

REPORT FOR SCHOOLS FORUM

1.	Date of meeting:	26th April 2024
2.	Title:	High Needs Budget and Funding Arrangements 2024/25
3.	Directorate:	Finance and Customer Services

PURPOSE OF REPORT

1. The purpose of this report is to inform the Forum of the funding arrangements of the high needs funding block and the approach to determining the 2024/25 budget.

RECOMMENDATION(S)

2. It is recommended that the Schools' Forum:

For Information only

- **Note the high needs funding settlement (including the outcome of the disapplication request – see para 7) for 2024/25:**
- **Note the proposed funding requirements for 2024/25, particularly in relation to the number of commissioned specialist places and the payment of top up funding to mainstream, special schools /academies, and other providers and settings.**

BACKGROUND AND CONTEXT

2024/25 High Needs Funding Allocations

3. The high needs funding system supports provision for pupils and students with special education needs and disabilities (SEND), from early years to age 25. The high needs funding block provides local authorities with resources for place and top-up funding for institutions, and for high needs services delivered directly by the local authority or under a separate agreement with providers.
4. The table below outline the level of high needs funding available for 2024/25 compared to the current year:

RESOURCES	2023/24 £'000	2024/25 £'000	Change £'000
Baseline HN DSG funding	55,187	57,863	2,676
Adjust for ESFA funded places	-10,312	-11,495	-1,183
Funding transfer from schools	3,459	1,211	-2,248
TOTAL FUNDING	48,334	47,579	-755

5. The confirmed high needs block funding for 2024/25 is **£57.863M** (before adjustment for ESFA funded places in academies). This represents an increase of £2.676M compared to the final 2023/24 position. The increase reflects the additional SEND funding allocated through the high needs NFF.
6. The high needs funding allocation for Rotherham is adjusted for high needs places funded directly by the ESFA in academies, non-maintained special schools, and post 16 places. The provisional adjustment amount is **£11.495M** (actual recouped funding will be confirmed in summer 2024).
7. The Government has approved the Council's disapplication request for the transfer of 0.5% funding (**£1.211M**) from schools to the high needs block. This represents a decrease of funding of £2.248M when compared to the 2023/24 transfer (which was based on a 1.5% funding transfer).

High Needs DSG funding framework

8. The government published the revised 2024/25 high needs operational guidance in Feb 2024. The following sets out the key highlights of the funding system for 2024/25. It should be noted that the underpinning operational processes and principles remain largely unchanged from the previous year:
 - Local authorities' high needs funding continues to be determined using the high needs National Funding Formula (NFF).
 - Local authorities will receive at least 3% increased funding per head of 2 - 18 population (the limit on gains in the NFF is set at 5%, again calculated based on per head of population). Which means every local authority will receive through the NFF 3% per head more than 2023/24.
 - Several technical changes were made to the historic spend factor and the low attainment data used within the high needs NFF.
 - Special Schools minimum funding guarantee (MFG) for 2024/25 must be at least 0% with local authorities encouraged to consider a minimum increase within a range of 0% to 0.5% compared to 2023/24 funding levels, ensuring that the additional funding (3.4%) allocated in 2023/24 is continued to be included in 2024/25 baseline calculations.
 - Local authorities can transfer up to 0.5% of their schools' block funding to the high needs block, with the approval of their Schools Forum. A disapplication request will be required for any transfer greater than 0.5%.

Context for setting the 2024-25 high needs budget.

9. The context for budget planning for 2024/25 is one of increasing demand and financial pressures. An outturn of £113k (over and above the planned contribution to DSG reserve from the HNB of £2.068M) is currently anticipated for 2023/24.
10. The increasing number of pupils with EHCPs requiring specialist support and placements in independent specialist placements (ISPs) continue to exert pressures on the high needs budget. This is in addition to a challenging economic landscape with cost-of-living pressures, rising inflation and energy cost crisis.
11. The DSG grant conditions require any local authority with an overall deficit on its DSG reserve account to present a management plan to the DfE for managing their future DSG spend. These plans have increasingly been used by the DfE in discussions with local authorities regarding their high needs budgets and have informed the Safety Valve Agreements put in place with several local authorities to address significant budget deficits.

Safety Valve Programme / DSG management Plan

12. During March 2022 the Rotherham Council entered into a Safety Valve agreement with the Secretary of State for Education. The safety valve intervention programme targets those local authorities with significant DSG deficits. The Safety Valve Programme requires the Council to set out (via the Dedicated Schools Grant Management Plan) how it will manage the deficit in the High Needs Block and reach an in-year balance over a specified timescale.
13. Under the signed agreement, the DfE has committed to paying the council **£20.53M** over five years to remove the anticipated DSG deficit by 2025/26. This funding will be provided in instalments and is subject to certain conditions and continued satisfactory progress, in delivering the actions / measures set out in the DSG Management Plan as follows.
 1. Reduce use of independent specialist provision outside of the LA by creating appropriate capacity within Rotherham's high needs system, with a focus on ensuring provision is high quality and value for money.
 2. Improve Rotherham's early intervention strategy, including through investment in outreach work.
 3. Ensure appropriate use of provision and avoid escalation of children and young people's needs by, among other things, improving the governance around placement decisions.
 4. Review support services in Rotherham to ensure value for money is achieved.

5. Increase the outreach offer for Social Emotional and Mental Health needs at Primary and Secondary.
6. Increase the outreach for specialist SEND.
7. Develop local sufficiency arrangements, including for Rotherham's Looked After Children
8. Drive mainstream schools to adopt inclusive practice to enable more children and young people to remain in mainstream settings where appropriate.
9. Maintain engagement with stakeholders through strong and collaborative governance arrangements, such as ISOS partnership work, Sholls Forum High Needs sub-group and secondary head teachers.

14. The table below shows the updated projected DSG reserve position (as per the latest DSG Management Plan) compared to the original Safety Valve Agreement position.

	<u>2021/22</u> £000	<u>2022/23</u> £000	<u>2023/24</u> £000	<u>2024/25</u> £000	<u>2025/26</u> £000
Original Safety Valve Plan:					
Planned unmitigated deficit	22,013	21,480	19,413	20,435	20,528
Annual Safety Valve Funding	-8,533	-3,000	-3,000	-3,000	-3,000
Cumulative Safety Valve Funding	-8,533	-11,533	-14,533	-17,533	-20,533
Planned DSG Position	13,480	9,947	4,880	2,902	0
Latest DSG Management Plan:					
Opening DSG reserve position		12,840	5,926	1,708	1,458
In year HNB surplus (-)/deficit (+)		-724	-2,199	1,259	1,077
Actual Safety Valve Funding		-6,000	-2,000	-2,000	-2,000
Use of Other DSG balances		-190	-19	491	0
Latest DSG position	12,840	5,926	1,708	1,458	535
Variance from Plan	-640	-4,021	-3,172	-1,444	535

15. The updated DSG management plan shows an overall net deficit in the DSG reserve account (£535k) in 2025/26 compared to a balanced position assumed in the signed Safety Valve Agreement. This deficit has arisen due to increasing pressures currently forecast in the HNB e.g. increasing EHCP numbers; inflationary pressures; continuing placements in ISPs; and reduction in the funding transfers from schools.
16. It should be noted that DSG deficits would need to be managed within allocated DSG funds, as LAs are not allowed to cover DSG deficits using their General Fund resources.

High Needs Budget Requirements 2024/25

17. The following table shows the proposed 2024/25 high needs budget and the number of planned EHCP numbers and SEND places for the year. The total funding requirement is £60.340M – this is more than the available resources of £59.082M resulting in a planned projected deficit of **£1.259M**.

	Planned Numbers 2023/24	Planned Numbers 2024/25	Budget 2024/25 £
Special Schools*	1,173	1,228	26,645,611
Primary Resource Units*	42	59	750,271
Secondary Resource Units*	70	79	1,095,764
Top Up Funding	1,196	1,252	7,700,739
Alternative Provision	166	173	4,563,232
External Residentials	11	11	1,114,553
Independent Service Providers	290	294	13,504,425
Inclusion Services	10	10	2,996,984
Other Education Services	0	0	544,284
CCP & FE Places	217	235	1,425,000
Total Planned spend	3,175	3,340	60,340,863
HNB funding allocation*			-57,862,901
Transfer from Schools Block			-1,218,618
Total Funding			- 59,081,519
Planned Deficit 24/25			1,259,344

* Includes place funding for ESFA funded places

18. The 0.5% transfer from Schools block dampens the in-year financial pressures by £1.219M and supports the requirement to meet the Safety Valve assumptions and avoid a significant increase in the DSG deficit over this period. The other factors and risks to the management plan are the inflationary pressures, delivery of the capital programme to continue to support growth in resource centres and accessibility schemes to avoid high-cost independent sector placements and the continued growth in EHC plans. The following sections explain the key commitments and the underlying assumptions.

Top Up funding – pre 16 mainstream schools

19. High needs top up funding represents additional funding over and above schools' core funding, to meet the additional education needs of pupils with EHCPs. The funding requirement for 2024/25 has been forecast based on the number of pupils with EHCPs on roll in schools and the existing top up funding amount assigned to each pupil. The forecast has been established from the current monthly payment schedules made to individual schools.
20. The table below shows the 24/25 top up funding requirement (for pre 16 mainstream schools) based on forecast EHCP numbers compared to 23/24. The funding variance reflects the following: one-off / non-recurrent payments made in 23/24; changing profile of pupils / complexity of needs; etc.

	2023/24	2024/25	Change
No. of EHCP pupils	1,026	1,073	+47
Proposed budget	£6.484m	£6.297m	-£0.187m

Resource Provision

21. The approach to funding resource provision in 2024/25 will remain mainly unchanged from the preceding year i.e. 2023/24. Pre-16 places at specialist resource provision are funded at £6,000 per place plus top up funding to cover additional education support. All top up rates have been increased by 2% in 2024/25. NB schools/ academies will continue to receive £4,000 per pupil through their core resources towards meeting the needs of EHCP pupils.
22. There are 9 resource provisions in mainstream schools / academies with 138 planned places from September 2024 funded from the high needs budget. The table below details the number of planned specialist places for 2024/25 and forecast funding requirement (net of place funding provided directly by the ESFA):

Resource Provision planned places:	2023/24	2024/25	Change
Planned places	112	138	+26
Place funding	£0.716m	£1.270m	£0.554m
Top up funding*	£0.381m	£0.576m	£0.195m
Proposed budget	£1.097m	£1.846m	£0.749m

* Excludes place funding provided directly by the ESFA to academies

23. There is a net increase of 26 places for the year compared to the funded position in 2023/24 mainly due to the new resource centres that will be established in four mainstream academies during the 2024/25 academic year. Additional places at current mainstream resource provision are also planned.
24. The following developments are being progressed by commissioners aimed at establishing additional resource provision from Sept 2024:
- 5 places at Winterhill School
 - 5 places at Brinsworth Whitehill
 - 5 places at Maltby Manor
 - 5 places at Thurcroft Junior

25. It is envisaged that the above would provide 20 new places from Sept 2024 and provide the flexibility to help stem placements in high cost independent and non-maintained special schools. A funding requirement of **£0.169M** (comprised of place and top up funding) has been incorporated in the proposed 2024/25 high needs budget to fund the above commitments.

Local Special Schools

26. The funding arrangement for local special schools/academies in Rotherham for 2024/25 remains unchanged from 2023/24. Special academies receive their place funding allocations (£10,000) directly from the ESFA, with top up funding provided by the Council for each RMBC pupil on roll and adjusted based on numbers during the year.

27. The total planned places for 2024/25 is 1,228 (increase of 55 places compared to 2023/24) with an average top up funding uplift of 3.62% provided for 2024/25. The funding uplift has been determined based on the DfE Operational Guidance that requires Councils to ensure the following:

- A minimum funding guarantee (MFG) between 0% to 0.5% or higher to be considered for 2024 to 2025 compared to 2023 to 2024 funding levels.
- Ensure the base rate includes 3.4% of their total place and top-up funding compared to 2022/23 funding.

28. The table below details the number of planned specialist places for 2024/25 and forecast funding requirement:

Special school places	2023/24	2024/25	Change
Planned places	1,173	1,228	55
	£M	£M	£M
Place funding**	2.971	2.395	-0.576
Top up funding	13.069	13.891	0.822
Other funding *	0.713	0.776	0.063
Proposed budget	16.753	17.062	0.309

* teachers' pay and pension cost funding

** excludes place funding provided directly by the ESFA to academies

Alternative Provision

29. Alternative Provision refers to educational settings for pupils or the provision of education to pupils who cannot be placed in a mainstream school. It relates to educational arrangements outside mainstream schools / settings that cater to the education needs of students with SEND and includes the following:

Pupil Referral Unit (PRU)

30. The Council's provision is delivered by the Aspire Pupil Referral Unit (PRU). The following table details the number of planned PRU places for 2024/25 and forecast funding requirement:

AP PRU places	2023/24	2024/25	Change
Annual planned places	134	141	7
	£M	£M	£M
Place funding	1.370	1.381	0.011
Top up funding	1.219	1.283	0.064
Other funding	0.077	0.078	0.001
Proposed budget	2.666	2.742	0.076

31. The funding for the PRU includes a 4.0% inflationary uplift which covers the 2024/25 MFG and ensures the 3.4% additional funding requirement in 2022/23 is maintained (same as special schools / academies).

Outreach Services

32. In addition to the PRU, a Primary and Secondary Outreach service is currently delivered by Aspire and funded from the high needs budget. The Outreach service supports young people excluded or at the risk of exclusion from mainstream schools with a tailored package of outreach provision. The funding requirement for 2024/25 is **£0.749M**.

Other Local Authority special schools

33. These comprise high needs pupils and learners placed in special schools and academies in other local authorities' areas, for which the council is responsible for paying the top up funding. The funding requirement for 2024/25 (**£0.365M**) is based on the full year cost of current number of Rotherham pupils / learners (37) for the academic year.

Independent Service Providers (ISPs)

34. SEND pupils with challenging and complex needs that cannot be met locally are placed in independent & non maintained special schools. These consist of independent schools that are funded entirely (place and top up funding) by local authorities for all learners placed, whilst non-maintained special schools receive place funding from the ESFA (£10,000 per place), with local authorities expected to provide top up funding from its high needs block.

35. The financial challenges posed by ISPs are mainly due to the increasing number of young people placed in such specialist settings at significant cost to the LA. It is envisaged that placements in independent settings would continue in 2024/25, although it is assumed that anticipated leavers and the commissioning of new places locally would stem anticipated growth during the year.

INMSS	2023/24 Outturn	2024/25 budget	Change
Forecast learner nos.	132	132	0
Proposed budget (£M)	8.459	9.909	1.450

36. The 24/25 budget has been determined based on the full year cost of the current number of ISP placements in March 2024.

Post 16 provision

37. This covers a range of providers including FE / sixth form colleges, specialist independent training providers, charity & commercial training companies, etc. Post 16 providers receive place funding directly from the Government (via an adjustment to local authorities DSG funding), whilst top up funding is provided by local authorities for each learner.
38. The funding requirement for 2024/25 (see table below) has been determined based on planned learner numbers on study programmes (including agreed growth of 4x places at Rotherham Opportunities College) and full year cost:

Post 16	2023/24	2024/25	Change
Annual learner nos.	158	162	4
Proposed budget (£M)	3.115	3.596	0.481

SEN support services & other funding

39. This mainly relates to the SEN support services provided by the Council and funded through contributions from the high needs budget. These services mainly provide support and guidance to schools / academies in relation to pupils with SEND and includes the following:

- Hearing and visually impaired teams
- Virtual head of schools – LAC and vulnerable pupils
- SEN High- cost equipment
- Management of exclusions / EHE advisor
- Portage

- EOTAS service and Tuition
- Specialist Inclusion Team

40. The proposed budgets / funding contributions from the HNB for 2024/25 for the above services are **£3.149M**.

Managing the financial risks / accumulated DSG deficit

41. An accumulated DSG deficit of **£1.470M** is currently forecast at the end of the 2024/25 financial year and is ahead of target compared to the assumption made in the Safety Valve Agreement. It is comprised of the following:

- **-£1.720M** deficit brought forward from 2023/24;
- -£1.259M planned in-year deficit forecast for 2024/25;
- -£0.491M planned use of Other DSG block reserve; and
- Offset by +£2.000M safety valve payment from DfE.

42. The DSG management plan / Safety Valve Programme (inclusive of the SEND Sufficiency Strategy) is the framework for managing the demand challenges and cost pressures in the high needs block. It details the actions / measures to be implemented in 2024/25 and beyond to achieve the planned deficit as agreed in the Safety Valve Agreement.

43. The table below summarises the measures incorporated and assumed within the planned high needs budget for 2024/25:

	Action Plan – High Level summary of proposed Actions
1	Reducing reliance and placements in independent non maintained schools by increasing (and commissioning new) local specialist places
2	Review effectiveness of notional SEND Budget in schools
3	Embedding of the Graduated Response with support and challenge to schools with a developing offer at both strategic and operational level
4	Alignment of SEND and LAC Sufficiency programmes – cross cutting transformation projects i.e. in house residential development, DfE Short Breaks Innovation
5	Efficiencies arising from the improvement in outcomes and SEN support to enable more effective inclusion in schools / across the system

44. The following risks continue to exert pressure on the delivery of the DSG management plan and agreed Safety Valve Agreement. These will continue to be closely monitored throughout the year.

- Increasing inflation and provider fee rates.
- Increase in EHCP numbers and pupils in mainstream and special schools (requiring specialist support).
- Increased number of EHCP placements directed following tribunal appeals.
- Increasing numbers of requests for additional / bespoke funding from special schools

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