



**NORTH YORKSHIRE
SCHOOLS FORUM**

Date of meeting:	Thursday, 13 March 2025
Title of report:	High Needs Block 2025-26
Type of report: Delete as required	For information only
Executive summary: Including reason for submission	The report outlines the expected budget for the High Needs Block in 2025-26, how this compares to an anticipated in-year cash allocation of £88.32m, and the extent of the anticipated financial pressure.
Budget / Risk implications:	There is a projected accumulated deficit as at 31 st March 2025 of c.£17.5m and a projected in-year deficit in 2025-26 of c.£9.8m which would result in an accumulated deficit as at 31 st March 2026 of £27.4m
Recommendations:	Schools Forum are asked to note the contents of the report.
Voting requirements:	None
Appendices: To be attached	None
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Presenting officer: If not the originator	

1.0 PURPOSE OF THE REPORT

1.1 This paper outlines the high-level High Needs Block funding position, the anticipated expenditure and projected in-year deficit position. The outline includes information on the current and projected accumulated deficit position. The paper also refers to decisions made by Executive on 7 January 2025 in relation to Special School budgets and E3 top-up banding payments as well as mitigating actions that the local authority is exploring in order to reduce the unfunded financial pressure.

2.0 HIGH NEEDS BLOCK FUNDING

2.1 The anticipated overall High Needs Block allocation available for North Yorkshire in 2025-26 is £88.32m. This allocation is inclusive of the additional funding announced in the Government’s Autumn 2024 Budget to support increased financial pressures within High Needs. This figure is reduced by the Education and Skills Funding Agency (ESFA) in relation to funding provided directly to academies and for some post-16 provision. It also includes an anticipated import/export adjustment (adjustments made to reflect cross-border movement of pupils living in one local authority who attend provision in another; adjustments for 2025/26 will be finalised by the DfE in early Summer 2025). The anticipated total deductions amount to an estimated £11.4 m resulting in a net funding allocation to the local authority of £76.95m. This provides an estimated overall cash increase of £3.96m compared to the adjusted baseline figure for 2024/25. The final High Needs Block figure will not be known until June 2024 following confirmation of the import/export adjustment. **Table 1** summarises the anticipated funding position.

Table 1: HNB Funding Position

	2024-25	2025-26	Variance
	£m	£m	£m
High Needs Block allocation	81.440	88.320**	6.880
ESFA Deductions	(8.442)*	(11.366)*	(2.924)
North Yorkshire LA allocation	72.998	76.954	3.956

* These figures are the LA’s latest prediction as at 19/02/25

** Latest High Needs DSG funding position provided by DfE

2.2 Changes in government regulations since January 2020 effectively prohibit the local authority from using its general resources to fund any overspend in the High Needs Block (and any other DSG blocks). However, the local authority has chosen to set aside a provision to mirror any projected in-year High Needs Block deficits in order to adhere to its sound and prudent financial management principles. This provision will continue to be held in place until such a time that the overall cumulative High Needs Budget deficit has been fully recovered.



2.3 The level of increase in the national funding quantum is insufficient to enable local authorities to respond to the combination of pay and price inflation and increased demand for support. Inequities in the distribution of resources between local authorities need to be addressed. The Public Accounts Committee’s report into “Support for children and young people with special educational needs” found that the SEND system “...is reaching, or, arguably, has already reached, crisis point. Despite a 58% increase in the [DfE’s] high needs funding over the last decade, funding has not kept pace with demand following a 140% increase in the number of children with education, health and care (EHC) plans. Outcomes for children have not improved which inevitably undermines parents’ confidence in the system.” It goes on to say that: “[A]s well as not delivering outcomes, the SEN system is unaffordable, placing a significant strain on local authorities’ finances. Most worryingly, government does not know how it will address immediate financial challenges faced by local authorities where, for many years, local authority spending has outstripped departmental high-needs funding, leading to substantial deficits. Local authorities now face the prospect of these deficits, which could total £4.6 billion, hitting their books in March 2026 and impacting their wider finances....the gap between high-needs annual funding and forecast costs looks set to rise further, with an estimated £3.4 billion mismatch in 2027-28”

2.4 The local authority is ranked 146 out of 151 local authorities in terms of revenue funding per head (2-18 population). The way that the Department for Education determine how much each local authority receives depends on a number of factors, including:

- Historic spend factor – this bears no resemblance to the needs of today and means local authorities with similar SEND responsibilities can receive different funding levels
- Deprivation factors – which do not mirror demand in North Yorkshire
- To put this into context, North Yorkshire will receive £797 per pupil in 2025-26; the top-funded local authority gets £1,738 per pupil. Funded at the middle point (i.e. the 75th funded local authority), North Yorkshire would receive an additional £21m per annum

3.0 HIGH NEEDS BUDGETS

3.1 The proposed budget for High Needs has been prepared building in provisional estimates for increased numbers of children and young people assessed as requiring Education, Health and Care Plans. This reflects recent trends, known planned movements and best estimates of future demand. The proposed High Needs Budget for 2025-26 is outlined in **Table 2** below:

Table 2: High Needs Budget

	2025-26
	£k
High Needs Commissioning	78,802
Alternative Provision	1,783
Inclusion	1,786



Hubs & SEN Provision	3,383
Financial Support	54
DSG Overheads	420
Estimated Spending	86,227
Estimated Funding	76,354
Estimated In-year Deficit	9,873
Projected In-year Deficit	9,873
Projected Accumulated Deficit B/f	17,574
Projected Accumulated Deficit C/f	27,447

- 3.2 In total, anticipated expenditure in 2025/26 amounts to £86.2m with a provisional projected shortfall of £9.8m. It should be noted that c.91% of anticipated spend is within High Needs Commissioning. This principally funds special school commissioned places and top-up funding, mainstream Element 3 top-up funding, independent and non-maintained special school commissioned places and special provision institution (SPI) commissioned places. The figures included in section 3.1 reflect the latest estimates and will be closely monitored throughout the year.
- 3.3 For financial planning purposes, the 2025/26 High Needs Commissioning budget supports approximately 5,250 FTE children and young people assessed as requiring Education, Health and Care Plans (EHCPs). In reality, the number of children currently supported is in excess of this. The financial planning assumptions indicate that there will be an increase of approximately 300 children and young people financially supported through EHCPs in 2025/26 in different types of provision. This represents an expected increase in demand of 7% in the next year alone.
- 3.4 The High Needs Commissioning Budget of £78,802k represents the single largest area of spending; most of the financial pressure in the last three years has been in this area. The budget, outlined in **Table 3**, comprises:

Table 3: High Needs Commissioning Budget 2025-26

	£k	%
North Yorkshire Special Schools	22,078	28.0
Independent and Non-maintained Special Schools	19,868	25.2
North Yorkshire Mainstream School E3 Top-up Funding	12,055	15.3
Other Local Authority provision	3,773	4.8
Special Provision Institutions	3,574	4.5
PRU's	3,329	4.2
Pooled Budget	3,328	4.2
FE Colleges	2,961	3.8
Personalised Learning Pathways	2,327	3.0
Targeted Mainstream Provision	1,827	2.3
Early Years	1,267	1.6
Education Other Than at School (EOTAS)	1,223	1.6



Independent Learning Providers (ILP's)	994	1.3
Other	225	0.3
Total	78,802	100

3.5 43.3% of the High Needs Commissioning is spent directly with schools and academies in North Yorkshire, with 28% targeted at supporting the ten special schools in North Yorkshire to develop and deliver provision to meet the needs of children and young people locally. However, c.£20m is spent on approximately 300 places in independent and non-maintained special schools. This represents over 25% of the High Needs Commissioning Budget and represents an increase in absolute cost and an increase in overall share of the total spend compared with 2024/25. This continues to represent a high per pupil cost to the overall budget.

4.0 SPECIAL SCHOOLS

4.1 The Special schools funding formula for 2025-26 was agreed by Executive on 7 January 2025, taking into account the following specific aspects of the budget allocations:

- The specific operation of the Minimum Funding Guarantee (MFG) for special schools;
- The requirements placed on local authorities by the DfE for the allocation of the additional High Needs funding in 2023/24;

4.2 The Minimum Funding Guarantee (MFG) is a protection for special schools against seeing a reduction in funding from year to year assuming that the number and type of places remain the same. The DfE determined that this rate should be set at 0% for Special schools for the 2025/26 financial year.

4.3 The Executive confirmed approval for Banded Funding allocations for 2025/26 to remain the same as 2024-25 financial year. Allocations are outlined in **Table 4**.

Table 4: Element 3 Banding Allocations

	Funding Rates 2025-26
Band 3	£0
Band 4	£1,850
Band 5	£4,070
Band 6	£5,880
Band 7	£ 8,990
Band 8	£ 10,740
Band 9	£ 14,900
Band 10*	£20,000*

*actual allocations dependent on Placement Resource Panel evaluation

- 4.4 Executive approval was also provided to maintain the factor elements within the Special Schools Contextual Funding for 2025/26 at the same levels as 2024/25 financial year.
- 4.5 Special school funding statements have been prepared and shared with North Yorkshire special schools reflecting the above decisions, alongside accompanying guidance on how the formula allocations have been determined and incorporating the assessment of the commissioned places for the 2025/26 academic year.
- 4.6 The Special School budget for 2025/26 is based upon a combination of 1,289 commissioned places for the 2024/25 academic year and 1,335 commissioned places for the 2025/26 academic year. The 2025/26 academic year includes an additional 40 commissioned places for a significant expansion of Springwater Special school due to open in September 2025. Also due to open in September 2025 is a development of a new Secondary Autism provision in Harrogate - these places are not in the commissioned numbers but are accounted for in the budget. However, there continues to be a need to enhance capacity further, both in terms of the overall level of capacity in the sector and meeting specific gaps in the existing range of provisions. Furthermore, the development of significant additional capacity (through the development of the two free schools in Selby and Northallerton) are a cornerstone of our High Needs programme as forecasts indicate that we will be able to support a significant number of young people in specialist provisions who would otherwise need support through an independent sector placement.

5.0 PUPIL REFERRAL SERVICE

- 5.1 The Pupil Referral Service / Alternative Provision budget for 2025/26 has been constructed on the basis that planned commissioned places at all settings will be at the same level of local authority commissioned places in the 2025/26 academic year as in the 2024/25 academic year (i.e. 168 places). Top-up funding allocations (Element 3 funding) and preventative place funding allocations will be increased in line with the inflationary uplift described in **section 4** above.
- 5.2 The Local Authority has maintained the number of preventative places for the 2025/26 academic year at the same level as in the 2024/25 academic year. The uptake of these preventative places does vary between establishments and whilst some establishments have made significant positive progress in increasing the number of young people through this route, that position is not universal. Therefore, the Inclusion Team will be undertaking a review of the position during the summer term to inform the commissioning of these places for the 2026/27 academic year.

6.0 NEXT STEPS

- 6.1 The overall financial position on the High Needs budget is such that the local authority needs to continue to work to identify potential efficiency improvements and opportunities to support young people more cost effectively, which will complement the initiatives already in place within the SEND Strategic Plan. As part of the Delivering Better Value in SEND programme, analysis indicated that without any mitigating actions, the demand and cost pressures on the High Needs Block would result in an accumulated deficit of c.£96 million by the end of the 2027/28 financial year. With mitigating actions already implemented (e.g. establishing the SENIF within the Early Years Block, maintaining E3 funding values, ceasing Extended Day provision), the projected High Needs Block accumulated deficit is anticipated to reduce to c.£60m by March 2028. This forecast has been predicated upon the assumption that High Needs DSG will only increase by 3% per annum – in line with the current DfE published policy position and that North Yorkshire will see no financial benefit from any redistribution within the high needs national funding formula for local authorities. However, the local authority continues to consider that High Needs funding remains insufficient to fund the current SEND system. It is clear that the impact of the Spending Review in June 2025 will be crucial for SEND either in terms of overall funding and/or SEND reform.
- 6.2 Work will continue on key workstreams within the High Needs Improvement programme including reviewing funding issues, continuing to develop provision, improving assessment processes and working with schools to develop inclusive education and a shared understanding and delivery of ordinarily available provision.

7.0 RECOMMENDATIONS

7.1 Schools Forum are asked:

- (i) to note the contents of this report;
- (ii) to note the financial position.

STUART CARLTON

Corporate Director – Children and Young People’s Service