

Briefing note

2e Annex B – 2025/26 High Needs Draft Budget.

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1 Purpose

1.1 To advise the Schools Forum of the draft high needs budget for the financial year 2025/26.

2 Recommendations

2.1 To **note** the draft budget proposals and place numbers for special schools, special units / resourced provisions, and alternative provision for 2025/26.

2.2 To **note** the central expenditure for high needs pupils and students in 2025/26.

3 Introduction

3.1 The high needs funding system supports provision for children and young people with special education needs and disabilities (SEND) from their early years, up to the age of 25. The block includes funding for pre-16 and post-16 places in both maintained and academy special schools, alternative provision, pupil referral units and further education institutions. The high needs block funds commissioned places in these settings, together with top up funding for individual pupils and students. It also includes funding for central high needs services. These central services must be made available to pupils in LA maintained schools and academies on an equivalent basis.

3.2 The high needs block allocation is calculated for the LA area but is then paid to the LA net of deductions for certain settings where the ESFA (Education and Skills Funding Agency) pays this directly. For 2025/26 this includes all academy place funding (special school, special units / resourced provisions and AP provision) and FE institutions.

3.3 Due to the change in government after the general elections, draft allocations were not published in July as is usually the case and limited guidance was available in order to determine a prudent estimate for the draft 2025/26 funding allocation.

3.4 The 2025/26 high needs block draft allocation was announced on 28 November at a value of £65.357m representing a £3.533m (5.7%) increase on the 2024/25 allocation. Whilst this is almost double the rate increase from 2024/25 of 3% it presented a challenge in terms of setting a balanced budget for

2025/26 due to the increasing pressures the block is seeing as a result of increased demand. This has resulted in some assumptions being made in terms of the increase in funding that might be received in the final allocation. An additional £0.210m has therefore been added to the draft allocation of £65.357m to reach a final draft budget allocation of £65.567m which has been calculation based on the average movement between the draft and final allocations over the last two financial years of 4% due to increased numbers of pupils within special schools which has an impact on the level of funding paid through the high needs formulae. The budget has been streamlined to account for the shortfall and has built in some achievable cost savings for 2025/26. There is still a huge amount of pressure on the high needs block given current demand and pricing which presented a large challenge in terms of balancing the budget for 2025/26.

- 3.5 The main model of high needs funding works on a place plus top-up funding approach. That is place funding reflecting commissioned places, plus a top up amount based on the needs of the child. Local flexibility is allowable under the regulations, for example, block commissioning.
- 3.6 The high needs budget is reported in draft pending a review of the in-year position and impact on demand. It is still subject to approval by Cabinet and Council in February (along with the rest of the council's budget). Any changes between the draft and final budget will be reported back to school's forum.
- 3.7 Below is a summary of the proposed changes in budgets from 2024/25 to 2025/26, with movements explained in this briefing note;

DSG Income and Expenditure	Budget	Draft	Change
	2024/25	Budget	in
	£m	2025/26	Budget
		£m	£m
High Needs Block			
Special School Place and Top Up Funding	31.192	33.561	2.369
Departments / Unit Place and Top Up Funding	3.054	3.994	0.940
Alternative Privison Place and Top Up Funding	3.453	3.683	0.230
Mainstream Top Up Funding (EHCP and No EHCP)	7.937	8.532	0.595
College Place and Top Up Funding	4.062	3.960	(0.102)
Independent School Fees	7.730	7.679	(0.051)
Demand Contingency	0.524	0.000	(0.524)
Central Expenditure	3.873	4.158	0.285
Expenditure	61.825	65.567	3.742
Surplus C/fwd	(4.605)	(3.467)	1.138
DSG Allocation - Including 4% uplift for final alloca	(61.825)	(65.567)	(3.742)
Income	(66.430)	(69.034)	(2.604)
Total High Needs Block	(4.605)	(3.467)	1.138

4 Place Funding

- 4.1 Commissioned places in special schools and alternative provisions will continue to be funded at £0.010m per place in 2024/25 from the high needs block. The place funding amount is set by the DfE who have stated that any proposed changes to this will be considered within a future consultation.
- 4.2 Pre-16 commissioned places in special units will be funded at £0.006m per place from the high needs block if the place is filled at October 2024 census date and at £0.010m from the high needs block if the place was not filled at the time of the October census. This is because, if the place is filled at the census date, the school will attract school budget share funding as part of the wider school funding formula which the DfE indicatively estimate to be £0.004m. Place funding for post-16 places is payable at £0.006m per place.
- 4.3 It should be noted that place funding for academy settings will be deducted from the main DSG and paid to schools and settings directly from the ESFA.
- 4.4 Commissioned places in FE institutions (MK College) will continue to be funded at £0.006m per place. Funding for these places is also deducted from the main DSG and paid direct by the ESFA to the college.
- 4.5 Annex A shows the number of places funded in September 2024 and September 2025. Places are subject to annual review as part of the high need's places change submission in November each year. This includes a net increase of 23 additional places in special schools from September 2025.
- 4.6 There will be a net increase of 81 resourced provision/unit places in 2025/26. This includes 38 places from the first round of ASC unit openings, 8 additional places at the Emmanuel Centre at St Pauls, 12 additional places at existing resourced provisions and a reduction of 1 place at Stantonbury in line with the phased closure plan from Sep-24. In addition to this, 24 places at secondary units for the second round of unit openings will be commissioned from Jan-26.
- 4.7 Stephenson Academy's post-16 provision is remaining at 40 places for 2025/26.
- 4.8 There will be an increase of 10 places commissioned at the Primary PRU taking the number of funded places to 35. The use of the primary PRU and the number of places will continue to be monitored by the Primary Inclusion Partnership.
- 4.9 Any changes to the number of places funded in any setting are done so in discussion with the school(s) affected.
- 4.10 Under the DfE funding regulations, places commissioned by MK in settings, although are paid for by the MK high needs block, are not ring-fenced to MK pupils. Home LAs are responsible for commissioning local places for all children. The import / export adjustment on the high needs funding formula addresses the imbalance between the use of places by deducting funding for any net exports to other LAs. Or if an LA finds themselves as a net importer, they will receive additional funding.

5 Top Up Funding

- 5.1 Top up funding is payable to providers in respect of pupils for which MK is responsible. Where an MK provider has a pupil on roll that is the responsibility of another LA, that LA is responsible for paying

the top up direct to the provider. As per the DfE funding guidelines, this should be paid monthly unless there is a specific agreement in place.

Top Up Funding Special Schools

5.2 A special school protection will continue to apply in 2025/26 however this doesn't necessarily mean a rate increase from 2024/25 to 2025/26. The minimum funding guarantee percentage for 2025/26 is 0% compared to 2024/25 baseline. The top-up funding must be set at a rate to ensure a school's total budget is no lower on a per pupil basis than 2024/25. Compliance with the minimum funding guarantee will be checked as part of the final budget.

5.3 The top up funding model was introduced in September 2018 and consisted of five banding rates applied to all six special schools. There is a fixed funding arrangement in place with Stephenson Academy post 16 outside of these banding rates. The draft 2025/26 budget does not allow for a rate increase given the pressure on the block.

	Band E	Band D	Band C	Band B	Band A
	£	£	£	£	£
2024/25	4,919	7,656	15,293	25,131	32,788
2025/26	4,919	7,656	15,293	25,131	32,788

5.4 The below table shows the drift in bandings over the last four financial years. The information shows that higher bands (A and B) are increasing whilst the lower bands (C, D and E) have seen a reduction. There has also been the introduction of a band A+ for children at the high complex needs provision which opened in September 2023. This shows how the complexity in children's needs is growing and that there are more children needing a higher level of support in special schools.

Band	Apr-21		Nov-21		Apr-22		Nov-22		Apr-23		Nov-23		Apr-24		Nov-24		%
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Movement
A	66	8%	92	11%	79	10%	114	13%	107	13%	117	13%	117	13%	129	14%	6%
B	226	28%	278	32%	277	34%	297	33%	298	36%	357	39%	365	40%	428	46%	17%
C	238	30%	243	28%	234	28%	250	28%	231	28%	264	29%	266	29%	235	25%	-5%
D	150	19%	161	19%	148	18%	146	16%	132	16%	130	14%	123	13%	113	12%	-7%
E	120	15%	96	11%	86	10%	82	9%	59	7%	52	6%	48	5%	32	3%	-12%
Total	800	100%	870	100%	824	100%	889	100%	827	100%	920	100%	919	100%	937	100%	0%

5.5 The budget for top up funding will increase by £2.261m to £23.438m in 2025/26 to reflect increases in demand and complexity. This can be split into additional budget added of £2.259m to reflect planned growth in year and additional funding requirement to support children with more complex needs, Teachers pay and pension grant £0.006m, top-up funding for out of county placements (£0.013m) and additional funding due to special schools £0.009m There is currently no banding rate increase due to the pressure on the high needs block currently being experienced. However, there is an additional £2.259m of top-up funding in special schools incorporated into the budget. Whilst £0.512m of this is due to an increase in place numbers from September 2025, the remaining £1.747m is due to banding drift which represents 46.7% of the increase in allocation from 2024/25 to 2025/26 (including the estimate for additional funding to be announced December 2024).

- 5.6 Whilst the ESFA are being more flexible about how funding can work for post-16 (i.e a change from the place plus top up approach) the funding regulations remain rigid for pre-16 funding. This means that settings must continue to be funded on a place plus approach and then top up funding must be reflective of need, meaning a banding system for top up funding is still required. To reduce the impact of band drift which has been a significant issue over recent years, a deep dive of current bandings will be carried out, with a specific focus on band A pupils to ensure fair and consistent levels of funding across the special schools.
- 5.7 For 2025/26, the ESFA have continued to incorporate the teachers' pay grant (TPG) and teachers' pensions employer contribution grant (TPECG) within the high needs national funding formula by increasing the basic entitlement. For special schools this is £0.820m which will be paid to schools by the LA in the same way that it was paid in 2024/25.

Top up Funding for Special Units / Resourced Provisions in Mainstream Schools

- 5.8 Top up funding for pupils in special units will operate in a similar way to those in special schools, other than there being no specific MFG requirement. The principle will be to maintain the level of funding for the individual special units, taking account of the likely occupation of the places.
- 5.9 The increase in the unit/resourced provision budgets of £0.940m to £3.994m in 2025/26 is due to an increase in places from September 2025 consisting of the increased places at the first round of new units and an increase in places at existing provisions from September 2025. It is also due to the 24 places proposed for the second round of unit openings in January 2026. The unit models have proved very successful in terms of both the quality of provision and value for money and have resulted in the need for fewer Independent Special School placements.

Top Up Funding for Alternative Provision (AP)

- 5.10 The top up funding for the Primary PRU is budgeted based on 25 places to August 2025 and 35 places thereon. The value of the top up will remain at the 2024/25 rate of £312.12 per top up, per week; based on 38 weeks per year.
- 5.11 The secondary budget is for top up payments to Bridge Academy. The value of the top up will remain at the 2024/25 rate, a monthly lump sum of £0.074m.

Top up Funding for High Needs Pupils in Mainstream Schools

- 5.12 These budgets are calculated on the current profile of pupils receiving financial support above the first £0.006m which is met by schools from their notional SEN budgets. The hourly rate for TA support in 2024/25 is £13.16 (or £500.08 per annum), with the first £0.006m funding 13 hours of support. This will be increased by 3% in 2025/26 to £13.55 per hour (or £514.90 per annum).
- 5.13 The budget for primary and secondary schools is £6.068m in 2024/25 which will increase to £6.602m for 2025/26 due to an increase in demand in both primary and secondary schools and a 3% rate uplift as outlined above. This is based on the demand we are projecting in children with an EHCP for the forthcoming financial year.

- 5.14 There is a budget of £0.389m in 2024/25 for additional notional SEN, for 2025/26 this will remain at £0.389m in line with current demand to provide additional funding to schools that have a large proportion of pupils who have an EHCP (comparable to their notional SEN funding). This area of spend has remained stable despite seeing an increase in numbers of children with an EHCP. This will be allocated automatically to schools that reach a trigger point (when comparing to their notional SEN budget) and require additional support.

Top up Funding for Post 16 providers, other than schools

- 5.15 The first £0.006m of funding for high needs students between the ages of 16 and 25 in colleges of FE and independent specialist provision is based on the number of places commissioned by the LA for each academic year. The LA also provides top up funding for those costs in excess of £0.006m.
- 5.16 The post 16 budget will be decreased by £0.102m to £3.960m for 2025/26 to reflect the reduction in costs from the prior year for both Milton Keynes College and out of county Colleges.

6 Independent Special School Fees and Tuition Costs

- 6.1 The budget for Independent Special School fees and tuition costs has been decreased by £0.051m to £7.679m for 2025/26 this is inclusive of a 5% assumed inflationary increase based on current year trends. The budget also incorporates £0.250m for the cost of therapies included within residential social care placements in accordance with annex 6 of the high needs operational guidance.

7 High Needs Central Teams and Costs

- 7.1 The central services budgets fund specialist equipment in schools, the speech and language and occupational therapy contracts and the central inclusion and intervention, outreach and sensory teams.
- 7.2 Overall, the cost of these budgets will be increased by £0.285m to £4.158m for 2025/26. The increase is due to factoring in the impact of the salary increases awarded in 2024/25 of 5.5% for those on the teachers' pay scale and £1,290 or 2.5% for employees on the NJC pay scale. The increase is also due to a new policy for equipment costs whereby £0.003m per pupil is allocated for all new unit/class openings. Finally, a contribution of £0.022m has been budgeted for being the agreed contribution for special schools to the school improvement team.

8 Budget Summary

- 8.1 As per the budget table under section 3.7, we have carried out several exercises in preparation for finalising the 2025/26 high needs budget. This has included reviewing commissioned places for September 2025 and January 2026, finalising the high needs place return, carrying out banding reviews and focusing on demand pressures across all areas. An updated budget will be presented to January's schools forum before being subject to the Council's approval processes in February 2025.
- 8.2 Some of these costs included in the above table will be recouped from the DSG and paid direct to settings (for example place funding for MK College and Academies) but the budget breakdown includes all costs against the LA's DSG allocation.

- 8.3 The provisional allocation for the high needs block for 2025/26 is £65.357m. This is an additional £3.532m when compared to the 2024/25 allocation. However, we await the final funding allocation announcements in mid-December following the October 2024 census. Currently the additional allocation estimate for the December announcement of the final allocation is £0.210m.
- 8.4 The high needs block allocation of £65.567m has been fully committed into the 2025/26 budget with no in year demand contingency budget (compared to the £0.524m set in 2024/25). This shows that the additional allocation has already been required to meet predicted demand growth in 2025/26, with only an increase in mainstream top-up rates paid from the block. As mentioned previously, it is important to consider the long-term impacts of decisions built into the high needs budget, for example building in places in special schools and departments from September 2025 will only see place and top-up funding costs for 7 months, with the full year effect for the twelve months being seen in 2025/26.
- 8.5 As per the latest forecast position reported, the 2024/25 budget position is expected to over spend by £1.226m, therefore reducing the carry forward from previous years from £4.605m to £3.379m. The overspend is vastly due to special school top up funding but other contributing factors include overspends in mainstream top-up funding for both children with and without EHCP's and the 12 additional unit places that opened in September 2024. 28 places were built into the budget but the final commissioned number was 40 places. £3.379m represents 5.2% of the provisional allocation announced for 2025/26 and this remains one-off money. Future modelling suggests this will be diminished within the next two financial years if current trends continue which highlights the importance of the deep dive into the banding system to mitigate the risk of continued banding drift.
- 8.6 Future funding beyond 2025/26 remains uncertain, with future allocations unknown and the impact of any changes made to the High Needs National Funding Formula (NFF) and the SEND review still to be seen. The DfE have advised they will be doing a thorough review of all factors in the NFF in particular the historic spend factor. Local authorities have raised concerns over this factor from 2017/18 that represents 25% of the formula. 2026/27 funding changes are also being considered in order to support future SEND reforms with further announcements being made before the end of the year. It has been evident that demand is increasing in Milton Keynes, so there must be caution when building in rate increases that soon become unsustainable if they are too high, particularly if demand begins to outgrow the funding, we are seeing year on year. Therefore, all potential rate increases may need to be considered on a temporary basis, subject to annual review. It is critical that the block has sufficient flexibility to manage the volatility in expenditure seen in high needs now that the blocks are ring-fenced.

	Sep-24	Sep-25	
Schedule of High Needs Places	Total Funded Places	Total Funded Places	Changes to Places
Special Schools:			
The Redway	181	181	-
Romans Field	66	66	-
Slated Row (incl KHP second site)	228	228	-
The Woodlands (Previously The Walnuts)	202	212	10
White Spire	165	170	5
Stephenson Academy	157	157	-
The Woodlands High Complex Need Provision	16	24	8
Total Special School Places	1,015	1,038	23
Special Units/Resourced Provisions:			
Bradwell Village - ASC	8	16	8
Germander Park - ASC	8	16	8
Priory Common - ASC	-	6	6
Southwood - ASC	8	16	8
Charles Warren Academy - Language	6	6	-
New Bradwell - Communication	24	32	8
Shepherdswell Academy - Communication	8	8	-
Orchard Academy Communication	12	16	4
Romans Field - ASC	16	24	8
St Paul's Catholic School - Emmanuel	16	24	8
Radcliffe - Social Communication	15	15	-
St Paul's Catholic School - Social Comm	28	28	-
St Paul's Catholic School - HI	10	10	-
St Paul's Catholic School - VI	11	11	-
Stantonbury Campus - Social Comm	1	-	1
New Unit Provision Opening Jan-26	-	24	24
Total Special Unit/Resourced Provision Places	171	252	81
Post-16 SEN Places (non-special school)			
MK College	170	170	-
Total Post-16 SEN Places	170	170	-
Total Places Funded	1,356	1,460	104
Alternative Provision	Sep-23	Sep-24	
MK Primary PRU	25	35	10
The Bridge Academy	195	205	10
Total Alternative Provision	220	240	20