Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 28 July 2025

Report Title
High Needs / Safety Valve Programme - 2025/26

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report
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Ward(s) Affected
Borough-Wide

Report Summary

The 5-year Safety Valve Agreement came to an end on 31 March 2026. This report outlines the performance against the approved Safety Valve Agreement (with the Department of Education) over the 5 years of the programme as well as the recovery plans in place to enable Rotherham to achieve financial sustainability. The report also highlights the financial position of the Dedicated Schools Grant (DSG) High Needs Budget in 2025/26 and the cumulative deficit position in the last year of the Safety Valve Programme.

Recommendations

1. Audit Committee notes the performance against the Safety Valve Agreement and the recovery actions to manage the Dedicated School Grant (DSG) deficit in Rotherham.

2. Audit Committee notes the 2025/26 financial position of the DSG High Needs Budget and cumulative DSG deficit at the end of the Safety Valve Programme.

List of Appendices Included
None

Background Papers
- Schools Forum High Needs Budget Report 2025-26
- Schools White Paper – Every Child Achieving and Thriving
- SEND Reforms Consultation – Putting Children and Young people first
- Safety Valve Agreement Letter

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required
No

Exempt from the Press and Public
No

High Needs / Safety Valve Programme - 2025/26

1. Background

1.1 Historically, Rotherham has faced significant pressure within its High Needs Budget (HNB), resulting in annual Dedicated Schools Grant (DSG) deficits of around £5.0m. Although in-year deficits have reduced through continued transfers from the Schools Block, the cumulative DSG deficit reached £21.2m by the end of 2020/21, prior to commencing the Safety Valve programme.

1.2 The DSG deficit has been driven by rising demand for SEND provision, including increases in the number of Education, Health and Care Plans (EHCPs), young people aged 16–25 with EHCPs requiring support, placements in higher-cost specialist provision, and pupils accessing Alternative Provision.

1.3 In 2021/22, the Council entered into a Safety Valve Agreement with the Department for Education (DfE) aimed at strengthening mainstream SEND inclusion and support the ongoing transformation of SEND services. The agreement requires delivery of a plan to manage High Needs demand and achieve a balanced budget position by 2025/26. In return, the DfE committed to provide funding support of £20.5m over five years to address the historic DSG deficit.

1.4 The Council also received additional capital funding through the Safety Valve Programme to assist with creating more SEND places and the transformation of SEND provision. Total SEND and High Needs capital funding allocated over the three years to 2025/26 is approximately £9.0m.

2. Performance against the Safety Valve Agreement

2.1 As part of the Safety Valve Agreement, the Council committed to a programme of reforms and financial targets set out within the Dedicated Schools Grant (DSG) Management Plan.

2.2 The Safety Valve Agreement provided a clear and ambitious framework for developing enhanced inclusive provision to meet children's SEND across the Borough. Progress and financial performance have been monitored through quarterly returns to the Department for Education (DfE), providing ongoing support, challenge and oversight of delivery.

2.3 Rotherham has delivered all the conditions of its Safety Valve Agreement and has made significant progress in meeting the agreed financial recovery plan. Key achievements against the agreed conditions over the 5 year period are set out below.

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;**

Cabinet approved SEND Sufficiency Phase 4 in October 2022 and subsequently approved the establishment of 10 additional SEND resource bases, creating at least 100 mainstream specialist places. Further approvals in 2024 supported expansion of Elements Academy and investment in Newman School and Aspire PRU.

Between 2021/22 and November 2025, local capacity increased by 336 special school places and 144 resource provision places, enabling more children and young people to be educated locally.

While the proportion of new independent specialist placements has stabilised, reductions have been slower than anticipated. Robust commissioning and placement oversight arrangements remain in place.

2. **Improve Rotherham's early intervention strategy, including through investment in outreach work;**

The SEND Graduated Response, SEND Toolkit and Local Offer have been refreshed in partnership with families, schools and providers.

Social Emotional and Mental Health (SEMH) and Communication and Interaction outreach services have been implemented, supporting schools to meet need earlier and helping to reduce suspension and exclusion pressures.

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;**

Multi-agency decision-making arrangements are embedded through the Education, Health and Care Panel, supported by a weekly escalation panel to review exceptional packages, out-of-area placements and independent specialist provision requests.

4. **Review support services in Rotherham to ensure value for money is achieved;**

Value for money considerations are embedded within commissioning and placement decisions, supported by regular financial monitoring and reporting arrangements.

5. **Increase the outreach offer for Social Emotional and Mental Health (SEMH) needs at primary and secondary;**

The borough's SEMH Free School opened in September 2022. Additional provision for young people with Emotional Based School Avoidance (EBSA) has been developed, providing up to 30 places.

A further 40 SEMH resource provision places have been created, and the Aspire PRU outreach contract has been extended.

6. **Increase the outreach offer for specialist SEND;**

The Specialist Inclusion Team provides a universal outreach offer to all schools. New primary complex needs provisions opened in 2025, supported by curriculum development, capital investment and specialist outreach. To date, 29 pupils are accessing these provisions, with schools reporting increased confidence in meeting complex SEND needs within mainstream settings.

7. **Develop local sufficiency arrangements, including for Rotherham's Looked After Children;**

The Children in Care Sufficiency Programme has expanded in-house residential provision, increased local capacity and reduced reliance on external residential placements.

8. **Drive mainstream schools to adopt inclusive practice to enable more children and young people to remain in mainstream settings where appropriate;**

The PRU continues to operate as an intervention service with a focus on reintegration to mainstream education.

Following a borough-wide SEND capacity review, Cabinet approved a Schools Accessibility Strategy and £3m capital investment programme to improve SEND accessibility and support schools to meet a wider range of needs.

These investments have been complemented by a strengthened SEND school improvement offer and specialist outreach services. As a result, the proportion of pupils with an EHCP educated in mainstream schools increased by 5.4% during the Safety Valve period.

9. **Maintain engagement with stakeholders through strong and collaborative governance arrangements, such as ISOS partnership work, Schools Forum High Needs subgroup, primary and secondary head teacher.**

Governance arrangements have been strengthened through the SEND Executive, SEND Partnership Board and Schools Forum, with SEND sufficiency planning now a standing agenda item. Regular updates are provided to schools, elected members, health partners, parent carer forums and social care partners.

The SEND Partnership is also preparing for national SEND reforms and submitted Rotherham's SEND Reform Plan to the DfE in June 2025, ahead of planned implementation from September 2026.

3. Timetable and Accountability for Implementing this Decision

3.1 Robust monitoring and reporting arrangements are in place across the lifespan of the safety valve programme – with quarterly submission to the DfE on progress and risks facing the programme. This informed the progress update meetings with the DfE SEND Advisor for Rotherham to support delivery and hold accountability of the Safety Valve Agreement.

4. Financial Implications

4.1 A financial deficit of £3.6m was reported for the High Needs Budget for 2025/26 and has been transferred to the DSG reserves account. The in-year deficit reflects increased demand within the SEND system, including rising numbers of pupils with Education, Health and care Plans (EHCP) in mainstream and specialist settings, alongside inflationary cost pressures.

4.2 The overall DSG reserve position at 31 March 2026 is a cumulative deficit of £2.9m, after adjusting for safety valve funding received from DfE and other transferred DSG balances. The year end cumulative deficit has been carried forward to 2026/27 under the DSG statutory override regulation. The table below shows the year end DSG reserves position compared to the assumed position in the approved Safety Valve Agreement.

DSG Reserves	**2024/25 £'000**	**2025/26 £'000**
Opening deficit position	978	2,476
In-year HNB surplus (-)/deficit (+)	3,706	3,617
Actual Safety Valve Funding	-1,270	-2,000
Other DSG balances	-938	-1,196
Closing deficit position	**2,476**	**2,897**
Safety Valve Agreement position	**2,902**	**0**
Variance against Safety Valve	**-426**	**2,897**

4.3 The following are key points to note:

- The DSG reserve position at the end of the Safety Valve period (2025/26) is less favourable than the balanced position assumed within the Agreement. This reflects the cumulative impact of rising SEND demand and cost pressures, together with lower levels of Schools Block transfers in recent years.

- Despite this, the DSG deficit reduced significantly from £21.2m at the end of 2020/21 to £2.9m at 31 March 2026. This improvement reflects both the financial support provided through the Safety Valve Programme and the Council's actions to manage demand and improve financial sustainability.

- The statutory override regulations, which allows DSG deficits to be held separately from councils' wider financial positions, will remain in place until 31 March 2028. This will enable the Council to carry forward the residual DSG deficit of £2.9m at the end of 2025/26.

<u>High Needs Stability Grant</u>

4.4 2025/26 is the final year of the Council's Safety Valve Agreement, which has supported the management of SEND demand and financial pressures over the last five years.

4.5 The Government has announced a High Needs Stability Grant, which will fund up to 90% of historic DSG deficits accumulated by 31 March 2026, with local authorities expected to fund the remaining 10%. Based on the proposed funding methodology, the Council is expected to receive approximately £0.6m, reducing its residual DSG deficit of £2.9m at 31 March 2026.

4.6 The grant forms part of the transition to a reformed SEND system and complements the continuation of the statutory DSG deficit override, which remains in place until 31 March 2028. Access to the stability grant will be conditional on each authority submitting a Local SEND Reform Plan and securing approval from the Department for Education.

Schools White Paper and SEND Reforms

4.7 The Schools White Paper and wider SEND reforms set out a clear direction for a more inclusive and sustainable SEND system, with a focus on:

- Earlier identification and intervention to meet needs sooner and reduce escalation.
- Greater inclusion within mainstream education, supported by clearer expectations of ordinarily available provision.
- More consistent decision-making through national standards and clearer local pathways.
- Stronger accountability across education, health and care partners.
- Improved financial sustainability through strengthened local provision and reduced reliance on high-cost placements where needs can be met locally.

4.8 The overall aim is to improve educational outcomes, participation and preparation for adulthood for children and young people with SEND, while creating a more sustainable and predictable high needs funding system. To support implementation, the Government has committed £4bn of investment, including £1.6bn for mainstream schools, early years settings and colleges to strengthen inclusive practice, and £1.4bn for local authorities to provide specialist support through the Experts at Hand programme, including specialist teachers, educational psychologists and therapists.

4.9 Local authorities are required to submit a Local SEND Reform Plan by 19 June 2026, setting out how they will transition to the reformed SEND system and increase early intervention, inclusion and mainstream capacity. Plans must demonstrate a clear pathway towards the Government's vision for a more inclusive SEND system.

4.10 The Government recognises that implementation will take time and that financial pressures are likely to continue during the transition period. The Council's current modelling forecasts a worst-case scenario of in-year High Needs deficits of £7.0m in 2026/27 and £9.8m in 2027/28.

4.11 It is expected that Stability Grant funding will continue during this transition, although funding will be proportionate rather than unlimited. Local authorities will be required to maintain robust financial management while continuing to deliver appropriate, high-quality support for children and young people with SEND. Delivery of approved Local SEND Reform Plans will be a key component of this approach. Given this funding uncertainty it is difficult at present to assess how much the Department for Education will support the ongoing in year High Needs deficits. Therefore, the position will need to continue to be closely managed and factored into the Council's Budget setting processes.

5. Legal Advice and Implications

5.1 There are no direct legal implications, other than ensuring compliance with the terms and conditions of the signed Safety Valve agreement and the DSG conditions of grant.

6. Human Resources Advice and Implications

6.1 Children and young people with SEND are disproportionately represented across a range of education and inclusion measures. The Safety Valve Programme is intended to enable the Council to meet the needs of CYP with SEND, whilst appropriately managing demand for Education, Health and Care Plans (EHCPs), including assessment processes that are fit for purpose; and. use of appropriate and cost-effective provision.

7. Implications for Children and Young People and vulnerable adults

7.1 Rotherham is compliant with the SEND Code of Practice which sets out that if a child's parent or a young person makes a request for a particular nursery, school or post-16 institution in maintained, non-maintained, or independent provision, the local authority must comply with that preference and name the school or college in the EHC plan unless it would be unsuitable for the age, ability, aptitude or SEN of the child or young person, or the attendance of the child or young person there would be incompatible with the efficient education of others, or the efficient use of resources

8. Equalities and Human Rights Advice and Implications

8.1 There are no implications arising from this report to Equalities and Human Rights.

9. Risks and Mitigation

9.1 The following are identified risks in relation to the council's SEND / high needs budget:

1. Increasing inflation and provider fee rates are beginning to impact on forecast cost of specialist provision.
2. Increase in EHCP numbers and pupils requiring specialist support and placements.

3. Increased number of EHCP placements directed following tribunal and appeals.
4. Increasing number of requests from special schools and specialist resource provision for additional (bespoke) funding

10. Accountable Officers

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