

	<p style="text-align: center;">London Borough of Hillingdon Schools Forum Meeting 9 September 2025</p>
Title	Schools Block Transfer to High Needs Block for 2026/27
Agenda Item	3b
Report by	Abi Preston, Ndenko Asong, Luisa Hansen
Appendices	N/A
Recommendation(s)	<input type="checkbox"/> Information <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Decision

1. Purpose

To vote on 1% Schools Block transfer to High Needs Block for 2026/27.

2. Context

The Dedicated Schools Grant (DSG) is the main funding grant for Schools and Academies in England and Wales. It is made up of four blocks as follows:

- Schools Block
- High Needs Block
- Early Years Block
- Central Services School Block

The grant is subject to complex and detailed regulations which specify how this funding should be utilised and reported upon and where transfers between Blocks are possible. In the case of Schools Block to the High Needs Block (HNB), transfers above 0.5% are subject to an approval process which requires Schools Forum consultation first then a disapplication submission to the Secretary of State for approval. This process is called a Disapplication and must be submitted to the Department for Education (DfE) in November 2025 (awaiting the latest release of the High Needs Operational Guidance to have confirmation on the date for this academic year).

[High needs funding: 2025 to 2026 operational guide - GOV.UK](#) states that ‘*The Schools Forum must be consulted on all transfers between Blocks. The Schools Block is ringfenced which means that this Block must be spent for the purposes specified in the conditions of grant. Local Authorities retain the ability to transfer up to 0.5% of funding out of the Schools Block, with the agreement of the Schools Forum. Formal permission from the Secretary of State (a disapplication of the DSG conditions of grant) will be required for transfers out of the Schools Block above 0.5%, or any amount without Schools Forum approval. This applies to any transfers even if approval has been given in previous years. Local Authorities should consult with local maintained schools and academies. The Schools Forum should take these views into account before making their decision.*’

The London Borough of Hillingdon (LBH), like a large number of Local Authorities in England, is incurring extreme pressure on their HNB expenditure as a combined result of a number of factors including rising numbers of children with Special Educational Needs and Disabilities (SEND) and rising costs within the independent sector and low levels of HNB funding increases over a number of years. As a result of these pressures, and a growing cumulative deficit, LBH entered into a Safety Valve agreement with the DfE to bring the overspends under control over a five-year period. Part

of this recovery plan has been the assumption that Block transfers from the Schools Block to the HNB would be undertaken for a number of years to fund statutory and non-statutory services to schools. In 2025/26, a transfer was approved at 0.5% which equated to £1.50m.

The DfE suspended the Safety Valve funding agreement in March 2024, as a result of the historic deficit. LBH has been negotiating with the DfE to move forward and reinstate payments. In May 2025, LBH received validation from the DfE, stating that: *“We commend you on the significant progress that has been achieved in Hillingdon and your rigorous approach to providing a high quality, financially sustainable SEND service.”*

It is hoped the DfE will reinstate the outstanding Safety Valve payments imminently. However, the DfE’s expectation is that LBH uses the transfer process to fund services to schools, which will support to ease the pressure on the HNB.

3. Statutory Override

What the Statutory Override Does

The statutory override currently allows Councils to exclude SEND-related DSG deficits from their general balance sheets, preventing these deficits from triggering Section 114 notices. The statutory override for the DSG was introduced in 2020 and its purpose was to allow local authorities to exclude DSG deficits - primarily driven by High Needs SEND spending - from their main revenue budgets. This accounting treatment was designed to prevent Councils from breaching their legal duty to set a balanced budget and avoid triggering Section 114 notices.

Initially, the override applied to the financial years 2020/21 to 2022/23, but it has since been extended multiple times, most recently to cover up to and including the 2027/28 financial year, with the override now set to expire in March 2028. It is expected that Councils reach a balanced budget by March 2028 as, once the override ends, accumulated DSG deficits will count against Councils’ usable reserves.

SEND reforms are expected to be announced in Autumn 2025, in light of the challenges and pressures the system faces. It is not yet known what these reforms may look like.

4. Hillingdon Position

The local area is working hard to improve outcomes whilst working towards a more financially sustainable position. There have been many successes to date, whereby outcomes have improved whilst the in-year deficit position has reduced:

- The net growth of EHCPs was -1% during 2024, which is a significant reduction when compared with 7% growth reported in 2023 and 8% growth in 2022.
- Every step of the Education Health Care Needs Assessment (EHCNA) journey to EHCP in LBH is above national, and in some cases significantly. LBH achieved 90.8% compliance in 2024 (56.5% reported in 2023) for statutory timelines excluding exceptions vs London 66.9%, and national 46.4%.
- LBH is below national for SEND children absences, persistent absence, authorised and severely absent, as well as approximately 50% lower for suspensions compared to national figures.
- LBH had 0% permanent exclusions vs London 0.2%, national 0.04%.
- At the end of the financial year 2024/25, LBH had 3521 EHCPs compared with FY end 2023/24, at 3441 EHCPs. This data considers the growth in new plans, movers in and

ceasing of plans. In December 2023, the projection for EHCP numbers after Safety Valve initiatives was set to grow at 3740 EHCPs by 2024/25, therefore, the service has successfully managed to reduce demand of plans by a further 219 more plans than originally projected. This has predominantly been as a result of young people achieving their outcomes and/ or moving into employment opportunities.

- There has been a 6% increase in the timeliness of the 6 weeks decision to assess compared to last year.
- The number of ceased plans due to moving to the paid employment has increased to 44 compared to 21 last year (110% increase).
- The number of ceased plans due to educational and training needs met without plan has increased to 25 compared to 12 last year (108% increase).
- The revised banding model for mainstream schools successfully launched in September 2024 and the new special school banding model launched in April 2025. This was independently led and co-produced by schools. Along with a new funding model, the banding frameworks now mean the Local Area has a fairer, more transparent, efficient and effective high needs funding system across Hillingdon that supports delivery of the ambitions within Hillingdon's SEND & AP Strategy.
- Commissioners have a new Dynamic Purchasing System for Alternative Provision providers, aiming to increase options for children, improve market influence, and ensure value for money, with additional projects enhancing collaboration, mediation, and cost scrutiny.

5. Financial Position

As at end of March 2025, the funding paid to independent settings had been reduced by 15% when compared to March 2023 with a total cost of £13m making up 24% of DfE funding allocated to LBH compared to 33% in March 2023. There were over 400 active placements in independent settings at the start of the 2022/23 costing an average of £49k per placement. By the end of 2024/25, the number of placements in independent provisions had been reduced to approximately 263 placements at an average cost of £54k. The increase in average cost is as a result of only the most complex of needs being met in independent settings with fewer children and young people now meeting this criterion.

LBH maintains a sharp focus to continue to reduce the DSG High Needs Block deficit earlier than forecasted. Some of the full impact of savings will be seen from 2025/26 onwards, due to the lag between the implementation of service improvements and the benefit realisation in cash terms.

LBH's break even in-year financial outlook is stable, evidenced by the team's progress to date, exceeding the set original projections. A revised projection sees the LA achieving an in-year balance in 2027/28.

The HNB funds all elements of provision within an EHCP above the notional funding. Significant progress has been made to operate more efficiently whilst meeting children and young people's assessed needs, however, the pressure on the HNB is beyond a Council responsibility alone. It is impacted by many other factors.

It is important to note that all of the work to date to reduce costs against projections has led to significant decrease in the in-year deficit position:

2023-24 - **£28.7m** in-year deficit

2024-25 - **£14m** in-year deficit

The proposal this year is requesting a Schools Block transfer of 1% to the HNB. This is due to the continued pressure on the budget, which has to be brought in line with the budget envelope by

March 2028, when the override is removed. The focus for the HNB is to ensure the statutory duties are met in line with the Children and Families Act 2014 and the SEND Code of Practice 2015. LBH currently offers a range of non-statutory funding to schools to support early intervention. This is a priority for LBH and outcomes are monitored to ensure it is having an impact. However, LBH cannot afford to continue to offer this non-statutory funding, without the Schools Block transfer.

The non-statutory funding provided to schools currently is as follows:

- SENDEX - paused in 2025/26
- Early Support Funding
- Notional Threshold funding

The spend on each of the non-statutory funding streams is as follows:

Non-statutory area	FY2023-24 £'000	FY2024-25 £'000	FY2025-26* £'000
SENDEX	212	136	145
Early Support Funding	797	580	600
Notional Threshold funding	1,338	800	817
SAS service	1,446	2,556	2,658
Total	3,793	4,072	4,220

* Forecast

Many LAs do not provide non-statutory funding, however, LBH understands the value that the above non-statutory funding provides to our schools and the significant impact that will be caused if removed. It is hoped that schools will support this important transfer in order to for them to continue to be available to schools.

6. Proposed Disapplication for FY2026-27

LBH is proposing to submit a disapplication request of 1% to the Secretary of State which will transfer circa £3m¹ from the Schools Block to the HNB.

The table below outlines the projected expenditure should no action be taken, the impact of the savings currently enacted by LBH as part of the Safety Valve and why the Block transfer is required. It does not represent a deficit carry forward position and is an extract only.

Indicative Impact of the 1% Schools Block Transfer on Safety Valve Position in FY2026-27				
Description	FY2024-25	FY2025-26	FY2026-27	FY2027-28
	£m	£m	£m	£m
Projected Total Expenditure (Before Savings)	80.0	86.7	90.4	92.4
Savings enacted by Hillingdon	-6.6	-13.3	-19.0	-23.7
Block Transfer	-2.1	-1.5	-3.1	0
Revised Reduction Total	-8.7	-14.8	-22.1	-23.7

Note 1: This table illustrates the forecast expenditure and the impact of actions and savings.

Note 2: The above table does not show any future Safety Valve Contributions or the £16m contribution from LBH

Current Forecast Cumulative Deficit incl. proposed SB Transfer	65.9	78.6	86.8	91.0
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¹ Based on the assumption of a 5% increase on the 25-26 allocation

The funding will be used to support key aspects of our Safety Valve plan, particularly:

- Non-statutory services to support SENDEX, ESF, Notional Threshold Funding
- Continuing support from non-statutory services such as SEND Advisory Service

This increase will clearly impact the level of individual school budgets in 2026/27, and this is estimated to be in the region of £20k - £25k for an average Primary School or £54k - £59k for an average secondary at 1% transfer. The previous impact of the 0.5% transfer was circa £13k, therefore, the increase to 1% is likely to lead to an average increase of £7k - £12k per primary school. It should be stressed that this average impact is highly indicative as no APT has yet been issued by the DfE so modelling at a school level can only be broad brush in nature. LBH will continue to constructively support schools who find themselves struggling to set a balanced budget.

It should also be noted that the existing statutory override which allows Councils to keep any cumulative DSG deficits off our Council's balance sheet comes to an end in March 2028. This is set out in The Local Authorities Capital Finance and Accounting (England) Regulations.

7. Consultation with schools

It is proposed to issue a consultation with mainstream schools between the September and October to enable views to be sought on the proposed level of Block transfer from Schools Block to the HNB.

Questions:

1. Do you support the transfer of 1% of Schools Block to the High Needs Block which will enable the non-statutory funding to continue? Yes / No
2. If you have answered No, what percentage transfer would you support? _____%
3. If you do not agree with the transfer of funds, do you have any suggestions on how schools will fund the pre-statutory services from the High Needs Block and reduce the deficit, to enable the local area to meet our duties within the allocated budget envelope?

A survey has been created to enable all schools to respond to this Schools Block transfer, which maintained schools and academies should respond to. The survey can be accessed using the following link: [Schools Block Transfer and De-delegation Survey](#).

8. Recommendations

Schools Forum agree to the consultation questions which will be shared with schools following the meeting.