



SCHOOLS FORUM

2025/26 SCHOOLS BUDGET OUTTURN

24th June 2026

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	x	Pre School	x
Academies	x	Foundation Stage	x
PVI Settings	x	Primary	x
Special Schools / Academies	x	Secondary	X
Local Authority	x	Post 16	
		High Needs	X

Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

1. This report presents the 2025/26 Schools Budget outturn position and confirms the Dedicated Schools Grant (DSG) Reserve position.

Recommendations

2. That Schools Forum note the content of this report

2025/26 Schools Budget Outturn & DSG Reserve Update

3. The combined overall overspend across the Children and Family Services (CFS) department is £33.5m. This comprises a £2.6m overspend on the CFS Local Authority Block and a combined £30.9m overspend across the Schools

Budget blocks. This report focuses solely on the Schools Budget funding blocks and sets out the position for these areas.

2025/26 Summary of DSG Position - Leicestershire CC

	Over / (Under) spend to budget £m
Early Years Block	(£0.9m)
Schools Block	(£2.9m)
High Needs Block	£34.7m
In year Overspend Position	£30.9m
Net DSG position b/f from 2024/25	£48.3m
Cummulative Deficit Position as at March 2026	<u>£79.2m</u>

4. Overall of the £30.9m overspend on the Dedicated Schools Grant (DSG), this comprises an overspend of £34.7m on the High Needs Block (HNB) – Breakdown below, offset by an underspend of £2.9m on the Early Years Block and £0.9m on the Schools Block.

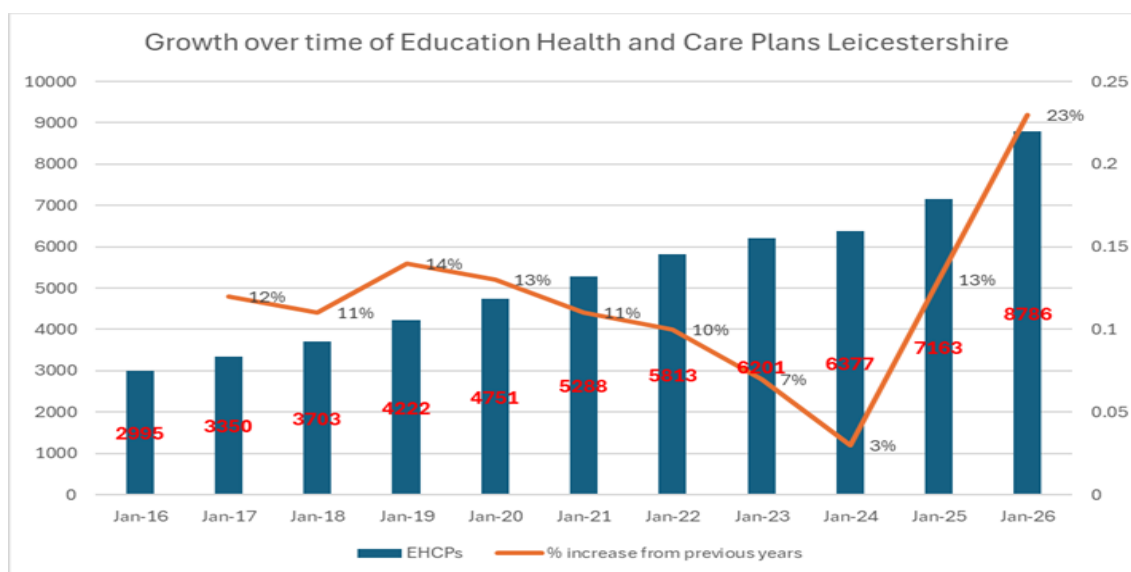
	2025/26 Outturn £m	2025/26 Spend Analysis as % %
<u>HNB Placement Spend</u>		
Mainstream	29.87	19%
Special Units and Resourced Provisions	14.68	9%
Special Schools	45.62	29%
Pupil Referral Unit	5.06	3%
Alternative Provision and Direct Payments	5.73	4%
Specialist Nurseries	1.42	1%
Independent Special Schools	37.63	24%
Post 16 Provisions	9.23	6%
<u>Other HNB Costs</u>	6.50	4%
<u>Gross Expenditure</u>	<u>155.74</u>	<u>100%</u>
Funding Received	-121.04	
<u>In Year Funding Shortfall</u>	<u>34.70</u>	

5. Due to sustained year-on-year growth in demand for funded Education, Health and Care Plans (EHCP's) since they were introduced in 2014, the original 2025/26 budget anticipated a forecast £15m overspend on the HNB after mitigations, based on a 7% increase in EHCP's from the previous year. The High Needs Block outturn overspend is largely due to increased

volume/demand on the placement budget compared with budgeted assumptions based and set on Autumn 2024 data and intelligence.

- Since the original budget was set, overall demand has continued to rise which is further illustrated in the chart below – active EHCP's over time by calendar year. At January 2026 there were 8,786 active EHCP's representing a 23% increase since January 2025, and a 193% increase in EHCPs since 2016. At the beginning of April 2026 there were 8,983 EHCP's. Further on-going analysis of both demand and costs are actively underway as part of MTFs planning.

Number & Growth of children and young people with EHCPs in Leicestershire



- At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now £99.1m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to upwards of £400m by March 2030. As part of the Final Local Government Finance Settlement in February, the government confirmed that they would fund 90% of DSG deficits as at 31st March 2026 (which is expected to be based on the net position). This is due to be paid in the autumn, subject to a SEND Reform Plan being submitted and approved by the Department for Education (DfE) and means that the Council will continue to cashflow the deficit until the payment is received. Further details are provided below.
- Whilst the Government's Schools White Paper is expected to result in systemic changes to the national SEND system such changes will take several years to deliver. It is uncertain at this stage whether and how such changes will directly address the current and forecast funding issues in the short to medium term.
- The Transforming SEND and Inclusion in Leicestershire (TSIL) change programme was established in August 2022 with partners across the SEND system supported by a third-party partner, Newton Impact. While the programme has now formally concluded, it has played a crucial role in helping

Leicestershire manage the financial pressures of supporting children and young people with SEND and has been a key enabler in delivering a forecasted MTFS saving/cost avoidance of £34m by March 2029. Without such impact the financial pressure would be significantly higher.

10. The rising demand for EHCPs places increasing pressure not only on direct provision but also on the broader service infrastructure that supports children and young people with additional needs. Services such as Educational Psychology Services, Special Educational Needs Assessment, and Specialist Teaching Services are experiencing heightened caseloads and resource strain. This surge in demand has a consequential financial impact that spans the DSG funded blocks, particularly the High Needs Block, and the Local Authority funded services, creating sustainability challenges across the system.
11. The DSG funding allocated for high needs is also not keeping pace with the rising demand for these services placing additional financial strain on such budgets. This has resulted in an overspend of £0.5m on Specialist Teaching services, within the High Needs block.
12. Despite current planned mitigations the level of projected growth means that the financial position is unsustainable. As such it is essential that the planned measures to contain ongoing growth are successful and further mitigations and actions are actively considered to reduce the projected financial burden on the High Needs funding block. This work is currently underway and will be reflected in the wider MTFS planning work over the coming months. In developing additional mitigations consideration is being given to aligning actions to changes coming through linked to the Schools White Paper and SEND reforms.
13. At year end there was a net underspend of £2.9m across Funded Early Education (FEE) entitlements within the Early Years DSG block. The position is largely driven by timing differences between funding and delivery. Funding is allocated by the DfE on a standard 38-week basis and paid in line with the FEE delivery timetable, which does not always align precisely with the April to March financial year. In 2025/26, fewer delivery weeks fell within the financial year than were funded and this is further exacerbated by stretched entitlements where hours are delivered over a longer period. Given the scale of the expanded entitlement offer, small variations in the number of funded weeks recognised within the financial year can have a materially significant financial impact. From 2026/27, the move to a termly funding mechanism is expected to improve alignment between funding and delivery, simplifying year-end reporting and reducing the scale of timing-related variances.
14. The underspend on the DSG Schools Block of £0.9m in 2025/26 primarily reflects the combination of lower than anticipated costs in relation to schools' copyright licences, alongside a reduced call on the Schools Growth Fund. The latter is due to revised forecasts for pupil growth and the timing of planned school expansions resulting in lower revenue costs being incurred in year than originally assumed.
15. The overall net cumulative DSG deficit across all blocks at year end was £79.2m. (31 March 2025 net deficit £48.3m). This is expected to be the basis

for the calculation of the 90% grant, and not the £99m deficit on the High Needs Block itself.

16. The Local Government finance settlement for 2026/27 to 2028/29 announced government support to local authorities with DSG deficits as below:
 - a. Phase 1 - Local Authorities with DSG deficits at the end of 2025/26 will be eligible to receive a High Needs Stability Grant covering up to 90% of their net DSG deficit subject to each authority submitting and securing the DfE approval of a local SEND reform plan. The DfE will commission local area partnerships to develop these plans during 2026. Payments will then be made in autumn 2026.
 - b. Phase 2 – the Government will confirm the detail on further support for deficits arising in 2026/27 and 2027/28 before the end of the statutory override (31 March 2028), stating ‘we will continue to take an appropriate and proportionate approach, although it will not be unlimited’.
 - c. From 2028/29 – SEND spending will be covered by the DfE’s central budget meaning that local authorities will not be expected to fund future SEND costs from general funds, but no funding has yet been included in the DfE’s budget for this.
17. The DfE has also advised that it will scrutinise local authority DSG Accounts on an ongoing basis to identify discrepancies and significant fluctuations, as well as potential ineligible spend, which will be deducted from the total net DSG balance before calculating the 90% grant.
18. Based on the above year-end position, an initial estimate is that approximately up to £71.3m of government grant could be received by the Council in respect of its cumulative DSG deficit as at 31 March 2026, subject to the DfE approval process.
19. Prior to 2020/21, local authorities were able to maintain separate reserves for each of the four DSG funding blocks, although overall accountability for managing the DSG has always rested with the authority as a whole rather than on an individual block basis. However, the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 (updated in 2022) introduced statutory requirements governing the calculation and treatment of DSG deficits. These regulations require any overall DSG deficit—taking into account both in-year positions and any brought forward balances—to be held in a single unusable reserve. As a result, it is no longer permissible to hold separate reserves with individual surpluses for each funding block.
20. There are still ongoing financial risks with DSG deficits from April 2026 until responsibility transfers to the DfE from 2028/29. The level of government support for these deficits has not yet been confirmed and therefore the MTFS continues to set aside funding towards these deficits until the position becomes clearer. This will be considered as part of the MTFS refresh later in the year.

Maintained School Balances

21. It is not possible to formally analyse maintained school balances until Consistent Financial Reporting (CFR) returns are received in mid-June, and adjustments are made to exclude balances relating to academies where closedown of former maintained school accounts is still underway. However, current projections indicate that mainstream primary school balances have deteriorated over the last 12 months and are now expected to be in an overall deficit position of circa £6m. Balances for academies are published separately by the DfE through the Academy Accounts Return (AAR).
22. There is an increasing number of Leicestershire schools identified as being in financial difficulty. While Schools Financial Regulations require schools to set balanced budgets, they recognise that this may not always be achievable. The Scheme for Financing Schools allows schools to apply for a licensed deficit, typically for up to three years and subject to defined conditions, as part of a formal agreement with the Local Authority. Responsibility for developing and delivering a recovery plan rests with the Head Teacher and Governing Body. The Local Authority is continuing to strengthen its approach to oversight, including clearer processes, governance, monitoring arrangements, and targeted support for schools in this position.
23. This work is closely aligned with the recently published School Place Strategy and the wider Schools Sustainability Programme. Together, these initiatives aim to ensure that school place planning, financial sustainability, and long-term system resilience are considered in a coordinated way, supporting schools to remain viable and meet future demand across the county.

Equal Opportunity Issues

24. There are no equality issues arising directly from this report.

Officer to Contact

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