

Subject	DSG High Needs Block 5-year forecast (2024-25 to 2028-29)
Meeting Date	18 November 2024
Status	Public Report
Executive Summary	<p>This report sets out the detailed forecast for the high needs block (HNB) of the DSG in 2024-25 and the following 4 years.</p> <p>The in-year shortfall in funding next year (2025-26) is forecast to be £60.2million before any contribution from schools block. A further increase to £70.7million in 2026-27 is expected before the increases to the shortfall begin to slow in 2027-28 and 2028-29. The cumulative deficit at the end of March 2029 is forecast to be £384.7million assuming the transfer from schools block is supported.</p>
Recommendations	To note the information in the report in consideration of the proposed transfer from the school block to high needs of 1%. (separate agenda item)
Reasons for Recommendations	Schools Forum to be kept informed of high needs position
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People
Corporate Directors	Cathi Hadley, Director of Children's Services
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Wards	Not applicable
Classification	For consultation

Background

1. As reported to Cabinet in October 2024 (see link in background papers), there is a projected £16.5 million increase in the 2024-25 annual funding gap budgeted of £28 million (£44.5 million annual funding gap in total). The cumulative DSG deficit at 31 March 2025 is now projected to be £107.9 million.
2. The increase is due to significant growth in the level of EHCPs in the last 12 months. These changes were discussed fully in the September quarter one budget monitoring report (link in the background papers). These latest trends are fully reflected in the new medium term forecasts up to 2028-29.

5-year forecast 2024-2029

3. This year the budget was set acknowledging it was based on a very challenging set of assumptions, and these were tested with government advisers as part of our bid to gain financial support through the safety valve (SV) process. Since that time, the growth in EHCPs has been more than expected, as previously set out, and this will continue to impact over future years. In addition, we have learned that only one of our capital bids submitted as part of the SV process was successful. In addition, due to revised government timescales, the budget savings from the successful bid will now be later than previously anticipated and are expected to now be delivered in the period beyond the current financial planning horizon.
4. The number of placements modelled across different provider types in the new financial forecasts is consistent with the School Capacity (SCAP) submission to the DfE and reflects the council's sufficiency strategy.
5. The revised forecast uses average funding rates based on the annualised cost of the current cohort of pupils with an EHCP. There is an allowance of 5% for inflation on funding rates within these projections.
6. Funding levels in the HNB are assumed to increase by 6% annually, reflecting the announcements for 2025-26 and that the new government has acknowledged the financial strain across the SEND system from current policies with change unable to be delivered quickly. The funding transfer from the schools block (from 2025-26 onwards) is assumed to be 1% with the total schools block increasing by 3% annually.
7. The table below summarises the recent history of the HNB position and the forecast up to 2028-29. A more detailed breakdown of the forecast spend is included in appendix 1.

£ million	actual	forecast	forecast	forecast	forecast	forecast
	23-24	24-25	25-26	26-27	27-28	28-29
Total HNB Spend	87.779	106.732	124.774	141.974	149.150	154.697
HNB Funding	(59.162)	(60.908)	(64.575)	(68.450)	(72.557)	(76.910)
School block transfer		(1.324)	(2.727)	(2.809)	(2.893)	(2.980)
In-year deficit	28.617	44.500	57.472	70.715	73.700	74.807
Deficit bf	35.844	63.512	108.012	165.484	236.199	309.899
other DSG variances	(0.949)					
Deficit cf	63.512	108.012	165.484	236.199	309.899	384.706

Financial Implications

8. The council is forecast to add to the already significant DSG deficit over the next 5 years. It is expected that the cumulative shortfall at March 2029 will reach £385 million.
9. The impact on the council's finances of the rising deficit has been included in previous reports with options and conversations with government on-going in seeking solutions.

Legal Implications

10. The council must consult Schools Forum on expenditure plans for the DSG high needs budget.

Summary of human resources/sustainability/public health implications

11. None

Summary of equality implications

12. An equalities impact assessment has not been undertaken as the operation of the DSG and expenditure to be met from each block is prescribed by the DfE. The council is running a large DSG deficit to support pupils with additional needs.

Summary of risk assessment

13. The main risk within the DSG is the high needs funding gap for which there is currently no government solution.
14. There continues to be a risk that projected costs will rise further as activities to date to reduce demand are yet to be fully implemented. Improvements in commissioning have not yet become embedded and the review of the special school banding has not yet concluded.

Background papers

15. Cabinet Report 2 October 2024: High Needs Schools Grant Expenditure Forecast
[High Needs Schools Grant Expenditure Forecast.pdf](#)
16. Schools Forum 23 September 2024: Quarter 1 Budget Monitoring and High Needs Update 2024-25
[DSG monitoring Q1 24-25.pdf](#)

Appendix 1

Detailed high needs budget 2024-29

Appendix 1 – Detail 5-year forecast

	BCP 2024-25 Forecast Cost	BCP 2025-26 Forecast Average Cost Top-Up	BCP 2026-27 Forecast Average Cost Top-Up	BCP 2027-28 Forecast Average Cost Top-Up	BCP 2028-29 Forecast Average Cost Top-Up
Independent Schools	17,392,479	18,108,000 69,636	20,078,000 73,118	19,154,000 76,774	17,815,000 80,613
Non-Maintained Special Schools	12,370,596	13,129,000 55,674	15,977,000 58,457	17,148,000 61,380	18,187,000 64,449
Total Independent & Non-Maintained	29,763,075	31,237,000 62,997	36,055,000 65,805	36,302,000 68,641	36,002,000 71,549
Colleges	829,176	936,000 3,560	1,234,000 3,738	1,517,000 3,925	1,708,000 4,121
Specialist Colleges (SPI)	6,609,006	8,404,000 43,068	10,258,000 45,221	12,212,000 47,482	13,859,000 49,856
Independent Colleges	947,779	2,642,000 35,799	3,203,000 37,588	3,594,000 39,468	3,663,000 41,441
Total Post 16	8,385,960	11,982,000 22,530	14,695,000 22,885	17,323,000 23,580	19,230,000 24,624
Special Schools	18,140,796	18,306,000 19,444	22,446,000 20,417	23,708,000 21,437	24,883,000 22,509
Mainstream	12,239,587	13,043,000 8,416	15,662,000 8,836	16,436,000 9,278	17,239,000 9,742
Independent mainstream	674,380	674,000 22,478	708,000 23,602	743,000 24,782	781,000 26,021
Mainstream Bases	976,252	1,805,000 14,869	2,245,000 15,612	2,409,000 16,393	2,604,000 17,212
Total Mainstream and Special Units	13,890,219	15,522,000 9,124	18,615,000 9,564	19,588,000 10,053	20,624,000 10,572
Medical / Therapies	45,919	0 3,284	0 3,448	0 3,621	0 3,802
Bespoke	7,094,390	14,338,000 26,812	16,325,000 28,151	17,591,000 29,559	18,465,000 31,035
Pre-School	215,738	374,000 6,816	360,000 7,157	361,000 7,515	379,000 7,890
Awaiting School Placement	1,807,744	0 17,822	0 18,713	0 19,648	0 20,631
Other (AP / Medical / Pre-school)	9,163,791	14,712,000 16,034	16,685,000 14,961	17,952,000 15,788	18,844,000 15,155
TOTAL PLACEMENTS	79,343,842	91,759,000 20,000	108,496,000 20,276	114,873,000 21,058	119,583,000 21,416
Centrally Commissioned Services	6,633,106	9,997,000	10,185,000	10,694,000	11,227,000
PLACES SEN	12,791,000	14,792,000	14,792,000	14,792,000	14,792,000
TOTAL SEN	98,767,948	116,548,000	133,473,000	140,359,000	145,602,000
TOTAL AP	7,964,095	8,226,000	8,501,000	8,791,000	9,095,000
TOTAL HNB SPEND	106,732,043	124,774,000	141,974,000	149,150,000	154,697,000
HNB Funding	60,908,140	64,575,000	68,450,000	72,557,000	76,910,000
IN-YEAR FUNDING GAP	45,823,903	60,199,000	73,524,000	76,593,000	77,787,000
Transfer from SB (0.5% 24-25, 1.5% ongoing)	1,323,903	2,727,000	2,809,000	2,893,000	2,980,000
IN-YEAR AFTER TRANSFER FROM SB	44,500,000	57,472,000	70,715,000	73,700,000	74,807,000
Brought Forward Deficit	63,385,000	107,885,000	165,357,000	236,072,000	309,772,000
Carry Forward Deficit	107,885,000	165,357,000	236,072,000	309,772,000	384,579,000