

Proposal to transfer Schools Block funding to High Needs in 2026/27

Report to the Schools Forum 15 January 2026

1 Context

1.1 As noted at previous meetings of the Schools Forum, T&W's high needs budget is under considerable pressure. The council's DSG position at the end of 2024/25 was a deficit of £4.7m and the deficit at the end of 2025/26 (including the brought forward deficit from 2023/24) is currently projected to be up to £10m.

1.2 This represents an in-year 2025/26 deficit of around £5m. T&W's funding allocation for 2026/27 high needs, as confirmed in the December settlement, is £42.2m. This is an increase of around £2.5m compared to 2025/26. However, in reality this represents a zero like-for-like increase as equivalent amounts for the previously separate Core Schools Budget, National Insurance Contributions and Schools Budget Support grants have all been brought within the high needs budget block. In the DfE's 2026/27 Operational Guide this is described as follows:

38. The use of the high needs national funding formula (NFF) is being suspended for 2026 to 2027.

39. It is clear that the extent of the divergence between high needs NFF allocations and spending in different local authorities raises questions about aspects of this allocation methodology. The Department will therefore review the high needs funding system for future years, to ensure that it will properly support the reformed SEND system.

40. For financial year 2026 to 2027 the high needs block of each local authority's DSG is calculated on the basis of their DSG high needs block allocations for 2025 to 2026, and:

- additional funding equivalent to the funding allocated to local authorities in 2025 to 2026 through the consolidated Core Schools Budget Grant (CSBG), with the 2025 staff pay increase element of that grant annualised (whereas in 2025-26 this funding was to support settings with the part-year costs of the teachers' pay award), and*
- additional funding equivalent to the funding allocated to mainstream schools for the elements of the 2025 to 2026 National Insurance Contributions (NICs) Grant and Schools Budget Support Grant (SBSG) paid in respect of special units and resourced provision. The SBSG element is annualised as above, for the same reasons.*

1.3 T&W's high needs budget pressures reflect the national situation, with the national DSG deficit as follows:

31 st March 2023	£1.1bn
31 st March 2024	£1.7bn
31 st March 2025	£3.5bn

1.4 A 'statutory override' was introduced in 2020, initially for three years, that meant that local authorities' DSG deficits could be separated from their wider accounts. In December 2022, the government extended the override until the end of 2025-26 and it has now been extended again to 31 March 2028. The DfE have said that the government will be responsible for deficits incurred after March 2028. However, details on what will happen regarding deficits incurred up to this point is limited to the information set out below, from the government's consultation on the provisional local government settlement for 2026/27:

1.5 Special Educational Needs and Disabilities (SEND) and the Dedicated Schools Grant (DSG)

1.5.1 We recognise that local authorities are continuing to face significant pressure from Dedicated Schools Grant (DSG) deficits on their accounts. In June this year, we announced a 2-year extension to the DSG Statutory Override to support local authorities to manage these impacts. The government has also confirmed that it will bring forward a full Schools White Paper early in the new year. This will set out substantial plans for reform of special educational needs provision to deliver a sustainable system which – first and foremost – supports children and families effectively, and which is also financially sustainable.

1.5.2 The 2025 Spending Review provides investment for SEND reform. As set out in the Autumn Budget, once the Statutory Override ends at the end of 2027-28, funding will be managed within the overall central government DEL envelope. Local authorities will of course be expected to manage the system effectively and where this is the case we would not expect local authorities to need to fund future special educational needs costs from general funds. We recognise that the size of deficits that some councils may accrue while the Statutory Override is in place may not be manageable with local resources alone, and will bring forward arrangements to assist with them as part of broader SEND reform plans. Whilst we do not expect local authorities to plan on the basis of having to meet deficits in full, any future support will not be unlimited. Councils must continue to work to keep deficits as low as possible. To support local authorities to do this, we are disseminating best practice and case studies from previous programmes focussed on efficient spending, such as Safety Valve and Delivering Better Value, and providing all local authorities with advisers to help consider how these learnings can be applied.

1.5.3 The government will work with local authorities towards a system that enables every child to achieve and thrive; and the financial sustainability of the system will depend on local authorities, along with system partners such as education, health and care services, managing it effectively. Therefore, support provided to local authorities will be linked to assurance that they are taking steps to make that system a reality, in conjunction with government confirming the detail of SEND reform.

1.5.4 Like all areas of spend, we continue to expect local authorities to make sure they are doing all they can locally to manage their system effectively, ensuring the money is being spent in line with best practice. This is a joint effort, with shared responsibility between government, local authorities, health partners, and schools. Education, health and care services should work in partnership with one another, local government, families, teachers, experts and representative bodies to deliver better experiences and outcomes for all our children. We will provide further detail on our plans to support local authorities with historic and accruing deficits and conditions for accessing such support later in the Settlement process.

1.6 We therefore await the promised white paper in order to see more details of how the SEND system will be managed going forward.

2 Transfer of Schools Block funding to High Needs

2.1 The Dedicated Schools Grant (DSG) is divided into four blocks, as follows:

	26/27 Allocation to T&W
Schools High Needs	£186.151m £42.187m

Early Years	£35.452m
Central School Services	£1.575m
Total (excluding early years)	£265.365m

- 2.3 Funds can only be moved from the schools block to high needs if there is a Schools Forum vote supporting this, or, failing this, if the Secretary of State for Education approves it.
- 2.4 The Forum's vote should be informed by the views of all schools. Even if the Schools Forum supports the proposed transfer, anything over 0.5% of the schools block still requires the Secretary of State's approval.
- 2.5 Any transfer from the schools block to the high needs block is not 'baselined'. Any funds proposed to be transferred have to be newly agreed in the following year.
- 2.6 Following consultation, T&W's Schools Forum previously agreed to transfer 0.5% of the schools block to high needs in 2018/19 and 2019/20, following which the high needs budget situation had stabilised such that the transfer was no longer required. In 2024/25 and 2025/26 the Forum again agreed to transfer 0.5% of the schools block to high needs, in the context of the deficit position of the high needs and DSG budgets.

3 Historical Context

T&W

- 3.1 High Needs funding allocated to T&W by the DfE since 2019/20 are as follows.

2019/20	£21.979m
2020/21	£25.070m
2021/22	£27.803m
2022/23	£31.549m
2023/24	£35.001m
2024/25	£36.579m
2025/26	£39.651m
2026/27	£42.187m

- 3.2 The DSG position at the end of each financial year (FY) is reported in the local authority's published accounts and reported to the Schools Forum. The DSG balance since the end of 2017/18 (the deficit which led to the first request for a block transfer) has been as follows (deficit in brackets):

End of FY2017/18	(£544,000)
End of FY2018/19	£20,000
End of FY2019/20	£120,000
End of FY2020/21	£576,000
End of FY2021/22	£333,000
End of FY2022/23	£247,000
End of FY2023/24	(£1,823,000)
End of FY2024/25	(£4,662,000)

3.3 The DSG balance is predominantly determined by high needs, as expenditure and income in the other blocks approximately balance. Despite the increase in high needs funding in recent years, over the last three years the DSG position has deteriorated year on year.

Main areas of budget pressure

3.4 Expenditure on high needs in T&W has increased significantly in recent years, as can be seen by comparing the allocations each year (see 3.1 above) to the DSG balance at the end of the year (see 3.2 above). Until 2023/24 year on year expenditure approximately tracked the increase in funding, i.e. from £22m per annum in 2019/20 to £31.5m in 2022/23, an increase over the period of 43%.

3.6 However, in 2023/24 the increase in high needs costs compared to 2022/23 was significantly more than the increase in funding (which was around £3.5m or 11%). Areas of particular pressure were increased requests and subsequent amount of EHCPs (495 in 23/24 compared to 312 in 22/23), growing ISF (Inclusive School Forum) cohort (136 in 23/24 compared to 109 in 22/23), increased placements in local specialist provision (811 in 23/24 compared to 722 in 22/23) and independent placements (68 in 23/24 compared to 53 in 22/23).

3.7 Recognising the significant deficit a local cost improvement plan was created focusing on stabilising the budget position. This includes a review of the most high-cost placements, robust commissioning and procurement with external providers, development of more cost-effective localised specialist provision (i.e. through resource hubs), review of school provision budget lines and consideration of high need support services. Some of the pressures outlined above did moderate, with the number of EHCPs reducing from 495 to 444 (although the number of ISF cases increased 136 to 189), and independent placements reducing from 53 to 36. However, the number of placements in specialist placements continued to increase, to 845. Other areas with significant increases include home to school transport, post 16 colleges, alternative provision and the Fairshare fund (which provides additional funding to mainstream schools with significant cost pressures arising from high needs).

3.8 Overall, the £3m increase in the 2024/25 DSG allocation was from the outset unlikely to be sufficient to prevent the deficit increasing, given that there was already a £2m in-year overspend in 2023/24. As shown above, by the end of the year there was a £2.8m in-year shortfall (i.e. the cumulative deficit increased from £1.8m to £4.6m).

3.9 The population of school aged children that now have an Education Health and Care plan in Telford and Wrekin is 5.8% which equates to 1,842. The increasing amount of EHC plans (up 46% over the last 3 years) is in the context of relatively static pupil numbers, which emphasises the specific pressure on high needs provision. There are 5360 school age children in T&W identified with SEND, representing 17.9% of the child population. This is somewhat higher than the national average of 16.3%.

3.10 Whilst the DfE has allocated additional funding to cover some specific aspects of salary increases (e.g. National Insurance, employers teachers pension contributions) the general increases in salaries have to be covered from within the high needs block, just as for mainstream schools in the schools block.

4 Impact of a 0.5% transfer

4.1 A 0.5% transfer would have the following impact upon a school's budget:

Transfer	Total transferred	per pupil	Illustrative Impact on schools with:
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			210 pupils	420 pupils	600 pupils	1200 pupils
0.5%	£930,756	£33.82	£7,102	£14,205	£20,293	£40,585

5 Implications if the request for a transfer is not agreed

- 5.1 Local authorities can appeal to the Secretary of State if a request for a transfer of funds from the schools block is not agreed by the schools forum. However, the council at present has no intention of seeking to get any such vote overturned. We wish to achieve consensus locally, rather than forcing an outcome on schools.
- 5.2 If the transfer requested is not agreed, the already extremely difficult financial position with regard to high needs, described above, will be exacerbated. In these circumstances, one option could be to reduce the 'discretionary' elements of the budget, as these are most immediately controllable.
- 5.3 An example of this is the SEND fair share fund. This supports mainstream schools, with disproportionately high levels of expenditure on SEND and in 2025/26 is currently forecast to account for around £275,000 of high needs expenditure, a 12.7% increase compared to 2024/25. Another area could be the alternative provision fund, largely for secondary schools, which supports creative and innovative practice for children with SEMH which accounts for £300,000. Another at risk area may include the Inclusive School Forum (ISF), largely used by primary schools, providing funding for early intervention to support children with SEND in mainstream settings. Projected ISF expenditure in 2025/26 is £0.596m, a 9.2% increase compared to 2024/25
- 5.4 **Forum members are asked to vote on transferring the 0.5% schools block to high needs in 2026/27, as outlined above.**

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January 2026