

Schools Forum - 10 December 2024

Title of paper:	Proposed High Needs Block Budget 2025/26 - update
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Summary To provide members with an update on the impact of the Autumn Statement upon SEND Funding, including an early indication of what the 2025/26 High Needs Block Budget may look like, and possible areas for consultation.	
Recommendation:	
1	That Schools Forum notes the report, gives its view and informs the governing bodies of all consultations.

1. Reasons for recommendations

1.1 As per the Schools Forum Powers and Responsibilities document, published by the Education and Skills Funding Agency (ESFA) in March 2020, it is a requirement that

Financial issues relating to:

- *arrangements for pupils with special educational needs, in particular the places to be commissioned by the LA and schools and the arrangements for paying top-up funding;*
- *arrangements for use of pupil referral units and the education of children otherwise than at school, in particular the places to be commissioned by the LA and schools and the arrangements for paying top-up funding are discussed and where a change is to be considered are consulted upon.*

1.2 The regulations also go on to state that the Local Authority decides upon the level of central spend on the high needs block provision and that it is good practice to inform forum of such decisions. The Local Authority has also re-introduced the Schools Forum Working Group as an approach to sharing information, holding informed discussions, and collaboratively developing proposals that will be consulted upon e.g., the future of the AP Inclusion Model which currently relates to Secondary Schools.

2. Autumn Statement Update

a) On 6 November 2024, a Summary Policy Note for schools and high needs national funding formula 2025-26 was published by the ESFA following the announcement on 30 October 2024, during the Budget, that almost £1 billion additional funding is being made available for High Needs.

- b) Of this total, £480m is being set aside for allocation through a 2025/26 Core Schools Budget Grant (CSBG) for special schools and AP, which will also combine the high needs elements of the 2024-25 Teachers Pay Additional Grant (TPAG), Teachers Pension Employers Contribution Grant (TPECG) and full-year equivalent of the CSBG. Details of this methodology are expected before the end of 2024.
- c) A further £145m is being set aside for allocations of high needs funding that are not calculated through the high needs National Funding Formula (NFF), and later NFF funding adjustments. The later adjustments include the impact of the October 2024 school census special school numbers used for the basic entitlement factor of the NFF, which is updated through the DSG allocations published in December 2024. These monies will also be received as part of the 2025/2026 Budget settlement.
- d) The remainder will be allocated through the high needs NFF.
- e) The structure of the NFF will remain the same and, with the exception of the funding floor and gains limit percentages, the same factor values and weightings will apply as in previous years (see below). This is because the government wants to take more time to consider what changes are needed to the NFF, both to make sure that they establish a fair education funding system, that directs funding to where it is needed, and to support any special educational needs and disabilities (SEND) reforms that will be taken forward.
- f) In particular, the historic spend factor will remain at the same cash value as in 2024-25, which will be equivalent to an average of 25% of local authorities' 2025-26 allocations. That percentage has reduced from 27% when the 2024-25 NFF was published.
- g) The increase in overall high needs funding has enabled the Department for Education to recognise the continuing high level of cost increases that most local authorities are experiencing. The high needs NFF therefore includes a funding floor that provides a minimum increase of 7% per head of a local authority's 2 to 18 population. Gains under the formula will be limited to 10% per head. Both calculations of the per head increases are applied to the majority of the formula allocations but exclude certain factors as in previous years.
- h) The special school's protection, known as the minimum funding guarantee (MFG), will continue to apply to maintained special schools and special academies (including special free schools but excluding non-maintained special schools (NMSS) and independent schools) in 2025-26. The MFG for 2025-26 is 0% using schools' 2024-25 funding baseline, which is equivalent to the upper end of the MFG range for mainstream schools. The operation of the MFG will be the same as in previous years and applies only to each school's place and top-up funding.

3. Early indication of what the High Needs Block Budget may look like

- a) The Department for Levelling Up, Housing and Communities published the provisional local government finance settlement for 2024-25 on 18 December 2023. The consultation closed on 15 January 2024. It is anticipated that a similar date and timeframe will take place this year and that the Dedicated Schools Grant Funding allocations will be announced at the same time which had been the previous practice of the previous Government.
- b) At the time of writing, it is noted that the percentage increases spoken of are averages across England. For the purposes of this report, we will make the

assumption that Nottingham City Council will be in receipt of the same percentage uplift as last year. Please see table below: -

	HNB Gross		HNB Nett		% Increase
2023 / 2024	£	58,282,086	£	52,008,418	
2024 / 2025	£	61,199,473	£	54,701,638	5%
Estimated 2025 / 2026	£	64,262,894	£	57,439,801	5%
Additional HNB Funding	£	3,063,421	£	2,738,163	

The heading HNB Nett refers to the amount received by the LA following deductions for:

- Mainstream academies (SEN units and Resource provisions);
- Academy Special Schools;
- Alternative Provision academies and free schools;
- Further education and independent learning providers.

The estimated increase to the High Needs Block is £3,063,421 Gross or £2,738,163 after deductions.

- c) As noted in the 2023/24 DSG Revenue Outturn Report, the HNB is currently overspending and using up Statutory School Reserves (SSR). Going forward there are agreed plans to spend some of the SSR for expansion of places and services however it must also be noted that there are areas where the HNB is overspending which was not planned. For example, Nottingham City continues to have a high number of permanently excluded pupils which are putting increasing pressure on the budget for Pupil Referral Units (PRU's) the table below shows how much financial pressure the Permanent Exclusion of pupils is exerting on the HNB when also taking into consideration the running of the AP Inclusion model.

	Budget 2022/23		Actual 2022/23		Budget 2023/24		Actual 2023/24		Budget 2024/25		Forecast 2024/25	
Cost of PRU Provision	£	6,839,472	£	7,919,821	£	8,345,913	£	10,466,540	£	8,763,000	£	12,139,478
AP Inclusion Model	£	2,571,178	£	1,402,120	£	1,711,125	£	2,151,896	£	3,383,000	£	3,000,000
	£	9,410,650	£	9,321,940	£	10,057,038	£	12,618,436	£	12,146,000	£	15,139,478
(surplus) / Overspend			-£	88,710			£	2,561,398			£	2,993,478

The 2025/26 Budget setting process will consider options available to the LA to either remove, extend, or replace the current AP Inclusion model. This will be one of several key areas discussed at the Schools Forum Working Group.

- 3.4 A further area where overspends are occurring is that of the placement costs in Independent and Non-Maintained Special Schools (INMSS), a separate exercise is currently underway to investigate the make-up of these costs, in order to improve the control and commissioning of these placements. The table below shows the steady increase over the last three financial years.

	Budget 2022/23		Actual 2022/23		Budget 2023/24		Actual 2023/24		Budget 2024/25		Forecast 2024/25	
Independent/Non Maintain	£	1,582,000	£	2,232,214	£	1,632,000	£	2,547,322	£	1,714,000	£	3,784,669
(surplus) / Overspend			£	650,214			£	915,322			£	2,070,669

4. Other options considered in making recommendations

- a) A different way of calculating the estimated increase in High Needs Block funding is to consider the amount of funds available as a proportion of the increased funds announced.

	HNB Gross	HNB Nett
National High Needs funding for 2024/25	£ 10,751,000,000	
Nottingham City Council allocation	£ 61,199,473	
As a % of the total allocation	0.5692%	
Revised High Needs Funding for 2025/26	£ 11,900,000,000	
Amount set aside for CSBG, TPAG & TPECG	£ 480,000,000	
Amount set aside for Adjustments	£ 145,000,000	
Amount available for Distribution	£ 11,275,000,000	
Nottingham City Council Estimated Allocation	£ 64,182,314	£ 57,367,777
Estimated increase over 2024/25	£ 2,982,841	£ 2,666,139

The estimated increase to the High Needs Block under this option is £2,982,841 Gross or £2,666,139 after deductions.

5. Next Steps

5.1 When setting the budget for 2025/26 consideration will also be given to the following:

- a) Transfer to the Central Services for Schools Block (CSSB) the current financial year (2024/25) has a planned transfer of £508,000 to fund Inclusion Support Staff and Education Welfare Officers. The sum of £458,000 was transferred for the financial year 2023/24. A separate paper will be prepared for the January Schools Forum to confirm the amount required for 2025/26 and the breakdown of support being provided for this sum.
- b) Any other requirement for Block Transfers.
- c) SEN Transport.
- d) AP Inclusion model.
- e) Work will continue with the Schools Forum Sub Group to discuss the budget options and a paper will be brought to the January Schools Forum having received the settlement in December and therefore being aware of its actual impact.
- f) The LA has completed the Place Change Notification process this month informing the ESFA of the additional places required in Academies – as detailed in the SEN Sufficiency Strategy – In summary there are an additional 120 pre-16 places being created in Pupil Referral Units and 39 pre-16 places being created in SEN units and Resourced provisions, with a further 4 places being created for 16 to 18 year olds in an Academy Special School. Each additional place will have a call upon the HNB to fund the Top Up or Element 3.
- g) There is little likelihood of any transfer to the Statutory School Reserve from the High Needs Block at the end of the next financial year 2025/26, equally there is little likelihood of any contingency being available within the High Needs Block

budget. In all probability we will be looking at additional pressures which will result in further drawdowns from the SSR as detailed in Section 5 of the 2023/24 DSG Revenue Outturn Report.

6. List of background papers relied upon in writing this report

6.1 None.

7 Published documents

7.1 Legislation

- The Schools Forums (England) Regulations 2012.

7.2 ESFA Guidance

- Schools Forum Powers and Responsibilities – March 2020;
- Schools Forums: Operational and Good Practice Guide – September 2012;
- Summary Policy Note for schools and high needs national funding formula 2025-26 – updated 6 November 2024.