



# **NORTH YORKSHIRE COUNCIL**

## **2026-2027 SCHOOL FUNDING A CONSULTATION PAPER**

**19 September 2025**

**Deadline for responses: Friday, 24 October 2025 (5.00pm)**

## 1.0 Summary

1.1 This consultation paper sets out the latest position from the Department for Education (DfE) and the North Yorkshire Council local authority with regard to school funding for 2026-2027. At this time, the DfE have not yet published school funding information for the 2026-2027 financial year. In this respect, in order to ensure that 2026-2027 school budgets can be published within the required timescales, North Yorkshire Council is undertaking a **principle-based** school funding consultation. The consultation seeks the views of primary and secondary schools and academies to inform the following key decisions:

- The level of the minimum funding guarantee (MFG) protection. This determines the minimum funding change that a school will receive in terms of funding per pupil between the 2025-2026 financial year and the 2026-2027 financial year.
- The methodology to be used to deal with any funding surplus or shortfall on the 2026-2027 schools' block Dedicated Schools Grant (DSG) after the calculation of school budgets at National Funding Formula (NFF) values
- A transfer of either 0.5% or 1% funding from the Schools Block DSG to the High Needs Block budget for the 2026-2027 financial year

1.2 A separate consultation will be undertaken with special schools and academies on the level of the special school MFG for 2026-2027.

1.3 The views of schools and academies provided through this consultation will be fed back to the North Yorkshire Schools Forum on 20 November 2025. This consultation will begin on 19 September 2025 and will close on 24 October 2025.

## 2.0 North Yorkshire Council 2026-2027 School Funding Consultation

2.1 The principle-based 2026-2027 school funding consultation considers the following issues:

- The level of the Minimum Funding Guarantee (MFG) funding protection. This is one of the mechanisms that determine the change in per pupil funding levels that a school can experience from year to year. The level of the MFG ensures a guaranteed level of change in per pupil funding levels at individual school level when compared to the previous financial year. In this respect, a higher MFG supports those schools where the NFF provides a lower percentage increase in funding per pupil than the guaranteed minimum when compared to funding levels in the previous financial year. In recent years the DfE have set the percentage parameters in which local authorities are required to set the local MFG level; for the 2025-2026 financial year this was between minus 0.5% and 0%.
- The methodology which will be used in the event of any surplus or shortfall in funding on the Schools Block DSG after the calculation of school funding formula allocations using the NFF values, as determined by the DfE.
  - In the event of surplus funding being available, consideration is given to whether this should be distributed through the Age Weighted Pupil Unit (AWPU) funding or the Lump Sum funding.

- In the event of a funding shortfall, the DfE allow local authorities to use a “capping and scaling” process where the funding requirement of school budgets is greater than the available Schools Block DSG funding. 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.  $(3\% + (2\% \times 75\%)) = 4.5\%$ ).

Generally, the use of a lower gains capping percentage and a lower scaling back of gains percentage results in the recovery of funding impacting on a higher number of schools, but the level of the reduction on funding gains is lower. The use of a higher gains capping percentage and a higher scaling back of gains percentage results in the recovery of funding impacting on a lower number of schools but the level of funding reduction above the gains cap level is higher.

- A request by the local authority to transfer either 0.5% or 1% funding from the Schools Block DSG to the High Needs Block 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 which provides the funding for the SEND system across North Yorkshire; the High Needs accumulated budget deficit is forecast to be c.£24m by March 2026. This deficit position is forecast to continue to escalate for future financial years if the present demand trend for high needs support continues, with a £16m in-year deficit estimated for the 2026-27 financial year. This reflects the continuing upward trend related to the number of children and young people assessed as requiring an Education, Health and Care Plan. The transfer of either 0.5% or 1% of the 2025-26 Schools Block funding equated to £2.3m or £4.6m respectively; the proposed block transfer for the 2026-27 financial is expected to be a similar amount.
- The Schools Forum have approved the proposed mitigations in respect of the use of the 2026-2027 DfE Growth Funding and up to £1.5m from the Schools Block DSG General Reserve to partially alleviate the cost pressure on 2026-2027 school budgets of the proposed funding transfer. The funding amount available from the Schools Block DSG General Reserve for this purpose will be reduced to £500k in the event of there being no transfer of funds from the School Block DSG to the High Needs Block budget for the 2026-2027 financial year. Any funding shortfall amount above these amounts will need to be managed through capping and scaling.

2.2 The school funding consultation for the 2026-2027 financial year is principle-based due to the later DfE publication of the 2026-2027 school funding information. In this respect it is not possible to provide the indicative funding implications at individual school level as has been provided in previous years. Schools are requested to provide an “in principle” view on the 2026-2027 school funding considerations in relation to:

- the level of the Minimum Funding Guarantee (MFG)
- the management of funding variances
- the 0.5% or 1% funding transfer from the School Block DSG to the High Needs budget.

This consultation requests mainstream schools and academies within North Yorkshire to provide their views on the following options:

1. Level of the 2026-2027 Minimum Funding Guarantee (MFG)

Option	MFG %
1	DfE Minimum Level MFG
2	DfE Maximum Level MFG

2. The methodology to be used in the event of any surplus or shortfall in funding on the Schools Block DSG after the calculation of 2026-2027 school budget allocations:

- a. The allocation of any surplus funding available:

Option	Preferred Methodology
1	Any surplus funding distributed by Age Weighted Pupil Unit (AWPU)
2	Any surplus funding distributed by Lump Sum

- b. The use of capping and scaling to manage any funding shortfall:

Option	Preferred Methodology
1	A lower gains cap percentage and a lower scaling back of gains percentage
2	A higher gains cap percentage and a higher scaling back of gains percentage

3. The proposed transfer of 0.5% or 1% from the Schools Block DSG to the High Needs Block budget for the 2026-2027 financial year.

Option	Preferred Methodology
1	1% transfer from School Block DSG to High Block budget
2	0.5% transfer from School Block DSG to High Block budget
3	No transfer from School Block DSG to High Block budget

The Equalities Impact Assessment related to the proposals contained within this consultation is provided in **Appendix 1** to this document.

The proposals detailed above are included in the on-line response to this consultation that can be found at: <https://online1.snapsurveys.com/ij6hr4>

**Your response needs to be submitted by: 5.00pm on Friday, 24 October 2025.**

**Sections 3 – 9 below of this document provide further detail of the 2026-2027 School Funding proposals for schools and academies within North Yorkshire for the 2026-2027 financial year.**

### **3.0 Background**

**3.1** The provision of the 2026-2027 DSG funding information will be published by the DfE later 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 2026-2027 financial year, the DfE have provided summary policy information. This guidance confirms that there are no structural changes to the schools NFF for 2026-2027, with no changes to the NFF factors and how they operate compared to 2025-2026. The guidance confirms that local authorities will continue to be responsible for deciding local funding formulae for mainstream schools in their area for 2026-2027, 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 2026-2027 financial year. In the absence of the detailed school funding information, and in order to ensure 2026-2027 school budgets can be published within the required timescales, North Yorkshire Council is undertaking a principle-based school funding consultation.

**3.2** 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 Minimum Funding Guarantee 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

### **4.0 2026-2027 North Yorkshire School Funding Consultation**

**4.1** The Government allow local authorities to locally set the MFG level within certain percentage parameters. In the 2025-2026 financial year this was between minus 0.5% and 0% per pupil; the North Yorkshire Council level was set at the maximum level of 0%. The MFG is one of the mechanisms that determine the change in per pupil funding levels that a school can experience from year to year. The level of the MFG ensures a guaranteed level of change in per pupil funding levels at individual school level when compared to the previous financial year. In this respect, a higher MFG supports those schools where the NFF provides a lower percentage increase in funding per pupil than the guaranteed minimum when compared to funding levels in the previous financial year.

***The school funding consultation seeks views as to whether the DfE minimum or maximum MFG level should be implemented for 2026-2027***

4.2 Whilst the increased level of sparsity funding 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 North Yorkshire Schools Forum has approved the LA proposal to apply to the DfE to continue to provide the exceptional circumstance funding of £50,000 for 2026-2027 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

4.3 The overall funding requirement for 2026--2027 school budgets, and the associated affordability within the 2026-2027 schools block DSG funding provision cannot be finalised until the actual 2026-2027 schools block DSG allocation is received in December 2025. The final position can result in there being either a funding surplus or shortfall on the grant allocation. Over recent years the local authority has encountered both positions where there has been a surplus funding position with additional funding been required to be allocated to school budgets and there been funding shortfalls where the Schools Block General Reserve has been utilised to support the shortfall. The local authority needs to ensure that consideration is given to how any final funding surplus or shortfall is managed.

**Funding surplus:** consideration needs to be given as to how any funding surplus will be distributed. The proposed options are by an addition to the lump sum or to the age weighted pupil unit (AWPU) value. Schools are asked to provide an in-principle view on the allocation methodology to be used, if required.

**Funding shortfall:** The North Yorkshire Schools Forum have provided approval for up to £500k (if no funding transfer to High Needs) or up to £1.5m (after any agreed funding transfer to High Needs) from the Schools Block DSG Reserve and the Growth Funding received from the DfE to be used to support any funding shortfall. Any funding shortfall in excess of these amounts will need to be managed through the use of the DfE approved mechanism of capping and scaling funding gains on school budgets. The general principles 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 Minimum Funding Guarantee (MFG) and Minimum Per Pupil Level (MPPL) funding levels are protected under a capping and scaling arrangement.
- 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 school funding consultation seeks views on the mechanism to be used to manage any surplus funding or funding shortfall in excess of the additional funding support available after the calculation of school budgets for the 2026-2027 financial year.*

## 5.0 Notional SEN Budget

- 5.1 The **Children and Families Act 2014** secures the general presumption in law that children and young people with SEN should be educated in mainstream education settings. The **SEND code of practice**, which is statutory guidance to which schools must have regard, sets out mainstream schools' current legal duties in relation to their pupils with SEN. Those duties include that schools must use their best endeavours to secure that the special educational provision called for by a pupil's special educational needs is made.
- 5.2 Mainstream maintained schools and academies are notified each year of a clearly identified but notional SEN budget, within their overall budget allocation. Schools should use this SEN budget towards the costs of fulfilling their duty to use their 'best endeavours' to secure that special educational provision for their pupils with SEN is made. Local authorities are responsible for calculating the amount of the notional SEN budget using funds from the schools' block DSG with reference to the local mainstream schools funding formula factors. The notional SEN budget is not a budget that is separate from a school's overall budget. It is an identified amount within a maintained school's delegated budget share or an academy's GAG. The budget is intended as a guide for a school's spending decisions and is neither a target, nor a constraint, on a school's duty to use its 'best endeavours' to secure special provision for its pupils with SEN. It should be noted that the notional SEN budget is not intended to provide £6,000 for every pupil with SEN, as in many instances pupils' support will cost less than this amount.
- 5.3 The DfE recommend that local authorities undertake an annual review of the notional SEN budget calculation to ensure that the notional SEN budget funding provision for a local authority broadly reflects the funding requirement for the budget based on the numbers of pupils identified as having additional SEN support requirements within the authority. The DfE also undertake a validation check of the notional SEN budget provision for a local authority.
- 5.4 North Yorkshire Council undertook a significant review of the notional SEN budget calculation in 2024-2025 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. A review of the notional SEN budget funding requirement was undertaken for the 2025-2026 financial year. The review indicated a small surplus position on the notional funding allocation of £230k with no changes being required to the notional SEN budget calculation.

- 5.5 The annual review process 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 and the 2025-2026 notional SEN funding budget allocation. The results from the review are detailed below:

<b>North Yorkshire – Notional SEN Budget 2025-2026 Funding Review</b>		
Total Number of Pupils on SEN Support	10,406	
SEN Support Pupils - Total Estimated Funding Requirement from the Notional SEN Budget based on DfE average cost assumptions		£36,421,000
Total Number of Pupils with an EHCP	2,312	
EHCP Pupils – Total Funding Requirement from the Notional SEN Budget based on Element 2 maximum funding value		£13,872,000
<b>Total Notional SEN Budget Funding Requirement for SEN Support Pupils and EHCP Pupils</b>		<b>£50,293,000</b>
<b>2025-2026 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>

Based on the outcome of the review it is not considered necessary to propose any amendments to the notional SEN budget funding formula calculation for the 2026-2027 financial year.

## 6.0 High Needs Funding

- 6.1 There remains 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. The projected unmitigated in-year deficit on the High Needs Block for 2026-2027 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.

- 6.2 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 the transfer of funding from the Schools Block DSG to the High Needs Budget for the 2026-2027 financial year must be considered as part of the overall financial recovery plan strategy for the High Needs Budget. This approach reflects the shared responsibility for High Needs across the stakeholders within the sector. The proposed funding transfer from the Schools Block to the High Needs Block would be utilised to fund locality boards in 2026-2027 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. Based on the 2025-2026 Schools Block funding, a 0.5% funding transfer would equate to £2.3m and a 1% funding transfer would equate to £4.6m; the proposed block transfer options for the 2026-2027 financial are expected to be similar amounts.

The Schools Forum have approved the proposed mitigations in respect of the use of the 2026-2027 DfE Growth Funding and up to £1.5m from the Schools Block DSG General Reserve to partially alleviate the cost pressure on 2026-2027 school budgets of the proposed funding transfer.

***The school funding consultation seeks views on proposed funding transfers of either 0.5% or 1% of funding from the Schools Block DSG to the High Needs Block for the 2026-2027 financial year.***

- 7.0 The Equalities Impact Assessment related to the proposals contained within this consultation is provided in Appendix 1 to this document.

## **8.0 Next Steps**

- 8.1 The proposals detailed above are included in the on-line response to this consultation which can be found at: <https://online1.snapsurveys.com/ij6hr4>
- 8.2 **Your response needs to be submitted by: 5.00pm on Friday, 24 October 2025**
- 8.3 The results of this consultation will be presented to members of the North Yorkshire Schools Forum for recommendations to be considered at its meeting on 20 November 2025. Schools will be notified of the provisional outcome of this by mid-December. The final decision will be made by the Council's Executive in January 2026; any decision will take into account recommendations from Schools Forum.
- 8.3 The DfE release the data needed to calculate next year's budget in mid-December. We aim to publish primary and secondary school budgets by mid-February.

## Accompanying Appendices

Appendix 1: Equalities Impact Assessment