

REPORT FOR SCHOOLS FORUM

1.	Date of Meeting:	27th March 2026
2.	Title:	High Needs Budget and Funding Arrangements 2026/27
3.	Directorate:	Corporate Services

PURPOSE OF REPORT

- 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 2026/27 budget.

RECOMMENDATION(S)

- It is recommended that the Schools' Forum:
 - Note the high needs funding settlement for 2026/27.**
 - Note the proposed funding requirements across the range of SEND provision and the number of commissioned SEND places for 2026/27.**

BACKGROUND AND CONTEXT

2026/27 High Needs Funding Allocations

- 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.
- The table below outline the level of high needs funding available for 2026/27 compared to the current year:

<u>RESOURCES</u>	2025/26 £'000	2026/27 £'000	Change £'000
Baseline HN DSG funding	62,459	66,989	4,530
Adjust for DFE funded places	-14,308	-15,787	-1,479
Block funding transfer to HNB	1,298	1,352	54
Total High Needs Budget	49,449	52,554	3,105

5. The confirmed high needs block funding for 2026/27 is £66.989m (before adjustment for DFE funded places in academies). The funding increase of £4.530M is wholly attributable to previous grants rolled into the HN allocations in 2026/27.
6. The high needs funding allocation for Rotherham is adjusted for high needs places funded directly by the DFE in academies, non-maintained special schools, and post 16 places. The forecast adjustment amount is £15.787m (actual recouped funding will be confirmed in summer 2026).
7. The block funding transfer reflects the 0.5% funding transfer from the schools block to the high needs budget as agreed by Schools Forum in December 2025.

2026/27 High Needs Funding Framework

8. The government published the revised 2026/27 high needs operational guidance in December 2025. The following sets out the key highlights of the high needs funding system for 2026/27:
 - the high needs national funding formula used in previous years to calculate funding allocations has been temporarily suspended for 2026/27.
 - High needs allocations for 2026/27 are based on 2025/26 levels, with adjustments. The methodology for allocating high needs funding would be reviewed so that it supports the SEND reforms.
 - An import/export adjustment continues to reflect pupils educated in or out of area.
 - Funding continues to be split between place funding (core) and top-up funding (to meet additional education needs).
 - A 0% minimum funding guarantee continues for special schools and special academies based on 2025/26 baseline funding.
 - Some previous grants are now rolled into the DSG with the expectation that this funding are passported to eligible special and Alternative Provision schools and settings.
 - The regulations would allow local authorities to use their high needs funding to fund LA central support services and to provide additional or targeted support for children and young people with SEND.

Legacy Funding or Rolled in grants

9. For 2026/27, some funding streams that were previously paid as separate grants are now built into the DSG high needs block allocation (including the 2025/26 Core Schools Budget Grant (CSBG) and earlier teachers' pay/pensions and other legacy funding).

10. Although they are now part of the overall DSG allocation, the guidance makes clear this funding should still be passed on to eligible settings as a separate, additional stream based on the number of SEND places. It must not be used to reduce the place funding or top-up funding of special and AP schools, and it is separate from the special schools MFG calculation.
11. The total rolled in grants within Rotherham's HN allocation is £5.044m comprised of the Teachers Pension Grant (£0.917m) and the full year effect of the Core Schools Budget Grant (£4.127m).

Schools White Paper and SEND Reforms

12. Rotherham as a safety valve authority has been implementing actions and measures over the past 5 years aimed at managing the demand and financial pressures in the SEND system.
13. The Schools White Paper sets out the intended direction of travel for SEND reform with clear focus on the following: Overall, the aim is to improve children and young people's educational progress, participation and preparation for adulthood, while bringing greater financial stability and predictability to high needs spending.
 - Earlier identification and support, so needs are met sooner and escalation is reduced.
 - A stronger focus on inclusive mainstream provision, with clearer expectations of what should be ordinarily available.
 - More consistent decision-making through national standards and clearer local pathways.
 - Stronger accountability across education, health and care partners for planning and delivery.
 - Improved transitions and preparation for adulthood, including better joined-up support.
 - Managing costs more sustainably by strengthening local provision and reducing reliance on high-cost placements where needs can be met locally.
14. Local areas are required to produce a Local SEND Reform Plan, setting out how they will move to a new special educational needs and disabilities (SEND) system with increased focus on early intervention and inclusion in mainstream settings. LAs are expected to set out a clear pathway towards an inclusive system in line with the wider vision for SEND reform.

High Needs Budget Requirements 2026/27

15. The context for budget planning for 2026/27 is one of increasing demand and financial pressures – a recurring theme over the past few years and is anticipated would continue into 2026/27 and the medium term. A forecast outturn of £3.609m above the £49.449m High Needs budget is currently anticipated for 2025/26.

16. The increasing number of (as well as cost of supporting) pupils with EHCPs in mainstream schools and requiring specialist support in special and independent schools continue to exert pressures on the high needs budget. This is in addition to a challenging economic landscape of rising inflationary cost pressures.
17. The table below shows the proposed 2026/27 High Needs budget and the number of planned EHCP numbers and SEND places for the year.

	2025/26 Forecast Outturn £m	2026/27 Budget £m	Planned Nos 2025/26	Planned Nos 2026/27
Special Schools	18.279	21.821	1,330	1,323
Resource Provision	1.551	1.212	210	201
Mainstream Schools	9.676	9.980	1,349	1,349
Early Years Settings	0.000	0.235	-	-
Alternative Provision	4.214	4.624	177	177
Independent Special Schools	8.643	9.344	128	121
Independent Specialist Provision	3.705	3.815	172	157
Post 16/FE Colleges	1.564	1.337	358	364
Other LA Schools	1.151	1.039	74	74
Other SEND Services/Costs	4.276	4.673	11	11
Total Expenditure	53.059	58.080	3,809	3,777

HNB Allocation	48.151	51.202
Transfer from Schools Block	1.298	1.352
Total HNB Budget	49.449	52.554
Total HNB Deficit	3.609	5.526

18. The total funding requirement is £58.080m – this is more than the available resources of £52.554m resulting in a planned projected deficit of £5.526m.
19. The block funding transfer from Schools (based on 0.5%) dampens the in-year financial pressures by £1.352m and supports the need to avoid a significant increase in the DSG deficit in 2026-27. The following sections explain the key planned expenditure commitments and the underlying assumptions.

Legacy funding to special & AP schools

20. In line with the guidance, the 2026/27 budget requirement includes the distribution of legacy funding (i.e. previous grants rolled into the HN allocation) to eligible special and AP schools. Allocated grant has been determined by applying the unit grant rate to pupil numbers for April to August 2026 and planned numbers for September to March 2027.
21. The table below shows the pupil numbers and allocated legacy funding included in the core funding to special and AP schools for 2026/27:

Provision Type	25/26 Pupil Nos	26/27 Pupil Nos	Teachers Pensions Grant (£660)	Core Schools Budget Grant (£3,048)	Total Legacy Funding 2026/27
Special & AP schools	1,354	1,461	£0.934m	£4.317m	£5.252m

Top Up funding – pre 16 mainstream schools

22. High needs top-up funding provides additional support beyond schools' core budgets to meet the needs of pupils with EHCPs. The 2026/27 requirement has been forecast based on current EHCP pupil numbers and the existing top-up funding assigned to each child, using the most recent monthly payment schedules to schools.
23. The proposed budget also reflects an increased level of top-up funding for pupils with more complex needs. In addition, enhanced funding—based on 2025/26 expenditure—has been provided to specific schools to support pupils with identified high-level needs within mainstream settings, helping to avoid unnecessary moves to higher-cost specialist provision.
24. A new threshold descriptions framework will be introduced in 2026/27. A separate report will be presented to Schools Forum outlining the framework and its funding implications. No financial impact is expected, as funding will be aligned to the new thresholds based on current levels of support.
25. The table below summarises the 2026/27 top-up funding requirement for pre-16 mainstream schools. The increase in budget reflects the full-year cost of existing EHCPs.

	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
No. of EHCP pupils	1,349	1,349	0
Proposed budget (£m)	9.676	9.980	+0.304

Specialist Resource Provision (SRP)

26. The funding approach for Specialist Resource Provision (SRP) in 2026/27 will remain broadly unchanged from 2025/26. Pre-16 places continue to be funded at £6,000 per place, with additional top-up funding provided to meet pupils' individual needs. All SRP top-up rates have been uplifted by 1.5% for 2026/27. Schools and academies will continue to receive £4,000 per pupil through their core funding to contribute towards meeting the needs of pupils with EHCPs.
27. Fourteen SRP settings are planned for 2026/27, providing 201 places—nine fewer than in 2025/26. The reduction reflects updated local demand and the outcomes of the High Needs Change Notification process. The table below summarises planned places and forecast funding requirements (net of DfE-funded place allocations to academies):

Resource Provision planned places:	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
Planned places	210	201	-9
Place funding* (£m)	0.573	0.435	-0.138
Top up funding (£m)	0.978	0.777	-0.201
Proposed budget (£m)	1.551	1.212	-0.339

* Excludes place funding provided directly by the DfE to academies

28. Although the planned number of SRP places decreases by nine, additional in-year funding will continue to be provided where actual pupil numbers exceed commissioned levels.
29. A total funding requirement of £1.212m—covering both place and top-up funding—has been included in the proposed 2026/27 High Needs budget to meet these commitments.

Local Special Schools

30. The funding arrangements for local special schools and academies in Rotherham remain unchanged for 2026/27. Special academies continue to receive £10,000 per place directly from the DfE, with the Council providing top-up funding for each RMBC pupil on roll, adjusted in-year to reflect actual numbers..
31. A total of 1,323 planned places have been agreed for 2026/27, based on the High Needs learner return submitted to the DfE in November 2025. An average funding uplift of 1.5% has been applied for 2026/27, in line with DfE operational guidance, which requires Councils to apply a 0% minimum funding guarantee and allocate consolidated legacy funding:
- A minimum funding guarantee (MFG) of 0% to be considered for 2026/27.
 - Allocation of the consolidated legacy funding in 2026/27

32. Current pupil numbers in special schools are higher than the planned places for September 2026. Additional funding will be provided to schools where actual numbers exceed the commissioned place levels. The table below sets out the planned specialist places for 2026/27 and the associated funding requirement:

	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
Special school places			
Pupil numbers/Planned places	1,330	1,323	-7
Place funding* (£m)	1.440	0.271	-1.169
Top up funding (£m)	15.999	16.814	+0.815
Consolidated Legacy Funding (£m)	0.840	4.736	+3.896
Proposed budget (£m)	18.279	21.821	+3.542

* excludes place funding provided directly by DFE to academies

Alternative Provision

33. 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)

34. The Council's provision is delivered by the Aspire Pupil Referral Unit (PRU). The following table details the number of planned PRU places for 2026/27 and forecast funding requirement:

	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
AP PRU places			
Annual planned places	139	139	0
Place funding (£m)	1,390	1,390	0
Top up funding (£m)	1.551	1.586	+0.035
Consolidated Legacy Funding (£m)	0.078	0.516	+0.438
Proposed budget (£m)	3.019	3.492	+0.473

35. An average overall funding uplift of 1.5% has been provided for 2026/27. 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 2026/27.
- Allocation of the consolidated legacy funding in 2026/27

Outreach Services

36. In addition to the PRU, Aspire delivers a Primary and Secondary Outreach Service funded through the High Needs budget. The service provides tailored support for pupils excluded from, or at risk of exclusion from, mainstream schools. The 2026/27 funding requirement is **£0.779m**, which includes an inflationary uplift to cover pay costs.

Other Alternative Provision

37. The 2026/27 High Needs budget also includes funding for other forms of Alternative Provision, including Education Other Than at School (EOTAS), Medical Home Tuition, exclusions-related provision, and support for pupils in Elective Home Education. The total funding requirement for these services is **£0.353m**.

Other Local Authority schools

38. This area also includes pupils placed in special schools (58) and academies (16) in other local authorities, for whom the Council is responsible for paying top-up funding. The 2026/27 requirement of £1.039m reflects the full-year cost of 74 existing placements and represents a reduction of £0.112m from the 2025/26 forecast due to revised funding assumptions.

Early Years Settings

39. All local authorities must operate a Special Educational Needs Inclusion Fund (SENIF) to support early years children with emerging SEND who are eligible for early education entitlements. In Rotherham, lower-level needs are supported through the Inclusion Support Grant (Tier 2), funded from the Early Years Block. Early Years funding cannot be used to support children with complex needs.
40. It is proposed that support for early years children with high-level, complex needs and an EHCP is funded through the High Needs Block in 2026/27 at a cost of **£0.235m**. This funding was previously met from DSG surpluses, a position that is no longer sustainable.

Independent Non-Maintained Special Schools (INMSS)

41. SEND pupils with complex needs that cannot be met locally are placed in independent and non-maintained special schools (INMSS). Independent schools are fully funded by the Council for both place and top-up costs, while non-maintained special schools receive £10,000 per place directly from the DfE, with the Council providing the required top-up funding.

42. Financial pressures in this area continue to increase due to both the number of young people requiring specialist placements and the high cost of these settings.

	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
INMSS			
Forecast learner nos.	128	121	-7
Proposed budget (£M)	8,643	9,344	+0.701

43. The 2026/27 budget is based on the full-year cost of the current 128 INMSS placements, with an assumed net reduction of seven placements during the year due to anticipated leavers and increased local provision. The budget also includes a 2% inflationary uplift on current costs.

Post 16/FE Colleges/Independent Specialist Providers

44. This area covers a range of post-16 providers, including FE and sixth-form colleges, independent specialist providers (ISPs), and voluntary or commercial training organisations. Post-16 providers receive place funding directly from the Government, while the Council funds top-up support for individual learners.
45. The 2026/27 funding requirement for Independent Specialist Provision is £3.818m, reflecting the full-year cost of current placements and an assumed net reduction of 15 learners due to anticipated leavers and the development of additional local provision. The budget also includes an assumed 2% inflationary increase on current costs.
46. The budget for mainstream post-16 college provision is £1.337m, representing a reduction of £0.227m. This change reflects higher place funding being paid directly to colleges through the High Needs Notification process and the full-year effect of growth that occurred during 2025/26.

	2025/26 Forecast Outturn	2026/27 Proposed Budget	Change
Post 16			
Independent Specialist Provision	172	157	-15
Mainstream Colleges	358	364	+6
Proposed budget (£M)	5.269	5.152	-0.117

SEN support services & other funding

47. 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; specialist inclusion team; Portage; Exclusion Team; Post 16 Transition teams; Speech & Language Therapy; SEN Equipment; etc.
48. The proposed budgets/funding contributions from the HNB for 2026/27 for the above services are **£4.673m**.

Managing the financial risks / accumulated DSG deficit

49. The table below shows the updated projected DSG reserve position.

Latest DSG Reserve Position	2025/26 £m	2026/27 £m
Opening Reserve Position	2.476	3.626
HNB Planned Contribution to/from Reserves	3.609	5.526
Safety Valve Contribution	-2.000	0
Planned Use of Reserves	-459	0
High Needs Stability Grant	0	-996
Closing DSG Reserve Position	3.626	8.156

50. An accumulated DSG deficit of **£8.156m** is currently forecast at the end of the 2026/27 financial year and is comprised of the following:
- £3.626m forecast deficit brought forward from 2025/26
 - £5.526m planned in-year deficit forecast for 2026/27
 - £0.996m forecast High Needs Stability Grant in 2026/27
51. The government remains committed to supporting local authorities with accumulated DSG deficits during the transition to the reformed SEND system. From 2026/27, all authorities with a SEND-related DSG deficit will be eligible for the High Needs Stability Grant, which will cover 90% of the DSG deficit accrued up to the end of 2025/26. Access to this funding will be conditional on each authority submitting a Local SEND Reform Plan and securing approval from the Department for Education.
52. The Statutory Override, which allows DSG deficits to be held separately from councils' wider financial positions, will remain in place until 31 March 2028. After this point, any remaining deficit must be met from the Council's own resources. Local authorities will therefore need to plan ahead and begin setting aside sufficient reserves to meet any residual deficit from 2028/29 onwards.

53. The government acknowledges that full implementation of SEND reform will take time and that local authorities may continue to face financial pressures during the transition period. Support will continue in 2026–27 and 2027–28, although it will be proportionate and not unlimited. Authorities are expected to maintain strong financial management and ensure that children and young people with SEND continue to receive appropriate, high-quality support. The development and delivery of approved Local SEND Reform Plans will remain central to this approach.

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