

BRIEFING PAPER FOR SCHOOLS FORUM

1.	Date of meeting:	13th December 2024
2.	Title:	School Funding Formula 2025/26 Consultation outcome – Part B (School funding transfer to high needs)
3.	Directorate:	Finance and Customer Services

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to inform the Forum of the responses to Part B of the Schools Funding Formula consultation for 2025-26 and to seek a decision for the proposed transfer of 0.5% from the schools' block to the high needs block of the Dedicated Schools Grant for 2025/26.
- 1.2 The confirmed schools funding formula must be submitted to the DfE by 22nd January 2025.

2. RECOMMENDATION(S)

- 2.1 **That the Schools Forum note the outcome(s) of the recent consultation with schools on the proposal for a block funding transfer to the high needs budget.**
- 2.2 **That the Schools Forum approve the council's proposal to transfer 0.5% of the schools block funding in 2025/26 to the high needs budget to address ongoing cost pressures.**

REASON FOR RECOMMENDATION(S)

To ensure compliance with the School & Early Years Finance (England) Regulations 2017.

3. BACKGROUND

- 3.1 Within the Dedicated Schools Grant, the ESFA allow for Schools Forum to move up to 0.5% between the blocks. This proposal is to move 0.5% from the Schools Block to the High Needs Block (at a value of approximately £1.3m) to address part of the financial pressures within the High Needs Block. It should be noted that High Needs Block and SEND financial pressures are a national issue, with Local Authorities lobbying that there is insufficient funding from Central Government.
- 3.2 It should also be noted that the proposal will only impact the 2025-26 budget allocations and not future years.

- 3.3 A consultation exercise was undertaken in November 2024, which sought views on further changes to Rotherham’s local formula as well as the proposal to transfer funding from the schools’ block to the high needs block.
- 3.4 Modelling for the consultation exercise was based upon indicative numbers for the 2025-26 schools block allocation due to a delay in the publication of the National Funding Formula due to the timing of the general election.

4. CONSULTATION PROCESS

4.1 The following activities have taken place in respect of the consultation on the schools block and central schools services block;

- The consultation document was issued via e-mail on Thursday 14th November 2024 to all mainstream schools and academies.
- The consultation closed on Friday 24th November 2024
- Consultation responses have been analysed and are tabled in the appendices to this report.

4.2 A total of 62 academies and maintained schools responded to the consultation. This consisted of 56 primary schools and 6 secondary schools. Responses from multi academy trusts have been disaggregated to reflect the number of schools within the trust. (e.g A MAT with 6 schools is counted as 6 responses).

4.3 The table below outline the responses to the 2025/2026 consultation. Further detail can be found in **appendix A** to this report.

Consultation Responses			
	Maintained Schools	Academies	Total
Primary	5	51	56
Secondary	0	6	6
Total school responses	5	57	62
Total nos. of schools	20	92	112
Response Rate	25%	62%	55%

5. BLOCK FUNDING TRANSFER PROPOSAL

5.1 Rotherham continues to experience pressures on its High Needs budget which is a trend that is being experienced nationally, mainly due to the increasing EHCP numbers / exclusions / cost of out of authority SEN placements. In addition, the increasing number of pupils in mainstream schools with EHC plans requiring support, some with complex needs, continues to rise.

- 5.2 An in-year deficit is currently forecast for the high needs budget for 2024/25, with a cumulative DSG deficit of £3.2m is projected by year end (this is net of the 0.5% funding transfer from schools implemented in the year and £1.3m Safety Valve funding from the DfE).
- 5.3 In respect of 2025/26, a cumulative deficit of £2.2m is projected for the year, which is inclusive of the proposed 0.5% transfer from the Schools Block and £2m in Safety Valve income from the DfE. This projected deficit also takes account of the increase in high needs funding allocation as announced by the Government.
- 5.4 The funding transfer (£1.3m) will be used to mitigate cost pressures arising in the high needs block and to enable the Safety Valve programme to continue to work towards achieving a balanced position at the end of 2025/26.

Q4: Considering the borough as a whole and to ensure support for the most vulnerable children & young people in the borough, do you support the LA's proposal to transfer 0.5% from the schools' block to the high needs block?

Consultation Response: 56.5% of the schools that responded to the consultation voted No to the proposal, with 43.5% responses in support of the transfer proposal.

RMBC'S RESPONSE TO THE CONSULTATION

- 5.5 The following explain the rationale for the 0.5% funding transfer from schools to the high needs block proposal – as detailed in the consultation document.

Why do we need to transfer funding?

- 5.6 *Increasing cost pressures* – The recurring annual deficit in the high needs budget is largely due to the funding over the years not keeping pace with the growth in SEND numbers in Rotherham. Continued placements in independent non-maintained special schools continue to drive high costs alongside a challenging economic landscape with high cost-of-living pressures and pressures associated with inflation.
- 5.7 *Demand challenges* – Requests for an EHCP assessment continue to rise in Rotherham with a 72% increase since 2018. Over the past 12 months there has been a 16.1% increase in requests. Although the Council is creating additional specialist provision and has increased the number of SEND places in several resource provision, demand challenges continue to exist in meeting the complex needs of certain pupils locally in Rotherham.
- 5.8 *Meeting the signed safety valve agreement with the DfE* - Since 2021, the Council has been implementing a Safety Valve agreement with the DfE. Under this agreement, the DfE has committed to paying the council £20.5m over five years to 2025/26. This funding is provided in annual instalments and is subject to continued satisfactory progress (via quarterly monitoring returns), in delivering the actions / measures set out in the DSG Management Plan.

5.9 The Safety Valve Agreement signed and entered with the DfE includes a 0.5% funding transfer requirement from the schools block to the high needs budget for 2025/26 and underpins the financial plan to get the high needs to a sustainable position.

5.10 *Increased funding by the Govt would not fully address the existing and future financial challenges in the SEND system.* The following table outlines the current forecast position for 2025-26.

High Needs Budget 25/26	
Forecast HN Estimated spend	64.568
Forecast HN Funding allocation	62.302
Forecast in-year deficit	2.266
0.5% schools block funding transfer	-1.341
Revised in-year deficit (2025/26)	0.925

DSG Reserve account 25/26	
	£m
Carry forward deficit (from 24/25)	3.258
In-year high needs deficit	0.925
Safety valve funding (DfE) payment	-2.000
Year-end DSG reserve position	2.183

5.11 The above forecast position for the high needs budget showed that a funding transfer is required from the schools block to mitigate increasing cost pressures and deficit position. A 0.5% funding transfer would reduce the forecast deficit position to £0.9m.

What are we doing to address the problems?

5.12 *Sufficiency planning work* – to create more local SEND places to avoid and stem out of borough placements. The Rotherham SEND Sufficiency Strategy sets out a clear and deliverable action plan to tackle these challenges and establish a more coherent, effective, and sustainable system for commissioning education placements for SEND pupils.

5.13 Among the key objectives of the Strategy is to reset the balance between local provision and placements outside of Rotherham, improving parental choice and the quality of the pupil's experience.

What is the financial impact on schools' budgets?

5.14 Using 2023 census figures and the estimated schools funding envelope, the modelling undertaken indicates that the funding transfer proposals would not have a significant adverse impact on individual schools' core funding.

5.15 Rotherham's local school formula would be fully aligned to the Government's national funding formula (NFF), which would mean that schools would get the funding as expected under the NFF. Also, the Council is proposing implementing a minimum funding guarantee rate of 0%, which is within the Government's recommended -0.5% to 0% range.

Options if proposal is not approved?

- 5.16 Existing regulations allow the LA to submit a disapplication request to the Secretary of State to approve the funding transfer request if the Schools Forum disapprove the proposal.
- 5.17 For 2025-26 the DfE encouraged disapplication requests to be submitted by 18th November 2024 to ensure that LAs are in a position to submit their APT by the deadline of 22nd January 2025 setting their local funding formulae and can issue Individual School Budgets by the end of February 2025.
- 5.18 With the above in mind, the LA submitted a disapplication request to the DfE on 15th November 2024 to transfer 0.5% of the schools' block funding to the high needs block to cover the possibility of the Schools Forum voting against the proposal.
- 5.19 The DfE will await the outcome of the Schools Forum vote on the proposal to transfer 0.5% of the schools block funding to the high needs block before processing the request.

Name and contact details

Louise Keith
Principal Finance Officer (Schools Finance)
Tel: 01709 822042
email louise.keith@rotherham.gov.uk

Joshua Amahwe
Head of Finance (CYPS)
Tel: 01709 910148
Email: joshua.amahwe@rotherham.gov.uk