

Appendix B - Additional Information – High Needs Block Transfer 2024/25

This document is intended to provide further background information for context in regard to the request to transfer funding from the Schools Block into the High Needs Block in 2024/25.

The key issues to note are:

- **Funding:** The latest advice to local authorities indicates a 3% year on year increase in high needs funding for 2024/25 onwards. This would result in an in-year funding shortfall of between £0.7m and £50.6m between 2024/25 and 2026/27.
- **Cap on funding:** Leeds will continue to see a gains limit factor (cap) applied against the high needs funding which equates to £2.92m for 2024/25. Since 2018/19 Leeds has lost £24.56m of high needs funding due to the cap.
- **Demand and Complexity:** In line with the national picture, Leeds continues to experience an increase in high needs demand and complexity with this trend expected to continue. The projected increases in level of need, and associated costs, significantly exceed the 3% increase in funding forecast beyond 2024/25.

National SEND review and Change Programme

In September 2023 the DfE commenced a Change Programme, working with partner local authorities to trial the reforms as proposed in the national [SEND and Alternative Provision Improvement Plan](#). Leeds is part of the Yorkshire and Humber Change Programme Partnership and will therefore be working together with the DfE and local authorities in Wakefield, Bradford and Calderdale, to pilot ideas and shape future recommendations.

Part of the proposed reforms includes the establishing of National Standards, a series of benchmarks and expectations of what can be expected to be provided for children and young people with various levels of SEND. The proposals suggest that national funding bands and tariffs, consistent across every authority, will sit alongside the National Standards agenda. Consequently the outcomes of the Change Programme, and the resultant proposals and recommendations, will have important implications for how support for pupils with SEND is delivered, and how this will be funded, when and by whom. We do not yet know what impact these proposals will have on the projections for the high needs block.

Funding increases

Local authority allocations are currently released on an annual basis and it is not yet known what increases may be available beyond 2024/25.

In 2022/23 and 2023/24 supplementary funding for schools and the high needs block was announced in December. Those allocations have been included in the base funding for 2024/25. There is no indication that there will be further supplementary allocations for 2024/25.

The High Needs Block (HNB) indicative allocation for 2024/2025 is £133,934k. This is an increase of £6,474k compared to 2023/24 after taking into account the supplementary high needs funding received in 2023/24.

In relation to high needs, since 2018/19 the Government has implemented a national funding formula to address historical funding differences. In recent years Leeds received a funding increase of at least 8%, however this will reduce to 5% in 2024/25 and beyond this the DfE has advised local authorities should assume a 3% increase.

The figures presented in the table below assume a 3% increase in high needs funding each year, in line with the advice received. There is however a risk that the national increase could be lower. It is also possible that the high needs funding increase could be higher than estimated. To provide some context for the potential impact of funding increases, for every 1% increase in the high needs allocation there would be approximately £1m of additional funding received.

Medium Term High Needs Projections	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
DSG Income	-117.2	-120.3	-123.4	-127.0
Funding passported to institutions	109.8	124.7	144.1	167.1
Commissioned Services	2.7	2.8	2.9	3.0
Directly managed by Children & Families	6.0	7.0	7.2	7.5
Projected funding shortfall	1.3	14.2	30.8	50.6

Gains limit factor (cap on gains)

Although funding has increased since the national funding formula was introduced, some DSG funding increases have been subject to a funding floor and gains limit factor to ensure a minimum level of increase for every local authority and to reduce the impact of year-on-year changes to funding levels. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block.

Although Leeds has been receiving the maximum increases allowed under the gains limit factor (cap), it is less than the national funding formula entitlement. If this had not been in place, Leeds would have been allocated an additional £34.06m of funding between 2018/19 and 2023/24 across the schools block (£9.5m) and high

needs block (£24.56m). A further funding cap of £2.92m will apply in 2024/25 to the high needs block, based on provisional funding allocations released by the ESFA. Leeds is one of the 32 local authorities out of 150 that will continue to have their funding capped in 2024/25.

There is no timescale for the removal of the gains limit factor and the ESFA have indicated that this will be a permanent feature of the high needs national funding formula.

High needs demand and complexity

In line with the national picture, Leeds has experienced an increase in high needs demand and complexity in recent years, with this trend expected to continue. However as noted above there is currently still a cap on funding increases and to date any additional funding received by Leeds has been exceeded by increased costs.

The Leeds SEN2 return to the DfE reported a 60%+ increase in the number of requests for EHC Assessments in the calendar year 2022. This is due to both the longer-term trend of growing need in the community, as well as a significant number of referrals which were thought to have been delayed until schools returned after the pandemic and identified unmet need. The number of EHC Plans in total continues to increase, by over 15% in the last two years. This is a consistent long-term trend since 2013, mirrored by national comparators.

National statistics indicate that around 50% of learners with an EHCP then move into specialist provision. At the present time we are working to develop more specialist resourced bases in mainstream schools for specific areas of identified need. This is alongside the creation of a new generic special school, continued conversations about expansions of our existing special schools, and an ongoing bid with the DfE to develop a 200 place SEMH special free school. In line with the increased number of specialist placements, top ups to special schools (maintained, academies and free schools) are projected to increase from £24.1m in 2022/23 to £31.2m in 2024/25.

It must also be noted that even though we have a planned programme of developing additional provision across the city there will still remain the need to commission out of authority places for those learners with highly complex and individual needs that require a bespoke package. Focused work has been undertaken to reduce dependence on expensive out of authority independent school places, so that such resources can be reinvested locally.

The largest increase in expenditure in these projections is in funding to mainstream schools. Top up funding increased by 24.33% between 2021/22 and 2022/23 and a further 33.45% between 2022/23 and 2023/24. On top of this, additional block funding increased by 80.76% and 91.44% over the same period. Assuming this trend continues, the funding paid to mainstream schools is projected to increase from £23.1m in 2022/23 to £43.0m in 2024/25.

Funding paid to high needs settings

The FFI unit rate for 2023/24 has increased from £672 to £696 for mainstream, early years and post 16 settings. At this stage the unit rate is not expected to increase further in 2023/24 for these settings.

For special schools, the proposal was to increase the FFI unit rate from £708 to £732. In addition, the high needs operational guide for 2023/24 has set a minimum funding guarantee (MFG) for special schools of 3% per pupil compared to 2021/22 baseline funding and a requirement to pay settings additional funding equivalent to 3.4% per pupil compared to 2022/23 funding levels. For 2024/25 each local authority is required to set a minimum funding guarantee of between 0% and 0.5%.

The vast majority of the high needs block is passported to institutions. A review in 2017/18 showed that £49.3m or 86.87% of the block was passported. However, the current projections for 2023/24 shows £109.8m or 92.72% is expected to be passported.

One of the largest increases in recent years relates to funding paid to mainstream settings. The current projections for 2023/24 show a 33.45% increase in top ups and a 91.44% increase in additional £6k blocks paid to mainstream settings compared to actual costs in 2022/23. In total, funding paid to mainstream settings is projected to be £9.5m higher in 2023/24 than in 2022/23.

If a transfer to the high needs block is not agreed, we will need to look at other options to ensure the high needs block remains in balance, which may include reviewing eligibility criteria and notional block calculations. This would likely result in a reduction in the amount of funding available to schools and academies.

Funding transfers between DSG blocks

Since 2017/18 a total of £19.18m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£17.54m from the schools block and £1.65m from the central school services block). For 2023/24, a transfer of £3.38m was agreed. The high needs block is currently projected to be overspent by £1.3m, if the transfer had not been agreed, the block would be projecting an even greater overspend of £4.68m.

Beyond 2024/25 it is not known whether funding can continue to be moved between DSG blocks in this way, as the DfE has indicated the ability for local authorities to do this in future will become more limited.

If funding transfers are still allowed in future, any transfers from the schools block to the high needs block would require annual consultation with schools and approval by the Leeds Schools Forum.