Report to the Lancashire Schools Forum
Meeting to be held on Friday 9th January 2026

Item 7

Recommendations of the High Needs Block Working Group

Contact for further information:
Schools Forum Clerk
schoolsforum@lancashire.gov.uk

Brief Summary

On 27 November 2025, the High Needs Block Working Group considered several reports, including:

1. **Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast**
2. **High Needs Block Commissioned Places 2026/27**
3. **Clawback Exemption Requests 2026/27**
4. **High Needs Block Mitigations 2026/27**
5. **Supply Cover Insurance and Maternity Scheme for Lancashire Schools Arrangements 2026/27**
6. **Any Other Business**

A summary of the information presented, and the Working Group's recommendations are provided in this report.

Recommendations

The Forum is asked to:

a) Note the report from the High Needs Block Working Group held on 27 November 2025.
b) Ratify the Working Group's recommendations.

Detail

On 27 November 2025, the High Needs Working Group considered several reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast

Members considered the most recent Dedicated Schools Grant Monitoring report. Following the reporting of the council's DSG deficit of £22.43m at March 2025, monitoring has been provided showing the period 1-7 budget monitoring position of the DSG and longer-term financial forecast.

The DSG is currently forecasting a **£65.29m** overspend at 31 March 2026, with a forecast cumulative DSG deficit total of **£87.72m. There are however additional forecast financial implications on DSG due to the SEND recovery plan, with**

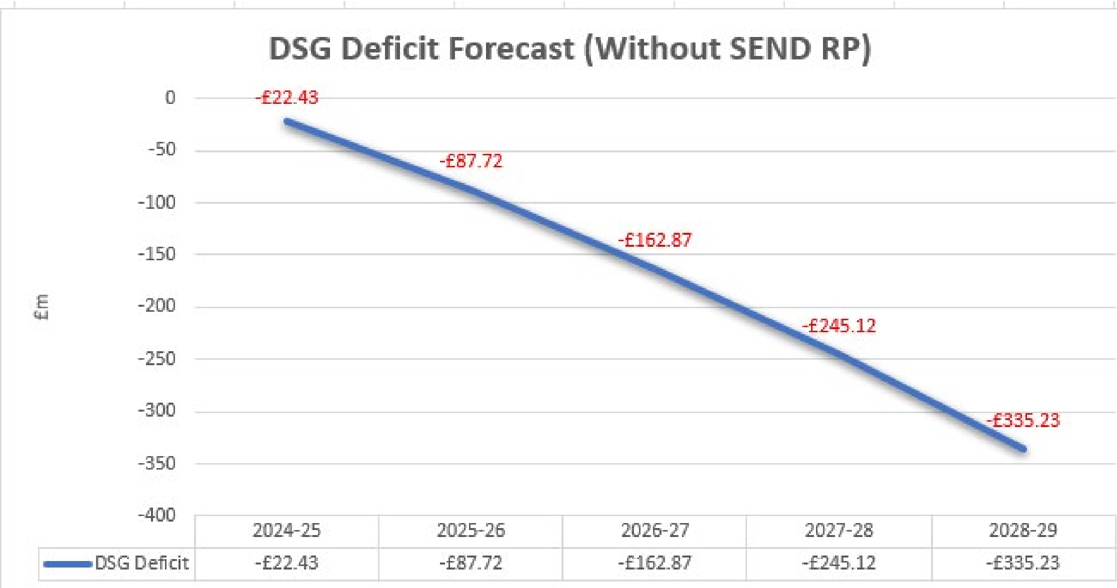
current forecasting showing an anticipated increase in the in year overspend to £119.16m, resulting in a forecast cumulative DSG deficit of £142.44 by March 2026. Further details are provided later within the report.

There remains significant ongoing financial pressure facing the HNB block as the demand and costs continue to rise as the number of children and young people with EHCPs continues to grow, but the HNB Block funding from DfE has not kept paced and increased in line with this growth. Over the years, this has created financial pressures on a national level resulting in many authorities holding deficit DSG balances.

The remaining DSG funding blocks are forecast to remain near to the agreed budget line.

DSG Period 1-7 Budget Monitoring 2025/26

DSG Monitoring 2025/26 - High Level Summary			
	Budget (£)	Forecast (£)	Variance (£)
High Needs Block	£208,328,762	£272,762,231	£64,433,469
Early Years Block	£202,149,983	£202,151,164	£1,181
Schools Block	£1,051,778,166	£1,052,519,056	£740,890
Central School Services Block (CSSB)	£8,633,102	£8,496,545	-£136,557
Early Years Block DSG Adj 2024/25	£0	£248,456	£248,456
Total	£1,470,890,013	£1,536,177,453	£65,287,439



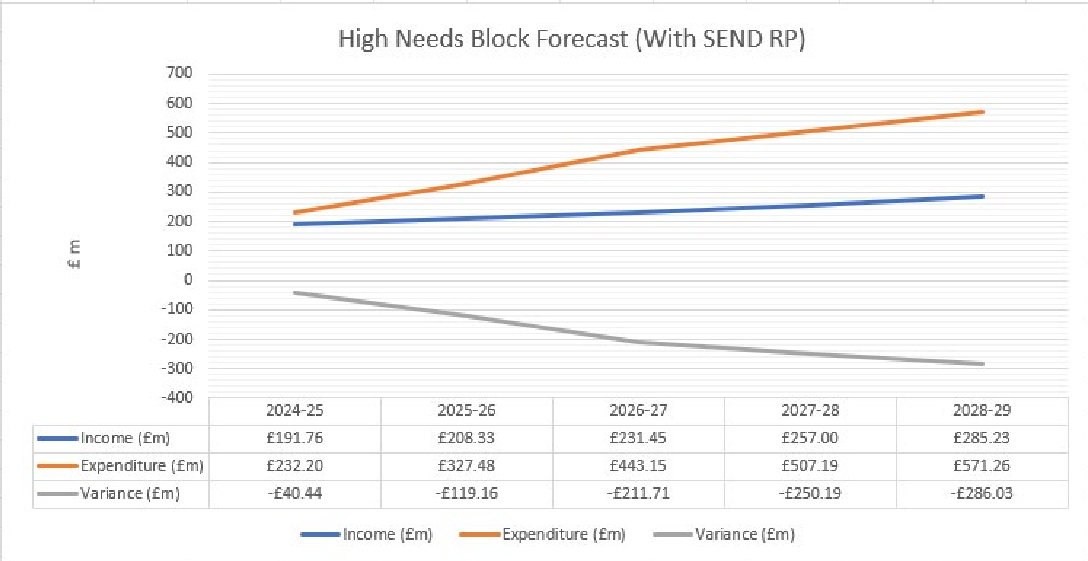
SEND Recovery Plan – DSG Impact

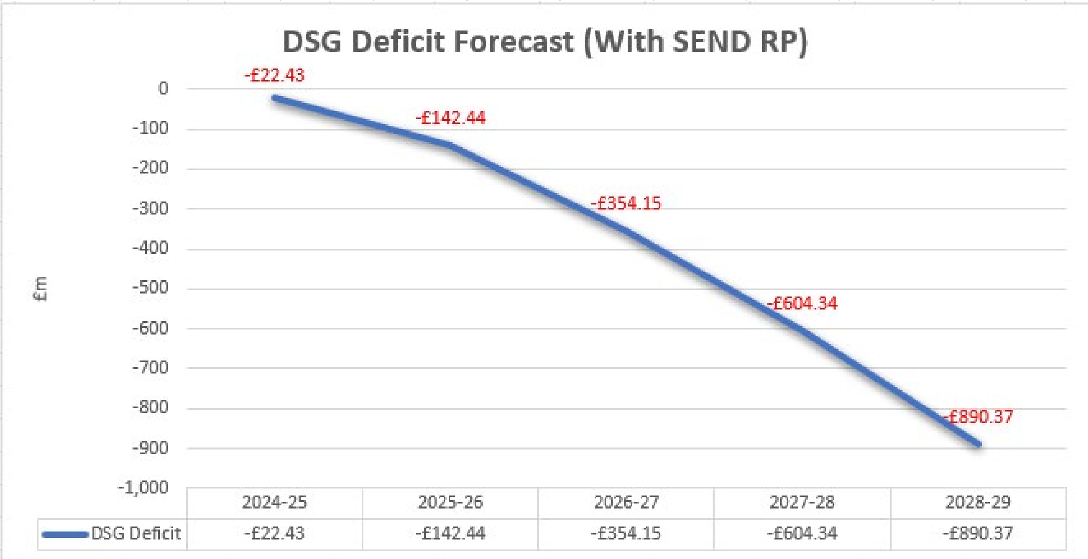
As detailed within the papers of the schools forum working group papers in September/October, whilst the monitoring position shows current DSG spend to date, the impact of clearing the backlog and increasing compliance rate is forecast to further increase the financial pressure on the HNB DSG.

The latest forecasting from October now indicates a further 3,327 (23%) EHCPs are currently projected to be issued By March 2026, resulting in 17,508 EHCPs by the end of March 2026. The number of EHCPs is expected to increase thereafter, with the total number of EHCPs projected to be 23,418 by March 2029. This includes an assumption that 1,000 EHCP's are ceased annually.

Due to Lancashire special schools being at full capacity, the forecast assumes that 48.40% of the additional EHCPs will be placed at independent provision at an average placement cost of £57,000. The remaining 51.60% are assumed to be placed within mainstream schools at an average placement cost of £9,100, however **the financial implications will only be known once all EHCPs are finalised**.

The impact of this is a forecasted in year overspend of **£119.16m within the HNB in 2025/26, and a total DSG deficit of £142.44m by March 2026**.





The impact of the SEND recovery plan is being regularly monitored, and an updated forecast position will be presented at the next working groups

Statutory Override

Currently there is a statutory override in place, which specifically allows councils to exclude deficits related to HNB DSG from their main revenue accounts. This means these deficits do not count against the council's general fund and councils are not required to immediately balance these deficits by reducing budgets to finance the shortfall. The override was introduced in financial year 2019/20 and has recently been extended again, until March 2028 due to the growing scale of SEND-related financial pressure.

Whilst the impact of a DSG deficit on the council's revenue budget is mitigated by the statutory override, the council is still required to finance the deficit as expenditure is being incurred without the cash being received to fund it.
Ordinarily councils are not allowed to borrow for revenue expenditure. Under the Local Government Act 2003 local authorities are however able to borrow for the purpose of prudent management of their financial affairs.

According to the County Councils Network, at March 2025 the debt accrued by councils stood at £4bn. With SEND costs rising 23% over the last twelve months, and with demand showing no sign of abating, these deficits are projected to grow to a total and cumulative deficit of **£17.8bn by 2029**.

The statutory override has been a necessary stopgap, but it is not a solution. The conclusion of the sector is that without decisive reform and sustainable funding, local authorities will face escalating financial pressures that threaten both SEND provision and wider council services.

The working group:
Noted and thanked for the updated report

Discussed:

- **Statutory Override: awaiting official guidance from government and the SFE before providing updates.**
- **Projected Figures: members queried differences between pupils remaining in Lancashire versus those placed externally. Current trend shows more pupils staying in mainstream settings.**
- **Forecasting Challenges: Difficult to project EHCP numbers and associated financial implications, as placement decisions remain assumptions until finalised.**
- **Current Position: No EHCP backlog exists, but finalizing plans is slow due to placement complexities.**
- **School Pushback: Resistance from schools is creating challenges in securing appropriate placements.**
- **Policy Direction: Reference made to Margaret Mulholland's article suggesting a shift away from school action toward EHCPs, indicating possible future trends.**

2. High Needs Block Commissioned Places 2026/27

Each year the LA must submit a return to the DfE setting out the proposed changes to place numbers at certain types of institution, which are funded directly by the ESFA.

The 2026/27 High Needs Place Change Notification return for Lancashire will be submitted by the deadline of 5 December 2025. The place change return includes sections for:

- Special Academy Schools.
- FE Colleges.
- Mainstream Academy Schools - Post 16.
- Alternative Provision Academies.
- Hospital Education Places.
- Academy SEN Unit places.

The proposed 2026/27 commissioned places have been determined in consultation by authority services with the relevant providers.

Information about 2026/27 place proposals for institutions included on the return is provided in Appendix A.

Local Place Changes

In addition to those commissioned places that must be included on the DfE submission, the LA must commission other places locally.

Appendix A also includes 2026/27 commissioned place proposals for:

- Maintained Special Schools - Pre 16.
- Maintained Special Schools - Post 16.
- Alternative Provision.
- Maintained Mainstream Provision – SEN units and SERF Units.

Commissioned places for Special Schools, PRUs and units in mainstream schools for 2026/27 are included in Appendix A.

A proposal to change to PRU commissioning process can be found at Appendix B for consideration.

Independent and non-maintained special schools

Separate arrangements exist for commissioning places at independent and non-maintained special schools.

Fortnightly panels meet to consider these placements and places are commissioned for those pupils where places at independent and non-maintained special schools are agreed.

The costs of these places will be dependent on the needs of the individual children. Members will be aware that there are significant pressures on the independent budget and that strategies are being implemented to ensure that more pupils are being supported in Lancashire schools going forward.

The working group:
Noted the report

Discussed:

- **Project Plans: Five additional commissioned places are planned; detailed project plans will be shared at a later date.**
- **Expansion Plans: Members questioned whether SEND recovery plan expansions are accurately reflected in current figures and requested an update on progress.**
- **Capacity Concerns: Queries raised about whether places will be available by September and how this impacts commissioning figures.**
- **Current Data: Figures for 2026 are based on discussions with headteachers; actual places are not yet confirmed. Growth plans exist for each school, commissioned numbers may change.**
- **Appendix B Accuracy: Clarification sought on whether Broadfield was correctly listed and if Brookfield should have been included.**
- **Data Accuracy: Discussion highlighted discrepancies between commissioned places and actual pupil numbers, emphasizing the need for better alignment between building schedules and commissioning data.**
- **Future Planning: Suggestion to provide a full overview of building projects and growth plans at the next meeting.**
- **Funding Risks: Emphasis on avoiding increased commissioning numbers for places that may not be delivered, to prevent unnecessary funding allocations.**
- **Key Issue: A disconnect remains between commissioned places and actual placements; the group stressed the importance of avoiding over-commissioning.**

3. Clawback Exemption Requests 2025/26

In July 2025, the Forum considered the School Balances and Clawback Policy for 2025/26 and agreed that clawback should be reintroduced on excessive revenue balances at March 2026. Historically the guideline balance was set at 12% of Consistent Financial Reporting (CFR) income for all phases of maintained school with a minimum threshold of £75,000, however it was decided that the CFR threshold would be reduced to 8% for 2025/26 school balances.

The 8% will be implemented with immediate effect and will be applied on school balances at 31 March 2026.

As a result, the authority has received two clawback exemption requests from an Alternative Provision and a Special school in Lancashire. As requested by members, a summary of the schools number on role and financial forecast are provided.

Request A
An Alternative Provision school is requesting £493,385 to be exempt from clawback at March 2026.

This school is seeking the exemption to build an onsite sports facility. Currently, the school only has outdoor MUGA facilities which is unusable in winter. Current PE provision costs are c£20,000 annually for venue hire and transport.
The school are hoping this will provide a number of benefits to the school including saving costs and providing enriched PE curriculum. The project funded from this year's reserves, leaving a healthy surplus for 2026/27.

Request B
A Special school is requesting £280,981 to be exempt from clawback at March 2026. The school has experienced growth in student numbers over recent years, with further increases anticipated. This has created urgent pressures on infrastructure, particularly car parking and office/meeting space.

Two building projects have been approved by governors and will commence in the next financial year. Current year balances have already been committed to cover the costs, totalling £280,981.

The working group:

Recommends the clawback exemption requests for approval.

4. High Needs Block Mitigation's 2026/27

A verbal update was given about the upcoming mitigations for High Needs Block spending, noting that a supplementary paper will follow and an extraordinary meeting is planned to review proposals. The approach aims to move away from traditional funding models (commissioned places and top-ups) toward strategies that deliver better value, such as early intervention, specialist capacity accessible to schools free at the point of need, and outreach programs to reduce exclusions. Funding will come from the 0.5% Schools Block transfer (approx. £5.5m) for one year, with strict KPIs to measure success. The goal is to save 10–20 pence per pound invested while improving outcomes for children and young people. The discussion emphasized flexibility to discontinue ineffective initiatives and alignment with statutory guidance and the SEND Change Programme. It was clarified that the main driver is improving outcomes, though financial sustainability is also critical. Next steps include circulating a detailed paper and holding an extraordinary meeting in early December to agree priorities.

The working group:
Noted the update and the proposed extra meeting.

Discussed:

- **The main focus is both improving outcomes for children and achieving financial efficiency; these objectives are interconnected.**
- **Work with NEETs (Not in Education, Employment, or Training) does not generate immediate savings but provides significant benefits for young people.**
- **Early intervention is a key goal to prevent costly scenarios later and ensure positive outcomes.**

- **If the government requires deficit reduction from grants, school budgets could be at risk.**
- **Currently, the council is covering costs and paying interest charges; excessive financial pressure could lead to loss of services and reduced school funding.**
- **Positive note: new initiatives are being explored, despite previous limitations.**
- **Frustration expressed over millions invested in change programs and pilots that have not delivered expected impact—seen as wasteful.**
- **Persistent message over the years: SEND provision is costly and not working effectively.**
- **Although the number of children in the system is declining, spending remains constant.**
- **ONS forecasts show uneven demographic trends in Lancashire—some areas growing, others declining—requiring careful future planning for schools.**

5. School Teaching and Support Staff Supply Reimbursement Scheme 2026/27

Each year reports are presented to the Forum about the arrangements for the School Teaching and Support Staff Supply Reimbursement Scheme. This report sets out proposals for the 2026/27 Scheme changes for consideration. The Supply Insurance Scheme had been underspent by £131,000 for the year 2024/25. The Schools Forum agreed to hold this underspend within the Supply Reimbursement Scheme reserve. The reserves are currently held at circa £1.67m.

The scheme arrangements agreed with the Forum looked to increase premiums in line with increasing the reimbursement rates. Following the finalisation of the supply scheme arrangements with the Forum in January 2025, individual offers were issued to schools and academies for consideration.

The tables below show the previous year's take-up and the existing take-up.

2024/25 Take up including academies

Block	Teaching plus support staff cover	Teaching no support staff cover	Support staff cover only	Total
Early Years Block	12	2	1	15
Schools Block	153	145	4	302
High Needs Block	23	3	1	27
Total	188	150	6	**344**

2025/26 Take up including academies

Block	Teaching plus support staff cover	Teaching no support staff cover	Support staff cover only	Total
Early Years Block	12	3	1	16

Schools Block	139	118	4	261
High Needs Block	24	2	0	26
Total	175	123	5	**303**

In 2025/26, 41 fewer school joined the scheme in comparison to the previous year. For reference, only 1 additional school signed up for the scheme in 2024/25 than were involved in 2023/24.

April 2025 to October 2025 Monitoring
In 2023/24, the processing of claims moved to within the Schools Finance team, this has allowed us to monitor the scheme more closely. Based on the number of claims submitted from April to October 2025, the 2025/26 scheme is forecasted a c£1.3m underspend at March 2026. Modelling is provided in the table below.

Year	Number of claims submitted April - October	Number of claims submitted April - March	Scheme Outturn Position
2023/24	1378	3342	£37,080
2024/25	1418	3492	£131,791
2025/26	1268	3093 Forecast	-£1,333,211 Forecast

Members should be aware that the scheme outturn for 2025/26 may subject to change if the number of claims is lower or higher than anticipated. Members should be advised that, on average based on scheme patterns, c40% of claims are submitted during April to October, therefore a large influx of claims is expected prior to the year-end deadlines. Therefore, the current modelling may not be a true reflection of the year end position. It is anticipated that the scheme will end the financial year with an underspend, based on the patterns from previous scheme years.

As per usual practice, the scheme outturn for this financial year will be presented to the working groups during the summer term meetings.

Scheme Proposals 2026/27
Scheme Operation
The operation of the scheme has been flexible in recent years. It is proposed that the existing scheme rules operating in 2025/26 should remain in place for 2026/27.

Scheme Premiums
A 4% increase had been awarded for teaching staff from September 2025, for support staff an increase of 3.2% had been awarded from April 2025. It is usual practice to increase teaching and support staff premiums annually so that reimbursement rates can also increase in line with pay rises for the different categories of staff. Due to the level of reserves held, it is proposed that charges remain at the 2025/26 levels.

Reimbursement rates

It is usual practice to increase the reimbursement rates to reflect the increase in scheme premiums and the current financial modelling of the scheme. Therefore, it is proposed to increase the scheme reimbursement rates simply by 4% for both teaching and support staff.

Option for Consideration

- For the charges to be held at the 2025/26 level and increase the reimbursement rates by 4% to recognise the level of reserves held.

Service Offer to Schools

Once scheme arrangements and charging/reimbursement rates are finalised by the Forum in January 2026, a formal individualised 2026/27 scheme offer will be issued to all schools and academies.

The working group:
Noted the report
Recommended the option for approval.