

Review of Special School Funding Arrangements

Key Messages

Forum members are asked to:

- Note the plans for a review of special school funding arrangements.
- Comment on and agree the proposed approach to establish a working group.
- Note that there will be an update in December 2025 on benchmarking outcomes.
- Recognise that this review aims to ensure that funding is equitable, transparent, needs-led, and sustainable, reflecting the complexity of provision within Sheffield's special schools.

1. Introduction/background

- 1.1. Sheffield has now transitioned to a banded funding model for mainstream schools to support pupils with Education, Health and Care Plans (EHCPs). This approach replaces previous discretionary and locality-based systems and is now the sole method for allocating top-up funding from the High Needs Block (HNB) from 2025/26.
- 1.2. The system used - Formulate for SEND - assigns each pupil to a funding band based on a detailed needs profile.
- 1.3. The mainstream banded funding model was designed to provide a fair, transparent, and needs-led approach to allocating top-up funding. Its key features are:
 - **Aligning funding with pupil need:** pupils are allocated to bands according to their assessed additional support requirements.
 - **Standardising allocations:** funding is consistent citywide, removing reliance on discretionary or locality-based allocations.
 - **Supporting inclusion:** by strengthening mainstream provision, more children can be educated in their local communities, reducing reliance on costly independent placements.
 - **Enabling financial sustainability:** the model supports better management of the High Needs Block by forecasting costs and reducing ad-hoc funding decisions.
- 1.4. During the development of the mainstream banded funding model, special schools requested a review of their funding arrangements, seeking a needs-led model that mirrors the principles applied in mainstream settings.

2. Current Funding Arrangements in Special Schools

- 2.1. Individual allocations for each special school are currently based on historic actual costs modelled several years ago. Adjustments have been applied periodically to reflect inflationary pressures and additional High Needs funding, but the model is not fully aligned to current pupil needs.
- 2.2. Funding for pupils with special educational needs is structured across three levels:
 - Level 1: core funding for all pupils to cover basic education costs.
 - Level 2: up to £6,000 per pupil for additional SEN support, to be met from school budgets. Levels 1 and 2 together total £10,000 per pupil.
 - Level 3: top-up funding allocated by the Local Authority for pupils with complex or high-level needs, as set out in their EHCPs.
- 2.3. Historically, Level 3 in Sheffield has been delivered through a guaranteed funding model, providing stability and predictability. While this has supported financial planning, it does not fully reflect the variation in pupil needs across schools. Increasingly, schools are seeking a more equitable and needs-led approach.
- 2.4. Concerns around equity and consistency remain, particularly regarding disparities between schools. However, reviewing individual school allocations in isolation would not produce a fair or sustainable outcome. A citywide review is therefore required.
- 2.5. The Local Authority's strategic intention in the long-term is to adopt a banded funding model across special schools, building on the approach already embedded in mainstream schools. This will require co-production with school leaders to ensure the model is robust, needs-led, and financially sustainable.

3. Approach to the Review

- 3.1. We are proposing to establish a working group to progress this review. The development of a full needs-led funding model will take time, so at this stage the focus is on:
 - Benchmarking funding arrangements with other local authorities.
 - Gathering evidence from headteachers and business managers on current pressures and gaps.
 - Reviewing current allocations in mainstream schools and integrated resources.
 - Setting the scope and priorities for the working group.
- 3.2. The working group will guide the longer-term development of a needs-led funding model, including the potential creation of a framework to allocate funding in bands according to need. The timetable for developing this model will be confirmed in due course.

3.3. While the guaranteed funding model is not perfect, it has served Sheffield for many years and may be adjusted in the interim to ensure a fair allocation of funding while the longer-term needs-led framework is developed.

3.4. Key considerations for the review include:

- Learning from authorities identified by the Department for Education as having strong SEND strategies.
- Drawing on the experience and knowledge of headteachers and business managers.
- Aligning, where appropriate, with Sheffield's response to Ofsted findings.
- Ensuring equity and consistency with mainstream and integrated resource funding arrangements.

4. Possible Future Models

4.1. The working group will explore a range of models currently used nationally, including:

- Fully banded models aligned directly to pupil needs.
- Hybrid models combining baseline guaranteed funding with variable top-ups.
- Transitional models that gradually move schools from historic allocations to a fully needs-led approach.
- Proposed adjustments to the existing guaranteed funding model to make it fairer as an interim measure, ensuring more equitable allocations while a full needs-led model is developed.

4.2. The priority will be to design a model that:

- Reflects the needs of current cohorts in Sheffield.
- Promotes fairness and transparency.
- Provides stability for school financial planning.
- Is sustainable within the High Needs Block allocation.

5. Working Group Membership

5.1. The review will rely on broad engagement with professionals and stakeholders. Subject to Forum agreement, a working group will be established to guide and shape the process. Proposed membership includes:

- Special schools.
- Learn Sheffield.
- Representatives from Education Funding Forum.
- Local Authority officers (SEND, finance, commissioning).

5.2. This group will ensure that both educational and financial perspectives are considered in the development of future funding arrangements.

6. Proposed Timeline

Phase	Timeline	Key Actions / Milestones
Short-term: Establish & evidence gathering	Sept – Dec 2025	<ul style="list-style-type: none"> - Forum agreement to establish working group - Initial benchmarking with regional and statistical neighbours - Gather evidence from headteachers and business managers - Review current allocations in mainstream schools and Integrated Resources - Set scope and priorities for the working group
Medium-term: Model exploration & co-production	2026 (timeline to be confirmed)	<ul style="list-style-type: none"> - Work with the working group to explore possible approaches and models used nationally - Gather stakeholder input and initial ideas for assessment frameworks - Plan development of a needs-led funding model (timeline to be confirmed)

Notes:

- At this stage, the focus is on benchmarking and establishing the working group.
- The working group will guide the longer-term development of a needs-led model.
- An update will be provided to the Forum in December 2025 on benchmarking outcomes and progress in setting up the working group.

7. Recommendations

Forum members are asked to:

- **Note** the planned review.
- **Comment on and agree** the proposed approach to establish a working group.
- If Forum agrees, **support the development** of the working group membership in partnership with stakeholders.
- **Anticipate** receiving an update in December 2025.