Item 4 – 2025/26 High Needs Block Forecast Expenditure and Monitoring Update

Schools Forum - 2nd March 2026

Recommendations

School's Forum is asked to: -

1) Note the various 2025/26 High Needs Block (HNB) allocations.
2) Note the amount of 2025/26 Safety Valve grant
3) Note and comment on the year to date spend on the HNB, Forecast spend to the end of 2025/26 and comparison with 2024/25.
4) To note and comment on the rationale for the 2025/26 deficit.
5) To note and comment on the mitigations being explored by the Council.
6) To note recent development and outlook regarding DSG deficit and the future of Safety Valve agreement.

1. Purpose

1.1 To inform Schools Forum of the 2025/26 High Needs Block (HNB) budget position, the ensuing pressure in spending and mitigating actions to address the pressure.

2. Report Details

2.1 2025/26 High Needs Block (HNB) Allocation

The HNB Allocation is announced as both Gross and Net allocations. The net allocation is after deducting Academy and Free Schools place funding and adjustment for import/export pupils. The original gross and net HNB allocation announced in December 2024 was £97,626,732 and £87,154,732 respectively. This is being revised by DfE on a regular basis throughout the year. The latest allocation was released in November 2025 with at least 2 more expected for 2025/26. Table 1 below showed the various revision and values leading to the latest gross and net allocations of £97,485,367 and £86,663,367 respectively.

Table 1 – 2025/26 HNB Allocations

Croydon's 2025/26 High Needs Block Allocation				
	as at 18th Dec 2024 (A)	as at 31 Mar 2025 (B)	as at 22nd Jul 2025 (C)	as at 24th Nov 2025 (D)
Gross Allocation	97,626,732	97,626,732	97,485,367	97,485,367
Net Allocations	87,154,732	87,014,732	86,663,367	86,663,367

2.2 In addition to the above funding, the Schools Forum, at its meeting on 2nd December 2024, also approved the transfer of £1.2m from the Schools Block to the High Needs Block. The total funds available for the HNB is therefore £87,863,367.

2.3 The 2025/26 safety valve allocation is an additional £3.29m. This is to be used to reduce the historic deficit and not for current year's deficit planning.

3. 2025/26 HNB Block Forecast Outturn

3.1 The year to date (at the end of January 2026) spend on HNB budget is £97.2m. The forecast spend for the year is £108.1m and the comparative amount for 2024/25 is £104m. These are itemised in Tables 2 below.

Table 2 – 2025/26 Forecast Outturn and comparison with 2024/25

Row no.	Description	YTD Actuals (£)	2025/26 Forecast	2024/25 Outturn	Change
1	Special Schools	37,240,079.35	40,988,095.22	35,175,738.94	5,812,356.28
2	Independent Special Schools	35,360,860.37	38,233,032.44	27,764,163.80	10,468,868.64
3	Top up for Mainstream Schools	8,417,517.00	9,601,020.40	11,120,110.88	-1,519,090.48
4	Out-of-Borough Schools	4,512,595.19	5,215,114.23	7,287,845.83	-2,072,731.61
5	FE Schools	3,457,270.18	4,048,724.22	6,604,653.37	-2,555,929.15
6	Enhanced Learning Provisions	3,243,449.00	3,792,138.80	4,369,308.67	-577,169.87
7	Sensory Support team (HI, VI etc)	1,453,362.09	1,744,034.51	1,706,231.92	37,802.58
8	Inclusion team & home Education	1,031,214.88	1,237,457.86	936,747.42	300,710.43
9	Locality Support Project (incl. EY)	656,822.12	788,186.54	3,286,956.53	-2,498,769.99
10	EY Inclusion & Intervention Team	502,943.48	603,532.18	590,997.81	12,534.37
11	Personal Budget Payments	420,889.48	505,067.38	354,592.75	150,474.63
12	SALT	323,339.44	388,007.33	1,285,207.91	-897,200.58
13	Education Occupational Therapy	295,401.68	354,482.02	224,039.96	130,442.06
14	SEN Tribunals	216,891.32	260,269.58	256,375.30	3,894.28
15	Delegated PRU	0	0.00	1,877,733.51	-1,877,733.51
16	Small Schools	0	232,531.54	232,531.54	0.00
17	Others	94,725.51	113,670.61	1,064,874.39	-951,203.78
	Total	**97,227,361.09**	**108,105,364.85**	**104,138,110.54**	**3,967,254.30**

3.2 The in-year deficit is therefore forecast to be £20.2m. The main reasons for this deficit as well as mitigations are summarised in the following paragraphs.

3.3 The increase in numbers of children requiring an EHCP is significant and in particular those children and young people requiring a specialist placement.

3.4 The rising cost of placements in out-of-borough specialist schools, Further Education (FE) Colleges, special schools and independent special schools is still the main driver for the emerging risk. Although much work is done in terms of demand management for independent placements, the cost of placement is a challenge. This is driven mainly by the cost of placements rather than numbers. This is a national issue and not just experienced by Croydon.

3.5 The Local Authority is facing an enormous challenge in having enough local placements to meet its demands for children and young people requiring specialist placements, hence we are compelled to seek out-of-borough placements to meet needs. The service has successfully partnered with some mainstream schools in setting up new Enhanced Learning Provisions (ELP), which started in the Autumn Term 2024. We are also having positive conversations about developing annexes to two of our special schools, which will lead to further increases to in-borough places.

3.6 An increase in the number of children requiring a specialist placement in reception class has had a significant impact on the budget that was forecast for 2024/25.

3.7 Requests for fee uplifts by Independent Special schools, as well as additional requests for increased top-up payments from some of the borough's academy schools, continue to place considerable strain on the high-needs budget. This reduces financial flexibility and challenges our ability to provide timely and adequate support for all pupils. Some providers are demanding increased top-ups payments, of upwards of 20% from previous years. In one instance, due to an increase in in-year admissions one of our special schools had no additional places available for year 7 and the Council were required to find additional places outside of the borough at very high costs.

3.8 The Council have experienced ongoing IT system issues related to migration from the previous platform, which did not have direct integration with the finance system. Because of these limitations, several data transfers during the migration process were incomplete or contained errors. This has resulted in discrepancies in the financial records, delays in processing information, and additional time required to identify and correct the affected data.

3.9 There has been a continued increase in the number of EHCPs in Croydon, rising to 6,000, an increase of 675 from the 2024/25 academic year. This rise mirrors the national trend of growing EHCP numbers. The borough is seeing an increasing number of pupils requiring specialist placements; however, the expansion of Enhanced Learning Provision (ELP) and special school places has not kept pace with demand, creating pressure on available resources and services. The percentage of pupils attending non-maintained independent special schools over the past few years has remained fairly static (8%) but the numbers have increased. The priority to deliver more specialist placements in the borough has been through two main foci: increasing the number of special school places and development of new Enhanced Learning Provisions (ELPs).

4. MITIGATIONS TO ADDRESS THE ABOVE CHALLENGES

4.1 On the IT system issue, we have introduced several corrective and preventative measures. This includes implementing enhanced data validation checks prior to import, conducting detailed reconciliation between legacy and new system records, and allocating additional IT and finance resources to identify and correct discrepancies. The Council are also working closely with the system vendor to apply technical fixes, improve system configuration, and strengthen the integration between platforms. Furthermore, a High Needs Board and action plan has been developed alongside our SEND Governance processes. The Council commissioned a review from CIPFA and we have held 2 recent workshops with them to work through the issues and develop short- and long-term solutions

4.2 Increase in capacity of in-borough special schools. The Council have engaged with special schools within the council and have been able to increase capacity in the following schools:

4.3 **Table 3: Increased Special Schools Provisions**

School	Increased places
St Nicholas	20
Addington Valley Academy	16
Red Gates	5

4.4 The majority of reception aged children requiring a specialist placement, the current academic year, have been placed within the borough, supported by the creation of 137 new special school placements. The process for placements was started much earlier, previously the Council placed 70 children starting in reception in provision outside of the borough. The Council is also in ongoing discussions about the development of new ELPs and Special School Satellite provision as can be seen in the table below.

Table 4: Potential New ELPS and Satellite Special Schools Provisions

Planning Area (A)	Type (B)	Places (C)
South East	ELP	20
North West	ELP	20
North West	Satellite	TBD
East	Satellite	TBD
East	Satellite	TBD

4.5 The Council continues to deliver the SEND Strategy and are implementing a SEND action plan in response to the increase in in-year and overall cumulative overspend. Central to this plan is a comprehensive restructure of the SEND service, designed to improve efficiency, strengthen case management, and enhance support for families, ensuring timely assessment and placement of pupils. A key element of our strategy is the continuation of our early intervention model, identifying and supporting children with additional needs as early as possible. These measures are being implemented alongside our existing SEND governance processes to provide robust oversight, accountability, and alignment with the overall SEND Strategy, while addressing both financial pressures and the growing demand for specialist provision.

5. <u>Recent Development and Future Outlook</u>

5.1 The government recently announced the Safety Valve programme will be discontinued at the end of 2025/26 (i.e. March 2026).

5.2 In its place, the government planned to introduce a one-off High Needs Stability Grant which will be paid in Autumn 2026, subject to LAs submitting, and securing the Department for Education's approval of, a local SEND reform plan which DfE indicates should be developed collaboratively by local area partnerships - including schools, health, early years settings and post-16 providers – to ensure the plan reflects the shared responsibility of the whole local system in supporting children and young people. For LAs previously in the Safety Valve programme, the new deficit grant will provide at least as much financial support as would have been received through the remainder of the Safety Valve agreement.

5.3 Initial estimates suggest the grant could be in the range of £35m to £40m, relating to a contribution to write off the majority of the deficit as at 31/3/26, and will be paid in Autumn 2026. Based on current funding levels, despite mitigating actions, there will continue to be a significant overspend in 2026. The SEND white paper, which is expected soon, will help to clarify ongoing funding arrangements for high needs and help to confirm the position post the conclusion of the statutory override at the end of March 2028.

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