

Report subject	Invest to Save Budgets in the High Needs Block of the Dedicated Schools Grant (DSG)
Meeting date	27 January 2026
Status	Public Report
Executive summary	This report responds to the Children's Services Overview & Scrutiny Committee's second set of KLOEs on High Needs Block (HNB) "invest-to-save" activity. It distinguishes: (i) initiatives funded from HNB (which impact the in-year position unless offset by savings) and (ii) initiatives funded from the General Fund or external grants (which do not worsen the HNB position but can drive service improvement and future cost avoidance). It summarises delivery to date (including sufficiency expansion and early-years interventions), the emerging impact, the approach to measuring cost avoidance, and the new initiatives now in development.
Recommendations	<p>It is RECOMMENDED that Overview and Scrutiny:</p> <ul style="list-style-type: none"> a.) Note the current High Needs Block (HNB) position and the impact and cost avoidance of the initiatives implemented to date including the increased supply of specialist places, the early years inclusion model (Dingley's Promise) and the positive impact of the Portage Service. b.) Endorse the invest-to-save programme and the establishment of the High Needs Block Deficit Recovery Plan Board, including its role in approving a benefits-measurement framework to evidence cost avoidance and prevent double-counting across initiatives. c.) Support the progression of the following priority initiatives: <ul style="list-style-type: none"> • Digitalisation of High Needs funding processes (integrated with the SCM upgrade) • Synergy Case Management (SCM) upgrade to go-live (target May–June 2026) • Pre-EHCP targeted funding model (subject to affordability and governance)
Reason for recommendations	To support overview and scrutiny committee's role in testing and challenging the High Needs Block position and to ensure that BCP Council is learning from best practice elsewhere.
Portfolio Holder(s):	Councillor Richard Burton – Children and young People
Corporate Director	Cathi Hadley – Director of Children's Services
Report Authors	Lisa Linscott, Director of Education and Skills
Wards	Council-wide
Classification	Decision

1. Background

- 1.1 In November 2025, the Children's Overview and Scrutiny Committee received a report in response to identified key lines of enquiry (KLOE) to better understand the wider context of the Council's High Needs deficit and identify potential strategies for improvement. The report included benchmarking information and provided details of the work undertaken by children's services in seeking to manage the budget position. For ease of reference, details of the questions raised in the key lines of enquiry are contained in **Appendix 1**. Detailed responses to the KLOE are set out in Children's Overview and Scrutiny report – see link in background papers.

2. Purpose

- 2.1 Following the Committee's consideration of the November report, further details are requested of the invest to save initiatives that have been tried or are underway to help mitigate the growth in the DSG high needs expenditure. Subsequently, the Committee raise a further 4 KLOE as follows:

1. **What invest to save initiatives have been put in place over the past three years?**
Specifically, members have requested that responses clearly state which of the three defined categories each piece of work falls under.
 - **'Invest to save'** is defined as targeted upfront investment from council revenue or high needs block funds to secure sustained revenue or high needs block savings either in the short or longer term (alongside improved outcomes for children and young people).
 - **'Invest to cost avoid'** is defined as targeted upfront investment from council revenue or high needs block funds that will mitigate future expense to one or both of these funding streams, most likely in the longer term.
 - **'Grant funding'** outside of the high needs block funding is funding secured from either the Department for Education (DfE) or other foundations to support specific projects or initiatives that align with Children's Services objectives. These objectives may have a positive long term financial benefit, but the funding may have been sourced primarily for the delivery of improved services for children and young people rather than specifically as measure to make savings.
2. **What evidence do we have of the impact that these have had? Please provide as much financial detail as possible?**
3. **Are there new invest to save initiatives being developed, if so, what are they?**
4. **What will be requested in the 2026/27 council budget to support invest to save work?**

3. Current Status

- 3.1 It should also be noted that terms of reference for a new governance board for oversight of the High Needs Block Deficit Recovery Plan have been established, and the inaugural meeting of the board takes place in January 2026. The board will enable improved stakeholder confidence, clear actions to improve financial sustainability and systematic risk mitigation. The new Deficit Recovery Plan will be discussed and signed off via that board. The DfE have allocated an adviser to support the work to become financially stable, who will start their support in January 2026.

4. Key Lines of Enquiry – Invest to Save and Evidence

- 4.1 ***What invest to save initiatives have been put in place over the past three years?***

The Council has implemented a range of initiatives that influence expenditure in different ways. Broadly, these fall into two categories:

- (i) **Initiatives funded from the High Needs Block (HNB):** These draw directly on the DSG High Needs allocation, which means any upfront investment immediately affects the in-year position and contributes to the accumulated deficit unless offset by savings. The initiatives set out in **Table 1** have been delivered or substantially progressed since 2023. Each is categorised as invest-to-cost-avoid. The table identifies cost avoidance of just under £10.7m as a result of the

increased supply of specialist school places, the impact of Dingley's Promise and the work of the Portage Service.

- (ii) **Initiatives funded from outside the High Needs Block (General Fund or external grants):** These include grant-funded transformation programmes and schools block transfers. Because these resources are ring-fenced and additional to the DSG High Needs allocation, they do not worsen the High Needs deficit. Their purpose is service improvement—such as inclusion strategies or early intervention and while they may lead to future cost avoidance, they do not directly reduce the current deficit. Details of initiatives funded outside the High Needs block are provided in Appendix 2.

Table 1: Cost Avoidance initiatives implemented since 2023

	Places and Children	Impact	Cost Avoided £000
SEND Sufficiency Programme of Expansion	<ul style="list-style-type: none"> 182 specialist primary places delivered 113 specialist secondary/Post 16 places 295 total specialist places delivered 	<ul style="list-style-type: none"> Proportion of EHCPs in mainstream increased from 39.8% (Feb 2025) to 41.4% (Sept 2025); INMSS proportion reduced from 11.3% (Sept 2024) to 10.8% (Sept 2025). 	10,032
Dingley's Promise	<ul style="list-style-type: none"> 135 referrals and placed 33 children (31 with no prior Early Years education), Delivered outreach for 86 children 	<ul style="list-style-type: none"> 2 children remaining on SEN Support, 2 undergoing assessment (EHCNA), 7 with established EHCPs, At least 12 children transitioning successfully into mainstream settings with SEN Support 	564pa
Portage	<ul style="list-style-type: none"> 121 children transitioned to school (average annual number of children who benefited from the Portage Service based across two academic 2 years) Portage Services contribute to improved readiness, fewer placement breakdowns, and stronger inclusion within early years settings. 	<ul style="list-style-type: none"> The proportion of children supported by Portage who moved successfully into mainstream rose from 64% to 66%, Transitions into specialist placements reduced from 24% to 22% These trends indicate Portage's role in preventing escalation into higher-cost pathways at Reception and Year 1, and in supporting more children to enter mainstream provision with effective strategies already embedded. 	94pa
Total Costs Avoided			10,690

4.2 What evidence do we have of the impact that these have had?

- 4.3 **SEND Sufficiency Programme of Expansion:** Delivering a sustainable SEND Sufficiency Strategy carries significant financial considerations, both in terms of immediate investment and long-term cost management. In responding to our sufficiency challenges, the Council has delivered an additional 295 specialist school places by working with local school leaders to agree to co-locate specialist provisions in mainstream schools. This approach helps to make the best use of the school estate by utilising surplus accommodation in schools thereby sustaining schools experiencing falling rolls.

- 4.4 Proposals delivered include resourced provisions, satellite locations and mainstream plus link provision for Year 7 children. The majority of places created are for children with autism though they also include places for children with speech, language and communication needs and social emotional and mental health needs. The new Resourced Provisions are helping to provide alternative pathways for children with an Education and Health Care Plan to access the support they need in a mainstream setting. This will help ensure that more children remain in mainstream provision which is an important part of creating a sustainable and balanced pattern of provision. Table 2 below sets out the total number of places

delivered by phase. The table also shows the number of places in pipeline. Pipeline places are those which are in the commissioning process and are made up of projects that are part of the current commissioning round. Subsequent commissioning rounds are in development and details of these are contained in this report – *Per Pupil Capital (Replaces Free School Funding)*..

Table 2: Specialist Place Provision – Number of Places Delivered and, in the pipeline,

	22/23	23/24	24/25	25/26	26/27	Total	Total EY/Primary Split	Total Secondary P16 Split
Specialist School Places Delivered	46	49	140	60		295	182	113
Places in pipeline				96	128	224	224	
Total Delivered/ In Pipeline	46	49	140	156	128	519	406	113

- 4.5 **Sufficiency-led Cost Avoidance:** Investing in inclusive mainstream provision and local specialist capacity helps to reduce long-term reliance on costly alternatives. The table below sets out the estimated cost avoidance based on the specialist places delivered and in the pipeline. In respect of places delivered, the average costs of independent maintained provision (£64k per place) have been compared with the average costs of local specialist provision (£26k per place). This delivers an average per place avoidance of £38k per specialist place delivered. If we apply this cost difference to all specialist places already commissioned and delivered across the programme, there is a total cost avoidance of £10m with an opportunity for a further avoidance of costs totalling £8.5m.

Table 3: Cost Avoidance of Places Delivered and in the Pipeline

	22/23 £ 000	23/24 £ 000	24/25 £ 000	25/26 £ 000	26/27 £ 000	Total £ 000
Cost Avoidance Places Delivered	1,748	684	5,320	2,280		10,032
Costs Avoidance Places in pipeline				3,648	4,864	8,512
Cost Avoidance Range						18,544

Notes:

- **Capital Implications - Expanding** and adapting the local school estate to meet rising demand requires capital funding. Projects involve adaptations, refurbishment and a mix of major and minor capital works in schools. The council recently submitted details of capital investment to the DfE as part of its annual high needs capital assurance return.
- Places commissioned at Autism Unlimited have been excluded from this calculation.

- 4.6 **Per Pupil Capital (Replaces Free School Funding):** In December 2025, the Department for Education cancelled 18 special free school projects nationally, including BCP's approved special free school. Instead of a new build, the Council will now receive per-pupil capital funding to create equivalent specialist places within existing school settings. This approach provides greater local control but the funding available is not sufficient to construct a standalone special school and places greater emphasis on partnership working with schools able to take on expansions or host new specialist provision. Depending on the level of refurbishment required to ensure learning environments are fit for purpose, the additional £9m capital allocation provides scope for approximately 180 places and has the potential to generate around £6m in cost avoidance through reduced reliance on more costly out-of-area placements.
- 4.7 Crucially, the additional investment will help to deliver a core part of our wider SEND and AP transformation, including investment to increase the supply of specialist and Alternative Provision. Details are contained in the updated Capital Strategy, which together set out how investment will be deployed across the school estate. Delivering a robust AP and SEND Sufficiency commissioning round is underway and we are already working closely with school leaders and corporate colleagues to identify suitable sites. Early engagement with headteachers is essential to ensuring the next commissioning round delivers the right mix of high-quality specialist and AP places, and its timescales remain aligned to the overall AP delivery programme.
- 4.8 **Dingley's Promise:** Dingley's Promise Bournemouth opened in April 2024 to support children aged 0–5 with emerging or established SEND who are unable to access their early education entitlement or are at risk of placement breakdown. The centre offers short-term “transitional” placements (typically up to two terms), longer-term placements where needed, and specialist family outreach (navigation, practical support, and SEND parenting guidance). From April 2024 to June 2025, the service received

135 referrals and placed 33 children (of which 31 children with no prior Early Years education). Dingley's Promise also provided outreach support for 86 children including social & emotional support, SEND-specific learning & development, and support for admissions/transition. Outcomes to July 2025 show:

- 8 children remaining on SEN Support,
- 2 undergoing assessment (EHCNA), and 7 with established EHCPs,
- At least 12 children transitioning successfully into mainstream settings with SEN Support, indicating earlier, proportionate support and strengthened multi-agency working ahead of Reception transition.

4.9 **Cost avoidance:** Early evidence suggests material cost avoidance where children transition to mainstream with SEN Support rather than specialist placements. Based on 12 mainstream transitions and cost comparisons of specialist place provision verses mainstream SEND support (£47k per child), the Dingley's Promise model helps to deliver cost avoidance in the region of £564k). Work is underway to monitor and record impacts with more certainty though this can be complex given that the impact of services tend to overlap. The model has strong feedback from parents and expansion to Poole (Sept 2025) and Christchurch (site from Jan 2026) is designed to extend reach and reduce inequity of access across BCP. This means scope for further avoidance of costs in the region of £1m per annum.

4.10 **Portage Service:** Portage continues to operate as BCP's early-intervention home-visiting model for pre-school children with emerging or significant developmental needs. The service provides structured play-based teaching, modelling for parents, and practical strategies to support communication, attention, social development and self-regulation. This early work strengthens family confidence, reduces reliance on multiple agencies, and stabilises early years placements by equipping both families and providers with the tools needed to meet needs at an early stage. Evidence from Autumn 2024 to Autumn 2025 shows a positive shift in transition outcomes:

- The proportion of children supported by Portage who moved successfully into mainstream rose from 64% to 66%,
- Transitions into specialist placements reduced from 24% to 22%.
- 121 children transitioned to school, with Portage support contributing to improved readiness, fewer placement breakdowns, and stronger inclusion within early years settings (figures are the average of the last two academic years).

4.11 While our data are limited, it is indicative of the role of the Portage Service in preventing escalation into higher-cost pathways at Reception and Year 1, and in supporting more children to enter mainstream provision with effective strategies already embedded.

4.12 **Cost avoidance:** Portage works intensively at an early stage to build communication, play, social-emotional development and self-regulation, enabling more children to start school with the skills and confidence they need to succeed. Families report increased capability and reduced reliance on multiple agencies, and early years settings benefit from strategies that help maintain placements and strengthen inclusion. These improvements are already reflected in transition data, with more children supported by Portage moving into mainstream settings rather than specialist provision.

4.13 While the full cost avoidance delivered by Portage is difficult to quantify with precision, the service provides significant and wide-ranging benefits for young children and their families. Using the specialist vs mainstream cost differential, we can currently evidence cost avoidance for two children whose outcomes indicate they would likely have transitioned into specialist placements without Portage support. This equates to approximately £94,000 in avoided annual costs. While this is only a partial measure of Portage's true impact, we are actively developing a more robust approach to evidencing cost avoidance so that future reporting more fully reflects the value the service delivers. The key considerations below help to identify the overlaps with other services and providers across the partnership.

Key considerations:

- **Attribution:** Portage's impact overlaps with Dingley's Promise, SALT, Health Visiting and specialist early years input, so savings need to be attributed once and against an agreed counterfactual.

- **Data maturity:** Current measurement relies on placement outcomes; more detailed longitudinal tracking will strengthen future reporting.
- **Context:** Portage reduces escalation and supports early inclusion but cannot by itself counteract the wider national growth in complex need.

4.14 *Are there new invest to save initiatives being developed? If so, what are they?*

The Council is progressing several invest-to-save initiatives to mitigate High Needs pressures by intervening earlier, improving mainstream inclusion, and digitising processes to cut error, delay and duplication. Details of invest to save initiatives are explored below. The first three initiatives are being developed to create the infrastructure and routes that will generate future savings. The remaining two initiatives (the AP three-tier model & Panel and the Ordinarily Available Provision (OAP) toolkit) are in design/delivery to stabilise placements and reduce escalation. At this stage, there is no robust, auditable cost-avoidance figure to claim for these five projects; measurement frameworks will be established so that quarterly, evidenced figures can be reported as each initiative moves from design to delivery.

- a) Digitisation of High Needs Funding Processes
- b) Synergy Case Management (SCM) System Upgrade Project
- c) A Pre-EHCP Targeted Funding Model
- d) Alternative Provision (AP) three-tier model & AP Panel
- e) Ordinarily Available Provision toolkit & Graduated Approach

a.) Digitalisation of High Needs Funding Processes: The Council is initiating a digital transformation project to modernise and streamline the current High Needs funding process. At present, the process is heavily manual, involving multiple stages, paper-based forms, and fragmented workflows. This complexity increases the risk of duplication, errors, and delays, while consuming significant staff time.

The new digital solution will:

- **Automate key steps** in the funding application and approval process, reducing administrative burden.
- **Introduce a single, integrated platform** for case management, ensuring data consistency and real-time tracking.
- **Embed validation checks** to minimise errors and improve compliance with statutory timelines.
- **Provide dashboards and reporting tools** for better oversight, enabling quicker decision-making and transparency.

By replacing manual processes with a digital system, the Council aims to improve efficiency, reduce risk, and create capacity for staff to focus on strategic work rather than repetitive tasks. This initiative is expected to deliver long-term cost avoidance and improved service quality. It will be imperative that this work integrates fully with the Synergy Case Management System (SCM) upgrade and continues post the Commissioning Transformation Project closure date of March 2026 to ensure that cost avoidance benefits are fully realised.

b.) Synergy Case Management (SCM) System Upgrade Project: The Synergy to SCM migration project is a major digital-transformation initiative designed to bring the SEND service onto a modern, fully integrated case management system that supports statutory functions, improves data quality, and enables more efficient and joined-up ways of working. The new SCM system will deliver a single child record across services, integrate with key systems such as Mosaic, support parent and professional portals, automate manual processes, and improve reporting through enhanced Power BI capability, enabling smarter decision-making and more timely interventions. Although the project remains challenging particularly around data-migration readiness, capacity pressures within SEND, and the need for a change freeze current milestones indicate that a May–June 2026 go-live remains achievable with continued focus on resourcing, stakeholder engagement, and collaborative delivery. Overall, the migration represents a critical enabler for improving statutory performance, strengthening financial tracking, and enhancing the quality and consistency of SEND case management across BCP.

c.) Pre-EHCP Targeted Funding Model: The Council is developing a new initiative to deliver early-stage savings and longer-term cost avoidance. This model will provide a co-produced route to provide timely, targeted support for children with emerging or lower level SEND needs within mainstream settings, without requiring a full EHCP assessment. It will offer schools access to additional resources

such as specialist input, equipment, or short-term interventions based on clear criteria and evidence of need. The approach will be co-produced with schools and parent/carers representatives to promote inclusion, reduce delays, and ensure needs are met earlier and more effectively. This will help to reduce demand and alleviate cost pressures on an invest to save basis.

This will enable a higher level of support than the current delegated schools notional SEN budget. Schools report that the delegated notional budget is often stretched across multiple pupils, leaving schools unable to fund intensive support for children at risk of escalation. The pre-EHCP model bridges this gap by injecting targeted resources at the right time, reducing pressure on statutory processes and the High Needs Block. Details of how the additional funding differs is explored as below.

What schools deliver with their delegated SEND notional budget? Every mainstream school receives a notional SEN budget as part of its core funding. This funding is designed for schools to meet needs that can reasonably be accommodated within their own resources and staffing. This is intended to cover:

- Universal and targeted support within the graduated approach (e.g., differentiated teaching, classroom strategies, small group interventions).
- Low-cost, high incidence needs such as mild learning difficulties or speech and language support.
- Provision up to the nationally expected threshold (often the first £6,000 of additional support for a pupil with SEND before an EHCP is considered).

What the pre-EHCP targeted funding model will deliver in addition? The new model is not a replacement for delegated budgets, but an additional, strategic layer of support aimed at preventing escalation to statutory EHCPs. It will:

- Provide access to specialist input (e.g. specialist training, modelling, advice, guidance for a specific issue or cohort).
- Offer short-term, high-impact interventions for children with emerging or complex needs that exceed the £6,000 threshold but do not yet require an EHCP.
- Supply equipment or resources that enable innovation.
- Operate under clear criteria and governance, ensuring funding is targeted where early intervention will reduce long-term costs (e.g., avoiding specialist placement or tribunal escalation).
- Be co-produced with schools and parent/carers representatives, aligning with best practice and complementing the graduated approach.

Why this matters: The new developing model must complement existing funding responsibilities rather than duplicate them. This means clear governance and criteria will be essential to ensure the funding is used for targeted interventions that genuinely reduce escalation to statutory EHCPs and associated high-cost provision.

What is the likely cost to the high needs block: Using the same costed model as has been used in Southampton, the model would cost £1.5M per year.

Next Steps: The next step is to engage partners and review best practice in other local authorities as part of early phase development work. This is scheduled for early 2026, with proposals expected to be presented to the High Needs Block Deficit Recovery Plan Board and then council governance approvals later in the year.

d.) Alternative Provision (AP) three-tier model & AP Panel: This work is in the design and implementation phase, building a clearer three-tier AP model and a strengthened AP Panel to support earlier intervention and more consistent decision-making. It is creating structured routes back into mainstream and ensuring AP is used only when necessary and for the shortest appropriate time. The model is designed to reduce reliance on high-cost alternative provision and improve reintegration outcomes, ensuring that children who can be supported in mainstream are identified and transitioned sooner. Cost avoidance will be realised through reduced use of high-cost AP placements and shorter AP durations; full modelling will be completed once the new system is embedded and data is available. The work necessary to deliver this is funded from the DfE's SEND Intervention Fund at a cost of £143k.

e.) Ordinarily Available Provision (OAP) Toolkit & Graduated Approach: The toolkit is now in delivery and will provide consistent guidance on what mainstream settings should ordinarily provide and strengthening use of the Graduated Response. **Importantly, the toolkit will** support earlier intervention, improve staff confidence, and help schools to better meet needs without escalation to

statutory processes. The toolkit is expected to reduce demand for EHCP assessments and specialist placements over time; mechanisms to measure this impact are being developed. This work is being funded by the DfE's SEND Intervention Fund at a cost of £215k.

4.15 *What will be requested in the 2026/27 council budget to support invest to save work?*

Subject to detailed business cases and governance through the new HNB Deficit Recovery Plan Board (inaugural January 2026), the following resourcing requests are anticipated for 2026/27 - 2027/28:

- Pre-EHCP targeted funding model (HNB): develop, pilot and evaluate in-year.
- Inclusion Advisors (HNB): potentially scale up the pilot to deliver SEND reform requirements
- Three-tier AP model (HNB): delivery of the model is to be costed up in order to establish spend to cost avoid figures.
- Educational Psychology Service growth (Council revenue funded): to align with need and SEND reform requirements.

5. Summary of financial implications

5.1 The November Scrutiny report included DfE draft benchmarking information only and the KLOE requested that benchmarking information be included again within this report. The final benchmarking information for 2025/26 DSG high needs budgets is set out in Appendix 3. It shows that BCP Council's overall spending is high compared nationally and with statistical neighbours. Note that BCP Council is overspending this budget significantly. The benchmarking shows high BCP spending in non-state schools (in the private and charitable sectors) and in services for alternative provision (for those unable to attend school due to exclusion, medical needs or other reasons). Expenditure in these two areas is also projected to be over budget with BCP costs likely to be moving further ahead of other authorities. The budget for state provision was shown to be at average levels in the benchmarking analysis, but the yearend projection at quarter three is for higher costs.

5.2 The Government's November 2025 Budget Statement:

- Confirmed that the DSG statutory Override, which keeps the accumulated deficit out of the general fund, will stay in place until the end of the March 2028.
- Set out that from 2028/29 central government support to councils for SEND will be at a level that means that further deficits need not accrue. Funding for that in 2028/29 will be absorbed within the overall government budget, not the core schools budget.
- Noted that budgets from 2028/29 onwards will be confirmed in the 2027 Spending Review
- Indicated that further detail on support for LAs with historic and accruing deficits, up to 2028/29, and conditions for accessing such support, will be set out in the Local Government Finance Settlement in December 2025.
- Indicated that further detail on SEND policy changes will be set out in the Schools White Paper, expected in early 2026.

5.3 A joint letter from the DfE and NHS England on 15 December 2025 noted that support provided to local authorities will be linked to assurance that they are taking steps to make a new system a reality, in conjunction with government confirming the detail of SEND reform. Best practice and case studies from previous programmes are being disseminated, with a focus on efficient spending, such as from Safety Valve and Delivering Better Value, and providing all local authorities with SEND and financial advisers to help consider how these learnings can be applied. These advisers will also play a key role in supporting the preparations for reform, reviewing data, embedding best practice and driving progress toward the delivery of high-quality, inclusive services for children and young people.

5.4 Provided with the above letter was an early version of a maturity assessment tool for local area partnerships to assess the maturity of current practice, and plan the changes needed to strengthen the local system. This will be an integral part of the local SEND reform plan.

5.5 The provisional Local Government Finance Settlement received on 17 December 2025 did not set out how local authorities with large deficits are to be supported, as indicated in the November Budget Statement, but that further information will be provided later in the process.

5.6 The DSG Settlement, received also on 17 December 2025, announced that the high needs national formula (NFF) to allocate funding to authorities has been suspended for 2026/27 with no increase in

funding to be provided. Relatively small changes to allocations will be made in summer 2026 to reflect pupil movements between local authorities, and to adjust funding that is to be passed on to schools. The funding gap for 2026/27 was already set to grow and this DfE approach will widen it further unless further financial support becomes available in-year.

- 5.7 The quarter three budget monitoring report for February 2026 Cabinet includes the projection of an overspend of £15.5m on high needs expenditure with an accumulated DSG deficit of £183.6m for March 2026 after taking account of other DSG variances. An estimate of the high needs funding gap for 2026/27 is £95.7m with the overall position set out in the table below.

Table 4: Summary position for dedicated schools grant 2025 to 2027

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2025	113.3
Prior year additional funding – early years	(1.9)
Budgeted high needs funding shortfall 2025-26	57.5
High needs funding reduction 2025-26	0.5
High needs forecast overspend 2025-26	15.5
Variances for other funding blocks	(1.3)
Projected accumulated deficit 31 March 2026	183.6
Projected high needs funding gap 2026/27	95.7
Projected accumulated deficit 31 March 2027	279.3

6. Summary of legal implications

- 6.1 Relevant legislation includes the assessment and (if applicable) relevant plan implementation process in accordance with the Children and Families Act 2014 and related Code of Practice (the Statutory Obligations).
- 6.2 A failure to meet the statutory obligations could result in relevant claims being made, the consequences of which could result in legal proceedings and damage to the council's reputation.
- 6.3 It should be noted that the DfE White Paper on SEND reform will be a further key driver of any investment opportunities. The DfE continue to consult with families until mid-January and therefore the reforms are not expected to be published until after the consultation responses have been gathered and analysed. This is too late to inform the budget for 2026/27.

7. Summary of human resources implications

- 7.1 There are HR resource implications arising from the initiatives outlined in this report. Specifically, recruitment will be required for roles such as Inclusion Advisors and additional capacity within SEND services to deliver new models and improvements. All recruitment activity will be managed through standard HR processes and within the funding identified for these initiatives, ensuring compliance with council policies and budgetary controls.

8. Summary of sustainability impact

- 8.1 The recommendations in this report do not have any direct environmental or sustainability implications. However, initiatives that reduce reliance on out-of-area placements and associated transport may contribute to lower carbon emissions over time.

9. Summary of public health implications

- 9.1 While the recommendations in this report do not directly change public health services, there is an indirect impact because financial pressures on the High Needs Block can affect the ability to deliver timely, integrated support for children and young people with SEND. Delays or gaps in provision can lead to poorer health outcomes, particularly for those with complex needs requiring coordinated education, health, and care input.

- 9.2 This risk is managed through the SEND Local Area Partnership, which brings together the Council, NHS Integrated Care Board (ICB), and other partners under shared governance. The partnership ensures:
- Joint commissioning arrangements for therapies and health-related services.
 - Integrated planning to align education, health, and social care resources.
 - Escalation routes through the SEND Improvement Board and High Needs Block Deficit Recovery Plan Board to monitor impact and agree mitigations.
- 9.3 By maintaining strong partnership governance and shared accountability, the local area aims to protect health-related elements of EHCPs and ensure statutory duties are met despite financial constraints

10. Summary of equality implications

- 10.1 There are no recommendations in this report that have any equality implications

11. Summary of risk assessment

- 11.1 There is an ongoing risk from the DSG accumulated deficit on the financial stability of the council.

Background papers

- Children's Overview and Scrutiny November 2025 [KLOE Report O&S High Needs Budget November 2025.docx](#)

Appendices

- Appendix 1: KLOE Raised by Overview and Scrutiny in November 2025
- Appendix 2: Initiatives that deliver savings and efficiencies to the general fund 2025
- Appendix 3: Benchmarking 2025/26 DSG - High Needs Block Budgets

The Children's Overview and Scrutiny Committee asked the following questions which were answered in the November 2025 committee meeting:

Scrutiny Topic: Benchmarking our High Needs Block spend and strategic direction against similar LA comparators to help understand the wider context and find possible solutions. The scrutiny focused on comparing the council's DSG deficit and strategies with other local authorities, understanding what has worked elsewhere, and identifying funding streams and external advice to improve outcomes. Key data requests included benchmarking budgets, trends in EHCPs and exclusions, high needs place creation, and evaluating the effectiveness of measures taken.

Detailed responses to these questions can be found in the Children's Overview and Scrutiny report given in November 2025 - [KLOE Report O&S High Needs Budget November 2025.docx](#)

General Fund Activity

Initiative	Type	Funding source	Delivery status	Financial/evidence note
Appeals & Early Dispute Resolution (IPSEA training, mediation, Tribunal Officers)	Cost avoid	General Fund/HNB (staffing & training)	Embedded	50% reduction in solicitors; ~£95k relates to cost avoidance to the general fund ; ~30% cases settled pre-Tribunal.
Workforce development (EHCCO permanency >93%, induction & training, restructure)	Efficiency	General Fund/HNB	Embedded	Reduced agency reliance; supports timeliness/compliance; enables process efficiencies. Workforce: EHCCO permanency >93% reduces agency premium costs, stabilises casework, and supports timeliness and compliance.
EHCP process efficiency (AI writer, improved parent comms/Local Offer, panels)	Efficiency	HNB/Service budgets	In delivery	Improves timeliness/quality; reduces complaints and adverse decisions. EHCP timeliness: local timeliness is tracking above national (national 46.4% within 20 weeks), with variability driven by partner capacity; efficiency tooling expected to sustain improvements.
Local places for local children reducing journey times and distances and individual costs of travel.	Efficiency	General Fund		Reduces unit costs of transport expenditure over time. See sufficiency information in table 1
SEND Admissions redesign: a fair, transparent placement system (4 phases; implementation from April 2026) to reduce inappropriate placements and long-term reliance on AP/EOTAS (invest to cost-avoid).	Efficiency	General Fund	In delivery	Redesigning SEND admissions creates a fairer, more transparent process that ensures children are placed in settings that best meet their needs. It also streamlines applications, speeds up decisions, and improves collaboration between families, schools, and local authorities. The redesign improves outcomes for children by ensuring quicker, fairer placements that better match their needs. It also reduces stress for families and strengthens collaboration between schools and the local authority. A more efficient process can lower administrative costs, reduce duplication, and minimize expensive tribunal cases. Better planning and data from the new system also help optimise resource allocation, avoiding unnecessary placements and transport costs.

The Innovation Fund was funded by a school block transfer into the High Needs Block in 2024/25 and 2025/26, totalling £1.2M. It was proposed at the time as being 'invest to save,' but is not an investment from council or high needs block funds and therefore should be seen as 'grant funding'. The agreement with schools (via Head Teacher Forum and Schools Forum) was for the funding to be used to focus on three key areas:

1. £550,000 for provision of additional specialist outreach support for mainstream schools. This is in the process of being delivered.
2. £270,000 for a pilot of three inclusion lead posts to work with an identified group of mainstream schools to trial their impact over the next year. Two inclusion leads are due to start in January with a third starting in April. The impact of their work will be monitored and evaluated, and if effective this is a model that could be scaled up. The role is designed to deliver longer-term cost avoidance by supporting schools to have the skill and capacity to meet needs earlier within mainstream settings.
3. £380,000 to deliver training and development support to mainstream schools as set out in original proposals and enabling schools to choose which option would be more impactful for them in supporting their pupils with high needs. This is in the process of being delivered.

Funding was secured from the DfE to support the improvement of SEND Services by addressing specific areas for improvement noted in the Ofsted CQC report of 2021 and subsequent statutory direction. This includes new investment to support schools in creating inclusive environments that meet the needs of all children and young people. Investment of just under £600,000 was secured in August 2025 and the funding is released in three tranches once evidence has been provided of the spend against the associated action plan. The DfE does not require evidence of savings or cost mitigations from the spend and therefore this funding is 'grant funding' to deliver the necessary service transformation; however, it is anticipated that a longer-term benefit of the funding will be cost avoidance due to children's needs being met at an earlier stage. Details of how this funding is being used have been provided in the original KLOE.

Benchmarking 2025/26 DSG - High Needs Block Budgets

2025-26 Budget LA Table (Net) £ per capita																	
Statistical Neighbours																	
		A													B	A+B	
DSG Defiicit / Surplus position at 31 March 2025		INDIVIDUAL SCHOOL BUDGETS (ISB)- commissioned places from high needs block	Top-up funding – maintained schools	Top-up funding – academies, free schools and colleges	Total top up state schools	Top-up and other funding – non- maintained and independent providers	Additional high needs targeted funding for mainstream schools and academies	SEN support services	Hospital education services	Other alternative provision services	Support for inclusion	Special schools and PRUs in financial difficulty	PFI/BSF costs at special schools, AP/ PRUs and Post 16 institutions only	Direct payments (SEN and disability)	Therapies and other health related services	CENTRAL SPEND TOTAL	TOTAL HIGH NEEDS BLOCK SPEND
	ENGLAND - Average (mean)	£181	£225	£253	£478	£217	£6	£44	£5	£29	£20	£0	£1	£3	£7	£810	£991
	ENGLAND - Average (median)	£171	£208	£230		£208	£0	£40	£2	£20	£14	£0	£0	£0	£2	£778	
	ENGLAND - Maximum	£1,100	£816	£593		£623	£96	£145	£46	£224	£150	£28	£29	£37	£85	£1,298	
	ENGLAND - Minimum	£72	£1	£15		£0	£0	£0	£0	£-2	£0	£0	£0	£0	£0	£427	
	Statistical Neighbours Median	£170	£180	£288		£227	£3	£49	£0	£34	£17	£0	£0	£3	£10	£819	
	Maximum	£215	£344	£593		£525	£36	£77	£15	£172	£91	£1	£0	£8	£12	£1,261	
	Minimum	£129	£27	£78		£70	£0	£13	£0	£0	£3	£0	£0	£0	£0	£676	
Large deficit	839 BCP	£203	£191	£288	£479	£525	£7	£49	£1	£172	£17	£0	£0	£0	£11	£1,261	£1,464
No deficit	822 Bedford Borough	£129	£116	£341	£457	£119	£36	£77	£15	£24	£17	£0	£0	£0	£9	£754	£883
No Deficit	882 Southend-on-Sea	£213	£27	£427	£454	£70	£0	£49	£2	£21	£91	£0	£0	£8	£10	£706	£919
Large deficit	886 Kent	£215	£325	£155	£480	£248	£7	£13	£0	£34	£21	£0	£0	£4	£11	£819	£1,034
Large deficit	878 Devon	£140	£180	£212	£392	£352	£7	£43	£5	£67	£3	£0	£0	£2	£2	£874	£1,014
No deficit	826 Milton Keynes	£184	£344	£201	£545	£113	£5	£33	£0	£0	£15	£0	£0	£0	£0	£712	£896
Medium deficit	303 Bexley	£210	£64	£593	£657	£93	£1	£70	£0	£23	£8	£0	£0	£5	£6	£864	£1,074
Large deficit	938 West Sussex	£146	£312	£78	£390	£454	£0	£62	£1	£127	£7	£1	£0	£0	£11	£1,053	£1,199
Large deficit	926 Norfolk	£170	£208	£330	£538	£355	£0	£45	£0	£51	£47	£0	£0	£4	£10	£1,050	£1,220
No deficit	845 East Sussex	£162	£72	£207	£279	£227	£3	£63	£0	£15	£73	£0	£0	£6	£9	£676	£838
No deficit	881 Essex	£151	£90	£295	£385	£144	£0	£33	£0	£79	£33	£0	£0	£3	£12	£689	£840
	Narrative	BCP around average	BCP generally at average for state provision			BCP very high	BCP average	BCP average	BCP has majority in ISB places (Quay School)	BCP very high	BCP average	Small niche budgets			BCP average	BCP close to national maximum spend per capita	BCP is High Spend Overall

Pupil Divisors Used: Total population aged between 0-19.