

Schools Forum

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Paper

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DEDICATED SCHOOLS GRANT MONITORING**Responsible Officer** Stephen Waters

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Summary

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) forecast outturn position at the end of August 2025.

Recommendation

This report is for information only.

REPORT

1. The overall 2025-26 outturn against centrally retained DSG is forecast to be £19.323m in deficit as at the end of August 2025. It should be noted that this figure is the in-year deficit and needs to be added to the £17.566m revised deficit carried forward from 2024-25 in order to give an overall cumulative DSG deficit position of £36.888m.
2. Please note that this cumulative DSG deficit carried forward of £17.566m from 2024-25 has decreased by £0.073m from the £17.639m reported in the 2024-25 DSG monitoring outturn paper presented to Schools Forum in June. The explanation for this is the publication of the final Early Years Block DSG allocation for 2024-25 in July. The final allocation was £0.073m higher than the provisional Early Years Block DSG allocation.

Centrally Controlled High Needs Budget

3. The centrally controlled High Needs Block for 2025-26 is £35.455m. This budget excludes the place funding element of the High Needs Block totalling £10.821m. The total High Needs Block DSG allocation (before deductions) is £45.800m. It is important to note that Shropshire's 2025-26 High Needs Block DSG allocation has increased by £3.450m compared to the £42.350m allocation in 2024-25. This is an 8.1% increase.
4. In January 2025, 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 £0.476m. Adding this figure to the £45.800m means that the overall High Needs Block budget for 2025-26 is £46.275m.
5. Due to forecast overall expenditure of £65.680m (including Place Funding), the forecast outturn position for the High Needs Block is an in-year deficit of £19.404m.



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

6. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a forecast overspend of £9.474m.

Top Up funding - Mainstream Schools

7. Within this £9.474m forecast overspend, an overspend of £5.318m relates to the top-up funding paid to mainstream schools. Continuing on from the 2024-25 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.
8. 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

9. There is a £4.021m overspend on top-up funding to special schools.
10. 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.
11. 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.
12. Another explanation for the increase in expenditure in this budget line is the full-year effect of an increase in numbers at Keystone Special School, to 120 pupils since September 2024.
13. These increases in top-up funding have resulted in forecast expenditure of £11.699m in relation to top-up funding to state-funded, special schools. This represents an increase of £1.900m compared to the 2024-25 financial year or 19%. This increase in expenditure aligns with the strategy to appropriately fund the Council's special schools. However, work now 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

14. There is a budget of £1.859m allocated for Post 16 funding at further education colleges and sixth form colleges. The 2025-26 forecast outturn position is an overspend of £0.382m.
15. For 2025-26, there is a forecast increase in expenditure of £0.624m compared to 2024-25 outturn. This large, 39% increase is due to a combination of factors. Firstly, a few 2024-25 financial year invoices have been accounted for in 2025-26 as no accrual was processed for them in 2024-25. This had had the impact of lowering the 2024-25 expenditure level and increasing the 2025-26 expenditure figure. Secondly, there are 2 relatively new high cost placements at an Independent Special Post 16 provider in 2025-26. This accounts for an increase of £0.286m.
16. 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.

17. 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

18. The 2025-26 budget of £14.589m for Independent Providers has been increased by £2.287m compared to the 2024-25 budget level of £12.302m. The increase in budget reflects that Shropshire experienced a significant increase in expenditure in this budget area in 2022-23, 2023-24 and 2024-25, highlighted by actual expenditure totalling £18.259m in 2024-25. Increasing the budget to £14.589m, while increasing the budget by £2.287m still results in a budget that is £3.670m 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.
19. Expenditure for 2025-26 is forecast to be 21% higher than 2024-25 levels at £22.134m, resulting in a forecast overspend of £7.546m.
20. There are several explanations for this large budget pressure in 2025-26. 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 2025-26.
21. The £22.134m forecast spend represents a 21% increase in expenditure on Independent Special School placements relative to the 2024-25 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 64% in 2023-24 and by 31% in 2024-25.
22. The Council has established a SEND Commissioning and Procurement Panel to review requests and make decisions on high needs funding for Independent Special Schools and Mainstream Special Schools. The panel also acts as a forum to ratify and respond to fee up-lifts from all settings in conjunction with and accounting for decisions made at the West Midlands Price Review Panel on behalf of the 14 local authorities including Shropshire.

Lines 1.2.5 – SEN Support Services

23. There is a forecast overspend of £1.446m against the SEN Support Service budget of £1.947m. Similarly to 2022-23, 2023-24 and 2024-25, the overspend in 2025-26 relates to staffing where additional staff have been employed, sometimes as agency workers to support the wider increase in demand. Some of these employees are working with the Educational Psychology Service to address increasing demand. There has also been an increase in the use of external Speech and Language Therapists since 2024-25.

Overall position

24. The Council's DSG financial position of a cumulative deficit of £36.888m as at the end of the 2025-26 financial year reflects a continuing pressure on the total High Needs budget as expenditure continues to increase sharply year on year. This increase has been particularly pronounced over the last 3 financial years; 2023-24, 2024-25 and now 2025-26.
25. As it stands, there is a DSG Deficit statutory override in place. The government announced in June 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.
26. Council Officers met with representatives of the Department for Education (DfE) on 7th July to focus on addressing the DSG deficit. This meeting focused on progress with the DSG management plan. DfE Officers confirmed that the forecast DSG funding income assumptions

that were forecast for 2026-27 and beyond were the correct approach and therefore no increase in funding beyond that level is expected. They also confirmed that the mitigations proposed on the expenditure side including increased capacity in Resourced or SEN Units, a reduction in Independent Special School placement numbers, full occupancy at Council Special Schools, and a planned reduction in Permanent Exclusions were the sorts of areas that we should be addressing and that they would continue to work alongside the Council to review the plan going forward. The internal review and monitoring of this DSG management plan can form part of the work that the new High Needs Block monitoring group will undertake.