

SCHOOLS FORUM



Report subject	Finance Update - Dedicated Schools Grant (DSG) 2025-26 Budget Monitoring at Quarter Two
Meeting date	24 November 2025
Status	Public Report
Executive summary	The 2025-26 quarter two budget monitoring position for the DSG being reported to the council's Cabinet on 26 November is a projected increase in the high needs annual funding gap from the budgeted gap of £57.5m to a year end projection of almost £72m. This reflects higher than expected growth in demand in the later months of the last financial year, with this unabated and with a significant increase in average costs of provision. Other DSG budgets for 2025-26 are forecast to be balanced. The cumulative deficit on 31 March 2026 is projected to be £183m
Recommendations	It is RECOMMENDED that SCHOOLS FORUM: Note the contents of the report.
Reason for recommendations	Budget monitoring is an important element of current year financial management and budget planning for future years.
Portfolio Holder(s):	Councillor Richard Burton – Children and Young People
Corporate Director	Cathi Hadley – Director of Children's Services
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Wards	Council-wide
Classification	For Information

Background

1. The DSG budget for 2025-26 was set with a funding gap of £57.5m relating to the high needs block. This budget was set after work over autumn 2024 to update the 5-year projections to reflect the latest trends. Other funding blocks were planned to be balanced. At quarter one the projected funding gap was increased by a further £11m.
2. The deficit recovery plan was intended to position high needs expenditure on a more sustainable trajectory. However, EHCP growth and related expenditure has not slowed, but instead is escalating in part due to implementation challenges and rising complexity of need undermining progress.

DSG Budget Monitoring 2025-26 at Quarter Two

3. The projection for 2025-26 at quarter two is for a funding gap of £72m compared with the budget of £57.5 due to expenditure on high needs budgets as set out in the table below:

Table 1: High Needs Block Budget 2025-26

Expenditure Area	2024/25 Actual £000's	2025-26 at Quarter Two			Annual Increase £000's
		Budget £000's	Forecast £000's	Variance £000's	
Independent & NMSS	30,248	31,237	38,742	7,505	28%
Post 16 only providers	8,063	11,982	9,194	(2,788)	14%
Special Schools	19,020	18,306	21,720	3,414	14%
Mainstream & Units	15,570	15,522	19,518	3,996	25%
Other EHCP provision	11,624	14,612	17,016	2,404	46%
EHCPs top up	84,525	91,659	106,190	14,531	26%
Centrally commissioned (including place funding)	19,511	23,226	22,577	-649	16%
TOTAL SEND EXPENDITURE	104,036	114,885	128,767	13,882	24%
TOTAL ALTERNATIVE PROVISION	7,870	8,326	8,190	-136	4%
TOTAL EXPENDITURE	111,906	123,211	136,957	13,746	22%
FUNDING	(62,232)	(65,709)	(65,175)	534	5%
FUNDING GAP	49,674	57,502	71,782	14,280	45%

4. Demand in the system from pupils with high needs has continued to rise over the second quarter of 2025-26 with the high needs funding gap increase now projected at £14m over that budgeted.
5. There are many assumptions in the year end projection with a significant data lag in the system for new cases and changes in provision. An allowance for future cases has been allocated across provider types according to recent trends so individual EHCP categories may be less reliable than the overall total.
6. The shortage of specialist places available to meet the increased demand has also enabled some providers to make unprecedented demands for price increases since the budget was set last year.
7. The main element of other EHCP provision is for bespoke education packages for children unable to attend school with a small budget for pre-school children with an EHCP. The spend on bespoke packages has increased from £3.7m in 2021-22 to £11.3m last year. The budget was set with an increase of 25% to £14.1m reflecting recent trends with the forecast now ahead of this at £16.7m. BCP has been

identified as an outlier in all benchmarking groups for the number of children educated in this type of provision (all England, southwest and statistical neighbours) which is significantly impacting on the budget. This has been attributed to insufficient local provision in mainstream or specialist settings.

8. A summary of the overall DSG budget is set out in the Appendix.

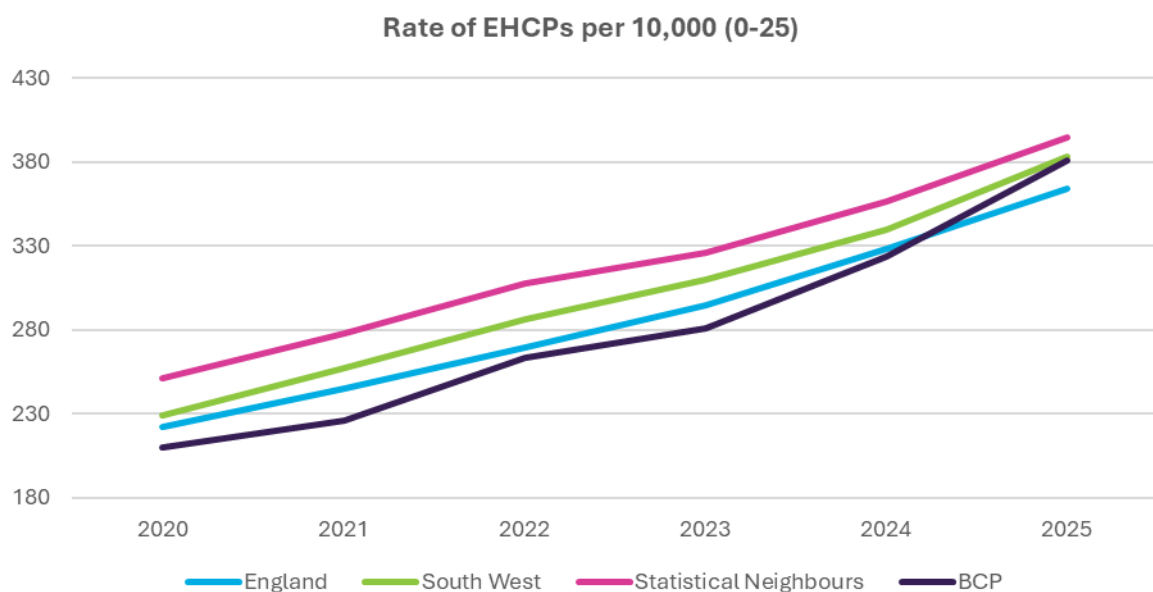
High Needs Budget Planning for 2026-27

9. The Schools White Paper due in the autumn has been delayed to early 2026 and will likely be too late to inform the 2026-27 DSG high needs budget for councils. The Local Government Association (LGA) meanwhile has provided assurance that this change in timing does not change the commitment to supporting local authorities with the significant pressures from funding DSG deficits. It is understood that the LGA is working closely with HM Treasury and the Department for Education to finalise the details with more information to be provided through the provisional Local Government Finance Settlement in late December.

SEND Budget and EHCP numbers:

10. The scale of increase in EHCP numbers in recent years has been unprecedented nationally with the growth for BCP typically higher than for other councils with the prevalence in BCP moving from below the national average to above.
11. Rate of EHCPs per 10,000 population (0-25): The Council's [SEN2] data provides information on the numbers of children and young people with an EHCP as of January each year.
12. The data shown below in figure 1 shows that BCP's rate of EHCPs is now above the England average rate whilst remaining below the southwest and almost equal to statistical neighbours. The steeper gradient from January 2024 to 2025 will reflect the extra capacity created by the council to clear the backlog of assessment that had grown over the previous year and with this backlog substantially cleared by December 2024.

Figure 1



13. In the absence of any knowledge about how the national SEND system is to change, a reasonable assumption would be that the current trajectory for growth will continue. The

15-year deficit recovery plan developed two years ago had assumed demand for new ECHPs had started to peak and would gradually reduce each year from the actions included in the SEND improvement plan. The planned trajectory has not been realised and the scale of expenditure growth in 2025-26 indicates that new demand is still rising.

14. The report to the council's Children's Services Overview and Scrutiny Committee in November (see background papers) provides actions currently underway or planned. The report is comprehensive, with two examples expected to have high system improvement and financial impact included below.
15. Firstly, funding has been secured from the DfE SEND Intervention Support Fund to drive improvement and transformation within education services leading to development in three key areas which should have some impact on the budget:
 - a. The BCP graduated approach and ordinarily available provision toolkit to provide timely, high-quality support and services to children and young people through early intervention.
 - b. A sustainable three tier alternative provision model based on best practice with improved monitoring and oversight.
 - c. Inclusive whole school practice with the support of an established educational charity (The Difference).
16. Secondly, as part of the SEND sufficiency strategy, 140 additional specialist places were delivered during the academic year 2024–25 and the plan for delivering beyond this is mapped out in a separate report on the meeting agenda. The proportion of children in independent and non-maintained specials schools has been reducing, but it is still above the national average, and the growth in EHCPs means that the number of children placed in these schools is still rising.

AP Budget and Permanent Exclusions

17. Alternative provision is less than 10% of the overall high needs budget but has still grown by around a third since 2023-24. Some of this growth has been due to the increase in children with mental health issues or those entering or returning to education after a period of elective home education. The larger part of the budget is spent on pupils permanently excluded from schools, being re-integrated after an exclusion or at risk of exclusion.
18. Details of the rate of permanent exclusions is provided in the table below.

Table 2 shows the permanent exclusion rate in BCP compared with regional and national benchmarks (per 10,000 children)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 (Provisional)
BCP	0.12	0.09	0.14	0.23	0.17	0.20
SW	0.07	0.05	0.09	0.13	0.15	n/a
Stat Neighbour	0.06	0.05	0.07	0.10	0.12	n/a
England	0.06	0.05	0.08	0.11	0.13	n/a

The above table shows:

- BCP's permanent exclusion rate has fluctuated over the six-year period, starting at 0.12 in 2019/20 (12 permanent exclusions per 10,000 children), dipping to 0.09 in 2020/21, then rising sharply to 0.23 in 2022/23.

- Although the rate dropped to 0.17 in 2023/24, the provisional figure for 2024/25 is 0.20. BCP's exclusion rate has consistently exceeded the Southwest regional average, statistical neighbours, and national figures in every year. For example, in 2022/23, BCP's rate of 0.23 was significantly higher than the national 0.11, the South West's 0.13, and statistical neighbour's 0.10.

19. Details of the Number of Permanent Exclusions is included in the table below:

Table 3: Number of Permanent Exclusions by academic year

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 (Provisional)
BCP	60	48	76	105	91	105

The number of exclusions increased from 60 in 2019/20 to a provisional 105 for 2024/25.

20. The report to the council's Children's Services Overview and Scrutiny Committee in November noted above provides further data and analysis with the following conclusions:
- a. The data reveals a persistent and disproportionate pattern of permanent exclusions among pupils with special educational needs in BCP, indicating ongoing systemic challenges in supporting this group.
 - b. Exclusion rates for pupils with an EHCP in BCP have also risen sharply and this is significantly higher than the national EHCP rate and suggests that even those with the highest level of statutory support are at increasing risk of exclusion locally. In contrast, pupils without SEND in BCP have consistently lower exclusion rates, aligning more closely with national averages. This widening gap between pupils with SEND and their peers highlights a critical equity issue: children with additional needs are being excluded at rates that far exceed their peers.
 - c. The data suggests that current systems may not be adequately meeting the needs of SEND pupils, and that exclusion is being used as a response to unmet need rather than as a last resort. Strategic investment in SEND support, staff training, and behaviour pathways will be essential to reversing this trajectory

Summary of financial implications

21. The awaited funding announcements for 2026-27 will be reflected in the DSG budget to be considered at the School Forum meeting in January 2026. The government's developing plans communicated over the summer for how pupils with SEND could be supported in the future received little national support. This indicates how difficult it will be to change the trajectory of high needs expenditure in the short term.
22. It is likely, therefore, that the DSG expenditure budget for 2026-27 will need to reflect the current trends for EHCPs and permanent exclusions. Although there are initiatives in flight and others are being developed it is unclear if any impact will be seen in 2026-27. Historically, additional spending on early intervention or other preventative spending has not yielded any improvement in the trajectory of the accumulating deficit.

23. The impact of the current yearend forecast is set out in Tabel 4 below with a projected deficit of £183.1m by 31 March 2026.

Table 4: Summary position for Dedicated Schools Grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2025	113.3
Prior year additional funding – early years	(1.9)
Budgeted high needs funding shortfall 2025/26	57.5
High needs funding reduction 2025/26	0.5
High needs overspend 2025/26	13.7
Projected accumulated deficit 31 March 2026	183.1

24. National and local conversations are on-going with representatives of the DfE and MHCLG in seeking an immediate solution to the drain on cash flow and cash balances in funding the DSG shortfall. The impact of this is on general fund resources. The statutory override to prevent the deficit being considered against the council's reserves position has been extended to March 2028 while a longer-term solution to the problem is being established.
25. The council's DSG deficit management plan will be updated following government announcement due later in the year.

Summary of legal implications

26. The Schools Forum must be informed of the financial position of the DSG.

Summary of human resources implications

27. None

Summary of sustainability impact

28. None

Summary of public health implications

29. None

Summary of equality implications

30. None – this is an information report

Summary of risk assessment

31. The main risk is the growing accumulated deficit and the interest cost borne by the council's revenue budget taking funding away from other services.

Background Papers

Children's Overview and Scrutiny Report - November 2025. Link not yet available.

Appendix DSG Budget Monitoring 2025-26	Early Years £000's	Schools £000's	Central Services £000's	High Needs £000's	Total Budget £000's	Forecast	
						Outturn £000's	Variance £000's
DSG aged under 2 NFF	-16,389				-16,389	-16,389	0
DSG aged 2 NFF	-14,021				-14,021	-14,021	0
DSG ages 3 and 4 NFF	-22,525				-22,525	-22,525	0
DSG Pupil Premium	-384				-384	-384	0
DSG DisabilityAccess Fund	-229				-229	-229	0
DSG Prior Year						-1,932	-1,932
DSG NFF School Block		-280,709			-280,709	-280,709	0
DSG Premises		-1,930			-1,930	-1,930	0
DSG Growth Fund NFF		-2,133			-2,133	-2,133	0
Block Transfer		1,237		-1,237	0	0	0
DSG High Needs Block				-64,472	-64,472	-63,938	534
DSG Central School Services			-2,174		-2,174	-2,174	0
Total Funding	-53,549	-283,535	-2,174	-65,708	-404,967	-406,366	-1,398
Providers – aged under 2	14,959				14,959	14,959	0
Providers – aged 2	13,166				13,166	13,166	0
Providers – aged 3 and 4	20,867				20,867	20,867	0
Providers SEN top up grants	2,257				2,257	2,257	0
Early Years Pupil Premium	384				384	384	0
DisabilityAccess Fund	229				229	229	0
Contingency	352				352	352	0
Early Years LA duties	1,335				1,335	1,335	0
Mainstream Schools Formula		283,385			283,385	283,385	0
Growth Fund		150			150	150	0
School Admissions			422		422	422	0
Servicing Schools Forum			8		8	8	0
Ex ESG Services (all schools)			1,092		1,092	1,092	0
Commitments - retirement			17		17	17	0
Commitments - ASD Base			275		275	275	0
Licences Purchased byDfE			360		360	360	0
Place Funding				18,518	18,518	17,122	-1,396
Top up Funding - State Sector				33,828	33,828	41,237	7,409
Independent/NMSS				31,237	31,237	38,742	7,505
Top up Funding - Post Schools				11,982	11,982	9,194	-2,788
Top up Funding - Pre schools				374	374	219	-155
Top up Funding – AP				4,500	4,500	5,479	979
Commissioned Services				2,809	2,809	2,306	-503
Hospital Education Top up				100	100	74	-26
Bespoke SEN /Therapies				14,238	14,238	16,798	2,560
Support for Inclusion				200	200	200	0
Teachers Pay & Pension				2,000	2,000	1,821	-179
Inclusion Fund				1,237	1,237	1,237	0
Early Years Central SEN support				1,266	1,266	1,377	112
SensoryImpaired Service				922	922	1,150	228
Total Expenditure	53,549	283,535	2,174	123,211	462,470	476,215	13,745
In-year (Surplus) / Deficit	0	0	0	57,502	57,502	69,849	12,347
Deficit brought forward						113,256	
Deficit carried forward						183,105	

