

**Report to:** East Sussex Schools Forum

**Date of meeting:** 12 September 2025

**Report By:** Director of Children's Services

**Title:** High Needs Block Update 2025/26

**Purpose:** To provide an update on the current position with the High Needs Block (HNB) in respect of identified pressures.

---

***Recommendations:***

1. That East Sussex Schools' Forum representatives note the implications of costs for maintaining the current level of placements in special schools and the risks associated with this for broader school budgets.
- 

**1. Background**

- 1.1. At Schools' Forum in September 2024, we set out the in-year and forecast future pressures on the High Needs Block, alongside the potential implications for schools in meeting in-year, and future, overspends.
- 1.2. Since this meeting, the LA has undertaken further work to update the projections and to model different options for Schools' Forum to consider in addressing the financial challenges. This included continuing our work with partners across the sector to review requests for increases in fees with a view to establishing long-term and sustainable options for meeting increasing demands. This work is ongoing and remains a high priority.
- 1.3. Since 2017, in collaboration with stakeholders, the LA has made a concerted effort to avoid the need for inter-block transfers, from individual school budgets into the HNB, in ensuring that the costs of provision for children with SEND are met within the available resources This has included:
  - 1.3.1. ensuring that schools have access to high quality support and guidance from dedicated specialist support services;
  - 1.3.2. ensuring transparent models of funding for state-run provision;
  - 1.3.3. challenging unreasonable costs in the independent sector;
  - 1.3.4. developing cost-effective provision in the state sector (new special schools and specialist facilities);
  - 1.3.5. investing in systems to improve inclusion in mainstream schools through the Enhancing Mainstream Practice Fund.
  - 1.3.6. ensuring that mainstream schools are funded appropriately to support children with EHCPs.
- 1.4. Collectively, this work has been instrumental in allowing us to mitigate the impact of the rising costs of SEND provision that other LAs have seen over recent years. However, the current position in East Sussex means that our mitigations will no longer meet the costs. This is due to the following factors: a much higher proportion of children with EHCPs placed in special schools than is the case nationally; significant increases in costs in provision within the independent and non-

maintained special (INMS) sector; a comparatively low allocation of HNB funding for the current year.

- 1.5. In November 2024, Schools' Forum approved an interblock transfer of £1m in 2025/26 from the Schools Block to the High Needs Block to support our forecast pressures in the 25/26 financial year. This was implemented in April 2025.

## **2. Supporting Information**

- 2.1. At the end of 2024/25, East Sussex had an in-year HNB overspend of £15.075m and a cumulative HNB deficit of £2.917m. The in-year overspend was mitigated by £15.814m reserves brought forward from 2023/24 and £2.979m in-year underspends on the other DSG blocks. The overall East Sussex retained DSG position at the end of 2024/25 was a cumulative surplus of £2.837m.
- 2.2. Separately, there was also £16.036m maintained schools' balance brought forward at the end of 2024/25.
- 2.3. This year, the quarter 1 DSG forecast indicated an in-year overspend of £20.424m. £900k of the brought forward Early years block surplus is being returned to the DfE this year as an adjustment for pupil numbers, so there is a likely year-end DSG cumulative deficit position of £18.487m. This means that we have less flexibility to offset any pressures in the HNB next financial year.
- 2.4. The DSG statutory override was recently extended, meaning that Local Authorities can continue to retain DSG deficits on their balance sheets without them being offset against reserves until March 2028. However, the longer-term implications for this are still unknown and there is no guarantee for further concessions beyond March 2028.
- 2.5. At quarter 1, ESCC is forecasting £97.707m spend against the £77.283m budget. This is broken down into:
  - 2.5.1. £70.602m on top-up funding
  - 2.5.2. £0.711m on transport
  - 2.5.3. £2.339m on personal budgets/EOTAS
  - 2.5.4. £1.676m on the Interim Provision Service
  - 2.5.5. £1m on CITES
  - 2.5.6. £1.7m on exceptional funding
  - 2.5.7. £19.679m on other services, including staffing
- 2.6. The single most significant pressure on the SEND budget continues to be the costs from the INMS sector. This is due to two main factors: the increase in the number of children for whom there is a request for a special school; and the unregulated price increases in this sector for all children placed which is above inflation in most cases. Of the £86.288m HNB spend in 2024/25, £25.887m of it was on INMS placements. This equates to 30% of spend on 11.6% of placements.
- 2.7. It is important to note that, with a few exceptions, the INMS sector is not providing anything that local, state-run provision (in both mainstream and special schools) are not providing. INMS are, therefore, only picking up 'overflow' where local provision is full, or where mainstream schools are stating that they cannot meet needs. For this reason, we are paying a premium for educational provision for children who might otherwise be supported in their local special or mainstream schools and who are not achieving discernibly better outcomes in the INMS sector.

- 2.8. As the demand for placements in special schools continues to increase and, as the funding from central government is insufficient to pay for the costs associated with this, we need to make some collective decisions about how we respond to this challenge. This is more acute this year as there are insufficient resources within the overall DSG to cover any pressure in the HNB. As we have already undertaken a lot of work to address many of the cost pressures, the only options are either to reduce the number of pupils who are placed in special schools or fund the additional costs from elsewhere in the school funding system.
- 2.9. Where there is a projected overspend in the HNB, Local Authorities must liaise with Schools' Forum to agree how this will be met. As the regulations around the funding of the HNB do not allow for the transfer of non-DSG into the HNB, any shortfall in the HNB must be met from other DSG budgets.
- 2.10. As the pressure we are seeing is predominantly from the number of placements of children in INMS schools, and the average cost of these placements is now £59.5k, the only way of avoiding the projected overspends is a reduction in the number of placements in special schools. This would require a significant change of approach, in order to meet the needs of more pupils in mainstream provision.
- 2.11. Following recent confirmation by the DfE on the processes for interblock transfers, we are currently completing our second DSG deficit management plan which will articulate the pressures in the HNB and the measures we are taking to address these. We will bring this to Schools' Forum on 14 November 2025. We will provide an updated financial position at this meeting, along with any request for a funding transfer from schools' budgets to the HNB to address the in-year 2025/26 pressure.
- 2.12. We have reviewed and brought to Forum the top-up funding for mainstream schools, state-run special schools, and FE Colleges. The HNB Working Group had been consulted on these recommendations. However, it is important to flag that the costs of the current pattern of educational provision in East Sussex exceed the HNB funding available and these will have to be met through the DSG.

### **3. Recommendations**

- 3.1. In light of the above, it is recommended that Schools Forum note the pressures on the HNB budget and the risks associated with this for broader school budgets.

**Carolyn Fair**

**Director of Children's Services**

Contact Officer: Nathan Caine, Head of Education: Send and Safeguarding

Tel. No: 01273 482401

Email: [nathan.caine@eastsussex.gov.uk](mailto:nathan.caine@eastsussex.gov.uk)