Item 4 – 2025/26 Dedicated Schools Grant (DSG) Outturn

Schools Forum – 21st September 2026

Recommendation

School's Forum is asked to: -

1) Note the provisional 2025/26 DSG deficit of £29.42m.

2) Note the overall DSG deficit is now at £57.59m.

1. Purpose

1.1 To inform members on actual expenditure incurred for the Dedicated Schools Grant including all blocks of funding; Schools Block, Central School Services Block, Early Years Block and High Needs Block for financial year 2025/26.

2. Report Details

2.1 Overall DSG

The gross, overall DSG allocation for LB Croydon at the end of March 2026 was £518.25m. After academy, free schools and other recoupment, the net allocation was £236.57m. In addition, the council received £3.29m of safety valve allocation to help cushion the pressure on the High Needs Block. The summary of these allocations by blocks is as shown in Table 1 below.

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Table 1 - Croydon's DSG Allocation 2025/26 – as at 31st March 2026

Row no.		Croydon Gross Allocation as at Mar-26 (£)	Recoupment (£)	Croydon Net Allocation as at Mar-26 (£)
Line 1	**Schools block**	342,699,132	(270,859,158)	71,839,974
Line 2	**Central school block**	4,897,710	0	4,897,710
Line 3	**High needs block**	97,485,367	(10,822,000)	86,663,367
Line 4	**Early years block**[1]	73,172,617	0	73,172,617
Line 5	**Total DSG allocation**	**518,254,826**	**(281,681,158)**	**236,573,668**
Line 6	**Safety Valve allocation**	3,290,000	0	3,290,000
Line 7	**Total Allocation**	**521,544,826**	**(281,681,158)**	**239,863,668**

[1] The above shows the DSG allocation published in March 2026 which is the basis of all statutory and public information. The March 2026 figure is also used in preparing statutory accounts for the council, returns to the DfE and benchmarking exercise. There was a further publication in July 2026 which showed an increased Early Years allocation of £4.68m creating a total allocation of £241.25m versus the earlier total of £236.57m.

2.2 For the purposes of monitoring the Net allocation shown above, the following decisions of the Schools Forum (and accounting technical work) need to be reflected.

A. Transfer of £1.2m from Schools Block to the High Needs Block (HNB). This reduces the Schools Block allocation and increases the HNB by the same amount.
B. Within the Schools Block is an amount of £0.805m for Growth Fund utilisation. The impact of this is reflected in Section 3 below.
C. Increase the Early Years Block allocation by £1.309m due mainly to £0.109m received in July 2025 but relate to 2024/25 and an estimate of additional £1.2m to be received in July 2026 (see footnote 2 for further explanation).

2.3 The 2025/26 DSG provisional outturn is £270.6m before taking account of Safety Valve grant. After utilising the safety valve grant, the provisional outturn is reduced by £3.29m which reduces the deficit to £29.42m. Table 2 below shows the provisional outturn by funding blocks.

Table 2 - 2025/26 DSG Outturn

Row no.		**2025/26 Net Allocation (£)**	**2025/26 Outturn (£)**	**Surplus/(Deficit) (£)**
Line 1	**Schools block**	70,639,974	71,452,667	(812,693)
Line 2	**Central school block**	4,897,710	4,897,710	0
Line 3	**High needs block**	87,863,367	118,912,364	(31,048,997)
Line 4	**Early years block**[2]	74,481,617	75,332,017	(850,400)
Line 5	**Total DSG allocation**	**237,882,668**	**270,594,758**	**(32,712,090)**
Line 6	**Safety Valve allocation**	3,290,000	0	3,290,000
Line 7	**Total**	**241,172,668**	**270,594,758**	**(29,422,090)**

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2.4 Although the provisional early years block position is showing a deficit of £0.85m based on March 2026 DSG allocation, this will turn into surplus of £2.52m if we account for the actual July 2026 allocation[3] (announced by the DfE on 21st July 2026). Due to the timing of reporting and the requirement of the DfE however, we will continue to use the March 2026 allocation to present this outturn paper in order to be consistent with other publicly available information.

2.5 Based on the above, the overall DSG reserve position is now a deficit of £57.59m. Table 3 below shows how this was made up.

Table 3 - Overall DSG Reserve Position

[2] For the purpose of the outturn, we have added to the EYB £0.109m received in July 2025 but relate to 2024/25 and an estimate for July 2026 announcement of £1.2m (which later transpired to be £4.68m as shown in footnote 1 above). The EY allocation for budget monitoring purpose is then increased to £74.48m. For consistency, the 2026/27 EYB will be increased for monitoring purposes by £3.37m (which is the difference between £4.68m actual increase and £1.2m accrual).
[3] Dedicated schools grant (DSG) 2025 to 2026

Row no.		£
Line 1	DSG Deficit prior to Safety Valve agreement (unusable reserve)	(21,295,400)
Line 2	DSG Surplus/(Deficit) since introduction of Safety Valve agreement	(6,875,571)
Line 3	**Opening cumulative deficit as at beginning of 2025/26**	**(28,170,971)**
Line 4	2025/26 Outturn	(29,422,090)
Line 5	**Cumulative DSG deficit as at end of 2025/26**	**(57,593,061)**

2.6 Further information on the outturn by individual blocks are explained later in this paper and accompanying appendices.

3. Schools Block

3.1 The Schools Block allocation is being reported as fully spent in 2025/26. The breakdown of the outturn position are as shown in Table 4 below.

3.2 The deficit in schools block is due to payment for academy conversion for a school that converted in previous year whose closing balance was made in 2025/26.

Table 4 - Analysis of Schools Block spend

Row no.		**2025/26 Net Allocation**	**2025/26 Outturn**	**Surplus/(Deficit)**
Line 1	**Individual Schools Budget**	69,834,951	70,647,644	(812,693)
Line 2	**Transfer to High Needs Block**	1,200,000	1,200,000	0
Line 3	**Growth Fund**	805,023	805,023	0
Line 4	**Overall, Schools block**	**71,839,974**	**72,652,667**	**(812,693)**

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4. Central School Services Block (CSSB)

4.1 The 2025/26 CSSB outturn is £4.9m which is a balanced position. The CSSB has been fully spent in the year. The detailed spend is as shown in Table 5 below.

Table 5 - Analysis of CSSB spend

Row no.		**2025/26 Net Allocation**	**2025/26 Outturn**	**Surplus /(Deficit)**
Line 1	Copyright Licenses deduction[4]	364,627	364,627	0
Line 2	**On-going Commitments**			
Line 3	Schools' Forum costs	36,000	36,000	0
Line 4	Other Statutory Duties & Asset Management	150000	150000	0
Line 5	Schools Admissions Team & Improvement Central	650,000	650,000	0

[4] Copyright Licenses costs are paid for directly by the DfE and the DSG grant allocation paid to the authority is adjusted accordingly

Line 6	Finance & Audit	333,000	333,000	0
Line 7	Education Attendance Service	200,000	200,000	0
Line 8	SACRE	26,000	26,000	0
Line 9	**Historic Commitments**			
Line 10	Historic Teacher' pensions	301,487	301,487	0
Line 11	Prudential Borrowing Costs	2,836,596	2,836,596	0
Line 12	**Total CSSB**	**4,897,710**	**4,897,710**	**0**

5. High Needs Block (HNB)

5.1 As previously agreed by the Schools Forum and reflected in Section 3 above, an amount of £1.2m was transferred from the Schools Block to the High Needs Block. This increases the amount available to spend on HNB from £86.66m to £87.86m.

5.2 The provisional 2025/26 HNB outturn is £118.9m which represents a deficit of £31.05m. The figure is after accounting for £1.2m of inter-block transfer from Schools Block. This is £10.81m higher than the figure presented to Schools Forum in March 2026. Full details of this financial performance is as shown in Appendix A and further commentary are provided below.

5.3 On 9 February 2026, the High Needs Stability Grant was announced alongside the Local Government Finance Settlement. Payment of the High Needs Stability grant will be made by the DfE as a Section 31 grant during 2026/27, provided that local authorities meeting local SEND reform plan conditions. Local SEND reform plans have been developed collaboratively by local area partnerships (including schools, health, early years settings and post 16 providers) to ensure plans reflect the shared responsibility of the whole local system in supporting children and young people. Given this new approach, the Safety Valve programme ended on 31 March 2026.

5.4 Based on the provisional outturn the cumulative net deficit is forecast to be £58m as at 31 March 2026. Approval of the Local SEND Reform plan is essential to the Council's financial stability. If granted this will bring in a grant of £52m, but even this substantial sum would leave a residual deficit of £6m. It is far from clear under what circumstances, if any, the DfE would contribute towards clearing this residual deficit.

5.5 As of 29 of June 2026 there are 6,475 children and young people aged 0–25 with an active EHCP maintained by the Council. The number of EHCPs has continued to increase year on year, reflecting both national and local trends in demand for statutory SEND support. The growth in EHCP demand in Croydon is partly driven by the same factors seen nationally: rising prevalence of complex SEND, greater parental awareness, increasing neurodevelopmental and mental health needs and reliance on statutory plans to secure provision. Croydon's growth has been further intensified by its large and diverse child population, 30-35% of children in Croydon are living in poverty, although relative deprivation is not an obvious causative factor: Croydon was ranked 18th out of 32 London boroughs on the Index of Multiple Deprivation on the 2025 measures. It is difficult to quantify why

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Croydon's rate of increase is faster than our statistical neighbours and we are currently undertaking a review of what additional variants may be in place beyond the increasing complexity of need amongst vulnerable cohorts, capacity pressures within the education system and improved identification of SEND.

5.6 The rising cost of placements in out-of-borough specialist schools, Further Education (FE) Colleges, special schools and independent special schools is still the main driver for the emerging risk. Although much work is done in terms of demand management for independent placements, the cost of placement is a challenge. This is a national issue and not just experienced by Croydon.

5.7 The Local Authority is facing an enormous challenge in having enough local placements to meet its demands for children and young people requiring specialist placements, hence we are compelled to seek out-of-borough placements to meet needs. The service has successfully partnered with some mainstream schools in setting up new Enhanced Learning Provisions (ELP), which started in the Autumn Term 2024. We are also having positive conversations about developing annexes to two of our special schools, which will lead to further increases to in-borough places.

5.8 An increase in the number of children requiring a specialist placement in reception class has had a significant impact on the budget that was forecast for 2024/25.

5.9 Requests for fee uplifts by Independent Special schools, as well as additional requests for increased top-up payments from some of the borough's academy schools, continue to place considerable strain on the high-needs budget. This reduces financial flexibility and challenges our ability to provide timely and adequate support for all pupils. Some providers are demanding increased top-ups payments, of upwards of 20% from previous years. In one instance, an academy special school took no pupils into year 7 and the Council were required to find additional places outside of the borough at very high costs.

5.10 The Council have experienced ongoing IT system issues related to migration from the previous platform, which did not have direct integration with the finance system. Because of these limitations, several data transfers during the migration process were incomplete or contained errors. This has resulted in discrepancies in the financial records, delays in processing information, and additional time required to identify and correct the affected data.

5.11 There has been a continued increase in the number of EHCPs in Croydon, rising to 6,000, an increase of 675 from the 2024/25 academic year. This rise mirrors the national trend of growing EHCP numbers. The borough is seeing an increasing number of pupils requiring specialist placements; however, the expansion of Enhanced Learning Provision (ELP) and special school places has not kept pace with demand, creating pressure on available resources and services. The percentage of pupils attending non-maintained independent special schools over the past few years has remained fairly static (8%), but the numbers have increased. The priority to deliver more specialist placements in the borough has been through two main foci: increasing the number of special school places and development of new Enhanced Learning Provisions (ELPs).

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5.12 Payments to Special Schools (place funding and top-ups): There has been significant increase in the number of EHCP in recent years. This has resulted in significant increases in top-ups and place funding paid to these schools. SEND pressure is a national problem and Croydon is not an exception. The council is continuing its transformation to increase in-borough capacity with a view to mitigating this pressure.

MITIGATIONS

5.13 The Council has been recognised by DfE as a pathfinder in its work to develop ELPS and also receives DfE capital funding to help finance future changes in the development of ELPs, which perform a key strategic role in reducing dependence on expensive independent and out-of-borough placements by increasing the availability of local provision capable of meeting a wider range of needs. This includes the expansion of specialist resource provisions, development of additional specialist places within mainstream schools, and investment in local special school capacity.

5.14 To help mitigate the 'unit-price' for specialist provision, a brokerage model is being developed within the service, working with providers to ensure the best value for money supply is clearly evidenced and articulated.

5.15 The Council will continue to work closely with schools and partners to ensure that placement decisions are based on assessed need and that local options are fully explored before consideration is given to higher-cost alternatives. Commissioning activity is focused on securing better value from providers while maintaining quality and positive outcomes for children and young people.

5.16 Development of the 'Expert at Hand' approach, a key element of SEND reform. By providing schools with rapid access to specialist expertise, including educational psychologists, speech and language therapists, occupational therapists and SEND advisers, Croydon is building capacity within mainstream education through Enhanced Learning Provisions (ELPs) and promoting inclusive practice. Further information on the SEND reform and Croydon's approach to this are summarised in Appendix C below.

5.17 Other Mitigations:

a) A restructure of the SEND service
b) A plan to develop satellite special schools within the borough
c) High Needs overspend Board and action plan has been developed alongside our SEND Governance processes

6 Early Years Block (EYB)

6.1 The 2025/26 EYB outturn is £75.33m from total available funds of £74.48m which represents a deficit of £0.85m. As stated in 2.2(c) and footnote 2 above, the allocation has increased by £1.309m as can be explained by table 6 below.

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Table 6: Movement between Allocated Amount and Funds Available

Row no.		2025/26 Net Allocation
Line 1	Early Years block allocation as at March 2026	73,172,617
Line 2	2024/25 Allocation received in July 2025	109,000
Line 3	Income accrued into 2025/26 accounts expected in July 2026	1,200,000
Line 4	**Amount available to spend**	**74,481,617**

6.2 The deficit is due to the uptake in Early Years Pupil Premium being greater than originally forecast and anticipated. The overspend has occurred on all the age groups spend as the pupil premium was payable to all year groups. The details of overspend are as shown in table 7 below.

Table 7: 2025/26 Provisional Early Years Block Outturn

Row no.	Description	2025/26 Provisional Outturn	2025/26 Funds Available	Difference
Line 1	Under 2YO working parents	25,724,363	25,287,194	437,168
Line 2	Two-year old funding	20,820,880	20,542,691	278,190
Line 3	Three and four-year old funding	26,642,618	26,507,576	135,042
Line 4	Early years top-slice	2,144,156	2,144,156	0
Line 5	Total	**75,332,017**	**74,481,617**	**850,400**

Recommendation

School's Forum is asked to: -

1) Note the provisional 2025/26 DSG deficit of £29.42m.

2) Note the overall DSG deficit is now at £57.59m.

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Contact Officer: Abioye Asimolowo - Interim Finance Manager (CYPE – Education)
Email: Abioye.asimolowo@croydon.gov.uk

Appendix A – 2025/26 Provisional High Needs Block Spend

Row no.	Description	2025/26 Provisional Outturn	March 2026 Forecast	Difference
1	Special Schools	39,977,155	40,988,095.22	(1,010,940.35)
2	Independent Special Schools	41,263,729	38,233,032.44	3,030,696.93
3	Top up for Mainstream Schools	13,957,777	9,601,020.40	4,356,756.29
4	Out-of-Borough Schools	6,795,520	5,215,114.23	1,580,405.90
5	FE Schools	6,744,002	4,048,724.22	2,695,277.42
6	Enhanced Learning Provisions	3,348,789	3,792,138.80	(443,349.80)
7	Sensory Support team (HI, VI etc)	1,761,887	1,744,034.51	17,852.42
8	Inclusion team & home Education	1,219,495	1,237,457.86	(17,962.99)
9	Locality Support Project (incl. EY)	726,206	788,186.54	(61,980.08)
10	EY Inclusion & Intervention Team	861,392	603,532.18	257,859.55
11	Personal Budget Payments	493,348	505,067.38	(11,718.90)
12	SALT	633,209	388,007.33	245,201.98
13	Education Occupational Therapy	570,566	354,482.02	216,083.90
14	SEN Tribunals	244,528	260,269.58	(15,741.11)
15	Small Schools	218,418	232,531.54	(14,113.92)
16	Others	96,343	113,670.61	(17,328.10)
	Total	**118,912,364.00**	**108,105,364.85**	**10,806,999.15**

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Appendix B - Managing Demand and the application of the SEND reforms

B.1 The government published the SEND White Paper in response to the growing national SEND crisis, driven by rising demand, inconsistent provision across local authorities, delays in accessing support, and increasing pressure on education, health, and care services. It sets out reforms to create a more inclusive, consistent, and sustainable system through a tiered support model, the introduction of Individual Support Plans (ISPs), and greater mainstream inclusion. The reforms aim to ensure children and young people with SEND receive timely, appropriate support, strengthen collaboration between schools and families, reduce inequalities in provision, and improve outcomes for all learners.

B.2 In response to these changes and increasing demands, Croydon has focused on managing both demand and supply through earlier intervention and improved support within mainstream education. To support this approach, Croydon has invested in the development of its Early Intervention Teams, which work alongside schools across six locality areas to identify and meet the needs of children and young people (CYP) at an earlier stage. The aim is to provide timely support before difficulties escalate and before an EHCP becomes necessary where needs can be met through ordinarily available provision.

B.3 The borough has also invested in speech and language therapy services and commissioned private providers to deliver support across both mainstream and special schools. Through organisational restructuring, SEND advisers now work directly with mainstream schools to strengthen inclusive practice and help meet the needs of CYP without requiring an EHCP. This model is being further developed into the ‘Expert at Hand’ approach, a key element of SEND reform. By providing schools with rapid access to specialist expertise, including educational psychologists, speech and language therapists, occupational therapists and SEND advisers, Croydon is building capacity within mainstream education through Enhanced Learning Provisions (ELPs) and promoting inclusive practice.

B.4 By increasing the capacity of inclusive local provision, strengthening support within mainstream settings, developing the Universal Offer, expanding inclusion bases, and embedding the Experts at Hand model, Croydon will build a stronger 0–25 SEND and AP system. This will enable more children and young people to access the right support at the right time within their local communities, reducing the need for unnecessary escalation to statutory assessment.

B.5 Based on current trends, demand for EHCPs is expected to continue increase. This growth continues broadly in line with recent years, the Council anticipates a continued rise in both assessment requests and the total number of EHCPs maintained.

B.6 Future demand projections indicate:

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- Continued annual growth in EHCP numbers of approximately 730 per annum.
- Increased demand for specialist school places
- Additional pressure on High Needs funding and placement budgets unless local capacity and inclusive provision continue to expand.
- Growing demand for post-16 and post-19 SEND support as more young people remain in education and training pathways.

B.7 Table 4 above highlights the number of requests to assess and the number of requests for additional provision through our SAG (Statutory Assessment Panel) and ERP (Education Resource Panel). This demonstrates the high volume of requests but illustrates that these do not all convert to EHCPs or additional provision.

B.8 While demand is expected to remain high, investment in inclusive practice, early intervention and local provision development is intended to support sustainable management of future growth. Croydon has a well-established early intervention model which will be further strengthened by the SEND reforms.

B.9 The Council commissions and funds a range of educational placements to meet the needs identified within Education, Health and Care Plans (EHCPs). These placements include maintained special schools, academy special schools, specialist resource provisions, independent and non-maintained special schools, and out-of-borough placements where suitable local provision is not available.

B.10 The majority of children and young people with EHCPs attend mainstream schools with additional support or local specialist provision. However, a proportion of pupils with more complex needs require specialist placements, including independent and non-maintained settings. Out-of-area placements are used where appropriate provision cannot be secured within the local authority area or where a specific placement is required to meet identified needs.

B.11 Early intervention and inclusion programmes are contributing to improved capacity within schools and are supporting efforts to manage future demand and costs. The full financial benefits of these initiatives are expected to be realised over the medium to long term, as increasing demand and complexity of need continue to present significant challenges.

B.12 The Council has a programme of activity aimed at managing demand, improving inclusion and reducing reliance on high-cost provision. While sustained growth in EHCP numbers continues to place pressure on services and budgets, investment in local capacity, early intervention and inclusive practice provides the best opportunity to improve outcomes for children and young people whilst achieving greater financial sustainability.

B.13 A key priority is to reduce dependence on expensive independent and out-of-borough placements by increasing the availability of local provision capable of meeting a wider range of needs. This includes the expansion of specialist resource provisions, development of additional specialist places within mainstream schools, and investment in local special school capacity.

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B.14 The Council will continue to work closely with schools and partners to ensure that placement decisions are based on assessed need and that local options are fully explored before consideration is given to higher-cost alternatives. Commissioning activity is focused on securing better value from providers while maintaining quality and positive outcomes for children and young people.

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