

NORTH YORKSHIRE COUNCIL

CORPORATE DIRECTOR MEETING WITH EXECUTIVE MEMBERS

17 MARCH 2026

HIGH NEEDS BUDGET 2026-27

REPORT OF THE CORPORATE DIRECTOR - CYPS

1.0 PURPOSE OF REPORT

- 1.1 This report summarises the expected budget for the High Needs Block in 2026-27 and outlines the extent of the anticipated financial pressure.

2.0 SUMMARY

- 2.1 On 13 February 2026, Full Council approved a recommendation (7.1f) from a Joint Report of the Chief Executive and the Corporate Director, Resources that:

“...the Corporate Director – Children and Young People’s Service is authorised, in consultation with the Corporate Director, Resources and the Executive Members for Schools and Finance, to take the final decision on the allocation of the [High Needs Block].”

- 2.2 This paper outlines the high-level High Needs Block funding position, the anticipated expenditure and projected in-year deficit position. The outline includes information on the current and projected accumulated deficit position. The paper also refers to decisions made by Executive on 6 January 2026 in relation to Special School budgets and E3 top-up banding payments as well as mitigating actions that the local authority is exploring to reduce the unfunded financial pressure.

3.0 HIGH NEEDS FUNDING

- 3.1 The anticipated overall High Needs Block allocation available for North Yorkshire in 2026-27 is £93.2m. This allocation is inclusive of the grant funding (£5.08m) previously allocated to the High Needs budget outside of the Dedicated Schools Grant (DSG) which has been rolled into the High Needs DSG for the 2026-27 financial year. The 2026-27 High Needs DSG has remained “cash flat” at the 2025-26 funding level after accounting for the rolled in grant funding. The High Needs DSG initial funding allocation is reduced by the Department for Education (DfE) in relation to funding provided directly to academies and for some post-16 provision. It also includes an anticipated import/export adjustment (adjustments made to reflect cross-border movement of pupils living in one local authority who attend provision in another; adjustments for 2026-27 will be finalised by the DfE in early Summer 2026). The anticipated total deductions amount to an estimated £14.18m resulting in a net funding allocation to the local authority of £79.04m. In addition, the Executive on the 6 January 2026 approved a funding transfer of 0.5% (£2.4m) from the Schools Block DSG to the

High Needs Block DSG for the 2026-27 financial year; this transfer was supported by the North Yorkshire Schools Forum.

- 3.2 The final High Needs Block figure will not be known until June 2026 following confirmation of the import/export adjustment. **Table 1** summarises the anticipated funding position.

Table 1: HNB Funding Position

	2025-26 £m	2026-27 £m	Variance £m
High Needs Block Allocation	88.142	93.217*	5.075***
DfE Deductions	(11.964)	(14,179)**	(2.215)
North Yorkshire LA Allocation	76.178	79.038	2.860
0.5% Schools Block Transfer		2.409	2.409
Total High Needs Block Funding	76.178	81.447	5.269

* Latest High Needs DSG funding position provided by DfE

** These figures are the LA's latest prediction as at 06/03/26

***"Rolled in" grant funding previously received outside of High Needs DSG

- 3.3 On 9th February 2026, as part of the publication of the Final Local Government Finance Settlement, the Department for Education (DfE) published an explanatory note on the government's approach to Dedicated Schools Grant deficits. Support will be provided in phases. The first phase will address historic deficits accrued up to the end of 2025-26. All local authorities with a SEND deficit will be eligible in 2026-27 to receive a High Needs Stability Grant covering 90% of their DSG deficit accrued up to the end of 2025-26.
- 3.4 The DfE will confirm the detail on further support for deficits arising in 2026-27 and 2027-28 before the statutory accounting override set out in Regulation 30L of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ends from 1 April 2028. From 2028-29, SEND spending will be covered by the overall government DEL budget, meaning local authorities will not be expected to fund future SEND costs from general funds, once the Statutory Override ends at the end of 2027-28.
- 3.5 The note describes that the DfE will calculate a High Needs Stability Grant that will be payable to individual local authorities. Allocations of the High Needs Stability Grant must be used exclusively to extinguish an amount of the local authority's Dedicated Schools Grant deficit that is recognised in the unusable reserve as at 31 March 2026.
- 3.6 The calculation of the High Needs Stability Grant will cover 90% of historic deficits accrued up to the end of 2025-26 and with reference to a full range of sources on local authority expenditure including comparisons of Section 251 data, draft and published Dedicated Schools Grant notes, DSG s151 assurance sign-off, Revenue Outturn (RO) data and published accounts. Any proportion of the historic deficit up to 2025-26 not covered by grant ("the residual deficit") will remain in the associated statutory reserve. At the time of writing this report, there remained a degree of uncertainty with regard to how the Department for Education will calculate the High Needs Stability Grant and, therefore, the value of any such grant remains uncertain.
- 3.7 The total eligible DSG deficit will "...not include overspends to DSG for matters other than high needs including, but not limited to, charges relating to Equal Pay claims or overspends on other blocks within the DSG, e.g. early years. DfE will continue to

scrutinise local authority DSG accounts on an ongoing basis to identify discrepancies and significant fluctuations, as well as potential ineligible spend. Such spending will be deducted from the total DSG balance before calculating the 90% grant.”

- 3.8 Allocations of the High Needs Stability Grant will be paid in Autumn 2026 subject to each local authority developing and submitting to the Department for Education a Local SEND reform plan which is then approved as meeting the required criteria. Local authorities are expected to set out a clear pathway towards an inclusive system in line with the wider vision for SEND reform. The SEND reform plan will need to 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.
- 3.9 For deficits that arise in 2026-27 and 2027-28, the Department for Education has not yet published guidance on how they will be treated. However, in the published information, local authorities are expected to continue to take an appropriate and proportionate approach, including with reference to best practice. The Department will also provide North Yorkshire with advisers to help ensure that spending is “effective, efficient, and focussed in improving outcomes for children and young people”.
- 3.10 Changes in government regulations since January 2020 effectively prohibit the local authority from using its general resources to fund any overspend in the High Needs Block (and any other DSG blocks). However, the local authority has chosen to set aside a provision to mirror any projected in-year High Needs Block deficits in order to adhere to its sound and prudent financial management principles. This mirror provision protects the local authority’s financial position against the risk presented by under-funded statutory duties as well as the time-limited statutory override position (**see section 8.2**). This provision will continue to be held in place until clarity has been provided on how the full high needs deficit will be funded.
- 3.11 The “cash flat” national funding quantum for the High Needs DSG for the 2026-27 financial year does not enable local authorities to respond to the combination of pay and price inflation and increased demand for support. Inequities in the distribution of resources between local authorities need to be addressed. The Public Accounts Committee’s report¹ into “Support for children and young people with special educational needs” found that the SEND system “...is reaching, or, arguably, has already reached, crisis point. Despite a 58% increase in the [DfE’s] high needs funding over the last decade, funding has not kept pace with demand following a 140% increase in the number of children with education, health and care (EHC) plans. Outcomes for children have not improved which inevitably undermines parents’ confidence in the system.” It goes on to say that: “[A]s well as not delivering outcomes, the SEN system is unaffordable, placing a significant strain on local authorities’ finances. Most worryingly, government does not know how it will address immediate financial challenges faced by local authorities where, for many years, local authority spending has outstripped departmental high-needs funding, leading to substantial deficits. Local authorities now face the prospect of these deficits, which could total £4.6 billion, hitting their books in March 2026 and impacting their wider finances....the gap between high-needs annual funding and forecast costs looks set to rise further, with an estimated £3.4 billion mismatch in 2027-28”

¹ Support for children and young people with special educational needs, Public Accounts Committee, published on 15 January 2025 available at: <https://committees.parliament.uk/publications/46238/documents/231788/default/>

- 3.12 The local authority is ranked 146 out of 151 local authorities in terms of revenue funding per head (2-18 population). The way that the Department for Education determine how much each local authority receives depends on several factors, including:
- Historic spend factor – this bears no resemblance to the needs of today and means local authorities with similar SEND responsibilities can receive different funding levels
 - Deprivation factors – which do not mirror demand in North Yorkshire
 - To put this into context, North Yorkshire received £797 per pupil in 2025-26; the top-funded local authority gets £1,738 per pupil.

4.0 HIGH NEEDS BUDGETS

- 4.1 The proposed budget for High Needs has been prepared building in provisional estimates for increased numbers of children and young people assessed as requiring Education, Health and Care Plans. This reflects recent trends, known planned movements and best estimates of future demand. The proposed High Needs Budget for 2026-27 is outlined in **Table 2** below:

Table 2: High Needs Budget

	2026-27
	£k
High Needs Commissioning	88,679
Alternative Provision	1,239
Inclusion	1,820
Hubs & SEN Provision	3,362
Financial Support	54
DSG Overheads	420
Estimated Spending	95,574
Estimated Funding	79,038
Estimated 0.5% Block Transfer	2,409
Estimated In-year Deficit	14,127
Projected In-year Deficit	14,127
Projected Accumulated Deficit B/f	27,447
Projected Accumulated Deficit C/f	41,574

- 4.2 In total, anticipated expenditure in 2026-27 amounts to c.£95.6m with a provisional projected shortfall of £14.1m. It should be noted that c.93% of anticipated spend is within High Needs Commissioning. This principally funds special school commissioned places and top-up funding, mainstream Element 3 top-up funding, independent and non-maintained special school commissioned places and special provision institution (SPI) commissioned places. The figures included in section 4.1 reflect the latest estimates and will be closely monitored throughout the year.

- 4.3 For financial planning purposes, the 2026-27 High Needs Commissioning budget supports approximately 6,400 FTE children and young people assessed as requiring Education, Health and Care Plans (EHCPs). In reality, the number of children currently supported is in excess of this. The financial planning assumptions indicate that there will be an increase of approximately 1,000 children and young people financially supported through EHCPs in 2026-27 in different types of provision.
- 4.4 The High Needs Commissioning Budget of £88,679k represents the single largest area of spending; most of the financial pressure in the last three years has been in this area. The budget, outlined in **Table 3**, comprises:

Table 3: High Needs Commissioning Budget 2026-27

	£k	%
North Yorkshire Special Schools	26,867	30.3
Independent and Non-maintained Special Schools	18,876	21.3
North Yorkshire Mainstream School E3 Top-up Funding	15,042	17.0
Other Local Authority provision	4,340	4.8
PRU's	3,878	4.4
Special Provision Institutions	3,620	4.1
Pooled Budget	3,174	3.6
Education Other Than at School (EOTAS)	2,801	3.2
FE Colleges	2,757	3.1
Personalised Learning Pathways	2,495	2.8
Targeted Mainstream Provision	2,196	2.5
Independent Learning Providers (ILP's)	1,569	1.8
Early Years	939	1.0
Other	125	0.1
Total	88,679	100

- 4.5 47.3% of the High Needs Commissioning is spent directly with schools and academies in North Yorkshire, with 30% targeted at supporting the ten special schools in North Yorkshire to develop and deliver provision to meet the needs of children and young people locally. However, c.£20m is spent on approximately 300 places in independent and non-maintained special schools. This represents over 20% of the High Needs Commissioning Budget and represents an increase in absolute cost and an increase in overall share of the total spend compared with 2025-26. This continues to represent a high per pupil cost to the overall budget.

5.0 SPECIAL SCHOOLS

- 5.1 The local special schools funding formula for 2026-27 was agreed by Executive on 6 January 2026, taking into account the following specific aspects of the budget allocations:
- The specific operation of the Minimum Funding Guarantee (MFG) for special schools;

- The requirements placed on local authorities by the DfE for the allocation of the additional High Needs funding in 2023-24;
- 5.2 The Minimum Funding Guarantee (MFG) is a protection for special schools against seeing a reduction in funding from year to year assuming that the number and type of places remain the same. The DfE determined that this rate should be set at 0% for Special schools for the 2026-27 financial year.
- 5.3 The Executive confirmed approval for Banded Funding allocations for 2026-27 providing a 2% increase on the 2025-26 financial year funding levels. Allocations for 2026-27 are outlined in **Table 4**.

Table 4: Element 3 Banding Allocations

	Funding Rates 2026-27
Band 3	£0
Band 4	£1,890
Band 5	£4,160
Band 6	£6,000
Band 7	£9,170
Band 8	£10,960
Band 9	£15,200
Band 10*	£20,000*

*actual allocations dependent on Placement Resource Panel evaluation

- 5.4 Executive approval was also provided for a 2% increase on the factor elements within the Special Schools Contextual Funding for 2026-27 compared to the 2025-26 financial year funding levels.
- 5.5 Special school funding statements have been prepared and shared with North Yorkshire special schools reflecting the above decisions, alongside accompanying guidance on how the formula allocations have been determined and incorporating the assessment of the commissioned places for the 2026-27 academic year.
- 5.6 The Special School budget for 2026-27 is based upon a combination of 1,273 North Yorkshire Pupils commissioned places for the 2025-26 academic year and 1,371 commissioned places for the 2026-27 academic year. Due to open in September 2026 is a new Secondary Autism provision in Harrogate - these places are not in the commissioned numbers but are accounted for in the budget. However, there continues to be a need to enhance capacity further, both in terms of the overall level of capacity in the sector and meeting specific gaps in the existing range of provisions. Furthermore, the development of significant additional capacity (through the development of the two free schools in Selby and Northallerton) are a cornerstone of our High Needs programme as forecasts indicate that we will be able to support a significant number of young people in specialist provisions who would otherwise need support through an independent sector placement.
- 6.0 PUPIL REFERRAL SERVICE
- 6.1 The Pupil Referral Service/ Alternative Provision budget for 2026-27 has been constructed on the basis that planned secondary commissioned places at all settings will be at the same level of local authority commissioned places in the 2026-27

academic year as in the 2025-26 academic year (i.e. 168 places). Top-up funding allocations (Element 3 funding) and preventative place funding allocations will be increased in line with the inflationary uplift described in **section 5** above.

- 6.2 The Local Authority has maintained the number of secondary preventative places for the 2026-27 academic year at the same level as in the 2025-26 academic year. The uptake of these preventative places does vary between establishments and whilst some establishments have made significant positive progress in increasing the number of young people through this route, that position is not universal.
- 6.3 The Local Authority has recently consulted on the move to create primary commissioned places to meet our statutory duty for 6th day provision. The 2026-27 budget has provision to potentially allow for this transition during the 2026-27 academic year.

7.0 NEXT STEPS

- 7.1 The local authority has adopted a transformational approach to high needs identifying mitigating actions to reduce the growth of the financial pressure. This includes the co-production of an ordinarily available inclusive mainstream framework to systemically support pupils with additional needs to access local, mainstream provision. Improvements to SEN administration, assessment and co-ordination have been progressed with improvements in timeliness of assessment. During 2026, a digital EHCP will start to be rolled out to support more efficient and streamlined processes. The local authority has, over several years, expanded specialist provision both within special schools and through targeted mainstream provision. New special schools are planned for Selby and Northallerton whilst the local authority has in recent years completed significant capital developments at Welburn Hall School, Skipton, Harrogate and Springwater.
- 7.2 The local authority will carefully consider the White Paper, 'Every child achieving and thriving' and will respond to the associated consultation paper. Local authorities are required to produce a Local SEND Reform Plan – which will need to be approved by DfE prior to the approval of any High Needs Stability Grant payment.

8.0 **FINANCIAL IMPLICATIONS**

- 8.1 The financial implications of the High Needs Block budget position are outlined in sections 3 through to section 6. The summary position is that there is a projected in-year deficit of £14.1m. An equivalent mirror LA provision has been established in the Budget agreed by Full Council on 13 February 2026. This will be held until the funding of the entire high needs deficit has been confirmed.
- 8.2 In 2020, the government introduced a statutory override for a period of three years (up to end of March 2023) that meant that local authority DSG deficits could be separated from their wider accounts. The government agreed an extension of the DSG statutory override for a further three years (up to end of March 2026) to provide time to work with local authorities to implement sustainable change, underpinned by (i) wider reform through the publication of the Department for Education's (DfE) SEND and AP Improvement Plan in early 2023, and (ii) Safety Valve and Delivering Better Value in

SEND intervention programmes. The Statutory Instrument (SI): Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2022 came into force in December 2022. The Department for Education confirmed a further extension of the statutory override to 31 March 2028.

- 8.3 On 9th February 2026, as part of the publication of the Final Local Government Finance Settlement, the Department for Education (DfE) published an explanatory note on the government's approach to Dedicated Schools Grant deficits. Support will be provided in phases. The first phase will address historic deficits accrued up to the end of 2025-26. All local authorities with a SEND deficit will be eligible in 2026-27 to receive a High Needs Stability Grant. The DfE will confirm the detail on further support for deficits arising in 2026-27 and 2027-28 before the statutory accounting override set out in Regulation 30L of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ends from 1 April 2028. From 2028-29, SEND spending will be covered by the overall government DEL budget, meaning local authorities will not be expected to fund future SEND costs from general funds, once the Statutory Override ends at the end of 2027-28.
- 8.4 The local authority consulted schools on the transfer of 0.5% funding from the Schools Block to the High Needs Block in recognition of the unprecedented and acute financial pressure on funding SEND services. The majority of responses to the consultation supported a funding transfer and the proposed funding transfer of 0.5% (£2.409m) was supported by the Schools Forum.
- 8.5 Whilst the 2026-27 local authority budget provision for high needs mirrors the projected accumulated high needs deficit, ensuring that there is sufficient LA reserve provision to meet any accumulated high needs deficit is dependent on:
- the final 2025-26 high needs block outturn position;
 - refinement, agreement, and delivery of mitigating actions to reduce the high needs financial pressure;
 - demand remaining in line with budgeted assumptions;
 - close management oversight of demand and cost pressures to ensure that they remain consistent with budgeted assumptions.

9.0 LEGAL IMPLICATIONS

- 9.1 The Council is under statutory duties to deliver special educational provision contained in a pupil's Education, Health and Care Plan for those pupils that live within our area.
- 9.2 The Council is under a statutory duty to ensure that it keeps education and social care provision under review for children and young people who have special educational needs or a disability. The Council must consider the extent to which the provision is sufficient to meet the educational needs, training needs and social care needs of the children and young people concerned.
- 9.3 The Council is also under statutory duties regarding the authority's finances, and how it manages the High Needs Budget.

10.0 EQUALITIES IMPLICATIONS

- 10.1 The Council must demonstrate that it pays due regard in developing budget proposals and in its decision-making processes to eliminate discrimination, advance equality of

opportunity, and foster good relations between different people when carrying out their activities with regard to the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This includes taking account of the additional compounding factors such as the rural nature of the Council's geography and the cumulative impact of proposals on groups with protected characteristics. The impact of proposals and decisions on the Council's activities as a service provider and an employer must be considered.

- 10.2 The Council has carried out an equality impact assessment (EIA) to highlight which protected groups may be affected by the proposed High Needs Budget in 2026-27, to identify any emerging themes and cumulative impacts, and to consider them within evidence gathering and more detailed EIAs. Executive Members are required to read the EIA to inform their decision-making and ensure legal compliance with the public sector equality duty under the Equality Act 2010. There must be conscientious consideration by Executive Members, as decision-makers, of the impact of the proposed High Needs Budget on the relevant groups. This duty cannot simply be discharged by officers and due regard must be paid by Executive Members.
- 10.3 Pursuant to Section 149 Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:
- (a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.4 An Equality Impact Assessment has been completed in respect of the proposed High Needs Block Budget for 2026-27 and it can be found at **Appendix 1**. It is anticipated that there will be no impact on any persons with protected characteristics as defined by the Equality Act 2010. Any potential adverse impacts will be mitigated by the fact that the Council has statutory duties to deliver all special educational provision in a pupils Education, Health and Care Plan. Any further proposals brought forward will be reviewed and assessed and individual EIAs will be undertaken as appropriate.

11.0 CLIMATE CHANGE IMPLICATIONS

- 11.1 No climate change or environmental implications have been identified, through the completion of a Climate Change Impact Assessment (CCIA) (Initial Screening Form), with the High Needs Block Budget 2026-27 proposals outlined in this report. The CCIA can be found at **Appendix 2**.

12.0 REASONS FOR RECOMMENDATIONS

- 12.1 As outlined in **section 2**, it is the responsibility of the Corporate Director – CYPS, in conjunction with the Corporate Director, Resources and the Executive Members for Finance and Schools to take a decision on the High Needs Budget for 2026-27. Recommendation 7.1f in a Joint Report of the Chief Executive and Corporate Director,

Resources which was approved by Full Council on 13 February 2026 sets out the delegated authority for this decision.

13.0 RECOMMENDATIONS

The Corporate Director – CYPS, in conjunction with the Corporate Director, Resources and the Executive Members for Finance and Schools are asked to:

- i) note the financial position and financial projections within the High Needs Block for 2026-27
- ii) approve the High Needs Block budget set out in **Table 2** and **Table 3**

APPENDICES:

Appendix 1 – Equalities Impact Assessment

Appendix 2 – Climate Change Impact Assessment

BACKGROUND DOCUMENTS:

Full Council (13 February 2026): Revenue Budget for 2026-27 & Medium Term Financial Strategy to 2028-29 (Joint Report of the Chief Executive and the Corporate Director, Resources: [MTFS 26-27 Revenue Report For Full Council - Final.pdf](#)

Executive (6 January 2026): Mainstream Schools and Special Schools Budget (Report of the Corporate Director – Children and Young People’s Services): [20260106 - Report - 2026-27 Mainstream School and Special School Budgets.pdf](#)

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17th March 2026

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.