

## **Briefing note**

# **Item 2b Annex E – High Needs Budget 2025/26.**

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## **1 Purpose**

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

## **2 Recommendations**

- 2.1 To **note** the high needs budget 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 DfE (Department for Education) pays this directly. For 2025/26 this includes all academy place funding (special school, special units / resourced provision and AP provision) and FE institutions.
- 3.3 The main model of high needs funding works on a place plus top-up funding approach. The place funding reflects 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.
- 3.4 The final allocation of funding for the high needs block for 2025/26 was announced on 18<sup>th</sup> December at £65.674m.

- 3.5 The high needs budget is still subject to approval by Cabinet and Council in February (along with the rest of the council's budget). Any changes as a result will be reported back to school's forum.
- 3.6 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	Budget	Change
	2024/25	2025/26	in Budget
	£m	£m	£m
<b>High Needs Block</b>			
Special School Place and Top Up Funding	30.905	33.275	2.370
Departments / Unit Place and Top Up Funding	3.054	4.075	1.021
Alternative Provision 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	4.349	4.247	(0.102)
Independent School Fees	7.730	7.727	(0.003)
Demand Contingency	0.524	0.000	(0.524)
Central Expenditure	3.873	4.135	0.262
<b>Expenditure</b>	<b>61.825</b>	<b>65.674</b>	<b>3.849</b>
Surplus C/fwd	(4.605)	(3.103)	1.502
DSG Allocation	(61.825)	(65.674)	(3.849)
<b>Income</b>	<b>(66.430)</b>	<b>(68.777)</b>	<b>(2.347)</b>
<b>Total High Needs Block</b>	<b>(4.605)</b>	<b>(3.103)</b>	<b>1.502</b>

## 4 Place Funding

- 4.1 Commissioned places in special schools and alternative provisions will continue to be funded at £0.010m per place. 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/resourced provisions will be funded at £0.006m per place if the place is filled at the October 2024 census date and at £0.010m if the place was not filled at the time of the October census. This is because, if the place is filled at the time of the census, 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 direct from the DfE.
- 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 DfE to the college.
- 4.5 Annex E1 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 place change submission in November each year. This includes a net increase of 23 additional place in special schools from September 2024.
- 4.6 There will be a net increase of 81 unit/resourced provision places from September 2025 and January 2026. This includes an additional 38 places for the ASC units identified in the first round of the process, 12 places at existing resourced provisions, 8 places at the St Pauls Emmanuel Unit and 24 places for

the next round of unit openings scheduled for January 2026. These are offset by a reduction of 1 place at Stantonbury in line with their phased closure plan.

- 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 and an increase of 10 places at The Bridge Academy taking the number of funded places to 205. The use of the primary PRU, The Bridge Academy 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 The minimum funding guarantee (MFG) protection for maintained special schools and special academies in 2025/26 has been set at 0%. The MFG will apply to the combined place and top-up funding on a per pupil basis, assuming the number and type of places remains the same. The calculation must assume that all pupils in the school are placed by the provider authority (i.e., where the school is located) and that all top-up funding rates received by the school are those set by that authority. Compliance with the MFG has been checked as part of the final budget.
- 5.3 The government have confirmed that LAs must allocate an additional 3.4% based on place funding and average top-up funding from 2022/23. The guidance states that local authorities must allocate the same amount per place as in 2024/25, using the total number of places being funded in academic year 2025/26. Compliance with this has been checked as part of the final budget.
- 5.4 The top up funding model was introduced in September 2018 and consisted of five banding rates applied to all six special schools. Bandings in 2025/26 will not be uplifted due to the significant effect of the band drift. There is a fixed funding arrangement in place with Stephenson Academy post 16 outside of these banding rates.

	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

5.5 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		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%
<b>Total</b>	<b>800</b>	<b>100%</b>	<b>870</b>	<b>100%</b>	<b>824</b>	<b>100%</b>	<b>889</b>	<b>100%</b>	<b>827</b>	<b>100%</b>	<b>920</b>	<b>100%</b>	<b>919</b>	<b>100%</b>	<b>937</b>	<b>100%</b>		<b>0%</b>

5.6 The budget for top up funding will increase by £2.261m to £23.151m in 2025/26 to reflect increases in demand and complexity. This can be split into additional budget added in of £2.261m 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 (£0.014m) and additional funding due to special schools £0.008m. There is currently no banding rate increase due to the pressure on the high needs block. However, there is an additional £2.261m 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 £1.749m is due to banding drift which represents 45.4% of the increase in allocation from 2024/25 to 2025/26.

5.7 Whilst the DfE are being more flexible about how funding can work for post-16 funding (i.e., a change from the place plus top up approach) the funding regulations remain rigid for pre-16 funding. This means that settings still must 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.

5.8 For 2025/26, the DfE 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**

- 5.9 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.
- 5.10 The increase in the unit budgets of £1.021m to £4.075m in 2025/26 is largely due to an increase in places from September 2025 and January 2026 for the unit openings for phases 1 and 2.

### **Top Up Funding for Alternative Provision (AP)**

- 5.11 The top up funding for the Primary PRU is budgeted based on 25 places to August 2025 and 35 places from September 2025. 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.
- 5.12 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**

- 5.13 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 2025/26 will be £13.42 (2024/25 £13.16) an increase of 3%, with the first £0.006m funding 12 hours of support.
- 5.14 The budget for primary and secondary schools is £6.602m in 2025/26, an increase of £0.534m from 2024/25. This is based on the demand we are projecting in children with an EHCP for the forthcoming financial year and the rate increase for 2025/26 of 3%.
- 5.15 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**

- 5.16 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.
- 5.17 The post 16 budget will decrease by £0.102m to £3.960m for 2025/26 to reflect the reduction in costs from the prior year for 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 £0.003m to £7.727m for 2025/26 this is inclusive of a 5% assumed inflationary increase based on current year trends. The budget also incorporates £0.298m 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, speech and language contracts, occupational therapy contracts, central inclusion team, intervention and sensory teams and outreach team.

**7.2** Overall, the cost of these budgets will be increased by £0.262m to £4.135m 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 contribution for special schools to the school improvement team as agreed at schools forum in October 2024.

## **8 Budget Summary**

**8.1** As per the budget table under section 3.6, 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, finalising the high needs place return, carrying out banding reviews and focusing on demand pressures across all areas. The final high needs budget will be presented to Council for approval on 19 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 high needs block allocation of £65.674m (an additional £3.849m compared to 2024/25) has been fully committed into the 2025/26 budget with no in-year demand reserve (compared to the £0.524m set in 2024/25). 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 units from September 2024 will only see place and top-up funding costs for 7 months, with the full year effect for the twelve months being seen in 2026/27.

**8.4** As per the latest forecast position reported, the 2024/25 budget position is expected to have an overspend of £1.502 which will be deducted from the carry forward reserve of £4.605m. This will reduce the carry forward to £3.103m which represents 5.0% of the 2024/25 high needs block allocation and 4.7% of the 2025/26 high needs block allocation.

**8.5** 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. 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.

## Annex E1 – High Needs Places

	Sep-24	Sep-25	
Schedule of High Needs Places	Total Funded Places	Total Funded Places	Changes to Places
<b>Special Schools:</b>			
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
<b>Total Special School Places</b>	<b>1,015</b>	<b>1,038</b>	<b>23</b>
<b>Special Units/Resourced Provisions:</b>			
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
<b>Total Special Unit/Resourced Provision Places</b>	<b>171</b>	<b>252</b>	<b>81</b>
<b>Post-16 SEN Places (non-special school)</b>			
MK College	170	170	-
<b>Total Post-16 SEN Places</b>	<b>170</b>	<b>170</b>	<b>-</b>
<b>Total Places Funded</b>	<b>1,356</b>	<b>1,460</b>	<b>104</b>
<b>Alternative Provision</b>	<b>Sep-24</b>	<b>Sep-25</b>	
MK Primary PRU	25	35	10
The Bridge Academy	195	205	10
<b>Total Alternative Provision</b>	<b>220</b>	<b>240</b>	<b>20</b>



## Annex E2 – High Needs Budget 2025/26

### Item 2.2 Annex E2

Table 2: High Needs Budget 2025/26

High Needs Budget	2024/25	2024/25	2025/26	Change in
	Budget	Forecast	Budget	Budget
	£m	£m	£m	£m
<b>Special School Place and Top Up Funding</b>				
Special School Place Funding	10.015	9.957	10.124	0.109
Special Schools Top Up Funding	18.563	19.791	20.824	2.261
Teachers Pay and Pensions Grants	0.814	0.814	0.820	0.006
Special School Additional Funding	0.929	0.929	0.937	0.008
OLEA Special School - Top Up Funding	0.584	0.544	0.570	-0.014
<b>Total Special Schools</b>	<b>30.905</b>	<b>32.035</b>	<b>33.275</b>	<b>2.370</b>
<b>Departments / Unit Place and Top Up Funding</b>				
SEN Unit Place Funding	0.954	1.051	1.407	0.453
Special Units Primary Top Up Funding	0.844	0.798	1.155	0.311
Special Units Secondary Top Up Funding	1.256	1.480	1.513	0.257
<b>Total Department / Unit</b>	<b>3.054</b>	<b>3.329</b>	<b>4.075</b>	<b>1.021</b>
<b>Alternative Provision Place and Top Up Funding</b>				
Primary AP - Top Up Funding	0.280	0.280	0.377	0.097
Primary AP - Place Funding	0.229	0.229	0.308	0.079
Secondary AP - Top Up Funding	0.894	0.894	0.894	0.000
Secondary AP - Place Funding	1.950	1.950	2.008	0.058
Alternative Provision Additional Funding	0.100	0.100	0.096	-0.004
<b>Total Alternative Provision</b>	<b>3.453</b>	<b>3.453</b>	<b>3.683</b>	<b>0.230</b>
<b>Mainstream Top Up Funding (EHCP and No EHCP)</b>				
Primary School Top Ups - With EHCP	4.042	4.145	4.242	0.200
Secondary School Top Ups - with EHCP	2.026	2.297	2.360	0.334
Increase Notional SEN	0.389	0.350	0.389	0.000
OLEA Mainstream School - Top Up Funding	0.632	0.593	0.554	-0.078
Independent / Private - Top Up Funding	0.050	0.056	0.056	0.006
Primary and Secondary Top Up - SEN Support (No EHCP)	0.548	0.629	0.631	0.083
Personal Budgets	0.250	0.352	0.300	0.050
<b>Total Mainstream Schools</b>	<b>7.937</b>	<b>8.422</b>	<b>8.532</b>	<b>0.595</b>
<b>College Place and Top Up Funding</b>				
Places at MK College (FE & CCP)	4.062	4.250	3.960	-0.102
Top Ups 16-25 FE Colleges	0.287	0.287	0.287	0.000
<b>Total Post 16 Provision</b>	<b>4.349</b>	<b>4.537</b>	<b>4.247</b>	<b>-0.102</b>
<b>Independent School Fees</b>				
Independent Special Schools Fees	6.517	6.037	6.240	(0.277)
Home and Hospital provision	0.100	0.049	0.016	(0.084)
Tuition Packages	1.113	1.731	1.471	0.358
<b>Total Independent Special Schools Fees</b>	<b>7.730</b>	<b>7.817</b>	<b>7.727</b>	<b>(0.003)</b>
<b>Demand Risk Reserve</b>	<b>0.524</b>	<b>0.000</b>	<b>0.000</b>	<b>-0.524</b>
<b>Central Services</b>				
Specialist Equipment - Primary	0.030	0.095	0.105	0.075
Specialist Equipment - Secondary	0.020	0.052	0.090	0.070
Specialist Equipment - Special	0.187	0.227	0.187	0.000
Speech and Language Therapy Contract	0.541	0.541	0.568	0.027
Other SEN Provision - Occupational Therapy	0.110	0.110	0.116	0.006
Contribution to Central School Services Block	0.047	0.047	0.047	0.000
Contribution to School Improvement	0.000	0.000	0.022	0.022
Sensory Team	0.691	0.691	0.668	-0.023
SEN Outreach Team	0.749	0.547	0.736	-0.013
Inclusion and Intervention Team	1.498	1.424	1.596	0.098
<b>Total Central Services</b>	<b>3.873</b>	<b>3.734</b>	<b>4.135</b>	<b>0.262</b>
<b>Total High Needs Central Expenditure</b>	<b>61.825</b>	<b>63.327</b>	<b>65.674</b>	<b>3.849</b>
<b>Surplus C/Fwd</b>	<b>(4.605)</b>	<b>(4.605)</b>	<b>(3.103)</b>	<b>1.502</b>
<b>DSG Allocation</b>	<b>(61.825)</b>	<b>(61.825)</b>	<b>(65.674)</b>	<b>(3.849)</b>
<b>Forecast Deficit/(Surplus) at 31 March 2025 / 31 March 2026</b>	<b>(4.605)</b>	<b>(3.103)</b>	<b>(3.103)</b>	<b>1.502</b>