



## NORTH YORKSHIRE SCHOOLS FORUM

<b>Date of meeting:</b>	Thursday 18 September 2025
<b>Title of report:</b>	<b>School Funding Update</b>
<b>Type of report:</b> Delete as required	For information and decision
<b>Executive summary:</b> Including reason for submission	This report provides an update on school funding and describes the detail of recent announcements on central government education funding policy and high-level implications for 2026-27. The paper describes the intention to consult schools and academies.
<b>Budget / Risk implications:</b>	<p>Implications for school budgets for the 2026-27 financial year</p> <p>Implications for services and resources for schools funded by the Central Schools Services Block funding from April 2026</p>
<b>Recommendations:</b>	<p>The Schools Forum is asked:</p> <ol style="list-style-type: none"> <li>To note the update on school funding.</li> <li>To support the submission of a disapplication request to the DfE for the use, if required, of an exceptional circumstance funding formula allocation of £50,000 for very small sparse secondary schools for 2026-27.</li> <li>To support the submission of a disapplication request to the DfE for the continued use in the 2026-27 financial year of the exceptional circumstance funding formula factor to provide funding for those schools where property rental is essential for the delivery of statutory educational provision and where the rental cost is greater than 1% of the school's delegated budget.</li> <li>To note the intention to consult schools and academies on the potential formula implications for 2026-27 related to:             <ul style="list-style-type: none"> <li>The level of the MFG for 2026-27 (DfE minimum or maximum threshold)</li> <li>The methodology to be used to deal with any under or overspend on the 2026-27 schools' block DSG - after any agreed block transfer - and after the application of the NFF factor values</li> </ul> </li> </ol>



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	<p>and MFG funding protection in the North Yorkshire funding formula.</p> <ul style="list-style-type: none"> <li>The proposed transfer of either 0.5% or 1% funding from the Schools Block DSG to the High Needs Block budget for the 2026-27 financial year</li> </ul> <p>The consultation results will be reported back to the Schools Forum at the November meeting.</p> <p>e. To approve the utilisation of the 2026-27 NFF Growth Funding, if required, to fund any shortfall in the 2026-27 Schools Block DSG (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG).</p> <p>f. To approve the request to utilise:</p> <ul style="list-style-type: none"> <li>- up to £500k of the Schools Block General Reserve to support, if required, any remaining funding shortfall on the Schools Block (if no agreed block transfer), after the utilisation of the 2026-27 NFF Pupil Growth funding.</li> <li>- up to £1.5m of the Schools Block General Reserve to support, if required, any remaining funding shortfall on the Schools Block (after any agreed Block transfer), after the utilisation of the 2026-27 NFF</li> </ul>
	All Schools Forum members
<b>Appendices:</b>	None
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## **1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides an overview of school funding issues related to the national funding formula (NFF) developments for the 2026-27 financial year.

## **2.0 BACKGROUND**

- 2.1 In Autumn 2017, the Department for Education (DfE) announced national changes to the school funding formula that will eventually see all mainstream school budgets set using a national funding formula. The North Yorkshire Schools Forum has adopted an approach of calculating school budgets using the NFF principles as far as possible since the introduction of the formula in 2018-19. In 2022-23 the DfE consulted on the transition to the direct NFF through the “Implementing the Direct National Funding Formula” consultation. The Department’s response to this consultation confirmed that it will continue to move forward with its plans to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula through a gradual approach to transition that seeks to avoid any unnecessary or unexpected disruption to schools. This transition continued in 2025-2026 in respect of:

- local authorities being required to move their local formula factor values at least a further 10% closer to the NFF (building on the movement towards the NFF made in 2024-2025), except where local formulae are already ‘mirroring’ the NFF.
- local authorities no longer allowed to increase the pupil number count for schools with higher reception pupil numbers in the January 2025 census.
- local authorities being required to follow the local formula requirements for growth funding (first introduced in 2024-2025), whereby additional classes (driven by basic need) must be funded by at least the minimum funding level set out in the funding calculation.
- local authorities with a falling rolls fund being required to continue to follow the requirements for falling rolls funding introduced in 2024-2025.
- Split site funding and PFI funding were excluded from the calculation of the Minimum Funding Guarantee (MFG).
- Local authorities had the freedom to set the MFG in their local formulae between minus 0.5% and 0.0% per pupil.

- 2.2 The local funding formula within North Yorkshire for the 2025-26 financial year included the following key points in terms of the calculation methodology used:

- A MFG of 0% (the maximum allowable MFG as per the DfE stipulated range of between -0.5% and 0%)
- Funding formula factor values based on the DfE National Funding Formula (NFF) values.
- The mandatory minimum per pupil level (MPPL) funding values of £4,955 for primary schools and £6,465 for secondary schools have been applied.
- The provision of an exceptional circumstance lump sum of £50,000 for very small sparse secondary schools that meet the following criteria:
  - pupils in years 10 and 11

- 350 pupils or fewer
  - a sparsity distance of 5 miles or more
  - The provision of an exceptional circumstance funding formula factor to provide funding for those schools where property rental is essential for the delivery of statutory educational provision and where the rental cost is greater than 1% of the school's delegated budget.
  - A provision of £100k from the Schools Block Dedicated Schools Grant (DSG) General Reserve to support the affordability of 2025-26 school budgets within North Yorkshire
- 2.3 The local authority continues to lobby DfE and MPs for a better funding deal for children and young people in all North Yorkshire education settings (including maintained schools and academies). Previously stated concerns remain, with regard to school funding levels in relation to small secondary schools, secondary school sparsity funding, and the level of the high needs funding quantum.

### **3.0 EDUCATION FUNDING POLICY: 2026-2027 SCHOOLS BLOCK**

- 3.1 The 2026-27 DSG funding information will be published by the DfE in Autumn 2025 due to the Government's Spending Review being delivered on 11 June 2025. In advance of confirming the schools National Funding Formula (NFF) factor values and allocations for the 2026-27 financial year, the DfE have provided summary policy information. This guidance confirms that there are no structural changes to the schools NFF for 2026-27, with no changes to the NFF factors and how they operate compared to 2025-26. The guidance confirms that local authorities will continue to be responsible for deciding local funding formulae for mainstream schools in their area for 2026-27 with the funding levels that LA maintained schools and academies receive being determined by the respective local formulae. The DfE have confirmed that the local authority disapplication and block transfer request processes will continue to operate for the 2026-27 financial year.
- 3.2 The DfE summary policy information confirms that the schools budget support grant (SBSG) and the National Insurance contributions (NICs) grant will be rolled into the NFF for 2026-27.
- 3.3 In June 2025, the government announced that, starting from September 2026, free school meals (FSM) will be extended to all children in households receiving Universal Credit. For 2026-27, the DfE have confirmed that they are not proposing any changes to the schools NFF to allocate funding for this expansion of FSM. Instead, the funding needed for the FSM expansion will be provided through a separate grant.
- 3.4 The current DfE NFF guidance requires local authorities to keep under review the calculation of their schools' notional SEN budgets to ensure that they are both proportionate to the costs and prevalence of pupils on SEN Support and that they meet additional support costs up to £6,000 per pupil of those with more complex needs. The 2024-25 guidance recommended a review of the notional SEN budget calculation for 2024-25 to be undertaken and that an annual review is carried out subsequently. DfE may undertake a validation check as part of the authority proforma tool (APT) process and ask local authorities to review their calculations if it appears that their total notional SEN budget provides schools with less than a certain amount per pupil identified as on SEN support, having deducted £6,000 per pupil with an EHC plan.
- 3.5 In response to the 2024-25 DfE guidance on the notional SEN budget calculation, North Yorkshire Council undertook a significant review of the notional SEN budget calculation

and consulted schools on a number of proposed changes. The resultant changes implemented sought to:

- better reflect the notional SEN budget funding requirements within North Yorkshire schools and academies,
- align to the average notional SEN budget funding levels and funding formula factor weightings of other local authorities with similar characteristics to North Yorkshire,
- reflect the operating context and diversity of schools and academies within North Yorkshire, and;
- ensure compliance with the DfE validation check that a LA's total notional SEN budget provides schools with a certain amount per pupil identified as on SEN support, having deducted £6,000 per pupil with an EHC plan.

The changes to the notional SEN budget calculation resulted in the notional SEN budget funding quantum within school budgets increasing from £31.07m in 2023-24 to £47.70m for the 2024/25 financial year.

- 3.6 Analysis has been undertaken to consider the notional SEN budget funding requirement for the numbers of pupils within the SEN support category and the number of pupils attracting element 3 top-up funding to the school through an EHCP in North Yorkshire, based on the October 2024 census data against the 2025-26 notional SEN funding budget allocation. The analysis is based on the notional SEN budget funding requirement assumptions used by the DfE of the costs of special educational provision for a pupil on SEN support being, on average, £3,500 per annum and the cost of supporting a pupil with high needs is £6,000 per annum. The analysis is detailed in the table below:

<b>North Yorkshire – Notional SEN Budget Funding Requirement Per Mainstream Pupil</b>		
Total Number of Pupils on SEN Support	10,406	
SEN Support Funding Requirement Per SEN Support Pupil from the Notional SEN Budget	£3,500	
SEN Support Pupils - Total Funding Requirement from the Notional SEN Budget		£36,421,000
Total Number of Mainstream Pupils with an EHCP	2,312	
EHCP Funding Requirement Per EHCP Pupil from the Notional SEN Budget	£6,000	
EHCP Pupils – Total Funding Requirement from the Notional SEN Budget		£13,872,000
<b>Total Notional SEN Budget Funding Requirement for SEN Support Pupils and EHCP Pupils</b>		<b>£50,293,000</b>
<b>2025/26 Notional SEN Budget Funding Allocation</b>		<b>£49,869,235</b>
<b>Variance Notional SEN Budget Funding Allocation v Notional SEN Budget Funding Requirement</b>		<b>-£423,765</b>

The analysis highlights that based on the latest 2024-25 pupil data, the 2025-26 notional SEN budget allocation broadly reflects the estimated notional SEN funding requirement

within North Yorkshire, with a small deficit position of £424k. The corresponding analysis undertaken at this point last year indicated a small surplus position of £231k. In this respect it is not considered necessary to review the notional SEN budget funding formula calculation for the 2026-27 financial year. The funding formula calculation will continue to be reviewed annually to ensure that it reflects the levels of pupils with SEN requirements in mainstream schools within North Yorkshire and any new requirements from the DfE Schools White Paper to be published in Autumn 2025.

- 3.7 Whilst the increased levels of sparsity funding received over recent years is welcomed, the financial challenges faced by small rural secondary schools in North Yorkshire continues to be a significant concern. The DfE have provided no commitment as to when the sparsity funding levels within the NFF will be reviewed for these establishments. As a continued interim measure, the LA proposes to continue to provide the exceptional circumstance funding of £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable. Local authorities can only make an application for this where schools have:
- pupils in years 10 and 11
  - 350 pupils or fewer
  - a sparsity distance of 5 miles or more

Based on the 2025-26 data and current pupil number projections for October 2025, no schools are expected to meet the eligibility criteria to receive this funding in 2026-27. However, the local authority considers it appropriate to submit a disapplication request for exceptional circumstance funding for very small sparse secondary schools to ensure:

- The continued use of this exceptional circumstance funding factor to seek to ensure that the mechanism remains in place in case of future requirements.
- DfE awareness is maintained of the funding and financial pressures associated with the operations of small, rural secondary schools.

Given that no schools are anticipated to meet the eligibility criteria, there is no forecast additional funding requirement associated with the exceptional circumstance disapplication request for the 2026-27 financial year.

- 3.8 North Yorkshire Council is intending to consult schools on options to request to transfer 0.5% or 1% of funding from the Schools Block to the High Needs budget for the 2026-27 financial year. This request is based on the continued and increasing cost pressures on the High Needs block in North Yorkshire; the High Needs cumulative budget deficit is forecast to be c.£24m by March 2026 and the deficit position is forecast to continue to escalate for future financial years if the present demand trend for high needs support continues, as detailed in agenda item 2.1.
- 3.9 Based on the 2025-26 Schools Block funding, a 0.5% transfer would equate to £2.3m and a 1% transfer would equate to £4.6m; the proposed block transfer options for the 2026-27 financial are expected to be similar amounts. The projected unmitigated in-year deficit on the High Needs Block for 2026-27 is estimated to be c.£16m based on assumptions on the continued trend for an increase in the number of children and young people assessed as requiring a funded Education, Health and Care Plan (EHCP), inflationary pressures, the mix of placements across different types of education provision, and the likely increase in High Needs Block funding notified by the Department for Education. The proposed funding transfer from the Schools Block to the High Needs Block would be utilised to fund locality boards in 2026-27 as well as support to schools through the inclusion and SEND locality hubs. In the event of the funding transfer not



being agreed, the local authority will need to consider the continuation of some of these services against a background of the significant funding pressures on High Needs budget and the wider local authority.

- 3.10 The 2026-27 Schools Block DSG funding level will not reflect any changes in pupil characteristics recorded on the October 2025 pupil census e.g. an increase in the levels of pupils eligible for free school meals (FSM), an increase in the number of pupils with English as an additional language (EAL) etc. The funding associated with any change in pupil characteristics is lagged and would be reflected in the 2027-28 Schools Block DSG. In this regard, any increased formula funding requirement in 2026-27 school budgets will represent a cost pressure, in the short term, for 2026-27 due to the lagged funding arrangement. To exemplify, an increase of 1% in the number of pupils recorded as eligible for FSM equates to an additional funding requirement of c£1m.
- 3.11 The overall funding requirement for 2026-27 school budgets, and the associated affordability within the 2026-27 schools block DSG funding provision cannot be finalised until the actual 2026-27 schools block DSG allocation is received in December 2025. Over recent years the local authority has encountered both positions where there has been a surplus funding position - with additional funding being required to be allocated to school budgets - and there have been funding shortfalls, where the Schools Block General Reserve has been utilised to cover the shortfall.
- 3.12 In order to ensure that local school funding formulae are affordable the DfE allows local authorities to “cap and scale” the gains of individual schools. Capping and scaling must be applied on the same basis to all schools. Capping and scaling cannot take a school below the MPPL’s and any gains cap must be set at least as high as the MFG threshold in order to ensure that all schools retain any gains up to the MFG threshold even where a cap is applied. Capping and scaling factors must not be applied to schools that have opened in the last 7 years and have not reached their full number of year groups. The general principles of the operation of capping and scaling are as follows:
- The cap sets the level of gain up to which a school retains 100% of any funding gain. The scaling factor determines the level of scaling back of any gain over the cap limit e.g. where a cap limit of 3% is set and a scaling back level of 25% is set, a school with a base 5% funding gain would receive a capped and scaled gain of 4.5% (100% of any gain up to 3% and 75% of any gain over 3% i.e.  $(3\% + (2\% \times 75\%)) = 4.5\%$ ).
  - The funding levels of schools subject to MFG and MPPL funding levels are protected under a capping scaling arrangement.
  - A combined approach of the use of capping and scaling and the use of reserves funding can be utilised in addressing any funding shortfall on the schools’ block DSG.
  - The impact of the capping and scaling methodology is generally as follows:
    - A lower funding gains cap requires a lower scaling back percentage to achieve the required funding reduction. This results in the reduction being shared across a wider number of schools and there is a lower level of funding gains reduction across the schools impacted.
    - A higher funding gains cap requires a higher scaling back percentage to achieve the required reduction. This results in the reduction being shared across a lower number of schools (those schools with highest level of gain) and there is a higher level of gains reduction across the schools impacted.
  - The use of capping and scaling is a local decision made by the local authority after consultation with schools and the schools forum.

- 3.13 Within North Yorkshire, the DfE Capping and Scaling methodology was used in the 2024-25 financial year to ensure the overall affordability of school budgets within the 2024-25 Schools Block DSG. The methodology was not required to be used in the 2025-26 financial year.
- 3.14 In addition to the core school funding allocation, the DfE provide a Growth Funding allocation. The actual Growth Funding allocation for 2026-27 will not be known until December 2025. The 2025-26 Growth Funding Allocation was £1.665m; this was a reduced amount compared to the funding allocation of £2.284m in 2024-25. Growth Funding has previously been utilised to provide contingency Pupil Growth and Falling Rolls funds and to develop a reserve fund for the additional revenue costs associated with new schools built under the DfE free school presumption route (estimated to be £900k - £1m per school over the initial seven years of operation). In the 2024-25 and the 2025-26 financial years, the annual allocation of £500k to the Pupil Growth and Falling Rolls Contingency Fund was released to support the funding shortfall on the school budget. In the 2025-26 financial year a reduced amount of £500k was contributed to the New Schools Reserve, with the £1.165m balance from the Growth Funding allocation being utilised to further support the funding shortfall on the school budget. As detailed in paper 2.2, it is anticipated that funding from the New Schools Reserve Fund may be required for 3-4 new schools over the next five to seven-year period within North Yorkshire. The reserve balances as at 31 March 2026 are currently estimated to be £591k on the Pupil Growth & Falling Rolls Contingency Fund and £6.0m on the New Schools Reserve. The forecast level of the reserve balance at the end of the 2025-26 financial year is currently considered to be sufficient to meet the funding requirements for the 2026-27 financial year in respect of the Pupil Growth and Falling Rolls Contingency Fund. Based on current expected build timescales and the current reserve level, it is considered that no funding contribution for the 2026-27 financial year is required for the New Schools Reserve; this position will be kept under review and further contributions may be required in future financial years. In this regard, the Schools Forum is requested to approve utilisation, if required, of the 2026-27 NFF Growth Funding allocation to fund any shortfall in the 2026-27 Schools Block DSG (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG).
- 3.15 The Schools Block DSG General Reserve is forecast to be approximately £4.6m as at 31 March 2026. £100k from this reserve was used in the 2025-26 financial year to support school budgets. The measured and prudent use of the Schools Block DSG General Reserve is again considered appropriate in supporting any shortfall in funding on the 2026-27 Schools Block DSG (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG). In this regard, the Schools Forum is requested to provide approval to utilise reserve funding of:
- up to £500k of the Schools Block General Reserve to support, if required, any remaining funding shortfall on the Schools Block (if no agreed block transfer), after the utilisation of the 2026-27 NFF Pupil Growth funding.
  - up to £1.5m of the Schools Block General Reserve to support, if required, any remaining funding shortfall on the Schools Block (after any agreed Block transfer), after the utilisation of the 2026-27 NFF



- 3.16 Any funding shortfall on the 2026-27 school budget calculation after the utilisation, subject to Schools Forum approval, of the 2026-27 NFF Pupil Growth Funding allocation and the utilisation of agreed use of Schools Block General Reserve would be recovered from school budgets through the use of capping and scaling.
- 3.17 Given the uncertainty of the final funding requirement for 2026-27 school budgets, the local authority intends to seek views from schools as to how any under or overspend on the schools' block DSG will be dealt with. School views will be requested as follows:
- In the event of an underspend on the Schools Block DSG (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG) whether the surplus funding should be distributed by an addition to the lump sum or to the age weighted pupil unit (AWPU) value. Schools will be asked to provide an 'in-principle view' on the allocation methodology to be used, if required.
  - In the event of an overspend on the Schools Block DSG (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG), capping and scaling will be used in order to ensure the affordability of the 2026-27 schools' budget. Subject to Schools Forum approval of the use of the 2026-27 NFF Growth Funding and Schools Block DSG Reserves funding up to the value of £500k, schools will be asked to provide a view on the use of capping and scaling for the recovery of any overspend in excess of this additional funding provision. Schools will be asked to provide an 'in-principle view' on the capping and scaling methodology used, if required:
    - The use of a lower gains capping percentage and a lower scaling back of gains percentage which would result in the recovery of funding impacting on a higher number of schools, but the level of the reduction on funding gains being lower. This methodology shares the funding gains reduction over a wider number of schools, but with a smaller reduction on the level of gain.
    - The use of a higher gains capping percentage and a higher scaling back of gains percentage which would result in the recovery of funding impacting on a lower number of schools. This methodology shares the funding gains reduction over a smaller number of schools that have the highest levels of gain, but the level of funding reduction above the gains cap level is higher.
- 3.18 The Local Authority intends to consult schools and academies within North Yorkshire on the following for the 2026-27 financial year:
- i. The level of the MFG based on the minimum and maximum DfE thresholds
  - ii. The methodology to be used for the allocation to school budgets of any funding surplus or shortfall on the Schools Block DSG (adjusted for any agreed block transfer) after the calculation of the school funding formula using NFF values and the agreed MFG funding protection. Views will be sought on an in-principle basis.
  - iii. The transfer of either 0.5% or 1% funding from the Schools Block DSG to the High Needs budget for the 2026-27 financial year in response to the continued increase in cost pressures, and associated deficit on the high needs budget.

Based on the notification from the DfE that the 2026-27 school funding information will not be received until autumn 2025, the 2026-27 school funding consultation will be principle-based.

#### **4.0 EXCEPTIONS TO THE FORMULA**

- 4.1 Local authorities are able to submit a request to the Secretary of State for exceptional circumstances where the 'normal' operation of the formula would not be appropriate or does not recognise a particular scenario. Requests for exceptions to the formula and block transfer requests for 2026-27 are required to be submitted to the DfE by 17 November 2025. Members of the Schools Forum are asked to agree the submission of exceptional circumstance disapplication requests to the DfE in relation to exceptional rent costs and very small, sparse secondary schools as detailed in 4.2 and 4.3 below.
- 4.2 The DfE have previously provided approval for a disapplication request for the use of an exceptional circumstance formula factor for schools where their rent costs are in excess of 1% of their delegated budget. This exception can only be requested where the number of schools affected equates to fewer than 5% of the schools and academies in the authority; less than 5% of schools within North Yorkshire have rent costs in excess of 1% of their delegated within North Yorkshire. It is proposed to request for this exceptional circumstance formula factor to be utilised again in the 2026-27 financial year for schools meeting the eligibility criteria.
- 4.3 As discussed in section 3.87 above, the LA proposes to submit a disapplication request to continue to provide, if necessary, the exceptional circumstance funding of £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable.
- 4.4 Local authorities are allowed to transfer up to and including 0.5% of the schools' block into another block, with schools' forum approval, without submitting a disapplication request. For a transfer exceeding 0.5%, or without Schools' Forum approval, a disapplication request must be submitted to the Secretary of State. Given the timings of the DfE deadline for local authority formula exceptions and block transfer request submissions for 2026-27 of 17 November 2025, and the next meeting of the Schools Forum (20 November 2025), North Yorkshire Council currently intends, subject to consideration of the results from the 2026-27 school funding consultation, to submit an application to the DfE to transfer funding from the Schools Block to the High Needs Block for 2026-27. The decision and comments from the Schools Forum meeting on 20 November 2025 on the block transfer proposal will be forwarded to the DfE in respect of the request.

#### **5.0 INTENTION TO CONSULT**

- 5.1 The local authority intends to consult schools and academies within North Yorkshire on the following items:
  - The level of the MFG (minimum or maximum DfE threshold) for 2026-27
  - The methodology to be used to deal with any under or overspend on the 2026-27 schools' block DSG (after any agreed block transfer), after the application of the NFF factor values and MFG funding protection in the North Yorkshire funding formula.

- The transfer of either 0.5% or 1% funding from the Schools Block DSG to the High Needs budget for the 2026/27 financial year

5.2 The planned timescales for the consultation process are detailed in the table below:

Date	Process
02/07/2024	Approval obtained from CYPS Executive Members in conjunction with Corporate Director – CYPS to consult schools & academies
18/09/2025	School Funding Update report to Schools Forum including details of 2026-27 school funding consultation
19/09/2025 – 24/10/2025	Consultation with schools & academies on 2026-27 school funding arrangements
20/11/2025	Consultation feedback considered by Schools Forum
06/01/2026	Final Decision by Full Executive on Mainstream School and Academy Budgets 2026-27

## 6.0 SCHOOLS BUDGET SUPPORT GRANT

6.1 The DfE announced additional funding alongside the 2025 teacher pay award, with the provision of over £470 million through the new Schools Budget Support Grant (SBSG) for mainstream schools to support the cost of pay awards in the 2025-26 financial year in respect of their 5 to 16 provision. In addition, over £80 million of additional funding is being provided for this purpose for special and AP schools through the existing core schools budget grant (CSBG); over £30 million for schools with 16 to 19 provision, through 16 to 19 funding allocations; and, over £15 million in respect of early years provision in schools through the Early Years National Insurance Contributions and Pay Grant (EY NYG). The DfE have stated that the grant funding will be incorporated into core budget allocations for 2026-27 for mainstream schools with the funding being rolled into the schools national funding formula (NFF) for 2026-27. The DfE will provide additional grant funding for academies, to cover the SBSG in the period April to August 2026, given their funding cycle follows the academic year. This payment will cover the period before the grant is moved into academies' core budget allocations through the national funding formula.

6.2 The SBSG funding for local authority maintained mainstream schools is paid by the DfE to local authorities, who are required to pay the funding to individual schools at the published rates. The DfE pay the grant funding directly to mainstream academies at the published rates.

6.3 The SBSG will fund the following mainstream school providers, for the 5- to 16-year-old age range:

- primary and secondary maintained schools
- primary and secondary academies and free schools
- all-through maintained schools
- all-through academies
- city technology colleges

6.4 The SBSG funding rates are based on the following factors:

- a basic per-pupil rate with different rates for primary, key stage 3, and key stage 4

- a lump sum paid to all schools, regardless of pupil numbers
- a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last 6 years (FSM6), with different rates for primary and secondary pupils

6.6 The base funding rates for the 2025-2026 financial year are:

- a basic per-pupil rate of £37 for primary pupils, including pupils in reception
- a basic per-pupil rate of £53 for key stage 3 pupils
- a basic per-pupil rate of £60 for key stage 4 pupils
- a lump sum of £1,400
- a FSM6 per-pupil rate of £35 per eligible primary pupil
- a FSM6 per-pupil rate of £50 per eligible secondary pupil

Grant allocations will be calculated by multiplying the relevant funding rates by the pupil count, and FSM6 pupil count, using data from the October 2024 census. The allocations also include the lump sum amount.

## 7.0 SCHOOL COST PRESSURES

- 7.1 Given the current messaging from Government on the public sector funding pressures, it is anticipated the financial pressures faced by schools will continue in respect of ongoing inflationary pressures and likely further pay award and cost increases forecast for 2026-27. The DfE have provided the SBSG to support schools with additional cost pressures in 2025-26, as detailed in section 6 above.
- 7.2 It is recognised that any proposed funding transfer from the Schools Block to the High Needs Block for the 2026-27 financial year presents a further potential cost pressure to school budgets. However, given the significance of the levels of concern, at both local authority level and national DfE level, in relation to the High Needs budget deficit position within North Yorkshire, the local authority feels that this option must be considered as part of the overall financial recovery plan strategy for the High Needs budget. The proposed mitigations in respect of the use of the 2026-27 NFF Growth Funding and up to £1.5m from the Schools Block DSG General Reserve is expected to partially alleviate the cost pressure on 2026-27 school budgets of the proposed funding transfer.

## 8.0 RECOMMENDATIONS

- 8.1 The Schools Forum is asked:
- a. To note the update on school funding.
  - b. To support the submission of a disapplication request to the DfE for the use, if required, of an exceptional circumstance funding formula allocation of £50,000 for very small sparse secondary schools for 2026-27.
  - c. To support the submission of a disapplication request to the DfE for the continued use in the 2026-27 financial year of the exceptional circumstance funding formula factor to provide funding for those schools where property rental is essential for the delivery of statutory educational provision and where the rental cost is greater than 1% of the school's delegated budget.
  - d. To note the intention to consult schools and academies on the potential formula implications for 2026-27 related to:

- The level of the MFG for 2026-27 (DfE minimum or maximum threshold)
  - The methodology to be used to deal with any under or overspend on the 2026-27 schools' block DSG (after any agreed block transfer), after the application of the NFF factor values and MFG funding protection in the North Yorkshire funding formula.
  - The transfer of either 0.5% or 1% funding from the Schools Block DSG to the High Needs budget for the 2026-27 financial year
- The consultation results will be reported back to the Schools Forum at the November meeting.
- e. To approve utilisation, if required, of the 2026-27 NFF Growth Funding to fund any shortfall in the 2026-27 Schools Block DSG (adjusted for any agreed block transfer) after the calculation of the 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG).
- f. To approve the request to utilise:
- Up to £500k of the Schools Block General Reserve, if required, to fund any remaining funding shortfall on the Schools Block (if no agreed block transfer), after the utilisation of the 2026/27 NFF Pupil Growth funding.
  - Up to £1.5m of the Schools Block General Reserve, if required, to fund any remaining funding shortfall on the Schools Block (after any agreed block transfer), after the utilisation of the 2026/27 NFF Pupil Growth funding.

SIR STUART CARLTON

Corporate Director – Children and Young People's Service