



SCHOOLS FORUM

23 FEBRUARY 2026

2026/27 SCHOOLS BUDGET

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

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

Purpose of the Report

1. The purpose of this report is to present the 2026/27 Dedicated Schools Grant Settlement for Leicestershire and the 2026/27 Schools Budget.
2. This report builds upon several reports presented through the 2025/26 financial year.

Recommendations

3. That Schools Forum approves the retention of the budget to fund future school growth (Paragraph 17, Item 2)

4. That Schools Forum approve the retention of budgets to meet the prescribed statutory duties of the local authority and to meet historic costs (Paragraph 17, Items 3 & 4)
5. That Schools Forum approve the centrally retained early years funding (Paragraph 17, Item 5)
6. That Schools Forum note the use of the exceptional premises factor in respect of schools that incur rental costs for premises and / or sports facilities. (Paragraph 38)
7. That Schools Forum note the actions taken by the local authority in applying Capping and Scaling to the National Funding Formula for the purposes of ensuring the national funding formula is fully delivered within the grant available (Paragraphs 36 - 41)
8. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 57)
9. That Schools Forum notes the approach to setting Early Years Provider payment rates for 2026/27 (Paragraph 60 - 63)
10. That Schools Forum approve the action to be taken in respect of schools where the Special Educational Needs (SEN) notional budget is insufficient to meet the aggregated value of High Needs Funding Element 2 (Paragraphs 72 - 74)
11. That Schools Forum note the methodology applied for recoupment for excluded pupils and other purposes (Paragraph 75)

Background

12. This report builds upon those presented to Schools Forum during 2025 and sets out the local authority's Schools Budget for 2026/27.
13. The Schools Budget is the term given overall to the services funded from Dedicated Schools Grant (DSG) and consists of budget for individual schools, revenue funding for new and expanding schools, prescribed centrally retained budgets held by the authority, early years and high needs. Local authorities are required to set the Schools Budget at least equal to the amount of DSG received. For 2026/27 the High Needs Block will continue to record a deficit which is required to be carried forward for recovery from future DSG under current legislation. The local authority can make no contribution to DSG without the approval of the Secretary of State, the Schools Budget is therefore set at the level of grant and must contain all its spending pressures within that grant.
14. There is no change to the basic structure of DSG for 2026/27 and remains divided into four separate funding blocks;

- Schools Block – funds delegated budgets for maintained schools and academies and school growth.
 - The Central Services Block – funds historic costs and other prescribed local authority areas of expenditure including the local authorities statutory duties for all schools.
 - Early Years – funds the free entitlement to early education for 2, 3 & 4 year olds.
 - High Needs – funds provision for pupils with SEN, services for children excluded from school or at risk of exclusion, Children with Medical Needs and Specialist Teaching Services
15. The 2026/27 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 20 January 2026, by the Cabinet on 16 December 2025 and on 3rd February 2026 and budget proposals will be considered by the County Council on 18 February 2026 and is shown in full as Appendix A.

Role of the Schools Forum in setting the 2026/27 Schools Budget

16. The Central School Services Block holds the retained budgets for a number of areas of expenditure centrally retained by the local authority through provisions contained within the School and Early Years Finance (England) Regulations, these budgets are subject to restrictions and some are subject to some decisions for the Schools Forum.
17. Whilst the DFE have eluded to changes in Schools Forum responsibilities as a result of the introduction of the National Funding Formula (NFF) which restricts local decision making in respect of school budgets, the role of Schools Forum is unchanged. It can be envisaged that the Schools Forum will have a key role in the final stages of the national implementation of the NFF for maintained and academy primary and secondary schools and preparing schools for any changes that may impact upon school funding. The following table sets out the areas of expenditure that through legislation fall to be met through the Schools Budget and with decisions vested in the Schools Forum and which apply to all local authorities for 2026/27;

Item	Approval For	Action
1.	De-delegation from mainstream school budgets	<p>A decision on de-delegation for School Improvement Services for maintained schools is required and is a separate item on the agenda.</p> <p>De-delegation can only be in respect of maintained schools only, all budgets for academies are required to be fully delegated. Only</p>

		mainstream school members of Schools Forum are able to make de-delegation decisions.
2.	To create a fund for pupil number growth in order to support the local authority's duty for place planning and agree the criteria for maintained schools and academies to access this fund.	<p>Schools Forum approved the policy for funding school growth from April 2024 at its meeting on 21 November 2023</p> <p>A revenue budget to meet the cost arising from commissioning additional school places required to meet the basic need for sufficient school places. The proposed budget is £1.8m (2025/26 £2.3m)</p>
3.	<p>Funding for the local authority in order to meet prescribed statutory duties placed upon it.</p> <p>This funding now includes funding for local authority statutory duties for all schools.</p>	<p>The budgets falling into this category are;</p> <ul style="list-style-type: none"> • Servicing the Schools Forum £8,570 (2025/26 £8,570), this budget meets the cost of operating the Schools Forum • Admissions £0.4m (2025/26 £0.4m). This meets the local authority's statutory responsibilities for admissions and is funded from the Schools Block. • Local Authority Statutory / Regulatory Duties, Asset Management and Central Support Services £2.3m. This largely consists of recharges from services outside the Children and Families Department that support budgets funded from DSG such as finance, ICT, property. It also includes funding previously allocated as central teacher pension grant.
4.	Funding for historic costs met by the local authority. Following the baselining exercise undertaken to determine the 2017/18 DSG baselines the	<ul style="list-style-type: none"> • Premature Retirement Costs £674,900 (2025/26 £674,900), these are historic costs relating to school staff where the commitment remains with the local authority

	Department for Education have set out their expectation that these costs should unwind over time and have begun annual reductions in funding. This may be the case for the element relating to schools causing concern but no funding will be released from premature retirement for significant periods of time given that the local authority remains supporting such costs arising from pre 1997. The DfE retain a guarantee that funding for premature retirement costs will not fall below DGS commitments	and relates to both maintained schools and academies. This appears on the Human Resources line of the budget statement
5.	Funding for the local authorities statutory responsibilities for early years provision as set out annually by the DfE. Centrally retained funding, must not exceed 3% of the Early Years DSG.	Schools Forum are asked to approve expenditure of £3.6m.

18. Where the decision making power is vested in the Schools Forum, the local authority may seek adjudication from the Secretary of State should approval not be granted. This would be sought should Schools Forum not approve the centrally funded items, there is no other source of funding for the local authority to meet these commitments which are all incurred as a result of the local authority's statutory role in schools. Retention of these budgets is consistent with that of previous years and financial regulations.
19. A further budget for school copyright is held centrally under provisions within the School and Early Years Finance (England) Regulations. This funds copyright licences within a nationally negotiated contract by the Secretary of State for all academies and maintained schools, as a result of this national contract individual schools no longer meet these costs directly. The local authority cost is determined by the DfE which has not been confirmed.

Dedicated Schools Grant

20. For 2026/27 the Dedicated Schools Grant (DSG) remains calculated in four separate blocks as set out below;

Funding Block	Areas Funded	Basis for Settlement
<p>Schools Block Est £583.9m</p>	<p>Individual budgets for maintained schools and academies.</p> <p>Growth funding for the revenue costs of delivering additional mainstream school places and to meet the local authority's duty to ensure a sufficient number of school places. This funding meets pre opening costs and the cost of the revenue budget for the first 7 months of opening, at that point funding is within school formula funding.</p> <p>DSG is notionally allocated to Leicestershire for all maintained schools and academies. A locally agreed funding formula is applied to this to determine school budgets. Leicestershire fully replicates the NFF. For maintained schools, budgets are allocated directly by the local authority, for academies the funding is recouped from the DSG settlement by the Education and Skills Funding Agency (ESFA) who then directly funds academies.</p>	<p>The NFF continues to attribute units of funding to pupil characteristics. The grant settlement is based on:</p> <ul style="list-style-type: none"> • the aggregate of pupil led characteristics for each individual school: • a block allocation for school led factors. <p>These allocations are required to be fully delegated to schools, the only exception being any elements of de-delegated funding for maintained school agreed by the Schools Forum following consultation with schools.</p> <p>The NFF means that all local authorities receive the same amount of funding for a number of pupil related characteristics. Differences in funding levels relate to the incidence and proportion of pupil characteristics within schools rather than differing funding levels.</p> <p>The allocation of funding to support new school growth will be retained to meet the future costs of new and expanding schools.</p>
<p>Central School Services Block £4.81m</p>	<p>This funds historic financial commitments related to schools such as premature retirement costs, some budgets related to schools that are centrally retained e.g. admissions, servicing the Schools Forum and school copyright licences.</p>	<p>This is distributed through a per pupil allocation basis and is retained by the local authority.</p> <p>The funding allocation for some historic financial commitments is being reduced by 20% annually</p>

	<p>This block now includes funding from the retained duties element of the former Education Services Grant for the responsibilities that local authorities have for all pupils such as school place planning and asset management.</p>	<p>as the DfE have an expectation that these financial commitments will naturally expire. Local authorities will continue to receive sufficient funding to meet school historic premature retirement costs.</p>
<p>High Needs Block provisional allocation</p> <p>£124.1m</p>	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including high needs students in further education provision.</p> <p>As with the Schools Block this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>Confirmation of the 2026/27 grant is not expected until March/April 2026.</p>	<p>The high needs NFF, used to calculate allocations of the high needs block of the DSG from the 2018 to 2019 financial year to the 2025 to 2026 financial year, is not being used for the calculations of high needs funding allocations for the 2026 to 2027 financial year.</p> <p>Instead of using the NFF, allocations for 2026 to 2027 are based on the 2025 to 2026 DSG allocations. The 2026 to 2027 allocations also include funding equivalent to that of various received grants in the 2025 to 2026 financial year.</p>
<p>Early Years Est</p> <p>£128.6m</p>	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>The grant is based on the universal hourly base rate plus additional needs measured with reference to free school meals, disability living allowance and English as an additional language.</p>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation. Leicestershire receives the lowest rate of £6.20 per hour for 3- and 4-year-olds. The rate of £7.90 per hour for 2-year-olds and £10.67 per hour for under 2's, whilst is not the lowest rate received, is still significantly lower than most for these cohorts.</p>

	<p>For all early years funding streams (except DAF), allocations for these funding streams will be adjusted 3 times for the 2026 to 2027 financial year as termly census numbers become available.</p> <p>The final grant/funding position for 26/27 will not be confirmed until July 2027.</p>	
£841.5m	2026/27 Estimated DSG	

21. The 2026/27 MTFs continues to set the overall Schools Budget as a net nil budget at local authority level. However, an annual projected funding gap remains on the High Needs Block which will be carried forward as an overspend against the grant.

Schools Block

22. The DFE announced the 2026-27 DSG Funding settlement on 17th December 2025. The LA has also received an Authority Performa Tool (APT)(the mechanism for calculating and reporting mainstream formulae budgets for 2026-27), which reflected October 2025 pupil and other school data. The LA has submitted a completed APT by 22nd January 2026 DFE deadline; subject to political ratification by the DFE.
23. Table A sets out the 2026-27 School Block DSG allocation compared against the 2025-26 DSG. There has been a decrease in the number of primary schools pupils which has been reduced by 715 pupils and a further reduction in secondary schools which has reduced by 105 pupils, which is based on October 2025 census.
24. With incorporation of National Insurance Contribution Grant (NGIC) and School Budget Support Grant(SBSG) into the School Block for 2026-27, the 2025-26 DSG Allocation is provided to track the movement in the funding.

Table A - Comparison of 2025-26 School Block DSG with 2026-27 School Block DSG

Component	School Block funding			School Block funding			Change from 2025-26		
	Pupil Nos	PUF/SUF	Total 2025-26 Funding	Pupil Nos	PUF/SUF	Total 2026-27-26 Fund	Pupil Nos	PUF/SUF	Total Funding
		£	£		£	£		£	£
Primary NFF	54,212.00	£5,269.51	£285,670,676.12	53,496.50	£5,527.87	£295,721,697.46	-715.50	258.36	£10,051,021.34
Secondary NFF	40,126.00	£6,730.93	£270,085,297.18	40,021.00	£7,056.26	£282,398,581.46	-105.00	325.33	£12,313,284.28
Premises NFF			£3,993,406.00			£3,963,376.00			£-30,030.00
Growth Fund Allocation			£2,135,910.00			£1,822,260.00			£-313,650.00
			£561,885,289.30			£583,905,914.92			£22,020,625.62
National Insurance Contribution Grant			£8,874,595.00			£0.00			£-8,874,595.00
School Budget Support Grant			£5,364,955.00			£0.00			£-5,364,955.00
Total School Block DSG			£576,124,839.30			£583,905,914.92			£7,781,075.62

25. Table A reflects a headline increase of £258.46 per primary pupil unit of the funding and £325.33 increase per secondary pupil unit of funding, but most of this increase through the NICG and SBSG from 2025-26 which have been rolled into the main formula.

26. Table B illustrates the impact of the primary and secondary unit funding increase.

Table B – Impact of Unit Funding Rate Increase

Component	School Block funding 2025-26			School Block funding 2026-27			Change from 2025-26		
	Oct 2025 Pupil Nos	2025-26 PUF/SUF	Total 2025-26 Funding	Oct 2025 Pupil Nos	2026-27 PUF/SUF	Total 2026-27 Funding	Pupil Nos	PUF/SUF	Total Funding
Primary NFF	53,496.50	£5,269.51	£281,900,341.72	53,496.50	£5,527.87	£295,721,697.46	0.00	258.36	£13,821,355.74
Secondary NFF	40,021.00	£6,730.93	£269,378,549.53	40,021.00	£7,056.26	£282,398,581.46	0.00	325.33	£13,020,031.93
PUF/SUF*= Primary Unit of Funding/ Secondary Unit of Funding							Increase in funding due to rate increase		£26,841,387.67

27. Pupil numbers in primary fell by 715 pupils and in secondary by 105 with a net decrease of 820 pupils overall. Table C illustrated the impact of falling pupil roll in primary and secondary schools.

Table C – Impact of Falling Pupil Roll in Primary and Secondary Schools.

Component	School Block funding 2025-26			School Block funding 2026-27			Change from 2025-26		
	Oct 2024 Pupil Nos	2025-26 PUF/SUF	Total 2025-26 Funding	Oct 2025 Pupil Nos	2026-27 PUF/SUF	Total 2026-27 Funding	Pupil Nos	PUF/SUF	Total Funding
Primary NFF	54,212.00	£5,527.87	£299,676,888.44	53,496.50	£5,527.87	£295,721,697.46	-715.50	0.00	£-3,955,190.99
Secondary NFF	40,126.00	£7,056.26	£283,139,488.76	40,021.00	£7,056.26	£282,398,581.46	-105.00	0.00	£-740,907.30
							Decrease in funding due to decrease in pupil numbers		£-4,696,098.28

28. School funding continues to be delivered through the National Funding Formula (NFF), which applies nationally consistent funding rates for all pupils, irrespective of the local authority in which they are educated. Within the NFF, only the basic per-pupil entitlement is universal; all other elements reflect additional needs such as deprivation, low prior attainment (LPA), English as

an additional language, and mobility. Nationally in 2026/27, 74.3% of NFF funding is allocated through the basic entitlement, 18.1% through additional needs, and 6.4% through school-led factors.

29. For 2026/27, there are no structural changes to the NFF. However, the DfE has rolled the Schools Budget Support Grant (SBSG) and National Insurance Contributions (NICs) Grant into the NFF. These have been incorporated through uplifts to the basic entitlement, free school meals (FSM), lump sum, Minimum Per-Pupil Levels, and each school's baseline for the funding floor. A further 2.11% increase has been applied to most pupil-led and school-led factors, with the FSM factor increasing by 1.66%. Local authorities are required to move their local funding formulae at least 10% closer to the NFF compared with 2025/26, unless they already fully mirror the national formula. Local authorities must operate a Minimum Funding Guarantee (MFG) between 0% and 0.5%, in line with the national funding floor, which is set at 0%, ensuring no school receives a reduction in its per-pupil funding compared to 2025/26 once rolled-in grants are accounted for. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains fully in accordance with the NFF.
30. In November 2025, the Cabinet decided not to approve a transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG). Instead, it agreed to explore a per-pupil contribution from schools to support pupil outreach support and seek a financial commitment from schools to supporting ongoing mainstream inclusion. A headteacher working party, led by the Executive headteacher of Oakfield Short Stay School, is currently developing options.
31. The December 2025 allocation is £583.9m based on updated October 2025 census information. This is an increase of 4% from the latest 2025/26 allocation. As in previous years, changes in pupil characteristics (e.g., increased deprivation or additional needs) between census points continues to impact affordability for local authorities. Adjustments to the MFG and capping/scaling arrangements are therefore required to ensure affordability within the Schools Block DSG allocation.
32. Whilst the NFF for schools is based upon the 2025 school census, funding for local authorities is based upon the pupil characteristics recorded in the 2024 school census. Any increase in pupils eligible for additional funding, i.e. free school meals, is unfunded and as for 2026/27 may result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. This impact will be reviewed once data from the 2025 census has been received. The national regulations allow for an adjustment to the MFG which can be used in conjunction with capping and scaling within the school funding formula to ensure the budgets for schools are affordable within the Schools Block DSG.
33. Minimum per-pupil levels have increased due to the rolled-in grants and are set at £5,115 for primary and £6,640 for secondary pupils. These levels are

mandatory for all local funding formulae. As the funding floor and MFG protection operate at a per-pupil level, schools experiencing reductions in pupil numbers will see corresponding decreases in overall budget allocations.

34. Additionally, the Government has confirmed that free school meal entitlement will expand to all children in households receiving Universal Credit from September 2026. This expansion will be funded through a separate grant, not through the DSG or NFF in 2026/27, and further details will be published by the DfE in due course.
35. Additionally, within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places which is confirmed at £1.8m. This funding meets the costs of school growth currently within the system that is not fully completed, largely new schools not yet with their full contingent of year groups, and school expansions undertaken from September 2026. Once new places for September 2026 have been confirmed this will be combined with revised expectations on when new schools arising from housing growth will open to assess the full call on the grant.

2026/27 School Funding Formula

36. The NFF for 2026/27 delivers a minimum amount of funding per pupil, £5,115 for primary and £6,640 secondary pupils. These amounts are increased from that in 2025/26 to reflect CSBG and NIC. The detail of the Leicestershire Funding Formula is shown at Appendix B.
37. Overall, after closing the (£1.9m) affordability gap school budgets have been capped at 2.77% and scaled at 50% in the funding gains between 2025/26 and 2026/27.
38. As discussed to Schools Forum on 6 November 2025 a dis-application request, pending support from Schools Forum, was submitted to the DfE for factors additional to the NFF and included in the Leicestershire Funding Formula:
39. An exceptional premises factor that funds costs incurred in some school on rent for either additional premises and / or sports grounds for 7 schools who receive a total of £81,710. Whilst immaterial within the totality of school funding for the small school in receipt it is essential.
40. The DfE have approved the disapplication request for 2026/27.
41. The school funding formula has been submitted as required to the DfE for validation against the school funding regulations. Once this has been received budgets for maintained schools will be issued by the local authority in February, the ESFA will issue budgets to academies in March.

De-Delegation

42. Following consultation with maintained schools, Schools Forum have approved de-delegation for school improvement functions annually since 2022/23. A further request for de-delegation for 2026/27 is a separate item on the agenda for today's meeting.

High Needs

43. The High Needs Block allocation is estimated to be £124.1 million in 2026/27. Confirmation of the 2026/27 grant is not expected until March/April 2026. For financial year 2026/2027 the DFE announced they were temporarily suspending the high needs national funding formula (NFF), which in previous years has been used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025 to 2026 allocations, with some adjustments - including the annualisation of historic grant funding. Whilst it is challenging to compare the 2026/27 allocation with 2025/26 on an exact like-for-like basis due to the change in funding methodology, the 2026/27 allocation reflects a net real-term increase of 1.2% in funding, compared to an assumed 3% increase which had been assumed for financial planning, which adds an additional financial burden for the following financial year. Following wider reforms to the SEND system, which the government will set out in early 2026, the DFE will review the methodology for allocating high needs funding for future years so that it supports the SEND reforms.
44. On the basis that high needs funding allocations for 2025/26 are significantly below projected spend levels, and with the 2025/26 allocation being used to calculate 2026/27 allocations, it is expected that the current unsustainable financial position will continue into 2026/27, pending any further updates to funding linked to SEND reform announcements anticipated early in 2026.
45. At the end of 2024/25 the accumulated High Needs deficit stood at £64.4m and is now projected to rise to £111.9m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to around £460m by March 2030, as shown in the projection below (although projections/supporting mitigations will require refreshing early into 2026 aligned with outputs and impact of any announcement around SEND reforms and projections of current demand):

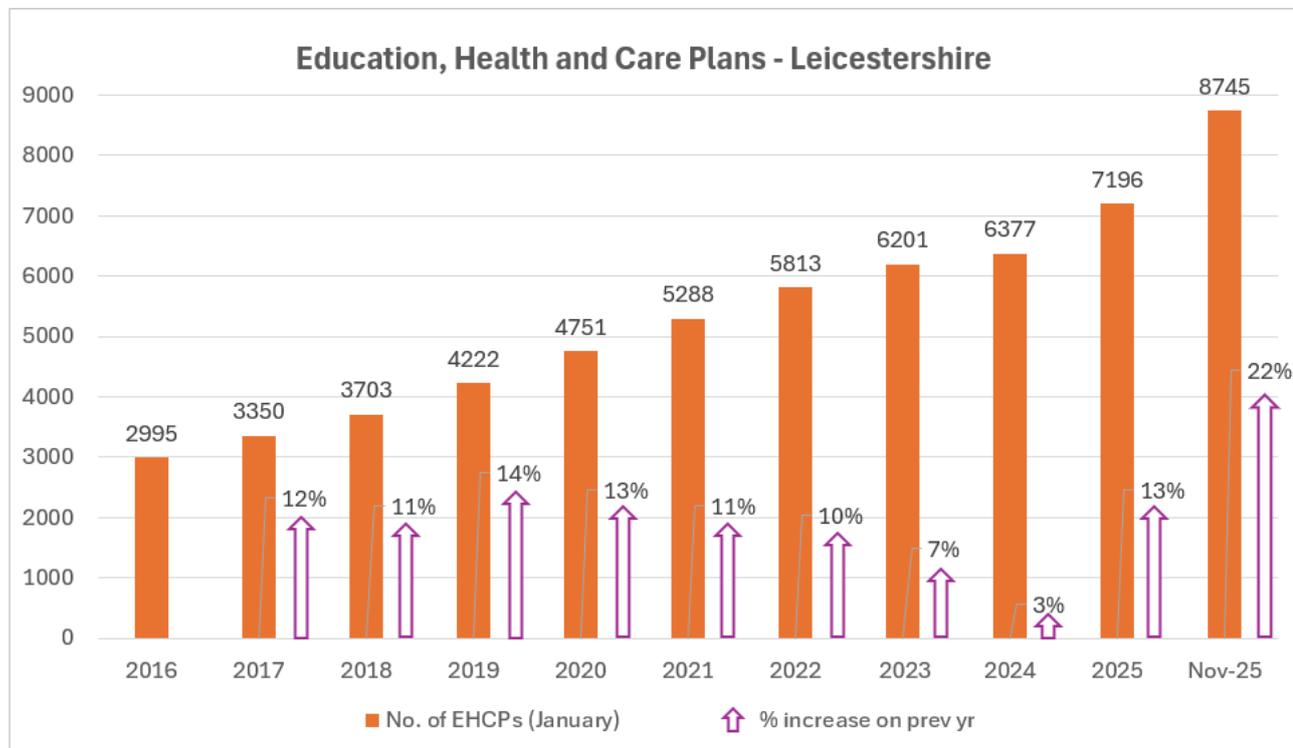
High Needs Financial Forecast - January 2026				
	2026/27	2027/28	2028/29	2029/30
	£,000	£,000	£,000	£,000
Total Grant Income	-124,684	-126,202	-127,838	-129,604
Total Expenditure	212,564	238,001	269,089	303,787
Total Planned Mitigations/Savings	-15,363	-33,403	-49,634	-66,146
Annual Revenue Funding Gap	72,517	78,396	91,617	108,036
2019/20 Deficit Brought Forward	7,062			
2020/21 High Needs Deficit Brought Forward	10,423			
2021/22 High Needs Deficit Brought Forward	11,365			
2022/23 High Needs Deficit Brought Forward	6,683			
2023/24 High Needs Deficit Brought Forward	5,650			
2024/25 High Needs Deficit Brought Forward	23,215			
2025/26 High Needs Deficit Brought Forward forecast	47,482			
Cumulative High Needs Funding Gap	184,397	262,793	354,410	462,446

46. The recent local government settlement confirms funding for high needs support through to March 2026. However, further confirmation is still awaited on the level and sustainability of support for future years beyond this period. Although it is understood from 2028/29 the Government will take over responsibility for SEND costs, it has not specified in great detail how this will be achieved and how it will be funded. Under the current arrangements, local authorities are expected to be responsible for managing and funding any residual high needs deficits through to March 2028 net of any government led financial support once fully confirmed. This places continued pressure on local budgets and reinforces the importance of clarity on longer-term funding and national reform beyond this period.
47. With the High Needs Block continuing to face significant financial pressures, with allocations falling well below projected demand, to mitigate this, a whole-system approach is being implemented through six key actions: strengthening early intervention and mainstream inclusion, applying robust EHCP gatekeeping and reviews, expanding local specialist provision, reducing early years specialist placements, and improving commissioning and demand management. These measures aim to slow cost growth and improve sustainability, but given the scale of demand, the financial position remains challenging and will require ongoing review alongside national reform developments.
48. Despite current and planned mitigations, the levels of projected growth mean that the financial position is unsustainable. As such it is essential that the planned measures to contain ongoing growth are successful. Further mitigations and actions are actively being considered to reduce the projected financial burden on the DSG High Needs funding block. This work is currently

underway, and its impact will be reflected as part of the wider MTFS planning work over the coming months.

49. In developing additional mitigations, consideration is being given to aligning actions to anticipated changes in the Schools White Paper. Whilst the actual content of this paper is unknown, through the work the authority is undertaking for the DfE as part of the Change Programme Partnership, the Council is aware there will be a key focus on 'mainstream inclusion'. This will include working with all mainstream schools to ensure there is a much stronger emphasis on children and young people with complex and significant needs attending their local mainstream school wherever possible. To deliver this new approach, it will require the full co-operation of school leaders and their close partnership working with the Council and each other.
50. Despite the challenging financial position the local authority budget makes provision for growth funding to support post transforming SEND & Inclusion in Leicestershire (TSIL) sustainability through an additional annual investment of £1.85m on-going from 2026/27.
51. This is in response to overall demand through the front door in terms of EHCP demand which has continued to rise, which is further illustrated in the chart below and shows active EHCPs over time by calendar year. At the end of November 2025 there were 8,745 EHCPs, a 22% increase since January 2025, and a 192% increase in EHCPs since January 2016. Recent increases in demand are being seen nationally and are likely a result of uncertainty on future SEND reform caused by the anticipated Government Schools White Paper.

Number of children and young people with Education, Health and Care Plans (EHCPs) in Leicestershire



52. The TSIL programme had considered workload and performance within the Special Educational Needs Assessment (SENA) Service. The service is responsible for delivering the local authority's statutory duties under the SEND Code of Practice to carry out statutory assessment and review of children and young people who have an EHCP from age 0 – 25, write Education Health and Care Plans (EHCPs) and identify and secure the provision to meet the needs. They are key contributors to meeting the 20-week statutory timeline for assessments but are also dependent upon other advice givers to do so.
53. The review identified that the current model was failing to achieve statutory duties, particularly regarding the timeliness of the assessment process for EHCP requests which has been a considerable challenge for the Council for a number of years - with the authority only finalising 4.3% of assessments within the 20-week statutory timeline in 2024.
54. The work of the TSIL programme has succeeded in slowing growth in demand for Education, Health and Care Needs Assessments (EHCNAs) and reduced the overall High Needs deficit position. TSIL changes to ways of working, processes and an inclusive practice ethos have become embedded in business as usual. Ongoing performance and financial monitoring of changes made during the programme will be undertaken using embedded performance frameworks to ensure early visibility of changes in demand and tracking of sustained process improvements. Of note – this includes the current overall

improving position for EHCNA assessment process – at the end of November 25, the overall average time to issue is continuing to reduce and is now close to the 20-week target at 22.9 weeks, a significant improvement on the 62 weeks in December 2024.

55. While the TSIL programme has now been concluded, recent unanticipated rises in demand reinforce that the SEND system remains unsustainable, and continued uncertainty around what might be included within the Government's White Paper, proposed for release in early 2026, is expected to continue to fuel demand in the short to medium term.
56. There are still significant opportunities for improvement to be made both to internal service performance and to support inclusive practice across the education system. Building on the work of the TSIL programme and an expected emphasis of the White Paper on mainstream inclusion, the Council will be working to embed 'belonging' in schools and other educational settings.
57. Belonging focuses on children and young people feeling personally accepted, respected, included, and supported by others in their local education social environment. Children and young people who feel safe, valued and cared for within their educational setting are much more likely to experience academic success, positive social connections and a confident perception of their connection within the community.
58. The authority is developing a *Belonging in Education* strategy, co-produced with system partners, school leaders, parents, carers and young people with SEND. This work commenced in September 2025, with the aim to have a draft of the strategy in the Spring of 2026. The strategy will set out how Leicestershire will deliver the ambition of belonging for every child and young person in all educational settings across Leicestershire and will provide the framework for all areas of the Council's SEND and Additional Needs improvement work so that children and young people can *live their best life*.
59. Other new areas of improvement are continuing to be developed which will support the achievement of existing and planned savings targets, contributing towards a more sustainable High Needs Block position and support children and young people to feel they belong. These include initiatives such as:
 - a. Developing a series of new support offers for mainstream schools and children with social, emotional and mental health (SEMH) needs. These offers have been co-produced with schools and will include training, specialist outreach support and clinics for school staff, a directory of support and advice for school staff and for parents and carers of children with SEMH needs, and a pilot of in-school alternative provision leading to a GCSE qualification for young people with SEMH needs struggling to access standard mainstream classroom learning.
 - b. The introduction of a banded model for EHCPs, which gained approval from the Cabinet in July 2025 to consult with schools on transitioning from EHCP funding based on Learning Support Assistant hours to a more flexible model of banding based on an assessment of the child's needs.

- c. More efficient processing of requests for assessment and improved communication using additional digital process improvements and an activity-based model allowing as many tasks as possible to be allocated to support staff at lower grades, supporting those at higher grades to focus on specialist tasks and reducing the need for growth in specialist staff to meet the increased demand.
 - d. Improvements to the EHCP review process to ensure all children with EHCPs receive an annual review and offer evidence-based support to SENA staff on prioritisation of their caseloads.
 - e. Improvements to placement recording processes, changing the way the Council captures placement financial information to enable more efficient processing of
57. Appendix C set out the number of specialist places commissioned for 2026/27 and their average unit cost. It should, be noted that these are the minimum number of places being commissioned and additional places may be commissioned throughout the year as need arises. The average unit cost will also vary as needs and costs change throughout the year.

Central Services Block

58. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. For 2026/27, the central schools block will incorporate the SBSG and NICs grant elements relating to centrally employed staff. The updated Settlement is £4.8m for 2026/27.
59. The annual 20% reduction to historic commitments continues in 2026/27. Reductions will now be applied against the 2025/26 baseline rather than the immediately preceding year. Protections remain in place for pre-2013 termination of employment costs. The DfE expects that, subject to further review, only residual protected elements will remain by 2030.

Early Years Block

60. The entitlement to Early Years Education for 2026/27 is;
- a. 30 hours for eligible working parents for children aged 9 months to 2 years. (this has been extended from 15 hours from September 2025)
 - b. 15 hours for 2 years olds for families requiring additional support, this was formally disadvantaged 2-year-olds
 - c. Universal offer of 15 hours for 3- and 4-year-olds
 - d. An additional 15 hours extended entitlement for working parents for 3- and 4-year-olds
61. The Early Years DSG settlement is estimated to be £128.6m and based on funding rates of £6.20 per hour for the 3 – 4-year-olds, £7.90 for 2-year-olds and £10.67 for under 2's. Local authorities are required to pass through 97%

of the settlement to providers, the remaining 3% contributes towards the cost of delivering the Early Learning and Childcare service including the transition to termly returns and introduction of additional service streams in recent years, such as the expanded offer.

62. Taking the above into consideration, work is underway within the service to enable the local authority to calculate and notify providers of their funding rates no later than 28 February 2026. The decision on rates is one vested to the Director of Children and Family Services by the County Council's Cabinet, the DfE view Local authorities being best placed to determine how to use their total funding allocation to meet the needs of their communities.
63. The minimum 97% pass through rates includes:
- the universal hourly base rate, which is paid to all providers
 - supplements for deprivation
 - special educational needs inclusion fund (SENIF), which should be targeted at children with lower level or emerging special educational needs (SEN)
 - contingency funding, which is extra money set aside for changes in the number of children taking up the entitlements throughout the year

Funding School Growth

64. Within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. For 2026/27 the grant is confirmed as £1.8m; £464k has been used for implicit growth with in NFF. The remaining £1.36m will be used for explicit growth.
65. The growth fund can only be used to:
- support growth in pre-16 pupil numbers to meet basic need
 - support additional classes needed to meet the infant class size regulation
 - meet the revenue cost of new schools
 - meet revenue costs, for schools, of removing or repurposing surplus places
66. From 2024/25 local authorities were required to provide growth funding where a school or academy has agreed with the local authority to provide an extra class to meet basic need in the area (either as a bulge class or as an ongoing commitment). The rates paid under the policy reflect the rates of funding set by the DfE.
67. The growth fund cannot be used to support:
- schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency

- general growth due to popularity; this is managed through lagged funding. This includes cases where academies have admitted above pupil admission numbers (PAN) by their own choice

68. Schools Forum agreed a revised Growth Policy at its meeting of 21 November 2023 as a result of the DfE's introduction of new minimum requirements for local authorities. It should be noted that the growth fund relates exclusively to mainstream schools and cannot be used to support new SEND provision without a transfer from the schools to high needs block. The cost of commissioning new SEND provision falls to the high needs block as there is no DfE revenue funding for establishing additional specialist provision and therefore contributes to the overall deficit.

Dedicated Schools Grant Reserve

69. Local authorities continue to be required to carry any DSG deficit forward for recovery against future years grant and may also only contribute local resources to the Schools Budget with the permission of the Secretary of State.

70. It is forecast that the DSG reserve will remain in deficit for the period of the MTFs as a result of the continued and increasing overspend on high needs. This will partially be offset by the accumulation of funding allocated to the authority to meet the revenue costs of new and expanding schools. Overall the DSG deficit is forecast at £169.9m (23% of Total DSG) rising to £453.9m (72% of DSG) in 2029/30 which is an increase on previous projections.

71. Whilst work continues to deliver further cost reductions in future years outside the current MTFs period, the financial position is clearly unsustainable and remains the most significant financial risk for the Council.

Notional SEN Budget

72. The Notional SEN budget is an identified amount of funding within a schools overall delegated budget that is to contribute to the special educational provision of children with SEN or disabilities and is to guide schools in the allocation of resources to meet additional needs of pupils. In terms of high needs the national funding system sets out that Element 2 funding is met from the notional SEN budget:

Funded by local authority	Paid by Local Authority for each occupied place - may be more than one funding authority	Total cost of provision specified in EHCP less £6,000	Element 3	Element 3 funding - sometimes referred to as 'Top-up' is paid where the additional educational provision within the Education, Health and Care Plan exceeds £6,000. It is paid by the local authority with financial responsibility for the pupil and is in addition to the school delegated budget.
		High Cost, Low Incidence		
Funded by school from delegated budget	£6,000	First £6,000 of cost of provision specified in EHCP	Element 2	Element 2 funding is met within the school delegated budget from the Notional SEN Budget. This is a subsidiary calculation within the delegated budget, consisting of 4% AWPU, 50% Low Prior Attainment, 67% IDACI, 50% Free School Meals, and 50% Ever 6. It is a financial measure of the expected level of SEND within the school population.
		Low Cost, High Incidence		
	£4,000 (approx)	Universal provision for all Pupils	Element 1	Element 1 funding is the delegated pupil led funding for all schools and not affected by the individual level of needs of pupils.
		Universal		

* Delegated budget refers to the S251 Statement for maintained schools and GAG for academies

73. The calculation of the Notional SEN Budget is locally defined. Following a change to the calculation for 2025/26 to closer align to the school population, it remains unchanged for 2026/27. It should be noted that the Notional SEN Budget is not additional funding to schools but a guide to the expected level of SEN within any school. The proportions and funding factors upon which the notional SEN budget are calculated are detailed out in the following table, the calculation is individual to each school and therefore the proportion of the overall school budget will vary:

Funding Factor	2026/27 NFF Factors % to Notional SEN
Age Weighted Pupil Unit	4%
Prior Attainment	50%
IDACI	67%
Free School Meals	50%
Ever 6	50%
Total Notional SEN Budget Contained within the Funding Formula	£56.507m

74. In accordance with the High Needs Operational Guidance the local authority will continue to assess schools where the notional SEN budget is insufficient to meet commitments to element 2 funding. This compares the aggregated commitment to Element 2 costs for High Needs students and the Notional SEN Budget. Where the notional budget is shown to be insufficient to meet commitments an additional payment will be made to schools. Schools should,

within their management processes, consider how their SEN notional budget is fully deployed to support pupils within the mainstream school environment.

Excluded Pupils

75. Permanent exclusion funding adjustments are governed by Chapter 3 of The Schools and Early Years Finance (England) Regulations 2025, which provide the statutory basis for a financial adjustment order to be made in respect of a permanently excluded pupil. The legislation requires that deductions from a school's budget share are calculated in accordance the prescribed funding formula methodology.
76. The clawback applies to pupil-led funding factors including AWPU; FSM, FSM Ever6, IDACI, EAL, Mobility, Lower Prior Attainment and Pupil Premium. This ensure that funding follows the pupil and reflects their change in educational placement.
77. In Leicestershire, the statutory framework is applied consistently to align funding with alternative provision commissioned by the Local Authority. Any other associated funding, i.e., high needs funding, including EHCP top up funding will also transfer with the pupil and will there subject to clawback to ensure resources follow the child.
78. Appendix D – 2026/27 NFF Funding Rates for Exclusion Clawback

Pupil Premium

79. Pupil Premium rates and arrangements have not been confirmed for 2026/27, the table below sets out the 2025/26 rates.

	2025/26 £ per Pupil
Primary Free School Meals 6	1,515
Secondary Free School Meals 6	1,075
Looked After and Previously Looked After Children	2,630
Service Premium	350

80. The allocations are passported intact by the local authority to maintained schools for eligible pupils on the school roll but are retained by the local authority for looked after children which is allocated by the Head of the Virtual School, academies receive funding directly from the ESFA.

The Local Authority Budget

81. Demand for Children and Family Services continues to increase with growth of £58.25m projected over the period of the MTF5, as the requirement to meet CFS needs before intervention, arising largely from demographic growth and

an increased need/cost for social care. Growth includes a further £1.85m for TSIL sustainability.

82. The revised MTFs for 2026-30 projects a funding gap of £80m plus by March 30 in year four, based on a 2.99% Council Tax increase, although at the point of writing this paper, no decision has yet been made on the level of increase to be approved.
83. In order to set out the full context of the financial challenges facing the department the provisions for growth and savings set out in the Children and Family Services budget for 2026/27 – 2029/30 are summarised below. The significant challenge within this section of the budget continues to be the growth in the number and cost of social care placements and the staff required to support both services for both looked after children and vulnerable children and their families. The growth and savings attributed to the department are shown below:

References		2026/27	2027/28	2028/29	2029/30	
		£000	£000	£000	£000	
<u>GROWTH</u>						
<u>CHILDREN & FAMILY SERVICES</u>						
**	G1	Demographic growth & increasing cost of Social Care Placement mix	22,200	30,200	38,700	47,900
**	G2	Front-line social care staff - increased caseloads	700	700	900	900
**	G3	Post Transforming SEND & Inclusion In Leicestershire(TSIL) sustainability	1,850	1,850	1,850	1,850
**	G4	Unaccompanied Asylum Seeking Children (UASC) - increased demand/cost	800	2,000	3,200	4,450
	G5	Disabled Children Service	1,380	1,700	2,000	2,350
	G6	Oakfield Expansion - Increased Transport need/demand	800	800	800	800
		TOTAL	27,730	37,250	47,450	58,250

<u>SAVINGS</u>							
<u>References used in the following tables</u>							
* items unchanged from previous Medium Term Financial Strategy							
** items included in the previous Medium Term Financial Strategy which have been amended							
Eff - Efficiency saving							
SR - Service reduction							
Inc - Income							
<u>CHILDREN & FAMILY SERVICES</u>							
*	CF1	Eff	Innovation Partnership - Creation and investment in Internal Residential provision	-750	-1,250	-1,500	-1,500
*	CF2	Eff	Defining CFS For the Future Programme - Phase 2 - Social Care Workforce Strategy (Recruitment and Retention)	-250	-650	-650	-650
*	CF3	Eff	Reduced Care Costs through growth of internal family based placements	-300	-600	-850	-850
**	CF4	Eff/Inc	Smarter commissioning, Procurement and Demand Management - Social Care Placements and externally commissioned services				
			Strand 1 - Contain & Minimise impact of market cost pressures for children placements - external providers	-1,000	-2,250	-3,700	-5,470
			Strand 2 - Review of care packages /cost (Pro-active and Reactive) ensuring value for money and effectiveness	-200	-400	-650	-955
			Strand 3 - Development of a wide range of other accommodation and support options	-3,600	-5,950	-8,150	-10,250
	CF5	Eff	Departmental Service Efficiency Review	-630	-630	-630	-630
			TOTAL	-6,730	-11,730	-16,130	-20,305

Capital Programme

84. The proposed Children and Family Services capital programme totals £87.2m, for the majority (£46.5m) of which there is external funding or capital receipts expected, and £33.7m prior years' external funding held in reserves, resulting in £7.0m call on LCC capital funding over the four year life of the proposed MTFS as per the summary table below.
85. The programme continues to focus upon the delivery of additional primary and secondary school mainstream places and providing new places and improving existing provision for children with special educational needs and disabilities.

CFS Capital Programme '£000	2026/27	2027/28	2028/29	2029/30	Total
Additional School Places	28,425	16,084	4,047	540	49,096
SEND Programme	7,158	8,900	900	0	26,958
Other Capital	3,023	2,700	2,700	2,700	11,123
Total	38,606	37,684	7,647	3,240	87,178

Provision of Additional School Places

86. The investment in additional school places totals £49.1m over four years including £28.4m next year. The programme is funded through the Basic Need grant from the DfE and section 106 developer contributions.
87. The programme is mostly funded by DfE capital grants and section 106 contributions. However, due to a combination of increased inflationary costs, legacy section 106 shortfalls and a change in DfE grant allocation methodology, discretionary funding from the Council of £6.7m is required to fund the additional school places programme. An initial increased allocation was included in the September 2025 refresh of the capital programme, and the report noted that further funding would still be required – expected to be in the region of a further £20m at that point. This has been reduced to £6.7m due to identifying further section 106 contributions that can be used, and some changes to schemes to reduce costs. The additional funding required can be financed from the corporate capital financing reserve and by reducing the allocation in the overall capital programme portfolio risk fund. This is possible because some schemes (across the wider capital programme) for which the risk is held have either progressed close to completion or because other funding has been identified. Use of funding towards this shortfall does mean however that the funding will not be available to reduce the Council's overall £84m capital programme funding gap and that borrowing may be more likely to be required.

SEND Programme

88. The four-year investment in the SEND programme is £26.9m and includes High Needs Capital Grant funding received from the DfE in previous years.

Other Capital

89. There is £11.1m “other capital” included comprising of:
- £8m Strategic Capital Maintenance (£2m assumed per annum subject to funding)
 - £1.6m Schools Dedicated Formula (£0.4m assumed per annum subject to funding)
 - £1.2m to invest in improvement in schools access and security
 - £275k investment in residential properties within the Children’s Innovation Partnership (CIP).

Funding Sources

90. The majority of the capital programme is likely to be funded by external grant and developer section 106 contributions as follows:

Capital Resources '£000	2026/27	2027/28	2028/29	2029/30	Total
Grants	3,602	3,132	3,400	3,400	13,534
External Contributions / S106	12,003	16,700	3,507	0	32,211
Earmarked capital receipts	0	750	0	0	750
Discretionary Capital Funding	6,404	613	0	0	7,017
Prior Years' grant funding held in reserve	16,597	16,489	740	-160	33,667
Total Resources	38,606	37,684	7,647	3,240	87,178

91. Basic Need Grant – this funding is provided by the Department of Education (DfE) for the provision of additional mainstream pupil places. The funding is allocated based on the local authority’s School Capacity (SCAP) return which is submitted on an annual basis. In March 2025 the DfE announced Basic Need grant allocations for 2026/27 and 2027/28 of £1.154m and £732k respectively. The methodology the DfE have used differs to previous years, and now incorporates funding thresholds for planning areas, below which grant funding will not be provided. This change in methodology has resulted in a significant reduction in the levels of funding LCC have received for 2026/27 and 2027/28. The Council has made representation to the DfE regarding this change in methodology and the impact it will have on enabling the Council to meet its statutory duty of providing sufficient mainstream places. A nominal

estimate of £1m has been used for 2028/29 and 2029/30, which will be updated once the allocations are announced.

92. High Needs Provision Capital Grant – in early December 2025 the DfE announced that there will be at least £3bn of funding provided nationally to support children with special educational needs and disabilities in educational settings closer to their homes. However no indication was given of the LA level allocations, and what conditions may be attached to the funding. Further details are expected in Spring 2026.
93. Strategic Maintenance Grant – is received from the DfE for the maintenance of maintained schools only. This grant is based on a formula that considers pupil numbers and the overall condition of the school estate. The grant reduces as schools convert to academies. Local authority allocations are yet to be confirmed. An assumption of £2m per annum has been included in the MTFS.
94. Section 106 Contributions – it is estimated that a total of £32.2m of section 106 contributions to fund the proposed programme, of which £12m is in 2026/27. Estimates for the latter years of the MTFS are less certain and are dependent upon the speed of housing developments.

Appendices

Appendix A – 2026/27 Children and Family Services Proposed Budget

Appendix B – 2026/27 Leicestershire Schools Funding Formula

Appendix C – 2026/27 High Needs Commissioned Places

Appendix D – 2026/27 NFF Funding Rates for Exclusion Clawback

Background Papers

Report to Schools Forum 18 June 2024 – Resetting the SEND Funding System
<https://democracy.leics.gov.uk/documents/s183682/6.%20Resetting%20the%20SEN%20Finance%20System%20v2.pdf>

Reports to Schools Forum 17 September 2024;

1. School Financial Standing
2. SEN Investment Fund and Schools Block Transfer

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

Report to Schools Forum 4 November 2024 – Resetting the SEND Funding System
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7978&Ver=4>

DfE Guidance – The Notional SEN Budget for Mainstream Schools: Operational Guide 2026 to 2027

<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2026-to-2027/the-notional-sen-budget-for-mainstream-schools-operational-guidance-2026-to-2027>

Report to the Cabinet on 12 September 2025, “Medium Term Financial Strategy – Budget Monitoring and MTFS Refresh”,

<https://democracy.leics.gov.uk/documents/s191577/MTFS%20Sept%2025%20Cabinet%20-%20030925%204pm%20FINAL.pdf>

Report to the Schools Forum on 9 September 2025, “2026/27 Schools' Block Transfer”,

<https://democracy.leics.gov.uk/documents/s191584/School%20Block%20Transfer%20Report%2009092025.pdf> Report to the Schools Forum on 9 September 2025,

“SEN Investment Fund”,

<https://democracy.leics.gov.uk/documents/s191586/Schools%20Forum%20report%20-%20030925%20SEN%20Investment%20Fund%202025-26.pdf>

Officer to Contact

Tim Browne Assistant Director,
Education, Inclusion & Additional Needs
Telephone: 0116 305 0546
Email: tim.browne@leics.gov.uk

Renata Chantrill Head of Service,
Education Quality & Performance
Telephone: 01163050356
Email: renata.chantrill@leics.gov.uk
Nerinder Samaria
Strategic Finance Manager
Email: nerinder.samaria@leics.gov.uk
Salik Khan
Education Finance Manager
Email: salik.khan@leics.gov.uk