

DSG FINANCIAL MONITORING REPORT PERIOD 7 2025/26

Purpose of the Report

1. The purpose of this report is to provide the Early Years & Schools Forum (the Forum) with a summary of the Dedicated Schools Grant's (DSG) financial position for the current financial year.

Information and Advice

2. The DSG is a ring-fenced grant that is paid to Local Authorities specifically to be used in support of the schools budget. For 2025/26 NCC's total DSG is £969.233m.
3. At period 7 the DSG is forecasting an overspend of £36.947m.
4. A summary of the 2025/26 DSG is set out in the table below.

Funding Block	Budget £m	Forecast Expenditure £m	Forecast Variance OS/(US) £m
Schools	705.750	705.750	0.000
High Needs	130.233	167.481	37.248
Early Years	127.331	127.030	(0.301)
Central Services	5.919	5.919	0.000
Total	969.233	1,006.180	36.947

5. High Needs Block (HNB) £37.248m Overspend

6. The pressure on the high needs block is primarily attributable to continuing increases in the numbers of pupils with EHCPs across mainstream schools, special schools, post-16 provisions and independent specialist provisions. Due to the significant rise in the number of children with EHCPs and increasing complexity of need, it has not been possible to accommodate all pupils with an EHCP in a maintained school or academy placement, despite new places being created in year. This has necessitated an increased the use of Independent and Non-maintained Special Schools
7. The number of pupils funded in 2025/26 within special schools and academies is 1,356, an increase of 77 from January 2024 Moderation numbers. There is one new special school due

to open in January 2026 (Horizons) which will be able to educate 144 pupils. The 2025/26 budget also includes an allocation to fund a further 85 pupils, to be placed in-year, within existing special schools and academies.

8. **Independent Specialist Provision (EHC Plan)** expenditure in 2024/25 was £37.157m against a budget of £26.661m, resulting in a £10.496m overspend. With a forecast expenditure of £57.643m against a budget of £28.193m the forecast overspend for 2025/26 is £29.450m.
9. As of October 2025, there are a total of 669 children (645 last month) in independent non maintained (INM) settings, which is an increase of 64 pupils since April 2025. The average cost of an INM placement is £63,630 per annum (£62,796 per annum at September 2025). There are currently 67 children in placements with an annual cost greater than £100k.
10. AP Placements for children with EHCPs have increased from 330 at July 2024 to 553 presently. The average cost of an AP placement is £12,876 per annum.
11. The **Post 16 Budget** is forecast to overspend by £4.462m, an increase of £0.363m from last period, with total expenditure of £12.352m based on current numbers on roll only. As of October 2025 there are 496 active placements. Some specialist and mainstream colleges will not yet have submitted their full provision data until Autumn 2025.
12. Mitigation work will have an effect on future years expenditure, and it is expected that this will start to reduce costs from the 2026/27 academic year.
13. The forecast is based on current roll numbers within INM, AP and Post 16 and has been corroborated by the historic expenditure trend, which has been driven by increasing EHCP volumes.
14. **Independent Specialist Provision (Non EHC Plan)** budget is forecast to overspend by £2.035m as a result of a continued high number of exclusions in schools and academies. Budget of £2.680m has been transferred from primary and secondary partnership's allocation to EOTAS as a result of retained partnership budget from schools to contribute towards the costs of alternative provision.
15. A DfE update of the 'Import/Export Adjustment' factor of the High Needs Block has seen Nottinghamshire's High Needs Block reduce by £0.501 million.

Table 1 - High Needs Block Budget Monitoring Summary - Period 07 2025/26

Service	Budget Allocation 2025/26	Forecast Expenditure 2025/26	Variance 2025/26
	£000	£000	£000
Special School Budgets (Including Academy place funding paid directly by ESFA)	42,244	42,515	271
Special School Equipment & Therapies	1,350	1,448	98
SEND Improvement	299	249	(50)
Place Funding for AP, CCP and FE providers (AP Recoupment & FE Recoupment)	1,554	1,554	-
Mainstream Enhanced Provision	1,496	1,496	-
Inclusion Services	5,021	5,292	271
Devolved Partnership Funding	4,369	4,369	-
Partnership Team	1,753	1,687	(65)
SEN Home to School Transport	1,764	1,764	-
Post 16 High Needs (outside of special schools and academies)	7,890	12,352	4,462
Independent Specialist Provision (EHC Plan)	28,193	57,643	29,450
Independent Specialist Provision (Non EHC Plan)	7,524	9,559	2,035
Targetted High Level Needs (HLN)	8,623	8,623	-
Additional family needs (AFN)	14,012	14,182	170
Family Network Funding (FNF)	1,564	1,564	-
Health Related Education Team (HRET)	1,411	1,446	35
Physical Disability Specialist Service (PDSS)	487	477	(10)
SEND Divisional Costs	1,181	1,261	80
Import/ Export Adjustment	(501)	-	501
Total	130,233	167,481	37,248

16. Early Years Block – £0.301m Underspend

For 2025/26 funding local authorities will receive for universal and additional 3 & 4 year olds and 2 year olds of families receiving additional support will continue to be calculated using the existing methodology, PTE numbers based on January census data taking 5/12ths of the January 2025 census and 7/12ths of the January 2026 census. The funding mechanism for 2 year old and under children of working parents continues to be different and will be based on termly headcounts in the summer 2025 and autumn 2025 terms, and the January 2026 census.

Appendix A provides a full breakdown of the Early Years Block, which contains the following variances.

- £0.201m net underspend across all age group entitlements. It is estimated that pupil numbers on the January census and termly headcounts will be higher than the annual average uptake, which will benefit Nottinghamshire resulting in more funding being received than being paid out. It is forecast that the LA will receive funding for 30,444 PTE and the estimated uptake is 30,058 PTE.
- £0.150m underspend on Disability Access Fund (DAF). The LA receives funding for all eligible children, regardless of uptake. However, payments are made to the sector only for the children taking up the entitlement. It is forecast that not all children will take up the entitlement resulting in an underspend.
- £0.050m net overspend on remaining allocations including Early Years Pupil Premium (EYPP) and Deprivation.

From 1st September 2025 the entitlement of 9 month olds and older children of working parents has been extended to 30 hours. The expansion of working parent entitlements, having different approaches to calculating entitlement allocations and funding allocations being determined by future counts adds complexity to forecasting and thus is subject to change.

17. Non ISB Reserve

The impact of the 2025/26 DSG Forecast on the Schools Non-ISB Reserve is as follows:

Non ISB Reserve	Total £m
Balance brought forward 01.04.2025	1.152
Early Years Block 2024/25 Final Allocation Adjustment	0.845
Dedelegated Trade Union Facilities	(0.283)
Small Grants c/f	(0.051)
Forecast Schools Block 2025/26	-
Forecast High Needs Block Overspend 2025/26	(37.248)
Forecast Early Years Block Underspend 2025/26	0.301
Forecast CSSB 2025/26	-
Balance carried forward 31.03.2026 surplus/(deficit)	(35.284)

18. National Picture Non ISB Reserve

The County Council Network's recent research contained in Isos Partnership's recent report on SEND (link in related articles) highlighted key statistics including:

- Costs are being driven by a dramatic rise in Education, Health and Care Plans (EHCPs) over the last decade. They reached an all-time high of 638,000 this year, and the number of young people in receipt of them are on course to reach almost 840,000 by the end of

this Parliament – up by 32% in just four years. This is a level of demand the present SEND system was never designed for.

- This surge has driven councils to increasingly rely on expensive private school places, which have risen 165% since 2015 and the total number of 34,000 pupils is almost one in five special school placements. With the yearly average cost of these independent and non-maintained private school placements set to reach £72,000 per pupil compared to £10,000 in a mainstream school by 2029, councils are on course to be spending £3.2bn a year on private school placements for young people with EHCPs.
- In March 2025, the debt accrued by councils for SEND services – money that has already been spent but is being kept off budget books via the ‘statutory override’ – stood at £4bn. With SEND costs rising 23% over the last twelve months, and with demand showing no sign of abating councils have reached a tipping point: these deficits are projected to grow to a total and cumulative deficit of £17.8bn by 2029. To put this in perspective, that would be an unfunded debt of nearly £1,000 pounds for every child and young person in England – or more than what councils across the country spent on children’s social care last year.

19. Statutory Override

Since 2020, the government has allowed local authorities to exclude DSG deficits from their main revenue budgets. This accounting treatment (‘the statutory override’) means local authorities do not breach their statutory duty to set a balanced budget. However, while in DSG deficits, LAs will need to hold and use reserves in order to maintain a positive balance sheet and will also be required to manage cash flow and likely borrow funds to cover expenditure, thus incurring interest.

Central Government has committed to reviewing the SEND system and is considering what should happen to councils’ deficits and the statutory override, as part of that. It intends to publish the results of the review later in the year.

In June 2025 Central Government announced a temporary extension of the Statutory Override facility from 31st March 2026 to 31st March 2028.

RECOMMENDATION

That the Early years and Schools Forum:

- 1) Note the contents of this report.

Steven Hawkins & Jason Gooch
Finance Business Partners – Children & Families
Chief Executive’s Department
T: 0115 804 2445
E: steven.hawkins2@nottsc.gov.uk / jason.gooch@nottsc.gov

Related Links

[Councils warn SEND system faces total collapse without major reform to services - County Councils Network](#)