Nottinghamshire County Council

Early Years & Schools Forum

17 September 2026

Agenda Item 3d

DSG FINANCIAL MONITORING REPORT PERIOD 4 2026/27

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 2026/27 NCC's total DSG is £1,030.247m.

3. At period 4 the DSG is forecasting an overspend of £68.820m.

4. A summary of the 2026/27 DSG is set out in the table below.

Funding Block	Allocation £m	Forecast Expenditure £m	Variance £m
Schools	729.756	729.756	-
High Needs	138.911	207.731	68.820
Early Years	153.721	153.721	-
Central Services	7.859	7.859	-
Total	**1,030.247**	**1,099.067**	**68.820**

5. **High Needs Block £68.820m Overspend**

Table 1 - High Needs Block Budget Monitoring Summary - Period 04 2026/27

Service	Budget Allocation 2026/27	Forecast 2026/27	Variance 2026/27
	£000	£000	£000
Special School Budgets (Including Academy place funding paid directly by ESFA)	51,314	51,314	-
Special School Equipment	850	850	-
SEND Improvement	329	338	8
Place Funding for AP, CCP and FE providers (AP Recoupment & FE Recoupment)	1,673	1,673	-
Mainstream Enhanced Provision	1,912	1,912	-
Inclusion Services	5,893	6,158	265
Devolved Partnership Funding	4,153	4,153	-
Partnership Team	1,941	2,024	83
SEN Home to School Transport	1,764	1,764	-
Post 16 High Needs (outside of special schools and academies)	7,890	15,839	7,949
Independent Specialist Provision (EHC Plan)	22,368	74,998	52,630
Independent Specialist Provision (Non EHC Plan)	7,739	11,570	3,831
Targeted High Level Needs (HLN)	12,081	16,152	4,071
Additional family needs (AFN)	14,845	14,845	-
Family Network Funding (FNF)	1,573	1,573	-
Health Related Education Team (HRET)	1,543	1,579	36
Physical Disability Specialist Service (PDSS)	668	614	(54)
SEND Divisional Costs	374	374	-
Total	**138,911**	**207,731**	**68,820**

In 2025/26 Nottinghamshire County Council finished the year with a High Needs block overspend of £42.237m. For 2026 to 2027 DfE suspended the high needs national funding formula, which in previous years had been used to calculate local authorities' high needs allocations. Instead, allocations are based on 2025 to 2026 funding. A 0.5% transfer (£3.667m) from the Schools block to the High Needs block has been applied in 2026/27 and is reflected in the budget allocation shown in table 1.

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.

The number of pupils funded in 2026/27 within special schools and academies is 1,593 (January 2026 moderation). This includes Horizons that opened in January 2026 with the school being funded to educate 144 pupils.

Independent Specialist Provision (EHC Plan) is forecast to overspend by £52.6m with expenditure of £74.9m against a budget of £22.4m. This is a vast increase in expenditure compared to 2025/26 when expenditure was £58.2m against a budget of £28.7m, resulting in a

£29.5m overspend. **Table 2** details quarterly EHCP specialist provision & post 16 placement numbers.

The **Post 16 Budget** is forecast to overspend by £7.9m, with total expenditure of £15.8m against a budget of £7.9m. The forecast will be refined when specialist and mainstream colleges have submitted their full provision data in September.

Independent Specialist Provision (Non EHC Plan) also known as Education Other Than at School (EOTAS) is forecast to overspend by £3.8m. It is forecast that demand for EOTAS provision in 2026/27 will be 10% greater than in 2025/26 resulting in an overspend. In 2025/26 there were 583 EOTAS placements with permanent exclusions (455) the main reason such a placement was required. There are currently 462 EOTAS placements, 355 as a result of permanent exclusions.

Targeted High Level Needs (HLN) is forecast to overspend by £4.1m. The HLN budget was increased by £3.5m for 2026/27 but continued growth in demand for HLN support is anticipated and is the main driver behind the forecast overspend.

Total HLN expenditure in 2025/26 was £12.3m to support 1,227 children. This was an increase of 44% on the previous financial year. The 2026/27 forecast is based on providing £16.2m HLN funding to 1,462 children. This represents a 32% increase in HLN funding provided to mainstream schools. At period 4 there are 960 pupils receiving HLN support and there is a risk that growth in demand for HLN could exceed the forecast, which would result in a larger overspend.

Table 2 - EHCP Specialist Provision & Post 16 Placements 2024/25 to 2026/27

	2024/25				2025/26				2026/27	Change Q1 2025/26 to Q1 2026/27	
Numbers on Roll	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Numbers	%
Independent Non Maintained	439	525	562	619	655	645	706	726	816	161	25%
Alternative Provision	330	373	443	538	557	534	567	615	905	348	62%
Therapies	132	150	175	188	212	222	226	354	362	150	71%
Direct Payments	38	45	58	68	53	49	34	83	107	54	102%
Total EHCP	**939**	**1,093**	**1,238**	**1,413**	**1,477**	**1,450**	**1,533**	**1,778**	**2,190**	**713**	48%
Post 16 High Needs	631	671	969	1,037	681	711	1,052	1,068	826	145	21%
Grand Total	**1,570**	**1,764**	**2,207**	**2,450**	**2,158**	**2,161**	**2,585**	**2,846**	**3,016**	**858**	40%

6. Early Years Block – Net Nil Forecast

The way local authorities receive funding through the Early Years block has changed for 2026/27. Funding allocations for all entitlements will be calculated using the weighted average of termly census counts, with data being collected in Summer 2026, Autumn 2026 and Spring 2027. This is a different approach to how allocations for universal and additional 3 & 4 year olds and 2 year olds of families receiving additional support have been derived in previous years.

Changing from an annual to a termly census will result in a lower number of funded hours being reported across the year, resulting in the local authority receiving less funding. However, Nottinghamshire County Council will still need to fund the same number of hours locally. The DfE have recognised this impact and, to compensate, increased the 3 & 4 year old funding rate by £0.19 referred to as the 'termly adjustment'.

For 2026/27 Nottinghamshire County Council have set a contingency fund of £1.1m to fund providers for places taken after termly census dates, as per the intention of the termly adjustment, as the local authority will not receive any funding for such places.

At period 4 the Early Years block is forecast to be net nil as total PTEs the authority will receive funding for is aligned to the estimated uptake. For the summer term it was anticipated that places equivalent to 110 PTEs would be taken after the summer census with actual uptake being 91.87 PTEs. **Table 3** provides an overview of expected and actual places taken after each termly census.

Table 3 – Termly PTE uptake post census date

Entitlement Age	Contingency Funding								Actual Uptake after Census Count							
	Summer 2026 PTE	Autumn 2026 PTE	Spring 2027 PTE	2026/27 Total	Summer 2026 £	Autumn 2026 £	Spring 2027 £	2026/27 Total	Summer 2026 PTE	Autumn 2026 PTE	Spring 2027 PTE	2026/27 Total	Summer 2026 £	Autumn 2026 £	Spring 2027 £	2026/27 Total
3&4 Year Olds	22	121	72	**215**	£25,783	£152,714	£70,903	**£249,400**	11	0	0	**11**	£12,329	£0	£0	**£12,329**
2Year Olds	46	130	88	**264**	£71,760	£218,400	£116,160	**£406,320**	32	0	0	**32**	£49,140	£0	£0	**£49,140**
Under 2s	42	109	76	**227**	£87,224	£243,779	£132,672	**£463,674**	50	0	0	**50**	£103,526	£0	£0	**£103,526**
	110.00	**360.00**	**235.00**	**705.00**	**£184,766**	**£614,893**	**£319,735**	**£1,119,394**	**91.87**	**0.00**	**0.00**	**91.87**	**£164,995**	**£0**	**£0**	**£164,995**

7. Non ISB Reserve and High Needs Stability Grant

NCC ended 2025/26 with a deficit of £39.8 million in its unusable Non ISB Reserve.

NCC officers have completed the High Needs Reform Plan and this was submitted to the DfE in June 2026. If approved by DfE, relief of 90% of the non ISB reserve deficit at 31.03.2026 would be made available to local authorities. For NCC this grant would be worth up to £35.823 million.

Central Government have not yet announced its intention for the treatment of the 2026/27 overspend.

8. 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.

Jason Gooch
Finance Business Partners – Children & Families
Chief Executive's Department
T: 0115 804 2445
E: Jason.gooch@nottscc.gov.uk