



Subject Heading:

High Needs Funding

Report Author:

**Hany Moussa – Principal Education
Finance Officer**

Eligibility to vote:

Information only

SUMMARY

This report provides details of the 2025-26 National Funding Formula allocation for High Needs following the DfE's announcement on 18th December 2024. An updated forecast of the projected 2024-25 High Needs outturn is provided. Also, the progress from the High Needs Task and Finish group.

RECOMMENDATIONS

That the Schools Funding Forum:

- (i) notes the DfE Final Allocation for financial year 2025-26
- (ii) notes the High Needs Task and Finish Group meeting to discuss present and next financial year funding levels and arrangements
- (iii) notes the year forecast of expenditure for financial year 2024-25

REPORT DETAIL

1. DfE's High Needs Funding Update for 2025-2026

The DfE has released details of the High Needs National Funding Formula (NFF) for the financial year 2025-2026 on 18th December 2024.

1.1 Overview

For 2025-2026, the high needs budget will see an almost £1 billion increase, bringing the total allocation to £11.9 billion. This represents a 9% increase compared to the baseline established for 2024-2025. The funding boost is part of a larger £2.3 billion increase in overall school funding. £11.3 billion is initially distributed through the NFF to provide indicative allocations for local authorities, with £145 million set aside for later NFF adjustments and allocations outside the NFF, and a further £480 million is for the core schools budget grant (CSBG).

1.2 NFF Final Allocations for 2025-2026

The NFF will distribute £11.3 billion of the total high needs budget for 2025-2026. While the overall structure of the formula remains consistent with previous years. However the government has indicated that it's long-term goal is to review the present arrangements, and will strive to create an effective system of education funding that aligns with SEND reforms.

The historic spend factor, which reflects past spending levels of local authorities, will remain fixed at its 2024-2025 cash value. For 2025-2026, this accounts for 25% of local authorities' total allocations, a reduction from the 27% used in the previous year's formula. This adjustment reflects the government's gradual shift away from reliance on historic spending patterns.

To ensure a minimum level of funding for each local authority, the formula includes a funding floor guaranteeing at least a 7% per head increase for the 2-18-year-old population. Conversely, gains under the formula are capped at 10% per head, preventing disproportionate increases. Both these mechanisms exclude certain formula factors, consistent with previous years, to ensure equitable distribution.

Via the final NFF formula, Havering is projected to increase it's per pupil level for High Needs by 8.91%.

Financial Year	Funding baseline per head	Change	% increase
23-24	£668.05		
24-25	£734.17	£66.12	9.90%
25-26 indicative (based on Policy Note)	£802.34	£68.16	9.28%
25-26 final	£799.55	£65.38	8.91%

The additional funding for financial year 2025-26 is £4.2m, which is a small increase from the projected indicative amount, £3.8m, presented at the previous Forum meeting.

Financial Year	High Needs Funding	Change	% increase
24-25*	£43,369,770		
25-26 indicative	£47,216,116	£3,846,346	8.87%
25-26 final	£47,602,010	£4,232,240	9.76%

*24-25 comparator includes TPAG, TPECG and CSBG.

Although this additional funding is welcomed, Havering is still the lowest per head funded LA in London, and 118th nationally (up one from 119th in 2024-25) in financial 2025-26, and with the 7% guaranteed for every LA in 2025-26, the gap between Havering and other LAs has widen.

2. High Needs Task and Finish group

A task and finish group was re-established in Summer 2024 to examine high needs funding for schools for the present and future financial years, to review the current arrangements for a long term sustainable model of support for those children with additional needs in attendance in educational provisions across the borough.

The group are due to meet after the Forum meeting has concluded.

3. Financial Year 2024-25 Projected High Needs Outturn position

Appendix A shows the funding available for High Needs related expenditure in 2024-25 and the current forecast of expenditure across the range of provision within Havering.

The forecast for year end 2024-25 has been updated based on the current academic year (2024-25) cohort and with an update on the estimate on the number and level of support funded through EHC plans. The forecast includes the prospective cost of the uplift that is being presented to Cabinet, contributing to £2.61m of the deficit pressure in 2024-25.

Since the previous period 6 reporting, the deficit has increased by £1.1m, which is due to an increase in the placements in out of borough provisions. This is directly due other non-education services commissioning places out of borough for other support, whereby the LA has an obligation to provide suitable education and meeting the cost of the education element of the placement.

Projection

Expenditure

£m	
62.1	High Needs estimated expenditure 24-25
<u>62.1</u>	

Income

£m	
-39.9	High Needs funding allocation 24-25
-1.2	transfer from schools block
<u>-41.1</u>	

Balances

21.0	projected in-year deficit 24-25
6.8	deficit brought forward from 23-24
8.5	deficit brought forward from 22-23
<u>36.3</u>	projected deficit carried forward to 25-26

Further details on the projected spend is shown at **Appendix 6A**.

In financial year 2023-24, the overspend of £7.6m was offset by £0.76m of underspends in other areas of the Dedicated Schools Budget (DSG). There remains a deficit carried forward into financial year 2024-25 of £19.8m.

This is the fifth year that the combined total of all year end balances of activities funded by the DSG has been in deficit. This is due to DSG underspends in other areas being insufficient to cover the overspend in the High Needs Block.

Any LA that has an overall deficit on its DSG account at the end of the 2023-24 financial year, or whose DSG surplus has substantially reduced during the year, is required to complete the Dedicated School Grant Management Plan or to have an equivalent framework.

The LA will continue to keep all areas of DSG spending under review to identify potential savings to meet the forecast overspend in the High Needs block.