**Item 4 – 2026/27 Dedicated Schools Grant (DSG) Forecast Outturn (Period 6)** Schools Forum – 16th November 2026

**Recommendation**

**School's Forum is asked to: -**

1) Note the forecast in-year outturn for 2026/27 DSG deficit of £45m.

2) Note the overall DSG deficit as at the end of March 2026 was £57.59m. Adding the above forecast deficit will make the overall DSG deficit to be £102.59m.

3) The end of the Safety Valve Programme at the end of March 2026 which has been replaced with the Local SEND Reform Plan (LSRP) incorporating the High Needs Stability Grant (HNSG).

4) Note that the DfE approved Croydon's LSRP and as a result have confirmed that DfE will pay HNSG of £49.75m representing their calculation of 90% of the Deficit at the end of 2025/26.

5) Note the residual amount of deficit at the end of 2025/26 (after applying the HNSG) is £7.84m which will increase at the end of 2026/27 to £52.71m.

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## 1. Purpose

1.1 To inform members on forecast outturn for the Dedicated Schools Grant (DSG) to the end of March 2027.

1.2 To show the breakdown of the forecast outturn in all blocks of funding; Schools Block, Central School Services Block, Early Years Block and High Needs Block for financial year 2026/27.

1.3 To inform members on progress regarding Croydon Local SEND Reform Plan and the implication for the funding the DSG Deficit.

## 2. Report Details

### 2.1 Overall DSG

The gross, latest, overall DSG allocation for LB Croydon at the end of July 2026 was £550.41m. After academy, free schools and other recoupment, the net allocation was £259.26m. The summary of these allocations by blocks is as shown in Table 1 below.

**Table 1 - Croydon's DSG Allocation 2026/27 – as of 22nd July 2026**

| Row no. | | Croydon Gross Allocation as of July 2026 (£) | Recoupment (£) | Croydon Net Allocation as of July 2026 (£) |
|---|---|---|---|---|
| Line 1 | Schools block | 352,492,324 | (278,707,092) | 73,785,232 |
| Line 2 | Central school block | 4,910,533 | 0 | 4,910,533 |
| Line 3 | High needs block | 104,408,993 | (12,444,334) | 91,964,659 |
| Line 4 | Early years block | 88,601,859 | 0 | 88,601,859 |
| Line 5 | **Total DSG allocation** | **550,413,709** | **(291,151,426)** | **259,262,283** |

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 £0.79m for Growth Fund utilisation. This has been taken out of the Schools Block allocation and monitored separately.

2.3 The impact of the two issues above is to reduce the Schools Block allocation to £71.8m and to increase the High Needs Block allocation to £93.16m. The monitoring and progress on Growth Fund is reported to the Forum separately.

2.4 The 2026/27 forecast DSG outturn is £303.6m. Forecast in-year deficit is therefore £45.1m. Table 2 below shows the forecast outturn by funding blocks and the implications relative to the funding allocation.

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**Table 2 - 2025/26 DSG Outturn**

| Row no. | | 2026/27 Net Allocation (£) | 2026/27 Forecast Outturn (£) | Surplus/(Deficit) (£) |
|---|---|---|---|---|
| Line 1 | **Schools block** | 71,795,054 | 71,795,054 | 0.00 |
| Line 2 | **Central school block** | 4,910,533 | 5,057,308 | (146,774.62) |
| Line 3 | **High needs block** | 93,164,659 | 138,146,669 | (44,982,010.00) |
| Line 4 | **Early years block** | 88,601,859 | 88,601,859 | 0.00 |
| Line 5 | **Total DSG allocation** | **258,472,105** | **303,600,890** | **(45,128,784.62)** |

2.5 Based on the above, the overall DSG reserve position is now a deficit of £52.97m. Table 3 below shows how this was made up.

**Table 3 - Overall DSG Reserve Position**

| Row no. | | £ |
|---|---|---|
| Line 1 | Cumulative DSG deficit as at end of 2025/26 | (57,593,061) |
| Line 2 | Proposed 2025/26 High Needs Stability Grant | 49,750,756 |
| Line 3 | **Opening cumulative deficit as at beginning of 2026/27** | **(7,842,305)** |
| Line 4 | 2026/27 Forecast Outturn | (45,128,785) |
| Line 5 | **Forecast cumulative DSG deficit as at end of 2026/27** | **(52,971,090)** |

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

## 3. Schools Block

3.1 The Schools Block is forecast to be fully spent in 2026/27. The breakdown of the outturn position is as shown in Table 4 below.

**Table 4 - Analysis of Schools Block spend**

| Row no. | | 2026/27 Net Allocation (£) | 2026/27 Forecast Outturn (£) | Surplus/ (Deficit) (£) |
|---|---|---|---|---|
| Line 1 | Individual Schools Budget | 73,785,232 | 73,785,232 | 0 |
| Line 2 | Transfer to High Needs Block | (1,200,000) | (1,200,000) | 0 |
| Line 3 | Growth Fund | (790,178) | (790,178) | 0 |
| Line 4 | **Overall, Schools block** | **71,795,054** | **71,795,054** | **0** |

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## 4. Central School Services Block (CSSB)

4.1 The 2026/27 forecast CSSB outturn is £5.057m which is an overspend of £0.147m. The detailed spend is as shown in Table 5 below.

4.2 The deficit is as a result of the changes in the way corporate recharges were calculated. The calculation were made after the allocation paper was presented to Forum in September 2026. This will need to be revisited next year once the 2027/28 CSSB allocation is known for certain.

**Table 5 - Analysis of CSSB forecast spend**

| Row no. | | 2026/27 Net Allocation | 2026/27 Forecast Outturn | Surplus /(Deficit) |
|---|---|---|---|---|
| Line 1 | Copyright Licenses deduction | 367,949 | 367,949 | 0.00 |
| Line 2 | **On-going Commitments** | | | |
| Line 3 | Schools' Forum costs | 36,000 | 36,000 | 0.00 |
| Line 4 | Other Statutory Duties & Asset Management | 150,000 | 150,000 | 0.00 |
| Line 5 | Schools Admissions Team & Improvement Central | 650,000 | 650,000 | 0.00 |
| Line 6 | Finance & Audit | 333,000 | 338,551 | (5,550.62) |
| Line 7 | Education Attendance Service | 200,000 | 200,000 | 0.00 |
| Line 8 | SACRE | 26,000 | 26,000 | 0.00 |
| Line 9 | Centrally Employed Teaching Staff Pension | 150,725 | 150,725 | 0.00 |
| Line 10 | **Historic Commitments** | | | |
| Line 11 | Historic Teacher' pensions | 301,487 | 301,487 | 0.00 |
| Line 12 | Prudential Borrowing Costs | 2,695,372 | 2,836,596 | (141,224.20) |
| Line 13 | **Total CSSB** | **4,910,533** | **5,057,308** | **(146,774.82)** |

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## 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 £91.96m to £93.16m.

5.2 The forecast 2026/27 HNB outturn is £138.15m which represents an in-year forecast deficit of nearly £45m. This is £19.23m higher than the 2025/26 provisional outturn figure presented to Schools Forum in September 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 meet local SEND reform plan (LSRP) conditions. On 2 October 2026, the DfE confirmed that Croydon's LSRP have been approved. This triggers the announcement of payment of HNSG of £49.75m covering nearly 90% of 2025/26 deficit.

5.4 The reasons for the deficit and the mitigations being made by the council (and schools) are captured in the September 2026 DSG outturn paper presented to Schools forum.

In addition to those issues and mitigations (most of which are still valid), the following have since occurred.

5.5 In September 2026, the LGA undertook a review of SEND services in LB Croydon. The review identified that from 2021/22 numbers of EHCP's increased from 4.5% of all pupils to 7% (which is in line with London Boroughs), however since 2024 the rate of increase has been higher, and LB Croydon now has the highest rate of requests for EHCP assessments in London. The 4th highest rate of assessments and plans being issued and the 7th highest tribunal rate. It is acknowledged across the Croydon SEND system that the high number of requests for assessment and headline EHCP numbers which result in c300 plans per coordinator has led to delays in the wider system.

5.6 The LGA review also identified that too many children in Croydon are not accessing mainstream education in their local school and that the development of mainstream inclusion as set out in the reforms requires significant further work to ensure that all schools and academies engage with this critical agenda. The review advised that the DfE regions group should be brought in to advocate and promote mainstream inclusion.

5.7 The review also found a highly fragmented health system where children are left for too long with unresolved health issues and without being signposted effectively. This has the dual impact of statutory health services not being available, and responsibility and cost for delivery being passported to local authority education services to resolve.

5.8 Requests for fee uplifts by Independent Special schools, as well as additional requests for increased top-up payments from some of the borough's schools, continue to place considerable strain on the high-needs budget. Some providers continue to demand increased top-up payments, upwards of 20% from the year before. And in some instances, mainstream and special schools have threatened recourse to legal proceedings to avoid taking children with additional needs into their settings and schools.

MITIGATIONS

5.9 Challenges in the DSG overspend continue to exist both locally and nationally. The Council has therefore engaged with partners to co-produce its 3-year SEND and AP strategy and Local Area SEND Reform plan delivery plan to help deliver both our SEND reform plans and our financial recovery. The strategy includes an increased focus on the use of the high-needs-block spend, a more integrated approach to early intervention, increased levels of inclusion within our mainstream schools and settings, increased shared ownership of health needs, improved commissioning and increased local sufficiency to reduce the use of high-cost provision. If we do nothing, the magnitude of the problem, will continue to increase but we are working to reduce this by undertaking the following actions.

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5.10 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.

5.11 The service has successfully partnered with some mainstream schools in setting up new Enhanced Learning Provisions, 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 of in-borough places.

5.12 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.

5.13 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.

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## 6 Early Years Block (EYB)

6.1 The forecast 2026/27 EYB outturn is a balanced position on the £88.6m announced position. The breakdown of this amount is presented in table 6 below.

**Table 6: 2026/27 Forecast Early Years Block Outturn**

| Row no. | **Description** | **2026/27 Funds Available** | **2026/27 Forecast Outturn** | **Difference** |
|---|---|---|---|---|
| Line 1 | Under 2YO working parents | 26,226,808 | 26,226,808 | 0 |
| Line 2 | Two-year old funding | 23,746,233 | 23,746,233 | 0 |
| Line 3 | Three and four-year old funding | 36,022,750 | 36,022,750 | 0 |
| Line 4 | Early years top-slice | 2,606,068 | 2,606,068 | 0 |
| Line 5 | Total | **88,601,859** | **88,601,859** | **0** |

**Recommendation**

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1) Note the forecast outturn for 2026/27 DSG deficit of £45m.

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5) Note the residual amount of deficit at the end of 2025/26 (after applying the HNSG) is £7.84m which will increase at the end of 2026/27 to £52.71m.

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**Appendix A – 2026/27 Forecast High Needs Block Spend**

| Row no. | Description | Sept 2026 (P6) Actual (B) | 2026/27 Forecast in Sept (P6) (C) | % Difference from 2025/26 |
|---|---|---|---|---|
| 1 | Special Schools | 28,443,680 | 46,752,698.38 | 17% |
| 2 | Independent Special Schools | 34,939,259 | 57,429,441.05 | 39% |
| 3 | Top up for Mainstream Schools | 5,746,858 | 9,446,074.28 | (32%) |
| 4 | Out-of-Borough Schools | 5,766,969 | 9,479,130.49 | 39% |
| 5 | FE Schools | 3,291,524 | 5,410,256.97 | (20%) |
| 6 | Enhanced Learning Provisions | 1,452,613 | 2,387,650.33 | (29%) |
| 7 | Sensory Support team (HI, VI etc) | 1,026,330 | 1,686,972.72 | (4%) |
| 8 | Inclusion team & home Education | 690,980 | 1,135,759.82 | (7%) |
| 9 | Locality Support Project (incl. EY) | 515,085 | 846,641.77 | 17% |
| 10 | EY Inclusion & Intervention Team | 220,442 | 362,339.28 | (58%) |
| 11 | Personal Budget Payments | 257,869 | 423,857.05 | (14%) |
| 12 | SALT | (21,213) | (34,868.33) | (106%) |
| 13 | Education Occupational Therapy | 82,733 | 135,988.30 | (76%) |
| 14 | SEN Tribunals | 119,720 | 196,783.18 | (20%) |
| 15 | Delegated PRU | 1,513,630 | 2,487,943.72 | (100%) |
| 16 | Small Schools | 0 | 0.00 | 0% |
| 17 | Others | 0 | 0.00 | 0% |
| | **Total** | **84,046,478.46** | **138,146,669.00** | |
| | | | | |
| | 2026/27 Available Funds | | **93,164,659.00** | |
| | | | | |
| | 2026/27 Forecast Deficit | | **44,982,010.00** | |

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