



CIPFA\

# Reforming SEND finance

Meeting need in a sustainable system

February 2025

# Contents

<b>Foreword</b>	<b>1</b>
<b>Acknowledgments</b>	<b>2</b>
<b>Executive summary</b>	<b>3</b>
<b>Principles for a financially sustainable SEND system</b>	<b>6</b>
<b>Introduction</b>	<b>9</b>
What is SEND?	10
SEND legislative framework	10
How is SEND funded?	10
What is driving overspends in SEND?	11
Why is demand increasing?	14
<b>Where the current system fails to meet CIPFA's principles</b>	<b>15</b>
<b>The statutory override, deficits and borrowing</b>	<b>18</b>
The statutory override	18
Delivering Better Value in SEND and Safety Valve	18
SEND deficits and borrowing	19
Future of the statutory override	19
<b>Actions</b>	<b>20</b>
Funding is holistic, needs-based and responsive to local and cohort demand and complexity	20
Spending is rebalanced towards early identification and intervention to improve outcomes using a consistent, standardised outcomes framework	22
Financial resources are well co-ordinated between education, health, public health and care partners	24
The role of the independent sector is reformed to reduce cost, tackle profiteering and address inequality	25
Financial accountability follows decision making	27
<b>Recommendations</b>	<b>29</b>
The statutory override	29
Short, medium and longer-term actions	29
<b>Conclusion</b>	<b>32</b>
<b>References</b>	<b>33</b>

# Foreword

All children deserve to receive the education, healthcare and wider care they need to thrive and reach their full potential. Schools, councils and healthcare providers across England do amazing work every day to support children and young people with special educational needs and disabilities (SEND). However, it is clear that the current system of support is simply not working. The decade following the introduction of major policy reforms has largely been a decade of missed opportunity to improve the outcomes of children and young people with SEND, and the consequences of the reforms have left councils with significant financial deficits. There is widespread agreement among education, health and care agencies, and children, young people and their families, that the SEND system requires urgent and far-reaching reform. In this report, CIPFA sets out some important principles to contribute to the debate about how best this can be achieved.

Many children and young people have complex needs, but the system to support them does not need to be so complex. The questions that need answering are: what are the principles a reformed system should be built around? What steps can the government take to balance transforming a broken system into one that improves outcomes for children and young people and delivers financial stability for councils and education and health service providers?

It is essential that reforms result in a SEND system that is able to more effectively meet the specialist support needs of children and young people. CIPFA is proud to champion excellence in public financial management, but we do not support reforms based around simply pursuing affordability at the expense of meeting need. We believe that addressing the financial challenges in the system will lead to the improved use of resources, which will lead to improved outcomes for children and young people with SEND after years of stagnation.

We set out five principles that an effective, financially sustainable SEND system should meet. These focus on key areas of improvement: funding, early intervention and support, co-ordination, market management and financial accountability. We put forward potential actions to pursue these principles and recommend action across three phases: stabilisation of a sector in crisis, transition to reform, and enshrining a financially sustainable system that meets the needs of children and young people.

The moment to take decisive action is now. The government, together with local authorities, schools and health services, must pave a new way forward to build a system that creates brighter futures for children and young people with SEND and secures the financial sustainability of local authorities.



**Owen Mapley**  
Chief Executive, CIPFA

# Acknowledgments

This publication was informed by a reference group of education, health, care and public finance professionals.

CIPFA would like to acknowledge the valuable contributions made by the members of this group and thank them for their involvement and support.

# Executive summary

The SEND system in England is failing. The outcomes of children and young people with SEND have not improved since the 2014 landmark reforms despite significant increases in investment. Deficits are accumulating in the high needs block of the Dedicated Schools Grant (DSG), driving local authorities to a financial cliff edge. The system is not fit for purpose and it is financially unsustainable.

Exploring ways to build a SEND system that effectively meets the needs of children and young people while ensuring the financial sustainability of the system is both timely and urgent. There has been a series of major reports on the subject including from [Isos Partnership](#) and the [National Audit Office](#). The statutory override that ringfences deficits in the high needs block is scheduled to come to an end in March 2026, and local authorities need to prepare for what comes next for the sake of their financial stability. The government has the opportunity to fix a broken system and must act before it is too late. As such, in this report, CIPFA asks what steps can be taken to build a financially sustainable SEND system that meets the needs of children and young people.

CIPFA established a reference group of education, health, care and public finance leaders to answer this question, and carried out interviews and research with stakeholders with expertise in SEND from across England.

We begin by setting out five principles for a financially sustainable system that meets the needs of children and young people. A sustainable and effective SEND system will meet these principles:

- 1. Funding is holistic, needs-based and responsive to local and cohort demand and complexity.**
- 2. Spending is rebalanced towards early identification and intervention to improve outcomes using a consistent, standardised outcomes framework.**
- 3. Financial resources are well co-ordinated between education, health, public health and care partners.**
- 4. The role of the independent sector is reformed to reduce cost, tackle profiteering and address inequality.**
- 5. Financial accountability follows decision making.**

We describe how the current system is failing to meet these principles and analyse the steps the government has taken to support local authorities to achieve financial stability. We find that the current system is failing for a wide variety of reasons, and that government interventions have been unsuccessful in averting ongoing crisis in the system.

To turn the tide, CIPFA proposes a series of actions for the government to take to build a sustainable SEND system fit for the future. We describe the challenge in the current system that these actions aim to address and how they can be achieved. We arrange the actions across three phases: short-term actions to stabilise the system; medium-term actions during a transition period; and longer-term actions to enshrine sustainability. We also consider the financial and legislative changes required to enact the recommendations.

**Key:**

**Indicative financial cost for government to implement:**

- £** No to low cost, achievable within current envelope
- ££** Medium cost, requires additional investment
- £££** High cost, requires significant additional investment

**Legislative change required:**

- I** No to minimal change, including change to guidance or regulations
- II** Medium change, including change to primary legislation
- III** Major change, including new legislation required

	Short term: stabilisation	Medium term: transition	Long term: sustainability
<b>Principle 1</b>	Allow for greater flexibility within the DSG block system <b>£ I</b>	Predicate funding on improved use of data <b>££ I</b>	Rebalance towards meeting cohort-based needs in mainstream settings <b>£ II</b>
<b>Principle 2</b>	Create a shared understanding of early intervention <b>£ I</b>	Embed the Code of Practice in legislation <b>£ II</b>  Ensure a pathway through early intervention <b>££ II</b>	Develop a national SEND outcomes framework <b>£ II</b>
<b>Principle 3</b>	Support local authorities to reduce deficits <b>£££ I</b>	Create a principles-based national framework for education, health and care contributions <b>£ I</b>	Department for Education (DfE) to break down barriers to opportunity by holding the financial levers <b>£ I</b>
<b>Principle 4</b>	Develop national rate bands <b>£ I</b>	Introduce a quality assurance framework for private advice and provision <b>£ I</b>	Introduce a national SEND contract <b>££ II</b>
<b>Principle 5</b>	Bring existing partners together for early dispute resolution <b>£ I</b>	Increase accountability for SEND in mainstream schools <b>££ II</b>	Review the SEND legal framework to give local authorities greater flexibility to meet need following tribunal <b>£ II</b>



The actions that we suggest on SEND funding will alleviate financial pressures, direct funding to where it can be most effectively deployed and will foster greater inclusion within mainstream settings. Greater shared understanding of what is meant by early intervention will crystallise how best to meet needs early, and aligning the Code of Practice with legislation will reduce confusion and complexity.

Our proposed frameworks on contributions, quality assurance and outcomes can be incorporated into a renewed Code of Practice to build the infrastructure of a future-proof system. They will not add complexity to an already complicated system – they will add consistency and assurance.

By introducing national rate bands and a national SEND contract, we can ensure the quality of services, value for money, and greater transparency and co-operation with the independent sector.

By ensuring that financial accountability follows decision making, we can reduce conflict in the system, improve the experiences of families and foster greater inclusion.

For too long, the SEND system has been left to stagnate, failing to improve the outcomes of children and young people, and leading to spiralling costs for public bodies. Our proposed actions set out a way forward to build the infrastructure for a financially sustainable system that supports children and young people to thrive. The time for action is now.

# Principles for a financially sustainable SEND system

CIPFA presents the following five principles for a sustainable SEND finance system that meets the needs of children and young people. A successful programme of SEND finance reform will meet these principles.

The principles serve as a touchstone throughout this report, guiding how we propose and evaluate actions and underpinning our recommendations to government.

The principles focus on key elements of SEND finance reform, including funding, early intervention, co-ordination, the role of the independent sector and financial accountability.

Each of these principles will have implications across three stages: the short, medium and longer term. The short term refers to a period of stabilisation that tackles immediate challenges from now until March 2026. The medium term refers to a process of transition to a financially sustainable system. The long term refers to enshrining a reformed, sustainable system.

Each principle is followed by a description of the relevant features of a SEND system that meets the needs of children and young people, while being financially sustainable.

## 1. Funding is holistic, needs-based and responsive to local and cohort demand and complexity.

- All parts of the education, health and care funding systems work together effectively.
- Reform considers each element within the education, health and care finance systems together rather than focusing on isolated elements.
- Funding is directed towards need, demand and complexity.
- Funding and provision is targeted at a system or cohort level when appropriate to meet need earlier and foster inclusion in mainstream settings.
- The needs of young people are met alongside more efficient public funding.





## 2. Spending is rebalanced towards early identification and intervention to improve outcomes using a consistent, standardised outcomes framework.

- Immediate needs are sufficiently funded during a transition to rebalancing towards greater early intervention.
- The prioritisation of early intervention shifts resources from the statutory end of provision by preventing escalation of need.
- There is clarity on what successful early intervention looks like, and early intervention is co-ordinated across education, health and care agencies.
- There is consistency in how outcomes are understood by and agreed across agencies and with children, young people and their families, and how these outcomes are measured in the short, medium and long term for different cohorts of children and young people with SEND.



## 3. Financial resources are well co-ordinated between education, health, public health and care partners.

- There is close partnership working between education, health, care and other services.
- The barriers towards increased co-ordination of funding are reviewed.
- There is a clear and consistent understanding across the country of the principles behind education, health and care contributions to SEND packages.
- All partners work together in openness and transparency.



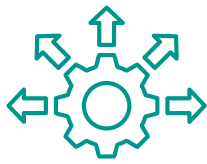
## 4. The role of the independent sector is reformed to reduce cost, tackle profiteering and address inequality.

- There is consistency in the cost and quality of independent provision.
- Services are effectively benchmarked, monitored and evaluated to achieve improved oversight and better value for money while achieving intended outcomes.
- How independent provision adds value is understood when considering that provision's role and status.
- Excessive profits are curbed.



## 5. Financial accountability follows decision making.

- There is increased transparency in accountability between partners.
- Schools have an increased role in ensuring inclusion.
- The financial consequences of decision making are more evenly shared between partners.
- Partners in the system do not make decisions that have a detrimental financial impact or increase costs in other parts of the system without clear accountability for those decisions.
- The legislative framework gives councils flexibility in how they meet the needs of children and young people with SEND following tribunals.



# Introduction

The SEND system is failing. It is not improving outcomes for children and young people with SEND and it is financially unsustainable. Demand and expenditure have skyrocketed since the landmark reforms of 2014–2015, and despite significant increases in investment, funding has not kept pace with demand. Local authorities across England are being driven to a financial cliff edge. The system must be reformed.

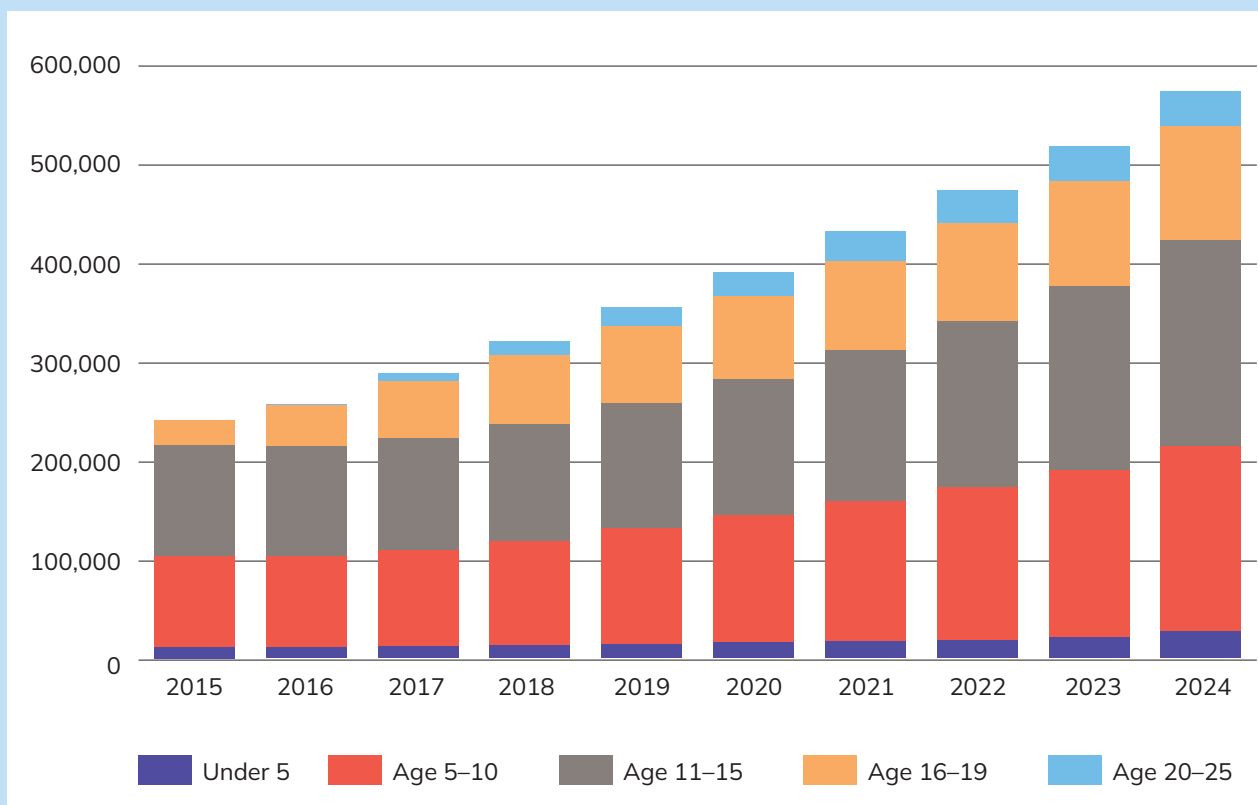
The primary aim of the SEND system should be to meet the needs of children and young people who require specialist support. However, if the system is not financially sustainable, this puts the ability to meet children and young people’s needs at risk. It is for this reason that in this publication, CIPFA’s focus is on building a financially sustainable SEND system that meets the needs of children and young people. Other organisations such as [Isos Partnership](#), the [National Audit Office](#) (NAO), [Local Government](#)

[Association](#) (LGA), the [Association of Directors of Children’s Services](#) (ADCS), and the [County Councils Network](#) (CCN) have undertaken work looking at wider issues in the SEND system.

In this report, we present five principles for a financially sustainable SEND system in England, propose a series of actions to achieve these principles, and make recommendations to government on short, medium and longer-term actions. We also consider the financial and legislative impact of these actions.

In this introduction, we explore the key parts of SEND finance and describe how the current system fails to meet CIPFA’s five principle for a financially sustainable SEND system that meets the needs of children and young people.

**Figure 1: The number of children with an EHCP in England between 2015 and 2024**



Source: CIPFA analysis of [Education, health and care plans](#).

# What is SEND?

SEND stands for special educational needs and disabilities. SEND also refers to the system of support offered to children and young people with special educational needs and disabilities.

A child or young person has special educational needs (SEN) if they require special educational provision because of a learning difficulty or disability. In 2023/24, there were [1.6 million pupils in England with SEN](#). Most children with SEN have their needs met within mainstream schools through SEN support.

An Education, Health and Care Plan (EHCP) sets out the support required by children and young people aged 0–25 with SEND who need more support than is available through SEN support. The number of EHCPs increased by 140% between 2015 and 2024, reflecting the increase in the identification of SEND and the growth in demand for services.

## SEND legislative framework

Part 3 of the [Children and Families Act \(CFA\) 2014](#) is the primary legislation governing SEND in England. The Act brought widescale reform to SEND policy and provision by:

- expanding the age range of support to 0–25
- increasing the involvement of children and young people and their families in decision making
- replacing statements of SEN and learning difficulty assessments with EHCPs
- promoting integration and joint commissioning
- requiring local authorities to develop and publish a local offer describing expected provision across education, health and care

- improving identification and support for children and young people with SEND
- reforming the assessment process.

The [SEND Code of Practice](#) provides statutory guidance on the application of Part 3 of the Children and Families Act 2014.

## How is SEND funded?

The DfE provides funding to local authorities for SEND provision primarily through the high needs block of the DSG. SEND funding also comes from the schools block of the DSG as a notional SEND budget.

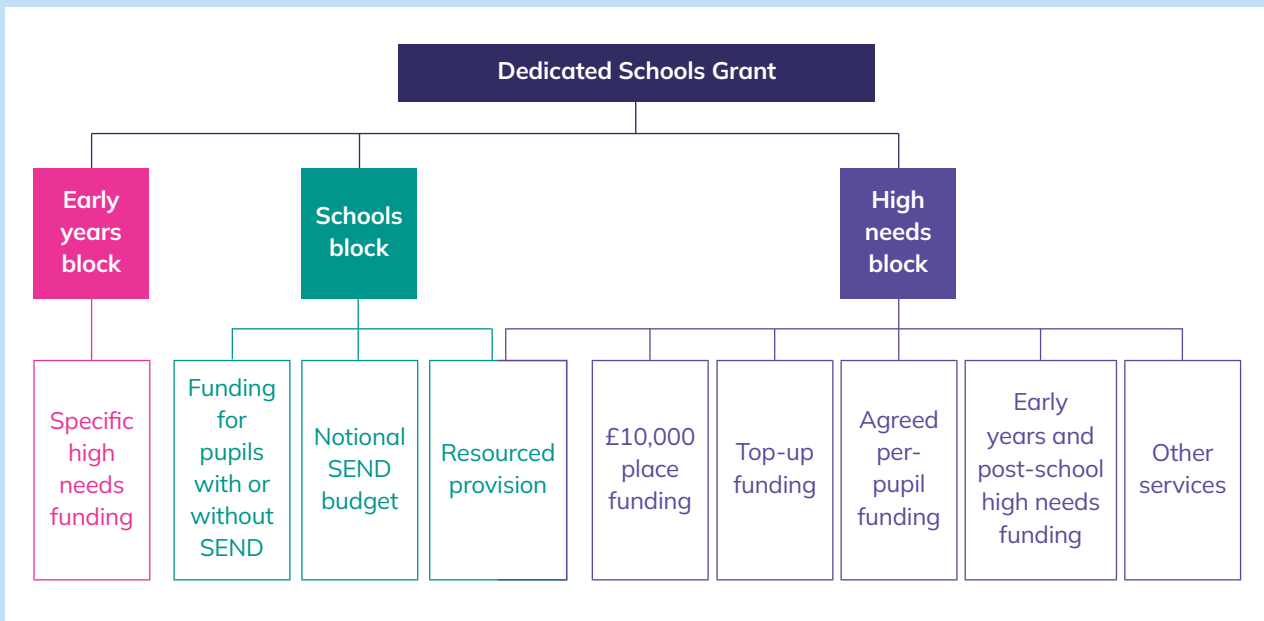
The schools block funds mainstream schools and the high needs block funds state-funded special schools, alternative provision, independent special schools and provides top-up funding to mainstream schools.

The schools block nominally allocates unringfenced funding of up to £10,000 for pupils with SEND, comprising £4,000 for a pupil with or without SEND and up to an additional £6,000 for pupils with SEND, although this is not linked to need. The high needs block also provides top-up funding for pupils with SEND in mainstream schools whose needs cost more than £10,000. The [National Audit Office](#) (NAO) has shown that local authorities are spending an increasing proportion of high needs block funding on top-ups for children in mainstream settings.

The high needs block provides £10,000 per place, and top-up funding for costs exceeding this amount, for pupils with SEND in state-funded special schools and alternative provision. Independent special schools are funded from the high needs block on a place-by-place basis.

The following diagram is a visual representation of how SEND school placements are funded.

Figure 2: Visual representation of how funding is directed to SEND provision



Source: [Support for pupils with special educational needs and disabilities in England](#) (National Audit Office, 2019).

The NHS makes financial contributions to the relevant assessed health elements, and local authorities also make financial contributions to the social care elements of EHCPs.

Local authorities also use general council funding for case work, assessments, EHCP drafting, paying specialists and doing annual reviews of all EHCPs. These costs have risen significantly in recent years.

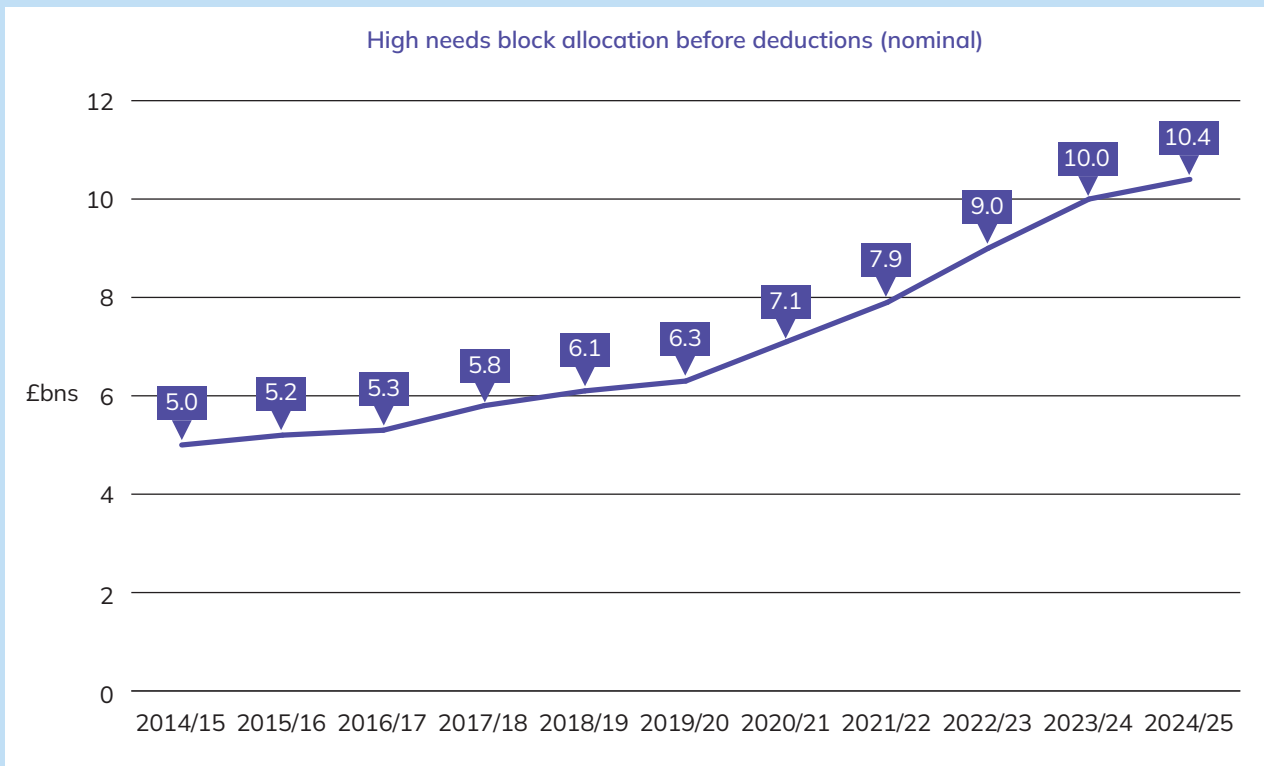
## What is driving overspends in SEND?

Deficits in the schools budget occur when a local authority’s expenditure exceeds its funding allocation. Some of the main reasons for overspends include:

### Funding not keeping pace with rising demand

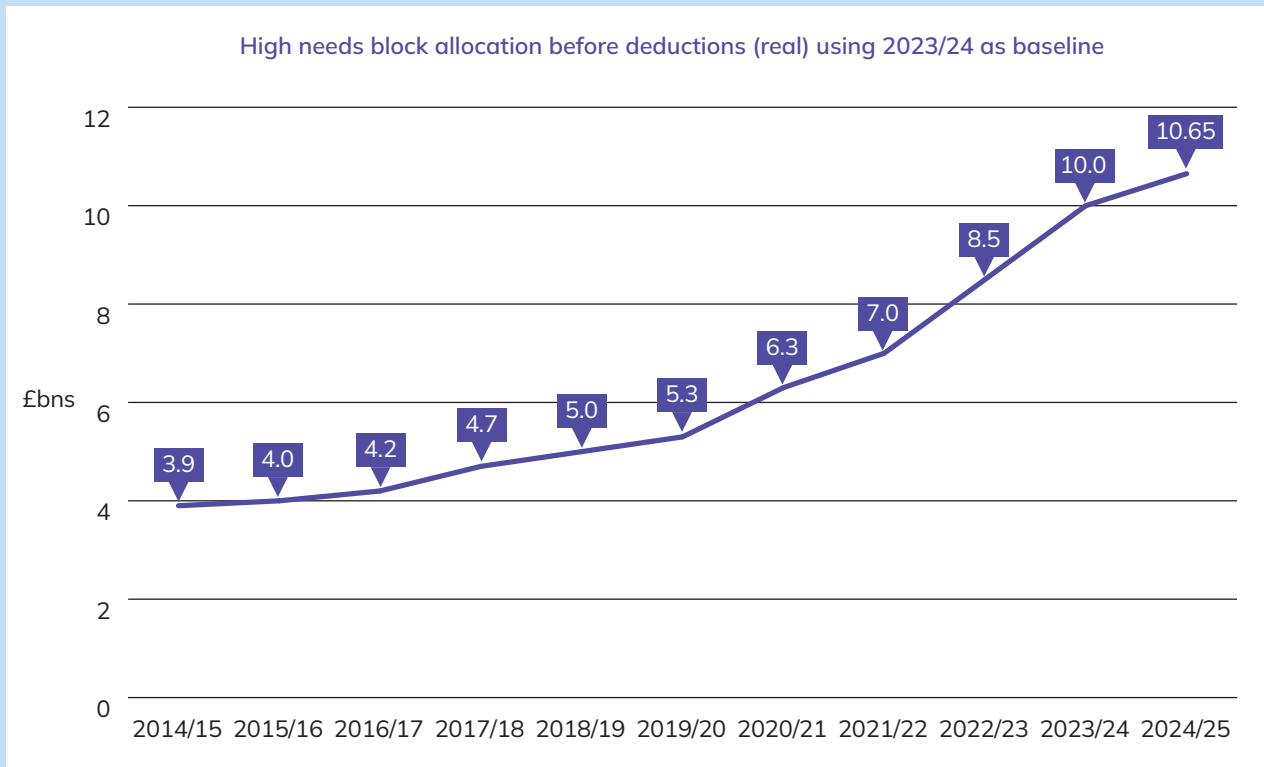
Despite funding for SEND having more than doubled in ten years in nominal terms, and having increased by over 175% in real terms, this has not been enough to keep pace with rising demand. The [SEND Review](#) (2022) argues that the increase in the percentage of children with EHCPs above population change is a key driver of increased expenditure.

Figure 3: High needs block funding in nominal terms between 2014/15 and 2024/25



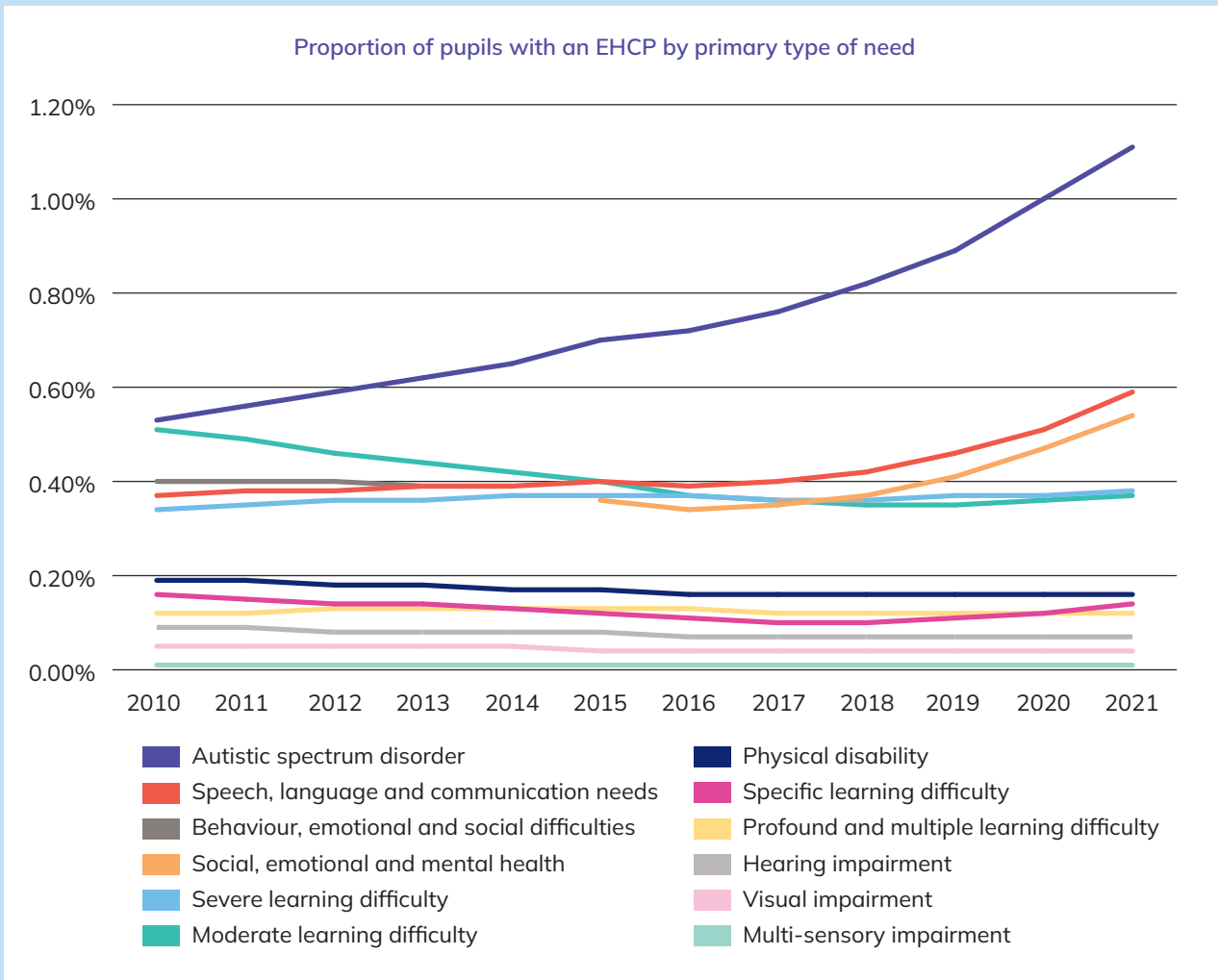
Source: CIPFA analysis of [Dedicated Schools Grant 2024 to 2025](#).

Figure 4: High needs block funding in real terms between 2014/15 and 2024/25



Source: CIPFA analysis of [Dedicated schools grant 2024 to 2025](#) using the [October 2024 GDP deflator](#).

Figure 5: The complexity of pupils with EHCPs' special educational needs are increasing



Source: [SEND Review: Right support, right place, right time](#) (2022).

### Increasing levels and complexity of need

The multiple, overlapping needs of children and young people with SEND are becoming increasingly complex. Meeting increasingly complex needs alongside restricted capacity to meet needs leads to higher expenditure. The proportion of pupils with an EHCP with autism spectrum disorder (ASD) increased by over 70% between 2010 and 2021. Speech, language and communication needs increased by over 50%, and social, emotional and mental health needs increased by almost 40%.

### The high cost of independent specialist provision

The capacity of state specialist provision has not been able to keep pace with rising demand. There is also evidence from the NAO in [Support for children and young people with special educational needs](#) (2024) that mainstream schools have insufficient capacity and resources to support more children with SEND. Parental preference for independent provision can also be argued to reflect dissatisfaction with mainstream schools' ability to meet the needs of children and young people with SEND. These factors mean that local authorities place children in much costlier independent special school provision.



## Why is demand increasing?

The SEND system can feel combative for families, and in this context the word 'demand' can carry negative associations. For the purposes of this report, CIPFA uses the word 'demand' to refer to the economic model of supply and demand.

### Diagnosis of SEND

While the [Education Policy Institute](#) identified a 'postcode lottery' in diagnoses of SEND, the increase in children and young people with SEND above population increase demonstrates that a greater number of children and young people with SEND are being referred for support. To take one example of need, [The Journal of Child Psychology and Psychiatry](#) reported a 787% increase in identification of autism in all ages from 1998 to 2018, and 58% in the under 19 age group between 2014 and 2018.

### Legislative drivers

The Children and Families Act 2014 broadened the scope of eligibility for specialist support to include children and young people aged 0–25 and strengthened the legal rights of families regarding assessments. As can be seen from [Tribunal Statistics](#), this legislative change increased the number of children and young people who qualify for SEN support and there has been a significant and increasing volume of tribunal hearings.

### The pandemic recovery

National lockdowns had a particularly negative impact on children and young people with SEND. [Ofsted](#) reported years of work being undone, stagnation, increased stress, a lack of access to essential health services and increased levels of neglect and exploitation. Furthermore, [NHS data](#) shows that there has been an increase in mental health disorders among children and young people following the pandemic.

### Insufficient capacity

There is a lack of capacity across the system to identify need early and to prevent need from escalating. In [Support for children and young people with special educational needs](#), the NAO reported insufficient qualified and experienced early years staff, children and their families struggling to access specialist support, and significant waiting lists for health services such as speech and language therapy.

# Where the current system fails to meet CIPFA's principles

In this section, we explore financial problems under the current SEND finance system organised under CIPFA's principles.

## 1. Funding is holistic, needs-based and responsive to local and cohort demand and complexity.

- **The funding formula is outdated.**

High needs funding is not based on need, demand or complexity. It uses a baseline of historic spending adjusted using the proxy factors of population, deprivation, low attainment, health and disability. This means that funding is not directed to where it is most needed.
- **Funding has not been uplifted with inflation.**

The up-to £6,000 funding per pupil with SEND was introduced in 2013/14 and has not been updated since then. If it had, using the [government's GDP deflator](#), the figure would be £8,097 in 2024/25. This translates to a real terms decrease in notional SEND funding of £1,554 per pupil between 2013/14 and 2024/25. This has created a perverse incentive that drives children with SEND from mainstream education into more costly special and independent placements.
- **Mainstream SEND funding is notional.**

The up-to £6,000 funding per pupil with SEND in mainstream settings is notional, meaning that it does not actually exist and has to be found from within existing budgets. This can result in SEND funding being spent elsewhere within mainstream settings rather than on support targeted at children and young people with SEND.
- **The statutory override has concealed financial distress.**

The purpose of the statutory override was to give local authorities time and flexibility to reduce their deficits to sustainable levels. However, it has become clear that the deficits are not caused by local authority financial mismanagement but are driven by unfunded national legislative drivers. In most cases, rather than reducing, deficits have grown. These financial pressures have led to difficult trade-offs for councils, compromising the quality and accessibility of specialist support for children and young people.
- **Home to school transport costs have dramatically increased.**

Home to school transport costs are paid from general council funding and are a growing pressure. Increased costs in home to school transport impact on the other services that councils deliver. The [County Councils Network \(CCN\)](#) estimates that travel to school transport will cost councils £2.3bn in 2024/25, making it one of the largest spending pressures on council budgets. There has been an increase in expenditure in this space of 23% in two years.
- **Costs for managing the system have increased.**

The cost to local authorities of managing the SEND system has increased significantly in recent years. Areas where costs have increased include correspondence, annual EHCP reviews, brokering school placements, and increases in staffing costs related to case workers and educational psychologists.

## 2. Spending is rebalanced towards early identification and intervention to improve outcomes using a consistent, standardised outcomes framework.

- **There is a lack of incentive to invest in early intervention.**

The threshold for statutory intervention is low, meaning that early intervention services can be bypassed. There is also very little financial scope for greater investment in early intervention, which leads to funding being directed to the statutory end of the system. Early intervention has been given priority in the DfE's [Keeping Children Safe, Helping Families Thrive 2024](#) policy paper, but the link to SEND has not been further developed.
- **There is no shared understanding of early intervention.**

Early intervention has different meanings to different stakeholders, which can lead to differences in implementation and escalation of needs. The lack of a shared understanding of early intervention leads to fragmented approaches and missed opportunities to effectively allocate resources.
- **There is no shared understanding of outcomes.**

As with early intervention, what success looks like for children and young people with SEND is understood differently by different stakeholders. This results in inconsistency across the country, and resources not being targeted effectively to maximise children and young people's outcomes as well as the impact of the public pound.

## 3. Financial resources are well co-ordinated between education, health, public health and care partners.

- **Partner contributions are variable.**

Contributions between partners are variable across the country and lack transparency. Likewise, local funding co-ordination arrangements vary from place to place and are inconsistent in terms of their success. This can lead to some local authorities taking on disproportionate financial accountability compared to their counterparts in other areas.
- **Too much resource is spent on negotiations.**

Without a consistent approach to contributions between partners, time is spent negotiating contributions between partners that could be spent elsewhere in the system.
- **Timely interventions are delayed.**

Delays to funding co-ordination and agreement on contributions can lead to delays to timely interventions and support, as well as increased costs.

#### 4. The role of the independent sector is reformed to reduce cost, tackle profiteering and address inequality.

- **The cost of private placements is too high.**

On average, independent placements cost over twice as much as placements in maintained specialist schools, with no evidence of better quality of provision or improved outcomes. Councils often pay significantly variable rates for the same levels of service between independent schools.

- **Independent assessments are driving inequalities.**

Research from the [Centre for Analysis of Social Exclusion](#) has shown that children from areas that are more deprived are less likely to receive statutory EHCP support and have lower chances of diagnoses of precisely defined

conditions. One of the drivers in this inequality is the ability of affluent families to obtain independent advice and assessments that are inaccessible to families without the means to do so.

- **There are conflicts of interest in private assessments and provision.**

Stakeholders told us that there can be conflicts of interest in private assessments and provision. For example, a private company offering the families of children and young people with SEND private assessments and recommending the private company's own offered provision in those assessments.

#### 5. Financial accountability follows decision making.

- **Financial responsibility is unevenly apportioned between partners.**

The financial consequences of decisions are not always felt by the bodies making those decisions. For instance, schools do not retain responsibility for excluded children, as was recommended in the [Timpson Review](#).

- **Local authority flexibility to meet needs is undermined.**

Local authority decision making is often challenged through independent assessments and a legal framework where the directions of tribunals give councils very limited flexibility to meet the needs of children and young people with SEND. There are multiple routes to redress, which limits the role of councils' professional judgement based on need.

# The statutory override, deficits and borrowing

## The statutory override

A statutory override refers to when normal accounting treatment is overridden by a government statute. The [Local Government Act 2003](#) allows the secretary of state to make provisions about the accounting practices to be followed by a local authority, and these regulations take precedent over the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code).

In previous years, councils were able to carry ringfenced schools grant deficits over to subsequent financial years for them to be set against future allocations. This treatment prevented schools budget deficits from putting pressure on other council services.

However, there were questions around this practice, as there was no statutory basis for deficits to be held separately from the local authority's general fund.

The Ministry of Housing, Communities and Local Government (MHCLG) amended [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#) to introduce a statutory override where a DSG deficit at the end of a financial year must not be charged to a revenue account and instead must be charged to an account established solely for the purpose of recognising deficits in the schools budget. This accounting practice has the effect of separating schools budget deficits from the local authority general fund.

The intention of the statutory override was to give local authorities flexibility in reducing their DSG deficits. However, the scale of the challenge in the SEND system has made this impossible, and deficits have continued to rise nationally despite efforts by the government to support local authorities to reduce these deficits.

## Delivering Better Value in SEND and Safety Valve

Delivering Better Value in SEND (DBV) and Safety Valve (SV) are two intervention programmes aimed at reducing DSG deficits and improving high needs sustainability.

The SV programme targeted local authorities with the highest percentage DSG deficits. There are currently **38 councils** with SV agreements, though four of these are under review. These agreements aim to control and reduce deficits, eventually reaching a positive in-year balance. Councils in the SV programme are required to develop and deliver on substantial reform plans in exchange for additional DSG funding. In September 2024, the total funding agreed in SV agreements totalled £1.1bn. In December 2024, [the government announced that it would enter no more SV agreements with councils.](#)

DBV was an optional, selective programme that helped local authorities identify impactful changes to improve outcomes for children and young people with SEND and to achieve a sustainable financial position. Fifty-five local authorities with deficits less severe as at 2020/21 than those in the SV programme participate in the DBV scheme.

The fact that 93 of 152 councils with social care responsibilities are either in the DBV or SV programmes indicates that the financial sustainability challenges are systemic rather than to do with local authority public financial mismanagement.

Analysis of high needs DSG deficits by the Association of Local Authority Treasurers' Societies (ALATS) showed that the DBV programme has generated minimal savings, while the SV programme has had a varied impact. Some

councils in SV reported significantly improved forecasts, while others saw very little impact from the intervention.

## SEND deficits and borrowing

Since 2021, ALATS has carried out a survey of local authorities in England to understand deficits in the high needs block. The 2024 survey shared with CIPFA received responses from 97 councils forecasting that nationwide deficits would reach up to £4bn by March 2025, £6bn by March 2026 and £8bn by March 2027. It is important to note that these deficit figures are not included in the government's reported £22bn black hole.

Councils are currently borrowing to deal with cash flow pressures caused by the accumulating deficits in the high needs block. While CIPFA's [Prudential Code](#) permits borrowing for temporary cash flow management within the context of a balanced budget, the cash flow issues in this case are directly caused by deficits in SEND services.

Borrowing to cover day-to-day spending is unsustainable and has a significant treasury management impact, including the revenue cost of borrowing or interest foregone from investments that would have otherwise been possible. The ALATS survey estimates that councils will face almost £700m in borrowing costs and lost interest between 2024/25 and 2026/27.

Critically, even if the statutory override is extended beyond March 2026, unless the government urgently supports local authorities to reduce their deficits and achieve a position where the deficits are reducing, then councils will have to consider issuing Section 114 notices because of unsustainable borrowing costs.

## Future of the statutory override

The statutory override was originally in place from 1 April 2020 to 31 March 2023. It has since been extended and at the time of publication is still in

place. In the [provisional local government finance settlement 2025/26](#), the government announced that they would set out plans to reform the SEND system in 2025, and that any decision to remove the statutory override would be informed by these plans.

Here we consider options regarding the future of the statutory override.

- **Do nothing**  
Doing nothing is not an option. A quarter of local authorities are expected to issue Section 114 notices within a year, and another quarter would issue a Section 114 notice within three years if the override ends without robust plans to reduce existing and current deficits.
- **Extend without reform**  
Extending the override without reform will simply delay the inevitable and will drive local authorities to issue Section 114 notices because of unsustainable borrowing. Existing deficits would remain unaddressed.
- **Support local authorities to pay off the deficits by March 2026**  
The government should support local authorities to pay off deficits by March 2026. A capitalisation directive in this context would not be the right approach, as it would be a short-term measure that places the burden of a current service on future generations. Without accompanying reform, the underlying pressures will continue, and the deficits will reoccur.
- **Extend only until deficits are paid and accompany with reform**  
The government should support local authorities to pay off the deficits by March 2026, and the statutory override is only extended until such time as the debts can be paid off. This approach is accompanied by system reform to build sustainability.

# Actions

In this section, we propose actions to achieve CIPFA's principles for a financially sustainable SEND system that meets the needs of children and young people with SEND. These actions are not exhaustive, and there are a range of approaches the government can take to achieve the principles. Beneath each action, we explain the challenge within the current system that the action aims to address and how the action will resolve the challenge.

Funding is holistic, needs-based and responsive to local and cohort demand and complexity.

## Allow for greater flexibility within the DSG block system

### Problem in the current system:

The DSG is divided into blocks, with restricted movement allowed between the blocks (0.5% with agreement from the Schools Forum, or through a disapplication request agreed by DfE). This means that even where a DSG is in surplus, the high needs block may be in deficit. Before the block system was introduced, there was greater flexibility in the system, providing a stronger link between decision making in the mainstream block and spend in the high needs block.

### How this action will resolve the problem:

Allowing for greater flexibility between the blocks will allow for transfers from a schools block in surplus to a high needs block in deficit. This will not benefit areas whose DSG as a whole is in deficit but will alleviate the challenge nationally.

### How this could be achieved:

This could be achieved by the government allowing councils to direct increased transfers from the schools block to the high needs block by amending the [high needs funding operational guidance](#). Transfers above an established percentage would require the consent of schools forums.



## Predicate funding on improved use of data

### Problem in the current system:

High needs funding is not calculated according to local need, demand and complexity. Instead, an outdated, historic baseline is used that does not reflect reality on the ground. This means that funding is not directed to where it is most needed and results in some areas being underfunded, contributing to the accrual of deficits.

### How this action will resolve the problem:

Using data about the distribution of SEND in local areas to calculate and direct funding will mean that funding reaches the places where it is most needed.

### How this could be achieved:

The government could use more relevant data than is currently being used – for example, the data that is collected on SEND in England that includes information from the schools census, school-level annual school census (SLASC), general hospital school census on pupils with SEN, and the SEN2 data collection.

## Rebalance towards meeting cohort-based needs in mainstream settings

### Problem in the current system:

Funding and provision are directed to individual need following the issuance of an EHCP, even where a need can be predicted by schools as a share of a cohort of children and young people in mainstream settings. The [Public Accounts Committee](#) has heard that the desire to meet need on a cohort level is strong. To give an example, [Speech and Language UK](#) estimate that as a result of the COVID-19 lockdowns, 1.5 million children are at risk of not being able to speak or understand language at an age-appropriate level. Funding on an individual level where there are shared needs that can be met earlier without the need for an EHCP results in high costs and works against mainstream inclusion.

### How this action will resolve the problem:

Predicting and identifying children with shared needs at an early stage and building the infrastructure within schools to meet those needs at a cohort level will reduce the chances of their needs escalating, reducing costs while meeting the needs of children and young people, and will avoid the need for families to pursue EHCPs to have their children's needs met.

### How this could be achieved:

To take one example, children with speech, language and communication needs in a mainstream setting could be identified at an early stage and provided with services as a cohort to negate the need for their families to pursue an EHCP for those needs to be met in one-to-one provision. Guidance would be developed on what would be funded at a cohort level and what would be specified at an individual level.

Spending is rebalanced towards early identification and intervention to improve outcomes using a consistent, standardised outcomes framework.

### **Create a shared understanding of early intervention**

#### **Problem in the current system:**

Early intervention can mean different things to different stakeholders in the education, health and care systems. This can result in early intervention activities being inconsistent and misaligned, thus failing to prevent escalation of need.

#### **How this action will resolve the problem:**

Creating a shared understanding of early intervention between partners in the SEND system would foster improved collaboration and co-ordinated approaches to preventing escalation of need.

#### **How this could be achieved:**

The government can consult stakeholders and produce guidance on best practice in early intervention. Lessons can be learned from existing graduated models and expectations within the Code of Practice.

### **Ensure a pathway through early intervention**

#### **Problem in the current system:**

The low threshold for statutory intervention means that local authority early intervention activities can be bypassed. This pushes more children and young people to the statutory end of provision and foregoes opportunities to prevent escalation of need.

#### **How this action will resolve the problem:**

By ensuring that children and young people engage with early intervention services, children's needs can be met, and escalation can be avoided at an early stage. This approach has the potential to meet children and young people's needs without requiring an EHCP.

#### **How this could be achieved:**

This can be achieved through changing the primary legislation and the Code of Practice to require children and young people to engage with early intervention services before qualification for an EHCP assessment. There would be reasonable exceptions to this process that can be worked out through consultation.

## Embed the Code of Practice in legislation

### Problem in the current system:

The legislation, the Code of Practice and the reality on the ground are distinct from one another. The Children and Families Act 2014 and the Code of Practice conflict with each other in places – for example, regarding graduated response, the threshold for assessment and mainstream inclusion. This conflict is a problem because education, health and care partners are torn between guidance and legislation.

### How this action will resolve the problem:

Embedding the Code of Practice in legislation will mean statutory duties more closely reflect the practical application of the law.

### How this could be achieved:

Changes to the Children and Families Act 2014 to reflect the Code of Practice.

## Develop a national SEND outcomes framework

### Problem in the current system:

There is not a consistent understanding of outcomes across the country for different cohorts of children and young people with SEND. This means that there is no clarity on goals and benchmarks.

### How this action will resolve the problem:

Developing a standardised, national outcomes framework would create a shared understanding of what success looks like, and could cover academic, social, employability and other measures.

### How this could be achieved:

The government could consult with stakeholders and publish the framework with accompanying guidance. It could be introduced to the Code of Practice and possibly to the Children and Families Act 2014. Lessons could be learned from existing examples such as that from the [Council for Disabled Children](#).

Financial resources are well co-ordinated between education, health, public health and care partners.

### Support local authorities to reduce deficits

#### **Problem in the current system:**

Something must be done about historic SEND deficits. However, the current system continues to drive debt. Local authorities are currently accumulating deficits in the high needs block of the DSG. This is impacting on their cash flow and is pushing half of local authorities with responsibility for SEND to the brink of issuing Section 114 notices within three years.

#### **How this action will resolve the problem:**

Supporting local authorities to manage their high needs block deficits to a declining level will alleviate the pressure on their cash flow and will avoid the issuance of Section 114 notices.

#### **How this could be achieved:**

The government should learn from the successes and failures of the SV and DBV projects, as well as from those local authorities who have avoided or delayed deficits. With co-production with local authorities, a plan can be formed for how councils can bring down deficits to a declining level with the support of government.

### Create a principles-based national framework for education, health and care contributions

#### **Problem in the current system:**

There are difficulties for education, health and care partners across the country in establishing how funding responsibilities should be shared, leading to delays and inconsistent funding arrangements. There is also a lack of transparency in who is responsible for elements of care packages and in understanding the sources of funding. Too much time and resources are spent on funding negotiations.

#### **How this action will solve the problem:**

A principles-based national framework for education, health and care contributions will provide improved clarity and consistency across the country, ensuring that funding is equitable. Accountability, co-operation and transparency would improve.

#### **How this could be achieved:**

This principles-based framework could be produced through consultation involving all relevant stakeholders, with learning from effective existing co-operation arrangements. The framework could then be incorporated into the Code of Practice.

## DfE to break down barriers to opportunity by holding the financial levers

### **Problem in the current system:**

While the DfE is the lead department responsible for SEND, the funding for SEND is split between the DfE and other government departments such as the Department of Health and Social Care (DHSC) and MHCLG. Each department has distinct missions and priorities that do not always align, which can be to the detriment of SEND services.

### **How this action will resolve the problem:**

The DfE holding the financial levers for SEND will focus funding for SEND from the competing priorities of other departments and improve national monitoring and evaluation. The DfE would hold funding and agree disaggregation to fund the elements of SEND currently provided through other partners such as DHSC and MHCLG.

### **How this could be achieved:**

This could be achieved through administrative action from central government.

The role of the independent sector is reformed to reduce cost, tackle profiteering and address inequality.

## **Develop national rate bands**

### **Problem in the current system:**

The cost of SEND provision is inconsistent across the country and local authorities can spend vastly different sums on identical provision. There are excessive profits being made by some independent providers.

### **How this action will resolve the problem:**

National rate banding according to level of need would remove major outliers, help to regulate the market and bring down excessive profiteering.

### **How this could be achieved:**

The government could publish guidance on indicative rates according to level of need that accounts for variances in cost across the country.

## **Introduce a quality assurance framework for private advice and provision**

### **Problem in the current system:**

There are issues within the current system to do with inconsistent quality of services, a lack of clear benchmarks, and monitoring, evaluation and accountability.

### **How this action will resolve the problem:**

A quality assurance framework would set out expectations from providers of what good looks like, promote continuous improvement, and provide local authorities with an accountability mechanism and evidence base for intervention. This action would also provide clarity on addressing conflicts of interest in terms of private advice and provision to prevent private companies recommending their own services in private assessments.

### **How this could be achieved:**

The government could develop a SEND quality assurance framework in partnership with education, health and care services and private providers.

## **Introduce a national SEND contract**

### **Problem in the current system:**

There is inconsistency in how SEND services are commissioned, the cost of services, how services are evaluated and value for money. There are excess profits being made in the system.

### **How this action will resolve the problem:**

Creating a national SEND contract will create consistency across the country and provide assurance to education, health and care agencies, providers, and families of children and young people with SEND. The DfE has set out its approach to tackling profiteering in [Keeping Children Safe, Helping Families Thrive](#) (2024). The government should take the opportunity to join together this approach to the adjacent and often overlapping SEND service.

### **How this could be achieved:**

The government can develop a contract following consultation with stakeholders in the SEND system. Provision will only be acceptable if it abides by the terms of the national contract.

## Financial accountability follows decision making.

### Bring existing partners together for early dispute resolution

#### Problem in the current system:

There is too much conflict in the current system and not enough early resolution of disputes. Families feel like they have to fight for the rights to which they are entitled. Relationships break down and resources are put under strain because they are directed to litigation rather than early intervention, dispute resolution and service provision.

#### How this action will resolve the problem:

Improved mediation will improve relationships in the system and increase the likelihood of early conflict resolution, meaning resources can be directed more effectively, while ensuring the needs of children and young people with SEND are being met.

#### How this could be achieved:

The Family Justice Board is an example of success in reducing cases that go to tribunal by encouraging early resolution, mediation, transparency and best practice. While we do not advocate adding another layer of complexity to an already complicated system, bringing existing partners together, with a clear outline of expectations, responsibilities and accountability, could ease tensions in the system and resolve conflicts earlier. This action would be accompanied by a review of routes to redress to ensure that the policy has the greatest chance of success.

### Increase accountability for SEND in mainstream schools

#### Problem in the current system:

The ethos around attainment in schools works against inclusion. While such decisions are not taken lightly, schools do not have accountability for pupils following exclusion. Too much of the financial consequences of decisions taken in schools fall on the local authority.

#### How this action will resolve the problem:

Increasing schools' accountability for mainstream inclusion and responsibility for overseeing the alternative provision of excluded pupils would mean that more children and young people will have their needs met within mainstream schools, increasing inclusion and improving outcomes.

#### How this could be achieved:

Schools should be supported financially to take on an increasing role in ensuring inclusion and the accountability for alternative provision post-exclusion. Changes should be made to the understanding of attainment to foster greater inclusion.



## **Review the SEND legal framework to give local authorities greater flexibility to meet need following tribunal**

### **Problem in the current system:**

The SEND legal framework gives tribunals far-reaching, directive powers that can undermine councils' flexibility to meet the needs of children and young people with SEND. For example, tribunals can intervene on the specific wording of children and young people's needs in Section B of the EHCP, overrule a refusal to assess, direct specific independent provision, and make directions around a child's health and social care. Decisions are taken on an individual basis rather than considering the impact on other children and young people with SEND. [Norfolk County Council](#) has called for tribunals to consider local financial circumstances in their decision making.

### **How this action will resolve the problem:**

Reforming the role of tribunals will reduce conflict in the system, reduce expense, and give local authorities greater flexibility in meeting the needs of children and young people with SEND while achieving value for money.

### **How this could be achieved:**

This would require consultation and reform of guidance and primary legislation.

# Recommendations

Here we take the actions presented in the previous section and arrange them in terms of short, medium and longer-term actions, cost and legislative change required.

## The statutory override

### Extend only until deficits are paid and accompany with reform

The government should support local authorities to pay off the deficits by March 2026 and the statutory override should only be extended until such time as the debts can be paid. This approach should be accompanied by far-reaching system reform to build sustainability.

## Short, medium and longer-term actions

### Timeline:

**Short term: stabilisation** – from February 2025 to March 2026

**Medium term: transition** – the transition period from the current to a reformed system (approximately March 2026–March 2028)

**Long term: sustainability** – enshrining a sustainable SEND system from 2028 onwards

### Key:

#### Indicative financial cost for government to implement:

- £** No to low cost, achievable within current envelope
- ££** Medium cost, requires additional investment
- £££** High cost, requires significant additional investment

#### Legislative change required:

- I** No to minimal change, including change to guidance or regulations
- II** Medium change, including change to primary legislation
- III** Major change, including new legislation required

	Short term: stabilisation	Medium term: transition	Long term: sustainability
Principle 1	<p><b>Allow for greater flexibility within the DSG block system</b></p> <p>£ – This action does not necessitate additional funding but instead redistributes funding in the current education system.</p> <p>I – Change DSG operational guidance.</p>	<p><b>Predicate funding on improved use of data</b></p> <p>££ – This action would redistribute existing funding according to need, but the funding may increase if need continues to rise.</p> <p>I – Change to how funding is calculated and distributed.</p>	<p><b>Rebalance towards meeting cohort-based needs in mainstream settings</b></p> <p>£ – Over time this action has the potential to rebalance savings made from individual to cohort approaches.</p> <p>II – Change to primary legislation and guidance.</p>
Principle 2	<p><b>Create a shared understanding of early intervention</b></p> <p>£ – Low-cost activities to work with stakeholders to develop guidance.</p> <p>I – Change to the SEND Code of Practice.</p>	<p><b>Embed the Code of Practice in legislation</b></p> <p>£ – Minimal direct cost.</p> <p>II – Change to Children and Families Act 2014.</p> <p><b>Ensure a pathway through early intervention</b></p> <p>££ – Investment to expand capacity in early intervention services.</p> <p>II – Change to primary legislation.</p>	<p><b>Develop a national SEND outcomes framework</b></p> <p>£ – Investment to develop the framework.</p> <p>II – Change to primary legislation.</p>
Principle 3	<p><b>Support local authorities to reduce deficits</b></p> <p>£££ – Significant additional investment required to bring about a declining deficit position.</p> <p>I – No new legislation required.</p>	<p><b>Create a principles-based national framework for education, health and care contributions</b></p> <p>£ – Development costs.</p> <p>I – Change to guidance and Code of Practice.</p>	<p><b>DfE to break down barriers to opportunity by holding the financial levers</b></p> <p>£ – Administrative costs of realignment.</p> <p>I – The government could do this through administrative action.</p>

	Short term: stabilisation	Medium term: transition	Long term: sustainability
<b>Principle 4</b>	<p><b>Develop national rate bands</b></p> <p>£ – Development costs.</p> <p>I – Change to guidance and Code of Practice.</p>	<p><b>Introduce a quality assurance framework for private advice and provision</b></p> <p>£ – Development costs.</p> <p>I – Change to guidance and Code of Practice.</p>	<p><b>Introduce a national SEND contract</b></p> <p>££ – The additional funding required will depend on the scope the national SEND contract.</p> <p>II – Changes to primary legislation and statutory guidance will be required.</p>
<b>Principle 5</b>	<p><b>Bring existing partners together for early dispute resolution</b></p> <p>£ – Setup and running costs.</p> <p>I – Produce terms of reference, establish membership.</p>	<p><b>Increase accountability for SEND in mainstream schools</b></p> <p>££ – Additional investment will be required to support schools to improve inclusion.</p> <p>II – Change to primary legislation.</p>	<p><b>Review the SEND legal framework to give local authorities greater flexibility to meet need following tribunal</b></p> <p>£ – No additional investment required to carry out review.</p> <p>II – Depending on outcome of review, changes to primary legislation may be required.</p>

# Conclusion

In this report, CIPFA's five principles set out the characteristics of a financially sustainable system that meets the needs of children and young people with SEND. We have described how the current system fails to meet these principles and have proposed actions for the government to take to build a financially sustainable SEND system over the short, medium and long term.

The themes of our five principles are central to improving outcomes in a sustainable system: effective funding, increased early intervention, better co-ordination between partners, an independent sector that adds value and accountability for decision making.

The government has the opportunity to transform a broken system into one fit for the future. It is time to take decisive action that turns the tide on a decade of failure. It is time to maximise the outcomes of children and young people with SEND, improve the experiences of families, bring an end to a combative system and bring increased financial stability to local authorities.

Our recommendations will help build the infrastructure that is essential for children to thrive, and for system partners to effectively meet need and achieve financial sustainability.

# References

Below are some of the key documents referenced in this report.

[Keeping Children Safe, Helping Families Thrive](#) (DfE, 2024)

[Special Educational Needs: Support in England](#) (House of Commons Library, 2024)

[Support for children and young people with special educational needs](#) (National Audit Office, 2024)

[The travel to school challenge](#) (Impower and the County Councils Network, 2024)

[Towards an effective and financially sustainable approach to SEND in England](#) (Isos Partnership commissioned by the County Councils Network and Local Government Association, 2024)

[From home to classroom: making travel to school services sustainable](#) (Isos Partnership, 2023)

[Inequalities in provision for primary children with special educational needs and/or disabilities \(SEND\) by local area deprivation](#) (Tammy Campbell, 2023)

[Speaking Up for the COVID Generation](#) (Speech and Language UK, 2023)

[School funding in England](#) (House of Commons Library, 2022)

[SEND Review: Right support, right place, right time](#) (HM Government, 2022)

[Identifying pupils with special educational needs and disabilities](#) (Education Policy Institute, 2021)

[SEND: old issues, new issues, next steps](#) (Ofsted, 2021)

[Time trends in autism diagnosis over 20 years: a UK population-based cohort study](#) (Ginny Russell et al, 2021)

[Support for pupils with special educational needs and disabilities in England](#) (NAO, 2019)

[Timpson Review of school exclusion](#) (Secretary of State for Education, 2019)

[Research on funding for young people with special educational needs](#) (DfE, 2015)

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02/2025