

Schools Forum - 14 January 2025

Title:	High Needs Block Budget 2025-26
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Summary	
Schools Forum are requested to note the Provisional Dedicated Schools Grant (DSG) High Needs Block (HNB) Budget described herein.	
The figures contained within this report are provisional and indicative and will be finalised following the finalisation of 2025/26 Service Budgets, which are formally agreed at the full Council meeting in March 2025.	
Recommendations:	
1	To note a deficit budget is being set for the financial year 2025/26 that will reduce Reserves by a further £2m minimum.
2	To agree expenditure of £1m to be allocated as a contribution to SEN Transport. Noting that a proposal will be submitted to full Council in March 2025 to reduce this by £500k in 2025/26, a further £500k in 2026/27, and for the charges to be picked up by the Local Authority General Fund and, that should agreement be reached, then this will provide a contingency of £500k for 2025/26. (2024/25 contingency = £600k).
3	To note a: (a) 3% Inflationary uplift for Special Schools, Resource Bases and PRU's; (b) 3% Growth uplift for Post 16 provision, and 0% Inflationary uplift; (c) 0% Growth uplift for independent/non-maintained special schools (INMSS) provision, and 0% Inflationary uplift.

1. Funding Allocation from ESFA

Table 1 below shows the indicative High Needs Block Funding Allocation for 2025/26 and its prior year comparators

	2021/22	2022/23	2023/24	2024/25	2025/26
High Needs Block Allocation	£ 45,000,700	£ 52,140,715	£ 58,282,086	£ 61,091,473	£ 66,892,744
Recoupment Deductions	£ 5,836,835	£ 6,018,002	£ 6,273,668	£ 6,497,835	£ 6,602,000
Available for distribution	£ 39,163,865	£ 46,122,713	£ 52,008,418	£ 54,593,638	£ 60,290,744
Year on Year Uplift		£ 6,958,848	£ 5,885,705	£ 2,585,220	£ 5,697,106
% Uplift		15%	11%	4%	9%

2. Provisional budget and year on year comparators

2.1 Table 2 below shows the Indicative High Needs Block Expenditure Budget for 2025/26 and its prior year comparators.

Narrative	Budget	Budget	Actual	Budget	Forecast	Indicative	Report Note
	2022/23	2023/24	2023/24	2024/25	2024/25	2025/26	
High Level Needs Support in Mainstream Schools	£ 12,847,000	£ 11,002,184	£ 9,617,148	£ 11,552,000	£ 12,808,557	£ 12,808,557	2.1.1
SEN Resource Units	£ 831,960	£ 858,288	£ 447,460	£ 1,059,000	£ 1,219,952	£ 1,256,551	2.1.2
Academy Special Schools Top Up	£ 11,773,322	£ 3,202,624	£ 4,680,803	£ 3,303,477	£ 6,059,476	£ 6,241,260	2.1.3
Rosehill Special Schools		£ 4,501,286	£ 4,056,920	£ 4,641,099	£ 4,883,699	£ 5,030,210	2.1.3
Oakfield Special School		£ 5,688,011	£ 5,442,807	£ 5,863,425	£ 5,936,725	£ 6,114,827	2.1.3
Special Schools Transitional Funding	£ 200,000	£ 240,000	£ 214,306	£ 252,000	£ 252,000	£ 252,000	No Increase
Special Schools Contingency	£ -	£ -	£ 266,192	£ -	£ -	£ -	No Increase
Specials TPG & TPECG funding			£ 266,884	£ -	£ -	£ -	No Increase
Cross-border top ups (net)	£ 356,884	£ 357,000	£ -	£ 357,000	£ 357,000	£ 357,000	No Increase
Post 16 Mainstream FE/ILP	£ 1,848,000	£ 1,968,000	£ 2,302,156	£ 2,066,000	£ 1,491,763	£ 1,536,516	2.1.4
Post 16 INMS FE					£ 1,515,410	£ 1,560,872	2.1.4
Post 16 Bespoke AP/SEN Packages					£ 626,468	£ 645,262	2.1.4
Independent/Non Maintained Special Schools	£ 1,582,000	£ 1,632,000	£ 2,547,322	£ 1,714,000	£ 3,615,803	£ 3,615,803	2.1.5
Bespoke AP/ SEN Packages for Academy Special Schools.					£ 25,395	£ 25,395	2.1.6
Bespoke AP/ SEN Packages for Mainstream settings					£ 48,802	£ 48,802	2.1.6
Bespoke AP/ SEN Packages for EOTAS					£ 252,794	£ 252,794	2.1.6
High Needs settings TPG/TPECG (AP Free Schools)	£ 90,750	£ 90,750	£ 94,625	£ 95,000	£ 95,000	£ 95,000	No Increase
AP free schools additional funding	£ -	£ 111,679	£ 111,679	£ 117,000	£ 294,028	£ 294,028	No Increase
PRU - HHE Indicative hospital funding excluding NEST	£ 2,083,022	£ 2,243,112	£ 3,004,666	£ 2,355,000	£ 2,355,000	£ 2,425,650	2.1.7
HHE contingency	£ 53,000	£ -		£ 174,000	£ 174,000	£ 174,000	No Increase
PRU - UDLC Indicative	£ 4,486,299	£ 5,706,529	£ 7,461,874	£ 5,992,000	£ 6,709,867	£ 6,911,163	2.1.7
Pri Exclusions & Admissions	£ -	£ -		£ -	£ -	£ -	2.1.7
Sec Exclusions & Admissions	£ -	£ -		£ -	£ -	£ -	2.1.7
Exclusions statutory recharges	-£ 93,000	-£ 276,000		-£ 289,800	-£ 389,800	-£ 389,800	2.1.7
AP Devolved Allocation net of FCR estimate	£ 2,571,178	£ 1,711,125	£ 2,151,896	£ 3,383,000	£ 2,472,000	£ 3,383,000	2.1.8
AP Contingency	£ 259,350	£ 598,620	£ 19,425	£ 629,000	£ 629,000	£ 629,000	No Increase
New SEN Units including one-off set up	£ -	£ -		£ -	£ -	£ -	
SUB TOTAL PROVISION BUDGETS	£ 38,889,766	£ 39,635,207	£ 42,686,163	£ 43,263,201	£ 51,432,938	£ 53,267,889	
Fair Access - Primary	£ 50,000	£ 50,000	£ 21,311	£ 53,000	£ 53,000	£ 54,590	2.1.9
Fair Access - Secondary	£ 250,000	£ 250,000	£ 12,945	£ 263,000	£ 263,000	£ 270,890	2.1.9
Fair access complex casework now in Ed Welfare	£ 108,577	£ 108,577	£ 764,000	£ 117,000	£ 117,000	£ 120,510	2.1.9
Other AP - Teenage Parents casework now in Ed Welfare	£ 41,032	£ 41,032		£ 45,000	£ 45,000	£ 46,350	2.1.9
Fair Access/Inclusion staff in Access to Learning	£ 196,221	£ 196,221	£ 156,372	£ 206,000	£ 200,000	£ 212,180	2.1.9
Other Inclusion staff	£ 53,867	£ 53,867	£ 53,867	£ 56,500	£ 56,500	£ 58,195	2.1.9
SLT - 70% Heads of Service, 20% Director of Education	£ 147,603	£ 147,603	£ 147,603	£ 155,000	£ 155,000	£ 159,650	2.1.9
NEST (See Above)	£ 270,151	£ 396,272		£ 416,000	£ 416,000	£ 428,480	2.1.9
Other AP - Education cost of residential placements	£ 1,554,000	£ 1,554,000	£ 2,079,782	£ 1,631,700	£ 1,631,700	£ 1,680,651	2.1.9
Other AP - Statemented boys behaviour	£ 110,000	£ 110,000	£ 110,000	£ 115,500	£ 115,500	£ 118,965	2.1.9
Oakfield Outreach	£ 71,400	£ 161,500		£ 169,500	£ 169,500	£ 174,585	2.1.9
SEN support services - SEN team	£ 374,914	£ 374,914	£ 347,914	£ 393,600	£ 374,914	£ 405,408	2.1.9
SEN support services - SEN specialist equipment	£ 65,977	£ 50,977	£ 48,145	£ 53,500	£ 50,977	£ 55,105	2.1.9
Support for Inclusion - Sensory Team	£ 711,706	£ 696,706	£ 715,285	£ 731,500	£ 731,500	£ 753,445	2.1.9
Support for Inclusion - Learning Support Team	£ 411,555	£ 411,555	£ 400,301	£ 432,100	£ 432,100	£ 445,063	2.1.9
Support for Inclusion - Autism Team (incl Ed Psych)	£ 564,867	£ 564,867	£ 537,959	£ 593,000	£ 593,000	£ 610,790	2.1.9
Support for Inclusion - General & Overall Management	£ 104,092	£ 104,092	£ 127,688	£ 109,000	£ 104,092	£ 112,270	2.1.9
EYFS SEN staffing	£ 178,156	£ 178,156	£ 201,772	£ 187,000	£ 187,000	£ 192,610	2.1.9
Special Education Needs Transport	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	2.1.10
Therapy costs	£ 80,000	£ 80,000	£ 70,188	£ 84,000	£ 80,000	£ 86,520	2.1.9
Disability Access- managed by Oakfield	£ 200,000	£ 200,000	£ 372,836	£ 200,000	£ 200,000	£ 206,000	2.1.9
IST - BST	£ 470,282	£ 553,000	£ 538,197	£ 580,700	£ 553,000	£ 598,121	2.1.9
R2i Manager (August-March) - for 2023/24 in IST figure	£ 40,947	£ -		£ -	£ -	£ -	
Special school outreach - independent travel trainers	£ 90,000	£ 90,000		£ 94,500	£ 90,000	£ 97,335	2.1.9
Habilitation Officer	£ 50,000	£ 50,000	£ 50,000	£ 52,500	£ 50,000	£ 54,075	2.1.9
SUB TOTAL CENTRAL HNB EXPENDITURE	£ 7,195,347	£ 7,423,340	£ 7,756,164	£ 7,739,600	£ 7,668,783	£ 7,941,788	£ -
High Needs Block Expenditure before Recoupment	£ 46,085,113	£ 47,058,547	£ 50,442,327	£ 51,002,801	£ 59,101,721	£ 61,209,677	
Recoupment	£ 6,018,002	£ 6,273,668	£ 6,273,668	£ 6,497,835	£ 6,497,835	£ 6,602,000	
SEN Sufficiency						£ 203,070	2.1.11
MHST s 19 Pupils support						£ 444,760	2.1.12
Transfer to Central Schools Services Block from HNB		£ 458,000	£ 458,000	£ 508,000	£ 508,000	£ 508,000	No increase
Planned HNB Expenditure	£ 52,103,115	£ 53,790,215	£ 57,173,995	£ 58,008,636	£ 66,107,556	£ 68,967,507	
Allocation	£ 52,140,715	£ 58,282,086	£ 58,282,086	£ 61,091,473	£ 61,091,473	£ 66,892,744	
Transfer to Schools Block from Reserves		£ 1,907,000	£ 1,907,000	£ 1,597,000	£ 1,597,000		2.1.13
Surplus / (Deficit)	£ 37,600	£ 2,584,871	-£ 798,909	£ 1,485,837	-£ 6,613,083	-£ 2,074,763	2.1.14
Reserve Balances	£ 21,744,697		£ 19,028,269		£ 12,415,186	£ 10,340,423	

Assumptions made and points to note in the setting of the above Indicative Budget.

- 2.1.1 High Level Needs support in Mainstream schools will remain at 2024/25 rates, the £85 per pupil agreed in 2023/24 remains in place and is incorporated within the Schools Block Budget. Schools and academies are also in receipt of the Core Schools Block Grant (CSBG), relating to local authority-maintained schools, academies (including free schools), hospital schools, non-maintained special schools, independent special schools, and local authorities employing centrally employed teachers (CETs) in England. The amounts paid direct to schools matches what the DfE has calculated to fully fund (at a national level) the teacher pay award, and the support staff pay award, while recognising amounts may differ at individual school level.
- 2.1.2 The budget incorporates planned high needs place changes for the academic year starting September 2025 and as notified to the ESFA in agreement with providers in the Place Change Notification Process which was completed 8th November 2024. SEN Resource Units will also be in receipt of a 3% Inflationary uplift on their Top Up funding.
- 2.1.3 All Special Schools (both Maintained and Academy) will receive a 3% Inflationary uplift on their Top Up funding.
- 2.1.4 An increase of 3% is incorporated to cover anticipated growth in Post 16 placements. There is no Inflationary uplift available. Additional cost centres have been incorporated into the accounting structure so that going forward greater in-depth analysis can take place so that we can better understand and control these costs. Hence in the table above we have INMSS FE, and Bespoke packages separated out on different rows with no prior year comparisons.
- 2.1.5 There will be no Inflationary uplift for INMSS placements. The SEN Sufficiency Strategy seeks to reduce the number of such placements by increasing the number of placements available within the city. Nottingham City Council has joined with other East Midlands Local Authorities to review such fees. There has been a unilateral agreement reached to offer no fee uplift for 2025/26. However, a provider can appeal this decision if they can meet criterion and demonstrate significant hardship.
- 2.1.6 Additional cost centres have been incorporated into the accounting structure so that going forward greater in-depth analysis can take place so that we can better understand and control these costs, therefore these rows have no prior year comparisons.
- 2.1.7 Both Maintained and Academy Pupil Referral Units will have a 3% uplift to their budget allocation. Though it is anticipated that an overspend will occur if the current levels of Permanent Exclusions continue, it is also of concern that the average age of a permanently excluded pupil is becoming younger and therefore potentially having a greater impact on educational outcomes and ultimately lifetime potential.

This area will come under greater scrutiny during 2025/26 as the drive for more inclusive practise has also been highlighted as a Central Government focus, additional cost centres have been created for the analysis, understanding and control of these costs. Whilst statutory recharges are expected to increase this is also expected to be a “timing” amount of money

as it is expected that when a school re-admits a Permanently Excluded pupil these monies will be forwarded to the school receiving the pupil.

- 2.1.8 The AP inclusion model currently relates to Secondary schools and provides them with sums of monies to support pupils whom they would otherwise Permanently Exclude. Whilst this model works well for some schools there are others for whom this approach is not the answer. In the next few weeks an Inclusion Manager will be joining the service, they will be working in conjunction with the service, schools, and the Schools Forum Working Group to explore options to improve inclusivity across all age ranges and all providers and reduce the number of permanent exclusions within the city.

The current AP Inclusion model contractual arrangement is due to conclude on the 31/03/2025. Whilst other options are being explored an AP Inclusion model will be offered to cover the period from 01/04/2025 to 31/07/2025. It is anticipated that from the 01/09/2025 a new approach will be undertaken. To cover the cost of both the extension and new approach the same budget as 2024/25 has been earmarked to cover these costs. Further details regarding the AP Inclusion model for Secondary schools that will run from 01/04/2025 to 31/07/2025 will be published under separate cover.

- 2.1.9 A flat 3% Inflationary uplift has been applied to all Central HNB costs; this equates to a total increase of £202k, which is lower than last year's increase as the service is working hard to control costs (2024/25 increase = £316k).

- 2.1.10 Historically the HNB has, with the approval of Schools Forum, contributed to SEN Transport on the basis that the service works hard to ensure placements are within the city and keeps out of city placements to a minimum. Nottingham City Council recognises the pressure that the HNB is now under and is looking to reduce it's call upon the HNB. A proposal has been prepared and is due to go before full Council for consideration in March 2025, this proposes that the contribution of £1m to the council for SEN Transport is reduced in the financial year 2025/26 by £500k to an amount of £500k.

This would effectively provide the HNB with a contingency of £500k (2024/25 = £600k). The proposal also recommends that the remaining £500k for 2026/27 is removed in 2026/27, again providing the HNB with a contingency of £500k. As at the time of writing this report, full Council has not yet agreed this proposal, so it is considered prudent to include the full £1m charge in this indicative budget. The HNB is always indicative at this time of year as it is subject to in year adjustments by the DfE, most notably in July to accommodate the Import / Export Adjustment.

- 2.1.11 The budget also incorporates planned high needs place increases as specified in the SEN Sufficiency Strategy (see Table 3 below).

School			HN Places		25/26	FY	
			Total per programme	Planned delivery date	Places in FY 25/26	Place Funding	Top Up Funding
The Fernwood School	ASD	Secondary	20	Dec 25 /Jan 26	8	£ 12,000	£ 35,628
Nottingham Girls Academy	ASD	Secondary	10	Dec 25 /Jan 26	4	£ 6,000	£ 17,814
Milford	ASD	Primary	8	Dec 25 /Jan 26	4	£ 6,000	£ 17,814
Glade Hill	ASD	Primary	8	Dec 25 /Jan 26	4	£ 6,000	£ 17,814
Nethergate	ASD	Primary	24	Sep-25	16	£ -	£ 84,000
			<u>70</u>		<u>36</u>	<u>£ 30,000</u>	<u>£ 173,070</u>
Increase in Expenditure to High Needs Block for FY 25/26							£ 203,070

- 2.1.12 At the Schools Forum meeting held on 16 July 2024, it was agreed to fund a Mental Health Support Team to support Section 19 pupils, the amount of £444,760 is the funding required to take this trial to its conclusion at the end of July 2025. At which point an impact analysis will be undertaken to present to Schools Forum should any future funding be required for the continuation of this approach. At the time of writing this report the prudent approach considering the cost pressures on the HNB is to presume no further funding at this stage.
- 2.1.13 In 2024/25 financial year, to fulfil the £85 per pupil Schools Block requirement, a drawdown of £1.6m was required from reserves. Due to the increased Schools Block settlement for 2025/26, no drawdown from reserves is required for this purpose.
- 2.1.14 It is anticipated that there will be a minimum overspend of £2m based on the setting of this indicative budget.

3. Consideration of Risk and potential Impact upon Reserves

- 3.1 The National Audit Office (NAO) report, published on 24 October 2024, identifies that there has been soaring demand for support for children with SEN. Acknowledging an increase in SEND needs overall, the report draws from Education Health and Care (EHC) plan data to illustrate the increase. Between 2015 and 2024 there was a 140% increase (to 576,000) in children with an EHC plan alone. Most of this increase related to autistic spectrum disorders; speech, language, and communication needs; and social, emotional, and mental health needs.
- 3.2 Key findings of the report include:
- 3.2.1 Long waiting times for an EHC plan was one example of families' declining confidence in the system, as only half of EHC plans were issued within the statutory 20-week target in 2023.
- 3.2.2 Over the past decade, high-needs funding has risen by more than half (58%), to £10.7bn for 2024-25. However, in the NAO report – 'Support for children and young people with special educational needs', – it found that despite this, local authority dedicated schools grant deficits could reach £4.6bn by March 2026.
- 3.2.3 There is declining confidence in the system – supporting 1.9m children – not meeting children's or families' expectations.
- 3.2.4 The numbers of local authorities facing the equivalent of bankruptcy is at an unprecedented all-time-high. Two-fifths of local authorities face risk of issuing a section 114 notice by March 2026, which the NAO attributes in part to SEN costs.
- 3.2.5 The NAO points out that government not yet identified solution to manage estimated £4.6bn deficit.
- 3.2.6 The NAO recommends, as a matter of urgency, government shares plans with local authorities so that each can achieve a sustainable financial position once the statutory override ends, including how deficits will be treated and any wider financial impact on services managed.

- 3.2.7 Longer term, local authorities face a worsening financial situation. Looking ahead, for 2027-28 there is an estimated mismatch of between £2.9bn and £3.9bn when comparing current funding, maintained in real terms, against forecast costs.
- 3.2.8 Also, the NAO comments on a consequence of the current position, noting schools could be incentivised to exclude pupils with SEN, which conflicts with local authorities' duties to find children school places and ensure value for money.
- 3.2.9 In addition to the above NAO report Central Government has also announced the "scrapping" of the Safety Valve Programme (which had written off the accumulated HNB deficit of a number of LA's) as well as the Delivering Better Value Programme which had given 55 LA's a cash injection of £1m each to help support service improvements to reduce costs and deficits impacting their HNBs.
- 3.2.10 With both of these programmes removed as an option to access support it is now incumbent upon LAs to resolve their financial issues. The removal of the Statutory Override currently planned for 31/03/2026 is an additional pressure.
- 3.2.11 The above financial environment should therefore be taken into consideration when we are considering Risk and the impact upon our Reserves. Assuming the deficit budget proposed above is adhered to the current mitigated forecast is as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Reserve Balance	£ 21,744,697.45	£ 19,028,269.39	£ 12,415,186.04	£ 10,340,422.90	£ 10,056,225.53	£ 6,707,991.53	£ 2,338,231.53
In Year Deficit	-£ 2,716,428.06	-£ 6,613,083.35	-£ 2,074,763.14	-£ 284,197.37			
SEN Sufficiency Programme Requirement					-£ 3,348,234.00	-£ 4,369,760.00	-£ 2,395,410.00
Closing Reserve Balance	£ 19,028,269.39	£ 12,415,186.04	£ 10,340,422.90	£ 10,056,225.53	£ 6,707,991.53	£ 2,338,231.53	-£ 57,178.47

- 3.2.12 The SEN Sufficiency Strategy is therefore affordable under the current funding levels and should in turn both meet demand within the City and reduce the costs incurred by out of city placements into INMSS.

5. Published documents relied upon in writing this report

- 5.1 National Audit Office report (published 24/10/2024) – ‘Support for children and young people with special educational needs’.