

## **Appendix A - Additional Information – High Needs Block Transfer 2025/26**

This document is intended to provide further background information for context with regards to the request to transfer funding from the Schools Block into the High Needs Block in 2025/26.

The key issues to note are:

- **Funding:** The latest advice to local authorities indicates that for 2025/26, the funding increase will be between 7% and 10%. Previous advice has been to assume a 3% year on year increase in high needs funding from 2026/27 onwards. This would result in an in-year funding shortfall of between £38.2m and £105.0m between 2025/26 and 2027/28.
- **Cap on funding:** The formula to allocate high needs funding will continue to have an element relating to the gains limit factor (cap). Since 2018/19 Leeds has lost £27.48m of high needs funding due to the cap. It is not yet known if there will be a gains limit factor applied to Leeds in 2025/26 as the high needs block funding allocations have not yet been issued.
- **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 increase in funding forecast beyond 2025/26.

### **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 the funding level will be for 2025/26 as the high needs block allocations have not yet been issued.

A summary policy note was issued on 5<sup>th</sup> November which stated that the high needs NFF 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. It is estimated that this could result in increased income of between £9.1m - £13m compared to the 2024/25 allocation. However, as the pressure for 2025/26 is estimated to be £38m, there is still a shortfall compared to the funding available.

As we do not have confirmed allocations for 2025/26, the figures presented in the table below assume a 3% increase in high needs funding each year, as reported to Schools Forum in October 2024. 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 £1.3m of additional funding received.

<b>Medium Term High Needs Projection</b>	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
DSG Income	(124.3)	(124.4)	(128.2)	(131.3)
Funding from reserves	(3.5)	0.0	0.0	0.0
Funding passported to institutions	134.1	153.9	183.5	227.0
Commissioned Services	2.8	2.6	2.7	2.8
Directly managed by Children & Families	6.2	6.1	6.3	6.5
<b>Projected funding shortfall</b>	<b>15.3</b>	<b>38.2</b>	<b>64.3</b>	<b>105.0</b>

## 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 £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). The gains limit factor remains a feature of the NFF, though as funding allocations for 2025/26 have not yet been issued, it is not yet known if this will be applicable to Leeds.

### **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, and increased demand continued throughout 2023 with a further 17% increase in the number of requests received. 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.

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.

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. Once adjusted for increases in FFI unit rate, top up funding increased by 25.84% between 2022/23 and 2023/24 and a further 35.37% between 2023/24 and 2024/25. On top of this, additional block funding increased by 88.46% and 97.84% over the same period. Assuming this trend continues, the funding paid to mainstream schools is projected to increase from £31.8m in 2023/24 to £62.3m in 2025/26.

## **Funding paid to high needs settings**

The FFI unit rate for 2024/25 remained at £696 for mainstream, early years and post 16 settings. At this stage the unit rate is not expected to increase further in 2025/26 for these settings.

For special schools, summary policy notes states that the minimum funding guarantee (MFG) for special schools will be 0%. In addition, there will be a core schools budget grant for special schools and AP settings in 2025/26. Nationally, the value of this grant has been set at £480m, though no information has been received on how much of this will be allocated to Leeds settings. This is different to mainstream schools where 2024/25 grants have been rolled into the base funding for 2025/26.

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 2024/25 shows £134.1m or 93.7% is expected to be passported.

One of the largest increases in recent years relates to funding paid to mainstream settings. The current projections for 2024/25 show a 35.37% increase in top ups and a 97.84% increase in additional £6k blocks paid to mainstream settings compared to actual costs in 2023/24. In total, funding paid to mainstream settings is projected to be £12.3m higher in 2024/25 than in 2023/24.

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 £22.69m 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 (£21.04m from the schools block and £1.65m from the central school services block). For 2024/25, a transfer of £3.54m was agreed. The high needs block is currently projected to be overspent by £15.27m, if the transfer had not been agreed, the block would be projecting an even greater overspend of £18.81m.

Beyond 2025/26 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.