



## **Title of report: High Needs Budget 2026/27**

**Decision maker: Cabinet member children and young people**

**Decision date: 30 March 2026**

**Report by: Head of Strategic Finance (Deputy S151)**

### **Classification**

Open

### **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

### **Wards affected**

(All Wards);

### **Purpose**

To approve school forum's recommended budget proposals for high needs budgets within the Dedicated Schools Grant (DSG) for 2026/27.

### **Recommendation(s)**

#### **That:**

**Herefordshire's High Needs Budget of £50.9 million for 2026/27 for approval by the Cabinet Member for Children and Young People as set out in the report, noting the funding gap in 2026/27 of £25.7 million.**

## Alternative options

1. Herefordshire Council has fully implemented the National Funding Formula (NFF) methodology, so alternative options are limited. Given the growing national issue of High Needs Block (HNB) deficits, the NFF allows for the top slice of the funding blocks to redirect to the HNB. The High Needs Block budget proposed for 2026/27 includes a transfer from the Early Years Block for the SEN inclusion fund of £0.1 million and £0.3 million from the Central Block.
2. In considering the proposals set out in the report, the Council has consulted with Budget Working Group (BWG), which includes representatives from schools and the Schools Forum.

## Key considerations

3. The DSG is intended to meet the educational costs of pupils in primary and secondary education, as well as the educational costs of special educational provision for children and young people with Special Educational Needs (SEN) in post-16 provision, including those aged over 19 and up to 25 who have an Education Health Care Plan (EHCP). The DSG cannot be used for purposes other than those specified in the conditions of grant and regulations. High needs funding is one element of this.
4. High needs funding is provided to all local authorities through the High Needs Block of the Dedicated Schools Grant (DSG), to enable them to meet their statutory duties under the Children and Families Act 2014. Local authorities then pass it to schools and other providers for individual children, as well as using it to provide specified specialist support services. The DSG is ring-fenced, meaning that authorities cannot allocate this funding for purposes other than education.
5. Members of the forum will be aware from previous reports that Herefordshire slipped into a cumulative DSG deficit position at the end of 2021/22 financial year. The deficit was solely attributed to overspend in recent years in the High Needs Block due to the legal requirement in the Children's Act to meet pupil need irrespective of available financial resources. Although the deficit was initially modest, it has risen considerably since 2021/22. It is projected to be £38.2 million at the end of 2025/26.

## High Needs Block Allocation 2026/27

6. The High Needs Block (HNB) supports provision for pupils and students with special educational needs and disabilities (SEND), from their early years to age 25, and alternative provision (AP) for pupils who cannot receive their education in schools.
7. The High Needs Block NFF, used to calculate allocations of the HNB of the DSG from the 2018/19 financial year to the 2025/26 financial year, is not being used for the calculations of high needs funding allocations for the 2026/27 financial year. Instead of using the NFF, allocations for 2026/27 are based on the 2025/26 DSG allocations and includes any adjustments for grants (CSBG, SBSG and NIC Grants).
8. In summary, the 2026/27 HNB allocations will be the total of:
  - Funding received through the 2025/26 HNB of the DSG, excluding the import and export adjustments and place funding deductions.
  - Annualised 2025/26 CSBG funding for independent special schools, specialist post-16 institutions, independent learning providers and hospital education provision.

- Annualised 2025/26 CSBG funding for state funded special and AP schools.
- 2026/27 equivalent NICs grant and SBSG funding for places in special units and resource provision in mainstream schools.
- Import and export adjustments for 2026/27 (the initial calculation has the 2025/26 import and export adjustment which is updated later in 2026).
- Place funding deductions for 2026/27 (the initial calculation is based on 2025/26 academic year place numbers, which are updated later in 2026).

### Herefordshire's provisional Dedicated Schools Grant 2026/27 at December 2025 (reported in Jan 26 report)

	Schools Block £ m	Central Schools Block £ m	Early Years Block £m	High Needs Block £m
<b>Total Schools Block</b>	<b>142.68</b>			
<b>Total Central Schools Block</b>		<b>0.96</b>		
<b>Total Early Years Block</b>			<b>27.47</b>	
Total 2026/27 High Needs Block before deductions				30.69
Mainstream academies Pre-16 SEN places funded at £6,000 (9 places)				(0.05)
Special academies Pre-16 SEN Places (316 places)				(3.16)
Special free schools Post-16 SEN places (48 places)				(0.48)
16-19 academies and free schools Post-16 SEN places (20 places)				(0.12)
FE and ILP places (290 places)				(1.74)
<b>Total High Needs Block</b>				<b>25.14</b>
<b>Provisional 2026/27 DSG Budget by Block</b>	<b>142.68</b>	<b>0.96</b>	<b>27.47</b>	<b>25.14</b>

### Proposed HNB Budget 2026/27

- The High Needs Block gross allocation for 2026/27 is £30.7 million. Whilst this represents an increase of £1.9 million (6.6%) on the 2025/26 allocation, it should be noted that this increase is due to grants being rolled in the HNB budget, not growth. As a result of this the allocation is not sufficient to meet identified pressures in this area.
- The High Needs Block budget proposed for 2026/27 includes a transfer from the Early Years Block for the SEN inclusion fund of £0.1 million and £0.3 million from the Central Block. The transfer into the High Needs Block totals £0.4 million.

11. Following recoupment deductions (-£5.6 million) and then adding on transfers from other blocks (+£0.4 million) the net funding for the 2026/27 High Needs Block is £25.1 million as highlighted in the table in paragraph 11.
12. The council has undertaken a detailed analysis of the 2026/27 High Needs Block funding requirements with 2025/26 Q3 full year forecast being used as the starting point, with additions then being made for inflation, pupil growth and additional placements. This has created a proposed funding requirement of £50.9 million for 2026/27, which is summarised below:

<b>High Needs Block</b>	<b>2025/26 Budget £m</b>	<b>2026/27 Budget £m</b>	<b>Variance £m</b>
Special School Places	1.207	2.562	1.355
PRU Places	1.033	1.340	0.307
PRU Top Ups	0.512	0.867	0.355
Early Years SENIF Grants	0.270	0.270	-
Nurture Provision	0.291	-	(0.291)
Resource Bases (inc. top ups)	0.552	0.118	(0.434)
Autism Bases	0.566	1.513	0.947
SEN Support Services	1.471	1.820	0.349
Inter Auth Recoupment	(0.060)	0.149	0.209
Fees to Independent Schools	20.626	21.634	1.008
S19 Education costs	-	0.325	0.325
Tier 4 Hospital School Provision	-	0.040	0.040
High Needs – School Top Ups	5.809	7.741	1.932
High Needs – Special Top Ups	5.424	6.494	1.070
High Needs – Post 16 Top Ups	2.808	5.018	2.210
High Needs SEN Protection	1.544	-	(1.544)
DSG Complex Needs Contributions	2.558	1.413	(1.145)
High Needs Contingency (Block Transfers)	(1.098)	(0.436)	0.662
<b>High Needs Block Budget Requirement</b>	<b>43.513</b>	<b>50.868</b>	<b>7.355</b>
High Needs Block Net Allocation	(23.532)	(25.137)	(1.605)
<b>High Needs Block Deficit</b>	<b>19.981</b>	<b>25.731</b>	<b>5.750</b>

13. The proposed budget therefore will set an in-year deficit of £25.7 million for the High Needs Block, an increase of £5.7 million (29%) compared to 2025/26. Despite the net High Needs Block allocation increasing by £1.9 million (6.6%) the budgeted net expenditure of the service has increased by £7.4 million (17%) and the deficit has grown exponentially.
14. Details of the £50.9 million 2025/26 proposed funding requirement are listed in Appendix 1: 2026/27 High Needs Budget - Placements and cost details.

## **Community impact**

15. The government's national funding formula determines the allocation of funding to schools and the DSG is essential in helping the council achieve its priority to keep children and young people safe and give them a great start in life. The school funding formula must meet the national requirements of the DfE.
16. Governing bodies of schools are responsible for decision making to commit expenditure to meet pupils' individual needs.

## **Environmental impact**

17. This is a consultation with Schools Forum on school funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the Council's Environmental Policy.

## **Equality duty**

18. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to – (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. In relation to school finance, it is the responsibility of individual governing bodies to commit expenditure according to individual pupil need. Changes in high needs provision will require consultation with users, and further advice from legal services will be sought should this be necessary. However, the decisions of the school forum should have regard to this duty and the potential implications of any decisions made.

## **Resource implications**

21. The High Needs Block budget is fully funded by Dedicated Schools Grant (DSG).

## **Legal implications**

22. The council is required to adhere to the DfE prescribed arrangements for school and Local Authority as set out in regulations. The School and Early Years Finance Regulations (England) Regulations will be updated and laid before Parliament in Spring 2025 These Regulations require the council to determine budget shares for schools maintained by them and amounts to be allocated in respect of Early Years provision in their areas, in accordance with the appropriate formulae which the Council must determine.

23. The council must consult its Schools Forum and schools maintained by it about any proposed changes to the funding formulae, in relation to the factors and criteria taken into account, and the methods, principles and rules adopted. The same consultation obligation applies to proposed changes that will affect Early Years providers. The DfE operational guidance 'Schools revenue funding 2026/27' provides that any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. Local authorities should communicate proposed formula changes to all bodies affected by the changes.
24. Section 42 of the Children and Families Act 2014 provides that where a council maintains an Education Health Care Plan (EHCP) for a child or young person, the council must secure the specified education provision. The council must comply with this statutory duty.

### **Risk management**

25. The Budget Working Group (BWG) reviews proposals in detail prior to making recommendations to the Schools Forum. This two stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified. Any identified risks will be monitored and managed by the Children and Young People directorate jointly with the Schools Forum.

### **Consultees**

26. The Budget Working Group (of Schools Forum) was consulted on 6 March 2026, and the Schools Forum was consulted and approved the recommendations on 20 March 2026 regarding the proposed 2026/27 budget of £50.9 million and subsequent deficit of £25.7 million.

### **Appendices**

Appendix 1 – 2026/27 High Needs Budget – Placements and cost details

### **Background papers**

None.

### **Glossary of terms, abbreviations and acronyms used in this report**

BWG	Budget Working Group
CSBG	Core Schools Budget Grant
DfE	Department for Education
DSG	Dedicated Schools Grant
EHCP	Education, Health & Care Plan
NFF	National Funding Formula
NIC	National Insurance Contributions
PRU	Pupil Referral Units
SBSG	Schools Budget Support Grant
SEN	Special Educational Needs
SEND	Special Educational Needs & Disabilities