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Shropshire Council

Date: Thursday, 10 September 2026

Time: 8.30 am

Venue:

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SCHOOLS FORUM

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Paper

D

Public

DEDICATED SCHOOLS GRANT MONITORING

Responsible Officer Stephen Waters
e-mail: Stephen.a.waters@shropshire.gov.uk Tel: (01743) 258952

Summary

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) forecast outturn position at the end of August 2026.

Recommendation

This report is for information only.

REPORT

1. The overall 2026-27 outturn against centrally retained DSG is forecast to be £36.922m in deficit as at the end of August 2026. It should be noted that this figure is the in-year deficit and needs to be added to the revised deficit carried forward which stands at £46.646m.

2. Please note that this cumulative DSG deficit carried forward of £46.646m from 2025-26 has increased by £0.991m from the £45.655m reported in the 2025-26 DSG monitoring outturn paper presented to Schools Forum in May. The explanation for this is the publication of the final Early Years Block DSG allocation for 2025-26 in July. The final allocation was £0.991m lower than the provisional Early Years Block DSG allocation.

3. The Council expects to receive a High Needs Stability Grant equal to 90% of the cumulative deficit as at the end of the 2025-26 financial year. The purpose of this grant is to provide financial relief to local authorities by writing off 90% of their accumulated Dedicated Schools Grant (DSG) deficit. The sum total of this grant is anticipated to be £41.090m, leaving a remaining DSG Deficit of £5.556m.

4. Adding the £36.922m forecast in-year deficit to the £5.556m revised deficit carried forward from 2025-26 results in an overall cumulative DSG deficit position of £42.479m as at the end of the 2026-27 financial year.

Centrally Controlled High Needs Budget

5. The centrally controlled High Needs Block for 2026-27 is £39.281m. This budget excludes the place funding element of the High Needs Block totalling £10.772m. The total High Needs Block DSG allocation (before deductions) is £48.916m. It is important to note that Shropshire's 2026-27 High Needs Block DSG allocation has increased by £3.044m compared to the £45.872m allocation in 2025-26. This is a 6.6% increase.

6. In January 2026, 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 £1.137m. Adding this figure to the £48.916m means that the overall High Needs Block budget for 2026-27 is £50.053m.

7. Due to forecast overall expenditure of £86.993m (including Place Funding), the forecast outturn position for the High Needs Block is an in-year deficit of £36.940m.

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

8. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a forecast overspend of £20.284m.

Top Up funding - Mainstream Schools

9. Within this £20.284m forecast overspend, an overspend of £12.662m relates to the top-up funding paid to mainstream schools. Continuing on from the 2025-26 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.

10. 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

11. There is a £7.622m overspend on top-up funding to special schools.

12. 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.

13. 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.

14. While the increase in expenditure aligns with the strategy to appropriately fund the Council's special schools, work 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

15. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges. The 2026-27 forecast outturn position is an overspend of £2.689m.

16. In 2025-26, there was a large increase in expenditure compared to 2024-25 due to a small number of new, relatively high cost placements at Independent Special Post 16 providers.

17. 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.

18. There continues to be a higher proportion of post 16 pupils attending Independent Special Schools or independent alternative providers and the expenditure for these young people is showing in the budget area relating to independent providers instead.

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

19. The 2026-27 budget of £17.216m for Independent Providers has been increased by £2.200m compared to the 2025-26 budget level of £15.016m. The increase in budget reflects that Shropshire experienced a significant increase in expenditure in this budget area over the last few years, highlighted by actual expenditure totalling £26.405m in 2025-26. Increasing the budget to £17.216m, while increasing the budget by £2.200m still results in a budget that is significantly 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.

20. Expenditure for 2026-27 is forecast to be 11% higher than 2025-26 levels at £29.348m, resulting in a forecast overspend of £12.132m.

21. There are several explanations for this large budget pressure in 2026-27. 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 2026-27.

22. The £29.348m forecast spend represents a 11% increase in expenditure on Independent Special School placements relative to the 2025-26 financial year. This indicates that increasing funding to Council's special schools and SEND hubs has helped to decrease the acceleration of expenditure in this area where expenditure increased by a higher percentage in 2023-24, 2024-25 and 2025-26 financial years.

Overall position

23. The Council's DSG financial position of a cumulative deficit forecast of £42.479m as at the end of the 2026-27 financial year reflects a continuing and increasing 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 £36.940m in-year deficit against the High Needs Block DSG allocation continuing the trend of the last 4 financial years.

24. As it stands, there is a DSG Deficit statutory override in place. The government announced 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.

25. Council Officers have met with representatives of the Department for Education (DfE) over the last few months, regarding the submission of a Local SEND Reform Plan. These meetings have focused on the completion of a Local SEND Reform Plan, and the underpinning assumptions relating to the trajectory of expenditure and the number of EHC plans over the next 3 years.

26. The Local SEND Reform plan has been produced as part of the conditions of receiving the High Needs Stability Grant. In addition, £1.944m of Experts at Hand SEND Transformation grant funding has been received in 2026-27 with the primary purpose of strengthening the capability of mainstream education settings to meet the needs of children with SEND more effectively and inclusively. This is through early identification, closer collaboration between Health and Education, and direct access to professionals such as educational psychologists, speech and language therapists, occupational therapists, and specialist teachers.

27. 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.

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