

Worcestershire County Council

**Dedicated Schools Grant
High Needs Budget Deficit**

**Worcestershire
Schools Forum
21 January 2026**



worcestershire
county council

Financial Year 2025-26 - November Period 8

Service Area	Budget £m	Forecast £m	Variance £m	Variance %
Children's Services	107.286	117.555	10.269	9.6%
WCC Services excluding DSG	448.265	459.566	11.300	2.5%

- Significant and increasing overspend, predominantly across Adult and Children's Services which are demand-led. Use of Council Reserves is not sustainable; these must be replenished in future.
- Current Exceptional Financial Support provision of £33.6m from Central Government to be funded by borrowing.

Source: para 41 of 13 January 2026 WCC Cabinet report

- 2024/25 DSG High Needs year-end position - **£58.8m overspend**
- Cumulative deficit of £98.2m at the end of 2024/25 rising to c £194m at end of 2025/26
- WCC has no funding set aside for this accumulating deficit; therefore, borrowing is required to meet spending needs.

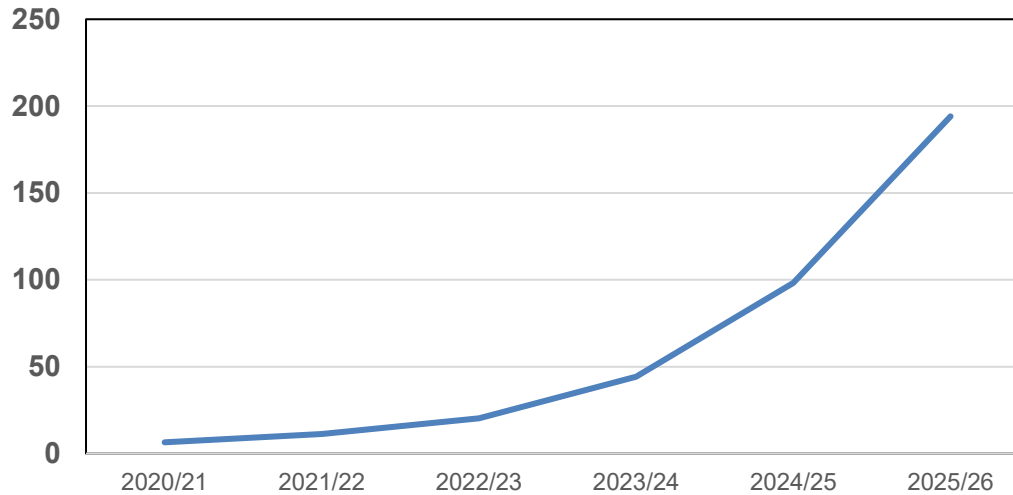
Summary Position for Dedicated Schools Grant	
	£m
Restated Accumulated Deficit 1 April 2025	98.2
High Needs Deficit 2025/26	95.7
Projected Early Years and Schools Block	-0.1
Other Blocks	0.2
Accumulated Deficit 31 March 2026	194.1
Projected Early Years and Schools Block	0.0
Projected High Needs Shortfall 2026/27 **	127.6
Projected Accumulated Deficit 31 March 2027	321.7

- Statutory Override in place until March 2028, then Government takes over deficit.
- The problem of funding and the historical deficit is deferred; a Government White Paper setting out their strategy is anticipated imminently.
- The Government’s policy position is to work with local authorities to manage their SEND deficits. Further detail will follow in the Final Local Government Finance Settlement in February 2026.

Source: para 128 of 13 January 2026 WCC Cabinet report

Accumulated High Needs DSG Deficit

**DSG Deficit Position by Financial Year-
£m**



The Council's external Auditors, Grant Thornton, issued a Section 24 notice (Local Government Act 1988) in November 2025. The Council has a statutory requirement to evidence a detailed and robust plan of action to control costs and manage this expenditure.

High Needs Deficit Management Plan Workstreams

Workstream	Intended Impact
Business Systems improvements	Accurate consistent payments to education providers Financial impact- addressing discrepancies in payments and providing evidence to analyse costs at child level
ECHP Banded funding	Greater understanding of need and cost and greater equity across schools Financial impact- cost control for bandings
Education Place Commissioning	Reduced costs for independent provision Financial impact- appropriate placements with intent to place closer to community
Post 16 EHCP Provision	EHCP that reflect post 16 needs, PFA aspirations to ensure correct pathways
Commissioning Reviews	Appropriate and relevant services that provide value for money
SEND Change Programme	Subsidised evidence based resources that enable early intervention. Eg PINS, ELSEC, Outreach and Assisted Technology
SEND Reforms	Inclusive practice and early intervention across all mainstream schools