

SCHOOLS FORUM

SUBJECT	2025/26 Dedicated Schools Grant (DSG) Outturn, Associated Budget and Contingency Balances
DATE	17th June 2026
REPORT OF	Liz Brummer, Strategic Finance Lead Alex Allenby, Accountant

PURPOSE OF THE REPORT

To advise Schools Forum members of the pre audit 2025/26 Dedicated Schools Grant (DSG) Outturn position and overall contingency balances.

RECOMMENDATIONS

It is recommended that Schools Forum:

- Note the 2025/26 DSG outturn position.

BACKGROUND

The DSG is split into 4 notional blocks:

- Schools Block
- High Needs Block
- Early Years Block
- Central Services Block

These blocks remain notional, with limited possibility to move funding between blocks to reflect the needs, pressures, and priorities of the geographical area.

In the case of the Schools Block any transfers require Schools Forum agreement and in certain cases the express approval of the Secretary of State. The Schools Block must also be fully distributed.

In respect of the Early Years Block the funding is participation based, where funding is received for a number of hours that exceeds actual take up this will be recouped by the DfE or vice versa. This ensures funding matches activity.

DSG 2025/26 OUTTURN POSITION

The outturn position for each of the notional blocks together with an explanation of the main reasons for the variances is shown below. These are before recoupment for academies, national non-domestic rates and direct funding of high needs places by DfE.

Schools Block

The outturn position for the Schools Block is an overspend of £0.60M, of which primarily relates to two new primary schools. The total overspend equates to 0.43% of the total pre-recoupment DSG Schools Block allocation of £140.89M.

Early Years

The Early Years Block outturn position is an underspend of (£0.32M). The majority of this relates to a retrospective 2024/25 adjustment which DfE actioned during 2025/26. Total overspend equates to 1.42% of the total DSG Early Years Block allocation of £22.58M.

Central Services

The Central Services outturn position is a small underspend of (£0.04M). This is due to licencing costs being slightly lower than budgeted.

High Needs Block

The High Needs Block outturn position is an overspend of £15.28M. The total overspend equates to 45.40% of the total DSG High Needs Block allocation of £33.65m

The key variance areas are summarised below, and detailed in Appendix A:

Service	(Under)/ Overspend	Reason
Top Up Funding (special / mainstream)	£0.11M	Increasing demand and complexity of need has resulted in increased spend in year. The total expenditure in 2025/26 was £14.9M, an increase of £2.0M against 2024/25
Agency Placements / Other LA top up funding	£4.14M	The continued trajectory of demand within this service is reflected in the overspend. Total expenditure in 2025/26 is £19.8M, which is £5.4M higher than the previous year.
SEN Services	£0.87M	This predominantly represents an increase in EOTAS packages. There is an overall increase of £1.7M compared to 2024/25, which also reflects the increase in Resource Based Provisions.
Import/Export Adjustment	£0.62M	Reflects the movement of high needs pupils between LA's where they live in one LA and attend a setting in another.
Other	(£0.04M)	
Sub Total	£5.70M	

Original 2025/26 High Needs Block Over Allocation	£9.58M	
TOTAL	£15.28M	

CONTINGENCY BALANCE AND GROWTH FUND AT 31st MARCH 2026

At the start of the financial year the DSG contingency balance brought forward was a deficit of £11.99M. The unaudited DSG in-year over / under spends for each of the blocks for the financial year is shown below and results in a cumulative overspend of £27.49M at the end of financial year 2025/26.

DSG Contingency	£M (Under)/ Overspend	£M (Surplus)/Deficit
Opening Balance 1st April 2025		11.99
Schools Block	0.60	
Early Years Block	(0.32)	
Central Schools Block	(0.04)	
High Needs Block	15.28	
Closing Balance 31st March 2026	15.50	27.49

HIGH NEEDS STABILITY GRANT

The High Needs Stability Grant is a new national funding mechanism designed to support local authorities with significant Dedicated Schools Grant (DSG) deficits by covering up to 90% of the eligible high needs deficit at 31 March 2026. Payment of the grant is subject to an agreed SEND Reform Plan being in place, with payment expected in Autumn 2026.

For North East Lincolnshire, this is particularly significant given the cumulative DSG deficit position of £27.49M at the end of 2025/26, the grant could offset a large proportion of this pressure. It is expected that the High Needs Stability Grant will only cover deficits relating to eligible High Needs expenditure.

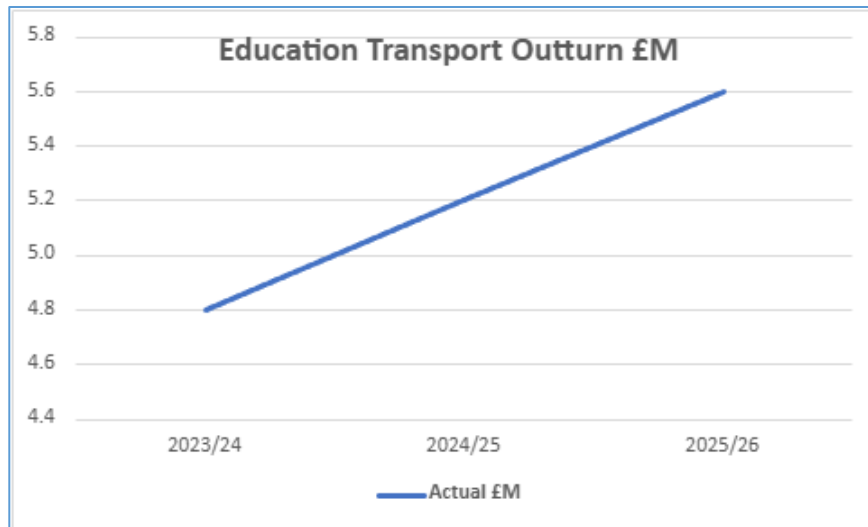
It should be noted that the grant would not eliminate the issue entirely, with the remaining c.10% deficit plus any future in-year deficits still requiring a local strategy, and ongoing reforms aimed at reducing future demand and associated financial impact.

IMPACT ON OTHER SERVICES

Along with the direct cost increase in services funded by the DSG, expenditure levels in other core funded areas are also seeing significant impacts due to the increasing demand in the system.

Education Psychology and Education Transport are directly impacted by the increase in Education Health Care Plans (EHCPs), investment has been made in these services through the Council's financial planning process yet overspends are still being reported.

The change in Education Transport expenditure can be seen below;



SUMMARY

There has been a further significant increase in the overall DSG Contingency deficit balance over 2025/26, primarily due to the increased levels of High Needs Block expenditure. Increasing numbers of pupils with SEN and more complex needs requiring out of area placements continues and this trajectory is expected to continue over the short to medium term. In addition, costs relating to the two new primary schools within the borough have been seen against the Schools Block

The impact of SEN demands are being seen wider than the Dedicated Schools Grant, with core budgets such including Education Transport and Education Psychology seeing increases in actual spend year on year, specifically linked to the increase in Education, Health and Care Plans.

The SEND Reform Plan is critical to addressing both the cumulative deficit, through the High Needs Stability Grant eligibility, and managing and reducing current levels of demand in the system. Despite this new funding the deficit position remains a concern and clear plans are necessary to address residual deficits and future demand levels across high needs.