

## **DSG FINANCIAL MONITORING REPORT PERIOD 4 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 4 the DSG is forecasting an overspend of £31.320m.
4. A summary of the 2025/26 DSG is set out in the table below.

<b>Funding Block</b>	<b>Budget £m</b>	<b>Forecast Expenditure £m</b>	<b>Forecast Variance OS/(US) £m</b>
Schools	705.75	705.75	0
High Needs	130.233	161.854	31.621
Early Years	127.331	127.030	(0.301)
Central Services	5.919	5.919	0
<b>Total</b>	<b>969.233</b>	<b>1000.553</b>	<b>31.320</b>

### **5. High Needs Block (HNB) £31.621m Overspend**

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 use of Independent and Non-maintained Special Schools

The number of pupils funded in 2025/26 within special schools and academies is 1,370, an increase of 86 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.

The Special Schools Budget is overspending by £271k as a result of a forecast net expenditure on Nottinghamshire pupils in Other Local Authorities' (OLA) special schools and academies.

**External specialist education placements (EHCP and LAC)** expenditure in 2024-25 was £37m against a budget of £27m, resulting in a £10m overspend. With a forecast expenditure of £55m against a budget of £28m the forecast overspend for 2025/26 is currently drafted as almost £27m. There has been an increase of 63 placements for children in independent non maintained settings from April to July with pupil placements in these settings totalling 668 as at July. The top five high cost placements range from £138k to £290k per year. There were 16 new requests in July 2025, for an independent non-maintained placement. The average cost of a placement, as at August 2025, is £62,796.

The Post 16 placements (outside of special schools and academies) budget is forecasting an overspend of £2.4 million. Pupil numbers as at end of Summer Term 2025 were 682. Any growth from the September 2025 intake is not known at this time.

These forecasts are based on current roll numbers within INM, AP and Post 16 and have been corroborated by the historic expenditure trend, which has been driven by increasing EHCP volumes. Potential growth has been excluded at this stage, assuming that the investment in other services eases the demand on this provision.

The 'Independent Specialist Provision (Non EHC Plan)' also known as Education Other Than at School- EOTAS, budget is looking to overspend by approx. £2m as a result of high numbers of exclusions. The total number of students currently funded from this budget are 935 as at July 2025. Of these, 445 students are without an EHC plan & 490 with an EHC plan. In period 4 a budget virement of £2.7m was transferred from Primary & Secondary Partnership allocation to EOTAS as a result of retained Partnership budget from schools.

**Table 1 - High Needs Block Budget Monitoring Summary - Period 04 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	1,433	83
SEND Improvement	299	302	3
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	5,108	87
Devolved Partnership Funding	4,369	3,561	(808)
Partnership Team	1,753	1,606	(146)
SEN Home to School Transport	1,764	1,764	-
Post 16 High Needs (outside of special schools and academies)	7,890	10,260	2,370
Independent Specialist Provision (EHC Plan)	28,193	55,088	26,895
Independent Specialist Provision (Non EHC Plan)	7,524	9,524	2,000
Targetted High Level Needs (HLN)	8,623	8,619	(4)
Additional family needs (AFN)	14,012	14,178	166
Family Network Funding (FNF)	1,564	1,564	-
Health Related Education Team (HRET)	1,411	1,498	87
Physical Disability Specialist Service (PDSS)	487	526	38
SEND Divisional Costs	1,181	1,261	80
Import/ Export Adjustment	(501)	-	501
<b>Total</b>	<b>130,233</b>	<b>161,854</b>	<b>31,621</b>

## 6. Early Years Block – £0.301m Underspend as at Pd 4

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 1<sup>st</sup> 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.

## 7. Non ISB Reserve

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

<b>Non ISB Reserve</b>	<b>Total £m</b>
<b>Balance brought forward 01.04.2025</b>	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	(31.621)
Forecast Early Years Block Underspend 2025/26	0.301
Forecast CSSB 2025/26	-
<b>Balance carried forward 31.03.2026 surplus/(deficit)</b>	<b>(29.657)</b>

## 8. Early Years Block 2024/25 Final Allocation Adjustment

The final Early Years block allocation for financial year 2024/25 was confirmed by the DfE at the end of the summer 2025. The final confirmed allocation is £94.014m, which is £0.845m greater than previously calculated and reported to Forum in June 2025.

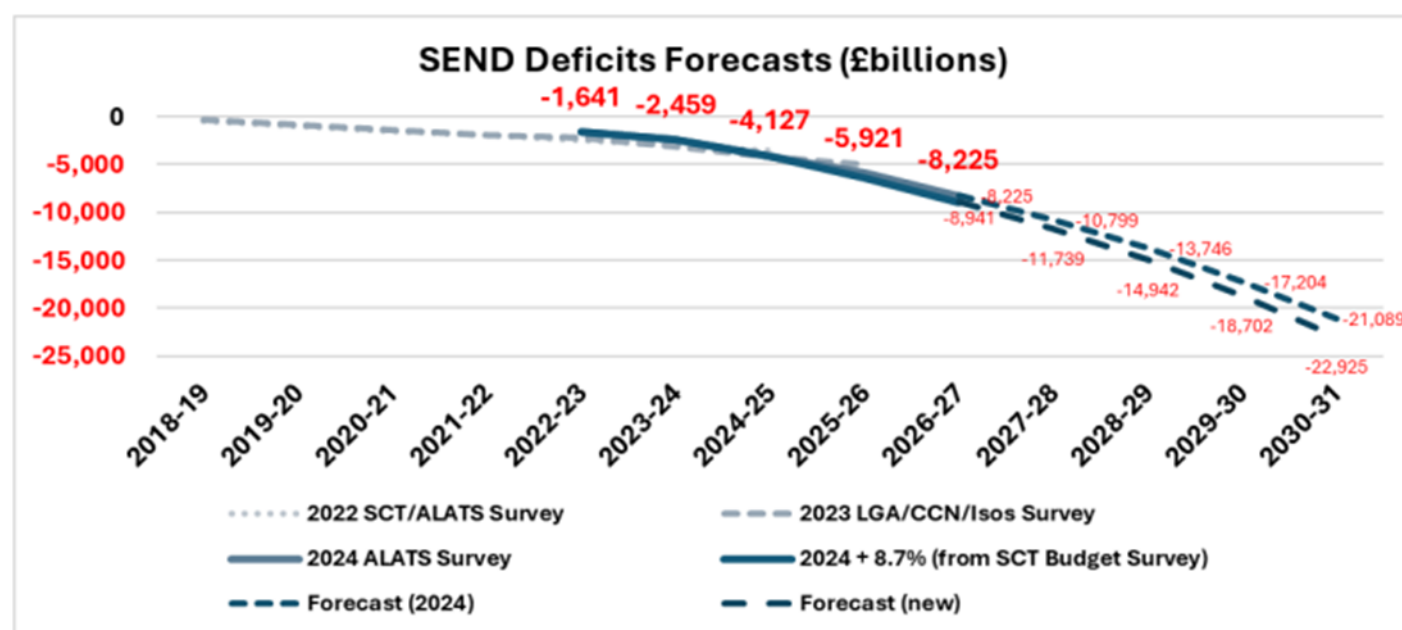
To provide funding for the new Working Parent entitlements that commenced in 2024/25 the DfE split the terms into 12 weeks summer 2024, 14 weeks autumn 2024 and 12 weeks spring 2025. Whilst maintaining an annual total of 38 weeks of funding, the distribution of weeks per term differ

to Nottinghamshire's delivery of provision which pays providers for 13 weeks in the summer term, 14 in autumn and 11 weeks in spring.

The Under 2's entitlement started in September 2024. As funding has been provided by the DfE for 12 weeks of spring 2025 but there has only been 11 weeks of service delivery it has resulted in Nottinghamshire receiving 26 weeks of funding for the Under 2's entitlement and is the main reason for the increased final Early Years block allocation.

## 9. National Picture Non ISB Reserve

A 2024 survey carried out by the Association of Local Authority Treasurers projected that nationwide SEND deficits could total £5.9 billion by March 2026 and rise to £8.2 billion by March 2027. The Society of County Treasurers have mapped a trajectory of an 8.7% increase on previously forecast deficits (based on its own 2025 survey) on the graph below:



## 10. 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 31<sup>st</sup> March 2026 to 31<sup>st</sup> March 2028.

## RECOMMENDATION

**That the Early years and Schools Forum:**

- 1) Note the contents of this report.

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