

Proposal to transfer Schools Block funding to High Needs in 2025/26

Report to the Schools Forum 16 January 2025

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 2023/24 was a deficit of £1.8m and the deficit at the end of 2024/25 (including the brought forward deficit from 2023/24) is currently projected to be at least £6m.
- 1.2 This represents an in-year 2024/25 deficit of over £4m. T&W's funding allocation for 2025/26 high needs, as confirmed in the December settlement, is £39.6m. This represents an increase of just under £3m compared to 2024/25. Therefore, even without any cost and demand pressures, the increase in funding is insufficient to cover existing expenditure.
- 1.3 T&W's high needs budget pressures reflect the national situation, with the national DSG deficit at the end of 2023/24 being £1.7bn compared to £1.1bn a year earlier. Indications are that the position will have substantially worsened since then and is expected to continue to do so.
- 1.4 A National Audit Office (NAO) report published on 24 October 2024 covering 'Support for children and young people with special educational needs' included the following in the summary:
- "DfE estimates that some 43% of local authorities will have deficits exceeding or close to their reserves in March 2026. This contributes to a cumulative deficit of between £4.3 billion and £4.9 billion when accounting arrangements that stop these deficits impacting local authority reserves are due to end."*
- 1.5 The 'accounting arrangement' the NAO refers to is a 'statutory override' 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 confirmed that "the government will be extending the Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26."
- 1.6. In December 2024 the government published the consultation on the provisional local government finance settlement for 2025-26 which included the following:
- "1.3.2 The government intends to set out plans for reforming the SEND system in further detail next year. This will include details of how the government will support local authorities to deal with their historic and accruing deficits and any transition period from the current SEND system to the reformed system. This will inform any decision to remove the statutory override."*

2 Transfer of Schools Block funding to High Needs

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

	25/26 Allocation to T&W
Schools	£178.877m
High Needs	£39.555m
Early Years	£31.258m
Central School Services	£1.185m
Total (excluding early years)	£250.875m

- 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 the Forum again agreed to transfer 0.5% of the schools block to high needs, in the context of the emerging 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	£39.555m

- 3.2 Pressures on high needs have been apparent for a number of years. 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)

- 3.4 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 balance has gradually declined.

Main areas of budget pressure

- 3.5 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). These pressures continue to grow into 2024/25.
- 3.7 The population of school aged children that now have an Education Health and Care plan in Telford and Wrekin is 5.7% which equates to 1,634. It should be noted that the increasing amount of EHC plans (up 45% over the last 3 years) is out of sync with the profile of the general school population figure which is decreasing (down 0.8% over the last 3 years).
- 3.8 Other areas with significant increases, 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 In addition to demand pressure, the increase in support staff salaries, driven by lump sum pay awards and substantial increases in the national minimum wage, has increased costs across the high needs area.
- 3.9 Recognising the significant deficit a local cost improvement plan has been 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.
- 3.10 Further information is supplied in Appendix A that provides contextual information about Telford and Wrekin's SEND position against national and regional benchmarks with regard to a number of key inclusion indicators (i.e. Assessment and Identification / Provision / Funding / Outcomes).

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:			
			210 pupils	420 pupils	600 pupils	1200 pupils
0.5%	£894,387	£32.28	£6,778	£13,557	£19,367	£38,733

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 2024/25 is currently forecast to account for around £275,000 of high needs expenditure. 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, largely used by primary schools, as a means to provide funding for early intervention to support children with SEND in mainstream settings.
- 5.4 ***Forum members are asked to vote on transferring the 0.5% schools block to high needs in 2025/26, as outlined above.***

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January 2025