DSG Budget Monitoring Q1

Report being considered by: Schools' Forum

Date of Meeting: 12th October 2026

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Item for: Discussion/Comment **By:** All Forum Members

1. Purpose of the Report

1.1 To provide an overview of the Dedicated Schools Grant (DSG) budget forecast reported for Quarter 1.

2. Recommendation

2.1 No decision to be made, no recommendation.

Is the Schools' Forum required to make a decision as part of this report or subsequent versions due to be considered later in the meeting cycle?	
Yes: ☐	No: ☒

3. Introduction and Background

3.1 The Q1 DSG forecast shows a deficit of £13.55m, resulting in a favourable variance of £2.63m against budget.

Gross Expenditure			
	2026/27 Budget £	**Current Quarter Forecast £**	**Variance to Budget £**
Schools Block	74.86	75.32	0.47
Central School Services Block	1.19	1.20	0.00
Early Years Block	32.05	32.81	0.76
High Needs Block	45.66	43.62	(2.04)
Other Grants	9.83	10.34	0.51
Dedicated Schools Grant	-	-	-
Total	**163.59**	**163.29**	**(0.30)**

Gross Income			
	2026/27 Budget £	Current Quarter Forecast £	Variance to Budget £
Schools Block	(0.01)	(0.30)	(0.29)
Central School Services Block	(0.03)	(0.11)	(0.09)
Early Years Block	-	(0.00)	(0.00)
High Needs Block	(0.06)	(0.08)	(0.02)
Other Grants	(9.83)	(10.34)	(0.51)
Dedicated Schools Grant	(137.48)	(138.91)	(1.42)
Total	**(147.40)**	**(149.74)**	**(2.33)**

Net			
	2026/27 Budget £	Current Quarter Forecast £	Variance to Budget £
Schools Block	74.85	75.03	0.18
Central School Services Block	1.17	1.09	(0.08)
Early Years Block	32.05	32.81	0.76
High Needs Block	45.60	43.54	(2.06)
Other Grants	-	-	-
Dedicated Schools Grant	(137.48)	(138.91)	(1.42)
Total	**16.18**	**13.55**	**(2.63)**

Key:( ) Surplus or Income

3.2 The Q1 DSG position is favourable compared with budget, however, the overall position still shows a significant deficit of £13.6m

3.3 Key variances include +£1.3m adverse on top-up funding driven by increased EHCP bandings and an estimated EHCP volume increase of 8%. The forecast top-up funding for mainstream schools is £15.8m and £8.6m for special schools and resource units.

3.4 Independent Non-Maintained Special School (INMSS) placements remain the most significant financial risk. Despite a favourable variance of -£2.7m compared to budget, this continues to be a significant area of expenditure with a total forecast of £11.3m. With ongoing uncertainty around provider fee increases there is risk of additional cost pressures during the remainder of the financial year.

3.5 The Early Years Block was forecast at a surplus of £0.8m. Early years expenditure is forecast with +£0.7m adverse variance to budget. However, this will be offset by an increase in the DSG income allocation.

3.6 However, since the Q1 forecast was completed the 2025/26 year-end income adjustment was confirmed by the Department for Education as a £0.2m reduction, rather than the £0.4m increase forecast by West Berkshire Council. This will reduce the 2026/27 Early Years Block position by £0.6m to a £0.1m surplus, with no financial impact on providers.

3.7 Support Service Recharges (SSRs) of £0.4m had been budgeted for 2026/27 but these have now been removed in line with DfE guidance on allowable cost apportionment. Going forward only specific, directly attributable costs relating to DSG management will be recharged, in accordance with the guidance.

4. Conclusion

4.1 The Q1 DSG forecast remains significantly in deficit at £13.5m, despite a favourable variance of £2.6m against budget. Increased top-up funding and the continuing cost and uncertainty of Independent Non-Maintained Special School placements remain the principal financial pressures, while the revised year-end income adjustment reduces the 2026/27 Early Years Block position to a £0.1m surplus. These areas will require continued monitoring throughout the remainder of the financial year.

5. Appendices

5.1 None