



**DSG FINANCIAL MONITORING REPORT PERIOD 9 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 9 the DSG is forecasting an overspend of £37.667m.
4. A summary of the 2025/26 DSG is set out in the table below.

<b>Funding Block</b>	<b>Budget</b>	<b>Forecast Expenditure</b>	<b>Forecast Variance OS/(US)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools	705.750	705.750	0.000
High Needs	130.233	168.386	38.153
Early Years	130.284*	129.798	(0.486)
Central Services	5.919	5.919	0.000
<b>Total</b>	<b>972.186</b>	<b>1,009.853</b>	<b>37.667</b>

\*This figure represents the anticipated final Early Years block allocation which differs from the latest published DSG allocations.

**5. High Needs Block (HNB) £38.153m 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 opened 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 £56.320m against a budget of £28.193m the forecast overspend for 2025/26 is £28.127m.
9. Alternative Provision Placements for children with EHCPs have increased from 330 at July 2024 to 537 in November 2025. The average cost of an AP placement is £12, 876 per annum.
10. There is currently a total of 684 children in independent non maintained (INM) settings, which is an increase of 79 pupils since April 2025. The average cost of an INM placement is £63,630 per year. The top five high-cost placements range from £147,129 to £289,953 per year.
11. The **Post 16 Budget** is forecast to overspend by £4.852m, with total expenditure of £12.742m based on current numbers on roll only. At present there are 496 active placements. Most specialist and mainstream colleges have now submitted their schedules with only a small number yet to be received.
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. Potential growth has been excluded at this stage, assuming that the investment in other services eases the demand on this provision.
14. **Independent Specialist Provision (Non EHC Plan)** also known as Education Other Than at School (EOTAS) 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. **Targeted High Level Needs (HLN)** is forecast to overspend by £2.300m. The forecast is based on known children receiving HLN support and thus doesn't include any growth. There are currently 973 pupils receiving HLN funding.
16. HLN provision has seen a 30% increase in demand over the last two years, which aligns with continued growth in requests for new EHCP assessments. The number of children receiving HLN support per term is 814 Summer term 2025 and 713 Autumn term 2025. This is an average increase of 33% from last year where pupils receiving HLN support in Summer 2024 and Autumn 2024 were 618 and 532 respectively. Net spend on HLN last financial year was £9.003m.
17. **Mainstream Enhanced Provision** is forecasting a £0.162m underspend. The budget represents funding for nine existing enhanced provision units plus three additional units that

were initially scheduled to open in September 2025. It is now expected that two of the new units will open in January 2026 with the third operational from April 2026. The forecast has been updated to reflect the change.

18.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 09 2025/26**

Service	Budget Allocation 2025/26	Forecast Expenditure 2025/26	Variance 2025/26	Previous Variance	Change in Variance
	£000	£000	£000	£000	£000
Special School Budgets (Including Academy place funding paid directly by ESFA)	42,144	42,115	(29)	271	(300)
Special School Equipment & Therapies	1,350	1,498	148	98	50
SEND Improvement	299	253	(46)	(50)	4
Place Funding for AP, CCP and FE providers (AP Recoupment & FE Recoupment)	1,390	1,554	164	-	164
Mainstream Enhanced Provision	1,496	1,334	(162)	-	(162)
Inclusion Services	5,221	5,324	102	271	(169)
Devolved Partnership Funding	4,404	4,365	(39)	-	(39)
Partnership Team	1,753	1,683	(70)	(65)	(5)
SEN Home to School Transport	1,764	1,764	-	-	-
Post 16 High Needs (outside of special schools and academies)	7,890	12,742	4,852	4,462	390
Independent Specialist Provision (EHC Plan)	28,193	56,320	28,127	29,450	(1,323)
Independent Specialist Provision (Non EHC Plan)	7,489	9,524	2,035	2,035	-
Targeted High Level Needs (HLN)	8,623	10,922	2,300	-	2,300
Additional family needs (AFN)	14,012	14,182	170	170	-
Family Network Funding (FNF)	1,564	1,564	-	-	-
Health Related Education Team (HRET)	1,411	1,430	20	35	(15)
Physical Disability Specialist Service (PDSS)	551	551	-	(10)	10
SEND Divisional Costs	1,181	1,261	80	80	-
Import/ Export Adjustment	(501)	-	501	501	-
<b>Total</b>	<b>130,233</b>	<b>168,386</b>	<b>38,153</b>	<b>37,248</b>	<b>905</b>

**19. Early Years Block – £0.486m 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.

- £0.138m 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 30,862 PTE and the estimated uptake is 30,490 PTE.
- £0.300m 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. DAF funding will be received for 618 PTE with an anticipated annual uptake average of 248 PTE.
- £0.048m net underspend on remaining allocations including a marginal underspend with 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.

## 20. 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	(38.153)
Forecast Early Years Block Underspend 2025/26	0.486
Forecast CSSB 2025/26	-
<b>Balance carried forward 31.03.2026 surplus/(deficit)</b>	<b>(36.004)</b>

## **21. 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.

## **22. 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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**Related Links**

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