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Department for Levelling Up, Housing and  
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Dear Nico,

### **Bournemouth, Christchurch, and Poole Council – Previous potential s114 Issue - Update**

We are writing to update you on our previous correspondence and the conversations we have had with your team regarding the forecast position on the High Needs Block of the Dedicated Schools Grant (DSG), funded by DfE. This continues to cause significant concerns for the council and remains an existential threat to our future financial sustainability.

To confirm, the annual in-year BCP Council deficit on the High Needs Block of the DSG is as follows.

- 2023/24            £27.7m            Actual expenditure in excess of a £59.2 DSG grant
- 2024/25            £49.9m            Actual expenditure in excess of a £62m DSG grant
- 2025/26            £57.5m            Budgeted expenditure in excess of a £65.7m DSG grant

Consequently the cumulative BCP Council DSG Deficit has risen as follows.

31 March 2023	£35.8m	Actual position
31 March 2024	£63.5m	Actual position
31 March 2025	£113.3m	Actual position
31 March 2026	£170.9m	Estimated position based on the 2025/26 budgeted deficit.

To put this position into further context as at the 31 March 2025 BCP Council became technically insolvent on the basis that the £113.3m cumulative DSG Deficit exceeded our General Fund total reserves of £83m, by £30.3m. This insolvent position, without additional help from government, will clearly crystallise the moment the current statutory override is removed. On that basis it was welcome news on the 20 June 2025 that the Local Government Fair Funding Review 2.0 announced the intention of a 2-year extension of the statutory override until 31 March 2028. However, as you will be aware the extension of the override does nothing to ease or prevent the Council's General Fund cashflow crisis caused by our external debt reaching its borrowing limit as measured by its Capital Financing Requirement

(CFR) and having no Treasury Management headroom to enable relevant invoices to be settled.

It may be worth a reminder that if the council did not have to cover this DSG deficit this cash would be earning interest or would enable a lower level of external debt to be held. Therefore, cash flowing the DSG deficit is estimated to have cost the council in the region of £4.9m in 2024/25, and a further £7.5m in 2025/26, a cost incurred mostly due to external factors beyond the council's control and one's that the council has had limited power to tackle.

One option which we have previously advocated, and do so again moving forward, is for government to permit the interest costs on these deficits to be charged against the Dedicated Schools Grant and not the General Fund. We continue to suggest this approach as we remain of the belief that it is not in accordance with the spirit and intent of the relevant legislation, including the statutory instrument, that our General Fund is required to cover the consequences of the annual and cumulative DSG deficits.

As part of the process to set a legally balanced budget for 2025/26 you previously advised us that we were permitted to exceed our CFR provided it was on a temporary basis and the promise by government to return the Special Educational Needs and Disability (SEND) system to financial sustainability in 2025 was sufficient to enable short-term additional borrowing. It would therefore be helpful to receive assurance that when the Fair Funding consultation talks about reform of SEND including a phased transition process which will include working with local authorities to manage their SEND system, including historic and accruing deficits, that this statement is aimed at BCP Council and particularly aimed at resolving our cashflow problem in time to avoid having to issue a s114 in regard to the 2026/27 financial year. We are very keen to work with your department and DfE to obtain your advice and guidance on these matters and any potential mitigation strategies. As part of the protocol, we are also copying in Iain Murray at CIPFA, and Barrie Morris at Grant Thornton who is our External Auditor. In addition, we have ensured that the Local Government Association via correspondence with its Chair, Louise Gittens, is aware of the issue.

We would welcome an urgent opportunity to meet with you to discuss our position and to obtain reassurance that the announcements now being promised for the autumn will indeed provide solutions to BCP Council's particular set of issues.

For your information we have consulted with BCP Council's Chief Executive and Director of Law and Governance as well as the Council's Cabinet, in drafting this letter. The support of Cabinet is demonstrated as this letter is co-signed by Cllr M Cox Deputy Leader and Finance Portfolio Holder for BCP Council.

Yours sincerely



Adam Richens.  
Director of Finance  
BCP Council



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