



National Audit Office



REPORT

Support for children and young people with special educational needs

Department for Education

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Support for children and young people with special educational needs

Department for Education

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

16 October 2024

Key facts

1.9mn

estimated number of children and young people aged 0 to 25 years with special educational needs (SEN) in January 2024

£10.7bn

DfE's 2024-25 budget for local authorities', schools' and colleges' spending on educational support for children with higher needs

69%

proportion of young people with SEN at key stage 4 who, in 2021/22, were in sustained education, employment or training after leaving 16 to 18 study compared to 85% for those without

140%

increase in the number of children with an education, health and care (EHC) plan, or equivalent statement of special educational needs, from 240,000 in January 2015 to 576,000 in January 2024

55%

proportion of school pupils in England with an EHC plan who were attending state mainstream schools in January 2024, compared to 48% in January 2019

50%

proportion of children waiting for an EHC plan for longer than 20 weeks (the statutory expectation) in 2023

31%

proportion of 35 local area SEND inspections that Ofsted and the Care Quality Commission found had 'widespread and/or systemic failings' between January 2023 and March 2024

£4.6 billion

DfE's central estimate, as at October 2024, of the cumulative deficit in the dedicated schools grant at the end of 2025-26

£3.4 billion

central estimate of the gap between DfE's forecast high-needs costs and the current level of high-needs funding, adjusted for forecast inflation, in 2027-28

In this report we use 'SEN' to refer to all children and young people with special educational needs, including those whose needs arise because of a disability. Use of the term 'child' includes young people. Financial years are written as, for example, '2023-24' and run from 1 April to 31 March; school and college academic years are written as '2023/24' and run from 1 September to 31 August.

Summary

1 Based on an NAO estimate, around 1.9 million children and young people aged 0 to 25 years in England (11%) were identified as having special educational needs (SEN) in January 2024, with 1.7 million at school. A child or young person has SEN if they have a learning difficulty or disability which means they need special educational provision beyond that required by most others of the same age. The definition of SEN is broad, relative not absolute, and based on an assessment. All those with SEN should receive support reflecting their individual needs, which could be within mainstream school, specialist or alternative settings.

2 There are two categories of support for children with SEN, which broadly reflect their level of need. Most will receive additional support at school, which we describe in this report as ‘SEN support’. However, if a child’s needs cannot be met, they have a legally enforceable entitlement to specific support set out in an education, health and care (EHC) plan. Between 2015 and 2024 there was a 140% increase (to 576,000) in 0-to-25-year-olds with EHC plans, with a 14% increase (to 1.14 million) in state school pupils with SEN support.

3 The Department for Education (DfE) is accountable to Parliament for the SEN system and alternative provision, alongside securing value for money from the funding it provides, through local authorities, to schools and other education settings. Local authorities, working with national and local bodies, have a statutory responsibility to ensure children receive the support they need. Health services have a responsibility to provide, when clinically required, medical assessments, routine health checks, and healthcare. DfE’s dedicated funding for those with greater needs totalled £10.7 billion in 2024-25, with other organisations also using wider funding to support SEN.

4 Through the Children and Families Act 2014, government aimed to introduce significant changes to the SEN system for: children’s needs to be identified earlier; families to be more involved; mainstream schools to be inclusive; support services to be better integrated; and appropriate support to remain up to age 25. In September 2019, our report on support for pupils with SEN found that whilst stakeholders welcomed these reforms, many pupils were not being supported effectively and the system was not financially sustainable.¹ At the same time, DfE recognised the system was not working and launched a review.

¹ Comptroller and Auditor General, *Support for pupils with special educational needs and disabilities in England*, Session 2017–2019, HC 2636, National Audit Office, September 2019.

5 DfE and the Department of Health and Social Care (DHSC) jointly published review findings in a March 2022 green paper, which found the system created “vicious cycles” of worsening performance with needs being identified late, insufficient capacity, and a lack of confidence in the system. In March 2023, DfE and DHSC published an improvement plan setting out how they would tackle the most immediate challenges and decide on future changes. DfE continues to implement initiatives set out in the plan but, as it was published by the previous government, this no longer represents official policy.

Focus of our report

6 This report assesses how well the current system is delivering for children and young people (from birth to 25 years) in England identified as having SEN. It also looks at DfE’s progress in addressing the underlying challenges to providing a sustainable system that achieves positive outcomes for children. This report:

- describes the support available, outcomes achieved for those with SEN, DfE funding, and DfE’s strategic approach (Part One); and
- examines DfE’s actions to restore confidence and create a sustainable system (Part Two).

Whilst recognising the criticality of other bodies, such as health organisations, within the SEN system the report does not assess how well these other bodies operate. It also does not assess support provided in higher education settings given the different funding and legislative frameworks.

Key findings

Performance of the system

7 **Since 2019, there has been no consistent improvement in outcomes for children and young people with SEN.** DfE’s underlying objective for the system is to improve outcomes for young people. Improvements in educational attainment have been inconsistent, albeit with some positives, although DfE is not achieving its ultimate ambition relating to what young people do after school. In 2021/22, 69% of those with SEN at key stage 4 were in sustained education, apprenticeship or employment after leaving 16 to 18 study, compared to 85% for those without. This reflects similar proportions to 2018/19 (paragraph 1.6 and Figure 1).

8 Families and children lack confidence in a SEN system that often falls short of statutory and quality expectations. Stakeholders told us that insufficient capacity, and long waiting times, contributed to low parental confidence. For example, the proportion of EHC plans issued within the statutory 20-week target was 50% in 2023, after being around 60% from 2018 to 2021. In 2023, DfE described the system as increasingly adversarial. The proportion of EHC plan decisions taken to a tribunal, the final recourse for complaints, increased from 1.6% in 2018 to 2.5% in 2023. On quality, Ofsted and Care Quality Commission joint local area SEND inspections found that between January 2023 and March 2024, 11 (31%) of 35 local areas had “widespread and/or systemic failings leading to significant concerns about the experiences and outcomes” for those with SEND. Ofsted’s parent survey covering the year to April 2024 showed that 86% of parents of children with SEN at state special schools felt their child got the support they needed, with 56% for state secondary schools and 71% at state primary schools. Research shows inconsistency between schools identifying SEN (paragraphs 2.2 to 2.7 and 2.10).

9 DfE does not know with confidence how much capacity should be planned, and where, to meet future needs. Many children will have needs that can be met in mainstream schools, while for others a state special school (or exceptionally, an independent school) is most appropriate. Between 2018/19 and 2023/24, despite a 31% increase in the number of children with EHC plans at state special schools (to 156,000), the proportion of those with plans attending this type of setting fell from 44% to 36%. Over the same period, the proportion attending state mainstream schools increased (from 48% to 55%), with a 7% to 9% increase at independent schools. These changes may be caused by shifts in underlying needs, changes in demand for certain settings, or capacity constraints. DfE has realistic estimates of pupil numbers that state special schools can support, but not mainstream schools or other settings. A better understanding of what causes these movements, spaces available and what settings work best for whom would help DfE plan future capacity (paragraphs 2.22 to 2.24, and Figure 10).

10 State special schools are over capacity which may lead to poor value for money. In 2023, DfE estimated that national demand for state special school places exceeded capacity by at least 4,000 pupils. Some special schools had spaces, but the schools that were over-capacity were supporting more than 9,500 extra pupils. This may mean children are not in the most appropriate setting, including more expensive independent schools where the number of children with EHC plans increased by 17,000 between 2018/19 and 2023/24. This cost local authorities £2.0 billion in 2022-23, a real-terms increase of 46% from 2018-19. Independent schools are generally more expensive, at an estimated £61,500 a space compared to £23,900 in state special schools. Between 2021-22 and 2024-25, DfE increased its capital funding for creating special school places. It is now seeking to better understand what settings achieve the best outcomes for children, and where spaces are needed, but because most funding has been allocated, special school capacity may not be optimal (paragraph 1.12, 2.23 and 2.25 to 2.27).

11 If unreformed, the SEN system is financially unsustainable. DfE funds local authorities so they can meet their obligations to appropriately support children with SEN. Between 2014-15 and 2024-25, DfE increased its high-needs funding allocations by 58%, to £10.7 billion. With an increase in EHC plans, real-terms funding per plan fell by 35%. In 2022-23, 101 local authorities overspent their high-needs budget which has contributed to growing cumulative deficits within their dedicated schools grant (DSG). Local authorities' budgets indicate that these deficits will total £2.9 billion at the end of 2024-25, creating a significant imminent financial pressure. Since 2020, the Ministry of Housing, Communities and Local Government (MHCLG) has allowed local authorities to exclude DSG deficits from their main revenue budgets. This accounting treatment ('the statutory override') means local authorities do not breach their statutory duty to set a balanced budget. It does not, however, address the underlying financial pressure. With no currently identified solution, DfE estimates that a significant proportion (on current estimates, some 43%) of local authorities will have deficits exceeding or close to their reserves in March 2026 when the statutory override is due to end. DfE estimates that the cumulative deficit will be between £4.3 billion and £4.9 billion at that time, with a central estimate of £4.6 billion. DfE is working with HM Treasury and MHCLG to find a solution. Looking ahead, for 2027-28 there is an estimated mismatch of between £2.9 billion and £3.9 billion when comparing current funding, maintained in real terms, against forecast costs (paragraphs 1.9, 2.17, 2.29 to 2.31 and 2.35 to 2.36).

Improving the current system

12 DfE has committed to improving the system, undertaking various initiatives, although there is no evidence these will fully address the challenges. The 2021 spending review, and 2023 improvement plan, set out plans to improve the system. This included DfE taking some steps to standardise EHC plans and define national standards. However, of the 60 stakeholders – including nine local authorities – that we engaged with as part of this work, none felt that DfE's improvement plan would sufficiently address the systemic problems they saw, with little focus on challenges such as workforce and early identification of SEN. This echoed findings from a July 2024 Local Government Association and County Councils Network commissioned report. DfE has yet to develop a comprehensive benefits management strategy that fully identifies the expected benefits and costs of initiatives beyond the 10 in its 2021 Spending Review (paragraphs 1.16 and 1.17, 1.20 to 1.23, 2.1 and 2.9).

13 DfE has set up programme management processes but has not brought together its initiatives into a clear actionable plan, making it harder to understand progress and make decisions. The 2023 improvement plan listed 42 commitments, which DfE has developed into an internal list of 136 actions. This includes some concrete and measurable steps (for example, developing national standards) and vaguer ambitions. Although DfE has put in place risk and governance structures, which the Government Internal Audit Agency (GIAA) found to be “broadly effective”, GIAA also highlighted the need for “proportionate, detailed plans”, reflecting the project’s nature and complexity. We found DfE does not have a fully developed implementation plan reflecting interdependencies between proposals, how much they cost, and how long they would take. Also, routine management information focuses on activity and does not cover the whole programme, or have metrics to consider progress and identify challenges (paragraphs 1.17 to 1.23).

14 DfE has taken steps to tackle local authorities’ immediate financial pressures, but these will not provide a sustainable system. In 2021, DfE introduced its Safety Valve programme to support local authorities with the highest deficits. In May 2024, it assessed that 22 out of 33 participating local authorities were on track to realise expected savings. However, this programme will not achieve savings quickly. Twenty-eight agreements set target dates to eliminate deficits after March 2026 when the statutory override ends. In 2022, DfE launched the Delivering Better Value programme for local authorities without a Safety Valve agreement but with substantial deficits. The programme exceeded savings targets in 2022-23. Nevertheless, local authorities participating in these programmes forecast cumulative deficits totalling £9.1 billion in 2028-29. DfE has proposed a qualitative review to assess how the Safety Valve programme will impact outcomes for children (paragraphs 2.32 to 2.34 and Figures 12 and 13).

15 Since 2014, DfE has been aiming for mainstream schools to be more inclusive, but there is limited evidence of progress. As set out in the 2014 legislation, DfE considers that supporting children in mainstream schools, wherever possible, provides them the best start in life and is more cost-effective. In spring 2024, DfE identified that 69% of primary school and 73% of secondary school leaders were confident their schools could effectively support pupils with SEN. However, DfE has not made clear what inclusivity could look like and there are limited incentives for schools to be inclusive. School performance data focus on academic attainment, Ofsted does not include a separate judgement on SEN provision within its published reports, and no specific school funding focuses on inclusivity. Stakeholders we heard from as part of this review told us that mainstream schools needed to be much more inclusive (paragraphs 1.3, 2.1 and 2.12 to 2.15).

16 The factors influencing rapid increases in SEN can be hard to quantify which inhibits DfE’s ability to focus on addressing root causes, many of which extend beyond its remit. Most of the increase in EHC plans between 2018/19 and 2023/24 related to: autistic spectrum disorders; speech, language and communication needs; and social, emotional and mental health needs. There were lesser increases across, for example, physical disabilities and visual and hearing impairments. Between 2015 and 2024, demand for EHC plans increased by 140% and SEN support within schools 14%. There are various possible reasons, including needs being better identified or changing over time, but the balance of factors is difficult to quantify. This creates a risk that DfE’s response, including increased funding, is neither targeted most effectively, nor addressing the underlying social, educational or medical causes which may extend beyond the education system. For example, DfE and stakeholders see it as critically important to identify and support needs earlier, but DfE does not have a process or funding to facilitate this (paragraphs 2.17 to 2.21, 2.28, Figure 8 and Figure 9).

17 Although organisations have clear responsibilities, misaligned priorities and incentives create challenges to a whole-system approach. As set out in legislation schools, local health service commissioners and providers, and local authorities have responsibilities across the SEN system. Although there are some cross-government arrangements, the system design creates challenges. For example, local authorities are held to account for provision but have limited levers to encourage changes within schools and health services. Health organisations undertake assessments to identify needs and provide healthcare support. Each NHS integrated care board must have a SEN executive lead, but two of 32 competing priorities relate to SEN. Schools can be incentivised to seek EHC plans to access additional high-needs funding, or exclude pupils with SEN, which conflicts with local authorities’ duties to find children school places and ensure value for money (paragraphs 1.7, 2.37 to 2.39 and Figure 2).

Conclusion

18 Following the Children and Families Act 2014, there have been significant increases in the number of children identified as having SEN, particularly those with EHC plans specifying a need for support in more expensive settings. Since 2015, demand for EHC plans has increased 140%, leading to 576,000 children with plans in 2024. There has also been a 14% increase in the number of those with SEN support, to 1.14 million pupils in school. These changes have increased the cost of the SEN system. Although DfE has increased high-needs funding, with a 58% real-terms increase between 2014-15 and 2024-25 to £10.7 billion, the system is still not delivering better outcomes for children and young people or preventing local authorities from facing significant financial risks. DfE estimates that some 43% of local authorities will have deficits exceeding or close to their reserves in March 2026. This contributes to a cumulative deficit of between £4.3 billion and £4.9 billion when accounting arrangements that stop these deficits impacting local authority reserves are due to end. As such, the current system is not achieving value for money and is unsustainable.

19 DfE has been implementing its 2023 plan for system improvement, but there remain significant doubts that current actions will resolve the challenges facing the system. None of the stakeholders we spoke to believed current plans would be effective. The government has not yet identified a solution to manage local authority deficits arising from SEN costs, and ongoing savings programmes are not designed to address these challenges. Given that the current system costs over £10 billion a year, and that demand for SEN provision is forecast to continue increasing, the government needs to think urgently about how its current investment can be better spent, including through more inclusive education, identifying and addressing needs earlier, and developing a whole-system approach to help achieve its objectives.

Recommendations

20 Given the challenges facing the SEN system, DfE and the wider government should:

- a** explicitly consider whole-system reform, to improve outcomes for children with SEN and put SEN provision on a financially sustainable footing;
- b** undertake work to understand the root causes behind increases in SEN and demand for EHC plans and special school places to ensure the whole system addresses them; and
- c** build a more integrated system by, for example, developing a shared understanding of how identifying and supporting SEN should be prioritised, including within the health system; ensure those with accountability can act, including local authorities requiring providers to accept pupils; and consider where multi-disciplinary teams can make jointly-owned support decisions.

To make better use of funding, DfE should:

- d** as a matter of urgency, work with MHCLG and HM Treasury, to share with local authorities its plans for ensuring each local authority can achieve a sustainable financial position once the statutory override ends in 2025-26, including how cumulative deficits will be treated and any wider financial impact managed;
- e** develop its use of evidence to better understand how and why pupil numbers change across different settings to assess the need for spaces across local areas and types of setting, and how this will impact, for example, home-to-school transport costs;
- f** develop a vision and long-term plan for inclusivity across mainstream education. This should consider opportunities to adapt funding and accountability arrangements to encourage inclusivity, building an evidence base for where mainstream settings can best support children with SEN; and how to improve parents' confidence;

- g** ensure that it consistently translates its ambitions into an implementation approach with actions and sufficient detail on how improvements will be achieved, how much they will cost, how they inter-relate, how long they will take and the implementation risks;
- h** undertake a specific exercise, drawing on local authority insights, to identify and share opportunities for efficiencies. This should consider routine reviews of individual EHC plans to assess if they are working, and benchmarks for local authorities to assess how much specialised provision should cost; and
- i** improve the data, incentives and processes to ensure children's needs are identified and supported as early as possible, particularly within early years.