



SCHOOLS FORUM

2026/27 Schools Block Transfer

10 June 2025

Content Applicable to:		School Phase:	
Maintained Primary and Secondary Schools	X	Pre School	
Academies		Foundation Stage	
PVI Settings		Primary	
Special Schools / Academies	X	Secondary	
Local Authority	X	Post 16	
		High Needs	X

Purpose of Report

Content Requires:		By:	
Noting	X	Maintained Primary School Members	
Decision		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

1. This report sets out the approach to be taken by the Local Authority in respect of seeking approval for a transfer of 0.5% of funding from the Schools Block to the High Needs Block for 2026/27.

Recommendations

2. That Schools Forum note the intention of the Local Authority to seek a transfer of funding 0.5% from the Schools Block to the High Needs Block in 2026/27 and comment on the approach being taken.

Background

3. A funding transfer was undertaken in 2025/26 of 0.5% from the Schools Block to the High Needs Block of the Dedicated Schools Grant equating to £2.8m. All of this funding is invested within the SEN Investment Fund to create capacity within mainstream schools to meet the needs of pupils with Social, Emotional and Mental Health (SEMH) needs. The establishment and mobilisation of the SEN Investment Fund is contained within a separate report on the agenda.
4. The 2024 consultation set out that a transfer, subject to adherence with the national framework on school funding and appropriate approvals, would be sought annually. This report confirms the local authority's intention to seek a funding transfer for 2026/27 and the approach being taken.
5. The Government's direction in respect of school funding policy is currently uncertain but the direction of travel in respect of SEND provision is suggestive of a more inclusive mainstream offer which may result in future funding changes. However, without confirmation of funding changes it must be assumed that the funding framework for 2025/26 will continue into 2026/27.

The Current Financial Position

6. Whilst the SEN Investment Fund was established in April 2025 it will not be fully mobilised until the 2025/26 academic year and is not expected to deliver a tangible financial benefit, whether to schools or the local authority, until the 2026/27 financial year.
7. Leicestershire's financial position remains one of concern, and indeed the deficit on High Needs funding is the largest financial challenge currently being faced and is set out in the table below. After the forecast return on the SEN Investment Fund an annual high needs revenue gap remains for the period of the current Medium Term Financial Strategy, falling over the first three years of the financial plan and then increasing from 2028/29.

	2025/26 £,000	2026/27 £,000	2027/28 £,000	2028/29 £,000
Grant Income	-117,413	-120,912	-124,516	-128,228
Placement Costs	133,176	147,214	163,382	181,901
Other HNB Cost	12,265	12,865	12,865	12,865
Commissioning Cost - New Places	0	264	236	0
Schools Block Transfer	-2,799	-2,799	-2,799	-2,799
SEND Investment Fund	2,799	2,799	2,799	2,799
Total Expenditure	145,441	160,343	176,483	194,766
Funding Gap Pre Savings	28,028	39,431	51,966	66,537
TSIL Programme Defined Opportunities	-12,384	-20,034	-28,018	-34,237
Increase in Local Specialist Places	-389	-4,252	-11,193	-14,486
SEND Investment - Return on Investment	0	-2,799	-2,939	-3,086
Total Savings	-12,773	-27,085	-42,149	-51,809
Annual Revenue Funding Gap	15,255	12,346	9,817	14,729
Cummulative High Needs Deficit Brought Forward	65,353			
Cummulative High Needs Funding Gap	80,608	92,954	102,771	117,500
Surplus (-ve) / Deficit Other DSG Blocks	-11,834	-10,834	-9,334	-7,334
Dedicated Schools Grant Surplus (-ve) / Deficit	68,774	82,120	93,437	110,166
High Needs Spend as % of High Needs DSG	125%	133%	143%	153%
Surplus / Deficit as % of Total DSG	10%	11%	13%	15%

8. The DfE has operated a tiered approach to support and challenge local authorities through Safety Valve Agreements and the Delivering Better Value in SEND (DBV) with an expectation that authorities would achieve a balanced budget by the end of 2025/26. Leicestershire, nor other authorities, will achieve this. Leicestershire has been within the DfE's DBV programme which despite significant scrutiny of both service and financial operation failed to identify possible solutions other than the funding transfer which was undertaken for 2025/26.
9. Aligned to these programmes a Statutory Accounts Override was agreed which effectively means that DSG deficits do not have to be backed by cash reserves - this is due to terminate in March 2026 when the deficit has to be cash backed. This could have a significant impact on other local authority services until it can be recovered, and sustainability is achieved. This is not a financially viable position for the local authority. Local authorities, even if affordable, cannot financially contribute to DSG without the permission of the Secretary of State.

10. It is expected that the Government will issue a White Paper on SEN reform in due course, but it is unclear how this will align to funding reform. Overall, the Government's approach to what is seen as a national high needs funding crisis remains unclear, no new Safety Valve Agreements are being agreed and the DBV programme has come to an end. There are indicators that the DfE is developing a new approach in so much as they are looking to recruit SEN Financial Advisors to support local authorities but what this will mean in practical terms is unknown.

Actions Being Undertaken to Reduce Expenditure

11. The actions within the TSIL programme and the delivery of additional specialist places is reducing demand for higher cost independent school packages through an increase in local and lower cost specialist provision. However, analysis of the expected impact over time suggests that proportionally the percentage of children in mainstream school placements decreases over the four years of the current plan from 48% to 42% of the SEND population and by default an overall increase in the number of children requiring a specialist school place.
12. Reducing demand for higher level SEN support is therefore key to financial sustainability and increasing capacity in mainstream schools, as supported by the SEN Investment Fund, is therefore critical to financial sustainability. Additionally, it is essential that the additional capacity being delivered in special school and resource base provision does not deliver an unintended consequence of increasing demand above current forecasts.
13. Over the last 3 years the number of early years children entering the school system and requiring a special school place has been increasing and adds a further, and accumulating, financial risk should these pupils need to remain in specialist provision over the whole of their education journey. Whilst a number of these places are physically within mainstream provision, they are subject to special school funding arrangements.
14. Leicestershire remains committed to ensuring that children and young people with SEND are placed within the most appropriate provision for their individual needs.

Current Demand Drivers

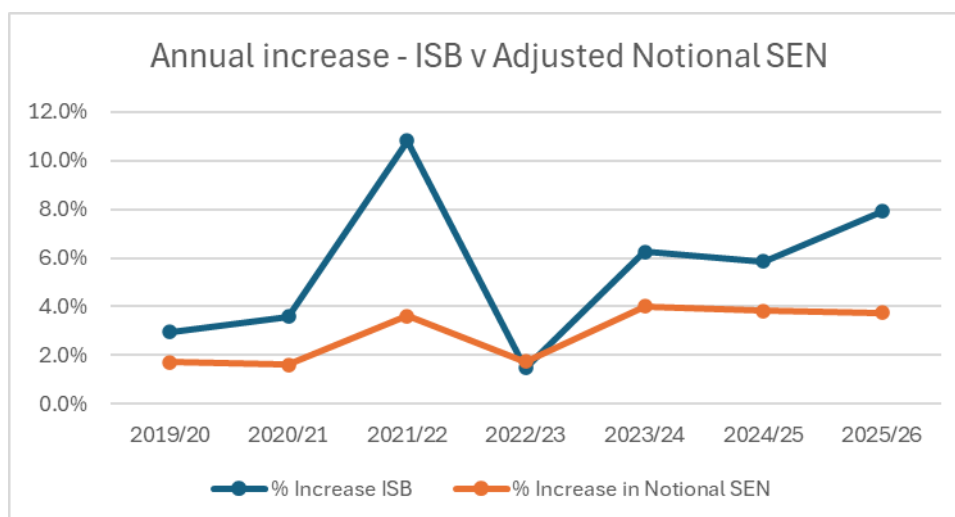
15. Whilst Leicestershire is broadly in line with the national trends, requests for EHCP assessments increased 55% between 2019 and 2024. Within the overall total, the proportion of requests from parents or carers increased from 25% in 2019 to 49% by 2025.
16. There is a continued annual increase in the number of EHCP's. Overall the increase is 113% between 2019 and 2024 against a national increase of 125%. Leicestershire saw an increase of 51% between 2019 and 2024. The increase here and for assessments is higher than the growth in population which was 2.2% over the same period.
17. Demand for financial support packages from the local authority for pupils with High Needs. Analysis of school census data shows:

- An increase in the school population with EHCP's of 36.2% in primary and 59.3% in secondary between 2019 and 2024
- The overall change in pupil population between 2019 and 2024 was -0.8% in primary and +2.7% in secondary
- In 2024 2.5% of the primary school population and 2.7% of the secondary school population were identified with an EHCP

18. Analysis of local data shows for the same period:

- An annual increase in the numbers of pupils with a financial support package (EHCP or SEN Intervention Funding) averaging 7%.
- An annual cost increase of 3%

19. For 2025/26 changes to the calculation basis of Notional SEN i.e. the inclusion of an element of free school meal factors within the NFF achieve a better alignment between the overall SEN population and school budgets. As a result of the changes, trend analysis of the overall changes in school budgets and the Notional SEN budget within them is distorted. However, excluding the impact of the 2025 change the overall funding available to schools continues to rise at a faster rate than the funding identified as the Notional SEN Budget.



A further review will be undertaken alongside the work underway on modelling options for a funding transfer.

The High Needs Funding Formula

20. The national funding formula for the High Needs DSG is not responsive to changes in the number of EHCP's -, the DfE purposely avoid the use of EHCP numbers in funding allocation to avoid the perverse incentive and the link between EHCP's and funding allocations. The grant does flex in terms of the number of specialist placements as it uses population, deprivation indicators and historic expenditure as a driver of underlying change in need. Overall the proportion of funding allocated in respect of specialist places is 9% and population 38% of the 2025/26 funding allocation. With demand growing faster than the grant, deficits in funding are expected to continue.

21. With no mitigating actions placement costs alone are forecast to rise from 113% of the DSG in 2025/26 to 142% of grant in 2028/29. Taking planned cost reductions into account expenditure remains forecast to be in excess of grant by 1% in 2028/29.

The Proposed Approach for 2026/27

22. Within the September 2024 consultation of the 2025/26 transfer there were a significant number of comments on the uneven distribution across schools with those schools gaining the largest increases in annual funding contributing the most to the transfer. In many respects local authorities are unable to change this position as:
- a) The national funding framework includes a mandatory Minimum per Pupil Funding Level (MPPL), local changes in funding cannot take schools below this guarantee. Without this guarantee it would be possible to reduce the value of the Age Weighted Pupil Unit (AWPU) which is the only universal funding received for each pupil within the National Funding Formula (NFF) and create an even impact of a transfer for all schools. Requests to vary or 'disapply' this regulation appear only to have been agreed in two local authorities as a part of Safety Valve Agreements
 - b) The Minimum Funding Guarantee (MFG) protects schools from funding losses arising from significant movements arising from change pupil characteristics.
23. The mechanism within the NFF for dealing with affordability gaps and for effecting a transfer of funding is capping and scaling:
- a) Capping places a limit on the per pupil funding gains between financial years, this was undertaken for the 2025/26 transfer. Capping by its very nature impacts upon those schools that gain the most from the national funding changes resulting from both policy decisions taken by the DfE and changes in pupil characteristics. An example is where the DfE choose to increase rates in one aspect of the NFF such as free school meals - in such instances those schools with the higher proportion of pupils eligible for free school meals would contribute more to a funding transfer. Nationally pupils eligible for free school meals is increasing.
 - b) Scaling is where the impact of the cap is reduced i.e. if a funding cap of 2% per pupil is set and a scaling factor of 50% were applied a school would see a funding increase of 1% per pupil.

These two elements can be used alongside each other to obtain an optimum spread of impact across all schools.

24. Leicestershire adopted the NFF at its inception in 2018 and has to date fully mirrored the formula factors set out by the DfE and the financial values attached to them, albeit necessary to scale back increases as a result of an affordability issue as the DfE has not provided sufficient DSG to fully meet the costs of the overall NFF. The funding regulations regards that any authority fully adopting the nationally set formula factors and having values attached to them within 2.5% of the nationally set

values are deemed to be mirroring the NFF. As such it is possible to reduce formula factor values within this threshold whilst remaining to deliver the NFF.

25. For 2026/27 the approach to the transfer will widen to consider the impact of capping and scaling but also whether any changes to AWPU as the only universal factor within the NFF and / or the two free school meal factors (FSM, FSM6) which are most significant within the NFF both in terms of proportion and national funding policy will spread the impact of the transfer more evenly across schools. The impact will be measured across the 2025/26 baseline where 135 (59%) of primary and 31 (74%) of secondary schools saw a restriction of funding gains between 2024/25 and 2025/26 as a result of the transfer. This work has begun.
26. The timeline to seek any transfer is expected to remain exceptionally tight and any decision from the Secretary of State, under the current timescale, must be sought by mid-November. Historically school funding arrangements for the following year have not been released until early July which, with an early end to the summer term in Leicestershire, leaves the time for modelling and school engagement exceptionally limited. Earlier illustrative modelling will allow multiple options to be identified and evaluated against the 2025/26 baseline.
27. There is a nationally set process that all local authorities proposing a 0.5% transfer of funding from the Schools Block to the High Needs Block of the DSG are required to follow - which includes consultation with all schools and approval from the Schools Forum. Should Schools Forum not approve a transfer local authorities may seek approval from the Secretary of State, as for the 2025/26 transfer. Local authorities may also seek approval from the Secretary of State for a transfer about 0.5% but still must consult with schools and seek support from the Schools Forum. Approvals for a funding transfer apply only for one year and subsequent approvals must be sought annually.

Conclusions

28. The financial position for both schools and the local authority remains challenging and makes it essential that the funding within the SEND system which is distributed across both is used to deliver the maximum benefit for Leicestershire's children and young people with SEND. The SEN Investment fund is a key component to achieving that and in line with the direction of travel from the DfE and needs to continue to deliver maximum benefit, that can only happen with a continues transfer of funding from the Schools to the High Needs Block.
29. Costs are relatively stable and the financial position is driven by increased demand, therefore addressing the growing demand is the key to financial sustainability. Actions are in place that are slowing down the grown in the need for Independent Places but the forecast fall in the proportion of placements in mainstream is a concern.
30. It is uncertain when the DfE will make their intentions on schools and high needs funding for 2026/27 known and what impact this may have on the approach described in this report.

Equal Opportunity Issues

31. The approach as set out within this report will allow for a detailed analysis of any equal opportunities issues.

Background Papers

Schools Forum 18 June 2024 – Resetting the SEN Finance system

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7734&Ver=4>

Schools Forum 17 September 2024 – SEN Investment Fund and Schools Block Transfer

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7957&Ver=4>

Schools Forum 4 November 2024 – Resetting the SEN Finance System

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7978&Ver=4>

Cabinet 22 November 2024 – Proposed Transfer of Funding From The Schools Block to The High Needs Block of The Dedicated Schools Grant

<https://democracy.leics.gov.uk/documents/s186577/Resetting%20SEND%20Finance%20Cabinet%20report.pdf>

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