

## REPORT FOR SCHOOLS FORUM

1.	Date of meeting:	28 <sup>th</sup> March 2025
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 2025/26 budget.

### RECOMMENDATION(S)

2. It is recommended that the Schools' Forum:

#### For Information only

- **Note the high needs funding settlement for 2025/26.**
- **Note the proposed funding requirements for 2025/26, 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

#### 2025/26 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 2025/26 compared to the current year:

<b>RESOURCES</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>Change £'000</b>
Baseline HN DSG funding	58,226	62,340	4,114
Adjust for ESFA funded places	-12,370	-14,262	-1,892
Funding transfer from schools	1,218	1,341	123
<b>Total High Needs Budget</b>	<b>47,074</b>	<b>49,419</b>	<b>2,345</b>

5. The confirmed high needs block funding for 2025/26 is **£62.340m** (before adjustment for ESFA funded places in academies). This represents an increase of £4.114M compared to the final 2024/25 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 forecast adjustment amount is **£14.262m** (actual recouped funding will be confirmed in summer 2025).
7. The Schools Block transfer of 0.5% funding (**£1.341m**) from schools to the high needs block as previously agreed by Schools Forum.

#### High Needs DSG funding framework

8. The government published the revised 2025/26 high needs operational guidance in January 2025. The following sets out the key highlights of the funding system for 2025/26. 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 7% increased funding per head of 2 - 18 population (the limit on gains in the NFF is set at 10%, again calculated based on per head of population). Which means every local authority will receive through the NFF 7% per head more than 2024/25.
  - A 0% minimum funding guarantee (MFG) in 2025/26 continues to offer protection for special schools.
  - 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%.
  - Further information about the distribution of additional funding to compensate for the planned increase in National Insurance contributions from April 2025 will be published in May 2025.

### Context for setting the 2025-26 high needs budget.

9. The context for budget planning for 2025/26 is one of increasing demand and financial pressures. A forecast outturn of £3.764m above the £47.074m High Needs budget is currently anticipated for 2024/25.
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 of rising inflation and energy cost.
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. Rotherham Council entered into a Safety Valve agreement with the Secretary of State for Education in March 2022. The safety valve intervention programme targets those local authorities with significant DSG deficits. The Safety Valve Programme requires the Council to set out 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 address 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, Schools Forum High Needs sub-group and secondary head teachers.

### High Needs Budget Requirements 2025/26

14. The following table shows the proposed 2025/26 High Needs budget and the number of planned EHCP numbers and SEND places for the year. The total funding requirement is £51.927m – this is more than the available resources of £49.419m resulting in a planned projected deficit of **£2.508m**.

	2024/25 Forecast Outturn £m	2025/26 High Needs Budget £m	Planned Numbers 2024/25	Planned Numbers 2025/26
Special Schools	17.931	17.625	1,300	1,265
Resource Provision	1.220	1.381	163	187
Mainstream Schools	8.140	8.632	1,172	1,172
Alternative Provision	3.945	3.886	180	180
Independent Special Schools	9.369	9.483	117	117
Independent Specialist Provision	3.647	4.242	232	232
Post 16/FE Colleges	0.882	1.347	244	282
Other LA Schools	0.572	0.654	48	48
Other SEND Services/Costs	5.132	4.677	7	7
<b>Total</b>	<b>50.838</b>	<b>51.927</b>	<b>3,463</b>	<b>3,490</b>

<b>HNB Allocation (Net of recoupment)</b>	45.856	48.078
Transfer from Schools Block (0.5%)	1.218	1.341
<b>Total HNB Budget</b>	<b>47.074</b>	<b>49.419</b>
<b>Total High Needs Budget Pressure</b>	<b>3.764</b>	<b>2.508</b>

15. The 0.5% transfer from Schools block dampens the in-year financial pressures by £1.341m and supports the requirement to meet the Safety Valve assumptions and avoid a significant increase in the DSG deficit in 2025/26. The other factors and risks to the budget plan are the inflationary pressures, delivery of the capital programme to continue to support growth in resource centres, 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

16. 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 2025/26 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.
17. The budgeted spend for top of funding includes an increased level of funding for EHCP pupils with complex needs. In addition, enhanced funding (based on 2024/25 levels of spend) has been provided to specific schools to ensure the needs of identified pupils are met within the mainstream school settings thereby preventing transfers to high-cost specialist provision.
18. It should be noted that a new threshold descriptions framework will be introduced in 2025/26. This will ensure that children and families can access the correct level of support to meet needs. Current level of funding has been aligned to the threshold description framework – with no impact on schools in 2025/26. Further work to be undertaken in 2025/26 (in conjunction with school leaders) to review and develop appropriate funding bands to the thresholds.
19. The table below shows the 2025/26 top up funding requirement (for pre 16 mainstream schools) based on current EHCP numbers. The funding variance reflects the full year effect of EHCP plan costs for existing pupils.

	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
No. of EHCP pupils	1,172	1,172	0
<b>Proposed budget (£m)</b>	<b>8.140</b>	<b>8.632</b>	<b>+0.492</b>

## Specialist Resource Provision (SRP)

20. The approach to funding resource provision in 2025/26 will remain mainly unchanged from the preceding year i.e. 2024/25. 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 2025/26. NB schools/academies will continue to receive £4,000 per pupil through their core resources towards meeting the needs of EHCP pupils.
21. There are 12 resource provisions in mainstream schools / academies with 187 planned places (increase of 24 from 2024/25) from September 2025 funded from the high needs budget. The table below details the number of planned specialist

places for 2025/26 and forecast funding requirement (net of place funding provided directly by the ESFA):

<b>Resource Provision planned places:</b>	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
Planned places	163	187	+24
Place funding* (£m)	0.484	0.558	+0.074
Top up funding (£m)	0.736	0.823	+0.087
<b>Proposed budget (£m)</b>	<b>1.220</b>	<b>1.381</b>	<b>+0.161</b>

\* Excludes place funding provided directly by the ESFA to academies

22. There is a net increase of 24 places for the year compared to the funded position in 2024/25, mainly due to the new resource centres established in mainstream academies in 2024/25, being fully operational in the 2025/26 academic year.
23. It is envisaged that the additional places from Sept 2025 will provide much needed flexibility to help stem the increasing number of placements in high cost independent and non-maintained special schools. A funding requirement of **£0.161m** (comprised of place and top up funding) has been incorporated in the proposed 2025/26 high needs budget to fund the above commitments.

### **Local Special Schools**

24. The funding arrangement for local special schools/academies in Rotherham for 2025/26 remains unchanged from 2024/25. 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.
25. The total planned places for 2025/26 are 1,265 based on the agreed High Needs learner return submitted to DfE in November 2024. An average overall funding uplift of 2% has been provided for 2025/26. The funding uplift has been determined based on the DfE Operational Guidance that requires Councils to ensure the following:
  - A minimum funding guarantee (MFG) of 0% to be considered for 2025/26.
  - Ensure the base rate includes 3.4% of their total place and top-up funding compared to 2022/23 funding.
26. It should be noted that latest pupil count in special schools exceeds the planned number of places from Sept 2025. However, additional funding will be provided to schools where numbers exceed the planned places. The table below details the number of planned specialist places for 2025/26 and forecast funding requirement:

	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
<b>Special school places</b>			
Pupil numbers/Planned places	1,300	1,265	-35
Place funding** (£m)	1.829	0.729	-1.100
Top up funding (£m)	15.373	16.167	+0.794
Other funding * (£m)	0.729	0.729	0
<b>Proposed budget (£m)</b>	<b>17.931</b>	<b>17.625</b>	<b>+0.306</b>

\* forecast teachers' pay and pension cost funding

\*\* excludes place funding provided directly by the ESFA to academies. 2024/25 includes Newnan prior to conversion.

### Alternative Provision

27. 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)

28. The Council's provision is delivered by the Aspire Pupil Referral Unit (PRU). The following table details the number of planned PRU places for 2025/26 and forecast funding requirement:

	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
<b>AP PRU places</b>			
Annual planned places	139	139	0
Place funding (£m)	1,390	1,390	0
Top up funding (£m)	1.568	1.371	-0.197
Other funding (£m)	0.078	0.078	0
<b>Proposed budget (£m)</b>	<b>3.036</b>	<b>2.839</b>	<b>-0.197</b>

\* Reduction in top up funding relates to one off support to manage a deficit position in 2024/25.

29. The funding for the PRU includes a 2% inflationary uplift which covers the 2025/26 MFG and ensures the 3.4% additional funding requirement in 2022/23 is maintained (same as special schools / academies).

#### Outreach Services

30. In addition to the PRU, a Primary and Secondary Outreach service is currently delivered by Aspire and this is funded separately through 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 2025/26 is **£0.764m** inclusive of an inflationary increase to cover pay costs.

### Other Alternative Provision

31. The 2025/26 High Needs budget also includes funding for other forms of Alternative Provision. These include Education other than at school packages (EOTAS), Medical Home Tuition, Exclusions, Elected Home Education. The funding requirement for 2025/26 is **£0.283m**

### **Other Local Authority schools**

32. 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 2025/26 (**£0.654M**) is based on the full year cost of current number of Rotherham pupils/learners (48) for the academic year. This is an increase on the 2024/25 spend due to the full year effect of the 48 pupils.

### **Independent Non-Maintained Special Schools (INMSS)**

33. 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.
34. The financial challenges posed by INMSSs are mainly due to the increasing number of young people placed in such specialist settings at significant cost to the LA.

<b>INMSS</b>	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
Forecast learner nos.	117	117	0
<b>Proposed budget (£M)</b>	<b>9,369</b>	<b>9.483</b>	<b>+0.114</b>

35. The 2025/26 budget has been determined based on the full year cost of the current number of INMSS placements, The budget also assumes a 2.5% inflationary increase on current costs.



## Post 16/FE Colleges/Independent Specialist Providers

36. This covers a range of providers including FE/sixth form colleges, specialist independent training providers (ISPs), 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.
37. The funding requirement for Independent Specialist Provision in 2025/26 (£4.242m) has been increased by £0.595m due to full year costs for the existing 232 places and based on the assumption that anticipated leavers and the commissioning of new places locally would stem growth during the year. The budget also assumes a 2.5% inflationary increase on current costs.
38. The budget for mainstream colleges Post 16 provision (£1.347m) has been increased by £0.465m due to the full year effect in 2025/26 of increased growth seen in 2024/25.

	<b>2024/25 Forecast Outturn</b>	<b>2025/26 Proposed Budget</b>	<b>Change</b>
<b>Post 16</b>			
ISP Annual learner nos.	232	232	0
Mainstream Colleges	244	282	+38
<b>Proposed budget (£M)</b>	<b>4.529</b>	<b>5.589</b>	<b>+1.060</b>

## 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
  - Portage
  - Specialist Inclusion Team
  - Exclusions Team
  - AP Strategic Lead
  - Safety Valve delivery team
  - Children in Care residential placements (Education support)

40. The proposed budgets/funding contributions from the HNB for 2025/26 for the above services are **£4.677m**.

### **Managing the financial risks / accumulated DSG deficit**

41. 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> <u>£000</u>	<u>2022/23</u> <u>£000</u>	<u>2023/24</u> <u>£000</u>	<u>2024/25</u> <u>£000</u>	<u>2025/26</u> <u>£000</u>
<b>Original Safety Valve Plan:</b>					
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
<b>Planned DSG Position</b>	<b>13,480</b>	<b>9,947</b>	<b>4,880</b>	<b>2,902</b>	<b>0</b>
<b>Latest DSG Reserve Position:</b>					
Opening DSG reserve position		12,840	5,926	978	4,024
In year HNB surplus (-)/deficit (+)		-724	-2,199	3,764	2,508
Actual Safety Valve Funding		-6,000	-2,730	-1,270	-2,000
Use of Other DSG balances		-190	-19	552	0
<b>Closing DSG Reserve position</b>	<b>12,840</b>	<b>5,926</b>	<b>978</b>	<b>4,024</b>	<b>4,532</b>
<b>Variance from Plan</b>	<b>-640</b>	<b>-4,021</b>	<b>-3,902</b>	<b>1,122</b>	<b>4,532</b>

42. An accumulated DSG deficit of **£4.532m** is currently forecast at the end of the 2025/26 financial year and is adrift of the comparison target assumption made in the Safety Valve Agreement. It is comprised of the following:
- £4.024m forecast deficit brought forward from 2024/25;
  - £2.508m planned in-year deficit forecast for 2025/26;
  - Offset by £2.000m safety valve payment from DfE.
43. 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.
44. The 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 2025/26 and beyond to achieve the planned deficit.
45. The following risks continue to exert pressure on the delivery of the DSG budget 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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