NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 24 September 2026
Title of report:	**School Funding Update**
Type of report: Delete as required	For information and decision
Executive summary: Including reason for submission	This report provides an update on school funding for 2027-28. The paper describes the intention to consult schools and academies.
Budget / Risk implications:	Implications for school budgets for the 2027-28 financial year Implications for services and resources for schools funded by the Central Schools Services Block funding from April 2027
Recommendations:	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 2027-28. c. To support the submission of a disapplication request to the DfE for the continued use in the 2027-28 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 2027-28 related to: • The level of the MFG for 2027-28 (DfE minimum or maximum threshold) • The methodology to be used to deal with any under or overspend on the 2027-28 schools' block DSG, after the application of the NFF factor values and MFG funding protection in the North Yorkshire funding formula, and the agreed

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	repayment of any funding shortfall on the 2026-27 Schools Block DSG • Proposed amendments to the notional SEN budget formula for primary schools for the 2027-28 financial year to reflect the current profile of pupils with additional SEND needs within the sector, as follows: - To increase the percentage of the FSM6 funding allocated for notional SEN funding from 30% to 40% - To increase the percentage of the IDACI funding allocated for notional SEN funding from 20% to 50% e. To approve the utilisation of any unallocated 2027-28 NFF Growth Funding to fund commitments on the 2027-28 Schools Block DSG related to the 2027-28 school's budget and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG
	All Schools Forum members
Appendices:	None
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1.0 PURPOSE OF THE REPORT

1.1 This report provides an overview of school funding issues in respect of the 2027-28 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 National Funding Formula (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 2026-2027 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 and 2025-26), except where local formulae are already 'mirroring' the NFF.
- 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 2026-27 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 £5,115 for primary schools and £6,640 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 0.5% funding transfer from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block DSG.
- The utilisation of £1.5m from the Schools Block DSG General Reserve to support 2026-27 school budgets within North Yorkshire.

2.3 As previously outlined to the Schools Forum, the DfE have confirmed that in respect of the calculation of the DSG deficit for the purposes of additional grant support to be provided through the High Needs Stability Grant, the overall net DSG position as at 31 March 2026 will be the amount eligible to receive funding support. The calculation of the High Needs Stability Grant will cover 90% of historic deficits accrued up to the end of 2025-26 and with reference to a full range of sources on local authority expenditure including comparisons of Section 251 data, draft and published Dedicated Schools Grant notes, DSG s151 assurance sign-off, Revenue Outturn (RO) data and published accounts. Any proportion of the historic deficit up to 2025-26 not covered by grant ("the residual deficit") will remain in the associated statutory reserve. The DfE have mandated that a local authority cannot carry forward positive balances on the other non-High Needs DSG blocks if the whole DSG account is in deficit at the end of the year. The deficit eligible for the High Needs Stability Grant is the DSG deficit as at 31 March 2026, after excluding any expenditure or charges that are deemed ineligible for relief, and net of any other surplus DSG balance recognised as at 31 March 2026. The overall DSG deficit for North Yorkshire as at 31 March 2026 is £4m.

2.4 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: 2027-28 SCHOOLS BLOCK

3.1 The DfE have confirmed that the 2027-28 Dedicated Schools Grant (DSG) funding information will be published Autumn 2026. The DfE have also confirmed that the local authority disapplication and block transfer request processes will continue to operate for the 2027-28 financial year.

3.2 The Schools Budget Support Grant 2026 (SBSG 26) has been provided by the DfE to support schools with overall costs in the 2026-27 financial year, including the teachers' pay award from September 2026 and the local government services pay award for support staff from April 2026. The DfE have confirmed that the grant funding will be rolled into the schools NFF for the 2027-28 financial year. Further detail on the SBSG 26 is provided in section 6 of this report.

3.3 The DFE have announced that, from April 2027, employer contribution rates for the Teachers' Pension Scheme (TPS) will decrease from 28.6% to 17.6%. The DfE have confirmed that a funding reduction in respect of pensions will be incorporated into the schools NFF for the 2027-28 financial year. The schools NFF funding adjustments will be made through:

- basic per pupil factor (reductions of £178 / primary pupil, £250 / key stage 3 pupil, £281 / key stage 4 pupil)
- the lump sum (reduction of £6,600)
- the FSM6 factor values (reductions of £155 / eligible primary pupil, £225 / eligible secondary pupil
- the minimum per pupil levels
- the baseline for each school, which is used to calculate funding protections for schools funded through the funding floor

A separate adjustment will be made to academy 2026-27 GAG allocations for the period 1 April 2027 to 31 August 2027.

3.4 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 additional funding will be allocated through the free school meals expansion grant for the period from September 2026 to March 2027 to support schools with the additional costs of free meals. The DfE have also confirmed that the funding for free school meals expansion will be incorporated into the schools NFF for the 2027-28 financial year.

3.5 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.

3.6 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.

3.7 Analysis was undertaken in summer 2024 and summer 2025, respectively, for the 2025-26 and 2026-27 financial years. The analysis indicated, based on the latest data available, that no change was required to the notional SEN budget calculation at that point in time.

3.8 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 2025 census data against the 2026-27 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 1 below:

Table 1: Notional SEN Budget Funding Requirement – Mainstream Pupils

North Yorkshire – Notional SEN Budget Funding Requirement – Mainstream Pupils		
Total Number of Pupils on SEN Support	10,437	
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		£36,529,500
Total Number of Mainstream Pupils with an EHCP	2,855	
EHCP Funding Requirement Per EHCP Pupil from the Notional SEN Budget	£6,000	
EHCP Pupils – Total Funding Requirement from the Notional SEN Budget		£17,130,000
Total Notional SEN Budget Funding Requirement for SEN Support Pupils and EHCP Pupils		**£53,659,500**
2026-27 Notional SEN Budget Funding Allocation		**£51,963,768**
Variance Notional SEN Budget Funding Allocation v Notional SEN Budget Funding Requirement		**-£1,695,732**

The analysis highlights that based on the latest 2025-26 pupil data, there is a shortfall of £1.7m between the 2026-27 notional SEN budget allocation and the estimated notional SEN funding requirement within North Yorkshire. The corresponding analysis undertaken at this point last year indicated a small deficit position of £424k. The key data change relates to the number of EHCP pupils which has increased from 2,312 pupils in October 2024 to 2,855 pupils in October 2025 (an increase of 350 pupils in the primary sector and 193 pupils in the secondary sector). The number of pupils on SEN support remained broadly similar at 10,406 in October 2024 and 10,437 pupils in October 2025 (the number of primary pupils on SEN support increased by 115 pupils, the number of secondary pupils on SEN support reduced by 84 pupils).

3.9 Further analysis of the notional SEN budget funding requirement between the primary and secondary sectors is detailed in table 2 below:

Table 2: Analysis of Notional Mainstream Funding Requirement for Primary and Secondary Schools

	Primary	Secondary	Total
2025-26 Total Number of Pupils on SEN Support	6071	4366	10437
SEN Support Funding Requirement Per SEN Support Pupil from the Notional SEN Budget (£3,500 per pupil)	£21,248,500	£15,281,000	£36,529,500
2025-26 Total Number of Mainstream Pupils with an EHCP	1574	1281	2855

EHCP Pupils – Total Funding Requirement from the Notional SEN Budget (£6,000 per pupil)	£9,444,000	£7,686,000	£17,130,000
Total Notional SEN Budget Funding Requirement for SEN Support Pupils and EHCP Pupils	**£30,692,500**	**£22,967,000**	**£53,659,500**
2026-27 Notional SEN Budget Funding Allocation	**£28,300,996**	**£23,662,772**	**£51,963,768**
Variance Notional SEN Budget Funding Allocation v Notional SEN Budget Funding Requirement	**-£2,391,504**	**£695,772**	**-£1,695,732**

The analysis highlights that based on the latest 2025-26 pupil data, there is a small surplus of £696k between the 2026-27 notional SEN budget allocation and the estimated notional SEN funding requirement for secondary schools and a shortfall of £2.39m for primary schools.

3.10 In response to the indicative position on notional SEN budget funding, a review has been undertaken of:

- Comparison of the funding formula factors and factor weightings used within the North Yorkshire local school notional SEN budget funding formula to those used by other local authorities nationally and those used by other similar local authorities (typically rural authorities);
- Comparison of the average notional SEN budget per pupil within the North Yorkshire local school funding formula to the average notional SEN budget per pupil for other local authorities nationally and that of other similar local authorities (typically rural authorities)

3.11 A comparison has been undertaken of the funding formula factors and factor weightings used within the North Yorkshire local school notional SEN budget funding formula to those used by other local authorities nationally and those used by other similar local authorities. The results are outlined in Table 3 below:

Table 3: Notional SEN budget factors and factor weightings

Formula Factor	North Yorkshire Use & Weighting	LA National Average Use & Weighting	Similar LA Average Use & Weighting
Primary Basic Entitlement (AWPU)	5.20%	3.50%	3.13%
KS3 Basic Entitlement (AWPU)	3.50%	3.24%	3.00%
KS4 Basic Entitlement (AWPU)	3.50%	3.21%	2.99%
FSM	0% (P) 0% (S)	28.52% (P) 28.60% (S)	28.88% (P) 28.34% (S)
FSM6	30.00% (P) 30.00% (S)	42.21% (P) 41.49% (S)	45.19% (P) 44.26% (S)
IDACI	20.00% (P) 20.00% (S)	39.77% (P) 38.38% (S)	50.27% (P) 49.59% (S)
EAL	0.00% (P)	13.65% (P)	11.79% (P)

	0.00% (S)	13.67% (S)	11.79% (S)
Mobility	30.00% (P) 30.00% (S)	13.23% (P) 13.02% (S)	8.43% (P) 8.43% (S)
Prior Attainment	100.00% (P) 100.00% (S)	90.90% (P) 90.46% (S)	97.31% (P) 96.93% (S)
Lump Sum	5.20% (P) 3.50% (S)	1.72% (P) 1.57% (S)	1.74% (P) 1.69% (S)
Sparsity	0.00% (P) 0.00% (S)	0.75% (P) 0.41% (S)	2.05% (P) 0.21% (S)
Exceptional Circumstance	3.50%	1.08%	1.71%
MPPL	0.00%	4.57%	6.29%
MFG	0.00%	1.71%	0.21%

3.12 A comparison has been undertaken of the average notional SEN budget per pupil (based on overall pupil population) for the current North Yorkshire local school funding formula to the average notional SEN budget per pupil (based on overall pupil population) for other local authorities nationally and that of other similar local authorities. The results are detailed in the table below:

	Notional SEN Budget - Average Funding Per Pupil*		
	North Yorkshire	**LA National**	**Similar LA**
Notional Average SEN Budget Per Pupil	£722.31	£838.99	£752.55

*Data source: DfE 2026-27 school budget submissions

3.13 In order to ensure that the notional SEN budget calculation for primary schools is reflective of the current profile of pupils with additional SEND within the sector, the following amendments are proposed to the notional SEN budget calculation formula for the 2027-28 financial year:

- To increase the percentage of the FSM6 funding allocated for notional SEN funding from 30% to 40%
- To increase the percentage of the IDACI funding allocated for notional SEN funding from 20% to 50%

The proposed amendment seeks to:

- Reflect the DfE expectation that a larger part of deprivation funding, reflecting the higher prevalence of lower-level SEN amongst disadvantaged pupils, is included in the notional SEN funding calculation
- Reflect the approach taken by other similar local authorities in respect of the use of the FSM6 and IDACI funding formula factors for the allocation of notional SEN funding

3.14 Based on the 2026-27 notional SEN funding allocation, the proposed amendments to the formula would increase the funding attributable to the primary notional SEN funding allocation by £2.74m. Based on the funding requirement calculated using the latest SEN data, this would provide a small surplus of £359k on the SEN notional funding requirement. The local authority proposes to consult on the proposed amendments. The overall notional SEN budget average funding per pupil for North Yorkshire, based on the 2026-27 school budget funding allocation, would increase to £749.21 per pupil; this is broadly reflective of the level of similar local authorities for the 2026-27 financial year.

3.15 No changes are proposed for the secondary school notional SEN funding formula for the 2027-28 financial year.

3.16 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 2026-27 data and current pupil number projections for October 2026, no schools are expected to meet the eligibility criteria to receive this funding in 2027-28. 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 2027-28 financial year.

3.17 North Yorkshire Council is not proposing to transfer funding from the Schools Block DSG to the High Needs Block DSG for the 2027-28 financial year.

3.18 The 2027-28 Schools Block DSG funding level will not reflect any changes in pupil characteristics recorded on the October 2026 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 2028-29 Schools Block DSG. In this regard, any increased formula funding requirement in 2027-28 school budgets will represent a cost pressure, in the short term, for 2027-28 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.

3.19 Consideration of the setting of school budgets for the 2027-28 financial year will need to reflect the funding requirement for any deficit balance on the 2026-27 Schools block DSG as at 31 March 2027 resulting from the previously agreed and budgeted utilisation of Schools Block DSG reserve funding for the 2026-27 financial year for school budgets (£1.5m) and Pupil Growth and Falling Rolls Funds (forecast £217k, including new schools provision). The DfE school funding regulations allow for any deficit on the

Schools Block DSG to be normally recovered over up to two financial years. Under regulation 9 of and Schedule 2 to the School and Early Years Finance (England) Regulations 2026, local authorities are required to carry forward overspends to their school's budget either in the immediately following year or the year after. The impact of these provisions means that a local authority with a DSG deficit from the previous year must either:

- carry the whole of the deficit forward to be dealt with in the schools' budget for the new financial year
- carry part of it forward into the new financial year and the rest of it into the following financial year
- carry all of it into the following financial year, or
- apply to the Secretary of State for Education under the regulations for authorisation to disregard the requirements in regulation 9 and Schedule 2 relating to deficits if it wishes to fund any part of the deficit from a source other than the DSG.

3.20 The overall funding requirement for 2027-28 school budgets, and the associated affordability within the 2027-28 schools block DSG funding provision cannot be finalised until the actual 2027-28 schools block DSG allocation is received in December 2026. 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 capping and scaling of school budgets and the Schools Block General Reserve has been utilised to support the shortfall.

3.21 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% x 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.

3.22 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 and 2026-27 financial years.

3.23 In addition to the core school funding allocation, the DfE provide a Growth Funding allocation. The actual Growth Funding allocation for 2027-28 will not be known until December 2026. The 2026-27 Growth Funding Allocation was £2.078m. At the point of calculating school budgets for 2027-28, the funding requirement for the local Pupil Growth and Falling Rolls Fund will be required to be determined. At this stage, as detailed in report 2.3, the estimated 2027-28 funding requirement is £82.9k for the Pupil Growth Fund and £118.6k for Pupil Growth – New Schools; there is currently no forecast funding requirement for the Falling Rolls Fund. The local authority had previously developed a reserve fund for the additional revenue costs associated with new schools built under the DfE free school presumption route (costs estimated to be £900k - £1m per school over the initial seven years of operation). The DfE requirement for reserves on any of the DSG blocks to the utilised to support an overall DSG deficit precludes this provision from being made for 2027-28. The Schools Forum is requested to approve the utilisation of any unallocated 2027-28 NFF Growth Funding to fund commitments on the 2027-28 Schools Block DSG related to 2027-28 schools' budget and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG

3.24 Any funding shortfall on the 2027-28 DSG after the utilisation, subject to Schools Forum approval, of any unallocated 2027-28 NFF Pupil Growth Funding allocation would be recovered from school budgets through the use of capping and scaling based on the agreed the repayment profile for any shortfall.

3.25 Given the uncertainty of the final funding requirement for 2027-28 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 after the calculation of 2027-28 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG), and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG, 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 after the calculation of the 2027-28 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG), and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG, capping and scaling will be used in order to ensure the affordability of the 2027-28 schools' budget. Subject to Schools Forum approval of the use of any unallocated 2027-28 NFF Growth Funding, 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.

3.26 The Local Authority intends to consult schools and academies within North Yorkshire on the following for the 2027-28 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 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. Proposed amendments to the notional SEN budget formula for primary schools for the 2027-28 financial year to reflect the current profile of pupils with additional SEND within the sector, as follows:

- To increase the percentage of the FSM6 funding allocated for notional SEN funding from 30% to 40%
- To increase the percentage of the IDACI funding allocated for notional SEN funding from 20% to 50%

Based on the notification from the DfE that the 2027-28 school funding information will not be received until autumn 2026, the 2027-28 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 for 2027-28 are required to be submitted to the DfE by 16 November 2026. 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 budget within North Yorkshire. It is proposed to request for this exceptional circumstance formula factor to be utilised again in the 2027-28 financial year for schools meeting the eligibility criteria.

4.3 As discussed in section 3.16 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.

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 2027-28
- The methodology to be used to deal with any under or overspend on the 2027-28 schools' block DSG, after the application of the NFF factor values and MFG funding protection in the North Yorkshire funding formula.
- Proposed amendments to the notional SEN budget formula for primary schools for the 2027-28 financial year to reflect the current profile of pupils with additional SEND within the sector, as follows:
    - To increase the percentage of the FSM6 funding allocated for notional SEN funding from 30% to 40%
    - To increase the percentage of the IDACI funding allocated for notional SEN funding from 20% to 50%

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

Date	Process
18/08/2026	Approval obtained from CYPS Executive Members in conjunction with Corporate Director – CYPS to consult schools & academies
24/09/2026	School Funding Update report to Schools Forum including details of 2027-28 school funding consultation
25/09/2026 – 23/10/2026	Consultation with schools & academies on 2027-28 school funding arrangements
19/11/2026	Consultation feedback considered by Schools Forum
05/01/2027	Final Decision by Full Executive on Mainstream School and Academy Budgets 2027-28

6.0 SCHOOLS BUDGET SUPPORT GRANT 2026

6.1 The DfE have announced that £700m of additional funding will be provided through the Schools Budget Support Grant 2026 (SBSG 26) to schools in the 2026-27 financial year to support them with overall costs, including the:

- costs of the schools' teacher pay award from September 2026
- local government services pay award in respect of support staff in 2026-27

Around £635 million in the 2026-27 financial year will be provided through the SBSG 26 to support with increased costs for:

- mainstream schools (for reception to key stage 4 provision) including special units and resourced provision (£522 million)
- special, alternative provision (AP) and hospital schools (£98 million)
- local authority centrally employed teachers and support staff (£14 million)

Further funding will be provided as follows:

- £18 million for schools with early years (EY) provision
- around £49 million for post-16 provision in schools and academies

The DfE have stated that the grant funding will be incorporated into core budget allocations for 2027-28 for mainstream schools with the funding being rolled into the schools national funding formula (NFF) for 2027-28. The DfE will provide additional grant funding for academies, to cover the SBSG 26 in the period April to August 2027, 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. The funding for special, AP and hospital schools will be incorporated into the high needs funding block of the DSG for 2027-28

6.2 The SBSG 26 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 following settings are eligible to receive SBSG 26 funding:

- reception to key stage 4 provision in maintained mainstream schools
- special units and resource provision (SURPs) located within mainstream schools
- maintained special schools and pupil referral units
- special and AP academies and free schools
- independent special schools
- hospital schools and other providers of hospital education
- reception to key stage 4 provision in mainstream academies and free schools (including studio schools and university technical colleges), excluding the funding relating to academies' and free schools' SURPs which is paid through local authorities
- city technology colleges
- non-maintained special schools

6.4 The SBSG 26 funding rates are based on the following factors for mainstream schools:

- 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

6.5 The base funding rates for the 2026-27 financial year are:

- a basic per-pupil rate of £42 for primary pupils, including pupils in reception
- a basic per-pupil rate of £59 for key stage 3 pupils
- a basic per-pupil rate of £67 for key stage 4 pupils

- a lump sum of £1,600
- a FSM6 per-pupil rate of £35 per eligible primary pupil
- a FSM6 per-pupil rate of £55 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 2025 census. The allocations also include the lump sum amount.

6.6 The SBSG 26 funding rates for the 2026-27 financial year are £371 per place for special educational needs and disabilities (SEND) and AP places in maintained and non-maintained special schools, PRUs, special and AP academies and free schools, and independent special schools (using local authority placement data). (The equivalent 12-month funding rate is £511 per place). Funding will be based on the 2026-27 academic year place numbers.

7.0 SCHOOL COST PRESSURES

7.1 Given the current messaging from Government on the public sector funding pressures and wider economic uncertainties, 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 2027-28. The DfE have provided the SBSG 26 to support schools with additional cost pressures in 2026-27, as detailed in section 6 above.

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 2027-28.

c. To support the submission of a disapplication request to the DfE for the continued use in the 2027-28 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 2027-28 related to:
   - The level of the MFG for 2027-28 (DfE minimum or maximum threshold)
   - The methodology to be used to deal with any under or overspend on the 2027-28 schools’ block DSG, after the application of the NFF factor values and MFG funding protection in the North Yorkshire funding formula, and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG
   - Proposed amendments to the notional SEN budget formula for primary schools for the 2027-28 financial year to reflect the current profile of pupils with additional SEND within the sector, as follows:

- To increase the percentage of the FSM6 funding allocated for notional SEN funding from 30% to 40%
- To increase the percentage of the IDACI funding allocated for notional SEN funding from 20% to 50%

The consultation results will be reported back to the Schools Forum at the November meeting.

e. To approve the utilisation of any unallocated 2027-28 NFF Growth Funding to fund commitments on the 2027-28 Schools Block DSG related to 2027-28 school's budget and the agreed repayment of any funding shortfall on the 2026-27 Schools Block DSG

EL MAYHEW
Corporate Director – Children and Young People's Service