Report to the High Needs Block Working Group
Meeting to be held on Thursday 11 June 2026

Item 5

Schools Budget Outturn 2025/26

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Brief Summary

This report provides details of the 2025/26 Schools Budget final financial outturn position, in relation to each funding block.

Recommendation

The Forum is asked to:

a) Note the report and the 2025/26 Schools Budget final financial outturn position.
b) Express any views in relation to each funding block outturn position for 2025/26.

Detail

This report provides information on the Schools Budget outturn position for 2025/26 **The Overall Schools Budget outturn position for 2025/26 shows an overspend of £79.20m, with a total DSG deficit at March 2026 of £101.60m**. A summary is provided below, and further details are provided below in connection with each funding block.

DSG Outturn 2025/26			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
High Needs Block	206.04	286.95	80.91
Early Years Block	211.99	210.35	-1.64
Schools Block	1051.78	1051.43	-0.35
Central School Services Block	8.63	8.66	0.03
Early Years Block DSG Adj 2024/25	0.00	0.25	0.25
Total	1478.44	1557.64	79.20

High Needs Block

High Needs Block 2025/26			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
Mainstream Schools	40.53	66.14	25.60
Special Schools	94.62	97.70	3.08
Alternative Provision	14.43	15.00	0.57
Further Education - Post 16	5.80	9.11	3.31
Early Years	0.50	1.59	1.09
Exclusions	-1.50	-1.62	-0.12
Commissioned Services	54.46	99.03	44.57
Total Expenditure	208.85	286.95	78.10
Total Grant	-208.85	-206.04	2.82
Total Variance	0.00	80.91	80.91

The outturn position for the 2025/26 High Needs Block (HNB) shows an **£80.91m overspend**. Further information is provided below and the significant variances and the HNB detailed monitoring can be found in Appendix A.

<u>Mainstream Schools</u>
Actual costs on mainstream schools represented a circa 65% growth in expenditure compared to the budget. As members will be aware, there has been significant investment within the SEND service to clear the backlog of EHCPs, with the numbers of EHCPs substantially increasing. As such a significant overspend has been forecast throughout the year. It is anticipated that EHCP numbers will continue to increase in 2026/27, with further additional cost to the HNB as the backlog continues to be cleared.

<u>Commissioned Services</u>
The commissioned services expenditure ended the year with an overspend of over £44.57m. A more detailed breakdown of the HNB expenditure against the agreed budget lines is provided at Appendix A, however the main reason for the overspend is due to increasing placements in the independent non maintained special school (INMSS) sector of which a circa £43m overspend occurred. As mentioned within the mainstream school heading a significant overspend has been forecast throughout the year due to the clearance of the EHCP backlog. It is anticipated that EHCP numbers will continue to increase in 2026/27, with further additional cost to the HNB as the backlog continues to be cleared.

<u>Total Grant</u>
Academy conversions in the special and alternative provision sectors resulted in a reduction in DSG of circa £2.82m. Please note however that this will be offset with reduced place funding expenditure within the special and alternative provision lines.

Early Years Block (EYB)

Early Years Block 2025/26			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
Under 2 Year Olds	57.34	62.61	5.27
2 Year Olds	51.33	54.48	3.15
3 to 4 Year Olds	87.10	88.11	1.01
Early Years Disability Access Fund	0.97	0.39	-0.58
Early Years Pupil Premium Grant	3.16	2.07	-1.09
Early Years SEND Inclusion Fund	1.65	2.70	1.05
Total Expenditure	201.55	210.35	8.80
Total Grant	-201.55	-211.99	-10.44
Total Variance	0.00	-1.64	-1.64

The Early Years Block outturn position for 2025/26 indicates a circa £1.64m underspend. Further information on the significant variances is provided below:

Under 2-Year-Olds
Early Years Block expenditure relating to under 2-year-olds overspent by £5.27m, however please note additional grant income of £5.9m was received to offset the additional expenditure.

2-Year-Olds
Early Years Block expenditure relating to 2-year-olds overspent by £3.15m, however an increase in grant income of £3.8m was received to offset the additional expenditure.

Overall Variance
In summary, the EYB ended the 2025/26 financial year with a £1.64m underspend. Due to the extended entitlements within Under 2-year-olds and 2-year-olds, the DfE are funding LAs on a termly basis, ensuring that take up is funded appropriately.

Please note however that the adjustment for the spring term will be processed by the DfE in July 2026. Based on the PTE data the Council are expecting a negative adjustment to partially offset the year end underspend.

Schools Block

Schools Block 2025/26			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
Maintained Schools	703.88	686.26	-17.62
Academy Recoupment	342.58	358.93	16.35
Academy Recoupment NNDR (Rates)	1.55	2.09	0.53
Growth	1.50	2.02	0.52

De-Delegations	2.27	2.13	-0.14
Total Expenditure	1051.78	1051.43	-0.35
Total Grant	-1051.78	-1051.78	0.00
Total Variance	0.00	-0.35	-0.35

Within the schools block, academy recoupment increased during the year, which is balanced out by the underspend within the maintained sector. There was also an overspend in the growth fund, however overall schools block remained largely in line with the agreed budget.

Central Schools Services Block (CSSB)

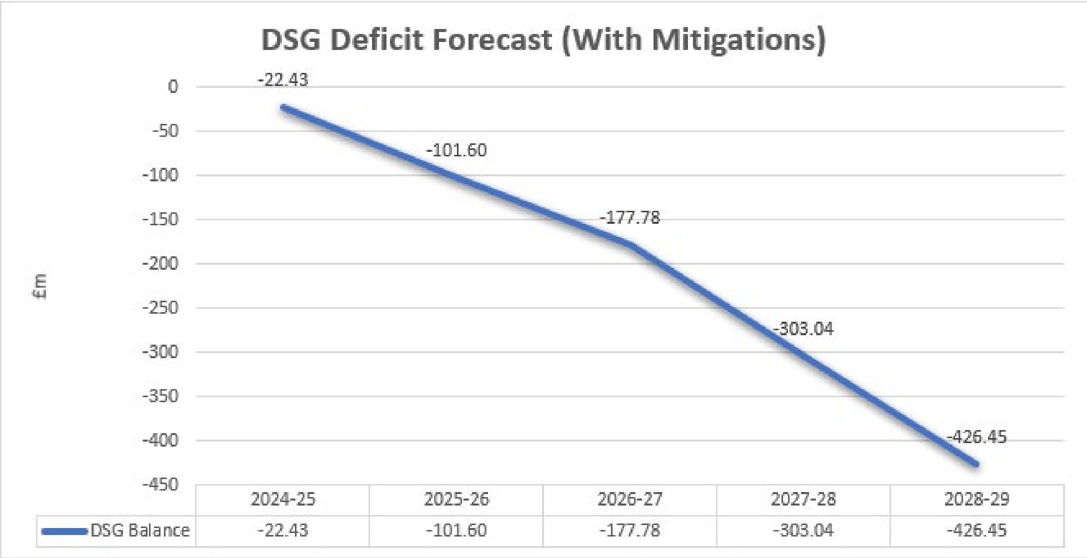
Central Schools Services Block 2025/26			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
Education Service Grant Retained Duties	2.59	2.59	0.00
Overheads	0.88	0.88	0.00
Copyright Licence	1.21	1.31	0.10
School Forum	0.19	0.19	0.00
Pupil Access (Admissions)	0.87	0.87	0.00
Rates appeals	-0.11	0.05	0.16
Private Finance Initiatives	3.01	2.78	-0.24
Total Expenditure	8.63	8.66	0.03
Total Grant	-8.63	-8.63	0.00
Total Variance	0.00	0.03	0.03

The Central Schools Services Block (CSSB) remained largely in line with the budget estimate. A saving occurred within the PFI line due to a realignment of costs to the DSG, with schools and LCC services charged as appropriate. The saving generated within this line has been partially offset with increased costs within the copyright licence and rates rebates lines as forecasted throughout the financial year.

Early Years DSG adjustment 2024/25

This variance relates to the final early years 2024/25 DSG adjustment. As per DfE guidance the final adjustment for the previous financial year is adjusted in July of the following financial year, which totals circa £0.25m.

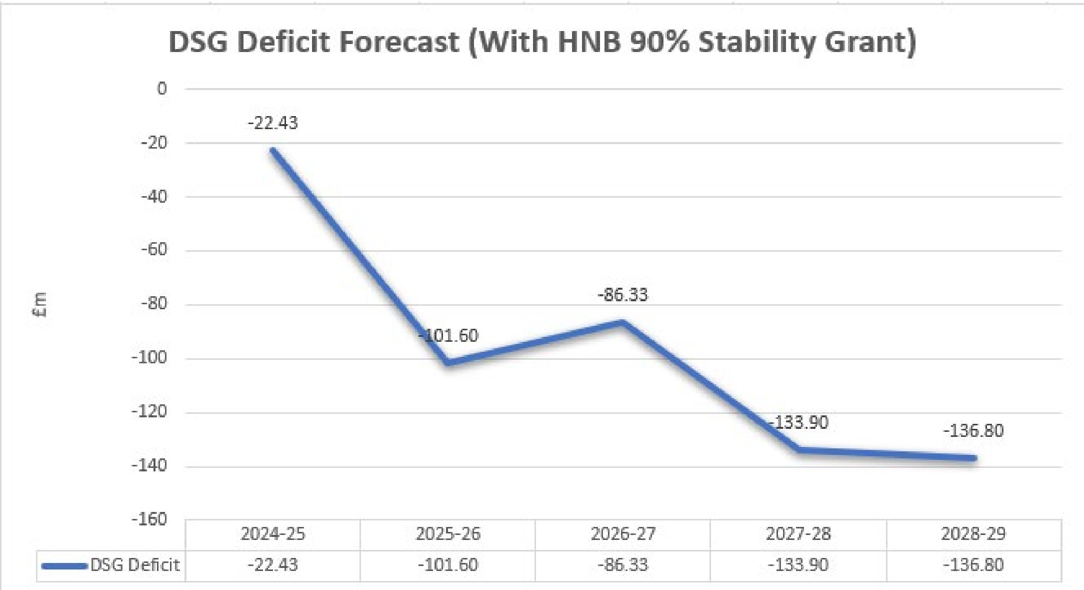
DSG Deficit Forecast



Due to continuing pressures on the High Needs Block, Lancashire has ended the 2025/26 financial year with an overall DSG deficit reserve position of £101.60m.

The graph above shows the mitigated financial forecast, showing the forecast impact of the HNB mitigations. If current trends continue, the deficit is forecasted to increase to £426.45m by March 2029. The above graph however does not include the anticipated 90% HNB stability grant.

DSG Deficit Forecast (With HNB Stability Grant)



The above graph shows the impact of receiving the government's HNB stability grant and is based on 90% of the previous financial years total DSG deficit. Whilst this shows a much-improved financial position, the forecast still shows a forecast deficit position due to the in-year deficit's forecast within the HNB in the future years.