

**Report of the Director of Children and Families**

**Report to the Leeds Schools Forum**

**Date: 27<sup>th</sup> February 2025**

**Subject: High Needs Budget 2025-26**

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**Summary of main issues**

- 1 The budget for the High Needs Block of the Dedicated Schools Grant is approved in February each year at the Full Council meeting. This report provides details of the 2025/26 High Needs budget submitted for approval to the Full Council meeting held on 26th February 2024.
- 2 The High Needs budget for 2025/26 proposes £137.199m of funding and £169.475m of spend, resulting in a deficit budget of £32.276m for the year.

**Recommendations**

- 3 Schools Forum is asked to note the High Needs budget for 2025/26 and the proposals for continued monitoring and identification of options to improve this position moving forward.

**1 Background information**

- 1.1 The High Needs Block of the Dedicated Schools Grant provides funding for Special Educational Needs and Disabilities (SEND). This includes places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEND support and hospital & home education.

- 1.2 In line with the national picture, Leeds has experienced an increase in SEN demand and complexity in recent years, with this trend expected to continue.
- 1.3 Leeds has historically been underfunded in comparison to some other local authorities, and although the National Funding Formula funds local authorities based on need, there is a gains limit factor applied to funding increases. Between 2018/19 and 2025/26 this has resulted in Leeds receiving £30.56m less for High Needs than would have been due under the full National Funding Formula, £3.03m of this relates to 2025/26.

## **2 Main issues**

- 2.1 In line with the national picture, Leeds has experienced an increase in SEND demand and complexity in recent years, with this trend expected to continue.
- 2.2 The High Needs grant allocation for 2025/26 (before deductions) was issued by the Education, Skills and Funding Agency (ESFA) in December 2024, though adjustments to this figure are expected up until July 2025, and the estimated impact of these changes have been included in this report. For Leeds the estimated allocation is an increase of £14.6m for 2025/26 compared to the 2024/25 budget.
- 2.3 Although funding has increased for Leeds, there is currently a gains limit factor which means that the Leeds allocation for 2025/26 will be £3.03m less than the full National Funding Formula. Between 2018/19 and 2025/26 this has resulted in Leeds receiving £30.56m less for High Needs than would have been due under the full National Funding Formula.
- 2.4 Despite the increase in funding for 2025/26, the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is a significant funding pressure against the High Needs Block which cannot be met from the funding available and therefore a deficit high needs budget will be required for 2025/26.
- 2.5 A key issue is that local authorities have a statutory duty to meet the special educational needs of children which are identified through an education, health and care plan (EHCP), and these needs are increasing in the city. Leeds still has statistically lower numbers of EHCPs than comparators, however the city has seen increases in the numbers and complexity of needs of pupils in line with the national picture.
- 2.6 Budgets which are passported to institutions have increased by £37.588m. This is in line with increased demand across all settings.
- 2.7 The budget for commissioned services has increased by £0.498m. This is due to increases in the Physical Disability and Medical Service budget and no anticipated clawback of balances from the hospital and home tuition service as was assumed in the 2024/25 budget.
- 2.8 Services directly managed by Children and Families have increased budgets of £0.344m. The majority of this increase is due to additional staff costs across all areas.

- 2.9 In December 2024, Schools Forum has agreed to transfer 0.5% (which equates to £3.823m) from the Schools Block to the High Needs Block, following consultation with schools.
- 2.10 Despite the increase in funding for 2025/26, the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is a significant funding pressure against the High Needs Block which cannot be met from the funding available and therefore a deficit high needs budget will be required for 2025/26.
- 2.11 The budget for 2025/26 taking into account the known and estimated changes compared to the 2024/25 original budget is as follows:

	2024/25 £000	2025/26 £000	Variance £000
<b>High Needs Block DSG Income</b>			
High Needs Block baseline	135,400	150,002	14,602
Places funded directly by the ESFA	(14,792)	(16,626)	(1,834)
	120,608	133,376	12,768
<b>Other Funding</b>			
Use of DSG reserves	3,500	0	(3,500)
Transferred from Schools Block	3,540	3,823	283
<b>Total Funding Available</b>	<b>127,648</b>	<b>137,199</b>	<b>9,551</b>
<b>High Needs Block Expenditure</b>			
Funding Passport To Institutions			
- SILC and Resource Provision Places	14,872	17,483	2,611
- Out of area and residential placements	14,021	22,578	8,557
- Alternative provision (including AIP's)	5,254	5,650	396
- SEN top ups to Institutions	79,887	96,920	17,033
- Mainstream additional places	8,597	17,588	8,991
- Education provision for mental health beds	100	100	0
- In-year savings to be identified	(3,397)	0	3,397
Commissioned Services			
- Hospital & Home Tuition	2,432	2,813	381
- PD & Medical Service	0	117	117
Directly Managed By Children & Families			
- SEN Support Services	4,147	4,418	271
- Children missing out on education	522	690	168
- Management of high needs services	426	331	(95)
- SEN adaptations	229	229	0
Other Items			
- Prudential borrowing for SEMH provision	558	558	0
<b>Total High Needs Expenditure</b>	<b>127,648</b>	<b>169,475</b>	<b>41,827</b>
<b>Total Deficit Budget</b>	<b>0</b>	<b>(32,276)</b>	<b>(32,276)</b>

### 3 DSG Management Plan

- 3.1 This negative budget position is allowed for within the management arrangements for the DSG by Local Authorities by means of a 'statutory override' to the requirement for the DSG to remain balanced. The Council is now working with the Department for Education on producing a DSG Management Plan which will form the basis of work to seek to bring the DSG to a more balanced position over time, to the extent that this is possible given any limitations in funding and increased demand. Whilst the DSG Management Plan will potentially assist in the medium term, the increasing level of deficit is however an issue that needs careful consideration and needs to be considered within the overall context of the Council's financial arrangements.
- 3.2 Appendix 1 to this report provides a summary of the key work streams which have initially been identified for consideration in the managed reduction of the high needs budget.
- 3.3 The Directorate will continue to work with the Leeds Schools Forum on the continued development of the plan, including providing regular budget monitoring reports and updates on progress against the key work streams identified.
- 3.4 In the context of growing needs within the city and the gains limit factor on High Needs funding increases, options for managing within the available funding will be carefully considered and consulted on as appropriate to develop proposals. Consideration will be given to the fact that the High Needs budget supports the education of some of the most vulnerable children in the city and that benchmarking shows costs are comparatively low in this area. Invest-to-save options that result in outcomes being maintained or even improved, while also reducing costs, would be prioritised.

#### **4 Recommendations**

- 4.1 Schools Forum is asked to note the High Needs budget for 2025/26 and the proposals for continued monitoring and identification of options to improve this position moving forward.