

## Schools Funding Forum 11<sup>th</sup> June 2026

## ITEM 5

**Subject Heading:**

**Dedicated Schools Grant – Year End  
Balance 2025-26 and 2026-27 Updates**

**Report Author:**

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**Eligibility to vote:**

**Information only**

### SUMMARY

This report sets out the year end position on expenditure from the Dedicated Schools Grant (DSG) in 2025-26, and the treatment for any deficits or surpluses in the DSG blocks. There is an update for other DSG blocks for the present financial year.

### RECOMMENDATIONS

That the Schools Funding Forum:

- (i) notes the areas of under or overspend from the 2025-26 Dedicated Schools Grant

### REPORT DETAIL

#### **Balance carried forward from 2025-26**

- 5.1 Including all earmarked funding from previous financial years, the carry forward balance from centrally retained DSG from 2025-26 into 2026-27 is a deficit of £68.973m. The revised deficit, after commitments have been taken in consideration, at the end of 2024-25 was £36.738m, so the in-year increase was £32.235m.
- 5.2 In comparison, during the financial year 2025-26, the revised forecasted cumulative deficit was estimated to be up to £67.7m.
- 5.3 This is the seventh year that the combined total of all year end balances of activities funded by the DSG has been in deficit. This is due to High Needs costs rising faster than funding and DSG underspends in other areas being insufficient to cover the overspend in the High Needs Block.
- 5.4 Any local authority that has an overall deficit on its DSG account at the end of the 2025-26 financial year, or whose DSG surplus has substantially reduced during the year, is required to complete the DSG Management Plan or to have an equivalent

framework. Although the SEND Reform has taken precedence over this now, and LAs are expected to complete the SEND Reform Plan, in conjunction with the DfE to be able to address the issues that they are encountering.

5.5 There is the DSG statutory override, extended until March 2028, which enables LAs to carry forward DSG deficits without impacting their general reserves. This provision ensures that DSG deficits are managed separately, maintaining financial stability for councils. However, it is a technical adjustment, as the cash has already been spent, leading to a shortfall. This may result in further pressures on the existing General Fund pressures that the council is facing. The SEND Reform (see **Item 8 – High Needs**) is addressing the national issues due to the override.

5.6 The overall expenditure was £228.81m, in comparison to a budget available of £196.58m.

Category	25-26 DSG Allocation £000	Use of 24-25 Cfwd £000	Budget available 25-26 £000	Actual 25-26 £000	Variance £000
Schools block	98,731	266	98,997	98,743	254
Central School Services block	1,912	0	1,912	1,872	40
High Needs block	43,478	0	43,478	78,315	-34,837
Early Years block	50,438	1,750	52,188	49,910	2,278
Additional grants			0	-29	29
<b>Total</b>	<b>194,559</b>	<b>2,016</b>	<b>196,575</b>	<b>228,810</b>	<b>-32,235</b>

5.7 The DSG deficit has increased from the previously reported revised balance (post commitments agreed in June 2025) of £36.738m to £68.973m at the end of financial year 2025-26.

	24-25 DSG deficit	Use of 24-25 Cfwd	REVISED 24-25 DSG deficit	25-26 In-year deficit	25-26 DSG Deficit
DSG deficit	-34,722	-2,016	-36,738	-32,235	-68,973

### DSG Block Summary Outturn 2025-26

5.8 A summary of the under and overspends for the different DSG blocks is shown in the tables below.

Funding Block	Under/(Over) spend £000
Early Years	2,278
Under Twos	679
2 year olds	1,086
3&4 year olds	446
Centrally retained	67

<b>Schools Block</b>	<b>254</b>
Pupil Growth/Falling Rolls	272
Other	(18)

<b>Central Schools Support</b>	<b>40</b>
Admissions and Statutory Functions	40

<b>De-delegation</b>	<b>0</b>
Maternity	6
Insurance	(17)
Free School Meals Checking Service	3
Trade Union Facility Time	0
EAL	8

<b>High Needs Block</b>	<b>(71,574)</b>	
In year overspend	(34,836)	Rolled forward to next financial year
Cary forward of overspent DSG from 24-25 (prior year deficit)	(36,738)	Previous year rolled forward deficit balance (post commitments)

	<b>2025-26</b>	<b>2024-25</b>	<b>In year change</b>
<b>TOTAL</b>	(68,973)	(36,738)	(32,235)

<b>DSG deficit – Statutory override</b>	<b>(68,973)</b>
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## DSG Deficit Statutory Override

- 5.9 For LAs with an overall DSG deficit, under the accounting regulations made by MHCLG, any in-year surplus on Early Years or other blocks must be used to offset the deficit on the High Needs block rather than carried forward.
- 5.10 If a local authority wishes to submit a request to use any surplus balances in the other blocks, then they are required to submit a disapplication request to DfE. Although there is an opportunity for LAs to submit a request, the DfE have advised that the likelihood of the disapplication being granted is low for any LA that is in overall DSG deficit.

- 5.11 In addition, recent updated guidance relating to the High Needs Stability Grant (HNSG) has indicated that the grant will be funded on the net deficit position across all four DSG blocks. Therefore, any surpluses within any block will not be allowed to be carried forward ([Explanatory note on the government's approach Dedicated Schools Grant deficits - GOV.UK](#)).

## Outturn Review

- 5.12 For each of the blocks that underspent, we will continue to ensure that we are able to target the funding for the appropriate support required, e.g. centralised, schools, providers, etc. Details on the reasons of the outturn position for each of the different blocks are as follows:
- 5.12.1 The underspend in Schools Block is due to the Growth and Falling Rolls fund, where based at the time of setting the budget at the beginning in the preceding Autumn/Spring terms of the financial year, there was anticipated to be a demand for additional classes or support. However during the financial year, it was found that there was no need to create additional capacity to support the Admissions process.
- 5.12.2 The underspend in Early Years is primarily due to the introduction of new DfE entitlements and funding methodology, for which there was no established national or local dataset to accurately forecast demand. In setting funding rates, the LA adopted a prudent approach to ensure rates were fair, sustainable and sufficient to support providers in meeting EYFS delivery requirements over the longer term. Forecasting assumptions will continue to be refined as actual participation and funding data become available.
- 5.12.3 The underspend in CSSB is due to a few underspends in Admissions and other statutory services.
- 5.12.4 The de-delegation (pooled budgets) services were fully spent, and to note, the Insurance premiums for maintained schools was higher than initially forecasted, however there were underspends in EAL, FSM Eligibility Checking Service and Maternity Pooled Scheme, that negated that the additional cost. The FSM checking service is not being continued into 26/27 and the EAL is a fixed contribution. However there is a risk regarding the insurance premiums and maternity which will need to be closely monitored. The cost of insurance has been rising and global economic factors may have some impact. Further details about how this can be mitigated and other potential options will be provided in the autumn term.
- 5.12.5 The High Needs Block spend continues to exceed the grant (based on a DfE's formula which does not fully capture need), and further details is provided in **Item 8 – High Needs**.
- 5.13 To support LAs, the HNSG has been incepted as part of central government's SEND Reform programme. The grant will support 90% of LA's cumulative deficit (as at the financial year 2025-26) with LAs presently having to meet the remaining 10% from other streams.

- 5.14 Subject to LA's SEND Reform Plan being approved, the net balance (10% share) that the LA will inherit from the cumulative overall DSG deficit of £68.973m will be £6.897m, with £62.076m of the deficit being covered by the grant. The DfE have confirmed that any approved plans in this financial year will lead to those LAs having the grant made payable in Autumn 2026 or Spring 2027. Further details on the SEND Reform and progress made thus far is provided in **Item 8 – High Needs**.
- 5.15 Although the DfE have not confirmed the level of HNSG for 2026-27 and 2027-28 in-year deficits, it is anticipated that the protection will be 80% and 70% respectively, of the overall (all blocks) end of year position for the DSG grant.

### **Financial Year 2026-27 DSG and Other Updates**

- 5.16 There has not been any updates for any of the DSG Blocks for 2026-27 since the budgets was finalised and set in the Spring Term.
- 5.17 The Schools Block remains unchanged for financial year 2026-27.
- 5.18 The DfE has introduced the Inclusive Early Years Fund (IEYF) for 2026-27. The purpose of this funding is to help early years providers strengthen inclusive practice and improve support for children with special educational needs and disabilities (SEND).
- 5.18.1 The funding will be allocated to LAs and must be distributed directly to eligible providers through a formula-based approach. Providers will not be required to submit applications, and funding will not be linked to individual children.
- 5.18.2 The DfE has recommended that LAs distribute the funding using a combination of a base allocation for all eligible providers and an additional element reflecting levels of deprivation. The funding is expected to be paid as a single annual allocation.
- 5.18.3 The final allocation for Havering has not yet been confirmed by the DfE. Once details are received, the LA will review the funding arrangements and determine how best to distribute the grant to eligible providers.
- 5.18.4 The LA is currently considering how the new IEYF can complement existing inclusion arrangements and strengthen support available to settings.
- 5.19 Alongside the introduction of the IEYF, the LA is reviewing its current Special Educational Needs Inclusion Fund (SENIF) arrangements for 2026-27.
- 5.19.1 The current SENIF supports early years providers to meet the needs of children with emerging or identified SEND by contributing towards additional resources, specialist equipment and enhanced support where required.
- 5.19.2 The review will consider how the new national funding can be used alongside existing local arrangements to ensure support remains targeted, effective and sustainable.
- 5.19.3 Further details of any proposed changes will be shared with providers and the Forum during the Autumn Term 2026.