficit, both proportions being similar compared with academies.

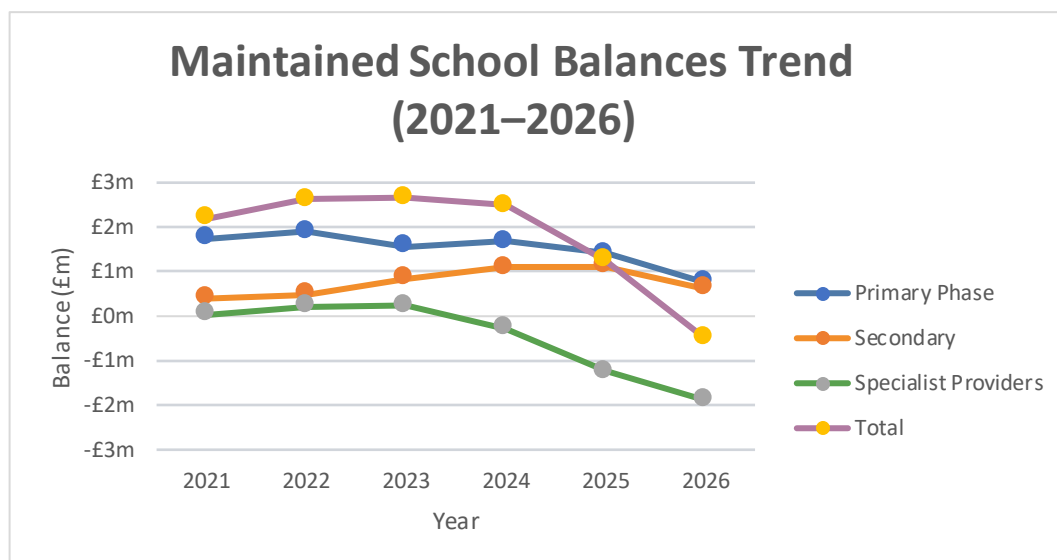
Table 3: Maintained School Balances

Maintained School Balances	March 2025	March 2026	Annual Change	Formula / Cost	In Surplus	In Deficit
	£000's	£000's	%	%	Number	Number
Primary Phase	1,400	756	-46%	5%	9	1
Secondary	1,106	632	-43%	10%	1	0
Specialist	-1,251	-1,888	51%	-5%	1	2
Total	1,255	-500	-38%	10%	11	3

24. The significant reduction in total balances is due to the further growth in an existing special school deficit and a new primary phase deficit emerging during the year.

25. The trend for the current maintained school revenue balances over the last six years is shown in the graph below. Balances overall increased up to 2023 but then have declined sharply, in large part due to the small number of growing deficits. These schools are being supported with their deficit recovery plans.

Figure 2:



Summary Financial Implications

26. A summary of the DSG outturn for 2025-26 in the context of the accumulated deficit is set out in the table below:

Table 4: Summary position for dedicated school's grant March 2025-2027

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2025	113.3
Prior year additional funding – early years	(1.9)
Budgeted high needs funding shortfall 2025-26	57.5
High needs funding reduction 2025-26	0.5
High needs overspend 2025-26	13.5
Other block underspends	(3.1)
Accumulated deficit 31 March 2026	179.8
Budgeted high needs funding gap 2026/27	95.7
Potential accumulated deficit 31 March 2027	275.5

27. The SEND reform plan included as a separate item on the agenda is designed to deliver system-wide improvements with a small financial impact expected in 2026-27. If the financial outcomes of the plan are achieved, then the potential deficit shown above for March 2027 will be lower.
28. The final Local Government finance settlements for 2026-27 included the details of government financial support available for the historic and still accruing DSG deficit up to March 2028. This includes:
- A new high needs stability grant, to cover 90% of the deficit as at the 31 March 2026. This grant will be subject to the council submitting and securing government approval of a local SEND reform plan. This plan is to reflect the aspirations in the February 2026 Schools White Paper. If agreement is

reached the grant will be paid during the autumn of 2026. It will be applied to the accumulated deficit balance on the 31 March 2028.

- b. An expectation that similar support will be given for further deficits that will arise in 2026-27 and 2027-28, although it was recognised that this support would not be unlimited.
29. In the meantime, the current accumulated deficit of £179.8m is being 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 found). Government has confirmed that the statutory override will cease on the 31 March 2028.
30. The advice to local authorities from government is that they need to plan to be able to meet the cost of the residual deficit from their own resources in 2028-29. This includes setting aside appropriate reserves in the preceding years. If the council also receives 90% of its forecast accruing DSG deficits in 2026-27 and 2027-28 then the council will need reserve funding of £38m in 2028-29 to specifically cover the remaining deficit at March 2028.
31. The government indicated in the November 2025 Budget Statement that there should not be further deficits beyond March 2028. The Statement included that from 2028-29, central government support to councils for SEND will be at a level that means further deficits need not accrue. Funding for that will be absorbed within overall government funding and not be taken from schools funding, with details to be confirmed in the 2027 Spending Review for financial year 2028-29.

Legal Implications

32. 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.
33. It is the authority's responsibility to manage the DSG as a whole, rather than block by block. The Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 (updated 2022), made by the Ministry of Housing, Communities and Local Government, set statutory rules for how a DSG deficit is to be calculated, and that the whole of it is to be put in an unusable reserve. The definition of how the deficit is to be calculated includes any surplus from individual blocks. Separate reserves for blocks in surplus cannot be held.

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

36. 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

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

Summary of risk assessment

38. The outturn is prepared based on the best estimates available to close the financial statements. Any variations to these will impact in the 2026-27 financial year.

Background Papers

39. The DSG budget for 2025/26 was set out and discussed in the Schools Forum meeting in January 2025. The link to the quarter three budget monitoring position in the January 2026 School's Forum papers is below:

[Welcome to BCP Council | BCP](#) item 37

Appendix

Presentation of detailed DSG outturn budget variances for 2025-26.

Appendix – 2025-26 DSG Budget and Outturn	Early Years £000's	Schools £000's	Central Services £000's	High Needs £000's	Total £000's	Total £000's	Variance £000's
Aged under 2	-16,389				-16,389	-15,161	1,229
Aged 2	-14,021				-14,021	-13,402	620
Aged 3 & 4	-22,525				-22,525	-21,482	1,044
Pupil Premium	-384				-384	-563	-179
Disability Access Fund	-229				-229	-229	0
Prior Year					0	-1,932	-1,932
School Block NFF		-280,709			-280,709	-280,709	0
Premises		-1,930			-1,930	-1,930	0
Grow th Fund NFF		-2,133			-2,133	-2,133	0
Block Transfer		1,237		-1,237	0	0	0
High Needs Block				-64,472	-64,472	-63,938	534
Central School Services Block			-2,174		-2,174	-2,174	0
Total Funding	-53,549	-283,535	-2,174	-65,708	-404,967	-403,652	1,316
Providers – aged under 2	14,959				14,959	12,941	-2,018
Providers – aged 2	13,166				13,166	12,108	-1,058
Providers – aged 3 & 4	20,867				20,867	19,378	-1,489
Providers SEN top up grants	2,257				2,257	1,415	-842
Early Years Pupil Premium	384				384	604	220
Disability Access Fund	229				229	108	-121
Contingency	352				352	0	-352
Early Years LA duties	1,335				1,335	1,335	0
Mainstream Schools Formula		283,385			283,385	283,369	-16
Grow th Fund		150			150	33	-117
School Admissions			422		422	422	0
Servicing Schools Forum			9		9	9	0
Ex ESG Services			1,092		1,092	1,114	22
Commitments - retirements			16		16	16	0
Commitments - ASD Base			275		275	274	-1
Licences Purchased by DfE			360		360	338	-22
Place Funding				18,518	18,518	15,515	-3,003
Top up Funding - State Sector				33,828	33,828	42,314	8,486
Top up Funding - INMSS				31,237	31,237	39,866	8,629
Top up Funding - Post School				11,982	11,982	9,171	-2,811
Top up Funding - Pre schools				374	374	267	-107
Top up Funding - Excluded/AP				4,500	4,500	5,103	603
Commissioned Services				2,809	2,809	2,096	-714
Private Hospital Education				100	100	65	-35
Bespoke SEN /Therapies				14,238	14,238	17,879	3,641
Support for Inclusion				200	200	133	-67
Teachers Pay & Pension Grants				2,000	2,000	1,821	-179
Inclusion Fund				1,237	1,237	165	-1,072
Early Years Central SEN support				1,266	1,266	1,272	7
Sensory Impaired Service				922	922	1,103	181
Total Expenditure	53,549	283,535	2,174	123,211	462,470	470,234	7,764
Deficit budgeted / actual	0	0	0	57,502	57,502	66,582	9,080
Deficit brought forward					113,256	113,256	
Deficit carried forward					170,759	179,838	